

How Indonesia's Resource Nationalism Works: Balancing Political Interests and Technocratic Agendas in a Developmental State

Abstract

Indonesia has implemented resource nationalism policies in its oil, gas, and mining sectors, acquiring natural resource assets from foreign companies and promoting State-Owned Enterprises to manage these assets. However, the application of these policies varies: Chevron lost its asset entirely, Freeport McMoran surrendered majority ownership but retained operational rights, and British Petroleum maintained full ownership. This paper explores the political conditions that allow for these policy variations, positing that they arise from Indonesia's resource nationalism being intertwined with the country's development strategy. This alignment has enabled technocratic intervention, crafting nationalist policies that also support economic growth. Consequently, technocrats have developed policies that uphold the political agenda of nationalism while ensuring the continued productivity of natural resource assets. This demonstrates the limits of resource nationalism agendas in developing countries and allows for strategic technocratic intervention within the implementation of economic nationalism policies

Keywords: resource nationalism, technocrats, Indonesia.

Prologue

In 2017, the Indonesian government decided not to renew Chevron's contract for the Rokan block and instead transferred the operational rights to the state-owned oil company Pertamina. Similarly, the government chose not to extend the contract of Total, a French oil and gas firm, for the Mahakam block, which expired in December 2017; Pertamina was again given control over this asset (Newberry 2018). In 2018, the government compelled Freeport McMoran to sell a majority stake in PT Freeport Indonesia (PTFI), which operates the Grasberg copper and gold mine, reducing the American mining company to a minority shareholder (Rachman & Senatana 2017). The state-owned enterprise holding company for mining, initially named Inalum and later rebranded as MIND ID, was directed to purchase these majority shares. Although PTFI saw a shift in majority ownership to the SOE, Freeport continued to manage the operations of the mine.

These events highlight Indonesia's political stance on resource nationalism (Junita 2015; Warwick 2022; Warburton 2003). There is growing concern that such policies may give the market the perception that Indonesia is unwelcoming to foreign enterprises. This could potentially hinder the nation's efforts to attract more foreign direct investment, which is crucial for supporting its development agenda (Winanti & Diprose 2020).

However, resource nationalism in Indonesia does not uniformly translate to adverse policies for all foreign enterprises. Notably, some companies have successfully avoided negative impacts on their operations and ownership. For instance, in 2019, ConocoPhillips renewed its contract for the Corridor Block in South Sumatra. More recently, in 2022, British Petroleum (BP) was awarded a long-term contract for the Tangguh LNG project in Papua. Additionally, despite

Freeport McMoran being reduced to a minority shareholder, the government granted them continued operational rights—the same government that mandated their share reduction. This paper addresses a key question: Why do resource nationalism policies in Indonesia vary in their treatment of different foreign companies? Why was BP able to secure contract extensions and operational rights when Chevron could not? And why did the Indonesian government allow Freeport McMoran to retain operational control of the Grasberg mine after reducing its stake? Despite experiencing the same resource nationalism political narratives, there is a clear variation in policy application affecting these companies.

This article argues that resource nationalism stems from the interplay of domestic political actors seeking political and economic gains. However, technocrats moderate this process by setting boundaries. They structure the mechanics of resource nationalism to ensure that acquisitions minimize adverse impacts while preserving the economic value of the assets.

The theory developed in this paper, "Strategic Technocratic Intervention in Economic Nationalism," posits that resource nationalism in developing countries is not merely a political agenda but is intertwined with technocratic objectives. This strategic technocratic intervention is feasible only in countries with a development agenda that includes economic growth and global market engagement. The theory highlights the limits of resource nationalism in developing countries and explains the variations in policy outcomes.

Indonesia serves as an empirical example of this theory. The country's development agenda has evolved from the authoritarian era under General Suharto (1968-1998) to the reform era following the Asian financial crisis. While economic nationalism has persisted, politicians are compelled to heed technocratic advice to maintain economic growth and development.

This theory learned and developed from Antulio Rosales' hybrid resource nationalism theory. Which examined why Venezuela in the 2000s did not fully nationalize its resource sector as it did in the 1970s, instead, Venezuela renegotiated the terms under which foreign companies could participate in the resource business to enhance state participation and control (2018). Under Chávez, Venezuela's relationship with foreign companies followed a hybrid model that incorporated significant mechanisms of state control while relying on foreign investment to achieve the state's objectives (ibid 461). This shows the limit and variation of resource nationalism in autocratic states such as Venezuela.

However, Rosales' theory does not emphasize the process through which policy variations develop. This paper aims to address this gap by examining how technocratic policies can emerge within an economic nationalist regime, providing insights into the mechanisms that allow for the formulation of technocratic interventions under nationalistic economic policies.

In the case of Indonesia, President Joko Widodo (Jokowi, 2014-2024) and his administration have politically capitalized on the acquisition of natural resource assets in two main ways. Firstly, they gain strategic leverage over these assets. While the private sector may be hesitant to increase oil production when prices are low, state-owned enterprises can maintain or boost

production to meet strategic policy objectives. Controlling these assets also leads to direct fiscal benefits such as increased sales and royalties, thereby bolstering the national budget. Secondly, the state can influence corporate decisions. This includes appointing personnel to key positions within acquired companies, controlling corporate social responsibility (CSR) funds, orchestrating event sponsorships, and engaging in various other economic activities. By reinforcing state-owned enterprises through the acquisition of foreign assets with strong economic prospects, the president enhances both his political and economic standing.

President Jokowi highlighted the acquisitions of Chevron and PTFI during his 2019 re-election campaign, using these narratives to gain media popularity (Wicaksana 2019; Winanti & Diprose 2020). Although the resource nationalism narrative has public appeal, there is no direct evidence linking it to electoral advantages. However, significant changes occurred in the composition of the executive boards at PTFI and the Rokan block under Pertamina post-acquisition, with the president's loyalists filling commissioner positions (Bloomberg 2021). This suggests that the acquisitions have primarily benefited his internal consolidation among elites rather than electoral gains.

The president's motive for acquiring foreign assets remains rooted in his economic development agenda (Warburton 2018). Following the strategic technocratic intervention within economic nationalism, it is essential to examine how various interests intertwine with the politically charged resource nationalism narrative (Rosales 2018).

Technocrats play a crucial role in shaping and overseeing resource nationalism policies, ensuring they align with broader economic development goals without jeopardizing them. Their ability to provide evaluations and mitigate the influence of political ideology and interests is vital for understanding how resource nationalism operates in a developmental state like Indonesia.

The scholarly debate on resource nationalism often overlooks the role of technocrats in the decision-making process. Warburton (2023) examines the influence of domestic conglomerates and ownership structures (Winanti & Diprose 2020), as well as how control over resources bolsters political capital (Mahdavi 2020). However, the role of technocrats has primarily been scrutinized in terms of their operational structures during authoritarian regimes (Shiraisi 2014) and their political interactions with other stakeholders (Mietzner 2020; Juwono 2017).

This article aims to fill the gap in understanding how technocrats operate within specific political narratives and how policy variations emerge from the negotiation between political interests and technocratic agendas. It highlights the limits of resource nationalism and demonstrates that, even within political narratives perceived as "backward," such as resource nationalism, a reasonable and calculated policy-making process remains possible.

The information presented in this paper is derived from direct observations, interviews conducted in Jakarta from 2017 to 2023, and complementary media reports.

The article is structured into several sections. It begins with a theoretical framework to explore resource nationalism and the role of technocrats, particularly in the context of development agendas. The main argument follows, discussing how technocrats craft and execute policies related to resource nationalism. Subsequently, three case studies—Chevron, BP, and Freeport—are analyzed to dissect the specifics of each acquisition and identify the technocrats involved. While the situation with Total is mentioned, it is not included as a case study because its oil upstream assets are similar to those of Chevron's Rokan block. The final section offers concluding observations and recommendations.

Resources Nationalism, Developmental State, and Technocracy

Resource nationalism refers to policies enacted by a state to control and exploit natural resources within its borders, often for strategic economic and political reasons. This concept is frequently discussed in academia, especially in terms of its role as policies in the development strategies of various states.

Several variations of resource nationalism policies are limitations or fully banned the export of raw ore, local content requirements to include more local contractors or domestic procurement, compulsory CSR contributions, and forced divestment of foreign assets to the state-owned enterprises (Dargin 2010; Wilson 2015; Marston 2016; D'Costa 2009). These policy patterns are important to see the motive behind the nationalization of foreign assets to see what policies are being deployed to achieve specific nationalist and political economic agendas.

In its most extreme form, resource nationalism can be employed as a political strategy to ensure the longevity of a regime. As highlighted by Mahdavi, the governance of resources like oil, gas, and minerals becomes a tactical means to safeguard revenue and profit streams, thereby stabilizing the regime's immediate tenure (Mahdavi 2020). Concurrently, establishing a sustainable timeline for resource extraction, maximizing profits from unexpected boons, and effectively managing the accrued wealth are strategies that can solidify the basis for a lasting political dominion (Childs 2016).

Mahdavi's research usefully illustrates the ways in which a state can leverage these natural resources as political assets, serving as both short-term and long-term instruments in the political and economic arena.

An instance of this is the Indonesian government's control over the Rokan block through Pertamina, which allows it to capitalize on surges in oil prices. Even when prices fall, the government is able to sustain production levels to ensure a stable supply. In contrast, private companies often hesitate to ramp up production and investment during periods of price volatility in the commodity markets.

Resource nationalism, including the acquisition of foreign assets, is a pertinent strategy for managing economic stability and securing raw materials, particularly in developing nations. Developmental states engage in active economic intervention to craft new competitive edges, promote industrial advancement, and steer their economy toward higher value-added

production (Khan and Christiansen 2010). However, the variation in intervention can lead to different outcomes; some countries experience economic growth, while others face stagnation or decline. How a country interferes in the economic system is crucial.

Wilson contends that developmental resource nationalism is characterized by governments driven by internal political mandates to catalyze economic transformation. This includes industrialization, technological progression, and delivering a wide spectrum of social services (Wilson 2015). Employing resource nationalism as a strategy for development signifies that governments enact interventionist policies to harness resource production towards achieving various political, economic, and developmental objectives (ibid 412). Simultaneously, it could serve the interests of domestic players such as State-Owned Enterprises or local conglomerates.

Wilson's theory is relevant for Indonesia, which uses natural resources as leverage for its development strategy, including oil, gas, and mineral assets. Acquiring the Rokan block's oil and gas assets has increased Pertamina's valuation and assets, making it a prominent NOC in ASEAN, second only to Petronas from Malaysia (NikkeiAsia 2018). In mineral resources, Indonesia banned the export of nickel ore to push investments in mineral processing, showing success in nickel processing capabilities (Emont 2023).

Utilizing resource nationalism within an economic development strategy carries certain risks. A negative reputation and diminished confidence from global investors could deter the foreign direct investment that is vital for economic growth. Today's developmental regimes understand the crucial role and the necessity of maintaining trust with foreign investors to fulfil their domestic development plans. Where traditional developmentalists might have been more "inward-looking," the current wave of developmentalism is attuned to and embraces the forces of globalization (Khan and Christiansen 2010).

In light of these risks, the role of the technocrat becomes essential in crafting a strategy that balances the nationalization of assets with continued economic growth and adherence to the development agenda. Technocrats devise strategies that integrate various elements, such as realizing economic gains from acquisitions, valuing the assets accurately, determining the optimal ownership structure, negotiating with investors, and evaluating the domestic SOE capacity to effectively manage these assets. The emergence of technocrats in crafting resource nationalism policies makes it a tool for the development strategy (Rodrik 2023). In any political system, the rise of technocrats may be the single most significant contemporary trend in elite composition (Putnam 1976).

One of the key academic discussions is how technocrats are used by political regimes. As Boo Teik mentioned, "Technocracy operates as an appendage of politically constructed structures and configurations of power and highly placed technocrats cannot be mere backroom experts who supply disinterested rational-technical solutions in economic planning, resource allocation, and social distribution since they are engaged in inherently political exercises. Any functioning technocracy operates as an appendage of politically constructed structures, institutions, and configurations of power" (Boo Teik 2014, 416).

Technocrats function within the framework of a political regime, yet they are not merely executors of political mandates (Putnam 1975). They contribute their expertise and viewpoints to politicians, and together they seek a consensus on the implementation of policies, whether they lean towards economic nationalism, liberalization, or other alternatives.

In her observation on how technocrats work in managing Nigeria's natural resources, Turner found that technocrats are relatively not corrupt, not because they possess special moral qualities, but because their function is to develop and provide local technical and executive capabilities and reduce dependence on foreign resources (Turner 1976, 69). This observation is partly true, as technocrats need to maintain their credentials. However, since they are involved in politics, they are susceptible to corrupt activities. For instance, in Indonesia, the corruption case of Rudi Rubiandini in 2013, who managed the Upstream Regulatory Body – BP Migas and was also a lecturer at the Institute of Technology Bandung (ITB), highlights this issue (Jakarta Post, 2014).

The technocrat's main capital is cultural capital, which involves scientific ethics in producing and executing the policy. Following Pierre Bourdieu's cultural capital theory, it can be explained as a form of capital that is "convertible in certain conditions into economic capital and maybe institutionalized in the form of educational qualifications" and technical skills (Bourdieu 1986). Hence, for the technocrat, protecting their credentials is much more important for the longevity of their career.

The technocrat works under the protection of the political regime, despite not doing the political work but in return giving their technical advice for the regime. This advice is not always in line with the regime's demand but always aims to support the regime's economic agenda and maintain the regime's political power (Bell 1973).

A functioning technocrat therefore operates as an appendage of politically shaped structures, institutions, and configurations of power (Boo Teik Teresa & Siraishi 2014; Meynaud 1969). The technocrat operates in the political sphere despite gaining political protection from the regime; a functioning technocrat is not free from political work. To mix politics and technocracy, political skill is needed for a technocrat to design meaningful policies and recommendations as what Putnam (1976) called a hybrid technocrat with political sentiment.

Within the framework of Indonesia's resource nationalism, technocrats have facilitated the regime's goals by leveraging the political narrative of acquiring foreign assets to serve the regime's political interests. Concurrently, to ensure sustained economic growth, these technocrats have crafted and executed policies strategically aimed at preserving economic development.

Main Argument: Designing Technocracy Policies Amid Political Interest and Maintaining Economic Benefits

During the 2019 presidential campaign, President Jokowi highlighted the takeover of the Rokan block, Mahakam block, and the divestment of Freeport as central aspects of his economic sovereignty platform, emphasizing the enhancement of State-Owned Enterprises, especially Pertamina and MIND ID. The decision on BP's timeline was scheduled post the 2019 election but close to the 2024 election period, a strategic time when President Jokowi's son, Gibran Rakabuming, is a vice-presidential candidate for Prabowo Subianto. For the 2024 election, using his popularity, President Jokowi aims to play a pivotal role in shaping the future leadership and maintaining influence in the forthcoming administration (Lamb & Teresia 2023).

There is a potential to be trapped into the argument that acquisitions are timed politically, as most of them are conducted close to election periods. However, the political timing argument cannot answer why the Indonesian government chose to grant PTFI to be the operator of the Grasberg mine close to the 2019 election and why in 2023 BP gained the contract extension near the next election in 2024.

The primary contention is that technocrats have advised the regime that nationalizing and operating oil assets is more feasible because Pertamina, the national oil company, already possesses the necessary technical expertise for oil and gas upstream. However, the underground copper and gold mining operations at Freeport's Grasberg site are exceedingly complex, and the state-owned enterprises (SOEs) currently involved in mining lack the technical know-how to handle such complex asset. Likewise, despite natural gas being hailed as the bridge fuel towards renewable energy and in high demand in the global market, Pertamina has limited capability to manage sophisticated LNG facilities like those operated by BP in Papua.

Mahdavi's research offers insights into the reasons leaders nationalize foreign assets, starting with the idea that the dissemination of information acts as the catalyst for such decisions (Mahdavi 2020, 39). In the context of this paper, it is the technocrats that provide this insight to the president. Viewed purely from a political standpoint, it might seem likely that the president would opt to nationalize all assets, including the operational rights for the Grasberg mine and LNG assets run by BP, transferring them to a State-Owned Enterprise at all cost, but this was not the decision made.

State-Owned Enterprises (SOEs) are central to President Jokowi's economic agenda (Kim 2018). Transferring significant assets to SOEs aligns with his interests. However, President Jokowi's development agenda necessitates careful consideration of the economic risks associated with his policies, including those related to acquiring natural resources assets from foreign companies.

If the regime decides to acquire operational rights to the Grasberg mine and/or the natural gas assets in LNG Tangguh without adequately assessing the State-Owned Enterprises' (SOEs) capacity to manage these assets, there is a significant risk of these assets becoming stranded. This scenario could potentially reduce state revenues from natural resource exports, taxes, and royalties, thereby jeopardizing the regime's political and economic objectives in acquiring these assets. Technocrats play a crucial role in advising the president, balancing his political ambitions

with practical economic considerations, and ensuring that acquisitions align with the broader economic development goals.

In these cases, the technocrats emerge from three major institutions and groups. The foremost is the Ministry of Energy and Mineral Resources (MoEMR), which during the Chevron and PTFI cases was led by Minister Ignasius Jonan (2016-2019), a seasoned career technocrat and former banker. His deputy, Vice Minister Archandra Tahar, holds a PhD in Ocean Engineering from Texas A&M University. The MoEMR is staffed with technocrats and engineers, many of whom are alumni of prestigious Indonesian technology universities. These include the Institute of Technology Bandung (ITB) along with other renowned engineering faculties at the University of Gadjah Mada, the University of Indonesia, and the Institute of Technology Sepuluh Nopember (ITS).

The second key institution in this framework is SKK Migas (the oil and gas regulatory body), an entity that evolved from its predecessor, BP Migas, after it was dissolved by the Constitutional Court (Butt & Siregar 2013). Although SKK Migas doesn't possess the robust legal standing of BP Migas, it plays a critical role in overseeing all oil and gas operations in Indonesia. Operators in the oil and gas sector are required to report various details to SKK Migas, including production data, operational costs, geological data, and production targets. Essentially, SKK Migas holds an in-depth understanding of the intricacies within Indonesia's oil and gas sector. The data owned by SKK Migas is pivotal for informing decision-making processes in negotiations and acquisition plans related to oil and gas contracts (Najib et al 2018).

The third key player is the Ministry of State-Owned Enterprises (SOE), which, during the Freeport acquisition, was notably influenced by Budi Gunadi Sadikin, who served as a senior advisor to the Minister of SOE from 2016 to 2017. Sadikin later became the CEO of Inalum, a mining SOE that evolved into MIND ID, the SOE mining holding company, from 2017 to 2019. Despite his academic background in nuclear science from the Institute of Technology Bandung (ITB), Sadikin is primarily known for his banking career, having achieved the top position as CEO of Bank Mandiri, a major state-owned bank. His diverse expertise in finance and microeconomics significantly contributed to the strategic manoeuvring during the acquisition process.

Unlike the cases with Chevron and BP, where the contracts were ending and the government could easily acquire the assets (Yi et al 2019), the situation with PT Freeport Indonesia (PTFI) was different. To acquire a majority stake in PTFI, the Indonesian government purchased Freeport's shares in PTFI for \$3.85 billion, thereby obtaining a 51.2 percent stake (Karmini 2018). Sadikin's expertise was instrumental in evaluating the asset's value and structuring the loan required to buy these shares. He was supported in this endeavour by several investment bankers, including Orias Petrus Moedak, who later became vice president of PTFI.

For almost four decades, Indonesian technocrats have predominantly come from economics and engineering backgrounds (Shiraishi 2014). Unlike his predecessors, Sadikin and his contemporaries come from banking backgrounds, approaching problem-solving through

financial and accounting lenses. Their primary areas of expertise lie in asset discounting and corporate finance.

With many Indonesian private corporations and SOEs listed on the stock exchange (Guild 2024), the role of bankers has become increasingly integral to the economy. Skills in capital markets, corporate finance, and asset management are highly valued and relevant for these new-era technocrats.

The new wave of bankers and finance technocrats is competing with traditional technocrats who come from economics and engineering backgrounds and typically hold PhDs from U.S. universities (Merrill 2012). For bankers and finance technocrats like Sadikin and his peers, the high salaries and benefits in the financial sector serve as direct disincentives to pursuing doctoral degrees. A banker close to Budi Gunadi Sadikin remarked, "Spending time on a doctoral degree for Budi is a waste of time. Some bankers may consider obtaining a PhD since most of them were high-performing students in their undergraduate programs, but the opportunity cost is too high. They earn billions of Rupiah per month and don't want to lose that."¹

These banker technocrats differ significantly from the long-standing technocrats who emerged from academia, starting with the rise of the Mafia Berkeley group, which was instrumental in shaping Indonesia's economic policies from the mid-1960s onwards (Mullen 2022). These economists, collectively known for their economic policies, focused on the stabilization and growth of the Indonesian economy.

This paper develops a conceptual framework to understand what makes technocrats successful in competitive democratic and developmental settings. The success of technocrats depends on their ability to navigate three key political dimensions. The first is garnering support from their technocratic peers. Technocrats do not emerge in a vacuum; they bring with them years of professional experience accumulated across various institutions (academic or non-academic) and companies (private or state-owned enterprises).

These experiences and activities have cultivated networks and relationships, which Pierre Bourdieu (1986) described as social capital. This form of capital offers a wealth of resources to technocrats, including information networks, access to opportunities, and social credentials. Like other forms of capital, social capital accumulates over time and necessitates social investment. Building and maintaining relationships, as well as nurturing networks, require both time and effort.

Indonesian technocrats actively preserve their social capital through involvement in university alumni associations, professional organizations, or other communal engagements with fellow technocrats. It's important to note that there isn't a singular unified group of technocrats;

¹ Interview May 2023 Jakarta

rather, there exist multiple, sometimes competing, groups of technocrats, each with its own dynamics and influence.

The second crucial aspect for an effective technocrat is the capacity to devise policies that harmoniously integrate political interests with a technocratic vision. This skill is vital for balancing the regime's political objectives, which are primarily focused on retaining power and garnering popular support, with technically sound strategies that ensure continued economic development.

To acquire this expertise, a technocrat must possess a deep understanding of the political landscape, particularly the president's or regime's political interests and agenda. They need to grasp the language and motivations of the president, tailoring their technocratic policies accordingly. This includes the ability to effectively communicate policy proposals, simplifying complex ideas while highlighting their direct benefits to the president's agenda. Proposals that do not align with the president's objectives are likely to be dismissed.

Furthermore, these technocratic policies should align with the president's political narrative, offering short-term political gains that the president can leverage while also supporting the longer-term agenda of economic development. It's essential for the president to recognize that these dual benefits will materialize over different timeframes.

The third element vital for a technocrat's effectiveness is political backing from key political institutions, be it political parties or parliament. While this may seem less critical for technocrats, recent trends indicate an increasing expectation for them to engage politically.

In Indonesia's diverse political landscape, power is spread across parliament, political parties, NGOs, religious organizations, and local communities. Consequently, technocrats are honing skills in managing relationships and communications with these stakeholders. Technocrats also need adviser especially in area that they are lacking of, mostly political engagements. They often appoint expert staff or special assistants to handle these interactions. Many of these communication and external affairs specialists are former journalists – for instance, Ignasius Jonan employed ex-journalist Hadi M Djuarid, and Budi Gunadi Sadikin enlisted former The Jakarta Post editor Rendy Witoelar.

During the Suharto authoritarian era (1968-1998), technocrats enjoyed political protection, which largely exempted them from engaging in political activities beyond their professional scope, particularly as the Suharto regime dominated the parliament, political parties, the military, and social organizations. However, in post-authoritarian Indonesia, with its multitude of stakeholders such as parliaments, political parties, NGOs, media, and religious organizations, technocrats are now expected to actively engage in political realms to garner support for their policy initiatives.

Case Studies: Chevron, Freeport, and BP - Macro Overview

The contract for Chevron's operation in the Rokan block, Indonesia's largest oil producer, was set to expire in 2021. According to the Ministry of Energy and Natural Resources Regulation No. 23 of 2018, Chevron retained the right to request a contract extension. However, the Indonesian government also had the prerogative to consider alternative operators. Chevron had been operating the Rokan block for nearly 90 years, and in the 1980s, it produced 1 million barrels per day.

In July 2018, after comprehensive negotiations involving multiple ministries, Vice Minister Archandra Tahar of the Ministry of Energy announced that state-owned enterprise Pertamina would take over as the operator of the Rokan block. In line with their proposal, Pertamina committed to paying a signature bonus of \$784 million and promised an additional investment of \$500 million in the Rokan block (Yep 2018).

In the decision regarding Chevron's contract for the Rokan block, the main technocratic advisors were from the Ministry of Energy and Mineral Resources (MoEMR) and SKK Migas. These advisors largely supported the idea of Pertamina taking over control of the assets. A central issue in their deliberations was whether Pertamina should manage the assets on its own or collaborate with reliable partners.

This debate was rooted in the fact that the Rokan block is a mature asset requiring advanced technology and significant investment, which brought Pertamina's ability to manage such an aged asset into question.

Chevron has managed the block for more than 50 years. As a result, both SKK Migas and ESDM agreed on including a clause in the arrangement that would require Pertamina to find a partner for managing the Rokan block.

Some technocrats within SKK Migas and ESDM were somewhat confident in Pertamina's capability to oversee the asset, especially considering that Chevron's employees who were currently managing the Rokan block would transition to become part of Pertamina under the Cost Recovery Contract (Anjani & Baihaqi 2018), allowing for a seamless transfer of expertise (Audrey R et al. 2018). However, there remained concerns about Pertamina's efficiency in handling an asset with diminishing productivity due to its age (PWYP 2021).

The technocrats recognized the risks of transferring complete ownership and operational responsibilities to Pertamina but believed these risks were controllable. They posited that introducing a requirement for partnerships with reputable firms would adequately mitigate these risks. At the same time, by assigning full operational control to a state-owned enterprise, President Jokowi could make a strong public statement about reclaiming national assets from foreign control.

A source within the SKK Migas said "There were mixed opinions within SKK Migas and ESDM. While it is known that officials from Chevron will transfer to Pertamina, Pertamina has internal efficiency issues. If problems arise with the Rokan block, national oil production could be

affected, potentially leading to increased oil imports, which would not be favorable for the trade deficit."²

In the case of PT Freeport Indonesia (PTFI), intense negotiations and governmental pressure led to Freeport agreeing in August 2017 to divest a 51 percent stake to the Indonesian government (PWYP 2018). As part of this agreement, Freeport committed to expediting the development of a copper smelter and increasing royalty payments to the government. A key issue in these discussions was the government's responsibility to pay \$3.85 billion for the 51 percent stake in PTFI. President Jokowi was determined to see this deal through, but he was firm on not using state funds for the acquisition.

Budi Gunadi Sadikin and his team proposed an innovative solution: financing the purchase through the issuance of global bonds. The technocrats were confident in the attractiveness of the Grasberg mine's profitability in copper and gold to potential investors and banks. They advised keeping Freeport as the mine's operator for two primary reasons: first, to maintain investor confidence, it was crucial to have a competent operator, especially given the Grasberg mine's shift to more challenging and riskier underground operations. Second, unlike Pertamina's experience in the oil and gas sector, there was no state-owned mining enterprise in Indonesia that could match Freeport's operational excellence. Therefore, handing over operational rights to Inalum (Indonesia's mining SOE) or other local mining companies was deemed financially unwise (Reuters, 2018).

A source from the Presidential Office Staff (KSP) stated, "Using the state budget for the acquisition would require the president to divert funds from infrastructure projects, which the president does not want to disrupt. Budi Gunadi's idea of utilizing global bonds is not a novel strategy internationally, but for the president, it represents a new method to finance the acquisition without impacting ongoing projects."³

Later, as the CEO of Inalum (2017-2019), Sadikin skilfully managed the Freeport acquisition, strengthening his relationship with President Jokowi in the process. His successful tenure led to his appointment as the Minister of Health during the COVID-19 pandemic. Alongside the Minister of Finance, Sri Mulyani, a former World Bank Director, Sadikin is regarded as a prominent technocrat in President Jokowi's cabinet.

British Petroleum's (BP) contract to operate the Tangguh LNG terminal in Indonesia is scheduled to end in 2035. However, BP has stipulated the need for a long-term contract as a prerequisite for investing in the exploration and development of an additional LNG terminal. Following recommendations from SKK Migas and the Ministry of Energy and Mineral Resources (MoEMR), BP was granted an extension of its contract until 2055. The Tangguh LNG terminal is a critical asset, accounting for 20 percent of Indonesia's natural gas output, making it the largest LNG

² Interview December 2018 SKK Migas official

³ Interview December 2018 Presidential Office Staff official

asset in the country and a key supplier to the domestic market and export. The anticipated start of Tangguh Train 3 in 2023 is expected to boost production by 50 percent.

The prominent role of BP Tangguh in Indonesia's industrial growth and natural gas sector poses a question: Why not transfer control of this asset to Pertamina in line with President Jokowi's resource nationalism agenda? Such a shift could potentially be advantageous for Pertamina by acquiring an economically successful asset.

However, technocrats at ESDM and SKK Migas, including Minister Arifin Tasrif and his deputy for oil and gas Tutuka Ariadji — both alumni of the Bandung Institute of Technology (ITB) — emphasize the strategic significance of the asset. They express reservations about Pertamina's ability to handle the complex production systems of an LNG terminal despite its expertise in upstream oil operations.⁴ Acknowledging these concerns, President Jokowi has backed the decision, endorsing the continuation of BP's contract as proposed by ESDM and SKK Migas.

Another interesting aspect of the BP Tangguh contract extension is that Pertamina did not challenge the extension or propose a counteroffer. "Pertamina recognizes that they lack the capacity to manage the asset," said a source from National Energy Council (DEN). "This situation is different from the Rokan block, where they can manage the assets more easily. Additionally, developing the Tangguh LNG project will require significant investment and technological expertise, areas where BP is well-equipped to excel."⁵

Pertamina conducts its own internal assessments to determine the extent to which it can support the nationalization of foreign assets.

Assets	Political Interest	Technocratic Approach
Rokan Block – Chevron	SOE Pertamina acquired the assets. State has access to economic assets. Political campaign for 2019 re-election.	Agreed for Pertamina to take over the asset. Proposed clause for partnerships with reliable partners for Pertamina in the contract.
Grasberg mine - Freeport	SOE Inalum acquired majority of the shares. State has access to economic assets. Political campaign for 2019 re-election.	Granted Freeport operational rights to manage complex underground mining. Secured investors' trust by keeping Freeport as the operator.

⁴ Interview with ESDM and SKK Migas officials in December 2023.

⁵ Interview with National Energy Council official in January 2024.

Tanggung LNG – British Petroleum (BP)	Acquire shares in the assets	Granted BP full contract extension.
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The situations involving Chevron, Freeport, and BP illustrate that technocrats are taking a nuanced approach to complex issues. They are aligning their decisions with the president’s resource nationalism goals and the empowerment of state-owned enterprises (SOEs), yet they are also willing to deviate when necessary. In the Rokan block scenario, they included a clause requiring Pertamina to seek a credible partner, serving as a form of risk management.

Conversely, in the case of the BP Tangguh LNG, the technocrats presented compelling justifications for allowing BP to retain control of the asset until 2055. The technocrats’ ability to engage in meaningful dialogue with the president and his administration has been crucial to the decision-making process for both the BP Tangguh LNG contract and the Chevron Rokan block contract. In the case of the Grasberg mine, although a state-owned enterprise acquired the majority stake, operational rights are retained by Freeport primarily due to the domestic SOE’s lack of technological expertise and skills required for such operations.

Conclusion

In the context of strategic technocratic intervention, Indonesia exemplifies how resource nationalism policies can produce varying outcomes. This theory applies particularly to countries that prioritize economic development, where political agendas are moderated by the need to sustain economic growth and asset productivity. Political regimes urgently require technocratic advice to implement nationalistic agendas while maintaining asset productivity and economic performance. Thus, technocrats play a pivotal role in ensuring that resource nationalism aligns with broader economic development goals, mitigating potential negative impacts while preserving economic value.

In a developing nation like Indonesia, resource nationalism can be seen as a strategic policy initiative. The formulation of these policies involves various approaches: complete acquisition of assets through shares or operational rights, acquiring assets while allowing foreign firms to manage operations, or choosing not to acquire the assets at all.

A key consideration for developing countries is aligning policies with the overarching goals of state-driven economic development. Concurrently, political regimes need to maintain their power, and resource nationalism often serves as a tool for this purpose. Traditionally, political strength in developing countries has been demonstrated through the acquisition of foreign assets and the strengthening of state-owned enterprises (SOEs). This what allow the strategic intervention from the technocrats, to make political agenda aligned with the economic agenda.

The role of technocrats is increasingly crucial as they act as intermediaries, balancing political interests with the imperatives of economic growth. Technocrats are tasked with determining the

most appropriate approach for the state to adopt in its resource nationalism policy. This article argues that resource nationalism should not be seen as inherently anti-foreign or opposed to a liberal economy; rather, it is part of the complex internal dynamics of policy-making where political and technocratic agendas for economic development intersect and sometimes clash.

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