CHAPTER V

CONCLUSION

Since its first mining operation in 1967, PT Freeport Indonesia has become one of the biggest mining companies through its mining operations in West Papua which is the third largest copper mining and the world largest gold mining by production. However, West Papua is currently still struggling to develop and to reduce the gap with other region in Indonesia. This research aims to answer the question of “how do Freeport’s mining operations affect the dynamics of West Papua’s development?”.

By using the qualitative method, the research question has been answered through the entire research findings and analysis of this research. There were one theory and two concepts to analyze the dynamics of PTFI’s mining operations towards the development of West Papua: the concept of multinational corporations, the concept of OLI and dependency theory. Furthermore, this research used GDRP, GDRP growth rate, HDI, length of road infrastructure, unemployment rate and poverty rate as the measurement of the development.

From the analysis, this research discovers that there are three underlying reasons behind Freeport McMoran’s business expansion to West Papua as a mining company. According to the concept of OLI by John Dunning, the underlying reasons are ownership advantages, location advantages and internalization advantages. The ownership advantages define Freeport McMoran’s competitive advantages as the parent company which holds the largest stake for
PT Freeport Indonesia in running the business. The location advantages refer to the strategic location for PTFI as the only company to run its mining operations in Ertsberg and Grasberg in West Papua with a huge gold and copper reserve. Lastly, the internalization advantages explain that Freeport McMoran’s decision to run its mining operations in West Papua was a right decision in order to gain the maximum profit rather than cooperate with other companies to start its production abroad.

Moreover, this research found that there is an exploitative relationship between Freeport and West Papua, including with the Indonesian Government. Ander Gunder Frank in his dependency theory stated that there are metropolis and satellite actors which later build an exploitative relationship. The metropolis actor gains capital and profit to develop while the satellite actor is underdeveloped as the impact of the exploitation. The metropolis actor also tends to maintain the structure between them. The exploitation itself later creates a political alliance which is built from the local monopoly bourgeoisie of West Papuans which is integrated into international capital and increases the production for the foreign market for Freeport.

In the analysis, PTFI’s mining operations affected the negative impacts for the development of West Papua region. After its fifty-years mining operations in West Papua, the region could not get the profits and remains to become the poorest provinces in Indonesia. Likewise, the Indonesian Government also struggles to renegotiate with Freeport McMoran to change the Contract of Work
in order to maximize the profits that come from West Papua’s gold and copper mining and cut the ‘exploitative relationship’ between them.

Based on Frank’s hypothesis, the underdevelopment which occurred in West Papua is limited by their status as Freeport’s satellite. On the contrary, Freeport as no one’s satellite is developed and resulting an exploitation. This exploitation is generated by the historical process of Freeport’s mining operations in West Papua. Thus, West Papua has to replace its status as the satellite actor to Freeport and in order to build beneficial relations with Freeport.

In conclusion, PTFI’s mining operations causes negative impacts towards the development of West Papua. There was a big difference between Freeport’s contribution to the society and its profit from the mining operation. Thus, the Indonesian Government has to uphold its effort to renegotiate with Freeport McMoran for the betterment of West Papuans, West Papua and Indonesia.
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