



Parahyangan Catholic University
Faculty of Social and Political Science
Department of International Relations

Accredited A

SK BAN –PT NO: 451/SK/BAN-PT/Akred/S/XI/2014

**Freeport Mining Industry in West Papua: the Dynamics
of Mining Operations towards the Development of West
Papua**

Thesis

By:

Daniel Tantra Wiratama

2014330138

Bandung

2017



Parahyangan Catholic University
Faculty of Social and Political Science
Department of International Relations

Accredited A

SK BAN –PT NO: 451/SK/BAN-PT/Akred/S/XI/2014

**Freeport Mining Industry in West Papua: the Dynamics
of Mining Operations towards the Development of West
Papua**

Thesis

By:

Daniel Tantra Wiratama

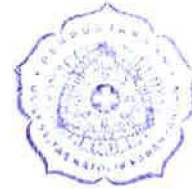
2014330138

Supervisor

Stanislaus Risadi Apresian, S.IP., M.A.

Bandung

2017



Faculty of Social and Political Science
Department of International Relations



Thesis Validation

Name : Daniel Tantra Wiratama
Student ID : 2014330138
Title : Freeport Mining Industry in West Papua: the Dynamics of Mining Operations towards the Development of West Papua

Has been examined in Final Examination
On Thursday, December 14th, 2017
And thereby declared **GRADUATED**

The Board of Examiners

Chairperson and member of examiners

Sapta Dwikardana, Ph. D

:


.....

Secretary

Stanislaus Risadi Apresian, S.IP., M.A.

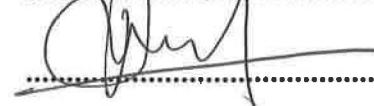
:


.....

Member

Dr. I Nyoman Sudira, Drs., M.Si.

:


.....

With the acknowledgement of,
Dean of Faculty of Social and Political Sciences



Dr. Pius Sugeng Prasetyo, M.Si.



Statement

I, as followed:

Name : Daniel Tantra Wiratama

Student ID : 2014330138

Department : FISIP / International Relations

Title : Freeport Mining Industry in West Papua: the Dynamics towards
West Papuan Development

Hereby assert that this thesis is the product of my own research, and it has not been previously proposed for the same purpose by any other academics or party. Any information, ideas, and facts gained from parties are officially cited in accordance to the valid scientific writing method.

I declare this statement with full responsibility and I am willing to take any consequences given by the prevailing rules if this research was found to be invalid, or if this statement is found to be untrue.

Bandung, December 8th, 2017



Daniel Tantra Wiratama

Abstract

Name : Daniel Tantra Wiratama
Student ID : 2014330138
Title : Freeport Mining Industry in West Papua: the Dynamics of Mining Operations towards the Development of West Papua

As a multinational corporation, PT Freeport Indonesia (PTFI) has been successfully running its business as a mining company in West Papua, Indonesia for fifty years since 1967. Currently, Freeport is the world's largest gold mine and the third largest copper mine. On the contrary, West Papua region which consists of the province of Papua and West Papua is still struggling to develop as a region. This research attempts to answer the research question of how does Freeport's mining operations affect the development of West Papua.

By using the dependency theory from Andre Gunder Frank, this research tries to elaborate the assumption about the exploitative relationship between Freeport and West Papua as a part of Indonesia. Frank stated that there is a monopolistic structure which is built from the metropolis actor which in the context of this research is Freeport, and West Papua as the satellite actor. This research found that Freeport gains the capital and raw materials from West Papua which resulted in negative impacts for the local people and the environment and tends to maintain the monopolistic structure for its benefits. Thus, the role of the Indonesian Government to renegotiate the Contract of Work with Freeport in order to gain the maximum profit needs to be upheld for the betterment of West Papua, West Papuans and Indonesia.

Keywords: Freeport Mining Operations; the Development of West Papua; Dependency Theory; Exploitative Relationship.

Abstrak

Nama : Daniel Tantra Wiratama
NPM : 2014330138
Judul : Industri Tambang Freeport di Papua Barat: Dinamika Operasi
Tambang terhadap Pembangunan Papua Barat

Sebagai sebuah perusahaan multinasional, PT Freeport Indonesia Tbk. (PTFI) telah berhasil menjalankan bisnisnya sebagai perusahaan tambang di Papua Barat, Indonesia selama lima puluh tahun sejak 1967. Saat ini, Freeport adalah perusahaan penghasil emas terbesar, dan penghasil tambang ketiga terbesar di dunia. Di sisi lain, Papua Barat sebagai sebuah wilayah yang terdiri dari provinsi Papua dan Papua Barat masih berjuang untuk berkembang sebagai sebuah wilayah. Penelitian ini berusaha untuk menjawab pertanyaan penelitian mengenai bagaimana operasi tambang Freeport mempengaruhi pembangunan Papua Barat.

Dengan menggunakan dependency theory milik Andre Gunder Frank, penelitian ini akan mencoba menjabarkan asumsi terkait hubungan eksploitatif antara Freeport dan Papua Barat sebagai bagian dari Indonesia. Frank menyatakan bahwa terdapat struktur monopolistik yang dibangun dari aktor metropolis yang mana dalam konteks penelitian ini adalah Freeport, serta Papua Barat sebagai aktor satelit. Penelitian ini menemukan bahwa Freeport memperoleh keuntungan berupa modal dan bahan mentah untuk produksi dari Papua Barat dan membawa dampak negatif pada masyarakat lokal dan lingkungan sekitar serta cenderung untuk mempertahankan struktur monopolis tersebut demi keuntungannya. Dengan demikian, usaha pemerintah Indonesia untuk bernegosiasi ulang mengenai Kontrak Karya (KK) Freeport yang mana bertujuan untuk memaksimalkan keuntungan yang diperoleh dari hasil tambang Freeport perlu didukung demi kemajuan Papua Barat, warga Papua Barat serta Indonesia.

Kata Kunci: Operasi Tambang Freeport; Pembangunan Papua Barat; *Dependency Theory*; Hubungan Eksploitatif.

Preface

In the name of God: Father, Son, and Holy Spirit. After a long journey of researching, writing and analyzing, this thesis which is titled “**Freeport Mining Industry in West Papua: the Dynamics of Mining Operations towards the Development of West Papua**” has finally been completed. This thesis is done for the purpose of the author’s final examination to obtain the author’s Bachelor Degree in the Department of IR, Parahyangan Catholic University, Bandung.

The aim of this thesis is to find out the dynamics of Freeport’s mining operations towards the development of West Papua, Indonesia. This research elaborates the details on both the positive and negative impacts until finally jumping into a conclusion from the analysis.

In the process of composing this thesis, the author has encountered obstacles, challenges and demotivation in various ways. However, with the highest gratitude to God Almighty’s helping hand along with the endless support and inputs from the author’s distinguished supervisor, **Stanislaus Risadi Apresian, S.IP., M.A.**, this thesis was finally completed on time.

The author realizes that this thesis is still far from perfection. Thus, the author is open for further criticism and suggestions towards this thesis for the betterment of this research.

Bandung, December 9th, 2017

Daniel Tantra Wiratama

Acknowledgement

Philippians 4 :13: I can do all things through Him who strengthens me.

Above all, I would like to take this opportunity to thank Allah, the Almighty God for His endless blessings and guidance which led me to where I am today.

To my parents, thank you for being such a loving yet supportive Mom and Dad. Your prayers, supports and love have been blessings that I always count on in the past three and a half years during my study. My brother, Joseph Rama Wiratama, you are such an inspiration to me since I was a kid. Being an older brother is not easy, yet you have become a perfect of someone that I can look up to. Thank you my family, my blessings.

Fransisca Bianca, never did I expect to meet a person that no words could explain. It will never be enough for me to have fruitful talks, amazing journeys, surprising surprises, ups and downs moments and great experiences that we have passed during university. Indeed, you have been writing a best story of our memories in my mind that will never end. Thank you for being a best person that I will never forget whenever I look back at moments in university. Witnessing us growing up together with me is such a great honor. Cheers for another journey ahead! Also thanks for your endless grammar-checking for this thesis, Bi.

During the process of my study, I have met a lot of people who have inspired me and being friends that I always thankful for to be surrounded by. Frida, it is such a privilege to have a best friend and partner-in-crime since the sophomore year until completing our thesis together, since we were KBI 2. We did great as a partner. Joel, Khalif, Sultan, it is always fun to spend time with you guys. I am sorry for leaving earlier than all of you, and good luck for your thesis. To Ali, Ivan and Bobby, as my best partners who always give a lot of inputs and become a friend to confide a lot of my anxieties. To Adriana who gave me a precious lesson of life, for being a friend, a professional partner to work and a leader at the same time.

I also would like to send a highest gratitude for the Delegation of India for PRAKDIP 2017; Vanessa, Vallencia and Marlyn. My last year of university would be totally different if I was not included in a same group with you guys. It is always nice to look back at the moment of PRAKDIP with the best team that I could ever ask for. Being a chairperson will always be a golden memory as an IR UNPAR student.

To other friends from batch 2014, Anthony, Agatha, Catharina, Christopher, Farhan, Fella, Giasinta, Grace, Kevin, Livia, Michael, Mediatrix, Praditia, and other friends that I cannot really mention one by one, you guys are really amazing. Thank you and I hope to see you guys again in the next chapter of our life!

For the colleagues from other batches, thank you Prissy for making me one-sidedly feel like having a supportive sister, good luck for the rest of your journey in IR UNPAR. Also thanks for Jessica for being a really kind yet supportive person to share stories with. For the Delegation of PNG for GINTRE 2015, you guys are really amazing and it is really nice to witness all of you since you guys were freshmen. For the seniors, Kak Farizi, Imam, Dinda, Aji, Fakhri, Jediza, Nabila, etc. thank you for being such an inspiration and giving lessons of life which motivated me to grow up. From my dearest friends since Senior High School, Adriel, Bernardus, Hannah, Kevin, Lorentius, Nancy, Nicodemus, Raynaldo, etc. thank you for your supports and good luck for each of our future carrer paths.

For the lecturers, thank you Mas Apres for being a best mentor, lecturer, supervisor, motivator and friend. I could not thank you enough for your patients, lessons, inputs, critiques, and the most important thing is your kindest and passion to share knowledge to your students. Good luck for your Doctoral Degree and keep inspiring! To Mbak Jessica, I will never regret the moment when I was included in your Diplomacy class and being chosen as the board of dais for the Diplomacy in Practice. It is always nice to share our stories and to hear your inputs and previous experiences, along with Mas Abe. To Mbak Ratih, thank you for being a lecturer who inspired me and shape my way of thinking both as a person and as a scholar through your lecture in OI and IR in Southeast Asia class. Thank you to Mas Nyoman and Mas Sapta as the board of examiners for this thesis. It is an honor for me to get inputs and critiques for the betterment of my thesis. Indeed, it is a big honor to be taught by all of the lecturers, and the moments of my study in IR UNPAR until my completion of this thesis was something that I will never regret.

The last but not least, I would like to thank all of the members of the #GreatKSMPMI and Fondasi KSMPMI 2016-2017. One of the saddest part of my life in university is to know that the moment when we grow up together, discuss endlessly at socratime, share our laughs, tell our story, run our working programs and other precious moments have finally ended. Thank you for being my most comfort zone, and a place where I learned a lot of things. I know that the spirit lives within us, and hopefully KSMPMI will always be a reason for me to come home. Also thank you for RING I HMPSIHI 2016-2017 under the leadership of Antonius as the place where I learned great things. It is a big pleasure for me to work with all of you. Thank you HMPSIHI.

For the final words, may we all have a wonderful life in the future!

Bandung, January 10th, 2017

Daniel Tantra Wiratama

Table of Contents

Abstract	i
Abstrak	ii
Preface	iii
Acknowledgement	iv
Table of Contents	vi
List of Figures	viii
List of Tables	ix
CHAPTER I	1
INTRODUCTION	1
1.1 Research Background.....	1
1.2 Problem Identification	8
1.2.1 Research Limitation	11
1.2.2 Research Question	12
1.3 Purposes of the Research.....	13
1.3.1 Practical Use of the Research	13
1.4 Literature Review	13
1.5 Theoretical Framework	17
1.6 Research Methods and Data Collection's Technique.....	24
1.6.1 Data Collection's Technique.....	25
1.7 Thesis Structure	27
CHAPTER II	28
THE DEVELOPMENT OF THE WEST PAPUA REGION	28
2.1. Gross Domestic Regional Product of the West Papua Region 2007-2016 28	
2.2. Growth Rate of Gross Domestic Regional Product of the West Papua Region 2007-2016	33
2.3. Human Development Index of the West Papua Region 2007-2016.....	36
2.4. Gini Coefficient of the West Papua Region 2007-2016.....	49

2.5. Poverty Rate of the West Papua Region 2007-2016	51
2.6. Unemployment Rate of West Papua Region 2007-2016.....	55
2.7. Infrastructure Index – The Length of Road in the West Papua Region 2013-2015.....	57
2.8. Examining the Development of West Papua region from 2007-2016 ...	62
CHAPTER III	65
PT FREEPORT INDONESIA’S EXTRACTIVE OPERATIONS IN WEST PAPUA AND ITS IMPACTS TO THE SOCIETY	65
3.1. PT Freeport Indonesia Contract of Work	66
3.2. PT Freeport Indonesia’s Contributions to the Society	73
3.3. The Impact of PT Freeport Indonesia’s Mining Operations towards West Papua Region and the Local People	79
3.4. Appraising the Presence of PTFI in West Papua Since 1967.....	86
CHAPTER IV.....	88
THE DYNAMICS OF FREEPORT’S MINING OPERATIONS TOWARDS THE DEVELOPMENT OF WEST PAPUA	88
4.1. Freeport McMoran’s Business Expansion to West Papua, Indonesia – OLI Model.....	88
4.1.1. Ownership Advantages	90
4.1.2. Location Advantages	91
4.1.3. Internalization Advantages	92
4.1.4. PTFI and the Three Conditions of OLI.....	93
4.2. West Papua and PTFI as the Metropolis-Satellite Structure	94
4.3. The Indonesian Government and PTFI as the Metropolis-Satellite Structure	101
CHAPTER V	110
CONCLUSION.....	110
BIBLIOGRAPHY.....	114

List of Figures

Figure 2.1 GDRP West Papua Region 2007-2010.....	30
Figure 2.2 GDRP West Papua Region 2011-2016.....	31
Figure 2.3 Growth Rate of GDRP West Papua Region 2007-2010.....	34
Figure 2.4 Growth Rate of GDRP West Papua Region 2011-2016.....	35
Figure 2.5 The Measurement of Human Development Index (HDI).....	37
Figure 2.6 Human Development Index West Papua Region 2007-2009	38
Figure 2.7 Life Expectancy of the West Papua Region 2007-2009.....	39
Figure 2.8 Adjusted Per Capita Expenditure of the West Papua Region 2007-2009	40
Figure 2.9 Literacy Rate of the West Papua Region 2007-2009.....	41
Figure 2.10 Mean Years of Schooling of the West Papua Region 2007-2009	42
Figure 2.11 Human Development Index (New Method) West Papua Region 2010- 2016.....	43
Figure 2.12 Life Expectancy of the West Papua Region 2010-2016 (New Method)	44
Figure 2.13 Adjusted Per Capita Expenditure of the West Papua Region 2010- 2016 (New Method)	45
Figure 2.14 Expected Years of Schooling of the West Papua Region 2010-2016 (New Method)	46
Figure 2.15 Mean Years of Schooling of the West Papua Region 2010-2016 (New Method).....	47
Figure 2.16 Gini Ratio West Papua Region 2007-2016 (1st Semester).....	50
Figure 2.17 Percentage of Poor People 2007-2016 (1st Semester).....	52
Figure 2.18 Poverty Gap Index West Papua Region 2007-2016 (1st Semester) ..	53
Figure 2.19 Poverty Severity Index West Papua Region 2007-2016 (1st Semester)	54
Figure 2.20 Unemployment Rate West Papua Region 2007-2016	56
Figure 2.21 The Length of National Road West Papua Region 2013-2015	58
Figure 2.22 The General Conditions of National Road Papua Province 2013-2015	59
Figure 2.23 The General Conditions of National Road West Papua Province 2013- 2015.....	61
Figure 3.1 The Concession Area of PTFI's Mining Operations.....	69
Figure 3.2 Compositions of Workers in PTFI.....	74
Figure 3.3 Total West Papuan Staff Workers in PTFI from 2006- 2015.....	75

Figure 4.1 Comparison of the General Allocation Funds of the West Papua Region from the Central Government with Indonesia's Total Revenue from PTFI 2007-2016 (In Trillion Rupiah).....	96
Figure 4.2 Financial Contributions from PTFI and PT Telkom Indonesia for the Indonesian Government 2003-2015.....	105
Figure 4.3 Financial Contributions from PTFI and Indonesian Migrant Workers for the Indonesian Government 2010-2015.....	106
Figure 4.4 the Dynamics of PTFI's Mining Operations towards the Development of West Papua by using the Dependency Theory.....	108

List of Tables

Table 2.1 Examination of the Development of the West Papua Region from 2007 2016.....	63
Table 3,1 PTFI's Financial Contribution to the Indonesian Government.....	71
Table 3.2 Ten of the World's Largest Gold Mine by Production.....	72
Table 3.3 PTFI's Contribution in Health Sector.....	76
Table 3.4 PTFI's Contribution in Education Sector.....	76
Table 3.5 PTFI's Contribution in Developing Infrastructure.....	77
Table 3.6 PTFI's Waste Treatment Plant Facilities.....	78
Table 4.1 PT Freeport Indonesia's Financial Contribution to the Freeport McMoran 2005-2015.....	92
Table 4.2 Royalty Rates of Mining Product in Indonesia.....	106

CHAPTER I

INTRODUCTION

1.1 Research Background

West Papua¹ is one of the many regions in Indonesia which has a promising prospect from its natural resources, but still dealing with internal disputes over the territories. The issue of West Papua disputes has been emerging since half a century ago under the occupation of the Netherlands. After little contact with the Western world, it was finally formally colonized by the Dutch in 1898.² Later during Indonesia's independence in 1945, West Papua was not recognized as part of Indonesia by the colonial government. The Dutch recognized that West Papua was geographically, ethnically and culturally very different to Indonesia and so the Dutch government began preparing West Papua for its own independence throughout the 1950s.³

After a long-process of negotiation and war over the territories of West Papua, the Indonesian government, the Dutch and indigenous people of West Papua finally reached an agreement through the assistance from the US government. The US government managed to conduct a meeting between

¹ West Papua is a term to describe the region of Western New Guinea, the Western part of Papua New Guinea. West Papua gained its independence from the Dutch through assistance from the US Government and the United Nations in 1962 and marked by the New York Agreement. After the New York Agreement, West Papua territories were officially included as part of the Unitary States of the Republic of Indonesia in May 1969 after the Act of Free Choice for the Papuans. The Indonesian Government formerly used the term Irian Jaya or West Irian to describe West Papua Region. Since 2003, West Papua was split into the provinces of Papua and West Papua.

² "History of West Papua," *Free West Papua Campaign*, accessed on February 26, 2017, <https://www.freewestpapua.org/info/history-of-west-papua/>.

³ *Ibid.*

Indonesia and the Dutch resulting in the New York Agreement, which in 1962 gave control of West Papua to the United Nations and one year later transferred control to the Indonesian government.⁴ Later the United Nations also took part in assisting the transfer of control over West Papua territories by supervising the Act of Free Choice for the Papuans. The Indonesian government claimed that its effort to conduct the Act of Free Choice under United Nations supervision was legitimate and in accordance with the agreement.⁵ The Indonesian government gave the rights to Papuans to decide their future over the independence issue. Its purpose was to determine whether the Papuans wished to become part of Indonesia, or choose independence.⁶

After the transfer of control of West Papua territories from the Dutch, the disputes did not turn out to be resolved between the Indonesian government and Papuans. The Act of Free Choice that was also managed by the United Nations in 1969 did not resolve the West Papuans movement whether became an independent state or part of the Republic of Indonesia.

“In the conclusion to its UNGA report, Indonesia remarked that West Irian (West Papua) was one of the most primitive and undeveloped communities in the world. “To measure the method and conduct of the act of free choice in such a community against purely western democratic methods and procedures, would indeed be erroneous and unrealistic.””⁷

⁴ *Ibid.*

⁵ Rodd McGibbon, “Pitfalls of Papua, Understanding the Conflict and its Place in Australia-Indonesia Relations,” Lowy Institute for International Policy (2006): p. 12.

⁶ John Stanford, “The United Nations and the Indonesians Takeover of West Papua, 1962-1969,” (New York: RoutledgeCurzon, 2003), 2.

⁷ *Ibid.*, p. 165.

There was a vague stands between the Indonesian government and international actors in recognizing West Papua as a colonized territory or as the part of the Unitary State of the Republic of Indonesia. At one point, prior to independence, Mohammed Hatta (Indonesia's first Vice-President) even argued with his colleagues that the Papuans were not Indonesian and had a right to their own state.⁸ However, the United Nations failed to assist the territory disputes in West Papua. The world body does not even recognize West Papua as a colonized territory, thus effectively depriving West Papuans of UN resources to fuel their struggle for self-determination.⁹

The Act of Free Choice in 1969 resulted that West Papua will be part of Indonesian territory. Indonesia took control of the territory, when all relevant international parties recognized that the New York Agreement had essentially transferred full sovereignty to Indonesia.¹⁰ Besides, the Indonesian government had not been fully resolved the problem of West Papua. As General Nasution stated in the early 1960s, Indonesia had been left with a 'Dutch time bomb', which means that the Dutch legacy combined half a century of colonial neglect with a decade of promised economic development and self-determination.¹¹ The failure of Dutch legacy which later produced difficult conditions for Indonesia to

⁸ *Ibid.*, p. 5.

⁹ Prianka Srinivasan, "How the UN Failed West Papua," *The Diplomat*, accessed on February 27, 2017, <http://thediplomat.com/2016/09/how-the-un-failed-west-papua/>.

¹⁰ Rodd McGibbon, *Pitfalls of Papua, Understanding the Conflict and its Place in Australia-Indonesia Relation.*, p. 10.

¹¹ *Ibid.*

institute its rule was resulting West Papua interlinkages with other provinces remained underdeveloped.¹²

Besides the developmental issue of West Papua to struggle as a new province, the issue of Freeport Mc-Morran copper and gold Inc as an extractive industry in Indonesia began to emerge after the transfer of control over West Papua territory. Extractive industry is defined as the extraction or removal of stone from land for the purposes of commercial use of the stone and/or for the construction, building, road, or manufacturing works.¹³ There is no modern economy that can operate without any access to adequate, affordable, and safe raw materials produced by extractive industries.¹⁴ The story of the Grasberg mine began in the mid-1930s when Dutch colonists discovered copper deposits in the Jayawijaya Mountain glaciers in the Indonesian part of New Guinea.¹⁵

The issue of Freeport's expansion to Indonesia emerged along with Soekarno's act towards foreign aid and capital during his presidency. Sukarno's insistence on self-reliance really meant a downgrading of development, and former high officials in the Sukarno government were virtually unanimous in asserting that no one, not even Sukarno, ever really believed Indonesia could

¹² *Ibid.*, p. 18.

¹³ "Protocol for Environmental Management: Mining and Extractive Industries," EPA VICTORIA (2007): p. 3.

¹⁴ "The Case of Freeport Mc-Morran Copper & Gold Inc. in Indonesia's Extractive Industry," *Asia Monitor Resource Center*, accessed on March 4, 2017, <http://www.amrc.org.hk/content/case-freeport-mc-morran-copper-gold-inc-indonesia%E2%80%99s-extractive-industry>.

¹⁵ "Grasberg: The World's Largest Gold Mine," *Mining Global*, accessed on March 4, 2017, <http://www.miningglobal.com/miningsites/796/Grasberg:-The-World's-Largest-Gold-Mine>.

develop without foreign aid.¹⁶ There were some debates among elites of government during Soekarno's era over this issue. The debates were going between supporting for foreign investment and perceiving it as a national threat that could lead to the neo-imperialism.

The implication of this view is that Indonesia's control of its own destiny is in jeopardy and that foreign policy must be used to defend the nation's independence; a foreign policy of development, based on heavy reliance on foreign aid, is considered risky because the potential aid givers are suspected of posing a threat to the nation's independence.¹⁷ Moreover, Soekarno's policies were resulting that Indonesia would not accept foreign capital from foreign countries. Later Indonesia refused the offer from Freeport McMoran to operate their operations to extract raw materials from West Papua.

Not long after, there was a change of policy towards foreign capital in Indonesia following the downfall of Soekarno era. The situation was started from the destruction of Soekarno era, with their guided economic policy throughout 1958-1965, during which time the state conducted interference toward the market and destroyed the dominance of foreign capital.¹⁸ The beginning of Soeharto's presidency marked a new plan of action on how Indonesia perceived and managed foreign capital.

¹⁶ Franklin B. Weinstein, "The Indonesian Elite's View of the World and the Foreign Policy of Development," Southeast Asia Program Publications at Cornell University vol. 2(2011): 129.

¹⁷ *Ibid.*, p. 99.

¹⁸ "The Case of Freeport Mc-Morran Copper & Gold Inc. in Indonesia's Extractive Industry," *Asia Monitor Resource Centre*, accessed on March 4, 2017, <http://www.amrc.org.hk/content/case-freeport-mc-morran-copper-gold-inc-indonesia%E2%80%99s-extractive-industry>.

On the contrary of Soekarno era, the era of President Soeharto resulted the end of anti-imperialism policies from Soekarno that were totally different towards foreign aid and capital, in particular in regulating extractive industries.

“Soeharto’s authoritarian regime that was commenced in blood, has initiated the return of more aggressive capital expansion up into the remotes of Indonesia for the second time after the colonial period. During the Soeharto regime, there are at least three Acts passed soon after one-year of ruling: Law No. 1 year 1967 concerning Foreign Investment, Law No. 11 year 1967 on Basic Provisions of Mining, and Law No. 5 year 1967 on Basic Provisions of Forestry. These three laws got rid of all the policies produced by Soekarno’s era that hindered foreign capitals. Since then, the management of extractive industries was being regulated (freed from any form of state intervention that inhibiting) so that foreign capital has exclusive access to land and the raw material resources, through a mechanism called the "Contract of Work”.¹⁹

Furthermore Freeport started to expand its business to Indonesia and began to extract raw materials from West Papua. At the same year of the passing of the three laws, the Gold Mining Company, Freeport Indonesia received a "Contract of Work" as a license to operate and start their exploration in Papua. The Agreement between the Government of Indonesia and PT Freeport-was called 'First Generation Contract of Work’ which was given only to Freeport.²⁰

PT Freeport Indonesia signed a Contract of Work with the government of Indonesia on 7 April 1967, making Freeport the exclusive mining contractor for the Ertsberg deposit and all the other mining deposits within a 10 km radius.²¹ Since then, Freeport’s operations in West Papua have been starting with its long-year contract until now.

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ Junji Nakagawa, “Freeport’s Grasberg/Ertsberg Mine in West Papua, Indonesia,” APEC Secretariat (2008): 76.

However, the long-year contract of Freeport in Indonesia resulted many conflicts among civilians, for the examples the case of shooting by unidentified gunmen which killed two American teachers and one Indonesian citizen. The shooting by unidentified gunmen on 31st of August, 2002 on the road from Timika to the Freeport mining enclave of Tembagapura in which two American citizens and one Indonesian citizen were killed and twelve others were injured is a demonstration of the strength of militarism and impunity in Indonesia.²² The cases of killing Freeport personnel became the major issue among indigenous people of Papua.

“In December 2001, two Freeport environmental unit employees were shot at the Grasberg mine site. No investigation into the attack was conducted. The shootings were reportedly carried out by unidentified gunmen wearing military uniforms. In April 2002, Kopassus attacked indigenous Papuan civilians in the lowland hamlet of Kali Kopi in which one civilian was killed and seven others were arrested and tortured. On 25 May 2002, five to seven Papuans holding axes and one revolver attacked Freeport security guards at the main office building in the company's Western-style suburb town of Kuala Kencana. They then fled the scene.”²³

The cases of Freeport have been a long-debate towards Indonesia's foreign investment within political-economic, social and human rights issues. This research aims to find the answer on how the dynamics of the West Papuans developments are, which have been heavily influenced by Freeport operations over West Papua territories. On the following chapters, Freeport operations as an extractive industry and the development of West Papuans will be elaborated along with the chapter of analysis. Hence, this research will be titled **Freeport Mining Industry in West Papua: the Dynamics of Extractive Operations towards the Development of West Papua.**

²² Elsham, “What's Wrong With Freeport's Security Policy?,” *Inside Indonesia*, accessed on March 4, 2017, <http://www.insideindonesia.org/whats-wrong-with-freeports-security-policy>.

²³ *Ibid.*

1.2 Problem Identification

West Papua is one of the poorest regions in Indonesia according to the regional income and the human development index provincial report by UNDP. Being the largest archipelago in the world, stretching across 3,500 miles and consisting of about 17,000 islands, it is no surprise that governance is a complicated matter in Indonesia.²⁴

However, the inequality in Indonesia is an economic problem for which the Indonesian Government is responsible, due to the implications caused by Indonesia's model of development. Inequality in Indonesia is growing faster than in most of its East Asian neighbors, raising the concerns of many Indonesians, says a new World Bank report.²⁵ In results, the government needs to take an immediate action to decrease the inequality between provinces. One of from nine Jokowi's main agendas as a president is to build Indonesia from its periphery by strengthening the rural areas within the framework of a unitary state of Indonesia.²⁶

²⁴ "The Issue of Inequality within Indonesia's Booming Economy," *Indonesia-Investments*, accessed on March 7, 2017, <http://www.indonesia-investments.com/id/business/business-columns/inequality-of-the-regions-economic-significance-towards-indonesias-economy/item730>.

²⁵ "Indonesia: Rising Inequality Risks Long-Term Growth Slowdown," *The World Bank*, accessed on March 7, 2017, <http://www.worldbank.org/en/news/press-release/2015/12/08/rising-inequality-risks-long-term-growth-slowdown>.

²⁶ "Industry Facts and Figures," *Ministry of Industry Republic of Indonesia*, accessed on March 7, 2017, www.kemenperin.go.id/download/8244.

West Papua is currently still facing the problem of poverty and inequalities within its local civilians. Of all the areas ruled by Indonesia, resource-rich West Papua is suffering to fight the poverty.²⁷ There are still many development problems that are faced by Papuans and West Papuans regarding their quality of life. Poor infrastructure, enormous distances, weak institutions, uneven development planning, low population density, difficulties in attracting qualified health and education workers are just some of the significant challenges facing the region.²⁸ In addition, the education and health problems become the indicator to know about the development in the region. While primary school enrollment is high (82 percent), this drops at secondary school to 47 percent and at senior secondary school to 19 percent, with only one percent of students in higher education.²⁹ Alarming, West Papua has the highest rate of HIV in the country relative to population, with HIV infection rates in West Papua at 15 times Indonesia's national average.³⁰

The rate of unemployment in Papua also shows the current condition of local civilians which in accordance with the poverty rate. The unemployment rate in Papua province in August reached 57,000 or about 3,44 percent of the labor force, an increase of 3.15 per cent from last year.³¹ “Based on this identification, in August 2014, there were 280,222 people (17,32%) who worked in the formal

²⁷ Steven Katsineris, “West Papua: New Indonesian gov't offers more suffering,” *Green Left Weekly*, accessed on March 7, 2017, <https://www.greenleft.org.au/content/west-papua-new-indonesian-govt-offers-more-suffering>.

²⁸ “Challenges in Papua and West Papua,” *United Nations*, accessed on March 7, 2017, <http://www.un.or.id/en/where-we-work/geographic-focus/papua>.

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ “Unemployment Rate In Papua at 57,000.” *West Papua Daily*, accessed on March 7, 2017, <http://tabloidjubi.com/eng/unemployment-rate-in-papua-at-57000/>.

sector and 1,337,215 people (82,67%) worked in informal sector. Among 1,617,437 workers in August 2014, 633,152 (39,15) were unpaid workers, 468,324 (28,95%) were outsourcing labors, 266,919 (16,50%) were labors/employees and 209,814 (12,97) were self-employments,” Koebianto (the Head of Papua Central Statistics Bureau) said.³² Thus, West Papua is still struggling to find its maturity as a region since they joined the Indonesian government officially in 1969.

One of the problems that occur in West Papua is caused by the mining activity from Freeport. The mining operations in Grasberg have been affecting the traditional economic operations by indigenous people from Papua. A 2012 report from Earthworks and MiningWatch Canada asserts that mine waste from Grasberg has “buried over 166 square kilometers of formerly productive forest and wetlands, and fish have largely disappeared”.³³ Freeport’s operations in mining have occupied West Papua territories for them to live and for their daily needs. “Land has been taken away directly by Freeport and indirectly, as the Indonesian settlers has appropriated it,” says Dr Agus Sumule, professor of agricultural socio-economics at the University of Papua.³⁴

The direct impact for the environment has occurred by the Freeport mining activity. Estimates from Earthworks suggest that Freeport dumps as much as 200,000 tons of mine waste, known as tailings, directly into the Aikwa (a river

³² *Ibid.*

³³ Susan Schulman, “The \$100bn gold mine and the West Papuans who say they are counting the cost,” *The Guardian*, accessed on March 7, 2017, <https://www.theguardian.com/global-development/2016/nov/02/100-bn-dollar-gold-mine-west-papuans-say-they-are-counting-the-cost-indonesia>.

³⁴ *Ibid.*

which used to provide Kamoro, the local people, for their daily needs) delta system every day.³⁵ The environmental degradation from Freeport operations has been a major problem for local people that caused poverty as they cannot run their traditional economic operations to fulfill their basic needs.

The practice has devastated the environment, according to Earthworks and locals, turning thousands of hectares of verdant forest and mangroves into wasteland and rendering turgid the once-crystal waters of the highlands.³⁶ However, this is just an example for a developmental problem over West Papua territories that caused by Freeport operations in mining gold and copper. Indeed, Freeport's operations have made developmental problem among West Papuans and over its territories.

1.2.1 Research Limitation

This research emphasizes on the West Papuans development based on some measurements of development, which are GDRP (Gross Domestic Regional Product), GDRP Growth Rate, HDI (Human Development Index); Gini Coefficient; Poverty Rate, Unemployment Rate and Infrastructure Index. The measurements of development consist of the development of West Papua as a region (both provinces of Papua and West Papua, Indonesia) and the human development (West Papuans). The measurements and reports were officially released by BPS (Central Bureau of Statistics) for Indonesian provinces. The period of development will be limited from the year of 2005 until 2015 (the last

³⁵ *Ibid.*

³⁶ *Ibid.*

ten years) for a proper range of development in a region. The economic development of West Papua as a region will become the author's main focus in this research. As a region, West Papua is still struggling to access their basic needs.

“We (West Papuans) are the poorest province in Indonesia, despite being the richest in natural resources. Literacy is very poor – the worst in Indonesia. Health statistics are grim. We are suffering an HIV/AIDS crisis with the highest rate of infection in Indonesia.”³⁷

On the other hand, Freeport's operations as the second object of analysis will be focused in its mining operations and other contributions to the region. This research could further analyze the dynamics of West Papua's development that are affected by Freeport's operations since its presence in West Papua.

1.2.2 Research Question

This research aims to answer the question of “**How do Freeport's mining operations affect the dynamics of West Papua's development?**”. The measurement of development is based on GDRP, GDRP Growth Rate, HDI (Human Development Index) by UNDP, Poverty Rate, Gini Coefficient, Indonesian Infrastructure Statistics and Unemployment Rate and Provincial Report for Papua and West Papua provinces released by Central Bureau of Statistics.

³⁷ Benny Wenda, “West Papua: my people need Australia's help before it is too late,” *The Guardian*, accessed on March 7, 2017, <https://www.theguardian.com/commentisfree/2014/apr/28/west-papua-my-people-need-australias-help-before-it-is-too-late>.

1.3 Purposes of the Research

The purpose of this research is to find the effect of Freeport's operations in mining gold and copper to the development West of Papua. The dynamics brought by Freeport towards the development of West Papua remains questioned. This research aims to give the answer on the effect of Freeport operations in West Papua is whether bringing a positive impact the development of West Papua, or vice versa.

1.3.1 Practical Use of the Research

This research attempts to offer the explanation on the development of West Papua that caused by Freeport's mining operations. The practical use of the research is aiming to be a reference, especially for the Indonesian government who is facing the issue of Freeport disputes in terms of its renewal contract of work and license to mine the natural resources. Regarding the importance of natural resources owned by states, this research could be a reference for other cases in managing their natural resources while dealing with the flow of foreign capital and investment by MNCs.

1.4 Literature Review

Regarding the context of the dynamics towards West Papuans development that is caused by Freeport McMorran's extractive operations in Papua, the author finds three journals that will further support the purpose of this research. The first journal in title: *The Future of the Indonesian Mining Industry: Recommendations to Policy Makers* by Indra Pradana. The journal explains that

despite the long list of benefits that accrue to the local community, mining sector has never been free from attack by various parties which claim that mining brings adverse impact to the environment.³⁸ Another argument said that mining could drain local economic potential.

Regarding the anti-mining perspective and proposals that occurred by mining operations, this paper argues that there are some problems that could be addressed. The first problem is environmental damage which is caused by the extractive industries that is highly dependent on the exploitation of non-renewable resources. The second problem is the neo-colonialism process by TNCs that made third world countries the source of raw materials to be supplied to the developed countries without maximum benefits for them. The next problems are related to the local people. The problems of human rights violations often occurred towards them and they could not get any attention in order to fulfill their interest. Additional problem is the ignorance and elimination of local traditional customs and settlement of land disputes by armed forces.³⁹

The second journal in title *Freeport's Grasberg/Ertsberg Mine in West Papua, Indonesia* by Junji Nakagawa published by APEC Secretariat on 2008. The journal argues that mining industry is an activity that directly affects natural and human environment over a long period of its operation. Freeport is one of many mining industries that were affecting the local community such as workers' safety and also environmental protection. In order to take action regarding this

³⁸ Indra Pradana, "The Future of the Indonesian Mining Industry: Recommendations to Policy Makers," Ritsumeikan Asia Pacific University, Japan: (2005), p. 2.

³⁹ *Ibid*, p. 8.

issue, the Government of Indonesia has to take immediate actions by regulating laws for the protection of local indigenous people, environment and land rights for local people.⁴⁰

The third journal in title *Development, Power, and the Mining Industry in Papua: A Study of Freeport Indonesia* by Rifai-Hasan and published in Concordia University, Department of Religion, Canada. In the journal, there are some arguments about the impact of Freeport's operations in Indonesia. During this time, the company was involved in human rights violations and gross environmental degradation within and around the concession associated with its operations.⁴¹ In results, there are some movements that protested in regards to the human rights violations. Since the mid-1990s, increasingly well-organized protests by international groups, human rights organizations, national and local NGOs have forced Freeport to direct a new course by undertaking a number of social investment projects.⁴² Thus, this journal discusses the current social responsibilities of Freeport by examining its impact on the resources and assets with which it come into part of its operation.⁴³

On the journal, it's argued that after 1996, it is fair to say that Freeport has contributed in investment to generate development and reduce poverty in Papua. After the fall of the New Order regime in 1998, there are some differences from the government of Indonesia's policy. A call by a parliamentary commission for

⁴⁰ Junji Nakagawa, "Freeport's Grasberg/Ertsberg Mine in West Papua, indonesia, *APEC Secretariat*, Singapore: (2008), p. 85.

⁴¹ Rifai Hasan, "Development, Power, and the Mining Industry in Papua: A Study of Freeport Indonesia," *Journal of Business Ethics* (2009) 89:129-143, Springer: (2010), p. 129.

⁴² *Ibid.*

⁴³ *Ibid.*

renegotiation of the Freeport contract with a more equitable distribution to Indonesians ended with the company's offer to double the royalties it paid to the government.⁴⁴ It seems that Freeport has been able to sustain its influence within the new democratic Indonesia.⁴⁵

In 2001, Indonesian parliament passed a law on autonomy for Papua which results a higher income from mineral wealth and wider jurisdiction and greater authority for the province and Papuan society to manage its own affairs. However, Freeport's direct and indirect contributions have produced a "multiplier effect" in the Papuan economy, spurring additional employment, wages, purchases, and economic activity.⁴⁶ These policies are expected for a better contribution to reduce structural problems for local people and environment.

To conclude this literature review, the three journals have explained the impact of mining industry and one of the examples is the impact of PT Freeport Indonesia's extractive operations in West Papua to the local people and the environment. Aside from the arguments among the previous scholars who argued that extractive industries including Freeport has never been beneficial for the local people and the environment, this paper is attempting to find another impact of Freeport's mining operations to the development of West Papua. The author will try to build the dynamics of the development through the measurement of GDRP, GDRP Growth Rate, HDI, Poverty Rate, Gini Coefficient, Infrastructure Index and Unemployment Rate in relations to Freeport mining operations in West

⁴⁴ *Ibid*, p. 138.

⁴⁵ *Ibid*.

⁴⁶ *Ibid*, p. 139.

Papua. Moreover, the dependency theory will be the main theory as the tool of analysis to further answer the research question in this research.

1.5 Theoretical Framework

Referring to the topic, this research is a part of International Relations study. The study of IR covers wide range of multidisciplinary aspects, in which this research is included as international political economics, with state and MNC as the subject of analysis as parts of it. In regards to analyzing this research, the author has shaped the path of thinking by using one theory and several concepts.

Dependency Theory – Andre Gunder Frank

The IR approach that suits with this research is the dependency theory. In his book *The Development of Underdevelopment* (1970), Andre Gunder Frank stated that metropolis-satellite structure serves as an instrument to gain capital or economic surplus to the world metropolis of which all are satellites, and will further maintain the monopolistic structure and exploitative relationship of this system.⁴⁷ These metropolis-satellite relations are not limited to the imperial or international level, but penetrate and structure the very economic, political, and social life of the colonies and countries.⁴⁸ Furthermore, Frank argued that underdevelopment was and still is generated by the very same historical process and structural approach which also generated economic development: the

⁴⁷ Andre Gunder Frank, "The Development and Underdevelopment," (New York: *Monthly Review Press*, 1969), p. 7.

⁴⁸ *Ibid.*

development of capitalism itself.⁴⁹ Moreover, it can lead to better development theory and policy by generating a hypothesis. Frank's hypothesis stated that in contrast to the development of the world metropolis which is no one's satellite, the development of the national and other subordinate metropolises is limited by their status.⁵⁰

In the context of this research, the monopolistic structure and exploitative relationship can be found from the monopolistic and satellite actors. The monopolistic structure is built from the Freeport McMoran through PT Freeport Indonesia as the monopolistic actor that gains capital to run its business and West Papua as the satellite actor that becomes the source of raw materials. The expansion of Freeport McMoran to Papua created a monopolistic structure which further created an exploitative relationship between them.

“With respect to the political theories in this realm dependency theory has been especially critical of the prevalent state-centered orientation; it has been argued that the state is simply not the dominant form of organization in international politics, since the fundamental economic substructure of the international system determines what happens in the relations among states.”⁵¹

There has been a changing orientation from state-centered into other actors that emerged. During the post-World War II era, dependency theorists have argued that international capitalism has expanded to such an extent that real power

⁴⁹ *Ibid*, p. 9.

⁵⁰ *Ibid*.

⁵¹ Wil Hout, “Dependency , Exploitation Ane Acritique of the Conception Dependency Theory,” *ECPR Joint Session of Workshops*, Amsterdam: (1987):p. 1.

is driven by multinational corporations and merchant banks, which are the present-day manifestation of finance capitalism.⁵²

Furthermore, dependency theory is concerning the correlation between economic development and underdevelopment.

“Economic development and underdevelopment are the opposite faces of the same coin. Both are the necessary result and contemporary manifestation of internal contradictions in the world capitalist system. Economic development and underdevelopment are not just relative and quantitative, in that one represents more economic development than the other; economic development and underdevelopment are relational and qualitative, in that each is structurally different from, yet caused by its relation with, the other”.⁵³

In the world capitalist system, international trade is the vehicle of exploitation through the unequal exchange of products between core and periphery value is said to be transferred from the latter to the former. Frank also added that the exploitation is sheltered by some political alliance which is built from the sector of the local monopoly bourgeoisie (the comprador), integrated into international capital and increasingly produces for the foreign market.⁵⁴

Additionally, Multinational Corporations are influencing the exploitation in order to gain their profit. There will be transfer of surplus that harms the periphery. Dependency theory has argued that the investments from multinational corporations have led to a continuous flow of capital towards the core countries and will further lead to a net outflow of capital from the developing countries, since the corporations have a tendency to 'repatriate' the profits they make in the

⁵² *Ibid.*

⁵³ *Ibid.*, p. 3.

⁵⁴ Andre Gunder Frank, “Reflections on the World Economic Crisis,” (Great Britain: *Hutchinson & Co Ltd.*, 1981) p. 60.

periphery.⁵⁵ This theory will be used as a tool of analysis between actors that not limited to state actors in the context of economic development and underdevelopment.

Furthermore, the author uses the definition of MNCs for a common understanding for MNC as a non-state actor in international politics.

“According to Spero and Hart (1999) a multinational corporation (MNC) is a business enterprise that maintains direct investments overseas and that upholds value-added holdings in more than one country. An enterprise is not truly multinational if it only operates in overseas or as a contractor to foreign firms. A multinational firm sends abroad a package of capital, technology, managerial talent, and marketing skills to carry out production in foreign countries.”⁵⁶

OLI – John Dunning

The first concept that could be used to explain the MNCs to go abroad is the **electic** or “**OLI**” approach to the study of Foreign Direct Investment (FDI) that was developed by John Dunning. This approach could analyze the underlying reason of the emerging of MNCs (Multinational Corporations) or MNEs (Multinational Enterprises). By using this concept, we could see how MNCs’ intention and motivation to do their business outside their headquarters.

⁵⁵ Wil Hout, “Dependency , Exploitation Ane Acritique of the Conception Dependency Theory,” p.5.

⁵⁶ J. Eluka, Ndubuisi-Okolo Purity and Anekwe Rita, “Multinational Corporations and Their Effects on Nigerian Economy,” *European Journal of Business and Management Vol.8, No.9:* (2016): p. 61

“OLI” stands for Ownership, Location, and Internalization, three potential sources of advantage that may underlie a firm’s decision to become a multinational.⁵⁷ These three components are used to analyze each of the aspect from MNCs within their operations/intention. Ownership becomes the fundamentals of MNCs’ decision to go abroad from its headquarters which differentiate them with an internal corporation in a state. Ownership advantages address the question of why some firms but not others go abroad, and suggest that a successful MNC has some firm-specific advantages which allow it to overcome the costs of operating in a foreign country.⁵⁸

Second, the location is in accordance with the ownership, which where the exact the location to go abroad. Locational attractions explain for undertaking the value adding activities of MNC to exploit their specific advantages by looking at the conditions of the locations. Lastly, internalization advantages explain how a firm decides to engage in FDI rather than license foreign firms to run their businesses. This situation is driven from the greater net benefits of internalizing cross-border intermediate product markets, rather than trading off the savings in transactions, hold up and monitoring costs of a wholly-owned subsidiary, against the advantages of other entry modes such as exports, licensing, or joint venture, the more likely a MNC to engage in foreign production.⁵⁹ The concept of OLI could explain Freeport McMorran’s expansion through its extractive operations in Papua.

⁵⁷ J. Peter Neary, “World Economy FDI: The Oli Framework,” *University of Oxford and CEPR*:

(1)

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*

Measurement of Development Method

There are a lot of methods to measure the development of a region. This paper will use some concepts to measure the development of West Papua's regional economics as well as the development of West Papuans. The first concept that is to be used in this research is the Gross domestic product (GDP), which is the total market value of the goods and services produced by a country's economy during a specified period of time and includes all final goods and services—that is, those that are produced by the economic agents located in that country regardless of their ownership and that are not resold in any form. It is used throughout the world as the main measure of output and economic activity.⁶⁰ This research will only use the GDRP (Gross Domestic Regional Product) of West Papua region that included as part of Indonesia. Moreover, in order to measure the 'real economic growth rate', the GDRP Growth Rate within a state or a region could be used. Real Economic Growth Rate is the rate at which a nation's Gross Domestic product (GDRP) changes/grows from one year to another. GDRP is the market value of all the goods and services produced in a country in a particular time period.⁶¹

The next concept is Human Development Index (HDI) by United Nations Development Programme as the measurement for people's socio-economic conditions within a region. The HDI was created to emphasize that people and

⁶⁰ Peter Bondarenko, "Gross domestic product (GDP)," *Encyclopedia Britannica*, accessed on September 15, 2017, <https://www.britannica.com/topic/gross-domestic-product>.

⁶¹ "Definition of 'Real Economic Growth Rate'," *the Economic Times*, accessed on September 15, 2017, <http://economictimes.indiatimes.com/definition/real-economic-growth-rate>.

their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone.⁶² The purpose of this measurement is for a comparison between one country's policy and development to another. The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living.⁶³

“The health dimension is assessed by life expectancy at birth; the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. The standard of living dimension is measured by gross national income per capita. The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GNI.”⁶⁴

On the other hand, Gini Coefficient could be another concept used to measure the inequality of West Papua as a region. Antonio Cabrales, a professor of economics at University College London argued that Gini Coefficient provides an index to measure inequality to compare how the distribution of income in a society compares with a similar society in which everyone earned exactly the same amount, when the measured between 0, where everybody is equal, and 1, where all the country's income is earned by a single person.⁶⁵

Furthermore, based on Oxford Dictionaries' definition, infrastructure is the basic physical and organizational structures and facilities (e.g. buildings, roads,

⁶² “Human Development Index (HDI),” *United Nations Development Programme*, accessed on March 29, 2017, <http://hdr.undp.org/en/content/human-development-index-hdi>.

⁶³ *Ibid.*

⁶⁴ *Ibid.*

⁶⁵ Magazine Monitor. “Who, What, Why: What is the Gini coefficient?,” *BBC News*, accessed on September 11, 2017, <http://www.bbc.com/news/blogs-magazine-monitor-31847943>.

power supplies) needed for the operation of a society or enterprise.⁶⁶ The author will use the road infrastructure in West Papua as the indicator in measuring the development of infrastructure in the region.

In order to analyze West Papuans' social-welfare condition, the author will further use the concept of Unemployment Rate, which is the number of unemployed people as a percentage of the labor force, where the latter consists of the unemployed plus those in paid or self-employment.⁶⁷ Lastly, the concept of Poverty Rate will complement the social-welfare condition within West Papuans. Poverty Rate is the ratio of the number of people who fall below the poverty line and the total population; the poverty line is here taken as half the median household income.⁶⁸

1.6 Research Methods and Data Collection's Technique

The research method that will be used by the author is qualitative research method. Qualitative research begins with assumptions and the use of interpretive/theoretical frameworks that inform the study of research problems addressing the meaning individuals or groups ascribe to a social or human problem.⁶⁹ Furthermore, the qualitative paradigm assumes that reality is socially

⁶⁶ Oxford Dictionaries, "Definition of Infrastructure in English, *Oxford Living Dictionaries*, accessed on September 17, 2017, <http://www.oecd-ilibrary.org/sites/factbook-2010-en/11/02/02/index.html?itemId=/content/chapter/factbook-2010-89-en>.

⁶⁷ OECD Data, "Unemployment Rate," *OECD*, accessed on September 15, 2017, <https://data.oecd.org/unemp/unemployment-rate.htm>.

⁶⁸ OECD Factbook, "OECD Factbook 2010: Economic, Environmental and Social Statistics," *OECD Library*, accessed on September 17, 2017, <http://www.oecd-ilibrary.org/sites/factbook-2010-en/11/02/02/index.html?itemId=/content/chapter/factbook-2010-89-en>.

⁶⁹ John W. Creswell, "Qualitative Inquiry and Research Design," (United States of America: *SAGE Publications, Inc.*, 2013), p. 31.

constructed and it is what participants perceive it to be.⁷⁰ The methods that the author plans to use will provide the data which needed to answer the research question. In conducting the qualitative research methods, the factors that are needed to analyze the development of West Papua based on the dimensions of a long and healthy life, being knowledgeable and have a decent standard of living. This research will gather the data from medias and institutions in order to get the objective results for this research and further be analyzed throughout the following chapters.

1.6.1 Data Collection's Technique

The author will collect the data through valuable sources from documents in which will gather the data from private and public documents and other archival sources. Documents consist of public and private records that qualitative researchers obtain about a site or participants in a study, and they can include newspapers, minutes of meetings, personal journals, and letters.⁷¹ Examples of public documents are minutes from meetings, official memos, records in the public domain, and archival material in libraries, on the other hand private documents consist of personal journals and diaries, letters, personal notes, and jottings individuals write to themselves.⁷² The author will gather the public documents mainly from the Central Bureau of Statistics Indonesia (BPS) for HDI (Human Development Index) annual provincial report. Moreover, the author will

⁷⁰ John W. Creswell and Dana L. Miller, "Determining Validity in Qualitative Inquiry," *Theory into Practice* Vol. 39 no. 3, (2000): p. 125.

⁷¹ John W. Creswell, "Educational Research Fourth Edition," (Boston: *Pearson Education*, 2012): p. 223.

⁷² *Ibid.*

gather the private documents of PT Freeport Indonesia from its official website: www.ptfi.co.id/id for extractive and other operations in Papua and other scholars' journals. Additionally, the data from several medias that official report regarding the issues of West Papua's development and Freeport mining operations will also be provided.

After gathering the data, the author will construct the validation through triangulation of the data from the multiple sources. The process of triangulation involves corroborating evidence from multiple and different resources to shed light on a theme or perspectives.⁷³ The purpose of triangulation method is to ensure that the research findings will be accurate because the information is gained from multiple sources of information, individuals, or processes.⁷⁴ Lastly, the author will jump into a conclusion from the research findings and support the analysis of this research.

⁷³ John W. Creswell, "Qualitative Inquiry and Research Design," p. 208.

⁷⁴ John W. Creswell, "Educational Research Fourth Edition," p. 259.

1.7 Thesis Structure

This research is emphasizing on the dynamics of West Papua's development in relations to Freeport mining operations in Papua. This research aims to answer the question of how does Freeport affect the development and spatial inequality over West Papua territories in Indonesia. Moreover, this research is structured as follows:

- **Chapter one** elaborates the research background, research identification, research limitation, literatures review, theoretical framework and thesis structure throughout the whole thesis. In order to elaborate the issue in this research.
- **Chapter two** elaborates the development of West Papua based on GDRP, GDRP Growth Rate, Human Development Index (HDI); Gini Coefficient; Poverty Rate, Unemployment Rate and Infrastructure Index provincial report from 2006-2016.
- **Chapter three** explains Freeport operations in Papua include its mining operations and its contribution for the region and local people of West Papua.
- **Chapter four** could analyze the dynamics between the effects of Freeport operations in West Papua with the development of West Papua region based on the measurement.
- **Chapter five** will conclude the entire results of this research from chapter one to chapter four.