THE GOVERNANCE OF MINING AND THE HUMAN SECURITY OF LOCAL COMMUNITY: A CASE STUDY OF THE INDONESIAN COAL MINING INDUSTRY

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Abstract

This thesis explores the 'disruption' of human security of local communities by the Indonesian coal mining industry at the level of the individual and also at the aggregate level of the 'community'. Human security refers to freedom from want (poverty and unemployment), fear (violence and conflict), and indignity (displacement and human rights abuse). As a result of poor mining practices such as land grabbing, deforestation, unmaintained mining pits and waste local communities encounter social and environmental problems. I argue that the principle of commodification, as outlined in Karl Polanyi's book *The Great Transformation,* dictates how the mining industry governs the use of land and labour. I also examine counter-movements, including action by local communities, civil society organisations (CSOs) and the state, that aim to 'decommodify' land and labour and protect local communities from the detrimental impacts of mining.

This study examines East Kalimantan as the most prolific coal-producing province in Indonesia, with high levels of mining investment and revenue. I examine why East Kalimantan has higher levels of poverty and unemployment than the neighbouring provinces of South Kalimantan and Central Kalimantan, which have medium and low levels of mining investment and revenue (respectively). Building on Polanyi's double movement and using 'explaining-outcome process tracing' methods, this research traces commodification and counter-movement during different eras of Indonesian governance: the New Order (1966-1998), the early Reform Era (1999-2009) and the later Reform Era (2009-2015). Process tracing methods are used to analyse how causal processes explain the nexus of commodification, human insecurity, and counter-commodification.

I argue that government commitment to economic liberalisation facilitates the commodification of land and labour, and enables disruptive mining practices. In the short term the mining industry can bring employment and economic benefit to local communities. However, this often also brings an immediate cost for those dependent on the land for a living. In the longer term this process is often incompatible with sustainable mining and non-mining related livelihood and the maintenance of the local environment. The end result has been a double or counter-move against the mining industry.

I track the governance of mining in Indonesia from centralistic governance under the New Order Era to decentralist governance in the Reform Era. Changing socio-political economic structures have challenged the capabilities of actors to govern the mining industry. Globalisation, democratisation and the demand for decentralisation have all had an impact on the governance of mining. Specifically, weak state effectiveness and political accountability enabled the mining industry to intensify commodification during the early Reform Era (1999-2009). Subsequently the Indonesian government introduced policies (2009-present) to improve the governance of mining and to enhance the human security of local communities within a framework of sustainable economic development.

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List of Abbreviations

ACCH	Anti-Corruption Clearing House
AMAN	Indigenous People's Alliance (*Aliansi Masyarakat Adat Nusantara*)
AMDAL	Environmental Impacts Assessment (*Analisa Dampak Lingkungan)*
APF	Asia Pacific Forum of National Human Rights Institutions
Bappenas	National Development Planning Agency (*Badan Perencanaaan Pembangunan Nasional)*
BI	Bank of Indonesia
BKKBN	National Population and Family Planning Board (*Badan Koordinasi Keluarga Berencana Nasional*)
BKPM	Indonesian Investment Coordinating Board
BNPB	National Agency of Disaster Management Republic of Indonesia
BPBD	Regional Disaster Management Agency
BPS	Badan Pusat Statistik/the Indonesian Central Bureau of Statistics
CBA	Community Benefit Agreement
CCOW	Coal Contract of Work (PKP2B)
CHS	Commission on Human Security
CIFOR	Center for International Forestry Research
CNC	Clean and Clear
COW	Contract of Work (*Kontrak Karya/ KK)*
CSO	Civil Society Organisations
CSR	Corporate Social Responsibility
DAK	Special Budget Allocation (*Dana Alokasi Khusus)*
DAU	General Budget Allocation (*Dana Alokasi Umum)*
DBH	Revenue Sharing Fund *(Dana Bagi Hasil)*
DDI	Domestic Direct Investment
DGoMC	Directorate General of Mineral and Coal
DPR	House of Representatives (*Dewan Perwakilan Rakyat)*
ECLA	Economic Commission for Latin America
EIA	Environmental Investigation Agency
EITI	Extractive Industries Transparency Initiative

EU	Europe Union
FAR	Farmer
FDI	Foreign Direct Investment
FPIC	Free, Prior and Informed Consent of Indigenous Peoples
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GMI	Global Mining Initiative
GNPSDA	National Movements for the Saving of Natural Resources (*Gerakan Nasional Penyelamatan Sumber Daya Alam)*
GR	Government Regulation
GRI	Global Reporting Initiative
HAM	Human Rights (*Hak Asasi Manusia)*
HDI	Human Development Index
HDR	Human Development Report
HSU	Human Security Unit
IBRD	International Bank for Reconstruction and Development
ICMM	International Council on Mining and Metals
IDR	Indonesian Rupiah
IGGI	Inter-Governmental Group on Indonesia
IHR	International Human Right
IIED	International Institute for Environment and Development
ILO	International Labour Organization
IMF	International Monetary Fund
INFID	International NGO Forum on Indonesian Development
IPPKH	Forest Borrow-to-Use License (*Izin Usaha Pinjam Pakai Kawasan Hutan)*
IPRs	Indigenous People Rights
ISI	Import Substitution Industrialisation
IUP	Mining Permits (*Ijin Usaha Pertambangan)*
JATAM	Mining Advocacy Network (*Jaringan Tambang*)
KKN	Collusion, Corruption, and Nepotism (*Kolusi, Korupsi, and Nepotisme*)
KP	Mining licence for domestic investors (*Kuasa Pertambangan)*
KPK	Corruption Eradication Commission (*Komisi Pemberantasan Korupsi)*

LC	Local community
MDGs	Millennium Development Goals
MMSD	Mining, Minerals, and Sustainable Development
MoEMR	Ministry of Energy and Mineral Resources
MOMI	*Minerba* One Map Indonesia
MP3EI	Masterplan for Acceleration and Expansion of Indonesia Economic Development
NAM	Non-Alignment Movement
NGO	Non-government Organizations
NRGI	National Resources Governance Institute
OHCHR	Office of the United Nations High Commissioner for Human Rights
OPEC	Organisation of Petroleum-Exporting Countries
PAD	Locally-generated revenue *(Pendapatan Asli Daerah)*
PKI	Indonesian Communist Party (Partai Komunis Indonesia)
PWC	PriceWaterhouseCoopers
PWYP	Publish What You Pay
Repelita	Five-Yearly Development Plan (*Rencana Pembangunan Lima Tahun)*
RPJPD	Local Long-Term Development Planning (*Rencana Pembangunan Jangka Panjang Daerah*)
RPJMD	Local Medium-Term Development Planning (*Rencana Pembangunan Jangka Menegah Daerah*)
RPJMN	Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional)*
RPJPN	National Long-Term Development Planning (*Rencana Pembangunan Jangka Panjang Nasional*)
Renstra-KL	Ministerial and Institutional Strategic Planning (*Rencana Strategi Kementerian dan Lembaga)*
R2P	Responsibility to Protect
SAPs	Structural Adjustment Programs
SDGs	Sustainable Development Goals
SIUPP	Publishing permits (*surat ijin usaha penerbitan pers)*
SLO	Social Licence to Operate
SSD	Strong Sustainable Development
TNI	Indonesian Army (*Tentara Nasional Indonesia*)
UGM	Universitas Gadjah Mada

UK	United Kingdom
UKEF	United Kingdom Export Finance
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
UNDRIP	United Nations Declaration on the Rights of Indigenous People
UNECE	United Nations Economic Commission for Europe
UNFCCC	United Nations Framework Convention on Climate Change
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
US	United States
Walhi	Indonesian Forum for Environment/ Friends of the Earth (*Wahana Lingkungan Hidup*)
WB	World Bank
WCED	World Commission on Environment and Development
WSD	Weak Sustainable Development
WTO	World Trade Organisation (WTO)

Chapter One

Introduction

1.1 Research Problem

This thesis investigates the impacts of mining on the human security of local communities in the Indonesian coal mining industry. Human security, in its broad sense, also known as the Japanese approach, is defined by the United Nations (UN) as 'safety from such chronic threats as hunger, disease and repression', as well as 'protection from sudden and hurtful disruptions in the patterns of daily life-whether in homes, in jobs or in communities' (United Nations Development Programme/UNDP, 1994, p. 23). Thus, the essence of human security is the protection and preservation of fundamental human freedoms, including freedom from want (poverty and unemployment), fear (violence and conflict), and indignity (displacement and human rights abuses) (Commission on Human Security/ CHS, 2003; UN Resolution A/RES/66/290, 2012; UN Resolution A/68/685, 2013).

The Japanese approach to human security emphasises the importance of sustainable economic development for ensuring freedom of society (Pupavac, 2005; McFarlane & Khong, 2006; Duffield, 2007). According to the UN, 'human security is an approach to assist Member States in identifying and addressing widespread and cross-cutting challenges to the survival, livelihood and dignity of their people' (UN Resolution A/RES/66/290, 2012). In the context of Indonesia, mining is an integral part of development strategies (Law 11/1967 concerning Basic Provisions of Mining; Law 4/2009 concerning Mineral and Coal Mining). This makes investigating the impacts of mining utilising the human security framework significant.

Scholars have discussed the impacts of mining on macroeconomic development at length. The proponents of neoliberal economics argue that natural resources endowment utilised under liberalisation of investment can drive economic

growth, and consequently socio-economic development (Pedro, 2006; Brunnschweilera & Bulte, 2008). On the other hand, the proponents of dependency theory believe that mining which is dominated by foreign direct investment (FDI) causes underdevelopment in the developing countries (Higginbottom, 2011, 2013). Indeed, the resource curse economic model contend that natural resources rich-countries tend to have slower economic performance than non-resources rich countries (Sachs and Warner, 1997, 2001; Neumayer, 2004; Wright & Czelusta, 2004; Auty, 2007). Meanwhile, others emphasise that the evaluation of whether mining is ultimately a curse or a blessing cannot be generalised (Stevens, 2003; Cabrales & Hauk, 2010). In this respect, the impacts and outcomes of mining are determined by the quality of institutions, such as government policies and democracy, and the extent to which the governance of mining accommodates the interests of various stakeholders, including domestic and foreign investors, national and local government, marginalised local communities, and civil society (Stevens, 2003; Cabrales & Hauk, 2010; Nem Singh, 2014).

Nevertheless, little has been done to investigate the impacts of mining utilising the human security framework as outlined in the Japanese approach to human security. As discussed in detail in the following chapter, mining is a capital-intensive industry, and in developing countries it is commonly associated with FDI. Most research concerning FDI in developing countries (e.g. neoliberal vs dependency theory) seeks to prove or disprove the macroeconomic benefits of FDI (such as mining activities) for national economies, with less consideration of specific impacts at the micro-economic and environmental levels, especially the human security of local communities. Specifically, one critical area which has been largely overlooked in the literature is the nexus of the disruption of the human security of local communities due to commodification of land and labour by the mining industry, and counter-movements to protect human security from mining impacts.

This study seeks to examine the extent to which the mining industry's commodification causes human insecurity at the individual and community levels. Human insecurity such as poverty and unemployment, environmental

problems, actual or threatened violence and conflict, displacement and dispossession can trigger counter-movements against the mining industry by local communities, civil society organisations (CSOs), and the state. Therefore, this thesis also examines the extent to which counter-movements have protected the human security of local communities in the case of the Indonesian mining industry.

1.2 Research Questions

To address the research problem, the study focuses on the disruption of human security of local communities in East Kalimantan, which is the most prolific coal-producing region in Indonesia. Despite having the highest levels of mining investment and revenue in the country, East Kalimantan (at the aggregate level of the community), has higher levels of poverty and unemployment than the neighbouring provinces of South Kalimantan and Central Kalimantan, which have medium and low levels of mining investment and revenue (respectively). For instance, in 2013 according to Indonesian national statistical agency (Badan Pusat Statistik/BPS) the regional income of East Kalimantan, South Kalimantan and Central Kalimantan provinces comprised IDR 425,429 billion, IDR 83,361.79 billion, and IDR 63,515.47 billion, respectively, for which the contribution of the mining sector was about 42.91%, 22.25%, and 9.96%, respectively (BPS Kaltim, 2014a; BPS Kalsel, 2014; BPS Kalteng, 2014). This variation shows that the levels of dependency on mining in East Kalimantan, South Kalimantan, and Central Kalimantan are high, medium, and low, respectively.

East Kalimantan has significantly higher regional income than the other two provinces. According to ‘common sense and neoliberal economic theory’, it should consequently have improved economic development and thus improved human security, because it has greater resources to fund development agenda, such as achieving freedom, well-being, sustainable livelihoods and prosperity among local communities (Stevens, 2003, p.3). Indeed, the Japanese approach to human security argues that greater direct investment is important for realising

sustainable development and achieving the Millennium Development Goals (MDGs), which include the prerequisites of human security (CHS, 2003; UN Resolution A/RES/60/1, 2005; UN Resolution A/RES/66/290, 2012; UN Resolution A/68/685, 2013; Sen, 2014). Indonesia also considers investment, including in mining, its primary source of development, and it desperately aims to increase economic growth, obtain fundamental freedoms, and realise a just and prosperous society, as clearly stated in Indonesian investment laws (Law 1/1967 concerning Foreign Investment; Law 25/2007 concerning Investment).

However, while the poverty rate of East Kalimantan is lower than national poverty rate, it is the highest among the three studied provinces. For instance, in 2013 the poverty rate of East Kalimantan, South Kalimantan and Central Kalimantan comprised 6.03%, 4.77%, and 5.93%, respectively (BPS, 2016a). This is in contrast to the condition in the early 1990s, when mining activities increased, when the poverty rate of East Kalimantan was the lowest among the three studied provinces (BPS, 1998). Indeed, in 2013, the unemployment rate in East Kalimantan is also the highest among these three provinces, i.e. approximately 8.94% (East Kalimantan), compared to 3.88% (South Kalimantan) and 1.81% (Central Kalimantan) and was the highest at national level in 2017 (Antara Kaltim, 2016; BPS, 2018; Detik Finance, 2017; Liputan6.com, 2017). Driven by this puzzling outcome, the main research question of this study is:

- *Why do higher levels of investment and revenue in the mining sector fail to achieve higher levels of overall human security of local communities?*

This thesis argues that the source of the failure is the governance of mining through commodification of land and labour. Commodification of land and labour refers to treating land and labour that 'are obviously not commodities' as commercial assets or 'essential elements of industry' in the process of capital accumulation that is 'organised in markets' (Polanyi, 2001, p. 75). In this study, commodification of land means that the mining industry has transferred residential, forest and agricultural areas on which communities, farmers and indigenous people used to live and work into mining areas. Specifically, commodification of land can be seen in the land grabbing and intensive selling

and buying of land by local communities and mining corporations, facilitated by government. Meanwhile, commodification of labour means that local labour, which is mostly unskilled, is swept away in the local market due to the destruction of the economic basis for traditional economic activities (i.e. farmland). It is replaced by skilled, professional labour required by mining corporations, which is usually sourced from other places, and not from local communities. This is due to the essential nature of the mining industry, which is capital-intensive and requires skilled labour.

In order to address the main question, the working enquiry is targeted to analyse the nexus of commodification, human insecurity, and counter-movements to protect human security. Therefore, I propose the following sub-question:

- *To what extent has the mining industry's commodification affected freedom from want (poverty and unemployment), freedom from fear (violence and conflict), and indignity (displacement and human rights abuse) in Indonesian local communities?*

The mining industry does contribute directly to local government income. Moreover, the main economic benefits of mining are accrued by mining investors and permanent workers, most of whom have no connection to local communities. In the short-term mining benefits local entrepreneurs and workers providing services in ancillary services for mining activities, such as hotels, lodges, restaurants, shops, laundries, and transportation. However, these businesses are dependent on the presence of mining workers, whose number is limited due to the character of the mining industry as a capital-intensive (as opposed to labour intensive) industry (BPS, 2016b). As a capital-intensive industry, mining only absorbs a limited number of skilled mining workers (Badeeba et al, 2017). Consequently, local job-seekers, most of whom are unskilled, do not meet the job requirements and are unable to work in the mining industry. At best they can work in low-level positions based on a contractual and freelance basis, which is an unsustainable source of income (BPS, 2016c, 2016d).

It is clear that the mining industry harms local communities who are dependent on land over the long term, such as farmers and indigenous people. The mining

industry consumes vast tracts of land and transfers forests and agricultural areas, on which farmers and indigenous communities have subsisted for thousands of years, to mining areas, with irreparable and severe environmental degradation. Consequently, sustainable economic activities and communities are destroyed for the sake of short-term profits for local and national government and mining investors, with few benefits even in the short term for dispossessed local communities. Since the number of farmers, indigenous people and unskilled local labourers comprise the majority of inhabitants in the province, mining activities increase the poverty and unemployment rate at the aggregate level of the community (BPS, 2016a; BPS Kaltim 2017a, 2017b).

The disruption of the human security of local communities and the abandonment of their freedom triggers counter-movements as reactions against the commodification of the mining industry (Andrew, 2002). The counter-movements comprise affected local communities, CSOs, and the state, with the underlying objective of seeking the de-commodification of land and labour. The role of civil society in the governance of mining underpins the second research question. It helps to understand the participation of local communities and CSOs in monitoring and controlling the governance of mining as well as raising awareness regarding the impacts of the mining industry. Therefore, my next sub-question is:

- *To what extent have civil societies protected the human security of local communities from mining impacts?*

Furthermore, the Japanese approach to human security emphasises that greater collaboration and partnership among governments, international and regional organizations, and civil society is required to ensure human security. Nevertheless, governments perpetuate the primary role and responsibility for ensuring the human security of their citizens (UN Resolution A/RES/66/290, 2012; UN Resolution A/68/685, 2013). In other words, state intervention can play important roles in counter-movements against neoliberal capitalism especially for protecting marginalised local communities and vulnerable people from the destructive impacts of the mining industry (Nem Singh, 2012). On this basis, I propose the following question:

- *How far is state governance responsible for the outcomes of the mining industry as they relate to the human security of local communities in Indonesia?*

The mining industry plays a major role in Indonesian national and regional development since it supports national and regional income (BPS Kaltim, 2012, 2014a, 2016; BPS Kalsel, 2012, 2014, 2016). The mining sector is a capital source for funding development as stated in Long-Term Development Planning (RPJP) 2005-2025, five-yearly Medium Development Planning, investment law, and mining law. Indeed, quarterly reports issued by Bank of Indonesia (BI) note the substantial support for mining for the regional development of East Kalimantan and South Kalimantan (BI, 2007). Therefore, building on Polanyi's (2001) argument that markets are important to enhance human freedom, but undermine the regulation and control of the state, this study proposes improved mining governance with higher state regulation (particularly of aspects relating to labour, the environment, and local communities), as opposed to total closure of the mining industry, as the appropriate approach for mitigating the devastating impacts of mining.

Furthermore, in analysing the impact of mining on human security, it is useful to investigate the 'resource politics', comprising political interactions between government institutions and civil society at the local, national, and global levels (Nem Singh & Bourgouin, 2013a, p.3). Therefore, the study in a chronological order tracks the historical antecedences of governance of mining, which reflects the changing orientations of political economy along the following:

1. The undemocratic, centralistic political structure of the New Order (President Soeharto, 1966-1998), when mining liberalisation started to be implemented.
2. Democratic decentralist political structure of the Early Reform Era (post-Soeharto, 1998-2009), which continued mining liberalisation.
3. The Late Reform Era (2009-2015), when the state started to be increasingly concerned about environmental and societal protection while continuing mining liberalisation.

The transformation from the New Order Era to the Reform Era in 1998/1999 was accompanied by democratisation and regional autonomy, which granted local governments (including East Kalimantan, South Kalimantan and Central Kalimantan) much more authority to govern mining in their areas as well as receiving higher amounts of mining revenue. It also created space for local communities and CSOs to invoke their grievances. However, democratisation was not accompanied by state effectiveness and political accountability; especially during the early Reform Era (Ramage, 2007; Tjiptoherijanto, 2010; Fraser Institute, 2011, 2013, 2014, 2015; O'Callagan & Graetz, 2017). As a result, mining in the early Reform Era was characterised by a massive commodification of land and an intensifying of economic self-interest from the mining industry. Devolution, deregulation and democracy did not actually bring about human freedom and security; rather, it facilitated the commodification of land, resources and even human communities themselves.

On the other hand, since 2009 (i.e. during the later Reform Era), through the promulgation of Law 4/ 2009 to replace Law 11/ 1967, Indonesia has made significant changes in the governance of mining by increasing state intervention. This is driven by the manifest human insecurity of local communities and scandalous environmental problems resulted from the commodification in the earlier Reform Era policies. State intervention has been enhanced to plan, regulate, and control the mining industry in terms of environmental and social protection, as well as enforcing the implementation of corporate social responsibility (CSR). However, the unremitting commodification of land and labour due to the national development agenda has favoured the market, as opposed to the human security of local communities, with the latter feeling the negative impacts most keenly.

1.3 Theoretical Framework and Central Argument

In order to address my research questions, I rely on two key themes, freedom and governance, which conceptualise the relations between commodification, human insecurity and counter-movement. *Firstly,* freedom relates to the opportunity and ability to choose 'goals, means, and outcome', autonomously or

independently (Vliert, 2013, p. 465). Thus, it consists of interrelated aspects: the 'opportunity to achieve, autonomy of decision, and immunity from encroachment' (Sen, 1993, p. 525). It helps this research to analyse the role of government in governing the mining industry whether issuing policies autonomously or dictated by domestic and global factors. It also useful for investigating the role of local communities and CSOs in counter-movements in terms of whether they have opportunities to advocate local communities and having the power to pursue their goals.

Correspondingly, freedom is the essence of human security as stated in the UN Resolution that describes human security as 'the right of people to live in freedom and dignity, free from poverty and despair' (UN Resolution A/RES/66/290, 2012; UN Resolution A/68/685, 2013). It is closely related to vulnerability (i.e. a condition of the 'susceptibility to be harmed'), with regard to the experience of shocks and stresses (Adger, 2006, p. 269). In this study, freedom is useful for analysing the extent to which the mining industry enhances or inhibits human security in relation to the choices that local communities are able to make about their lives. It concerns whether they are able to pursue their own well-being or whether this pursuit is fundamentally undermined by the mining industry; whether they are free to resist commodification or become mere market inputs.

This study selects the broad (as opposed to the narrow) approach to human security known as the Japanese approach, which covers freedom from want, fear, and indignity, as proposed by the UN. As opposed to the narrow approach to human security that focuses on freedom from fear or physical violence in war or conflict (King & Murray, 2001; MacLean, 2002), the broad approach to human security allows this study to investigate societal vulnerability associated with socio-economic development, including mining industry impacts (Wheeler, 2011; Sen, 2014; Akuffo, 2012; Pupavac, 2005). Freedom from want refers to conditions that allow local communities to have protection regarding their basic needs and 'quality of life, livelihoods and enhanced human welfare' (Kim, Bae, & Shin, 2015; Tadjbakhsh, 2014, p. 44); freedom from fear pertains to conditions wherein local communities are protected from conflict or 'direct threats to their

safety and physical integrity, including various forms of direct and indirect violence' (*ibid.)*; meanwhile, freedom from indignity can be understood as conditions where fundamental rights and the existence of local communities are recognised and protected (*ibid.*).

Secondly, the notion of governance is important for this study because it is a determining factor related to the nexus of commodification, human insecurity, and counter-movements. I define the governance of mining in this study as the acts of steering or governing the mining sector applied by the government, including a system of rules, values, policies, and institutions (Kjaer, 2004). Previous studies have defined governance as network governance or new public governance that involve the role of public and private entities (Héritier, 2002; Treib et al., 2007; Bevir & Rhodes, 2016), however in the Indonesian context defining governance from the perspective of the role of government is more applicable. Therefore the notion of state effectiveness and political accountability are significant in the governance of mining for enhanccing the human security of local communities. The governance of Indonesian mining is dominated by the state. CSOs play active roles in counter-movements, however policies concerning mining and human security are determined by the political economic orientation of the state.

To understand the relationships between commodification, human insecurity and counter-movements, this study relies on the work of Karl Polanyi (1886-1964), whose work *The Great Transformation* (1944/2001) provides ideas on the double movement, commodification, decommodification, and human freedom. Accordingly, double movement means that 'the liberal movement, intent on the spreading of the market system, was met by a protective countermovement tending toward its restriction' (Polanyi, 2001, p. 151). It reflects the nexus of commodification that threatens human freedom and decommodification to protect human freedom.

Building on Polanyi's work, this research offers an innovative approach for a better understanding of the governance of Indonesian mining within which high levels of mining investment and revenue do not necessarily improve human security outcomes for local communities. Polanyi's double movement paradigm

has rarely been used to examine the governance of mining in the existing literature. Therefore, understanding the disruption of human security of local communities in Indonesia due to mining activities from the Polanyian perspective is in itself a contribution to existing knowledge. Specifically, this approach contributes to address 'the lack of adequate analytical tool' for exploring the complexity in the governance of mining (Nem Singh & Bourgoin, 2013b, p. 21).

I use the term commodification to explain the consequences of mining liberalisation followed by attracting massive mining investment, including both FDI and domestic direct investment (DDI). It is useful to address the first sub-question of this thesis. Commodification is usually directed from above, in this case by the government and mining corporations, but it can also be supported from below by beneficiary local communities, as reflected in Polanyi's market society, whereby human behaviours are dictated by the economy 'based on self-interest' (Polanyi, 2001, p. 257).

The notion of decommodification helps this research to address the second and third sub-research questions of this thesis. The impacts of the mining industry's commodification trigger counter-movements by civil society and the state to protect the environment and society through decommodification of land and labour. In its simple form, decommodification can be understood as a process within which social, political, and cultural movements seek to reduce the influence of markets (Vail, 2010; Gerber & Gerber, 2017). For this purpose, networks of CSOs use various methods such as lobbying, campaigning, and boycotting to influence government policies and corporate behaviour. Furthermore, the role of state in decommodification is related to government policies to protect the environment and society through good mining practice, unemployment protection, and social security.

I argue that the role of actors in the governance of mining, specifically within the framework of the commodification/human insecurity/counter-movements nexus described previously, is influenced by the notions of structure and agency. I define structures that influence the governance of Indonesian mining based on moderate dependency theory, as proposed by Fernando H. Cardoso and Enzo

Faletto in *Dependency and Development in Latin America* (1979), and Peter Evans' *Dependent Development* (1979). Dependency theory is applicable in the Indonesian mining context since the mining industry is highly dependent on FDI, which is usually analysed using the theory (Higginbottom, 2013; Mihalache-O'Keef, 2011). As noted by the Indonesian Investment Coordinating Board (BKPM, 2016), FDI comprises 66.3% of all investment in Indonesia, with domestic direct investment (DDI) accounting for the remaining 33.7%. As reflected in moderate dependency theory, in the Indonesian coal mining context, the FDI has been operating locally, merges with local capital, and even establishes an alliance between foreign investment, government, and beneficiary local communities in commodification of land and labour (Cardoso & Faletto, 1979; Evans, 1979).

Moderate dependency theory, indeed, argues that social structure in developing countries is conditioned by both global and domestic factors, with more emphasis on the latter (Cardoso & Faletto, 1979; Evans, 1979). I utilise this argument to investigate the notion of socio-political economic structure that influences the governance of mining. In the Indonesian context, global and domestic structures that influence the governance of mining relate to issues of globalisation, democratisation, regional autonomy, human rights, sustainable development and the demand for private and public participation, as stated in the general elucidation of Law 4/2009.

However, the most significant structure that directly affects the governance of the mining sector is the domestic political structure of democratisation and decentralisation since the beginning of the Reform Era (1999). While the effectiveness of counter-movements by civil society is questionable, democratisation gives space for freedom of civil society to invoke their grievances in counter-movements. It also pushes the demand of decentralisation to enhance freedom of local government and communities at local level. Due to decentralisation policies, during the Reform Era local governments have had more authority to manage the mining sector in their regions, and they have received 80% of mining revenues (Law 22/1999 amended by Law 32/2004

concerning Local Government; Law 4/2009 concerning Mineral and Coal Mining).

Investigation of the decentralisation of Indonesian mining, especially during the Reform Era, has rarely been undertaken. Existing literature on Indonesian mining tends to focus on the oil industry, over which the central government exercises a high level of regulation and governance control. Existing literature, based on its analysis of the oil industry, argues that Indonesia has escaped the resources curse, since the industry contributes to enhanced economic development (Mangkusuwondo, 1973; Bowie & Unger, 1997; Bevan et al., 1999; Stevens, 2003; Rosser, 2007). Nevertheless, little has been done to investigate the impacts of coal and mineral mining and sub-national resources governance. Decentralisation policies and mining law allow local governments to issue mining licences with minimal intervention or involvement in governance and operation. In this context, while I argue that the mining industry supports the income of both central and local government, it causes the human insecurity of local communities, especially those who are dependent on the land for their living. Hence, this is useful for evaluating the notion of decentralisation, which is a core tenet of neoliberal political economy and international prescriptions for developing countries' economies (Nadeem, 2016). Therefore, investigation on the impacts of the coal mining industry contributes to literature on mining and sub-national resources governance.

In addition to global and domestic political structure, I also examine the notion of agency as influencing factor of the governance of mining. The notion of agency that can be understood as endogenous aspect of actors such as their capabilities and capacity contribute to the role of state, local communities, and CSOs in responding to mining impacts for protecting the human security of local communities. It is useful to identify the actors involved in the governance of mining especially their concerns, motivation, capabilities and strategies (Eadie, 2005). Building on Polanyi's work, law enforcement, accountable government (bureaucracy), and democratic participation in civil society are central conditions to achieve human freedom (Polanyi, 2001, p. 264; Block and Somers, 2014, p. 7). On this basis, state agency can be defined as state effectiveness and

political accountability, which are the determinant factors for enhancing people's wellbeing and socioeconomic development (Evans et al., 2014).

This study defines state effectiveness as the capabilities of the state to enhance freedom, wellbeing, and human security. As stated by Sen (1999), the ultimate goal of development is to achieve freedom for people, therefore the state can be considered as effective if it can deliver collective goods that can expand the capabilities and freedom of citizens (Evans et al., 2014); this must necessarily entail comprehensive aspects of citizens' rights, including long-term, sustainable economic development and livelihood, and respect for ethnic diversity etc. However, this thesis criticises the neoliberal approach for essentially conflating freedom with economic indicators, proposing the importance of minimal state intervention and regulation, self-regulating markets, and capital accumulation as central points in development agenda, at the expense of other aspects of human security (e.g. economic and environmental sustainability). Indeed, I argue that self-regulating markets and capital accumulation lead to commodification of land and labour, which threatens the human security of local communities (Polanyi, 2001).

Based on the theoretical framework, I develop my central argument that higher levels of investment and revenue in the Indonesian mining sector fail to achieve higher levels of human security for local communities due to the commodification of land and labour. The rationales behind commodification of land and labour are as follows.

First, the notion of resources-seeking, especially the government's strategies to increase economic growth and capital accumulation through liberalisation and the increased exploitation of non-renewable resources, including mining, leads to the commodification of land and labour (Hediger, 2006). Most of the mining areas are under the auspices of the Ministry of Forestry, and are recognised areas where indigenous peoples live. Despite the ancestral rights of indigenous people living in such areas, they do not have legal entitlements of land ownership as understood by Indonesian legislation. Consequently, while the government's economic liberalisation policy includes some legal safeguards for local landowners, this is ineffective in the case of indigenous communities who are

not landowners in the legal sense. Thus, legislation facilitates the grabbing of land from indigenous people by mining investors.

Second, unaccountable government, weak law enforcement, overlapping policies, limited participation of civil society, and corruption worsens commodification of land and labour. A lack of proper regulation and control as well as weak law enforcement leads to poor mining practices that ignore environmental and societal security. Moreover, civil society has limited space and freedom to control and participate in governing the mining industry. Indeed, corruption leads to the mining sector being commandeered for the purpose of self-interest, to obtain economic gain by supporting the mining corporations and local political entrepreneurs, as opposed to local communities.

In order to minimise the impacts of mining, the role of state effectiveness and political accountability especially government accountability, political accountability and the participation of citizens and CSOs is significant, especially in de-commodifying land and labour. However, democratisation in Indonesia was not accompanied by state effectiveness and political accountability, and local communities and CSOs lack the power to influence the governance of mining at the local or national levels. Although democratisation provides space for civil society and facilitates CSOs to establish networks at the local, national, and global levels, the lack of corresponding state effectiveness and political accountability causes the implementation of democracy to exacerbate human insecurity. It enables the widespread and reckless commodification of land by local government and communities with minimal regulation, oversight and supervision, in the name of freedom for local governments, at the expense of the human freedom of local communities.

Third, in market societies within which civil society supports the mining industry due to economic gains, deep commodification occurs. A section of local communities seeks to obtain profit and monetary gain by enabling land sales for mining. Beneficiary local communities who rationally seek to access benefits (e.g. short-term economic gain and the windfall of land sales) from selling land to the mining industry, are similarly culpable. This issue is important since the mining industry is able to operate in particular areas only with government

permits and the consent of land owners. The lucrative lump sums obtained from the mining industry due to land selling and buying drives local communities to support commodification – while they generally assume the burden of their own decisions, they are often misinformed about the implications of mining activities and exploited in land transactions by mining corporations, local government and indeed their peers.

1.4 Significance of the Research

First, the main significance of this study lies in presenting a preliminary overview of the factors involved in the failure of high mining investment and revenue to achieve a higher level of human security in Indonesia. While existing studies assessed the impacts of the mining industries in terms of corporate behaviours, this study seeks to trace the impact of mining on the human security of local communities by assessing the governance of the mining industry. Specifically, this study provides an innovative approach for understanding the disruption of the human security of local communities by interrogating the nexus of commodification of land and labour, human insecurity, and counter-movements to obtain decommodification of land and labour.

For this purpose, this study analyses the capacity of stakeholders involved in the governance of mining, including local communities and CSOs in addition to mining corporations and government. To understand the role of these actors, this study also assesses the notion of global and domestic political economic structure in terms of democracy, decentralisation, and sustainable development agendas. Hence, unlike previous studies (Campbell, 2006, 2010; Cheshire, 2010; Haalboom, 2012; Prno & Slocombe, 2012; Spiegel, 2012; Cheshire, Everingham, & Lawrence, 2014; Himley, 2014), this research traces the governance of mining, commodification, the role of CSOs, and its impacts on human security by considering the notion of structure and actors' agency.

Second, this study also contributes to contextualise the Polanyian perspective in the Indonesian mining. Building on Polanyi's double movement, the significance of the study emerges from the use of a framework of the nexus of

commodification/human insecurity/counter-movement actions. This framework examines how far the commodification of land and labour explain the disruption of the human security of local communities. It also investigates how well counter-movements by local communities, CSOs, and the state realise the decommodification of land and labour. This framework has rarely been applied by researchers to investigate the disruption of human security in the context of the governance of mining. Thus, this study could contribute to knowledge especially in terms of the governance of mining from Polanyian perspective.

However, while the Polanyian perspective guides this research to interrogate the nexus of commodification/human insecurity/counter-movements, at some points Polanyi's arguments are not applicable in the Indonesian context. It is related to the role of CSO networks and market, as well as mechanism in counter-movements. As opposed to Polanyi's work arguing that counter-movements are conducted by impacted communities in a spontaneous way, this study provides a better understanding of the role of organised counter-movements by network of CSOs at national and global level. Indeed, unlike Polanyi's work arguing that state intervention is the mechanism to obtain decommodification of land and labour, this study contributes to interrogate the role of market (capital and product market) in controlling corporate behaviour. Therefore, this study proposes that counter-movements to obtain decommodification of land and labour for protecting the environment and society is not only through state intervention but also market control.

Third, this study contributes to a better understanding of the governance of Indonesian mining, especially during the implementation of decentralisation policies. As noted previously, the existing literature has much more focus on the Indonesian oil industry, which is more closely governed and controlled by the central government. Previous studies have not developed analysis on the role of sub-national resources governance, especially with regard to increased regional autonomy since the 2000s. This study investigates the structure, agency, and governance of coal mining, which involves relevant stakeholders, including the role of central and local government.

Forth, this research also offers an evaluation of the governance of Indonesian mining. By interrogating the framework of commodification/human insecurity/counter-movements, this study finds that the governance of mining through commodification of land and labour has not resulted prosperity for the people, as mandated in the Indonesian Constitution of 1945. The principle of commodification facilitated by government and beneficiary local communities implies that land and labour are merely commercial assets, as opposed to intrinsic factors in human life. While some members of local communities might profit from the processes of commodification of land, in the long-term this disrupts the human security of local communities and permanently destroys sustainable economic resources (i.e. farmland and fisheries). The priorities of the development agenda that emphasise short-term economic growth as opposed to the freedom and security of local communities, as shown in the principle of weak sustainable development, result in the commodification of land and labour.

1.5 Methodology

This study utilises a qualitative case study methodology for addressing the research questions (Yin, 2003). Qualitative research is selected because of its ability to accommodate a complex set of causal relations of human experiences and behaviours (Krauss, 2005). It helps this study to explore complex meaning-making processes, to explain how local communities understand their situation regarding the impacts of the mining industry on their human security. As explained previously, different stakeholders may experience different impacts from mining. In this regard, qualitative research is able to capture how the impacts of mining are experienced in terms of the human security of local communities. In addition, case study strategy is useful to investigate complex social phenomena. Specifically, it allows this research to explain underlying factors or a complex set of causal relations and the processes of the disruption of the human security of local communities by employing an in-depth investigation on the case (Yin, 2003; George & Bennet, 2004).

More specifically, this thesis employs an embedded single case study design (as opposed to a holistic single case study), characterised by a single case study that

consists of several sub-cases (Yin, 2003). This is suitable in the case of Indonesian mining, especially during the Reform Era (since 1999), within which local government has had greater autonomy to govern the mining in accordance with guideline policies issued by central government. Therefore, investigating Indonesian mining must consider both national and local governance. The main case and sub-cases were selected by following purposive sampling methods: the main case in this study is Indonesia; the sub-cases are the provinces of East Kalimantan, South Kalimantan, and Central Kalimantan.

This study uses primary and secondary data derived from interviews, observations, and document survey methods. The primary data from literary sources include:

- Official (state) acts and policies related to mining, investment, and local communities;
- CSOs policies towards the mining industry and the human security of local communities; and
- Some quantitative (statistical) data from institutions related to the mining industry and the human security of local communities, such as the volume of inflow investment, coal production, the amount of regional income, and the poverty rate. The quantitative data are not analysed using a quantitative analysis, but via qualitative methods.

Interviews were held with residents of local communities, government and corporate officials, local community leaders and CSOs. The participants were selected based on a purposive sampling method with snowballing, in order to gather sufficient quality and volume of data. Indeed, since my research explores the governance of mining (defined previously as the acts of governing that involve regulations, norms, values, and policies), documentary survey is important. Using documentary survey method, this study gathered both primary and secondary data such as legislation, official government documents, and also the publications of CSOs. In addition, I also applied observation to strengthen my investigation and to triangulate my data. Data triangulation helps researchers to achieve a comprehensive overview of the research subject by using numerous tools. Investigating human security using CSO publications for example helps

observe environmental problems due to the mining industry, such as deforestation and pollution, which this can be understood in terms of land usage by considering government legislation on mining areas.

Regarding data assessment, my research follows the process-tracing approach (George & Bennet, 2004; Bengtsson & Ruonavaara, 2011; Beach & Pederson, 2013), using evidence gathered from the main case and sub-cases. I decided to use process tracing approach since it is appropriate for explaining 'a particular interesting and puzzling outcome' (Beach & Pederson, 2013, p. 18), as described in section 1.2 of this chapter. The method is applied by integrating the analysis of governance of Indonesian mining with the notion of structure and agency. I argue that the changing political structure dictated the capabilities of state and civil society in the governance of mining, and in turn changed the effects of the mining industry on the human security of local communities. However, process tracing has limitations, especially related to potential of 'incorrect inference' since there might be 'measurement errors and omitted variables'; and the practical ability to trace all various potential variables in detail as well as to establish 'fully continuous sequences' (Bennet, 2004, p. 24). To mitigate these methodological problems, I propose strategies as discussed in section 4.5 of this thesis.

1.6 Chapter Outline

This thesis is organised in nine chapters. This introductory chapter provides general explanations about the research and identifies the key problem addressed: why higher mining investment and revenue fails to achieve higher level of the human security of local communities. It is argued that the disruption of the human security of local communities is caused by the way the mining industry is governed based on the principle of commodification of land and labour.

Chapter Two reviews literature concerning the governance of mining and freedom of local communities. It is found that while scholars have discussed the governance of mining at length, they have rarely undertaken dedicated studies

of Indonesian mining. Indeed, the existing literature also lacks discussion of the impacts of commodification on human security in general, including freedom from want, fear, and indignity. There has been little theoretical analysis of the governance of mining related to the concept of human security based on Polanyian perspective. This research contributes to fill this knowledge gap by proposing the notion of freedom and governance under the framework of Polanyi's commodification and double movements in the investigation of the impacts of the mining industry.

Chapter Three develops the theoretical framework, based on Polanyi's theory and moderate dependency theory, especially by relying on the key themes of freedom and governance. Freedom is the essence of human security, meanwhile governance concerns acts of governing (as understood in Polanyi's double movement paradigm). In turn, I examine the governance of mining by integrating with the notion of structure and agency. The notion of double movement proposed by Polanyi helps my research to understand how mining liberalisation has caused devastating impacts on local communities through commodification, which in turn triggers counter-movements by civil society and the state to de-commodify land and labour in the mining industry.

Chapter Four explains that a qualitative approach and process tracing case study research design are appropriate to investigate the complex problems arising from the relationship between the mining industry and human security. The impacts of the mining industry on human security are complex, being determined by governance, structure, and agency as intervening variables that link the mining industry and its impacts on human security. Different stakeholders may experience different impacts of the mining industry due to their position, interest, and background. Therefore, a qualitative approach is suitable for this study.

Chapter Five examines the state role in facilitating the commodification of land and labour through mining liberalisation, with discussion of global and domestic structures that cause this. Global arrangements consist of economic globalisation and the influence of conditionalities of global financial institutions such as International Monetary Fund (IMF) and the World Bank (WB). Domestic political and economic structures include the political economic crisis and the

influence of liberal domestic thinkers that encourage Indonesia to solve the crisis by liberalising the economy, including the mining sector. Building on Polanyi's double movement, this chapter investigates the role of the first move (i.e. the neoliberal rationale for the mining industry) to obtain the benefits of mining liberalisation. It also provides an analysis of the role of the state in providing facilities for investors and exploring the factors that affect the government's policy in liberalising the mining industry.

Chapter Six reviews the actual impacts of the mining industry on the human security of local communities due to the commodification of land and labour. It starts by analysing the commodification of land and labour in the Indonesian mining industry and its consequences for freedom from want, freedom from fear, and living in dignity in local communities. Whilst the mining industry has caused environmental and social problems, it produces mixed economic outcomes. Different stakeholders may experience different economic impacts from the mining industry. While it provides economic gains for mining investors, permanent mining labour and government, it has threated the economic livelihoods (as well as cultures) of local communities, especially farmers and indigenous people.

Chapter Seven analyses the role of local communities and CSOs in counter-movements to decommodify land and labour, aiming to protect the environment and society from mining impacts. Following process tracing analysis, the drive movements within civil society aiming to protect nature and local communities are explored. It is with analysis of the nexus of political economic structure and agency, particularly the space of freedom provided by political structure, as well as the capabilities of CSOs to influence government policies and corporate behaviour.

Chapter Eight investigates the role of state governance in the decommodification of land and labour and human security protection. In this chapter, I examine the governance of Indonesian mining since 2009, arguing that the government has increased state intervention during this period. It has issued policies to improve mining governance and to protect the human security of local communities under the new mining law (Law 4/2009). In this chapter I also examine global and

domestic political economic structures that drive state intervention. Nevertheless, the national development agenda that has fostered the market, as opposed to human security, has caused unremitting commodification of land and labour, with extreme impacts felt by local communities.

Chapter Nine concludes the thesis and highlights the important findings of the research. This study found that the disruption of the human security of local communities by the mining industry is mainly caused by commodification of land and labour. In other words, the impacts of mining industry are not determined by whether the industry is funded by FDI or DDI, but by governance: commodification of land under weak sustainable development agenda through maximising the mining exploitation lead to the human insecurity of local communities. Commodification is worsened under conditions of weak state effectiveness and political accountability in the mining sector. Indonesia provides a case study of how changing the structure of the political system from undemocratic to democratic does not necessarily lead to ensuring human freedom, and democratisation without state effectiveness and political accountability can worsen human insecurity. This occurred in Indonesia due to increased commodification in the name of freedom for local governments (i.e. decentralisation), which enabled uncontrolled commodification of land and labour in Indonesian mining provinces.

Chapter Two

Literature Review

This study analyses why East Kalimantan, with higher levels of mining investment and revenue, has failed to engender high human security for its local communities than the neighbouring provinces of South and Central Kalimantan, which have lower levels of mining investment and revenue. From the extant scholarly investigations, it is abundantly clear that our present research is not the first, and will not be the last, to investigate the impact of investment and revenue in mining natural resources on local communities. However, the present research departs markedly from others in terms of its content and focus – the human security dimensions investigated through the lens of Polanyi's governance paradigm, with regard to the commodification of land and labour thesis.

The review undertaken in this chapter focuses mainly but not exclusively on the impacts of mining natural resources on the human security of local communities. While the chapter makes references to classic perspectives on the impacts of natural resources on development, the aim of this chapter is to collect and collate current research on the contribution of mining in resource-rich provinces or states on the human security of local communities. This is intended to contribute to the deliberations on the relationship between investment and revenue in mining and the development of resource-rich local communities, which are aspects that have received minimal scholarly inquiry.

The chapter comprises three sections. The first section examines the human security literature and the impacts of mining investment on the human security of local communities. The second contextualises the Polanyian perspective in the context of governance of mining. Scholars have utilised Polanyi's embeddedness, commodification and double movement to investigate the impacts of free market capitalism on society and counter-movements against free market, but his work is rarely applied to investigate the governance of mining, especially the disruption of human freedom and security of local communities due to commodification of land and labour. The third section reviews extant

literature on commodification in terms of the governance of mining. Specifically, it focuses on Indonesian mining, particularly how the notion of commodification of land and labour serves as the source of threats to human security, and how it is sustained under a weak sustainable development agenda, and the impacts of poor mining governance. The section also discusses how the concept of commodification is understood in the context of mining as well as the underlying factors that sustain the commodification of land and labour.

2.1 Mining Investment and the Human Security of Local Communities

2.1.1 Discourse on Human Security

This section presents an understanding of the human security conception as the dependent variable in this thesis. The notion of human security has been defined differently by scholars and institutions. Therefore, it is essential to clarify the term human security that I use to examine the impacts of mining in this study. This study utilises the broad (Japanese) as opposed to the narrow (Canadian) approach to human security, which focuses on the development aspect (Pupavac, 2005; McFarlane & Khong, 2006; Duffield, 2007). I argue that the Japanese approach is suitable for investigating the impacts of mining on the human security of local communities since mining is an integral part of development strategies in developing countries.

The term 'human security' was first used in its current sense by the UNDP in its annual *Human Development Report* (HDR) of 1994. This publication, prepared by the Pakistani economist Mahbub ul Haq, can be considered as the formal launch for the human security concept in socio-economic development, thus it is regarded as a zero point and the primary 'key step' (Gasper, 2014, p. 29), or 'pioneering concept' (Jolly, 2014, p. 139) of the evolving human security idea. The UNDP itself acknowledged this in the HDR, which stated that 'it is now time to make a transition from the narrow concept of national security to the all-encompassing concept of human security' (UNDP, 1994, p. 24). After the publication of the 1994 HDR, human security began to penetrate academic and

policy discourses (Evans, 2004, p. 264).

The central theme of the 1994 HDR is the security of people in their daily lives. The UNDP categories human security in seven dimensions of security: economic, food, health, environment, personal, community and political (UNDP, 1994). This comprehensive understanding of human security seems to cover all aspects of human life, i.e. (1) 'safety from such chronic threat as hunger, disease, and repression' or freedom from want, and (2) 'protection from sudden and hurtful disruptions in the pattern of daily life' or freedom from fear. It is not about positive achievements of development, such as high economic growth or income generation, but it is about 'insecurities that threaten human survival or the safety of daily life, or imperil the dignity of men and women, or expose human beings to the uncertainty of disease and pestilence, or subject vulnerable people to abrupt penury' (Glasius & Kaldor, 2006, p. 7). Thus, parts of human security are largely concerned with emergency issues such as 'displaced persons' (Kaldor et al., 2007, p. 279), food insecurity, job and income insecurity, human right violations, ethnic or religious conflict, inequity and military spending (UNDP, 1994).

The UNDP conception of human security has become the subject of criticism due to its broad interpretation, but it also inspired both scholars and states to develop the conception of human security. In the academic sphere, scholars have been debating the concept of human security, whether challenging (sceptic) or supporting it. In the practical context, states have implemented the essence of human security in their policies. However, different users of the human security conception have interpreted it differently according to their own objectives, cultures or interests (Gasper, 2014). As a result, there are different approaches to human security, namely the broad and the narrow.

Scepticism about the UNDP's human security appears in the argument of scholars such as Roland Paris and David Chandler. Paris argues that human security is hard to be applied both in academic and policy contexts because of two main problems: the lack of a precise definition, and the self-interested motivations of its backers (Paris, 2001). Moreover, similar to Paris' argument, Chandler (2008b) reveals that despite human security becoming prevalent in

international discussions, it provides little impact on policy outcomes. Chandler (2008a) views human security as a chimera that scholars have failed to notice exists only as an idealistic mission statement rather than as a basis for a comprehensive, necessary international effort for human protection or socio-economic development. Such critiques clearly expose the necessity for human security advocates to be clearer in explaining the definition, scope and practicability of human security. Despite the fact that there are scholars who are sceptical of human security, its supporters try to develop its conceptions, whether in broad or narrow approaches.

The 'broad approach' to human security emphasises the importance of sustainable development and economic development to realise peace. The broad view of human security is presented by the UN, in particular the UNDP and the Human Security Unit at the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), as well as the Japanese approach. Accordingly, humans should be vouchsafed freedom from want, freedom from fear and freedom to live in dignity (Wheeler, 2011; Sen, 2014). In-line with the UNDP perspective, the Japanese approach secures people from all kinds of violence (Er, 2006) and additionally encourages people to develop means to protect themselves, such as in terms of education, equality of economic opportunity, adequate health care and the gender equality (McFarlane & Khong, 2006).

The broad approach has been criticised by the narrow approach advocates for being too general (i.e. broad) and vague. The narrow approach is driven by Canadian and Norwegian scholars and governments (Owen & Arneil, 1999). On the contrary of the broad argument, the Canadian approach that can be considered to be the narrow approach claims that human security as envisioned by the UNDP is ineffective to protect people due to its lack of precision and its failure to specify particularly vulnerable groups (notably in the context of conflict. Essentially this is because human security was not primarily conceived in the already rich framework of conflict-related international human rights/ IHRs law). Therefore, Canada campaigns for a narrower understanding of human security focused on protecting people from threats of violence (MacLean,

2002), physical violence (Akuffo, 2012), or granting people safety from violence and non-violent threats (King & Murray, 2001, p. 590).

However, by the 2000s scholars ceased debating the narrow and broad approaches and began to re-question what human security is, not only in the current situation but in terms of threats in the near future (Gomes, 2013). Scholars no longer debate on the broad or narrow approach, but are much more focused on the implementation and effectiveness of human security. For instance, the discussion on human security is about the measurement, as well as providing frameworks for implementing human security conception.

There are numerous scholars and institutions have attempted to provide framework for implementing human security, including King and Muray (2001), Bajpai (2000), Hasting (2011), Owen (2014), and the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) (2009). They provided various ways to measure human security, for instance based on a set of well-being domains and a generalised poverty index (King & Murray, 2001); economic, environmental and social fabric index (Hasting, 2013); direct and indirect threats (Bajpai, 2000); and economic, food, health, environmental, personal, community and political security (UNOCHA, 2009; Owen, 2014). Since human security is affected by perception and social construction of risk, actual risk, and the capacity to deal with the risk, the measurements are necessary to ascertain human security.

Derived from this debate, I argue that the notion of broad human security approach, covering freedom from want, fear, and to live in dignity is more applicable to investigate the impacts of the mining industry on human security. The mining industry is not only related to the issue of freedom from want but also fear and indignity of local communities. Pupavac (2005, p. 162) notes that from the broad approach or development perspective, the concept of human security concerns on the issue of ‘a demoralized development agenda’. In this respect, the state can be ‘a violator of individuals’ security’ through its development agenda (*ibid.*).

Nevertheless, investigating the impacts of mining utilising terminology of

human security has rarely been undertaken. On this basis, this study seeks to contribute to knowledge by investigating the impacts of mining based on the broad approach to human security known as the UN or Japanese approach, which helps this study to examine the extent to which local communities encounter chronic threats, and sudden and harmful disruptions in the patterns of daily life due to the mining industry.

2.1.2 Discourse on Local Communities

Local communities in the Indonesian mining context consist of indigenous and migrant people who were living in the mining areas before modern mining activities, which renders them eligible to be considered local community members by any reasonable yardstick. There are several articles that provide definitions of indigenous people (e.g. Hodgson, 2002; Tornberry, 2002; Anaya, 2009). Hodgson (2002) defined 'indigenous people' according to the International Labour Organisation (ILO) Convention No. 169/1989, based on several characteristics embedded in them related to aspects of geography, economy, society and culture. From the older articles to the newer ones, they propose almost similar characteristics of indigenous people, from the article written by Beauclerk (1988), published by Oxfam, to more recent work by Anaya (2009) and Stavenhagen (2013).

First, based on geography, indigenous people have lived in an ancestral territory from the past to the present (Beauclerk et al., 1988; Beteille, 1998; Anaya, 2009), and they have been living in the place as the first or prior inhabitants (Tornberry, 2002), as well as depending on the natural resources within the geographical area (Hitchcock, 1994). The characteristic features of indigenous people are living in an extreme environment, often harsh and remote (generally the remnants of originally larger civilisations expelled from their habitations by the march of imperialism/globalisation, such as the Native Americans in their Reservations).

Second, from the economic perspective, indigenous people typically preserve traditional livelihoods such as hunting, fishing, gathering and handicrafts (Beauclerk et al., 1988); these can be considered as subsistence forms of

production (Hitchcock, 1994). *Third*, indigenous people have a culture and language that is different from other communities. Indigenous people are generally minorities and are considered as a minority and primitive people living on the fringes of a larger, conventional population (Tornberry, 2002), thus they often become victims of the development of the technologically sophisticated mainstream population, such as deforestation by ranchers and loggers (Stavenhagen, 2013).

The implementation of the indigenous people rights regime in Indonesia can be seen in the comparison of the reality of indigenous Asian people relative to international law standards presented by Xanthaxi (2003). Accordingly, the reaction of South-East Asian countries can be classified into three groups: not recognising ownership by indigenous people; providing a limited protection of indigenous people rights of land; and strongly supporting and recognising the existence of indigenous people rights; this classification properly explains the situation in Asia.

Moreover, the article is helpful in understanding at a glance the implementation of indigenous people rights protection. However, in the section of 'Indigenous People in Indonesia', Xanthati (2003, p. 480) argues that since 1999 Indonesia has abolished village administration, therefore 'indigenous people have no representative institutions with legal personality'. However, this claim is contested by Bedner and Huis (2008), who claim that in the Reform Era the rights of local communities is improved compared to the previous period. The breakdown of Soeharto's New Order marks the rise of local structure and local movements to legitimise 'adat' (customary) law as their basic regime; this argument is supported by other scholars (McWilliam, 2006; Henley & Davidson, 2007).

Regarding the debate, I argue that discussion of indigenous people rights in Indonesia can be derived from Indonesian ideological perspective. Under Soeharto's New Order, Indonesia's interpretation of indigenous people differed slightly from that of international regimes. It is based on the Indonesian ideological context of '*Bhinneka Tunggal Ika*' or 'Diversity in Unity' (Wee, 2002; Tyson, 2010). The current data show that Indonesia consists of 1,331

ethnic groups of which Javanese is dominant approximately 41.71% (Pitoyo & Triwahyudi, 2017). Based on the idea of 'Diversity in Unity', the Indonesian government considers that all Indonesian people are indigenous people, local communities or '*pribumi*' in Indonesia especially for maintaining Indonesian integrity.

This is in line with the argument of Bedner and Huis (2008) that most Asian countries prefer not to use the term indigenous people. All citizens in their countries are considered indigenous people of multiple component indigenous groups comprising a *unified* nation, which is the core of postcolonial identity in those countries. These issues were also related to the nation-building process in Indonesia, whereby the anticolonial struggle was mainly led by Javanese leaders such as Soekarno, who subsequently emerged as the new political elite (Bedner & Huis, 2008). It should be considered that since Indonesia is ethnically heterogeneous, as a matter of pragmatism it is important to maintain the unity of Indonesia by recognising 'Indonesian' people rather than 'indigenous' people to prevent intra-Indonesian tension.

I argue that while considering all people as indigenous people is useful for maintaining national unity, the above situation can be interpreted as a political effort by Soeharto to manage (or expropriate) natural resources in national territory. Natural resources were managed by the central government in Jakarta. More specifically, the mining issue is also related to 'the battle for exploitation rights' which leads to 'collusion, corruption and nepotism' such as the cronyism for which Soeharto's regime was notorious (Robertson-Snape, 1999). Moreover, Wee (2002) claims the relationship between Indonesian government and indigenous people is one between the centre and the periphery. This also relates to the 'Javanisation' policy often ascribed to the Soeharto regime (i.e. the latent dominion of the Javanese in higher positions in government, civil service and the military).

The struggle of local community rights in Indonesia is a mix between top-down and bottom-up, influenced not only by international regimes but also by domestic factors such as economic and political conditions and the activities of domestic NGOs (Henley & Davidson, 2007), in particular the activities of

Aliansi Masyarakat Adat Nusantara (Alliance of Indigenous People of the Archipelago - AMAN) (Aciaioli, 2007). AMAN adopts the secessionist position that 'if the state will not acknowledge us, then we will not acknowledge the state' (Aciaioli, 2007, p. 295). Because of such movements, as well as democratisation in Indonesia, the rights of local communities have increasingly been recognised.

Therefore, it can be said that the Era of Reform (post-Soeharto era) is a milestone for the recognition of indigenous people rights in Indonesia. Bedner and Huis (2008) provided a good explanation of the evolution of indigenous people rights in Indonesia from the New Order to the Era of Reform. Albeit Indonesia studiously avoids the term 'indigenous people' and has not ratified the conventions about Indigenous people provided by the ILO and the UN, it has asserted the (ethnically neutral) right of 'local communities' in its acts. For instance, in the Era of Reform the Indonesian government recognised the rights of local communities in terms of land right and '*Hukum Masyarakat Adat*' or customary Law. Regarding the indigenous people rights, Tyson argues that Law 32/2004 on Regional Autonomy and Law 12/2008 provide guidance about procedures and normative aspect in reviving 'Adat Law' (Tyson, 2010, p. 41).

Moreover, a number of measures are often undertaken to address the internecine conflicts between mining companies and the host local communities. For instance, the notion of 'Free, Prior and Informed Consent of Indigenous Peoples' (FPIC), 'Social Licence to Operate' (SLO), and 'Community Benefit Agreement' (CBA) (Whitmore, 2006; O'Faircheallaigh, 2010; Prno, 2013; Moffat & Zhang, 2014), as well as the implementation of CSR (Hamann, 2003; Jenkins & Yakovleva, 2006; Goodland, 2012; Kemp & Owen, 2014). Regarding CSR, Wagstein (2011) noted that the biggest problem in the implementation of the CSR in Indonesia is the 'the weak law enforcement mechanism' (Waagstein, 2011, p. 457). Accordingly, in the context of legal norms, the Indonesian Parliament passed Law 40/2007 that obliges companies related to natural resources to implement CSR, as well as reporting the implementation of the CSR annually. However, CSR designed to compensate local communities has not been applied well. There are many interests, including political issues, in the implementation of CSR, such as Indonesia's capitalist class, local communities,

non-government organisations (NGOs), political parties, as well as government itself and bureaucrats (Rosser & Edwin, 2010).

It can be highlight that under the new regime, local communities in Indonesia have rights of land and natural resources, politics, self-determination, and recognition of culture, language and other social aspects. Apart from the economic motivation to sustain the existence of mining business in mining areas, efforts such as FPIC, SLO, CBA, and CSR represent progress in seeking to enhance good relationships between the mining industry and local communities. However, due to a low level of law enforcement and the self-interest of political leaders, the rights of indigenous people have not been implemented well. Indeed, while symbolic and *de jure* legal progress is substantial, little has been done to address the more profound and important problems faced by indigenous people, such as economic inequality.

This section provides some insight into the nature of local communities as they relate to mining issues. Scholars have utilised numerous definitions of indigenous people. In the context of Indonesian mining activities, I posit the operational definition of local communities as groups of people whose residence in mining areas is antecedent to the inception of mining operations. This section also helps to clarify the freedom and rights of local communities in relation to mining. Accordingly, there is a transformation of the rights of local communities from limited recognition in the New Order Era to relative recognition in the Reform Era. This is useful to support my analysis regarding the role of local communities in counter-movements to protect the environment and society from the impacts of mining.

2.1.3 The Impacts of Mining Investment on Human Security

Mining connotes the acts of obtaining and extracting coal and minerals through open pit or underground operations by large-scales and small-scale miners (World Bank and International Finance Corporation, 2012). The mining industry is capital- and technology-intensive, and most developing countries liberalise the mining sector to provide facilities for attracting mining investment (Bridge,

2004). Since DDI is limited in developing economies, mineral-rich countries actively attract FDI, which comprises investment driven by transnational companies either buying or establishing companies and operations in other countries (Apodaca, 2002). As a result, mining presents an increasing trend of FDI which plays a major role in the socio-economic development of most developing countries (Dabour, 2000; Paus, 2005). Therefore, this section also reviews literature on FDI in order to get a comprehensive understanding on the impacts of mining.

In investigating the disruptive impacts of mining investment on the human security of local communities, this section reviews extant literature categorised into the following key areas: 1) radical dependency theory arguing that the mining industry which is dominated by FDI is a kind of modern imperialism of developed countries in the developing countries; 2) resource curse phenomena within which natural resource-rich countries fail to show a better economic performance than non-natural resources-rich countries; and 3) the notion of 'mining-induced displacement and resettlement' (MIDR) that explain economic, social, and environmental problems due to the mining.

Radical dependency theory analysis

The radical dependency theory argues that the presence of the North (centre/ developed countries) in the South (periphery/ developing countries) in trade and investment (FDI) causes a new model of imperialism. This relationship causes poor and underdevelopment in the developing countries while enriching developed countries. The relations between them is characterised by a dependency in which resources in the developing countries are transferred from to the developed countries (Namkoong, 1999; Evans, 1979; Cardoso & Faletto, 1979).

Sceptical perspectives about FDI, stemming from radical dependency theory, argue that the existence of FDI might threaten local firms producing similar products to those of FDI firms. FDI firms can achieve greater economies of scale and effectiveness of production due to advanced technology and skills, as well as greater access to capital, pulling the rug from under local firms should the FDI

company compete in the local market. As Basu and Guariglia (2007) argue, FDI causes an inequality in host countries mainly due to the advanced technology and human capital upon which FDI firms can draw. Similar to this argument, Correa and Kumar (2003) state that the spill-over effect of FDI firms' technology is not realised in poor countries due to the technology gulf between foreign corporations and host country enterprises.

Regarding mining FDI, Van Wyk (2012) considered the case study of South African mining to explain the role of the industry in developing countries. This article was more focused on macro aspects of the state as opposed to the mining impacts on micro aspects of human and local communities, despite the particular significance of the latter in South Africa (with its history of socioeconomic injustice). Higginbotton (2011) argued that mining capital is a form of modern imperialism that enables the exploitation of developing countries, whereby the North have super exploited the South countries within which 'class exploitation and racial or national oppression are fused' (p. 284). Indeed, Cohen (2007) claims that FDI in the mining sector actually increases poverty, through actions such as the disruption of sustainable agriculture. Most studies focus on the impacts of FDI on the host country, and also on DDI, which is considered as integral part of the host country and one index of secondary economic development associated with FDI.

Moreover, derived from the perspective of radical dependency theory, the centre and periphery relations can also be applied within a nation within which the central/ national government plays role as the centre while sub nations/ provinces are the periphery (Cullen & Pretes, 2000; Snyder, 2001; Brinkerhoff & Johnson, 2008; Yonezawa, 2014). This is useful for explaining marginalisation at the local level by central government. In the Indonesian context, the perspective of 'within-nation centre and periphery' is useful for investigating the centralistic governance of mining during the New Order Era (under President Soeharto, 1966-1998) within which the central government dominated the governance of mining. Nevertheless, the changing political structure in the Reform Era changed the governance of mining, as shown in the decentralisation policies, due to which local government has enhanced authority to govern mining in local areas,

receiving 80% of the revenue sharing fund (Law 22/1999 article 7; Law 25/1999 article 6). Therefore, in the Reform Era's regional autonomy, the 'within-nation center and periphery' in the context of coal and mineral mining is no longer relevant, and cannot explain the failure of East Kalimantan to achieve better human security.

On the other hand, proponents of neoliberalism consider FDI as providing benefits that are essential to developing countries. They argue that FDI encourages development and economic growth, providing positive spill-over effects in host countries such as technology adoption, management skills and market access (Blomstrom et al., 2000; Dabour, 2000, p. 48). Kim and Trumbore (2010) found that FDIs have positive impacts on human rights, in particular in developing countries. By examining the impact of cross-border, transnational merger and acquisitions FDI, they identified that FDI brings positive impacts on human rights, in particular related to physical integrity and empowerment rights (Kim & Trumbore, 2010). Similarly, Apocada (2002) examined the impact of globalisation in East and Southeast Asia; it was concluded that FDI causes positive impacts on the host country, not only on the governing oligarchy but also the lower economic class. FDI is associated with reduced violence, decreased physical integrity abuse, decreased infant mortality rates and increasing economic development (Apodaca, 2002, p. 904).

Nevertheless, I argue that the impacts of mining FDI on developing countries, whether positive or negative, never follow a uniform pattern between countries or even within the same country between different investments; as with any investment, there are numerous unique factors involved in each particular FDI. Cohen (2007) mentioned that economic impacts of FDI on the host country, whether positive or negative, depend on the situation. Borensztein et al. (1998) argued that FDI brings positive affects only when the government of the host country actively captures the spill-over effect of FDI. Moreover, host country benefits are dependent on absorptive capacity in the macro and microeconomic levels, FDI characteristics, regional effect, domestic firm characteristics and host country's regime (particularly political stability) (Crespo & Fontoura, 2007, p. 413). This reflects the notion that state effectiveness and political accountability

plays a significant role in determining whether mining FDI brings positive or negative impacts to the human security of local communities, and the socio-economic development of developing countries. This aspect is foundation to this research, to explore the extent to which state effectiveness and political accountability is a necessary condition for the mining industry to contribute to the human security of local communities.

The Resource Curse

The idea of resource curse or paradox of plenty explains the failure of natural resources-rich (oil, minerals, forests, fertile land, water, agriculture and other natural resources) countries to show a better economic and social performance than non-natural resources-rich countries (Sachs and Warner, 1997, 2001; Auty, 2007; Wright & Czelusta, 2004; Neumayer, 2004). The resource curse theory which constitutes an integral part of this discussion raises questions on whether or not natural resource abundance hinders or creates development.

In their attempts to address this puzzle, proponents of resource curse theory offer different views on why resource curse occurs, and how the resource curse can be addressed. While some studies compared the performance of resource-poor countries with the resource-rich ones, others such as Ross (2001) and Wright & Czelusta (2002) examine the resource-rich countries that are underperforming with resource-rich countries that are performing well. A typical example is the 1999 study by Bevan, Collier et al., who provided empirical evidence on why Nigeria which had similar conditions with Indonesia failed to stimulate economic growth than the latter after they conducted a descriptive study comparing Nigeria and Indonesia (Bevan, Collier et al., 1999). Other prominent studies in the field have looked at the resource curse thesis from the institutional point of view; in particular the negative linkage between bad governance and resource curse (see Jensen and Wantchekon, 2004; Ross, 2001, p. 356). While Jensen and Wantchekon held the view that resource-rich African countries were more likely to have their democracies curtailed and slide back to authoritarianism, empirical data collected in over 100 countries by Ross (2001, p. 356) show that resource-rich countries whether in Africa or Middle East and elsewhere were more likely to be less democratic.

Similarly, Sala-i-Martin & Subramanian (2003) on Nigeria, found that the main driver of the resource curse is not 'Dutch Disease' but waste and corruption. It has a parallel with the increase in rent-seeking activities that cause a negative relationship between natural resources endowment and long-term economic performance (Leite & Weidmann, 2002). In a related study, Costa and Santos (2013) found that institutional breakdown, especially weak law enforcement, legal violations, and a lack of resources to uphold the basic social and economic rights that are the source of resource curse. To minimise resource curse in this regard, it is suggested that strengthening institutions or enhancing state capacity with support of public participation is necessary. In this regard, Njorvatn, Farzanegan, & Schneider (2007) argue that it needs a strong government with less fractionalization to avoid resource curse. Unlike these and related studies which relied on national datasets in their analyses, this study focuses on the impact of resource-rich provinces of Indonesia on human security of local communities where coal is mined.

Despite the negative linkages associated with natural resources painted in some literature, the resource curse thesis has been criticised by writers with supporting evidence suggesting that natural resource abundance helps countries to overcome their development abyss. Pedro (2006), Brunnschweilera & Bulte (2008), and Smith (2015) provide evidence which suggest that natural resources is a blessing and not a curse as articulated by the opponents. It is argued from this perspective that poor social economic performance of the natural resource-rich countries is not inherently stemmed from their endowed natural resources. Rather, natural resource endowment is a capital that drives economic development including taking the poor people from the quagmire of poverty.

In this direction, Stevens (2003) observes that the impacts of natural resources whether curse or blessing cannot be generalised. Therefore, understanding the phenomenon of resource curse in resource-rich countries requires that investigations are undertaken on case by case basis. This is because while a considerable evidence show that natural resources hamper development, a plethora of literature abounds on the potential benefits associated with natural resource endowments of countries. A typical example is the case of resource-

rich Botswana, Chile and Malaysia (Ross, 2001), and Norway (Wright and Czelusta, 2002). In all these countries, resources did not lead to curse, but a blessing, and this was made possible by the right policies implemented that showed the difference. In this regard, Nem Singh (2014) advises the importance of institutional capacity especially in mitigating rent-seeking behaviour as the determining factor of the successes or failures of the mining industry leading to wealth and prosperity in developing countries. In line with this argument, Cabrales & Hauk (2010) emphasises the importance of the quality of institutions, such as government policies and democracy within which the governance of mining accommodates the interests of various stakeholders in the mining industry.

Bevan and Collier et al (1999) data on Indonesia supported literature which argued that resource-rich countries do not necessarily lead to resource curse. In their comparative analyses of the decisions undertaken on economic issues over a period of 50 years on Nigeria and Indonesia, they held the view that the two countries were at par in terms of their economic performance in the 1970s with similar conditions. As a result, they were expected to have similar performance results. However, due to their respective policies adopted over the period, Indonesia's resources did not cause curse but blessing. On the other hand, Nigeria failed to make any impact with its resources. The Indonesian economy was highly dependent on Oil in 1970s, it has a good economic performance such as increasing economic growth and declining inflation (Mangkusuwondo, 1973; Bowie & Unger, 1997).

Prior studies on Indonesia, therefore, supports the argument that resource curse cannot explain the impacts of Indonesian mining. Despite Indonesia being rich in natural resources, it is not a country facing resource curse. It is therefore argued that Indonesia is a natural resource-rich country that has avoided resource curse (Rosser, 2007; Stevens, 2003). Bevan, Collier et al. investigated resource impact on Indonesia; but they did not inquire into the impact of investment and revenue in mining on the human security of local communities which is the burden of the present study. In this thesis, it is argued that the East Kalimantan cannot be categorised as a resource curse province. The East, South and Central

Kalimantan provinces are endowed with natural resources including oil and gas, mineral and coal, and forest resources (timber and biodiversity). These provinces have a significantly good economic performance and low poverty rates compared with the aggregate rates at national level (BPS, 2000, 2005, 2010). What this thesis problematises is that East Kalimantan with high level of mining investment and revenue has a worse human security performance than its neighbouring provinces with lower level mining (South Kalimantan and Central Kalimantan).

Mining-Induced Displacement and Resettlement (MIDR)

The 'mining-induced displacement and resettlement' (MIDR) model explains the economic, social, and environmental problems arising due to the mining. Scholars have discussed the notion of MIDR as the source of environmental, social, and economic problems that threatens the human security of local communities. The MIDR brings consequences of the loss of physical and non-physical assets such as landlessness, unemployment, a decrease in surface area of farmlands and community, and other resources such as forests, rivers, and pastures. In turn it causes environmental, health, and social problems, impoverishing communities (Downing, 2002; Terminski, 2012). Displacement is often enforced through oppressive methods of relocation, consisting of violations of human rights, with under-compensation for damages, and a lack of benefit sharing (Downing, Moles, McIntosh, & Garcia-Downing, 2002).

Despite MIDR causing significant impacts (Downing, 2002; Terminski, 2012), Owen and Kemp (2015) found from their critical appraisal of MIDR that there is a deficit in MIDR knowledge in the current literature. Therefore, investigating displacement more deeply offers contributions to knowledge. Existing literature tends to focus on the consequences of displacement, without investigating the underlying causes of the displacement. In this respect, while my study is in accordance with these scholars in arguing that displacement inherently assaults the human security of local communities, my study focuses on the root causes of displacement, namely the governance of mining through commodification of land and labour. I argue that the mining industry has caused environmental and societal problems due to the destructive characters of mining, such as

displacement and deforestation as a result of commodification of land. Commodification of land is manifest in land grabbing and land transfer for mining, which threatens the human security of local communities. To understand this issue more broadly, this thesis utilises the Polanyian perspective, which provides critical thinking of the impacts of market capitalism on society, as discussed in the following section.

2.2 Polanyian Perspective and the Governance of Mining

2.2.1 Implementation of Polanyian Perspective

As noted previously in Chapter One, the Polanyian perspective offers an approach to investigate the disruptive impacts of mining. The notion of double movement helps this study to analyse the commodification of land and labour as the source of human insecurity. It is also useful for investigating counter-movements against commodification of land and labour, to protect the environment and society.

Existing literature has deployed Polanyi's works to criticise neoliberal principles or laissez-faire liberalism. Specifically, scholars have utilised Polanyi's double movement (commodification/decommodification), embeddedness, and the notion of human freedom to explain the impacts of free markets on societies (Carrier, 2009; Hann, 2009; Thomas, 2013; Goldmann, 2017). They provide a critical argument positing that the efficiency of the self-regulating market is a utopian that facilitates the reckless commodification of land and labour to maximise economic gain.

As a result, land and labour, as fictitious commodities in classical liberal economic doctrine, are exploited as factors of production, which leads to the destruction of society. In the context of mining, previous studies utilised Polanyi's work to explain the relations between the mining industry and its stakeholders, especially government and local communities, fixating on the discord between mining companies, as proxies of free market capitalism, and indigenous societies, which represent labour and the environment in traditional economic critiques and (in more modern analyses) intangible cultural and ethnic

attributes. Therefore, they propose potential strategies based on the Polanyian perspective to handle this matter (Dale, 2010a, 2010b, 2012; Changiani, 2011; Maucourant & Plociniczak, 2013).

Peck (2013a, 2013b) referred to the disengagement of communities affected by FDI from development narratives, and the dislocation of their regional economies, which are subjugated to the demands of big capital, suggesting that the customary economy must be reflated and enabled to find an integrated place in the regional, national, and even global economy. Indeed, good relations between the mining industry, government, and local communities can sustain mining projects themselves, since mining licensure is dependent on these stakeholders. Building on Polanyi's embeddedness, Schiavi (2013) argues that mining corporations need to promote trust-building with local communities, and Lindsay (2011) emphasises the implementation of CSR as a corporate strategy that seeks to socially and environmentally re-embed the mining industry in society.

Scholars have also investigated counter-movements as reactionary actions against neoliberalism (Barchiesi, 2006; Silva, 2012; Kentikelenis, 2018). However, there are only a limited number of Polanyian-style counter-movements specifically devoted to mining contexts. Local communities forming counter-movements usually become integrated with environmental justice movements against mining at the local and global levels, whereby the economic and cultural issues of communities are additional to the main concern about grievances regarding the destructive impacts of mining on society and environment (Alier, 2000; Byambajav, 2015).

More vociferous counter-movements tend to be focused on labour issues, characterised by aggrieved farmers and the unemployed invoking their grievances through demonstrations, marches, the occupation of government buildings, negotiation, and reoccupation of land (Almeida and Sanchez, 2000, p. 26). The form taken by counter-movements is determined by the governance of mining, in terms of whether it is accommodative and responsive to grievances, or conversely ignores the interests of local communities. Specifically, it is influenced by the capabilities and power of counter-movements to bargain with

policy makers as well as political economic structures, and whether the latter provide space and freedom for counter-movements.

2.2.2 The Governance of Mining

In its simplest form, governance can be understood as the acts of steering or governing that involve the relations between organizations (especially states) and citizens (Kjaer, 2004; Emerson et al., 2011). Hierarchical governance is dominated by the government (top-down approach), while non-hierarchical governance has increased roles for civil society and the private sector (bottom-up approach) (Stoker, 1998). Scholars generally promote 'new modes of governance' or network policy or collaborative governance for policy formation (Risse, 2004; Rhodes, 2007; Roy, 2008; Tantivess & Walt, 2008; Emerson et al., 2011). Specifically, it is a process of decision making and the implementation of the policies; in other words, it is about creating or maintaining a political system and policies in a given political community (Risse, 2004, p. 289).

I adopt the definition of governance provided by the UNDP, as cited by the UN Secretariat in its official document E/C.16/2006/4 (2006, p. 3):

> The exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.

This definition is applicable in the Indonesian mining context and human security protection within which states dominate decision-making in policy. While in the Indonesian context the interests of citizen might not be accommodated well, this definition reflects the main role of the state in governance, especially in issuing policies. In this regard, governance is good if states can accommodate the articulation of citizens' interests. From the human security point of view, within the framework of effective state, government facilitates and protects vulnerable society (in this context local communities) through its policy prescriptions and practices (Howe, 2013), for instance by

preventing commodification or enhancing decommodification of land and labour.

In the context of mining, scholars emphasise the importance of new modes of governance to ensure the rights of local communities. Using a case study of Australian mining, Cheshire (2010) and Cheshire et al. (2014) argue that mining corporations can play central roles and contribute to provide key services for development in remote areas. Under the notion of 'voluntarily partnerships for sustainability' between mining firms, governments and communities, mining corporations apply a social licence to operate to run the mining project with legitimacy based on the supports from local communities. In line with this argument, Himley (2014) argues that participatory governance that involves the role of corporate, state, and non-state actors in the environmental monitoring is useful to mitigate environmental impacts of mining. Prno and Salombe (2012) mentioned the important of the involvement of local communities in the decision-making process concerning mining for ensuring the rights of local communities.

Fliervoet et al. (2016) note that despite a growing number of other actors, government has dominant and decisive power to govern natural resources, and non-state actors are dependent on government regulations. Specifically, conventional approaches to mining governance within which civil society has limited power to influence policies concerning mining well describes the governance of Indonesian mining. Spiegel (2012) notes that government plays significant roles both during the era of centralist and decentralist governance of mining. The main problems in the governance of Indonesian mining relate to being run under condition of state ineffectiveness, not who is governing it.

On Indonesia, the existing literature analyses the governance of Indonesian mining by providing policy recommendations for mining investors as opposed to providing strategy for ensuring the human security of local communities. O'Callaghan (2010) assessed the governance of Indonesian mining and found that Indonesia has weak state effectiveness and political accountability in the sector, as apparent in several indicators such as overlapping regulations among government agencies, corruption, unpredictable regulations, and unaccountable

government. As a result, this work suggested that it is risky to invest in the Indonesian mining industry. The article comprehensively examines the governance of Indonesian mining to provide prescriptions or recommendations for mining investors on whether to invest in Indonesia. However, it is not concerned about governance issues *per se*, nor the interests or freedom of local communities, but its dispassionate and self-interested concerns make the article an excellent source of economic analysis of mining in Indonesia.

Similar to O'Callaghan (2010), McKay and Bhasin (2001) were concerned with the purpose of policy input for investors as opposed to local communities. They focussed on the mis-governance of mining by the government of Indonesia through the elimination of Contract of Work (CoW) system. The CoW system was successful in boosting the amount of FDI received by Indonesia, mainly because of its provision of tenure and investment security for FDI investors. Nevertheless, I argue that while the contract system provides certainty for FDI investors in the economic sphere, it lacks regulation with regard to the environment and social aspects. The root problem of mining governance is that the industry has traditionally been dominated by the dichotomous concerns of obtaining maximum monetary gain and protecting labour rights, ignoring the wider, monumental impacts of this particular industry on the environment and society.

The current governance of Indonesian mining is greatly affected by the implementation of decentralisation policies following the fall of President Soeharto in 1999, but there is limited literature concerning the governance of Indonesian mining in this era. Boulan-Smit (2002) and Fox, Adhuri and Resosudarmo (2005) describe the transition phase from centralised governance of mining during New Order government (1966-1998) to the Reform Era since 1999, investigating power relations between central and local government and potential solutions for associated challenges. However, the articles did not analyse the impacts of power relations between central and local government and the new regulation of mining on the human security of local communities. In addition, while the new regulations of the mining during the Reform Era were discussed in detail by Gandataruna and Haymon (2011), they did not go further

on the implementation, potential challenges, and outcome of the new legislation.

Furthermore, Indonesian mining, which is an egregious example, has been addressed only in passing by some studies on the governance of mining, mainly focussed on assessing impacts rather than exploring the causality of such impacts (Ballard, 2001; Kambeya, Farrellb, & Bendell-Young, 2001; Limbong et al., 2003; Hills & Welford, 2005; Castilhos et al., 2006; Shaw & Welford, 2007; Bose-O'Reilly et al., 2010; Sudarlan, Indiastuti, & Yusuf, 2015). Building on this fact, I argue that this research can fulfil the gap of knowledge in the study area. This study provides a deeper investigation of the governance of Indonesian mining context, particularly in exploring perspectives and experiences of local communities on the ground relative to national legislation, regulation and political economy by integrating the analysis with the notion of structure and agency.

2.3 Commodification/decommodification in the Governance of Mining

Scholars have utilised the notion of commodification of land and labour to explain how industrialisation has converted residential or agricultural land for industry as well as considering labour merely as a commercial asset. Commodification of land is not only related directly to grabbing of natural resources, but also land transfer for development in urban area. For instance, Xu et al. (2009) and Grange and Jung (2004) applied commodification of land to explain land grabbing for market development in China and power planning in South Korea, respectively. In the context of natural resources, existing literature has discussed the commodification of nature in the sectors of forestry, agriculture, and mining (Bridge & McManus, 2000; Gómez & Torres, 2001; Hall, 2011).

In the Indonesian context, scholars noted that in the agricultural industry, such as the case of palm oil, the main industry in Central Kalimantan, land grapping was an important part of establishing the industry, but local communities

nevertheless are extensively involved in the industry and can still obtain benefit from their land under the 'Nucleus Estate Scheme' (NES), a system that integrates the smallholdings of local communities within modern plantation companies, providing employment in the process of production as well as direct income and benefits (Hasnah, Fleming, & Coelli, 2004; World Bank, 2012; Semedi & Bakker, 2014). Therefore, I argue this scheme has resulted in Central Kalimantan having better performance in terms of the human security of local communities than East Kalimantan. This study seeks to investigate the notion of commodification of land in the context of Indonesian mining which I argue that scholars have rarely investigated this issue.

The impacts of commodification of land has triggered counter-movements by impacted local communities and NGOs to invoke the restriction of the mining projects for decommodifying nature in order to protect the environment and society (Alier, 2000; Almeida & Sanchez, 2000; Byambajav, 2015; Frantal, 2016). Nevertheless, I argue that several conditions such as weak state effectiveness and political accountability, and the notion of weak sustainable development have sustained the commodification of land and labour. As a result, despite counter-movements to obtain de-commodification being advocated by local communities, civil society organisations (CSOs), and the state, commodification of land continues to threaten the human security of local communities.

2.3.1 State Roles in Mining Governance and Commodification/ Decommodification

As noted in the previous section, this research argues that commodification of land and labour is facilitated by the state, which is committed to a neoliberal agenda. Building on Polanyi (2001), while neoliberalism seeks to minimise the role of the state in the economic development, it needs facilitation and support from the state in order to establish market capitalism; however, since the 1970s states applying the neoliberal economic paradigm have issued policies of massive deregulation, privatisation, and decentralisation in support of markets (i.e. corporations). In developing countries, this is often associated with unaccountable government, weak law enforcement, and corruption, which

worsen the commodification of land and labour and threaten human freedom. Conversely, the state is the only stakeholder that can potentially be effective in exerting appropriate regulation to prevent the decommodification of land and labour and protecting the human security of local communities, with necessary political accountability and authority.

The existing literature has debated the role of the state in development management, including in the mining sector. This can be seen in the debate between the proponents of neoliberal approach and critical international political economy. I argue that this debate is driven by different orientations or goals of economic development, as well as views on appropriate mechanisms to achieve these desired outcomes. The neoliberal model promotes the achievement of economic growth and personal freedom through market capitalism as the ultimate goal of development. On the other hand, while there are several variants in the critical international political economy (O'Brien & Williams, 2016), they have similar arguments critically against the neoliberal paradigm (Cafruny, Martin, & Talani, 2016). Accordingly, the goal of development is to achieve and enhance freedom, wellbeing, and socioeconomic development, as opposed to merely achieving economic growth and capital accumulation (Sen, 1999; Hoff & Stiglitz, 2001; Sumner & Tribe, 2008; Evans, 2014).

The proponents of neoliberalism seek to minimise state intervention in economic development due to the doctrine that state intervention causes industrial inefficiency and thus retards the development agenda (World Bank, 1992; Kiely, 1998; Schiavo & Vercauteren, 2016; Tandon, 2001; UNDP, 2011; World Bank, 2017), which in developing countries is exacerbated by political corruption and poor transparency, characterised by politicians and officials who seek to obtain 'self-interest, rent seeking, and other privilege' (Sundaram & Chowdhury, 2012, p.1). Therefore, the state must reduce its intervention in economic development and be replaced by private actors, including international investors. Neoliberals essentially consider land and labour to be commodities in the process of production, which are for sale in the market based on supply and demand principles. Thus, from the lens of the neoliberal approach, commodification is a necessary condition to achieve economic gain, increasing productivity, and

economic growth. Therefore, states which commit to the neoliberal agenda implicitly endorse the commodification of land and labour (Polanyi, 2001).

On the other hand, the proponents of critical international political economics, including the Polanyian and dependency theory perspectives, argue that state intervention is significant for enhancing human freedom. In other words, eliminating the role of state in the governance of mining while allowing market domination of the industry threatens the human security of local communities and others. As argued by Polanyi (2001, p. 263), 'the institutional separation of politics and economics, which proved a deadly danger to the substance of society, almost automatically produced freedom at the cost of justice and security'. In this regard, Polanyi believes that the separation of politics and economics has favoured the freedom of capitalism, rather than the freedom of people, and their justice and security. Hence, state intervention is significant for protecting the freedom and security of people, especially the vulnerable in society.

Building on this argument, state effectiveness and political accountability are central in the governance of mining in order to protect the human security of local communities. Evans (2014, p. 1) notes that:

> As neoliberal fantasies that minimizing distorting state intrusions into the operation of markets would enhance wellbeing have faded… the perspective on development that emerges makes the role of the state even more central to development and has strong implications for what states must be able to do to be effective.

Although there is no single index for explaining all aspects of state effectiveness (Wang, 2012), this dimension can be seen in its ability to translate state goals into accomplishments, related to organisational and functional dimensions (Chemouni, 2016). This study focuses on the achievement of human freedom as the ultimate goal of development (Sen, 1999; Polanyi, 2001). Specifically, in the context of Indonesia, the goal of Indonesia as stated in its Constitution is to achieve freedom, peace, prosperity, and protection for all people (Preamble of the Constitution of the Republic of Indonesia of 1945). Hence, state effectiveness

is defined in this thesis in terms of the achievement of this goal. It refers to the capability of state to enhance freedom, wellbeing, and socioeconomic development of all people including local communities (Evans, 2014; Sen, 1999).

Nevertheless, the notion of state effectiveness needs more explanation with regard to the kinds of state action that can be considered as effective in mining governance. This study defines governance from the perspective of state roles and management, as opposed to public governance. Specifically, it refers to the way in which government and other policy maker instruments formulate, implement, and evaluate policy decisions in the governance of mining. It is also related to political accountability, in which the political context, including structure and agency, facilitates the achievement of freedom and wellbeing. State effectiveness can be defined as the capability of state to formulate and implement decisions to empower and protecting citizens. Parallel to this argument, Polanyi (2001, p. 173) argued that the protection of freedom of society falls to the ruler or government, who has authority to enforce regulation in order to protect the common people.

In order to conduct development, the neoliberal model promotes the notion of good governance under development management (World Bank, 1992; UNDP, 2011; World Bank, 2017). Accordingly, in the context of mining governance, good governance is a formula for escaping the notion of resources curse, focused on institutional reforms (Neumayer, 2004; Wright & Czelusta, 2004; Auty, 2007; Cabrales & Hauk, 2010). However, this model is too simplistic, with a technocratic preoccupation with institutional reforms, and minimal consideration of the political and economic context of mining governance, and the notion of structure and agency, which clearly influence the governance of mining.

The neoliberal notion of good governance aims to minimise the role of the state as well as enhancing the role of the market and other non-state actors to govern economic development (Kiely, 1998; Tandon, 2001), while the general international principles of good governance are more holistic and less economically oriented, consisting of participation, rule of law, transparency,

accountability, responsiveness, and control of corruption (UNDP, 2011; World Bank, 2017); however, under both perspectives, current globalisation trends favour and facilitate the interests of markets and investment geared toward capital accumulation and the commodification of land and labour (Kiely, 1998; Frey, 2008). Specifically, building on its origin, good governance can be considered as replacement of structural adjustment applied by donor institutions to debtor countries; it seeks to enhance institutional reforms to facilitate the mechanisms of market capitalism (Peck, 2004; Sundaram & Chowdhury, 2012; Bourgouin & Haarstad, 2013). While good governance is conventionally understood such that it facilitates market capitalism, some good governance principles are useful for interrogating state effectiveness and enhancing popular freedom. Nevertheless, it must go beyond solely institutional reforms for facilitating markets; it needs to position the state as the main actor in the governance of mining, and consider the notion of structure and agency as underlying factors of the state effectiveness in the governance of mining (Bourgouin & Haarstad, 2013).

Building on Polanyi, law enforcement, accountable government, and participation of civil society are necessary conditions to realise human freedom (Polanyi, 2001; Block & Sommers, 2014). Specifically, Howe (2013) notes that a good governance framework enables the state to issue a set of policy prescriptions and practices which prioritise the interests of the most vulnerable members of society. Hence, this thesis elaborates the notion of structure and agency to interrogate the governance of Indonesian mining, which is useful for understanding the extent to which structure and agency determine the effectiveness of the state governance to enhance freedom and wellbeing, including for local communities, through the decommodification of land and labour.

In the context of Indonesia, scholars have identified that corruption, weak law enforcement, and unaccountable government are crucial problems in the governance of mining (Bubandt, 2006; O'Callaghan, 2010; Rusli & Duek, 2010; Spiegel, 2012; Hamidi, 2015). The issue of corruption in the mining sector has been discussed at length (Petermann, Guzmán, & Tilton, 2007; Kolstad & Wiig,

2013; Standing & Hilson, 2013; Uberti, 2014; Dougherty, 2015; Knutsen et al., 2017). While some authors argue that corruption is not a major obstacle to economic development in the context of human security protection (Sundaram & Chowdhury, 2012; Campbell & Lord, 2018), corruption is an existential threat to human security itself (Tavanti & Stachowicz-Stanusch, 2013; Ghosh & Siddique, 2015).

Corruption – which essentially pertains to using public goods for personal benefit (Petermann, Guzmán, & Tilton, 2007), can be operationalised in the context of this thesis as bribes given to the government officials by mining interests in order that the latter grant mining licenses or at least support or prioritise the bribers in mining projects. Nevertheless, existing literature has focused more on the factors and processes of corruption, with less attention paid to the impacts of corruption on mining projects, such as the rise of commodification. I argue that corrupt behaviour and bribes from mining companies causes government to prioritise the exploitation of natural resources and to correspondingly de-prioritise other interests, including socio-cultural integrity, sustainable economic development and human security. The commodification of land originally used for other purposes such as housing or farming when is commandeered by mining activities has massive long-term impacts that often permanently destroy farmland and the local communities dependent on such land, threatening their long-term livelihood and displacing them.

Knutsen et al. (2017) found that that 'mine openings clearly increase bribe payments', indicating that corruption occurs due to the availability of a chance. Kolstad and Wiig (2013, p. 369) found 'that more corruption is associated with more extractive industry investment'. Petermann et al. (2007, p. 91) presented a dispassionate economic analysis arguing that corruption might have positive impacts by 'circumventing bureaucratic constraints', while potentially retarding economic growth (with no regard for the human and environmental implications of such corruption). High investment associated with corruption is an intrinsically detrimental mining practice, and the abdication of control by corrupt government officials gives their bribers *carte blanche* to do whatever they please

without regard for human security or environmental integrity.

Furthermore, several efforts have been taken to improve the governance of mining. Regarding this issue, numerous scholars emphasised the need for improved transparency in mining governance (Pitlik et al., 2010; Aaronson, 2011; Kasekende, Abuka, & Sarr, 2016). Accordingly, transparency is important to combat corruption, particularly as in the natural resources-rich countries in which corruption is more rife, poverty is much more widespread than necessary, exacerbated by such corruption. Therefore, enhancing transparency of mining at the global level, with efforts such as the Extractive Industries Transparency Initiative (EITI), is necessary as a tool to combat corruption in the sector.

Pitlik et al. (2010) provide rich detail regarding EITI procedures as well as potential driving factors of countries to join the Initiative. However, it oversimplifies the issue of combatting corruption, which is not simply an erratic, idiosyncratic moral problem but a socio-economic phenomenon embedded in negative systems with a lack of control (Henderson & Kuncoro, 2004; Lopez-Claros, 2014; Uberti, 2014). Specifically, it is caused by 'social and political structure, motivations, political economy, as well as institution and culture' (Smith, 2007, p. 187). Joining EITI, while welcome, is insufficient to combat corruption, which needs a comprehensive domestic approach from developing countries themselves, but no analysis of the limits of EITI was proffered by Pitlik et al. (2010).

On the other hand, Aaronson (2011) criticises EITI for its ineffectiveness due to the different visions of the stakeholders, and the diminished roles accorded to civil society and the general public. I argue that while the agency of EITI membership is a good starting point to assess its effectiveness, it is also necessary to pay attention to the validity of data reported by particular countries. EITI membership as well as data reporting is voluntary (indeed, it is also voluntary for the mining industry whether to report their data or not), hence the data contained in the EITI report is unlikely to reflect the true magnitude of corruption-related activities (EITI, 2010). Therefore, it has not been effective to enhance a better governance of mining.

2.3.2 Sustainable Development and Commodification

Commodification primarily arises due to the prioritisation of economic growth in development, rather than the freedom of people (Sen, 1999), facilitated by weak state effectiveness and political accountability such as unaccountable government and corruption. Sustainability is lacking in national development discourses in developing countries, which overwhelmingly subjugate social and environmental concerns to the perceived national interest of economic growth, regardless of the human or ecological costs.

Development agendas at the global level are shaped by the notion of sustainable development, for which global institutions such as the UNDP (2015) and the WB (2015) specifically mention the important role of mining corporations to support the sustainable development agenda. The aim of sustainable development is to balance between economic, social, and environmental aspects of the development process as well as to ensure the availability of resources for future generations, as stated by the World Commission on Environment and Development (WCED) in its Brundtland Report (WCED, 1987). Indeed, as stated by the UNDP (2011), sustainable development is a mechanism for ensuring human security. However, there is no single agreement regarding the appropriate weighting among those three dimensions (economic, social, and environmental aspects) (Bond et al., 2001). Prioritising economic aspects over social and environmental dimensions manifests weak sustainable development (Gibbs, Longhurst, & Braithwaite, 1998; Dietz & Neumayer, 2007; Nilsen, 2010; Davies, 2013), which leads to commodification of nature and society. A lack of sustainability comprises costly environmental damages that threaten future generation's rights to natural resources, as well as a lack of long-term socio-economic strategy (Hilson & Murck, 2000).

A number of scholars tried to develop guidelines that bridge the economic interest of the mining industry and the notion of sustainable development (Hilson & Murck, 2000) or reinvigorating (reinventing) traditional culture to reduce the marginalisation of indigenous people (Loomis, 2000). Articles by Azapagic (2004), and Worall et al. (2009) are good efforts to develop the indicators of

sustainable development for the mining and minerals industry and its impacts on host countries at both the national and local levels. Both studies used adapted indicators of sustainable development provided by the Global Reporting Initiative (GRI) (Azapagic, 2004; Worrall et al., 2009) that include three pillars: 'economic development, environmental protection, and social cohesion' (Jenkins & Yakovleva, 2006, p. 271). It should be noted that Azapagic (2004) only cites the purported social and economic benefits of mining without proportionally considering its negative impacts. Moreover, these authors do not provide guidance on how to implement the indicators, or how to quantify or measure the impacts of mining companies.

Existing literature lacks discussion on the aspect of commodification in the sustainable development agenda in the mining industry. Building on the differentiation of weak and strong sustainable development (Gibbs, Longhurst, & Braithwaite, 1998; Dietz & Neumayer, 2007; Nilsen, 2010; Davies, 2013), I argue that the notion of commodification can also be understood in the framework of weak sustainable development. The orientation of economic development guided by weak sustainable development leads to commodification, since it is guided by the erroneous doctrine that it is acceptable to sacrifice natural capital for industrial capital, with the implicit assertion that the economic gains of industrial activity outweigh often irreversible environmental damage. In contrast, strong sustainable development is characterised by a genuine attempt to enable economic development without trampling other stakeholder interests, ring-fencing essential environmental and societal concerns that could be affected by economic activities.

Despite the increasing centrality of sustainability in the international political arena, and even economic discussions, I found that the issues of weak sustainable development and commodification were not extensively discussed by the existing literature concerning industrial impacts in developing countries, particularly concerning wider social and environmental concerns. This study investigates the notion of weak sustainable development, commodification and its impacts on the human security of local communities in the context of the mining industry in Indonesia.

2.4 Conclusion

The chapter reviews extant literature on the impact of investment in mining on the human security of local communities. The underlying factors responsible for the disruption of the human security of local communities due to mining and the governance of mining have been reviewed. The chapter identifies that why high mining investment and revenue fail to achieve a better performance of the human security of local communities has been missing in the literature of natural resource-rich countries or provinces, particularly in Indonesian provinces that are endowed with natural resources. It also finds that the existing literature lacks investigation of the notion of governance through commodification as the sources of human insecurity as proposed in the Polanyian perspectives. This perspective has not been applied to investment in mining and human security of local communities which the present study addressed.

This chapter clarified the notion of commodification within the governance of mining industry and its impacts on the human security of local communities. This is the first step in my research, situating this inquiry within the framework of for taking position existing literature, and guiding its empirical and theoretical contributions. More specifically, this is the starting point to achieve the central objective of my research, in exploring why high investment and revenue obtained from the mining industry fails to improve the human security of local communities in the case of the Indonesian mining industry.

The researchers have discussed the disruptive impacts of mining from the perspective of radical dependency theory, resource curse, and MIDR. In contrast, they have rarely undertaken investigation of disruption of the human security of local communities from the Polanyian perspective of commodification of land and labour. This chapter argues that radical dependency theory considers mining FDI a modern imperialism that impoverishes and causes underdevelopment in the developing countries. This has not investigated the disruptive impacts of mining on the human security of local communities. It is argued that commodification in the mining industry is driven by both FDI and DDI, and regardless of ownership characteristics, the industry threatens local communities

through commodification.

The review show that the notion of resource curse is not applicable in the Indonesian mining context especially in the case of East Kalimantan, South Kalimantan, and Central Kalimantan. Resources curse argues that countries or regions with endowment of natural resources tend to have worse social and economic performance than those that have limited natural resources. In the context of this study based on empirical data on Indonesian economic performance, scholars agree that Indonesia escaped the resource curse. Indeed, East Kalimantan, South Kalimantan, and Central Kalimantan are considered rich provinces in the aggregate national levels of Indonesia.

Another key issue reviewed was the MIDR. The existing literature on MIDR have limited concerns on the context of mining and commodification as the root causes of the displacement. By integrating the analysis of structure and agency, this research traces the governance of Indonesian mining that applies commodification of land and labour. One of the consequences is displacement that threatens freedom from want, fear, and indignity of local communities.

Commodification may occur due to government policies following free-market principles. It is worsened under ineffective state, such as corruption, unaccountable government, as well as a general lack of regard for sustainability, due to which the government intentionally commodifies nature to facilitate the interest of business class while neglecting the freedom and security of local communities. Commodification fundamentally reflects the orientation of a national development agenda with weak sustainability and the absolute prioritisation of economic growth rather than human freedom and environmental protection.

Finally, this chapter offers a significant review of the literature on the influences of mining. It presents the governance of mining through the commodification of land and labour as the underlying factors of the disruption of the human security of local communities. In addition, since the study about the governance of Indonesian mining has been rarely undertaken by scholars, it contributes to area study, especially providing a better understanding of Indonesian mining from the

Polanyian perspective. In turn, building on the Polanyian perspective, this study offers an evaluation of the governance of Indonesian mining.

Chapter Three

Theoretical Framework

3.1 Introduction

This chapter presents the theoretical framework applied to explain the impacts of the mining industry on the human security of local communities. For this purpose, this study relies on the key themes of governance and freedom. This is useful for crafting a preliminary explanation of the effects of the Indonesian mining industry, utilising a theoretical framework primarily based on the work of Karl Polanyi (i.e. double movement), and moderate dependency theory (as explained in the previous chapter). On this basis, this study interrogates the governance of Indonesian mining, especially the nexus of commodification, human insecurity, and its counter-movements.

Building on Polanyi's double movement, governance can be understood as 'the act or manner of governing' (Kjaer, 2004, p. 3), which in the mining sector generally follows the principles of economic liberalism to facilitate market capitalism through the commodification of land and labour. In turn, the commodification of land and labour threatens human security and in numerous cases it triggers counter-movements by local communities, CSOs, and the state. Counter-movements aim to steer the mining sector following the principles of social and environmental protection through decommodification of land and labour (Polanyi, 2001, p. 138). Therefore, this chapter seeks to explain the neoliberal governance of mining, commodification of land and labour and its impacts on human security, and how state and civil societies governance seek to obtain decommodification to protect the freedom and security of local communities.

The notion of governance is influenced by global and domestic political structures as well as the agency of the actors involved. To understand the notion of structure that shapes the governance of mining, this chapter utilises moderate dependency theory arguing that governance in developing countries is shaped by

global and domestic social, political, and economic structure. I argue moderate dependency is applicable in the Indonesian context since FDI has a major role in development in Indonesia (BKPM, 2016). Polanyi's work lacks direct consideration of FDI, which would generally equate to colonial or imperialist investment during Polanyi's lifetime, such as by European firms in colonial possessions. FDI emerged in postcolonial economic contexts, and it is necessary for this study to integrate the theoretical framework with moderate dependency theory in order to conceptualise the issue of FDI in developing countries.

In the process of capital accumulation, foreign interest operates locally by establishing alliances based on FDI, DDI, and benefits for local communities, facilitated by the government. These alliances dominate the economy while threatening the human security of non-alliance communities. As a result, as argued by moderate dependency theory, the mining industry faces counter-movements by dominated communities (Cardoso & Faletto, 1979, p. xi). This scheme, I argue, is in line with Polanyi's double movement (Polanyi, 2001, p. 151), within which the disruptive impacts of mining trigger counter-movements of local communities, and also global and domestic CSOs who seek to protect the environment and society from the impacts of mining. Counter-movements are driven by domestic forces and also enhanced global networks, particularly environmental movements. Therefore, to understand political economic governance in the Indonesian mining, especially the nexus of commodification/human insecurity/counter-movements, it is necessary to interrogate global and domestic social, political, and economic structures, as proposed by moderate dependency theory.

Moreover, the notion of agency is related to the ability and power of stakeholders (government, civil society, and mining corporations) in governing the mining sector. Whilst the role of other stakeholders is significant, I argue that the state is the principal institution that has authoritative power to govern the mining industry in developing countries and to ensure human security of the people (Kohli, 2004; UN Resolution A/RES/66/290, 2012; UN Resolution A/68/685, 2013). However, state governance matters only within a matrix of state effectiveness and political accountability (Bourgouin & Haarstad, 2013) which

is a necessary condition that actually fosters positive impacts of mining on human security.

This chapter consists of six sections. Following this introductory section, section 3.2 discusses the notion of neoliberal governance of mining and commodification of land and labour. Building on Polanyi's work, this section explains self-regulation in markets and commodification as causative factors of human insecurity. Section 3.3 discusses the discourse of freedom and the human security concept to provide an understanding and measurement of human security as the dependent variable in this study. Section 3.4 explain the notion of counter-movements as a response to the impacts of self-regulating markets on human security. The governance of mining both through commodification or de-commodification land and labour is dictated by political economic structure and stakeholders' agency. This issue is discussed in section 3.5, which explains the notions of globalisation, sustainable development, democracy, decentralisation, state effectiveness, and political accountability. Section 3.6 presents conclusion of the chapter, highlighting the key aspects of this study's theoretical framework and positing that the disruptive effects of mining FDI in Indonesia can be investigated based on the framework of governance, arguing that commodification within a free market system and weak state effectiveness and political accountability are the causative factors of human insecurity.

3.2 Governance of Mining through Liberalisation and Commodification

This section presents the theme of governance of mining through liberalisation followed by investigation of the notion of commodification. More specifically, this section is about what liberalisation is and how it is implemented, as well as why it is commonly applied by states. It is useful to understand Indonesian policies concerning mining liberalisation. It is followed by a discussion of the commodification of land and labour.

3.2.1 Liberal Theory and the Governance of Mining

One of the classical tenets of neoliberalism is the aim of fostering the notion of free markets or laissez-faire, which can be understood in general terms as reducing or eliminating state intervention in national and international economic activities (Peck & Tickell, 2014). In understanding the notion of free markets, while Polanyi (2001) discussed the danger of self-regulating markets (free markets or laissez-faire) at length, Frederick A. Hayek's works are particularly instructive in understanding the roots of neoliberalism as applied in economic liberalisation by modern states, such as Indonesia in the context of the mining industry and FDI (Nafissi, 2000). In practical terms, this study utilises the notion of Washington Consensus and conditionalities instituted by financial institutions such as the IMF and the WB, especially in the case of developing countries such as Indonesia.

The core vision of modern liberty is the availability of a wide range of choices and opportunities to individuals with a correspondingly limited role of political institutions. Freedom is inherent in human nature, including the way of thinking, feeling or employing actions that is important for ensuring human's well-being, and becomes the basis for realising people's preference to enhance people's well-being (Nakazato, Nakashima, & Morinaga, 2017; Eadie, 2005). However, freedom in the modern capitalist society is quite complex, in particular related to conditions under which freedom can be realised.

Hayek (2011) emphasises freedom from coercion, in particular within the relations between individuals, as the defining element in freedom. Accordingly, freedom can be defined as 'condition of men in which coercion of some by others is reduced as much as is possible in society', within which 'a man is not subject to coercion by arbitrary will of another or others' (Hayek, 2011, p. 57-58). Hence, the main point of Hayek's argument is not the wide the range of available choices, rather it is determined by the circumstances of the choice and whether it is generated by individuals' own intentions and wishes or, in contrast, forced upon them by others who have the power to manipulate them and to establish the terms of debate.

In this regard, Hayek's *The Road to Serfdom* (1944) criticises the planned economy, which was the principal instrument of socialist reform in the contemporaneous Soviet Union, as creating confusion and ambiguity. According to Hayek (1944, p. 25, 37), 'where freedom was concerned, the founders of socialism made no bones about their intentions'. I argue that the essence of Hayek's idea is that human freedom can be achieved through competition (i.e. conventional liberal capitalism) as opposed to being planned or enforced by state power (Filip, 2012). This idea was continued by later scholars with similar perceptions of the importance of *laissez-faire*. Contemporary neoliberal economists such as Milton Friedman revived classical Liberal economic theory (particularly relating to free trade and limiting the role of the state) as the ideological basis for massive cuts in public expenditure, sale of state assets and market deregulation from the 1970s onwards during the era of Reaganomics (Krugman, 2007).

While now severely criticised, having caused the stagnation of wages, ballooning personal and national debt and financial recklessness that ultimately led to the 2008 financial crisis, this model has been the blueprint for governments worldwide for four decades. It continues to be dogmatically asserted by political elites who cling to the vision that capitalist systems based on competitiveness, free markets and private enterprise are essential conditions to achieve human freedom (Ashford, 2010). This can be seen in the launch of Washington Consensus as the set of prescriptions about effective strategies of development that associated with Washington-based institutions, particularly IMF, the WB, and the United State (US) Treasury, the latter of which appends a string of neoliberal demands to its lavish and extensive international aid packages to developing countries (Serra, Spiegel, & Stiglitz, 2008).

The Washington Consensus consists of fiscal discipline, re-ordering public expenditure priorities, tax reform, liberalising interest rates, a competitive exchange rate, trade liberalisation, liberalisation of inward foreign direct investment, privatisation, deregulation, and property rights (Williamson, 2004, 2008; Serra, Spiegel, & Stiglitz, 2008). In other words, it aims to realise a market economy, openness to the world, and macroeconomic discipline (Williamson,

2002), which according to neoliberal proponents results in efficient and effective strategies leading free markets to 'an efficient allocation of resources and efficient growth over time' (McCartney, 2004, p. 2; Stiglitz, 2004).

Neoliberal economic doctrines have been institutionalised by financial institutions, particularly the WTO, the IMF and the WB, who impose conditionalities on debtor countries, defined by Koch (2015, p. 99) as:

> …an incentive instrument in the relationship between two actors, in which one actor aims at changing the behaviour of the other by setting up conditions for the relationship and by manipulating its cost–benefit calculation by using (positive and negative) material incentives.

Conditionalities are instituted on the premise that they guarantee repayment of loans, but critics observe that there is a clear self-interest for multinational corporations to open debtor countries' economies to FDI (i.e. supporting international trade), which can be a tool of neo-colonial economic domination (Guimaraes & Iazdi, 2015). Due to conditionalities, debtor countries make neoliberal structural adjustments, particularly deregulating markets, as the prerequisite for their desperate bids for capital in the form of financial support, including both direct loans and FDI, which they require for development (Dabour, 2000; Paus, 2005). As a result, debtor countries such as Indonesia implement free markets in development, including in the mining sector. To implement free markets, neoliberal institutions need the facilitation of states (i.e. governments), which is one of the primordial ironies of liberalism, by which the bourgeoisie both depend on the state to protect their capital and interests while claiming that state intervention must be reduced, as described by Polanyi (2001, p. 155).

The purpose of neoliberalism under the Washington Consensus is, therefore, to establish free markets with minimal state involvement (i.e. regulation), especially through 'eliminating all obstacles to a 'perfect market' as a presumed optimal path to growth' (Waeyenberge, Fine, & Bayliss, 2011). However, in fact it needs state intervention to facilitate and maintain such liberalisation. The

conditionalities applied through Structural Adjustment Programs (SAPs) by donor institutions show the need for state intervention to facilitate the open markets, such as through policies reform and deregulation. In turn, state policies implemented by an alliance between states and neoliberal institutions commodify land and labour to optimise growth, considering land (nature) and labour as subservient components of industrial activities primarily instituted to accrue wealth for capital.

Indonesia has been subject to the conditions of the IMF and WB since the New Order government, which entails consequences including that Indonesia implements economic liberalisation, as shown in deregulation and privatisation policies, reducing trade tariffs and barriers, and issuing a 'negative investment list' (DNI) to attract investment. As a result, investment has been increasing in value, including in the mining sector. By 1973 the total of investment realisation was up to about $1,131.2, from a negative figure in the 1960s, and it consisted of 56% FDI and 44% DDI. Within the mining sector, this comprised FDI of about $860.5 (95%) and DDI of $46.2 (5%) (Hidayat, 2016, p. 32). Nevertheless, while investment facilitates progress in Indonesian economic growth (Bowie & Unger, 1997), high investment brings high potential for the commodification of land and labour. Thus, while it inherently benefits the government, investors and beneficiary stakeholders, it might threaten local communities, especially those who are highly dependent on land, due to the nature of the mining industry and its activities.

3.2.2 Commodification of Land and Labour

To optimise economic growth, free markets factor land and labour into production as essential commodities, objects produced for sale in the market based on bargaining between buyers and sellers (Polanyi, 2001, p. 75). In the context of mining, natural resources can be seen as the source of 'wealth and its growth' (Peerman et al., 2011, p. 5), and in developing countries they are often fundamental to revenue and state income to support socioeconomic development. Neoliberals opine that capitalist wealth accumulation enriches other people or stakeholders due to the principles of the trickle-down effect,

which after decades of moribund wage growth and ballooning personal debt in neoliberal economies such as the US and UK is rarely argued nowadays (Greenwood & Holt, 2010).

Nevertheless, proponents of free markets consider land and labour as commodities or elements of industry controlled in markets. Polanyi (2001) explicitly challenged such assumptions, arguing that land and labour 'are obviously not commodities'; accordingly, labour is 'a human activity which goes with life itself', and land is only 'another name for nature, which is not produced by man' (*ibid.*, p. 75). Since none of these elements are produced within economic activities, considering them to be intrinsic commodities is fictitious. Land, where people primordially live, has been commercialised as a commodity by the industry, meanwhile labour has been valued based on market price as opposed to human dignity. As a result, commodification of land has disrupted society, causing human insecurity, since increasing economic growth through commodification leads to inequality as well as causing social and environmental problems (Soubbotina & Seram, 2000; Polanyi, 2001). Put simply, while mining investors become richer due to mining activities, local communities are impoverished by being dispossessed of access and use of ancestral lands due to land grabbing and environmental degradation by the mining sector.

In addition, commodification of labour can be seen in the establishment of labour markets within which 'the natives are to be forced to make a living by selling their labour' (Polanyi, 2001, p. 171). Nevertheless, this study argues that the mining impacts on the 'natives' (or local communities) is not only about selling labour to the markets, but even worse that is displacement and unemployment. Local communities have to move from their land and also losing livelihood due to land transfer. Local communities that used to work in a traditional agricultural sector are unable to compete in the labour markets to work in technologically intensive industries such as mining. As a result, they lose their livelihoods and thus their human security.

Mining commodifies land, whether driven by FDI or DDI. Building on moderate dependency theory, I argue that the mining impacts on human security are not determined by the ownership of the investment. As stated by proponents of

moderate dependency theory such as Cardoso, Faletto, and Evans, the current pattern of capitalism is no longer a 'zero sum game' led by foreign investment, because foreign capital is no longer induced by pure external force; rather it has been operating locally by sharing with local capital, either state or private (Cardoso, 2015, p. 120), often due to legislative requirements in host countries. More specifically, it involves a triple alliance of three sectors of the economy including 'private national, the foreign and the public' implementing capital accumulation, with industrialisation in the periphery (Evans, 1979, p. 31-32). Hence, the human insecurity of local communities is not because foreign exploitation, but commodification employed by capital markets dominated by both FDI and DDI investors, in collusion with governments and beneficiary local society (Cardoso, 1979).

3.3 Human Security as Freedom

The notion of human security has been evolving since it was pioneered in the 1990s by the UNDP as a response to various new developments, threats and challenges in the post-Cold War world. Fukushima (2009) claims that the emergence of the all-encompassing development of globalisation, issues of terrorism and climate change have caused the expansion of security studies from military power to a broader view, including domestic problems, non-military threats and national well-being. This section aims to provide explanation of the notion of human security as freedom by explaining human security discourse from a Polanyian perspective.

It is noted that Polanyi's concept of human freedom resonates with the notion of human security that is the security of individual, but this entails responsibility (Thomasberger, 2003). Optimising individual freedom as proposed in the liberal perspective might bring disruptive consequence on society as well as dehumanising other people (Filip, 2012). As a result, it becomes the source of the disruption of human security including freedom from want, fear, and indignity.

3.3.1 Human Security Framework

In its 1994 Human Development Report (HDR), the UNDP proposed a broad approach to human security that covers the freedom from fear and from want, and to live indignity including economic, food, health, environment, personal, community and political security. Accordingly, human security can be understood as:

> … first, safety from such chronic threats as hunger, disease and repression. And second, it means protection from sudden and hurtful disruptions in the patterns of daily life-whether in homes, in jobs or in communities' (UNDP, 1994, p. 23).

The broad approach to human security proposed by UN institutions and given notable support by the government of Japan is thus known as the Japanese approach to human security. It emphasises the needs for people to be free from all kinds of threats in their daily lives, as well as being vouchsafed freedom from want, freedom from fear and freedom to live in dignity (Wheeler, 2011; Sen, 2014).

I argue that the Japanese approach to human security is applicable in the Indonesian mining context since it reflects developmentalism approach (Duffield, 2007, p. 120). The Japanese approach to human security places development, particularly economic aspect, at the heart of human security. It is the attempts for protecting and empowering people from various menaces threatening human survive such as reducing poverty, protecting environment degradation (Duffield, 2007). From the perspective of the Japanese approach, human security deals with the fulfilment of fundamental human needs, increasing standards of living and solving poverty problems. These are the constituents of giving humans the security of freedom from want. More specifically, the Japanese approach to human security covers protection of global environment, eradication of poverty and hunger, and guarantee of human dignity (Edstrom, 2008, p. 235-236), as well as the achievement of health and welfare of populations (Larrinaga and Doucet, 2008, p. 528).

The Japanese approach has been criticised by the narrow approach, which focuses only on violence. I argue, nevertheless, the narrow approach has neglected the roots of violence (e.g. conflict) that might be related to the struggle for freedom from want as a basic component of human security. There are many conflicts or unrests are rooted solely in sophisticated economic needs, such as work-related issues and quality of life. Economic factors such as wages, working conditions and disputes over land and property are major triggers of conflicts (Wedeman, 2014, p. 36). These economic factors affect well-being, inequality of income and job loss, and in turn produce vertical conflict because of people's pressure on governments (Phelps et al., 2014, p. 200), as well as driving horizontal conflicts with others or illegal acts such as criminality.

Indeed, freedom from want and from fear essentially complement each other. Insufficiency of basic human needs is itself a source of conflict, since it causes the emergence of greed and grievance (Singhdeo, 2011, p. 208). On the other hand, conflict also brings devastating impacts on basic human needs fulfilment such as scarcity, damage and other negative conditions. Therefore, the broad approach to human security, including freedom from want, fear, and indignity is appropriate for this study in investigating the impacts of governance of mining on human security.

Human security can be investigated based on elementary human rights (Sen, 2014) namely, as previously noted, freedom from want, fear, and to live with dignity as contained in Table 3.1.

Table 3.1: Indicators of Human Security of Local Communities

FREEDOM FROM WANT & LIVING IN DIGNITY	
Economic	
Security	Insecurity
Minimum income US$ 2 per day	Poverty, unemployment
Gaining employment or not losing job/subsistence caused by the mining industry	
Household members wear different clothes at home, school/ work, and traveling	
Living in a house with a proper roof, floor, and wall	
All household members aged 7-15 able to access education	
Possess a saving or current account balance	
Food	
Security	Insecurity
Having enough food (at least two meals per day or minimum 2,100 kal./ person/day)	Hunger, famine
Capable to buy and/ or to produce food	
Health	
Security	Insecurity
Free from disease and injury Having health access due to the mining industry	Deadly diseases, lack of access to basic health due to the mining industry
Environmental	
Security	Insecurity
Free from natural damage, degradation of the local ecosystem and biodiversity, pollutions (air, water and sound)	Pollution, environment degradation, resource depletion, biodiversity loss
FREEDOM FROM FEAR & LIVING IN DIGNITY	
Political, personal and community security	
Security	Insecurity
Recognition of indigenous people' rights, human security protection, peace (free from direct violence and conflict)	Human rights abuses, physical or direct violence, oppressive practices, and inter-ethnic/ community tension or conflict

Source: UNDP (1994), UNOCHA (2009), Hasting (2013).

Freedom from want refers to the availability of opportunities for human beings and capabilities due to which humans can freely fulfil their basic needs such as food, clothes, shelter, health, and others. The fulfilment of freedom from want is influenced by several interrelated basic factors namely economic resources, human resources, and organisational resources (Kent, 2005). Economic resources problem, referring to inadequate assets, is particularly related to basic income which may come from jobs, capital, land, or other assets. In other words,

without capabilities in getting income or jobs, people could lose their opportunities to meet their daily needs. However, capability to get income is also influenced by human resources such as knowledge, skill to grab the opportunities offered by organisation. Hence, poverty and unemployment are the main source of violation of freedom from want.

Freedom from fear can be defined as free from external coercion, aggression, violence, and conflict that cause fear for the human. Freedom from fear is related with direct threats such as social conflicts and repression. Meanwhile, freedom to live in dignity refers to right of people to be treated as well as respected as a human since human beings are equal. Human is different with other creatures as naturally human beings have rights of free choices, deliberation, and to shape their own lives. However, people have rights to live in a society with honours regarding human rights (UNDP, 1994).

3.3.2 Human Security in the Polanyian Perspective

The achievement of human security can be analysed based on Polanyi's conception of human freedom. This thesis argues that the notion of human freedom advocated by Polanyi has a similar meaning to the concept of human security, in particular from the perspective of freedom from want. Block & Sommers (2014, p. 7) reveal that in addition to individual rights, Polanyi tenaciously held on to the idea of freedom in terms of civil and political rights, economic justice and freedom from want. Moreover, freedom is not only about safeguarding personal liberty and civic freedom, but also including the responsibility for freedom among all members of society. From Polanyi's point of view, the goal of development is freedom, more precisely, 'physical survival, and freedom' (Sandbrook, 2011, p. 423). Polanyi's notion of human freedom resonates with the concept of human security.

Human freedom is the core concern in Polanyi's argument that every human has a right to individual freedom, but this entails responsibility (Thomasberger, 2003). Indeed, Polanyi notes the fundamental axiom that one's individual freedom is fundamentally limited by respect (or compelled deference to) other people's freedoms in 'a complex society' (Polanyi, 1944, p. 249; Levitt, 2011). Due to the complex social interconnectedness of society, human freedom cannot be defined as 'the maximal autonomy of the individual' (Block & Sommers, 2014, p. 240), rather it must be achieved by considering others based on norms such as 'trust, probity, concern for others and duty toward the poor' (Sandbrook, 2011, p. 419). In short, the idea of human freedom in Polanyi's conception is freedom with responsibility, which consists of a connection between being free and being responsible. It is related with consequences of free actions taken by an agent that may affect others. Therefore, in employing free thinking and actions, agents must consider the consequences of these for others.

This thesis agrees with Polanyi that the way to achieve human freedom is by restoring the role of the state as the main actor in the economic governance assisted by protective counter movements from civil society which in turn provide protection and empowerment of the people. Protection refers to a top-down approach including norms, processes and institutions by which the state or CSOs protect the people from menaces or critical and pervasive threats. Meanwhile, empowerment refers to a bottom-up approach, including strategies to enhance the resilience of communities (UNOCHA, 2009).

Polanyi argued that the means to achieve human freedom is to recognise the role of social and political institutions and their intervention to provide planning, regulation and control under which human freedom can be realised (Cangiani, 2012, p. 37; Filip, 2012). In this view, a wholly free market system without state oversight leads to unfettered competition that causes inequalities, enriching business elites because of their capabilities and resources (i.e. capital) while individuals with limited resources and capabilities remain in poverty and human insecurity, with no effective rights.

In the Indonesian context, building on Polanyi's argument, state intervention is necessary for mitigating the mining industry disrupts the human security of local

communities. The state has the ultimate power to govern mining, thus it needs to improve governance and provide social and environmental protections, which I argue are necessary conditions for ensuring the human security of local communities. Despite states seeking to increase growth through mining, it is necessary to propose a formulation within which mining does not harm the human security of local communities. Indeed, an embeddedness that involves local communities in governing mining might give space for local communities to obtain more benefits from mining itself.

The role of the state in achieving human freedom, therefore, also needs the participation of civil society through assistance or control mechanisms. Robust human freedom from the potentially benefit, and/or devastating impacts of markets depends on a coalition between political and social institutions in a vibrant civil society. The reason for making the state as the main actor in achieving human security, as Polanyi argues, is related with the capacity of the state and its power to protect individuals against the destructive forces of markets (Block & Sommers, 2014, p. 6). However, a counter-movement is required to re-embed the market in society, and de-commodify land, labour and money (Sandbrook, 2011).

As per Polanyi's suggestions, human security could be obtained through several conditions. Firstly, the accountable role of a democratic state is to govern the market by producing policies that protect society from devastating impacts of the markets. Secondly, the active role of civil society is to assist the role of the state and also organise protective movements against the catastrophic impacts of self-regulating markets (Block & Sommers, 2014, p. 7). CSOs could be the motor to encourage the active participation of the citizen in supporting and controlling the role of government in achieving human freedom. Specifically, the role of CSOs in protecting human security can be seen in counter-movements that seeks to obtain decommodification of land and labour that will be discussed in the following section.

3.4 Counter-Movements and Decommodification of Land and Labour

The previous section discussed the notion of commodification of land and labour as part of the first element in Polanyi's double movement. The impacts of commodification of land and labour trigger counter-movements to enhance decommodification for protecting the environment and society. This section aims to contextualise the notion of counter-movements to realise decommodification of land and labour as part of the second element of Polanyi's double movement in the context of governance of the mining industry. First of all, this section analyses the notion of counter-movements and how they operate, followed by discussion of decommodification of land and labour.

3.4.1 Counter-Movement through Networks

Counter-movement as a response to mining impacts can be considered as the second element in the Polanyi's double movement. The interaction between the first move and the second move (counter-movement) is dynamic, including various actors and mechanisms to pursue goals in the context of social, political and economic structures (Andrew, 2002; Dillard, 2013). While I argue that counter-movement is a component of social movement within which joint action of actors seeks to invoke grievances and concerns regarding rights, welfare and wellbeing (of self and others), they have distinctive features (Snow, Soule, & Kriesi, 2004). I argue that social movement is more general, seeking 'fostering or halting change' in a society (*ibid.*, p. 8), while counter-movements are more specific reactionary movements driven by the impacts of particular cases (Andrew, 2002).

Parallel with this argument, from a Polanyian perspective, counter-movements can be understood as the opponents of neoliberal principles or 'anti-laissez-faire', which is a spontaneous collective action against 'the diffusion of capitalism and market economy' (Polanyi, 2001, p. 148; Gemici & Nair, 2016, p. 580). As stated by Polanyi (2001, p. 136):

> A countermovement… was more than the usual defensive behaviour of a society faced with change; it was a reaction against

> a dislocation which attacked the fabric of society, and which would have destroyed the very organisation of production that the market had called into being.

In the context of this study, as a joint action, counter-movement consists of various actors and mechanisms, as explained below.

First, regarding the actors, Polanyi (2001) argues that a counter-movement is employed by 'those most immediately affected by the deleterious action of the market' (p. 138) in a spontaneous reaction (p. 156). However, I argue that in the context of governance of mining, counter-movements also involves civil society networks at the global, national and local levels that intentionally (as opposed to spontaneously) oppose free markets.

'Local communities' in this study refers to groups of people determined by their geographical proximity to mining activities. As stated by Pacione (2009, p. 376), a community can be understood as 'a group of people who share a geographic area and are bound together by common culture, values, race or social class'. I primarily used this definition of 'local community' since it is applicable to locality-based communities of interest (Jimura, 2011), however it is important to note that the term is contested due to different interpretations of the sense of locality. The term 'local communities' can often be used synonymously with 'indigenous people', for instance as in the UN Conventions on Biological Diversity, which use 'local communities' to refer to 'indigenous' or 'native' people (Tornberry, 2002). In this respect, this study defines local communities more specifically as indigenous and migrant people living in the area before modern mining operations commenced, who furthermore are categorised and recognised as local people by the government.

In addition to local communities, networks of CSOs are significant in counter-movements as a major stakeholder in mining governance. Despite a lack of consensus on what civil society is (Bowden, 2006), following the UN, this study understands civil society as 'a third sector of society, along with government and business', which stands as intermediary entity between the state, the private sphere or business world, and the people (Bowden, 2006, p. 158). Civil society,

as a voluntary and non-profit association does not have a 'direct quest for political power', but it attempts to influence the shape of state's policies, norms, rules, and structure through its active political orientations manifest in the activities of CSOs, community-based organisations, interest groups, academic institutions and social organisations (Söderbaum, 2007, p. 322).

Second, regarding the mechanisms, CSOs establish networks at the local, national, and global levels. In its simplest form, a network is 'any set of interconnected nodes' which can be 'individuals, groups, organisation, or states' (Kahler, 2009, p. 3). A network can be understood as structure that influences the action of the actors, or agencies within which actors intentionally establish collective action to increase their leverage over policy formation (Kahler, 2009; Sikkink, 2009; Stein, 2009). On this basis, this study prefers to consider network in terms of actors, to explain how CSOs establish networks at the local, national, and global level to influence government policies and corporate behaviour. Moreover, the UN, the originator of the human security concept, emphasises the importance of networks for ensuring human security (UNOCHA, 2009; CHS, 2003).

I argue that the role of CSOs network is for bridging grassroots society interests, such as local communities, with government and business. They help to invoke the grievances of local communities, especially the vulnerable in society, as occurs in counter-movements. As proposed by the CHS (2003, p. 88), 'promoting human security within a framework of protection and empowerment requires an enhanced role for civil society supported by more resources'. More specifically CSOs support the implementation of protection (top-down approach) and empowerment (bottom-up approach) as mechanisms to achieve human security. In the context of top-down approach, CSOs contribute to close gaps between government policies and actual results on the ground. In doing so, I argue that networks of CSOs employ soft (nonviolent) to hard (violent) mechanisms, such as lobbying, raising awareness, protesting, or boycotting (Andrew, 2002). Meanwhile, in the context of bottom up approach, they support the education of local communities to be resilient from mining impacts.

3.4.2 Decommodification for Realising Human Security

Building on Polanyi's work, the goal of counter-movements is to obtain decommodification of land and labour for protecting the environment and society, which are the main elements of human security. In its simplest form, decommodification is the opposite of commodification. While commodification is process of valuing land and labour as commodities based on monetary value of market system, decommodification is the process of taking land and labour out of the market system and returning them to their primordial function, based on social and environmental utility (Polanyi, 2001; Gerber & Gerber, 2017).

In practical terms, Polanyi (2001) suggested that commodification of land could be implemented by incorporating land with definite institutions such as homesteads or public facilities. However, this does not mean the elimination of private ownership for farm areas (as in collectivism), meanwhile 'contracts in respect to land tenure need deal with accessories only, since the essentials are removed from the jurisdiction of the market' (Polanyi, 2001, p. 259). In addition, decommodification of labour can be understood as taking labour out of competitive markets dictated by neoliberal concepts such as self-regulation. In contrast, state intervention is necessary, for instance in regulating and controlling 'not only conditions in the factory, hours of work, and modalities of contract, but the basic wage itself… determined outside the market' (Polanyi, 2001, p. 259-260).

In the context of this study, I define decommodification of land as allocating mining areas based on national spatial planning, which considers the security and freedom of local communities, and ensures the livelihood of people who are highly dependent on land. It also can be understood as mitigation of intensive land selling by beneficiary local communities. Meanwhile, decommodification of labour would normally relate to permanent mining workers in such contexts, but I argue that they can be considered as beneficiary stakeholders in the case of Indonesian mining. Consequently, decommodification of labour is applicable for unskilled local workers and jobless people who lose their livelihood due to mining-related changes in land ownership and use. They have to compete at labour markets to find a new job, including in the mining industry, which

requires skilled labour. Therefore, unskilled local labour needs government protection, such as through a regulation of special allocation of local workers being hired by mining firms.

Moreover, I argue that the notion of weak state effectiveness and political accountability inhibits decommodification of land and labour. Unaccountable government, such as poor human resources, may cause ineffective and inefficient of human security protection. Indeed, corruption leads to poor mining practice, since bribers obtain privileged access to facilities and less control. Therefore, I argue that the first step to obtain decommodification of land and labour is to improve the governance of mining. In addition, decommodification of land and labour is also restrained by government development agendas that overemphasise increasing economic growth at all costs, as opposed to the freedom of local communities. As a result, the commodification of land and labour remains a major barrier to realising a long-term, sustainable development agenda.

The governance of mining in terms of commodification and decommodification of land and labour is shaped by the notion of political economic structure and agency. While Polanyi (2001) emphasises the importance of accountable government and law enforcement, he does not provide a detailed discussion regarding the notion of structure. Therefore, this thesis engages with moderate dependency theory to address this aspect, as discussed in the following section.

3.5 Structure and Agencies Influencing the Governance of Mining

Incorporating the notion of structure and agency in the theoretical framework is important, since they are the determining components that shape human interactions (Friedman & Starr, 1997), in this case the governance of the Indonesian mining industry. While governance refers to ‘the means for achieving direction, control, and coordination’ by which the actors obtain their interests (Lynn et al., 2000, p. 235), structure and agency can be understood respectively as exogenous and endogenous aspects of the stakeholders that

influence governance. Structure refers to the pattern of arrangement within a system that becomes a social context, whereby the case appears or the conditions of actions within which agency or actors operate (Sibeon, 1999). Agency refers to the ability, freedom, and power of the relevant stakeholders to choose different options, to enhance their interests and goals, and to govern and enforce duties and obligations (Friedman & Starr, 1997; Eadie, 2005; Connor, 2011).

The relationship between structure, agency and governance is that agency might influence the structure, or in contrast structure dictates the agency of stakeholders, both of which in turn affect governance (Nem Singh, 2010b). There is debate concerning whether structure or agency exerts a greater role, but this study acknowledges that both have important impacts on governance. According to their power and stakeholder strategies influencing the structure, structure contributes to whether a space is provided for all stakeholders to have freedom or whether some stakeholders' roles are inhibited (McAnulla, 2002; Connor, 2011). Therefore, this study considers both structure and agency in analysing the governance of the Indonesian mining industry. To understand the notion of structure and agency that influence the governance of mining, this section seeks to contextualise moderate dependency theory and Polanyi's work in the context of governance of the Indonesian mining sector.

3.5.1 Structure: Global and Domestic Political Economic Structure

Regarding the term structure, this study operationalises it as global and domestic social political and economic structure, as proposed by Cardoso and Faletto (1979, p. 13). Building on this argument, I argue that the structure that affects the governance of mining in Indonesia primarily exists in the context of the domestic political economy system, in the national local structure characterised by democratisation and decentralisation, with regard to the conditionality of internal and international political and legal regimes within which Indonesia has been tied.

Nevertheless, as opposed to moderate dependency theory proposing external and internal factors influencing development in the developing countries (Cardoso

& Faletto, 1979; Evans, 1979), the proponents of economic liberalism argue that several countries remain impoverished due to internal problems that hinder development (Hite et al., 2015). In contrast, radical dependency theory argues that underdevelopment in developing countries is solely caused by external factors, especially imperialist actions applied by developed countries to enable their iniquitous domination of developing countries (Hiils, 1994; Chase-Dunn, 2015).

Liberal proponents believe that poor countries encounter internal problems that inhibit their development, such as inadequate capital to fund their development, lack of adequate technology, and not following modern social organizations and values (Hite et al., 2015, p. 9). Therefore, the presence of the mining industry (dominated by FDI) can be a motor for national development of host countries, since the industry brings benefits to local communities through spill-over and trickle-down effects. In this sense, I argue that in the context of Indonesian mining, the mining industry brings benefit to particular stakeholders, including government, mining investors, permanent mining workers, and local entrepreneurs related to mining. However, it sacrifices those whose lives are highly dependent on land, such as farmers and indigenous people, through commodification of land and labour scheme. It creates inequality between a limited number of beneficiary communities/ institutions and a higher number of ruined communities. In turn, it increases the poverty and unemployment rate at the aggregate level of communities. The spill-over or trickle-down effects proposed by liberal proponents do not occur in the process of commodification of land and labour, as the mining industry is disembedded from local communities.

In contrast, radical dependency theory can be considered as too general in characterising the disruptive impacts of mining as exploitative actions of foreign actors. Radical dependency theory only focuses on the devastating impacts of mining FDI on host countries, while neglecting the potential devastating impacts of mining DDI. In the context of Indonesian coal mining, I argue that the impacts of mining on the human security of local community are the results of mining operations both FDI and DDI. FDI establishes collaboration with locals,

including DDI, host governments, and beneficiary host communities to obtain economic gains through capital accumulation (Evans, 1979, p. 9). Therefore, radical dependency theory is not applicable for explaining the disruption of the human security as threats to the daily life of local communities that might arise from both mining FDI and DDI.

Derived from moderate dependency theory regarding global and domestic social political and economic structures that influence development in developing countries, I decide to utilise several terms that I argue have a great effect on the Indonesian mining industry: globalisation, sustainable development, democratisation, and decentralisation (Law 4/2009). These key terms are fundamental to the notion of free markets and counter-movements.

First, globalisation. In the economic context, globalisation can be understood as a process or phenomenon of interconnectedness by which economic institutions in a given part of the world are much more affected by economic phenomena in other parts of the world than they were traditionally (prior to globalisation) (Letner, 2004). More specifically, globalisation refers to 'the integration of economic activities, across borders, through markets', characterised by 'free movement of goods, services, labour and capital…creating single market… and full national treatment for foreign investors' (Wolf, 2005, p. 14). Economic globalisation entails spill-over effects in other sectors, such as culture and society, due to people, goods and services and information being increasingly interconnected with the rest of the world.

Building on Polanyi's double movement, economic globalisation facilitates neoliberal economic institutions to induce host states to support the establishment and maintenance of free markets. In turn, economic globalisation faces its counter-movements, often known as anti-globalisation movements, due to the negative impacts of commodification on society, most obviously in the case of acute environmental problems and economic inequality (Mayo, 2005; Held & McGrew, 2007; Worth, 2013; Klein, 2014). Globalisation of society and ideas facilitates counter-movements by providing interconnectedness of global, national, and local communities under the idea of environmental, human right, and social protections.

Second, sustainable development. The notion of sustainable development has been widely adopted worldwide by governments as well as corporations, premised on meeting current needs with consideration for future generations' requirements (WCED, 1987). Sustainable development seeks to balance between social, economic, and environmental elements of development (Castillo-Ospina, 2013). However, in practice, there is no agreement regarding the appropriate weighting of those three elements. Therefore, it is necessary to consider the issue of strong sustainable development (SSD) and weak sustainable development (WSD), which are related to elements driving government policy.

In the view of SSD, natural capital is an integral part of human society that cannot be substituted by technological innovation or monetary compensation. Accordingly, the consequences of natural exploitation are irreversible and threaten future generations (Dietz & Neumayer, 2007). This idea of SSD has parallels with Polanyi's affirmation that industrialisation should not allow commodification of land or the environment, which are embedded in human life (Polanyi, 1944). In this sense, Polanyi believed that protecting land and labour does not mean the elimination of the market, which is useful for ensuring 'the freedom of the consumer' (Polanyi, 2001, p. 260). Based on this view, parallel with SSD, Polanyi argued that the market can continue to operate under condition of the absence of commodification of land and labour. In the context of mining, the mining industry can be operated on land that purposively allocated for mining without transferring land where local communities used to live and gain their livelihood.

On the other hand, in the view of WSD, natural capital is subservient to the needs of economic capital, based on which the devastating impacts of economic activities on environment and social are offset by economic revenue. I argue that WSD is the type of sustainable development currently applied by most developing countries, who allow environmental degradation that would not be tolerated in developed countries due to the absolute prioritisation of economic growth; multinational corporations collaborate in such activities while providing ancillary CSR to assuage more vociferous opposition to their activities (Gibbs,

Longhurst, & Braithwaite, 1998; Luke, 2005; Dietz & Neumayer, 2007; Nilsen, 2010; Davies, 2013). In the context of the mining industry, WSD can be seen in state 'sustainable' development agendas implemented through commodification and exploitation of nature.

While couched in terminology about sustainable development, WSD operates under the matrix of commodification of nature to obtain economic gain. Building on Polanyi's work, I argue that WSD is another form of free market that does not fundamentally seek to enhance human freedom or respect the environment (Luke, 2005). Indeed, Polanyi (2001, p. 156) observed similar rebranding exercises in capitalist activities in his own time:

> …solutions switched over from individualistic to 'collectivistic', from liberal to anti-liberal, from 'laissez-faire' to interventionist forms without any change in economic interest, the ideological influences or political forces in play, merely as a result of the increasing realisation of the nature of the problem in question.

This is one of the main concepts that I use to investigate the problem of this research, affirming that for as long as the development agenda embeds WSD through exploiting mining to increase economic growth, it will end up with commodification of land and disregard for human security.

Third, democratisation and decentralisation. In a simplest form, democracy refers to rule of the state by the people (Arblaster, 2002; Chua, 2000). Democracy provides freedom for citizens to be involved in governance as well as to express their grievances. In this study, democracy facilitates civil society by providing space and opportunities for counter-movements. However, democracy without state effectiveness does not necessarily lead to human security (Piccone, 2014). Democracy offers a set of opportunities that can be grabbed by the citizens to achieve their objectives or values, thus democracy is also 'a basic feature of freedom in general' (Sen, 1999, p. 155). In turn it is useful for achieving human security, and democratic governance systems enhance political freedom as well as providing space for the participation of CSOs, and in turn, 'it can trigger a virtuous cycle of development' that facilitates the

achievement of human security (UNDP, 2002, p. 3). Nevertheless, democracy must go hand-in-hand with state effectiveness; I argue that democracy without state effectiveness will lead to chaos since the parties tend to enhance their own freedom without proper control of the state. In the context of mining, it intensifies commodification of nature in the name of freedom.

Decentralisation is a part of democratisation, referring to the process within which 'political, fiscal and administrative power' is transferred to 'lower levels in the administrative and territorial hierarchy' (Duncan, 2007, p. 713). Optimistic views argue that decentralisation increases efficiency, since local government has a better understanding of the needs and demands of local communities due to geographical and operational proximity, enabling it to deliver services more effectively (Davoodi & Zou, 1998; Fisman & Gatti, 2002). In contrast, sceptical views argue that decentralisation leads to complex problems, such as overlapping policies and unaccountable government at the local level (Spiegel, 2012). In this regard, I argue that decentralisation as the implementation of democratisation at the local level, supporting local communities as long as it is conducted under conditions of accountable government.

3.5.2 Agency: State Effectiveness and Political Accountability

Regarding the notion of agency, this thesis focus on the capability of stakeholders in the mining industry to enhance the freedom and security of local communities. As discussed in section 2.3.1, the state is the primary actor in mining governance. Thus, state effectiveness and political accountability are significant for enhancing the freedom, wellbeing, and security of the people. Nevertheless, in addition to state as primary actor in the governance of mining, this thesis also considers the role of CSOs, local communities, and the market as actors that influence the protection and empowerment of local communities.

The notion of state effectiveness refers to a well-functioning state in enhancing freedom, security and wellbeing of the citizen. It can be seen from the perspective of both top-down and bottom up approach (Green, 2008). In other

words, state effectiveness is not solely about the role of the state in formulating and implementing policies, but also includes the role of civil societies affected by state policies and how they respond the policies (Goodfellow, 2012). From a top-down perspective, organisational capacity is required, especially an effective bureaucratic apparatus to formulate and implement state policies effectively. In addition, from the bottom-up approach, the involvement of active citizens participating in the governance of mining is necessary (Polanyi, 2001; Rahman & Robinson, 2006; Azulai et al., 2014; Block & Sommers, 2014).

From a top down perspective, state effectiveness is also related to the notion of political accountability which is also significant for improving the governance of mining. It refers to the capability of state to manage conflicting interests between and among politicians, bureaucrats, private investors, corporations, and citizens (Azulai et al., 2014). Specifically, it can be seen in its capability to formulate and implement policies resulting from policy reconciliation among stakeholders (Azulai et al., 2014), which must proceed from the political commitment to protecting (and not sacrificing) the freedom and security of local communities while optimising the mining industry in order to enhance state income and foster economic growth.

The mining industry can be considered as sector which drives conflicts of interest, since it is a source of massive funds on one side and also causes massive environmental and societal problems on the other. The interests of stakeholders are heterogeneous, overlapping, and sometimes in conflict; numerous parties have different interests, including government, mining companies, mining workers, CSOs, and local communities. Conflicts of interest generally are endemic in this particular industry, thus from the lens of human security, the state is effective if it can formulate and implement the human security-friendly policies, i.e. a set of policy prescriptions and practices which priorities the interest of the most vulnerable section of society (Howe, 2013). Specifically, building on Polanyi (2001), the state is effective in the governance of mining when it can regulate the mining industry to prevent the commodification of land and labour.

From the bottom-up approach, the involvement of active citizens is important (Polanyi, 2001; Green, 2008; Azulai et al., 2014; Block & Sommers, 2014), especially to select and monitor competent politicians who support the interests of people as opposed to their self-interest and opportunistic benefits. This function is related to the agency and role of CSOs and communities in monitoring and controlling state and the mining industry as well as promoting decommodification of land and labour. Nevertheless, the role of civil societies is influenced by their knowledge, power and resources, networks, and membership (Albin, 1999; Nasiritousi, Hjerpe & Linner, 2016), and CSOs themselves may have diverse interests (Azulai et al., 2014).

Moreover, as noted by Polanyi (2001) and Block and Sommers (2014), in addition to accountable government, active citizenry is significant for enhancing human freedom, with people who exercise their duties and who are aware of their rights. Polanyi (2001) argues that individual freedom does not mean optimising personal freedom unlimitedly, rather it must consider the freedom of other people and society as a whole. In other words, obtaining freedom and rights must be accompanied by the fulfilment of obligations. More specifically, active citizens use their rights to improve political and economic life through their participation in formal politics, economic institutions, and policymaking (Green, 2008).

3.6 Conclusion

This chapter has explained the theoretical framework used in the analysis presented by this research. For this purpose, the engagement between Karl Polanyi's theory and moderate dependency theory, as proposed by Cardoso and Faletto (1979) and Evans (1979), provides a starting point for the analytical framework in this thesis. Derived from his disagreement with free markets due to their purported devastating impacts on society through commodification, Polanyi analysed the source of threats to human freedom as well as proposing mechanisms to achieve human freedom while allowing markets to perform their essential function. While this thesis is concerning with mining industry which highly depends on FDI, which was not specifically discussed by Polanyi,

moderate dependency theory offers an explanation of how FDI works in host countries.

The central argument of this thesis is that commodification of land and labour is the source of the disruptive impacts of mining on the human security of local communities. To understand the notion of commodification, this study traces the governance of Indonesian mining by incorporating the notion of structure and agency in the analysis. The combination between Polanyi and moderate dependency theory drives the analysis in this thesis to focus on the role of the state as the main actor in managing the mining industry and protecting the human security of local communities. Viewed from this perspective, the state can be misappropriated by self-regulating market interests through commodification of land and labour, causing it to neglect the interests of the people to live in freedom from fear, want, and dignity.

Building on Polanyi's double movement, in the context of this study the state has a double role: to maintain economic development, and to protect the human security of local communities. On one side, the state acts following the principles of economic liberalism in the first element of double movement, as a facilitator for market capitalism to support trading and the capitalist class using free trade methods (Polanyi, 2001, p. 155). This is the starting point of the commodification of land and labour, which I argue is the main source of mining-related threats to the human security of local communities.

On the other hand, the state also acts following the principle of social protection, which can be seen as part of the second element of double movement. While the state does not eliminate the market, the state regulates and control the market seeking to protect the freedom of society by obtaining decommodification of land and labour (Polanyi, 2001, p. 260). However, as opposed to scholars that interpret Polanyi's argument on state regulation and control as an implementation of socialism (Sandbrook, 2011), in the Indonesian mining context I prefer to define it as shifting policies from low to high state intervention on the mining business, especially to protect the environment and society, as well as increasing economic gains in the mining business.

The governance of mining is influenced by global and domestic political economic structure as proposed by moderate dependency theory as well as agency of the actors. The notion of state effectiveness consists of accountable government and law enforcement is necessary condition for human security; in contrast, unaccountable government sustains and worsens commodification of land and labour as the source of threats to the human security of local communities. State effectiveness is not only about government, rather it covers the broader context, referring to the system of government in terms of administrative rules, regimes of law, judicial rulings, and civil society by which the support to public good and services are produced and delivered (Lynn et al., 2000, p. 3; Smith, 2007, p. 3).

State effectiveness could realise human security (i.e. the protection and empowerment of local communities) from the top-down and bottom-up approaches. The current government of Indonesia (since 2009) admits that the main source of problems in the mining sector is unaccountable government, weak law enforcement, and corruption, therefore the main aim of the government relating to mining is to improve its governance, under the banner of implementing sustainable development, as well as strengthening state intervention on environmental and societal protection, as stated in the Law 4/2009.

In terms of mechanisms to achieve human security, Polanyi's theory on market embeddedness, counter-movement, and decommodification drives the analysis in this thesis to investigate the particular roles of central government supported by local governments. Decommodification can be realised through protective government policies on labour (human) and nature (environment), emphasising the role of CSOs in struggling against the realisation of market embeddedness toward decommodification. However, despite CSOs attempting to raise awareness as well as influencing government policies, different regime has different policies regarding human security of local communities. I argue there is a transformation on how government accommodates the aspirations of local communities and CSOs. Despite the government as the principal institution can decide whether to prioritise commodification or decommodification, the current

government has established collaboration with CSOs. Nevertheless, as long as commodification still exists, even though under the notion of WSD, it will cause the human insecurity of local communities.

Chapter Four

Research Methodology

4.1 Introduction

This chapter presents the research methodology applied to examine the impacts of mining on the human security of local communities in Indonesia. Specifically, this study utilises qualitative embedded single case study with process tracing analysis methods to analyse how commodification of land and labour causes human insecurity, and in turn triggers counter-movements to realise decommodification of land and labour in order to protect the human security of local communities. From the research philosophy point of view, this study follows the critical theory paradigm. It is useful for guiding this research to investigate the disruption of the human security of local communities and how counter-movements seek to obtain decommodification of land and labour in Indonesian mining.

Critical theory is applicable since it provides bases for examining oppression and 'exploitation of parts of society (alienation)', as well as routes to challenging the oppression focusing on social enquiries or the demand for increasing freedom and mitigating human insecurity (Ryan, 2018, p. 18). Specifically, building on the critical theory, this research questions the problems (what are wrong) in the governance of Indonesian mining and the actors and mechanism involved in the counter-movements to mitigate the disruptive impacts of mining (Bohman, 2005a, 2005b; Held, 2013).

Ontologically, this study holds that the mining impacts on the human security of local communities investigated in this study are not given but are constructed and conditioned through modes of engagement in social relations (Cassel & Johnson, 2006; Adams et al., 2009). In the context of this thesis, the impacts of mining are dictated by the governance, which is influenced by the notion of global and domestic political economic structure as well as the agency of the actors. It challenges the neoliberal argument that mining investment ultimately

brings benefits to all stakeholders. In the context of Indonesian mining, while it brings benefit for particular stakeholders, at the same time it causes destruction of the human security of local communities whose livelihood is highly dependent on land.

In the epistemological context, this study concerns the social constructions and power relations regarding the governance of mining and its impacts on the human security of local communities. Critical theory helps this study to investigate the causal mechanism in the governance of mining influenced by the notion of global and domestic political economic structure as well as agency of the actors. The notions of governance, structure, and agency function as intervening variables in the relations between the mining industry (the independent variable) and the human security of local communities (the dependent variable). Therefore, critical theory is an appropriate approach through which dialectical processes and intersubjective meanings between agents in the governance of mining can be investigated (Nixon, 2012; Aliyu et al., 2014).

Moreover, methodologically, critical theories propose a plurality of approaches and interpretative strategies as methods to investigate the governance of mining (Price & Reus-Smit, 1998). To understand the power relations and social constructions in the governance of mining and the disruption of the human security of local communities, it is suitable for this study to apply the qualitative approach. Specifically, this study utilises embedded single case study and process tracing analysis methods to interrogate the nexus of commodification/human insecurity/counter-movements to protect the human security of local communities.

This chapter is organised in seven sections. Following this introductory section, section 4.2 identifies variables of this research and its operationalisation. The independent and dependent variables of this study are the mining industry and the human security of local communities, respectively. Between these, governance, structure, and agency are intervening variables. Section 4.3 explains the research design applied in this thesis. It firstly examines the rationale of the privileging of qualitative embedded single case study research, followed by case

selection methods, and the limitation of qualitative embedded single case study. Section 4.4 provides discussion of data collection methods. Based on research design and the operationalisation of variables, this research provides data gathering methods including interview, literature survey, and observation.

Data analysis methods are discussed in section 4.5. I decided to use process tracing analysis as a data analysis method since it is the most suitable to explain potential intervening variables and causal mechanism. It is useful for explaining the nexus of commodification of land and labour, human insecurity, and counter-movements to obtain decommodification of land and labour. Section 4.6 explains validity of this research especially internal validity, construct validity, and external validity. I argue that despite this study has developed internal and constructs validity, there still the problems of generalisation as part of the element of external validity. Nevertheless, to mitigate this issue, this study seeks to triangulate data from different perspective derived from different institutions. Section 4.7 is conclusion that highlights the significance of the case study methods used.

4.2 Variables and Operationalisation

Building on the critical theory paradigm adopted in this study, the impacts of the mining industry (independent variable/X) on the human security of local communities (dependent variable/Y) are influenced by several conditioning factors considered as intervening variables. There might be innumerably conditioning factors that affect the impacts of the mining industry on the human security of local communities, but this study limits identification of the intervening variables following Polanyi's work and moderate dependency theorists (based on the theoretical foundations of this study). Derived from my central argument, the impacts of the mining industry on the human security of local communities are determined by governance, which includes the roles of the state and civil society, influenced by the notion of political economic structure and stakeholders' agency. Thus, intervening variables comprise governance, structure, and agency.

4.2.4 Independent Variable

This study focuses on the disruptive impacts of the mining industry on the human security of local communities. Therefore, the independent variable in this research is the mining industry. In the context of this study, the mining industry is defined as not merely referring to particular mining corporations, but economic activities concerned with coal extraction (from pre-mining, exploration, production, and post-mining activities) conducted by large, medium, and small-scales mining companies under particular mining practices.

According to the WB (2002, p.1), the mining industry can be understood as activities to extract metals and minerals that 'include open-pit and underground mining, and large-scale operations as well as activities of small-scale and artisanal miners'. In the Indonesian context, the mining industry extracts several resources, such as gold, copper, coal, tin, nickel, oil and gas. This research selects coal mining, since it is the most important mining resource in East Kalimantan, South Kalimantan, and Central Kalimantan, the selected cases in this study.

This study concerns DDI and FDI mining investment as key elements in the mining industry, therefore it is necessary to explain the notion of investment. Investment plays critical roles in the mining industry as it provides financial resources that is useful for launching and maintaining firms, advancing technology, refining capabilities of production, as well as developing market (Theyel, 2017). Building on Indonesia's Law 25/2007 concerning Investment, article 1, this study defines DDI as 'an investing activity to do business in the territory of the state of the Republic of Indonesia that is carried out by a domestic investor by use of domestic capital'. Meanwhile FDI is an investing activity to do business in the territory of Indonesia that is carried out by a foreign investor both by use of all of foreign capital and by engagement in a joint venture with a domestic investor. In other words, as opposed to DDI, which is sourced from domestic finance, FDI is an investment or a financial process driven by transnational corporations, either by buying, joining or establishing companies for producing goods and service in at least one country outside their country of origin (Cohen, 2007; Pandya, 2014).

In the context of this study, the Indonesian mining industry is highly dependent on FDI (BKPM, 2016). Nevertheless, as explained previously, the source of the disruption of the human security is not related to whether the mining industry is run by FDI and DDI, both of which tend to cause economic, social, and environmental problems for local communities. Regardless of the source of investment or ownership structure, it is the governance of mining through commodification of land and labour that fundamentally determines outcomes for the human security of local communities, which is influenced by global and domestic political economic structure as well as the agency of stakeholders.

4.2.5 Dependent Variable

The dependent variable in this research is the human security of the local community. Following the Japanese approach to human security, this thesis defines human security as the relative condition in which people have protection of their survival, livelihood and dignity. It refers to freedom from various threats or risks including freedom from want, fear, and to live in dignity (Sen, 2014). In this sense, this study defines human security not at the highest level of well-being, but in terms of 'the risks of being severely deprived' (King & Murray, 2001, p. 592) and vulnerabilities (Howe, 2013; Busumtwi-Sam, 2008).

This study considers that the threats to human security come from several dimensions that include economic fabric (economic, food, and health security), social fabric (political, personal and community security), and environmental fabric (environment security) (UNDP, 1994; UNOCHA, 2009; Hasting, 2013). In that respect, economic security influences other dimensions such as food and health. Greater economic security has a greater chance to have higher degree of food and health security.

Firstly, economic security refers to the ability of communities, households or individual to fulfill their basic needs sustainability and with dignity (ICRC, 2015). To achieve this condition, it needs 'an assured basic income' (Werthes et al., 2011, p. 19). While this research does not use the higher-level needs considered by some models, it should be noted that 'basic income' does not merely refer to remuneration, but to a notion of well-being that includes broader aspects of deprivation and basic capabilities in relation to poverty, inequalities

and vulnerability (WB, 2011). Poverty refers to inability of household to spend to meet its basic needs both food needs (e.g. a minimum of approximately 2,100 kcal per capita per day), and non-food needs. In this study, economic insecurity can be indicated by the level of people living below the poverty line and the level of inequalities within the communities.

Since poverty is measured through the ability to meet food needs, economic security is tied with food security (availability and accessibility of healthy food, through buying or producing). In the poverty measurement, economic security reflects food security as a fulfilment of a minimum 2,100 kcal per capita per day has met the standard of food security (FAO, 2006). The sources of food can come from different commodities including the local basket food. The most important point in food security is the fulfilment of a minimum 2,100 kcal per capita per day no matter what the commodities are. In addition, health security can be indicated by expected life expectancy.

Secondly, social fabric consists of political, personal and community security. It is related to freedom of political participation, and direct violence at a personal or community level, such as social unrest and conflict. Lastly, in terms of environmental fabric, this thesis investigates environment security through resilience or vulnerability indicated by pollution, environment degradation and disaster.

4.2.6 Intervening Variables

Building on Polanyi's work and moderate dependency theory, as previously noted, this study identifies several intervening variables comprise governance, structure, and agency that can be defined as follows. First, governance refers to the act or manner of governing that involves the role of state and non-state actors. Specifically, it is related to the means for achieving direction, control, and coordination' by which the actors obtain their interests (Kjaer, 2004; Héritier, 2002; Treib et al., 2007; Bevir & Rhodes, 2016). In governing the mining industry, the state might follow liberal principles that seek to eliminate or minimise the role of the state through privatisation, deregulation, eliminating trade and investment barriers policies. It is followed by commodification of land

and labour within which land and labour are valued based on market system as opposed to its usefulness for human life.

On the other hand, the notion of governance might follow the principle of social and environmental protection that involves the role of counter-movements and state intervention. Counter-movements can be understood as reactionary movements of local communities and civil societies driven by the impacts of mining industry through lobbying, campaigning, protesting, or boycotting. Meanwhile state intervention can be understood as state's planning, regulation, and control that can be seen in its legislations and law enforcement especially for enhancing decommodification of land and labour (Polanyi, 2001). In its simplest form, decommodification is the opposition of commodification that is the process of taking land and labour out from domination of market, for instance wage labour and rules of works are determined by the state and labour union as opposed to solely corporation.

Second, structure refers to exogenous stakeholder aspects, such as the pattern of arrangement or circumstances within a system that become a social context, whereby the governance of the mining industry is implemented (Sibeon, 1999). Following moderate dependency theory, structure consists of both global and domestic social political economic structure, with more emphasis on the latter (Cardoso, 1979; Evans, 1979). Specifically, in line with Law 4/2009 concerning Mineral and Coal Mining, global structure consists of globalization in terms of economy, social development, and ideas; meanwhile, domestic structure in the Indonesian context includes democratisation, decentralisation, and the national development agenda.

Third, agency refers to endogenous stakeholder aspects, such as the ability, accountability, freedom, and power of the relevant stakeholders to choose different options, to enhance their interests and goals, and to govern and enforce duties and obligations (Friedman & Starr, 1997; Connor, 2011). In the context of the governance of Indonesian mining, which is dominated by the state, it is closely related to the notion of state effectiveness. The notion of state effectiveness reflects an accountable government and active participation of civil society in planning, regulating, and controlling the mining industry. In turn, state

effectiveness can be seen in the extent to which the state produces and implements policies to protect vulnerable members of society (Howe, 2013).

4.3 Qualitative Embedded Case Study Research Design

The term qualitative embedded case study research consists of three different concepts, i.e. the notion of qualitative approach, case study design, and embedded case study, each with a particular definition. Qualitative approach that relies mainly on intangible and subjective phenomena (King, Keohane, & Verba, 1994, p. 4) is suitable for obtaining the purpose of this thesis. It focuses on the processes as opposed to merely measuring the outcome (Ryan, 2009), thus it is useful for examining the nexus of commodification/human insecurity/counter-movements against the mining industry. Indeed, this study selects an embedded-single case study which occurs when, within a single study, the researcher also investigates subunits (Yin, 2014, p. 53). According to the embedded case study strategy, Indonesia is the main case and the provinces of East Kalimantan, South Kalimantan, and Central Kalimantan are the subcases in this research.

4.3.1 The Privileging of Qualitative Embedded Case Study Research

As explained in the previous chapter, the main themes for approaching the problem in this study are the notion of governance and freedom, which pose questions concerning 'experience, meaning and perspective, most often from the standpoint of the participant', characteristic of qualitative studies (Hammarberg, Kirkman, & Lacey, 2016, p. 499). I admit that quantitative analysis that focuses on the outcome might be useful for statistically analysing the impacts of mining on human security, but qualitative research concerned with processes is more obviously relevant to the main purpose of this study, which investigates the processes of how the mining industry affects the human security of local communities (Ryan, 2009). Therefore, qualitative investigation helps this research to deeply understand and explain the cases.

This study selects an embedded single case study as the most suitable methodology for investigating the governance of Indonesian mining. Case study

research strategy is an in-depth investigation of a case. It allows this research to deeply investigate a contemporary phenomenon or bounded system (the case) in the Indonesian mining context (Yin, 2014, p. 16; Creswell, 2014). For this purpose, it involves multiple source of data gathered through detailed and in-depth data collection from the selected cases.

Case can be defined as a bounded entity such as a person, organisation or social phenomenon that is affected by its 'contextual conditions' (Yin, 2014, p. 50). In this study, the case functions as the unit of analysis. The main case or unit analysis in this study is Indonesia as a major global thermal coal exporter. At the same time, this research also examines nested subunits or embedded units within the main unit of analysis consisting of three provinces in Indonesia (East Kalimantan, South Kalimantan, and Central Kalimantan), one of which receives high contributions (revenue) from the mining industry, and the others of which receives medium and low mining investment and revenue. Therefore, embedded single case study is applicable in the context of Indonesian mining.

As Yin (2014, p. 66) suggested with regard to embedded single case study design, this research employs holistic data collection strategies for investigating the main case including the policies concerning mining and human security protection and its influencing factors. It also gathers statistical and non-statistical data on the human security of local communities to study the provinces of Indonesia as nested units of analysis. This design is appropriate for this research because it fits with the conditions of mining industry and human security in Indonesia. The discussion of mining industry in Indonesia, in particular the non-oil and gas mining sector, cannot be precisely done with investigation of the central government alone, without including local governments, or vice-versa. As previously stated, regional autonomy laws have made local governments the main actors in managing the mining sector, however regulations produced by local governments must not conflict with regulations produced by the central government.

4.3.3 Case Selection Methods

To select the main case and subcases, this research employs purposive sampling methods (as opposed to random sampling methods). Purposive sampling is

suitable for small number of cases (Seawright & Gerring, 2008), because it meets the representativeness and 'theoretical proposition of interest' (causal leverage) purposes (Gerring, 2007; Yin, 2014, p. 51). This study selects Indonesia as a key case to investigating the governance of mining industry and freedom of local communities because Indonesia is a major player in the global coal mining industry (PwC, 2015, p. 1). In addition, the government of Indonesia actively attracts investment including FDI and DDI through liberalisation to support domestic development. As a result, FDI in Indonesia is higher than domestic DDI; during 2014, the FDI value was about 66.3%, compared to 33.7% DDI (BKPM, 2016). In that respect, FDI, particularly in Indonesia, might emerge as an engine for development, since FDI provides solutions for the urgency of foreign financing due to the gap of domestic saving and the need for advanced technology (Lindblad, 2015, p. 218). Nevertheless, high investment and revenue of the mining sector does not necessarily lead to the human security of local communities, as discussed in Chapter 1.

To understand this phenomenon, I decided to select the subcases by adopting 'diverse' cases as a technique of case selection (Gerring, 2007, pp. 88-89). This technique allows my research to select extreme diverse value cases that I define as high, medium and low level of the mining revenue and investment (Seawright and Gerring, 2008). This technique fits with provinces in Indonesia, namely East Kalimantan, South Kalimantan, and Central Kalimantan. Despite their geographical proximity and shared industry (coal), these provinces have high, medium, and low mining revue (respectively), as discussed in Chapter 1.

Apart from the significant diverse amount of the mining investment and the contribution of mining industry revenue to their economies, East Kalimantan, South Kalimantan, and Central Kalimantan provinces are characterised by having similarities in terms of the type of mineral resources, geographic aspect, and demography, such as social and ethnic characteristics. Geographically, East Kalimantan, South Kalimantan, and Central Kalimantan are located on the same island, namely Kalimantan (Borneo), and they are of similar area (127,267.52 km^2; 37, 530.52 km^2; and 157,983.00 km^2, respectively). Demographically, they share a common history of indigenous people namely Dayak ethnicity living in

Borneo Island in addition to others ethnicity such as Banjar in South Kalimantan and Kutai in East Kalimantan. Politically, as previously noted, these provinces have similar authority to govern the mining industry in their area due to regional autonomy laws.

Following the deductive path of the research, the selection of these subcases based on diverse cases technique helps this research to test the Polanyi's theoretical preposition that commodification leads to demolition of society. More precisely, it guides this research to understand whether it is evident that intensive commodification of land in East Kalimantan causes higher human insecurity among other two provinces.

4.3.4 Limitations of Qualitative Embedded Single Case Study Research

This section focuses on the limitations of qualitative approach and single case study. Firstly, despite qualitative approach being germane to the purpose of this study, to investigate the process of how commodification of land and labour has caused human insecurity, it has limitations that need to be addressed and mitigated. I argue that there is an issue of ambiguity of interpretation of the data gathered from participants, since qualitative research is about understanding a meaning, perspective, ideas, and processes. During the fieldwork, I found that different stakeholders have different ideas regarding the impacts of mining. It is determined by the background and position of the participants, and how far the benefits or drawbacks of the mining industry affect their lives. At the micro level, groups of people who receive advantages from mining perceive that it is not harmful, and vice versa.

To mitigate this issue, I utilised multiple sources of data by inviting interview participants from various stakeholders, such as government; affected local communities, such as mining workers, farmers local entrepreneurs, and civil servants; academics; and CSOs. I presented their perspectives on the impacts of mining and then cross-referenced the data gathered during interviews with documents published by the government and CSOs, statistical data, media reports, and observation findings. This process manifests data triangulation,

which is useful for strengthening the validity of the qualitative research design (Decrop, 1999; Holtzhausen, 2001; Carter et al., 2014).

Secondly, single case study has also been criticised due to its limited scope for generalisation. Case study provides little basis for generalisation, as it only focuses deeply on a particular case. This study seeks to mitigate this issue by proposing an analytical generalisation or generalisation based on theoretical propositions, as opposed to statistical generalisation or generalisation based on populations or universes (Yin, 2003, p. 10; Flyvbjerg, 2006). The generalisation in this context can be created from the replication of the implementation of a theoretical proposition in different conditions or cases.

In this regard, this study seeks to contextualise the UNDP's human security approach, and Polanyi's work and moderate dependency theory, that have been implemented in other cases. In doing so, this study investigates the human security of local communities based on the Japanese approach or UNDP's human security. Indeed, it seeks to develop an analysis of how Polanyi's commodification can explain the disruption of the human security of local communities. It also investigates how global and domestic political economic structure, as proposed by moderate dependency theory, explain the underlying factors that influence the governance of Indonesian mining. This effort is reflected in the organisation of the empirical chapters of this thesis, which are structured based on Polanyi's double movement, integrated with the notion of structure and agency of actors.

In addition, to strenghten the analysis, I utilise embedded single case study research using the cases of East Kalimantan, South Kalimantan, and Central Kalimantan, which have high, medium, and low mining investment, respectively. The single case of East Kalimantan in itself, with high mining investment and revenue, is sufficient to demonstrate that high mining investment does not necessarily lead to high levels of the human security of local communities. Nevertheless, to streghten the analysis, this study compares human security of local communities of East Kalimantan and its neighoring provinces of South Kalimantan and Central Kalimantan, which have medium and low mining investment, respectively. This effort is useful to show how

commodification of land and labour in the mining sector has disrupted the human security of farmers and indigenous people. Thus, this strategy is purposively applied to mitigate the limitations of case study research.

4.4 Data Collection

This thesis uses qualitative and quantitative data from primary and secondary sources. The primary data from literary sources include: (1) official (state) acts and policies related to mining, investment (FDI & DDI), and social and environmental protection; (2) quantitative (statistical) data from institutions related to mining investment and mining revenue, poverty rate of local communities, labour absorption in the mining industry, basic wage, education of local communities, as well as statistic of coal production; and (3) corporations' policies toward host country and local community. The secondary data include academicians' views (i.e. journal articles, books, and other academic materials), and previous studies. In addition, CSOs might provide both primary and secondary data, particularly those with operations in Indonesia.

Most of the statistical data such as mining revenues, poverty rates, and unemployment rates are provided by BPS. I utilise data especially poverty rate provided by BPS since BPS measures poverty rate in accordance with indicators of freedom from want in the human security conception: the fulfilment of both food and non-food basic needs (BPS, 2016a). For triangulation purposes, this study compares BPS data with poverty data provided by the National Population and Family Planning Board (BKKBN), directly and freely available from the official website, as well as investigating printed documents or reports produced by these institutions. Meanwhile, this research mainly needs qualitative data such as Indonesian laws related mining industry and human security; government's policies (national and local) on mining industry, mining workers, environment protections; corporations' policies toward the human security of local communities; and the participation of local citizens and CSOs in enhancing the human security of local communities.

To gather the data, I conducted semi-structured interviews, documentary survey, and observation. The first data gathering method conducted in this research was interview, which can be understood simply as 'a conversation with purpose' for gathering information (Berg, 2001, p. 66), especially regarding 'informants' perspectives on their lives, experiences, or situations as expressed in their own words' (Taylor, Bogdan, & DeVault, 2015, p. 96). There are several types of interview, of which this research used semi-structured, which allows more freedom to conduct conversation than structured interviews, since the participants consist of government officials, CSOs official, and local communities with different knowledge, background, and experiences. Nevertheless, while semi-structured interview gives more freedom during the conversation, the list of questions is organised based on the theoretical framework underpinning the research and is administered in a systematic way.

Interview participants were selected based on purposive sampling (concerning their relevance to the theoretical framework) and snowballing methods. In selecting the participants, I tried to prevent potential bias by considering their roles and motivations regarding the governance of mining. It is essential to determine whether the information gathered during the interview is reliable. For this purpose, I needed gatekeepers' help to find the most appropriate participants for my research. As a result, interviews were held with official national government personnel; corporate officers; provincial governments; local community leaders; local citizens; and CSOs. These CSOs consist of environmental CSO such as *Greenpeace, Wahana Lingkungan Hidup (Walhi),* indigenous people's CSO such as *Aliansi Masyarakat Adat Nusantara (AMAN),* workers' mining association, and mining CSO such as the Mining Advocacy Network (JATAM).

In terms of local communities, based on Law 4/ 2009 with regard to definition of communities by scholars (Jimura, 2011; Pacione, 2001; Thornberry, 2002), this thesis defines local communities as groups of people living in the mining area, as specified by their identity cards, including indigenous and migrant people. Indigenous people refers to people who has been living in a specific area with cultural distinctiveness and self-identification recognised by others

(Stavenhagen, 2013). Asia Pacific Forum of National Human Rights Institutions (APF) and Office of the United Nations High Commissioner for Human Rights (OHCHR) note that they have 'a historical continuity with pre-invasion and pre-colonial societies that developed on their territories, consider themselves distinct from other sectors of the societies now prevailing on those territories' (APF & OHCHR, 2013, p. 6). Indigenous people in Kalimantan investigated in this research are Kutai (East Kalimantan), Dayak (Central Kalimantan), and Banjar (South Kalimantan) as the legacy ethnic groups that have inhabited Kalimantan since the pre-colonial era.

In addition to these indigenous peoples, there are migrant communities in Kalimantan as the result of transmigration programs. It is established from the Dutch colonial era, whereby the colonial authorities sought to increase the labour availability in sparsely populated plantation areas such as in Kalimantan, Sumatera, Sulawesi and Papua. Such activities continued after Indonesian independence to support development (MacAndrews, 1978; Fearnside, 1997; Potter, 2012). The longstanding existence of substantial 'migrant' communities living in Kalimantan before modern mining activities renders them eligible to be considered local community members by any reasonable evaluation.

In addition to semi-structured interview, I used documentary survey methods, since much of the data required to investigate the notion of governance of mining was sourced from legislation, government officials' documents, and CSOs' publications. Documentary survey functions as the source of primary data and is useful for triangulating information gathered during interviews. I also used observation as a supporting method, which is also useful for triangulating data. Observation was mainly used to investigate the impacts of mining on the environment that I could directly see, and I took some pictures regarding environmental conditions during the fieldwork phase. In addition, to support the triangulation, this study also utilises mass media such as local, national, and foreign newspapers and YouTube that reports the governance of Indonesian mining and its impacts on the human security of local communities.

4.5 Data Analysis

To analyse the data, this research uses a process tracing approach, which seeks to investigate 'the intervening causal process – the causal chain and causal mechanisms – between an independent variable (or variables) and the outcome of the dependent variable' (George & Bennet, 2004, p. 206). The process tracing analysis is structured based on the theoretical framework of Polanyi's double movement and moderate dependency theory, as shown in Table 4.1.

Table 4.1 shows the pathway or chronological sequences of events, mechanisms, phenomena and policies that appear within the relations between independent variable (mining industry), intervening variables (governance, structure, agency), and dependent variable (human security). This thesis traces the path dependence of social, political and economy dimensions within the chronological sequences from phase 1 to phase 4, framed under the notion of structure, agency, and governance. The basic assumption in this process is that the mechanisms or events that happen at a point of time will affect the subsequent sequence of mechanisms or events. This means that the outcome (i.e. human security) is influenced by earlier certain mechanisms or events through causal mechanisms in a sequential order (Bengtsson & Ruonavaara, 2011).

Table 4.2: Causal Mechanism of the Governance of Indonesian Mining and Its Impacts on the Human Security of Local Communities

(X)		Intervening variables: Governance, Structure, and Agency	(Y)
Independent variable The Mining Industry	Governance	(Causal Mechanism Analysis) Phase 1 Mining liberalisation: Open economy, deregulation, privatisation, and eliminating barriers to trade and investment Phase 2 Commodification of land and labour: Commodification of land by the mining industry facilitated by state, with lack of state control. It brings destructive impacts on the human security of local communities Phase 3 Counter-movement through network Phase 4 Decommodification of land and labour: environmental and social protection, but optimising growth through commodification of nature	Dependent variable Low Level of Human Security
	Structure	Global and domestic social political economic structure: globalisation, sustainable development, democratisation, and decentralisation	
	Agency	Phase 1 Main actor: state that encountered economic crisis, lack of investment, and political instability Phase 2 Main actor: mining corporations and state that seek to optimise economic gain from mining, worsened by weak state effectiveness and political accountability Phase 3 Main actor: local communities and CSOs, but they lack power to influence state and corporations Phase 4 Main actor: state, with less effectiveness and overlapping power relations between central and local government	

As shown in the table 4.1, several phases are examined. *Firstly,* in the phase 1, this study investigates the governance of Indonesian mining through liberalisation which can be considered as the first movement in the Polanyi's double movement. More specifically it investigates how the notion of commodification of land and labour takes place in the governance of Indonesian mining by analysing both domestic and international structures that affect Indonesian policy. *Secondly,* the next step in the process tracing approach is investigation on the consequences of mining liberalisation on the human security of local communities. The term 'commodification' helps this research to explain impacts of the mining liberalisation. *Third,* the impacts of commodification in the mining industry are responded to by impacted local communities and CSOs demanding decommodification of land and labour through counter-movements to influence government policies and corporate behaviours. Therefore, phase 3 shows counter-movements of civil society triggered by the disruptive impacts of commodification of land and labour. *Fourth,* in the phase 4, this study investigates the role of the state in protecting the human security of local communities in the context of the mining industry. These causal processes are influenced by global and domestic social political economic structure consist of globalisation, sustainable development, democratisation, and decentralisation. In addition, agency of actors influences the governance of mining in each phase.

The findings of the deductive path can be followed up by an inductive approach by which this research seeks to provide a better explanation of the case. As explained by George and Bennet (2004, p. 221), process tracing is useful for refining and developing theories; accordingly, 'when a researcher uncovers a potential causal path for which there is no pre-existing theory', this theoretical finding can be converted into analytical results 'couched in terms of theoretical variables'. Therefore, the data in this research is analysed following deductive approach and the findings are followed up using inductive approach.

Nevertheless, I admittedly argue that process tracing approach has limitation, especially related to potential of incorrect inference (Bennet, 2004). Building on Waldner (2015, p. 247-250), this research proposes several interrelated steps to mitigate these methodological problems. *Firstly,* by developing a 'causal graph',

presenting various variables based on the theoretical framework, connecting the mining industry (the independent variable) and the human security of local communities (the dependent variable) based on Polanyi's double movement. This considers the notion of global and domestic political economic structure and stakeholders' agency, guiding this research to develop the central arguments, identify the relevant actors, and to select relevant data for supporting the claims, and well as guiding the analysis. More generally, a deductive approach helps this study to mitigate potential errors by making justifiable decisions on when to start and how to develop the causal mechanism (Schimmelfennig, 2015).

Secondly, providing 'a set of event history maps' regarding the governance of mining. For this purpose, this study traces the governance of Indonesian mining since the Old Order Era (1945-1966) to understand the underlying factors of Indonesian mining liberalisation. It is followed by presenting analysis of the governance of Indonesian mining in New Order and Reform Eras. This effort seeks to present causal effects in the specific case of Indonesia and the subcases of East Kalimantan, South Kalimantan, and Central Kalimantan. Presenting important evidence in the Indonesian mining in detail is useful for mitigating the potential omitted variables.

Thirdly, combining the first and second point for providing a descriptive inference by corresponding the causal graph with event history maps. In this phase, I present historical maps guided by Polanyi's double movement framework and moderate dependency theory. This is followed by providing a set of causal inferences on the governance of mining features conducive to human security based on the causal graph, a set of event history maps and descriptive inferences. I use empirical evidence concerning the governance of Indonesian mining (as explained previously in the second point) to infer that causal mechanisms based on Polanyi's double movement (proposed in first point) are present in the case (Beach & Pederson, 2013).

4.6 Validity

Validity measures what characteristics are going to be measured as well as the truthfulness of the research. Practically, it is related to 'the approximate truth of an inference', i.e. the extent to which relevant evidence supports derived from empirical findings and theories that inference as being true or correct (Shadish, Cook, & Campbell, 2001, p. 34). This thesis employs multiple sources of data and gathering data methods in order to achieve triangulation, for the purposes of validity. As previously noted, this research interviews multiple stakeholders, including officials from government, the mining corporations officer, CSOs, local leaders, and local citizens, to gather information from different perspectives. This study also surveys secondary data; more specifically it investigates data concerning the dependent variable provided by institutions such as BPS and CSOs.

Drost (2011, p. 115) and Shadish, Cook, and Campbell (2001, p. 38) proposed four types of validity, namely 'statistical conclusion validity, internal validity, construct validity, and external validity'. However, since this research is much more reliant on qualitative analysis, this thesis provides discussion of three types of validity, while excluding statistical conclusion validity. Firstly, internal validity is concerned with the research itself, since it talks about the capacity of research design to draw unambiguous conclusions (Vaus, 2001). Based on the above discussion on the research approach and research design, this study has clearly provided detailed, step-by-step justification of the research methods, identifying that the most important aspect is case selection, as research has to select the cases that are sufficiently representative to answer the research questions. This study provides detailed discussion on case selection following recognised techniques.

Secondly, construct validity refers to how well researchers translate the concept or ideas into operationalisation (Drost, 2011). As previously discussed, this thesis has provided operationalisation and indicators of the variables in applicable terms, aiming to guide appropriate data collection to draw conclusions. In terms of construct validity related to existing secondary data provided by BPS, the data concerning the poverty rate provided by BPS matches

the concept of human security, in particular from the perspective of freedom from want (the ability to fulfil basic human needs). In this respect, BPS measures poverty rate based on consumption of the households to meet their basic human daily needs, including food and non-food (e.g. education, health, clothes and housing).

Thirdly, external validity is related with generalisation as I have discussed in Section 4.3.3 of this chapter. It refers to 'the extent to which the results from a study can be generalised beyond the particular study' (Vaus, 2001, p. 28). However, generalisation itself must be limited to certain communities or populations to which generalisation is applicable (Drost, 2011). For instance, the findings of this research meet external validity requirements if applied to other provinces with similar criteria, as discussed with regard to the case selection. Generalisation of this thesis does not pertain to findings being applicable across all provinces in Indonesia, or for other different populations. In terms of existing statistical data, such as BPS data with which this research measures human security index, the methods of measuring poverty conducted by BPS are analogous to those used by the UNDP, which is amenable to the conceptual framework, as the notion of human security itself is rooted in the UNDP.

As the UNDP method is employed globally, this means that BPS uses internationally accredited methods. In addition, BPS data on poverty rate is similar to the results of a survey conducted by another institution namely the BKKBN. Moreover, BPS and BKKBN are also accessible per year, enabling comparison of data in a time series to make generalisations. The similarity of data provided by BPS and BKKBN is useful for triangulation purposes. It also shows that the BPS data is reliable, and therefore appropriate for analysis to draw conclusions about human security, in particular economic security.

4.7 Conclusion

This chapter established the methodology used to investigate the case. Nevertheless, before deciding which methods I would like to implement, it is necessary to trace back the idea to the notion of the paradigm guiding this study.

The case investigated in this research is that the governance of mining and its impacts on the human security of local communities is closely related to the debate between the neoliberal approach and its opponents, such as dependency theory, and Polanyian perspectives. Therefore, this study is guided by the critical theories paradigm which posits that the mining impacts on human security are not given but socially constructed and influenced by ideological background. It is determined by the governance of mining that is shaped by global and domestic political economic structure as well as agency of stakeholders. Specifically, it is influenced by power relations within society.

Derived from this paradigm, this study seeks to apply qualitative embedded single case study method to contextualise Polanyi's work and moderate dependency theory in the case of Indonesia. A qualitative approach is adopted to allow this study to investigate complex problems in the governance of mining and human security of local communities, including historical aspects of social political economic structure as well as the agency of the actors and their meaningful ideas. As opposed to quantitative approach, which focuses on outcomes, qualitative approach is concerned with processes, in line with the purpose of this study (Atieno, 2009; Ryan, 2009). Qualitative approach is applicable for investigating the processes of how commodification of land and labour causes the disruption of the human security of local communities and how counter-movements seek to protect the human security of local communities.

In addition, I argue that multiple case study can be stronger than a single case study; nevertheless single case study is suitable with the purpose of this study, especially for contextualising, whether to confirm, challenge, or extend well-formulated theories, such as Polanyi's theory and moderate dependency theory (Yin, 2003). Specifically, embedded single case study is the most suitable approach to investigate coal mining industry in Indonesia, since (due to decentralisation policies) the authority to govern the mining is in the hands of central and local governments. Therefore, investigating Indonesian coal mining must utilise both the national and provincial levels as units of analysis.

In implementing case study analysis, this research seeks to gather primary and secondary data using semi-structured interview, document survey, and

observation. Interviews were conducted with government officials, CSOs officials, mining worker associations and local communities selected based on purposive methods. Finally, data analysis used process tracing approach, assessing causal chains between the mining industry and the human security of local communities. As previously noted, within critical theories paradigm the impacts of the mining industry are not given; this study analyses the causal chain of the intervening variables that influence the outcome. The findings of this deductive approach can be followed up using inductive approach for refining or developing theories.

I admit that this methodology has limitations that could influence the validity of this research, especially regarding the issue of data interpretation in qualitative research, generalisation in case study strategy, and potential incorrect inferences in the process tracing approach. I mitigated these limitations by proposing triangulation and utilising multiple resources to minimise bias in data interpretation. In addition, regarding the generalisation issue, this study does not narrowly define generalisation based on population representation, but based on theoretical propositions. Generalisation is about replicating the contextualisation of theory in different conditions; this study contextualises the UNDP's human security approach, Polanyian perspective, and moderate dependency theory in the case of Indonesian mining.

Lastly, the potential for incorrect inferences in the process tracing analysis can be mitigated by: (1) developing a causal graph presenting various variables based on the theoretical framework; and (2) providing a set of event or history maps regarding the governance of mining. I combined these points to see the extent to which the theoretical framework of Polanyian approach and moderate dependency theory explains the disruption of the human security in the Indonesian mining context.

Chapter Five

Indonesian Mining Sector Liberalisation

5.1 Introduction

This chapter presents an analysis of the liberalisation of the Indonesian mining sector. As discussed in the previous chapter, I argue that government commitment to economic liberalisation facilitates the commodification of land and labour, and enables disruptive mining practices. This in turn causes the disruption of the human security of local communities. Building on process tracing methods and Polanyi's double movement, this chapter serves the first step in order to understand the disruption of the human security of local communities in the Indonesian mining. It functions as a foundation to understand how state governance facilitates liberalisation in the Indonesian mining sector, which drives the commodification of land and labour. Therefore, this chapter aims to track the liberalisation of Indonesian mining during New Order Era (1966-1998), the Early Reform Era (1998-2008) and the Later Reform Era (2009-2015).

The milestone of liberalisation of the Indonesian mining sector can be traced back in the New Order government era. This is shown in the policies that remove restrictions on trade and investment, such as deregulation packages and other facilitators for investment, including tax holidays and reduced tariffs for importing supporting machines and materiel, particularly for export-oriented production (Bappenas, n.d.). In line with the national development agenda, the New Order government liberalised the mining sector based on Law 1/1967 concerning Foreign Investment, Law 6/1968 concerning Domestic Investment, and Law 11/1967 concerning Basic Provisions of Mining. Indeed, Indonesia launched the scheme of CoW for minerals and coal contract of work (CCoW), which gave wider facilities for mining investment, especially related to the security of investment, based on which the investment is not subject to change after being signed until the end of period of contract.

Nevertheless, the liberalisation of mining as an integral part of general economic liberalisation in Indonesia can be investigated by presenting the underlying factors that influence the policies. For this purpose, I integrate the analysis of liberalisation of mining with the notion of global and domestic political economic structure and state agency. Changing political structures and state agency have dictated the governance of Indonesian mining. Indonesian mining history shows the trajectory of the state's role in the mining sector from high intervention in the Old Order Era (1945-1967, under President Soekarno) to a minimal role that introduced a raft of neoliberal reforms to facilitate mining investment in the New Order Era (1967-1998, under President Soeharto), continued in the Early Reform Era (1998-2009). Meanwhile, since 2009, while continuing to provide facilities to attract investment and optimise growth, Indonesia has also sought to increase state intervention in the mining sector to protect the environment and society due to the manifestation of egregious negative outcomes from the previous laissez-faire approach.

More specifically, the liberalisation of the Indonesian mining sector was influenced by domestic and international structures based on neoliberal economics. This claim is rooted in the moderate dependency argument that 'in developing but dependent countries, social structure reflects the double edge of the economic system: its external links and internal roots', which are intermixed (Cardoso & Faletto, 1979, p. 26). The external factors can be seen in the Indonesia adoption of international institutions as adjustment to international agreements or the requirements of international donors. Meanwhile, internal aspects are related to dynamics of domestic political economy in Indonesia. Economic liberalisation in Indonesia under the New Order led by Soeharto, moreover, was in fact a return to business as usual after the brief socialistic interregnum of Soekarno's Guided Economy (the Old Order). Discussion of political economy and the governance of mining industry policy during the Old Order can be considered as a primer to understand the political economy and governance of the mining sector under the New Order regime.

In order to provide a better understanding of the Indonesian mining industry, it is necessary to provide a hierarchy of Indonesian legislations. It can be applied

not only in this chapter but also in other chapters of this thesis. According to the Law 12/ 2011 concerning Making Rules article 7, the hierarchy of Indonesian legislation from top to bottom consists of (1) Indonesian Constitution (*Undang-Undang Dasar/ UUD 1945*), (2) Decree of People's Consultative Assembly (TAP MPR), (3) Law (*Undang-Undang/ UU*)/ Government Regulation in Liew of Law, (4) Government Regulations/GR (*Peraturan Pemerintah/ PP*), (5) Presidential Regulation/ PR (*Peraturan Presiden/ Perpres*), (6) Province Regulations, and (7) Regency/ Municipality Regulation. Building on this hierarchy, this study shows power relations among Indonesian institutions and between central and local governments.

Discussion in this chapter is organised in five sections. The following section analyses domestic and global political economy structure that influence the liberalisation of Indonesian mining. More specifically, it offers a historical analysis of the Indonesian economy in the post-colonial period (1945-1966), in particular during the Old Order Era, as a primer to understand the initiation of liberalisation in Indonesia, including in the mining sector. In addition, this section also discusses global political structure that was also instrumental in the economic liberalisation of Indonesia. Section 5.3 discusses the endogenous factors of New Order government that shaped the government policy to liberalise the Indonesian economy, including the mining sector, in terms of international lenders and neoliberal institutionalisation.

Section 5.4 analyses the liberalisation of the mining sector in Indonesia consist of the New Order Era (1966-1998) and Reform Era (1998-2009; 2009 - 2015) with regard to state agencies. Despite the fact that New Order government stepped down in 1998, its regulation concerning mining liberalisation contained in Law 11/1967 was continued during the Early Reform Era with adjustment to decentralisation policies. Indeed, since 2009 under Law 4/2009, Indonesia changed the governance of mining to emphasise the sustainable development agenda, with higher protection for the environment and society as well as attempting to improve the governance of mining. Despite this, Indonesia continues to liberalise the mining sector through commodification.

Section 5.5 concludes that liberalisation and commodification have occurred in Indonesia since the onset of mineral mining operations in the 1960s and continued until the current time. While global neoliberal institutions dictate liberalisation in Indonesia at the macroeconomic and legislative level, domestic political economic structure and government agency determine actual practices used on the ground in mining governance within the context of the national development agenda and democratisation, linked to issues of weak state effectiveness and political accountability.

5.2 Domestic and Global Political Economy Structure

Since the mining liberalisation firstly occurred in Indonesia during the New Order Era, this section reviews underlying factors both domestic and global political economic structure of the era, i.e. the political economy of Old Order as the predecessor of New Order government, and conditionalities of international donors. I argue that the most significant domestic political economic structure that drove the New Order government to liberalise the mining sector was the economic downturn that occurred in Indonesia during the government of Old Order. Due to this matter, the overriding priority of the New Order government was to recover from economic crisis and to increase economic growth (Phyo, 2012; Hofman et.al., 2004; Temple, 2001).

For this purpose, Indonesia established relationships with global institutional donors such as the IMF and the International Bank for Reconstruction and Development (IBRD), currently known as the WB. In addition, the New Order government also established bilateral donor relations, as well as attracting foreign investment. All of these donors conferred conditionalities on Indonesia whereby it had to implement economic liberalisation, without any commensurate democratisation. As a result, Indonesia started to adopt economic liberalisation, including in the mining sector, during the New Order Era.

5.2.1 The Political Economy of the Old Order

The political economy of Old Order, in the context of a national economic downturn, triggered a political and economic crisis that was followed by the coup d'état that swept Soeharto to power, supplanting Soekarno. Neoliberal economic analysis argues that the economic downturn during Old Order Era was caused by the national socialism of Soekarno, which ultimately cut all relations with Western countries. Following the Polanyian perspective, I argue that while free markets endanger society, markets are still needed as long as they are under governance to prevent commodification of land and labour. Therefore, cutting all relations with other countries except the alliance of socialist countries in the situation of unresolved instability in the Indonesian political economy, as a newly independent country, contributed to the economic downturn. To understand economic downturn that occurred during Old Order Era, which became the main trigger and rationale for economic liberalisation in Indonesia, this section presents a historical analysis of Indonesian political economy during Old Order regime.

The problem faced by newly independent countries such as Indonesia in the Old Order period is to maintain independence and to establish a functioning nation state. Indeed, adopting the value of radical dependency theory, it is evident that the Indonesian economy was conditioned by external factors, including (fundamentally) Dutch colonial regulations. However internal factors such as Soekarno's political economy orientation of the Guided Economy, which cut off relations with Western countries, also greatly determined the downturn in the Indonesian economy, effecting a scarcity of capital to kick-start national economic development (e.g. DDI). Based on the Old Order political economy orientation, the governance of Indonesian economy during the Era can be divided into three consecutive phases: (1) post-colonial consolidation, (2) economic nationalism, and (3) Guided Democracy and Economy by cutting all relations with Western institutions, followed by the political and economic crisis that led to the overthrow of Soekarno. The Guided Democracy and Economy followed by the political and economic crisis becomes foundation for Soeharto, Soekarno's successor, to apply economic liberalisation in Indonesia.

Post-Colonial Consolidation (1945-1949)

Traditional independence narratives of Indonesian political economy in the Old Order Era reiterate the Marxist/ radical dependency analysis (Jonge, 2008), whereby Indonesia was latently underdeveloped due to the long period of approximately 350 years of imperialism (Thee, 2009; Coordinating Ministry of Economy Republic of Indonesia & Katadata, 2017). This situation is in line with dependency theorists' argument that the economy of colonised countries was conditioned by the development and expansion needs of the colonialist's (home) economy. Indeed, modern Indonesia was colonially dependent on the Netherlands due to colonialist monopoly of trade complemented by 'a colonial monopoly of land, mines, and manpower (serf or slave) in the colonialised countries' (Santos, 1970, p. 232). As stated by Thee Kian Wie (2009, p. 22), 'the achievement of political independence without economic independence posed a serious problem for the Indonesian government', yet Indonesia was unable to control the important aspects of its economy due to which economic policy makers had a very limited scope of action.

During these formative years, there was little deep analysis of planning for the Indonesian economy, as the most important objective of the nascent Republic was to maintain independence from a sceptical international community (particularly the resentful Dutch) and struggle for international recognition of Indonesian independence. In order to get international support, Indonesia was not isolating itself from international politics, rather it adopted a strategy called 'independent and active', whereby the country would have an independent international relations with the main actors of the Cold War, both the Soviet Union and the US.

The founding President, Soekarno, adopted a typical nationalist and pragmatic orientation to get support from international institutions or other countries in order to regenerate the economy and obtain political support. For instance, based on Law 5/1954 Indonesia become a member of the IMF and the International Bank for Reconstruction and Development (IBRD). The specific goals were to achieve Indonesia's national interest, such as maintaining independence, shaping Indonesian identity, supporting world peace, preventing Indonesia from

becoming a battlefield for international powers (Faith, 2007, p. 202), and improving economic conditions.

Economic Nationalism (1949-1959)

After official separation from the Dutch colonial authorities, Indonesia started to focus on the development of its national economy from 1950 characterised by the implementation of economic nationalism. During the time, due to the spirit of anti-imperialism and the protracted West Irian dispute with the Dutch, Indonesia was keen to encourage 'Indonesianisation' as part of which the government empowered domestic businesses under the *Banteng* program and nationalised Dutch colonial companies, including mining firms (Thee, 2009, 2010). This was central to how the Soekarno administration defined the classical (unreformed) Constitution of 1945, particularly article 33, based on which land, water and natural resources must be controlled under the power of the state, as private ownership of such resources could cause devastating impacts on the people.

In this respect, Indonesia was interpreted as having authority to nationalise foreign companies and prioritise national (*pribumi*) business interest. Therefore, the statement in the 1945 Constitution article 33: "under the power of the State" was interpreted literally and genuinely by Soekarno's government as the basis for the need for full state power to control the national economy. Thus, in the mining sector the Soekarno administration nationalised all foreign (Dutch-owned) mining companies and assets based on Law 10/1959 on the Revocation of Mining Rights (Gandataruna and Haymon, 2011).

The nationalisation of Dutch companies is a good example of how the anti-colonial vision of the Old Order pursued to practically replace the colonial model. The Soekarno administration revoked Dutch laws and produced a legal basis for mining operations such as Government Regulations in Lieu of Law 37/1960 on Mining, and Government Regulations in Lieu of Law 44/1960 on Oil and Gas Mining. It gave authority to Soekarno to nationalise foreign companies including the mining sector, not only mineral but also oil and gas resources. In 1957, Soekarno converted foreign oil and gas companies into a

state oil company currently known as *Perusahaan Tambang Minyak Negara* (Pertamina). However, it can be argued that there was no significant achievement in terms of output in the mining sector during the Old Order Era, in particular caused by the rejection of foreign mining investment clearly articulated in the Government Regulations in Lieu of Law 37/1960 on Mining.

Indonesia under the Old Order regime was working under the spirit of anti-imperialism and anti-capitalism, but it could not achieve economic development on this basis (Devi et al., 2013). Strategic minerals were a state monopoly (for national or local governments), while non-strategic minerals could be explored by cooperation between the state and domestic private companies, or fully managed by the latter. The legislation required that domestic mining companies must belong to Indonesian nationals. However, the lack of local capital due to the undeveloped national financial market (to say nothing of the costs of post-war reconstruction), and the business sector as a whole, caused Indonesia to stagnate, particularly with regard to mining as a capital-intensive industry (Devi et al., 2013). Hence, the mining sector was not developed well during the Old Order Era due to economic fundamentals and an unfavourable political orientation and international configuration. It is therefore sufficient for this study to note that the mining sector was moribound at the beginning of the New Order Era due to Old Order's protectionism and the inhibition of FDI.

Guided Democracy and Political Economic Crisis (1959-1965)

This phase was characterised by Soekarno's anti-imperialism at the national and international levels parallel with the general trend throughout postcolonial regimes during the 1950s. At this juncture, there was increasing reaction among postcolonial states against perceived neo-imperialism. In Indonesia this trend was manifest in Soekarno's increasingly 'left' or anti-Western orientation against Western institutions, including the IMF, IBRD and UN, supported by the Indonesian Communist Party (Partai Komunis Indonesia/ PKI), a conventional Marxist-Leninist group seeking to implement its ideological principles in the politics and management of the state (Mortimer, 2006). In 1959 Soekarno launched his own political manifesto consisting of five main principles of the

state: ‘the 1945 Constitution, socialism, Guided Democracy, Guided Economy, and the Indonesian identity’ (Palmier, 1973, p. 193; Mortimer, 2006).

Soekarno’s political behaviour in particular during the Guided Democracy or *Demokrasi Terpimpin* (1959-1965) to limit or even cut off all relations with Western capitalists has parallel with the ideas radical dependency theory as according to Soekarno, international monetary and financial institutions are agents of neo-imperialism, emanating from the West (Smith, 2000). Radical dependency theory, as discussed by Walker (2011, p. 330), states that ‘if countries in the periphery cannot develop while participating in the international capitalist economic system, they must withdraw from it’. Indeed, the relations with capitalist countries have caused exploitation in developing countries, even where mutually beneficial in net economic terms, therefore radical dependency theorists such as Dos Santos proposed idea of ‘social revolution’ as the solution of dependency (Namkoong, 1999, p. 138).

At domestic level, Soekarno’s opposition to liberalism was reflected in the adoption of socialism in Indonesia, namely the Guided Economy (*Ekonomi Terpimpin*) under the regime of Guided Democracy and the appointment of Soekarno himself as President for Life. As with contemporaneous post-colonial leaders who became disillusioned with neo-imperial domination by corporate cartels and US hegemony, Soekarno sought to reorient Indonesia’s politics, including its foreign policies and a Presidential Decree in 1959 to change the political system from parliamentary democracy to unitary state under the more firebrand Constitution of 1945. It was not only affected by international politics during the Cold War, but also caused by internal factors, in particular disintegration due to the multiparty system degenerating into factionalism, the poor quality of the elected representatives, the weakness of bureaucratic instruments, the lack of consensus on state ideology (Kahin, 1952; Teik, 1972).

During the Guided democracy period, from 1959-1965 the President held the highest authority within the government of Indonesia, thus all policies and political economic orientation followed Soekarno’s rules. Regarding economic development, moreover, Soekarno was employing industrialisation based on autarky (Hill, 2000). However, under the Old Order Indonesia became insular

and isolated by the international community (exacerbated by the active sabotage of Western countries, particularly the US), with little material support from the Communist countries with which it was increasingly aligned. This gave more impetus to the quest for autarky, as iterated in Law 1/1966 as mandated by President Soekarno during his speech on 11 April 1965. Soekarno also encouraged national companies to invest in national business by giving stimuli for national investors, such as tax holidays, as stated in Law 26/1964 on the Stimuli for Investment, supported by Law 27/1964 on Exemption from Company and Income Tax.

However, Soekarno's policies were not effective in solving the economic problems, and inflation plagued Indonesia continually from its independence. The local capital was very limited to meet the massive developmental needs of the country, however, Indonesia rejected foreign aid and investment due to Soekarno's anti-Western political manifesto, combined with the strings attached, particularly free trade requirements. However, Indonesia was facing a budget deficit due to the high political cost during Soekarno era. To handle this problem, Soekarno issued policy to print more money (quantitative easing), which quickly precipitated hyperinflation (Coordinating Ministry of Economy Republic of Indonesia & Katadata, 2017). Boediono, the Vice-President of Indonesia during the period 2009-2014, wrote that under the Old Order Indonesia faced:

> The chronic twin-deficit problem—simultaneous balance of payments and budget deficits… People were losing their faith in the rupiah, and hyperinflation set in while the economy first stalled and then regressed. (Boediono, 2005, p. 312-313)

This statement is supported by the data provided by Bank of Indonesia (BI) showing that during the period 1960-65 the level of inflation reached 594%, while income per capita was very low and even negative (BI, 1967, cited in Hill, 2000). In addition, export earnings were low while debt service was high. During the period of the Guided Economy (1959-1965), the real GDP growth was very low, only 1.8 on average per year (Woo, Glassburner, & Nasution, 1994, p. 29). Thus, the state waded ever further into the national economy by issuing policies of devaluation and re-denomination, unsuccessfully each time (Coordinating

Ministry of Economy Republic of Indonesia & Katadata, 2017). This situation of political and economic crisis facilitated the fall of Old Order Era under President Soekarno and the seizure of power by President Soeharto, with Western support, and the inauguration of the New Order Era. It became the basis for Soeharto as Soekarno's successor to govern the country in a different way that is liberalisation following neoliberal system. It can be argued that this phase is the milestone of economic liberalisation in Indonesia.

5.2.2 International Lenders and Neoliberal Institutionalisation

The accession of New Order government kick-started liberalisation in Indonesia and began its close relationship with international lending donors, including the WB (previously known as the IBRD) and IMF. As the successor of Old Order government, the priority of New Order government was to recover from the economic crisis, thus it reversed the Old Order severance of ties with Western institutions and embraced subservience to Western countries and donor institutions in exchange for cash.

From the perspective of critical theory, the transformation from the Old Order to the New Order reflects a transition from a socialist to a neoliberal economic and political paradigm. During the transition phase between Old Order and New Order, Indonesia re-applied for membership of the IBRD (WB) and IMF. In response to the application, the IBRD issued Board of Governors Resolution 233 concerning Membership of the Republic of Indonesia, adopted on 30 September 1966, based on which Indonesia was readmitted to membership of both the IBRD and IMF. This was followed by legal domestic adjustment in Indonesia by issuing Law 9/1966 concerning Membership of the Republic of Indonesia in the International Monetary Fund and International Bank for Reconstruction and Development.

Consequent to its membership of the IBRD and IMF, Indonesia was obliged to liberalise its economy, specifically including trade and investment. This requirement was stated in IBRD Resolution 233 article 1, point c: that Indonesia in accordance with its law 'reconfirms its signature to the Articles of Agreement of the Bank'. The Articles of Agreement of the Bank in question aimed to

promote foreign investment and trade (IBRD Article of Agreement article 1). To adjust to the regulation constituted by IBRD and IMF, Indonesia promulgated Law 1/1967 concerning Foreign Investment, and enacted Law 11/1967 concerning Basic Provisions of Mining to attract investment in the mining sector.

The adoption of neoliberal economy was also reflected in the Indonesia adjustment to Structural Adjustment Programs (SAPs) of the WB and IMF during the 1980s, under the Washington Consensus (Serra, Spiegel, & Stiglitz, 2008; Williamson, 2008). This included macroeconomic and structural conditions, including privatisation and liberalisation of trade and investment, export-led growth, and the efficiency of free markets (Welch & Oringer, 1998; Easterly, 2003). The SAPs becomes conditionalities for Indonesia as a debtor country to get loans from those international financial institutions. Foreign debt places major obligations on borrowers, and Indonesia is compelled to follow the rules stated in the SAP. As a result, in the case of Indonesia, there was an increasing trend of economic growth and decreasing poverty rate, however it also caused Indonesian economic dependence on foreign funding, whether FDI or loans. This fact shows a dependent development, as proposed by moderate dependency theorists, within which Indonesian socio-economic development is greatly conditioned and dependent on FDI.

Hence, derived from Polanyi's argument, by adjusting those principles, the state facilitated liberalisation in Indonesia, including in the mining sector. For instance, Indonesia issued a series of deregulation packages in the 1980s as well as intensifying FDI. As a result, while long-term impacts of free markets such as commodification that are harmful to society were not foreseen during this phase, in the early 1970s, Indonesia was quite successful in increasing Indonesian GDP by an average of 5.3% per year, with corresponding growth of 7% per year (Mangkusuwondo, 1973, p. 28-30); furthermore, the hyperinflation of the Old Order Era sharply declined from almost 600% in the 1960s to 6.5% by 1970 (Bowie & Unger, 1997).

Albeit these positive outcomes are largely attributable to the raft of neoliberal reforms adopted, increasing growth of the GDP in Indonesia during New Order Era was not solely caused by economic liberalisation and inflows of FDI, rather

it was mainly predicated on the oil boom and borrowing from the IMF, the WB, and bilateral donors. The New Order open-door policy of economic liberalisation during the period 1966-1974 saw an influx of foreign investment, but the country also became massively indebted to international financial institutions to fund national development (Bakti, 2004; McLeod, 1996; Radelet, 1996). It became a pathway for FDI to access the domestic market, facilitated by political and legal support of the host government (Buthe & Milner, 2008). Therefore, the liberalisation of the mining sector as part of the governance of Indonesian mining was influenced by Indonesian ties with IMF and the WB, as these international economic institutions encourage economic liberalisation in Indonesia.

5.3 State Agencies and Liberalisation in Indonesia during the New Order

This New Order effort was inspired by neoliberal modernisation theories concerning the employment of technocratic actors in Indonesian economic planning to facilitate foreign capital inflows, to effect positive developmental progress in the home country (Robison & Hadiz, 2005). As opposed to Old Order regime, which was preoccupied with Soekarno's idealistic socio-cultural visions, the New Order was firmly grounded in the practical business of national economic development, although with weak state effectiveness and political accountability (Mangkusuwondo, 1973).

This section aims to investigate the endogenous factors of the New Order government that enhanced liberalisation of the mining sector. It begins the analysis by exploring the state capacity and motivation in the governance of liberalisation in the Indonesian economy as a useful primer to investigate the mining industry in Indonesia during the New Order Era. This section is structured in a chronological order based on the governance of economic liberalisation within Five-Yearly Development Plan (Repelita) i.e. (1) liberalisation in the early administration and Repelita I (1966-1974), (2) rising protectionism in Repelita II and III (1974-1984), and (3) freeing the markets

through economic deregulation in Repelita IV and V, and the last administration of New Order regime (1984-1998). This chronological order shows processes through which liberalisation in the mining sector occurred in Indonesia.

Derived from Polanyi's work on double movement, this functions as a foundation to understand how state governance facilitates liberalisation taking place in the Indonesian mining sector. According to Polanyi (2001, p. 155):

> For as long as that system is not established, economic liberals must and will unhesitatingly call for the intervention of the state in order to establish it, and once established, in order to maintain it. The economic liberal therefore, without any inconsistency, calls upon the state to use the force of law…

Despite economic liberalisation in the New Order Era being fundamentally successful in increasing economic growth in Indonesia, the liberalisation of mining has facilitated the commodification of land and labour, with mining itself being governed in such a way that it is dis-embedded from the local communities in which it operates. Mining might support national income and in turn support economic growth, however it is governed by disregarding the rights and livelihoods of people who are highly dependent on land that is effectively destroyed by mining, such as farmers and indigenous people, through intensive land grabbing and environmental degradation due to mining activities. In the longer term this process is often incompatible with sustainable mining and non-mining related livelihood and the maintenance of the local environment.

5.3.1 Phase I: Liberalisation in the Early Administration (1966-1974)

The domestic structure of the early administration of the New Order (1969-1974) was characterised as an emergency period, since Indonesia was facing economic crisis and hyperinflation. Despite having immense natural resources, both renewable (e.g. forestry and agriculture) and non-renewable (e.g. oil, gas, minerals and coal), Indonesia lacked essential capital and human resources to regenerate the national economy. Indonesia needed massive foreign capital injections in order to exploit its natural resources, including the potentially lucrative mining sector. Therefore, the greatest priority of the New Order

government was economic recovery by attracting foreign funding, including FDI, from the beginning of its administration as shown in the Repelita.

The priorities of Repelita I (1969-74) was stabilising economy with emphasising economic growth and establishing infrastructure to support economic development. Repelita I was quite successful as indicated in the increasing of Indonesian GDP at the average of 5.3% and the rate of growth was high at 7% per year (Mangkusuwondo, 1973, p. 28-30); inflation also sharply declined from almost 600% in the 1960s to 6.5% in 1970 (Bowie & Unger, 1997). The mining sector, in particular the oil industry, provided the highest contribution to the economic progress with its average of growth rate in the half first Repelita I approximately 11.3%. The New Order regime was reluctant to adhere to any specific ideological affiliation (Bourchier, 2014, p. 138), indeed Indonesia was defining itself as an independent country and had a leading position in the Non-Alignment Movement (NAM). However, its neoliberal economic architecture guided by a cadre of US-trained economists, known as the 'Berkeley Mafia', who set the tone for the New Order (Hidayat, 2016, p. 29).

As a result, Soeharto's government actively attracted FDI inflow in Indonesia. It is clearly acknowledged in Law 1/1967 on Foreign Investment that Indonesia needed foreign investment to boost Indonesian economy. Accordingly, Indonesia is rich in economic potential, but has not been processed due to capital, technology and experience constraints. Since domestic capital had not developed well, Indonesia needed foreign capital, technology, skill, management experiences, and knowledge provided by the FDI.

Under the Law 1/1967, economic liberalisation started to occur in Indonesia. Indonesia facilitated FDI with an open policy of economic liberalisation characterised by tax breaks, management rights and the right of transferring profit. Indonesia provided tax exemption on profit and dividends for foreign companies for a maximum of five years after beginning production. Tax exemption was also given on the import of machines and other industrial equipment. Capital repatriation was not allowed while the companies received such tax exemption, however Indonesia guaranteed that there would be no

nationalisation of FDI. These efforts were for attracting FDI in Indonesia to stabilise national economy.

Indeed, Indonesian liberalisation has been expanded in the mining sector. Natural resources were the most important source of Indonesian capital that could attract FDI (Asiedu, 2006; Polomka, 1971), thus Soeharto issued Law 11/1967 on the Basic Provisions of Mining to abrogate the Guided Economy legislation. Soekarno's protectionist regulations restricting mining to state or local private ownership were abolished by Law 11/1967, which opened the door to foreign investment namely CoW for mineral (known as *Kontrak Karya*/ KK in Indonesian term), and CCoW for coal (known as *Perjanjian Karya Pengusahaan Pertambangan Batubara*/ PKP2B in Indonesian term). Indeed, the mining law also allows domestic investment under scheme of Mining rights (*Kuasa pertambangan/ KP*), regional mining license (*Surat ijin pertambangan daerah*), and people mining license *(Surat ijin pertaambangan rakyat).*

While domestic investment was dwarfed by the massive influx of FDI under the New Order, Law 6/1968 on Domestic Investment did accelerate economic recovery and promote industrialisation. However, according to the Law, domestic investment refers not only to capital belonging to the domestic state and private companies, but also capital belonging to foreigners domiciled in Indonesia; this essentially offered an additional channel for *de facto* FDI. As a result, by 1973 the total of investment realisation was about $1,131.2, consisting of 56% FDI and 44% DDI. Regarding the mining sector, FDI of about $860.5 (95%) while DDI US$ 46.2 (5%)[1] (Hidayat, 2016, p. 32).

5.3.2 Phase II: Rising Protectionism (1974-1984)

Repelita I and oil booms caused the changes of domestic social structure that affected the next stage of Indonesian policies. Rapid industrialisation in Indonesian oil and gas during the first phase made Indonesia a major oil exporter and a member of the Organisation of Petroleum-Exporting Countries (OPEC). Indeed, the oil booms of the 1970s stimulated the Indonesian national economy (the first due to the Saudi oil embargo due to the Arab-Israeli War in 1973, and

[1] In 1973, USD:IDR = 1:415.

the second due to the Iranian Revolution in 1979) with windfall export revenues (Thee, 2012).

However, borrowing Polanyi's idea of double movement, the counter-movement was shown in the *Malapetaka Limabelas Januari* (Malari) riot of 15 January 1974, which particularly protested against government policies regarding the involvement of foreign institutions and also FDI in conducting development (Aliansyah, 2014; Mackie, 1999) such as IGGI and massive Japanese FDI in Indonesia. The protest was driven by students and civil society actors as a response to neoliberal capitalism in Indonesia. However, unlike Polanyi's argument on counter-movement to demand decommodification of land and labour, it was motivated by jingoism and the interests of indigenous capitalists (Winters, 1988). Nationalist fervour was instilled in the movement due to the fact that former colonisers – Western nations and Japan – were at the forefront of FDI, hence the mass mobilisation could be conjured from these emotive triggers. The protest was triggered by the economic interests of the indigenous bourgeoisie (including Indonesian Chinese). This group was priced out of competition by foreign investors, as a result of which they were seeking protective policies (Robertson-Snape, 1999).

During Repelita II (1974-79) and III (1979-84) there was significant economic growth due to the economic foundation established by Repelita I. During this phase, Indonesia was also blessed with an oil boom in 1973/74 and 1978/79 from which it earned oil revenues. Therefore, Indonesia had sufficient capital to limit FDI and also implementing import substitution industrialisation policies (Thee, 1991), such as employing non-tariff barriers on trade and licensing investment (Patunru & Rahardja, 2015). However, relying on exports of raw materials can cause a disadvantage in the long term due to the declining value of raw materials relative to manufactured imports[2]. Therefore, parallel with argument of dependency theory proposed by the Economic Commission for Latin America (ECLA) concerning import substitution industrialisation (ISI), Indonesia

[2] Based on supply and demand theory, this claim has an exception in conditions of scarcity, such as in the case of Indonesian oil booms, and also increasing demand, due an increasing global population. Without state intervention, the price of raw materials would obviously be driven up as a macroeconomic inevitability.

implemented ISI accompanied by state intervention and protective policies. However, since the Indonesian economy was heavily dependent on oil exports, the end of oil boom and declining global oil prices greatly affected the Indonesian economy and the policy of import substitution. As a result, New Order government returned to liberalise the economy.

5.3.3 Phase III: Deregulation and Diversification (1984-1998)

The third phase of Repelita IV (1984-89), V (1989-94), and part of Repelita VI (1994-1999) was mainly characterised by deregulation policies and freeing the markets. The change of policy from ISI to an export-oriented industry and limiting state intervention in the economy was influenced by internal and external factors. Regarding the international factor, as Indonesia was heavily dependent on oil exports, declining oil prices led to the fall of Indonesian revenue due to which Indonesia reformed its macro economy through a series of liberalising policy reforms (Hill, 1997). More generally, by the 1980s neoliberal ideology had been disseminated worldwide, driven by international economic institutions such as the IMF, the WB and The General Agreement on Tariffs and Trade (GATT). The Washington Consensus as the central idea in the neoliberal arsenal was implemented in debtor countries, including Indonesia, through the IMF and the WB.

Therefore, following neoliberal ideas supported by domestic neoliberal ideational drivers, Indonesia was producing deregulation policies to open its economy including the mining sector. Building on Polanyi's argument, deregulation reflects a 'disembedded market society' as under deregulation, Indonesia was reducing its intervention in the economy (Soesastro, 1989). By May 1986, Indonesia issued a deregulation policy called the May Package (*Paket Mei*), in particular for trade and investment, which encouraged non-oil exports, cut tariffs on trade and also gave incentives for export, simplifying the permit system, and permitting exporter companies to import more than 85% of goods needed in their production (Mallarangeng, 2008). This package of deregulation was supported by the October Package, known as *Pakto* 88 on permitting new banks to open and branches to support financing of non-oil export industries (BI,

nd). This was essential for economic diversification to reduce Indonesia's dependence on oil and gas exports (and thus on fluctuating global prices).

Therefore, during this phase and subsequent regimes, Indonesia continued to liberalise the mining sector, opening the coal mining industry in particular to foreign and domestic investors. Construction of opinion at the domestic governmental level argued that the strategy to achieve better economic development was through liberalisation. On the other hand, conditionalities applied by foreign economic institutions (donor institutions and FDI) dictated Indonesian liberalisation of its mining sector. The following sections discuss the changing regimes in Indonesia and how mining liberalisation and commodification of land and labour occur in the case of Indonesian mining.

5.4 Liberalisation of Indonesian Mining

I define liberalisation of Indonesian mining as government policies that remove or at least reduce state intervention such as barriers to trade, capital flows, and FDI. It encompasses 'the processes, including government policies, that promote free trade, deregulation, elimination of subsidies, price controls and rationing systems, and, often, the downsizing or privatisation of public services' (UN, 2009, p. 97). Building on Polanyi's argument: 'laissez-faire economy was the product of deliberate State action' (2001, p. 147), I argue that liberalisation in Indonesian mining was set and facilitated by government by legislation. In other words, economic liberalisation is implemented in the national development agenda for increasing economic growth. Nevertheless, despite it is written in the long and medium term national development planning that national development agenda aims to achieve prosperity of the people, in fact it also contributes to commodification of land and labour that causes the disruption of the human security of local communities. Thus, the development focuses more on increasing economic growth as opposed to freedom of local communities.

5.4.1 In the New Order Era (1966-1998)

The deliberative action of the state to liberalise the mining sector can be seen in the promulgation of Law 1/1967 concerning Foreign Investment, Law 6/1968 concerning Domestic Investment, and Law 11/1967 on Mining. Law 1/ 1967 and Law 1/1967 reflect that the New Order government aware that Indonesia had abundantly potential but untapped economic resources that had not yet been transformed into real economic strength because of a lack of capital, experience and technology. Hence, Indonesia was keen to attract FDI by offering facilitation to FDI investors, such as autonomy to govern their operations and concessions, such as particular tax exemptions and relief. More specifically, FDI was facilitated by further concessions such as the right to transfer capital and conduct repatriation (Law 1/1967 article 18-20). The liberalisation policies were implemented in the mining sector based on Law 11/1967.

Due to Indonesia's supplicant status and the machinations of weak state effectiveness and political accountability, mining regulations were heavily preferential to the economic interests of mining firms rather than local human security or even local economic interests. Polanyi's commodification of land was blatant in the case of Indonesian mining under the Soeharto regime, with vast tracts of pristine rainforest or farmland being decimated indiscriminately by mining activities. Indeed, through Law 11/1967 on Mining the state facilitated the mining corporations by not providing detailed regulation on the mining area, in particular the scope and how to determine it; under this Law, the mining area was not determined based on national and regional spatial planning, but by the availability of natural resources.

The law only emphasised that the mining area must not include cemeteries, sacred places, public interest areas such as railways, mining areas belonging to other companies, and housing or factory sites except with permission from the legal owner, yet, it gave flexibility in determining the mining area (Law 11/1967 article 16 (3)). Mining companies were given carte blanche to exploit mining stakes for a period of thirty years in a thousand hectares mining area, after which it had to return land in the conditions it was before mining operation (which is obviously impossible due to the nature of mining). Therefore, the only applicable

environmental legislation was dedicated environmental law, and the environment was not considered as a specific dimension of mining activity.

As deregulation aimed to encourage the export of non-oil commodities, Indonesia was exploring alternative natural resources to support revenues. By the 1980s Indonesia started to exploit coal by producing the CCoW for foreign investors and large scale domestic mining business. In addition to CCoW, government also run the mining rights (*Kuasa Pertambangan/ KP)* only for domestic investors. The CCoW was regulated based on Presidential Decree concerning Basic Provisions of Contractual Agreement on Coal Mining between the State Coal Mining Company and Private Companies, under which foreign investors can operate in Indonesia for about thirty years. There have been three presidential decrees concerning CCoW, each of which was called a 'generation'; CCoW generation 1, generation 2, and generation 3 were based on Presidential Decree 49/1981, Presidential Decree 21/1993, and Presidential Decree 75/ 1996, respectively.

As this analysis indicates, there have been fluctuating degrees of state control over mining in Indonesia, with a latent hovering potential of state intervention mainly to protect (rather than obstruct) foreign investment. Borrowing Polanyi's argument on utopian liberalism, economic relations was based on the cash nexus and contract particularly between the state and mining investors, as opposed to embeddedness that considers non-monetary value such as freedom, responsibility and socio-cultural values (Dale, 2010a). Hence, because of the need to get capital and technology, the mining law as well as the presidential decrees much more emphasis the revenue received from the mining FDI than the environment and human or society protection. Articles in the Mining Law and also the Presidential Decrees regulated the mechanism of paying the taxes or profit share. For instance, CCoW 1st and 2nd generation obligated the mining companies to share 13.5% coal production to the government, meanwhile CCoW 3rd generation obliged the mining companies to transferred 13.5% coal production in cash based on price on board.

Indeed, substance of the contracts is different between the first, second and third generation of CCoW. It shows the different degree of state's control over the

coal mining operation in each generation. It seems that the first generation got lower state's control than the third generation. This claim is supported by several facts that obligation to pay taxes and land rent was different among generation of the CCoW. For instance, value added tax was obligated to the third generation of CCoW, on the other hand the first generation of CCoW was free from the value added tax. In addition, the third generation of CCoW was required to provide annual report on budget and work planning to the government, meanwhile the rule was not obligated to the first generation of CCoW (Presidential Decree 49/1981, Presidential Decree 21/1993, and Presidential Decree 75/1996).

Huge changes had been occurred in the mining governance due to the fall of Soeharto, from centralisation to decentralisation. Internationally, the fall of Soeharto was caused by an economic crisis hit a series of Asian countries, including Indonesia that turns to a political crisis. Internally, Indonesia was facing crisis of trust to the government due to corruption, collusion, and nepotism issue or *Kolusi, Korupsi, and Nepotisme (*KKN), in Indonesia. This situation became starting point for entering the Reform Era, within which regional autonomy was initiated in Indonesia, including with regard to the mining sector.

5.4.2 In the Reform Era (1998-2009; 2009-2015)

The term 'Reform Era' refers to a timeframe in the post-Soeharto Era since 1998/1999 characterised by the implementation of a democratic system and regional autonomy. The timeframe of the Reform Era (1998-2009 and 2009-2015) formulated in this thesis does not mean that the Reform Era ended in 2015. I decided to track the governance of Indonesian mining from 1966 to 2015 since it represents a different style of the governance of Indonesian mining: centralistic governance under the New Order Era (1966-1998), minimal state decentralist governance under the early Reform Era (1998-2009), and high state intervention under the later Reform Era (since 2009). I argue that this timeframe is useful to see how changing political structure and state agency affect the governance of mining.

Regional autonomy was a major issue in Indonesia in the late 1990s (Booth, 2003) as a consequence of the 1997/1998 economic crisis and demand of democratisation and decentralisation. Based on the decentralisation policy, 'political, fiscal and administrative power' is transferred to 'lower levels in administrative and territorial hierarchy' (Duncan, 2007, p. 713) including the mining sector. Hence, local governments have higher authority to manage several areas such as land and natural resources in their areas.

This section discusses governance of Indonesian mining in the Reform Era, in particular from 1998/1999 to 2009, as a transition phase from the New Order mining regulations to new mining regulations issued in the post-Soeharto era. This thesis considers this period to be a transition in the governance of mining since in the first ten-year Reform Era, Indonesia was still using Law 11/1967 issued by the New Order regime until 2009 while preparing the new mining law (Law 4/2009). It is followed by analysis of how liberalisation and commodification of land and labour take place in the post 2009, after the promulgation of Law 4/2009 concerning Coal and Mineral Mining.

Since regional autonomy becomes the central issue in the Indonesian reform in the post Soeharto era, it has power to enforce other regulations including mining law to adjust with decentralisation laws as clearly stated in the Law 22/1999 article 133, Law 32/2004 article 237, and Law 23/2014 article 407. Therefore, the governance of mining also adjusts with decentralisation policy as summarised in table 5.1.

Table 5.1 Adjustment of the governance of mining to decentralisation laws

Decentralisation Law	Adjustment of governance of mining
Law 22/1999 and Law 25/1999 Potential clauses that impact the governance of mining: chapter IV regulates the authority of local government based on which the government of district/ town to govern the natural resources in their area, meanwhile provincial government governs government affairs that across border of the district in one province including the mining business.	Law 11/1967 concerning the Basic Provision of Mining which is centralistic is not in accordance with the spirit of decentralization as stipulated in Law 22/1999. Therefore, the government issued GR 75/ 2001 concerning the amendment of the implementation of Law 11/ 1967. It gave high power for local government especially mayor to govern the mining sector in their area including issuing the mining permits, as well as regulating and controlling the mining project and post-mining. However, it places limited regulations regarding the mining area, environmental protection, and empowerment of local communities
Law 32/ 2004 amended by Law 8/ 2005 and Law 12/ 2008 The substance of power of local government related mining is similar with the previous law.	Law 32/ 2004 emphasises the power of mayors/ regents to govern the mining. As a result, mayors/ regents massively issued the mining permits both for FDI and DDI reflects a massive commodification that leads to environmental and social problems. Therefore, in 2009 government responded this matter by issuing Law 4/ 2009 that aims to adjust the governance of mining with decentralisation policies as well as to improve the governance of mining to reduce the commodification and exploitation of the nature.
Law 23/ 2014 concerning Local Government amended by Law 2/ 2015, and Law 9/ 2015 Potential clauses that impact the governance of mining: strengthening power of central to supervise local government as well as increasing power of provincial government while reducing power of municipal/ district government.	Previous law grants high power to mayors/ regents to govern the mining under principle of as widely as possible regional autonomy. Due to the impacts of this regulation, several changes regarding authority to govern the mining have been made as follows: Central government: ▪ Issuing mining zone and special mining area, ▪ Issuing mining permits for: FDI, special mining permits, mining business which cross provincial boundary, mining business which adjacent with other countries ▪ Supervising and monitoring the mining project ▪ Determining benchmarking of coal price Provincial government: ▪ Issuing the mining permits ▪ Issuing people mining permits Municipal/ district government: eliminated

I argue that liberalisation of mining initiated by the New Order government continued during the Reform Era. While politically there was a significant change regarding power relations between central and local government, including in relation to mining governance, this did not impede the implementation of economic liberalisation or indeed of democratisation *per se*, but this was not accompanied by accountable government (Ramage, 2007; Hofman, 2004). As a result, there was a massive commodification due to the authority accrued by local governments and their lack of experience and capacity to govern the mining sector appropriately.

In this case, while liberalisation causes commodification, democratisation unaccompanied by accountable government worsens the commodification of nature in Indonesia. Indeed, the issue of corruption in the mining sector massively occurred at local level, as stated by the Corruption Eradication Commission/ KPK that Indonesia lost trillions of Rupiah due to corruption in the mining sector (KPK, 2014a). In several cases, official government policy facilitated markets (i.e. mining corporations) to commodify land and labour, given a fillip by corruption to subvert what little regulation did exist for the human security of local communities and the environment, leading to massive exploitation of nature and callous disregard for local communities.

Commodification of land deeply occurred due to state governance that prior to enactment of Law 4/2009, Government Regulation (GR) 75/2001 as amendment of Law 11/1967. It made basic provisions regarding mining that specifically adopted a policy of autonomy, whereby higher authority was devolved to local government (in particular mayors/ regents), including issuing mining licensure and supervision of the mining industry for both foreign and domestic companies. According to the law, mining rights can be granted by regents or mayors if the mining is located in a regency or city; or by provincial governor if the mining is located within at least two regencies of the province. Meanwhile, if the mining location involves at least two provinces, the authority belongs to the national government or ministry. As a consequence, during the period 2001-2009 mayors or regents issued thousands of mining permits without the oversight of the national government.

Simultaneously, reform also includes a fiscal scheme by which the Indonesian government grants more autonomy to local governments to manage their regional income. There are several sources of regional revenue namely Original Regional Revenue (*Pendapatan Asli Daerah/ PAD)* such as reginal taxes, Balance Fund (*Dana Pertimbangan),* and miscellaneous revenue. Balance fund consists of several types called 'revenue sharing fund' or *Dana Bagi Hasil* (DBH) sourced from tax and natural resources, General Budget Allocation (*Dana Alokasi Umum*, DAU), and Special Budget Allocation (*Dana Alokasi Khusus*, DAK) (Lewis, 2001)

This is a remarkable departure from the high centralisation of mining management under the New Order, whereby the central government dealt with foreign investors, bypassing local communities and governments and receiving all revenue directly. While local governments have their own original regional income, under the scheme of DBH local governments also receive revenue sourced from the mining industries in their areas as shown in Table 5.2.

Table 5.2: Mining Revenue Sharing in the Regional Autonomy Era

Source	Percentage of Revenue (%)			
	Central Government	Province	Regency/ City	Other regencies/ cities
Mineral & coal mining				
Land rent	20	16	64	-
Royalty	20	16	32	32
Oil and gas mining	84.5	3.1	6.2	6.2
Natural gas mining	69.5	6.1	12.2	12.2
Geothermal mining	20	16	32	32

Source: Law 33/2004 concerning Balance Budget between Central and Local Government.

Building on the table, thus, local governments that are rich in natural resources have high regional revenue. However, since local governments, particularly regencies or cities, receive a high percentage of mining revenue, as shown in Table 5.1, combined with authority to issue mining licence, numerous local governments have been prolific in their issuance of mining licences, accelerating

the commodification of land that worsening human insecurity of local communities due to the mining impacts.

The latter progress in the Indonesian mining (2009-2015) shows a higher state intervention as opposed to previous regime as reflected in the new mining law (Law 4/2009). However, while the law concerns on the environment, local community protection and divestment, it continues to reiterate extensive commodification of nature. It is shown in several aspects as follows. Regarding mining FDI, the new contractual based mining concessions are no longer available in the new regimes, however the new mining regimes allow the CCoW to operate until the end of the contract. Indeed, FDI could own 100% of the capital with obligations of divestment after 5 years of operation, thus, a mining company may consist of FDI and DDI due to the divestment obligation. Moreover, unlike the old mining law provided by the Soeharto administration,[3] Indonesia under the new investment law and new mining law has been following the principle of national treatment and non-discrimination, due to which Indonesia does not differentiate between domestic and foreign investment except with regard to divestment (PWC, 2012).

In sum, regional autonomy become one of domestic factors that determines the governance of the mining sector in Indonesia. While the motivation of regional autonomy is to enhance economic development in the regional level, decentralisation regimes has caused huge commodification of the land and natural resources.

5.4.3 Figures of Mining Investment in Indonesia

Indonesia has liberalised the mining sector since 1967 in the New Order Era and continued in the Reform Era. As a result, there has been an increasing trend of inflow FDI in Indonesia since the New Order, except during the economic crisis of 1997/98 to 2003 (Figure 5.1).

[3] The main provision on mining under Law 11/ 1967 article 12 states that mining licences are only granted to individuals or corporations led by persons residing and domiciling in Indonesia and having Indonesian citizenship. As a consequence, mining foreign investment is governed under the scheme of the CoW (mineral) and CCoW (coal) between the Indonesian government and mining companies.

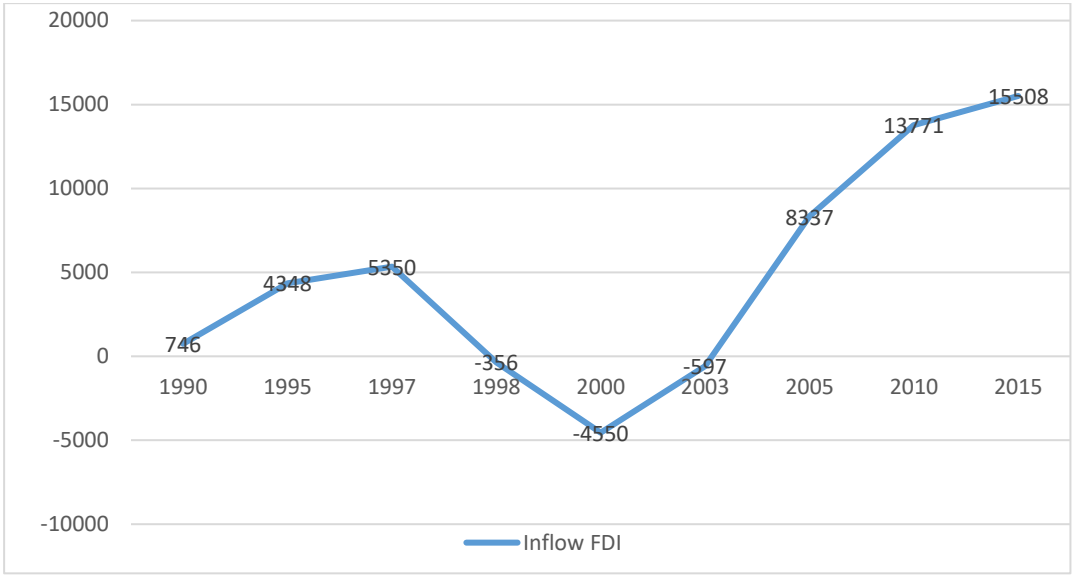


Figure 5.1: FDI Inflow in Indonesia 1990-2015 (US$ millions)

Adapted from UNTCAD (1998, 2003, 2006, 2009, 2016)

The figure shows that there is an increasing trend of the volume of FDI in Indonesia. While liberalisation facilitates FDI, the main latent factors that attract foreign investment to Indonesia are also its abundant natural resources, cheap labour and lax environment regulations, the latter of which are intended to support development, particularly to increase economic growth and solve unemployment problems (Hayat, 2014). However, offering abundance natural resources and cheap human labour means that land and labour has been treated as commercial asset as a bait to attract FDI. This high volume of FDI also occurred in the mining sector, shows that the volume of mining FDI is higher than mining DDI as shown in Figure 5.2. In East Kalimantan FDI, which is higher than DDI, is mainly allocated in the extractive industries such as mining and agriculture (BI, 2014).

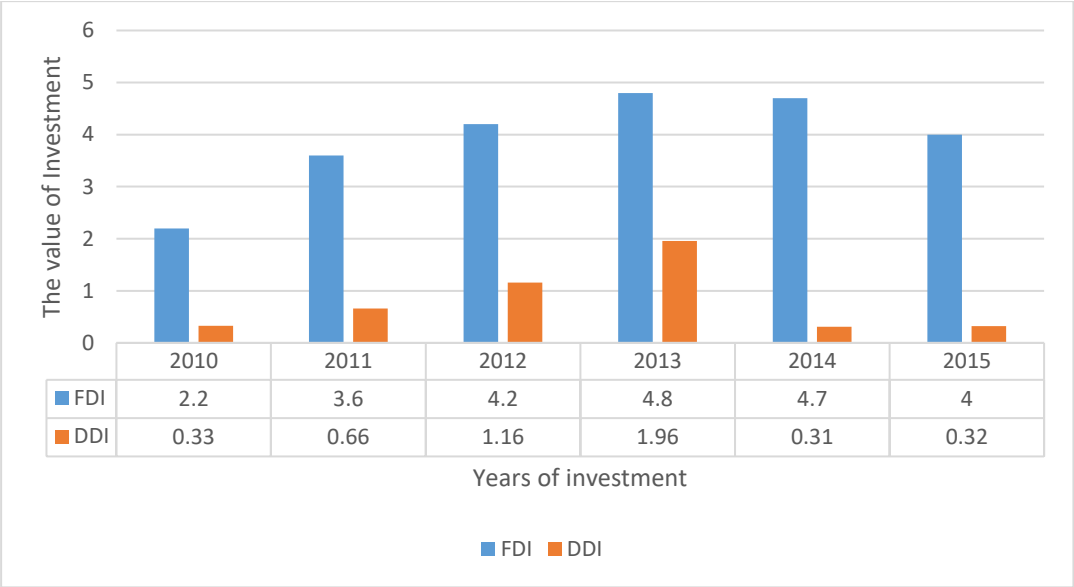


Figure 5.2: Mining FDI and DDI in Indonesia, 2000 to 2015 (US$ Millions)
Adapted from BKPM (2016)

5.5 Conclusion

This chapter examined the historical process of the liberalisation of Indonesian mining to highlight the roles of internal factors (such as domestic political economy including political economic crisis, democratisation, and decentralisation policies) and external factors (such as conditionalities proposed by neoliberal institutions affecting the governance of the mining sector). This section aims to highlight findings of this chapter, especially as related to the theoretical and empirical contributions of this study. As stated in the previous chapter, this study conducts a deductive investigation of the case by implementing Polanyi's perspective and moderate dependency theory. This section highlights how the theoretical framework can be applied in the Indonesian mining context, followed by proposing a refinement of the theories.

First, building on Polanyi's double movement, this chapter functions as an investigation of first move within which state facilitates the implementation of neoliberal principles. The argument of Polanyi that self-regulating markets are not natural but created, facilitated, and 'enforced by the state' (Polanyi, 2001, p. 145), is proven in the context of Indonesia. In line with the goal of the government to attract FDI to stabilise the economy and increase growth,

Indonesia provided numerous facilities to encourage FDI inflow for mining, including mining regulations and legislation on foreign investment. As the foreign companies, particularly in the New Order Era are governed under the scheme of contract as shown at CoW and CCoW, the Indonesian government itself was legally bound to the stipulated conditions. The facilities were concessions made by the Indonesian government to attract foreign mining companies. So, it can be argued that it is a key step within which government limits its intervention in the mining sector. It seems that government gives autonomy to the mining corporations including to govern the mining through commodification of land and labour as long as government receives income.

The role of the state in facilitating the implementation of liberalisation of Indonesian mining occurred at the national level and, after 1998, at the local level due to regional autonomy policies. Regional autonomy especially in the Early Reform Era has played an increasingly critical and negative role in the governance of the mining sector. Indonesia was hit by an economic crisis in 1998 that caused the fall of Soeharto, inaugurating the Reform Era. Significant changes were made during this transition, including amendments to the Constitution of 1945. However, the mining regulations issued by Soeharto especially regarding the notion of liberalisation and commodification of nature were still implemented in the Reform Era, albeit with several revisions as adjustment to the decentralisation policies. Regional autonomy during the Reform Era brings significant influence on the management of the mining sector such as transferring part of authority to manage coal mining and its revenue from the national government to local governments. Nevertheless, regional autonomy without state effectiveness in turns leads to massive proliferation of licenses and commodification of land and labour by mayors or heads of regencies. As a result, despite the purpose of decentralisation of for enhancing democratisation and prosperity of people at local level, in fact I argue that the Early Reform Era deepens commodification of nature due to which there was a massive exploitation of mining that threatens the human security of local communities.

In addition to Polanyi's idea that commodification is consequence of self-regulating markets, weak state effectiveness and political accountability worsen

commodification of nature and threatens the human security of local communities. Polanyi argues that the main source of commodification that threatens human freedom is self-regulating markets. As stated by Polanyi (2001, p. 257), 'nineteenth-century civilisation was not destroyed by external or internal attacks of barbarians', but by a 'self-regulating market' within which 'economy was based on self-interest'. Indeed, 'the institutional separation of politics and economics… proved a deadly danger to the substance of society' (*ibid.*, p. 263). In the context of Indonesia, economic development was dominated by markets that seek to optimise profit through commodification, with collusion, corruption, and nepotism worsening the commodification of land and labour.

Second, moderate dependency theory is applicable to the context of Indonesia regarding the role of internal and external aspects that influenced the liberalisation of Indonesian mining. Internal and external factors that affect governance in the mining sector are economic downturn, the domestic needs of foreign investment, and Indonesian ties with international economic regimes such as IMF, the WB, and WTO. These regimes encourage liberalisation in Indonesia including the mining sector thorough SAP or Indonesian ratification on international agreement. Building on moderate dependency theory, the disruptive impacts of mining is not necessarily caused by FDI as argued by radical dependency theory. Based on evidence in the Old Order Era, while economic relations with developed countries and international economic institutions could cause dependence, fully cutting itself off from relations with Western countries and their FDI including the nationalisation of mining foreign companies resulted in an insufficiency of capital to achieve economic development. Thus, it worsened economic crisis during the Old Order Era.

Chapter Six

Mining Commodification Impacts on Human Security

6.1 Introduction

The previous chapter discussed the concept and trajectory of economic liberalisation in Indonesia under successive regimes as the source of commodification of land and labour. Following the process tracing analysis methods discussed in Section 4.5 of this thesis, this chapter presents how commodification of land and labour actually takes place in the mining industry and its impacts on the human security of local communities. This chapter provides an analysis of commodification of land and labour as consequences of mining operations. It is followed by investigation of its impacts on the human security of local communities, including freedom from want at the macro and micro level, freedom from fear, and freedom to live in dignity.

I argue that government commitment to economic liberalisation facilitates the commodification of land and labour, and enables mining practices disruptive to the human security of local communities. Commodification of land by the mining industry, facilitated by the government and beneficiary local communities, can be seen in the land grabbing and intensive speculation associated with the introduction of mining activities to a local area, resulting in a mass transfer of agricultural land to mining activities. Meanwhile, commodification of labour can be seen in the alienation of unskilled local labourers, including those who lose their jobs due to land grabbing. They have to compete in the labour markets including the mining industry, which is capital intensive and requires skilled labour. As a result, unskilled local labourers are unable to work, or can at best become contract workers in low-paid and temporary positions in the mining industry. Permanent (skilled) mining workers who are usually not members of local communities are directly enriched by mining, while unskilled local labourers encounter vulnerability due to the mining industry.

Building on Polanyi's concept of dis/embeddedness (Peck, 2013a; Block & Sommers, 2014; Kaup, 2015), commodification of land by the mining industry in East Kalimantan has co-opted the livelihood of local communities, most of whom originally work in agriculture. Transferring job opportunities from agriculture to mining does not fit with agency of local labourers, therefore local labourers find it is difficult to get jobs and to participate in the mining industry. In contrast, Central Kalimantan has developed its agricultural industry, including palm oil plantations, operated through establishing cooperation with local labourers and local farmers in the Nucleus Estate Smallholder scheme (NES) (*Perkebunan Inti Rakyat/ PIR*) (Province Regulation of Central Kalimantan No. 9/1993 concerning Nucleus Estate Smallholder). In the long term, despite East Kalimantan's income being higher than the total combined of regional income of its three neighbouring provinces (South Kalimantan, Central Kalimantan, and West Kalimantan) (BPS Kaltim, 2012, 2014a), this has not been translated into reduced poverty and unemployment in the Province, as discussed in Section 1.2.

NES can be understood as a form of cooperation between companies, which have capital (including state-owned or private companies), and smallholders who have plentiful labour but lack capital (Hasnah et al., 2004, p.18; World Bank, 2012 Semedi & Bakker, 2014). Despite problems in its implementation (Hasnah Hasnah et al, 2004; Jelsmaa et al., 2017), NES supports the economic security of local communities, since local communities participate and receive economic gains from the agricultural industry (McCarthy et al., 2012; Molenaar et al., 2013; Semedi & Bakker, 2014). This fact is in line with Polanyi's idea of embeddedness, especially the notion of 'reciprocity'. Follwong Polanyi's idea, reciprocity is one of the mechanisms to achieve freedom for local communities, whereby members of local communities and industry support each other through mechanisms of giving and receiving, or mutual cooperation (Block & Sommers, 2014, p. 30). This fact is contrasted with the development in East Kalimantan, which relies on the capital-intensive mining industry (BPS Kaltim, 2012, 2014a, 2016b; BPS Kalteng 2012, 2014, 2016b) and exploitative relations, which as previously noted have dis-embedded relations and are incompatible with the jobs and skills of local communities.

The impacts of mining can be seen at the aggregate level of the 'community' (macro level) and also at the level of the individual (micro level). At the macro level, mining has supported regional and national income. However, this income does not necessarily lead to increasing the human security of local communities. Indeed, adopting the value of sustainable development (both weak and strong[4]), the environmental and social cost of mining operations is ubiquitously high (Humphreys, 2001). Meanwhile, at the micro level, different stakeholders experience different mining impacts. Mining has generally benefited a limited cohort of stakeholders, including investors and permanent workers, most of whom are generally not from the local communities who bear the brunt of the general negative long-term impacts of the industry.

On the other hand, it has provided lucrative short-term benefits for local entrepreneurs whose business is highly dependent on the presence of mining workers, and unsustainable jobs and income for local mining workers. Indeed, most local food crop farmers as well as indigenous people who depend on shifting cultivation are harmed, as they lose their land and get less income due to mining operations. Since the number of local entrepreneurs is quite small compared to farmers, unskilled local labourers, and society as a whole that work in primary sector (BPS Kaltim, 2014c), this problem shapes the poverty and unemployment rate in East Kalimantan. Thus, it can be considered that in the long-term mining disrupts the human security of local communities at the aggregate level of the community.

This chapter presents data regarding mining impacts from 2010 to 2015. Projects in the mining industry are operated with a very long-term orientation of up to 50 years, including mineral exploration and numerous production phases, and the associated impacts of mining activities consequently fluctuate during the lifespan of a mine. Thus, I argue this timeframe represents the impacts of the coal mining industry that has been operated in Indonesia since the late 1980s or early 1990s. Indeed, this timeframe also allows this thesis to discuss

[4] Definition of strong and weak sustainable development has been provided in Chapter 3 section 3.5.2

decentralisation of mining from the early 2000s and the new regime of governance of mining under the new mining law (Law 4/2009).

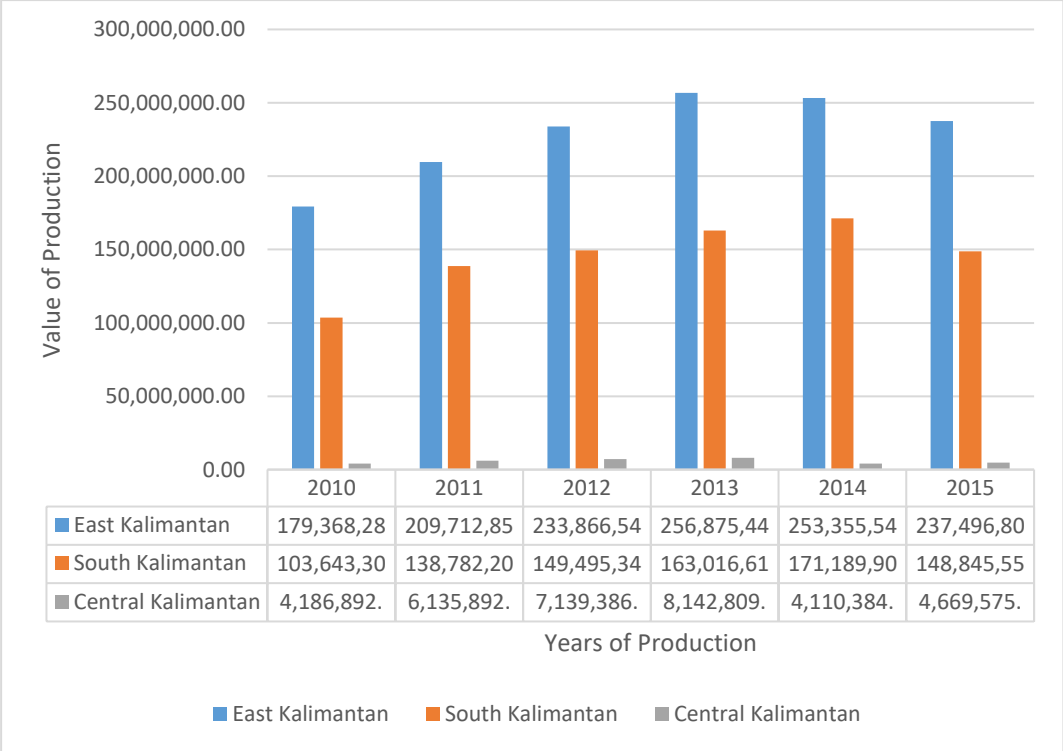
The arguments of this chapter are structured as follows. Following this introduction, sections 6.2 and 6.3 investigate the commodification of land and labour, respectively. Analysis on commodification is followed by assessment of its impacts on human security of local communities (section 6.4) including environmental fabric, economic fabric (freedom from want at the macro level and micro level), and social fabric comprises freedom from fear and freedom to live in dignity. Finally, section 6.5 concludes the chapter by highlighting the main findings that government commitment to economic liberalisation facilitates the commodification of land and labour, and enables disruptive mining practices. In the short term the mining industry can bring employment and economic benefit to local communities. However, this often also brings an immediate cost for those dependent on the land for a living. In the longer term this process is often incompatible with sustainable mining and non-mining related livelihood and the maintenance of the local environment.

6.2 Commodification of Land

Commodification of land is treating land as a commercial asset or commodity in the process of capital accumulation. However, the source of land commodification is not only caused by the role of mining industry, but also by the state (central and local government), which can either facilitate or prevent the commodification of land. As argued by Polanyi (1944), the state plays a central role in managing this fictitious commodity, moreover 'the real market societies need the state to play an active role in managing markets, and that role requires political decision making' (Cotula, 2013; Polanyi, 2001, p. xxvi).

During the era of liberalisation, the government of Indonesia has played a central role in facilitating investment driving the commodification of land. Since the New Order Era, Indonesia has produced approximately 74 coal contract of works

(CCoW),[5] most of which are FDI. Under the new mining law,[6] pre-existing CCoW companies provided by the New Order government are still recognised until the end of their contract, with several amendments. Most mining licences are long-term, as they can be granted licensure for seven-year explorations and 20-year production periods, which can be extended twice for 10 years. The area of coal mining for licensure includes 5,000-50,000 ha for exploration and a maximum of 15,000 ha for production (Law 4/2009). Thus, the level of commodification of the land is parallel with the large area of mining concessions and the volume of coal production (Figure 6.1).



	2010	2011	2012	2013	2014	2015
East Kalimantan	179,368,28	209,712,85	233,866,54	256,875,44	253,355,54	237,496,80
South Kalimantan	103,643,30	138,782,20	149,495,34	163,016,61	171,189,90	148,845,55
Central Kalimantan	4,186,892.	6,135,892.	7,139,386.	8,142,809.	4,110,384.	4,669,575.

Figure 6.1: Coal Production (2010-2015) in Metric Tonnes (MT)

Adapted from Distamben Kaltim (2016), Distamben Kalsel (2016) and BPS (2015b)

Figure 6.1 shows that East Kalimantan, which has the highest volume of mining investment and mining permits including FDI and DDI parallel with the largest

[5] Coal contract of work (CCoW, known as *Perjanjian Kerja Pengusahaan Pertambangan Batubara*, PKP2B), is mining permit produced by national government, accords foreign companies 100% of their coal production, however they must transfer 13.5% of the mining revenue. The new mining law, Law 4/ 2009, regulates a divestment obligation to the FDI.
[6] Mining Law 4/ 2009 was issued in the Reform Era to replace Law 11/ 1967 issued by Soeharto's New Order government.

mining area, produces the highest volume of coal production. This reflects an intensive land commodification due to mining operations as land becomes a commercial commodity, to get as much as monetary gain as possible from coal exploitation.

The role of the state in commodification is exercised at the local (province and district/town) level as well as the national level. In addition to CCoW issued by central government, as a consequence of regional autonomy the local government has the right to issue mining permits (*Ijin Usaha Pertambangan*, *IUP*). The new regulations in the Regional Autonomy Era, as discussed in Section 5.4.2 of this thesis, have more scope to accommodate local interests and demands, but the massive proliferation of licences issued as a result, in particular by mayors or heads of regencies, have brought sudden economic, social and environmental impacts. Using the evidence of East Kalimantan province, more specifically, land has been greatly commodified by the government and elite businesses. It is noted that beside CCoW and permits on mineral mining, such as gold, the number of coal mining permits produced by regents in East Kalimantan as of March 2011 is about 721 IUPs (EITI, 2016b), with 1,488 mining licences in total (Jannah, 2017). Thus, the total area of mining concessions in East Kalimantan, including CCoW and IUPs, comprises about 7.2 million ha, or 70% of the mainland area of the whole province (EITI, 2016a; Jatam, 2015b). More specifically, in Samarinda city, the capital of East Kalimantan province, whose population density in 2015 is about 1,037.80 per km^2 (BPS Kaltim, 2016a), the percentage of mining area is about 71% (Jannah, 2017; Jatam, 2015a). This data shows the massive commodification of land for coal exploitation even when located in the city centre, where people live in long-standing communities with significant economic activities, thus even urban space has been intensively commodified under mining operations.

However, the most egregious impacts of mining with regard to the commodification of land are environmental destruction. The majority of mining in Indonesia is opencast as opposed to deep mining, operated by obliterating the surface of the earth in the process of several phases: general survey, exploration

and feasibility study, mining construction, mining, processing, refining, hauling and selling (see Figure 6.2).



Figure 6.2: Mining Deforestation

The mining industry, moreover, has commodified land and fundamentally changed the land context of local communities, particularly agrarian communities that depend on arable and pastoral farming that is rendered untenable by mining. In order to maximise monetary returns[7] and produce high volumes of coal, the mining industry rents land from the government or buying from local citizens and converts it to mining use, including arable areas that have traditionally been a source of national food security as well as local communities' livelihoods (Figure 6.3).

[7] Achieving 'maximum monetary gains' is the main purpose in the market economy system or self-regulating markets (Polanyi, 1944, p. 68).



Figure 6.3: Conversion of Arable Land (Rice Farming) to Mining

Photo credit to Jatam

Rice farming ensures food security by providing the staple of the national diet, thus large areas are devoted to its production, with irrigation systems and soil quality nurtured for generations; all of this is literally swept aside by mining (Figure 6.3). Thus, the commodification of land directly affects local communities' livelihoods and threatens the food security of local farmers in the first instance, then local communities, and ultimately Indonesia as a whole. In addition to coal extraction, commodification of 'land' also occurs in coal delivery, particularly affecting (i.e. polluting) rivers that are used for rafting coal downstream to ports (Figure 6.4).



Figure 6.4: Coal Transportation

Rivers are also an integral part of local communities' lives such as for gathering fishes, communication, and transportation, since access to land transportation is limited. However, the existence of mining boats to deliver the coal, which could be operational around the clock during peak session, particularly because of increasing coal price, has hindered local communities to conduct their activities. Thus, rivers become one of factors of production that support capital accumulation in the mining industry rather than providing facilities for local communities.

To sum up, land is an essential element in the mining industry, and it is claimed, particularly by the proponents of neoliberal theory, that land is one of essential elements of production and an integral part of the market economy (Jajri, 2007); however, land also represents places and contexts where human life and cultures are sustained; land is the necessity of social existence which makes life possible (Block & Sommers, 2014). Land as a synonym for 'nature' is a fictitious commodity, since it cannot be produced, sold or bought in conventional activities of industrial production (Polanyi, 1944), hence land is originally an integral part of local communities' live and livelihoods. Large areas of land conversion in the mining sector cause vulnerability and cause destruction to societies and ecosystems, intrinsically threatening the human security of local communities.

6.3 Commodification of Labour

Commodification of labourers essentially refers to labour being subject to market forces, thus labourers can be sold and bought through the implementation of 'the principle of freedom of contract' (Polanyi, 1944, p. 163). In contrast to the era of Soekarno, under which labour rights were held in high esteem by the government (Manning, 1993), commodification of labour in Indonesia as part of development programs since the New Order Era, particularly since the Asian economic (monetary) crisis of 1998. It has involved numerous curtailments of labour rights, including freedom of speech and making associations as well as the restriction of general trade union rights; indeed, trade unions are controlled by the government to support the interests of elite business (Ford, 2010; Narjoko

& Putra, 2015). Indeed, Law 13/2003 concerning Manpower proposed flexible labour markets, particularly at the national level.

Increasing liberalisation requires the flexibility of labour markets to continue attracting FDI to Indonesia to support economic development (Narjoko & Putra, 2015). Clearly there is a trade-off whereby international investment favours decreased labour protections. Labour skill, low cost, flexibility in markets and weak trade union activism are points that attract FDI, meaning that 'a more flexible labour market in the host economy (relative to the investor's home country) is associated with a higher likelihood of investment' (Javorcik & Spatareanu, 2005, p. 400; Pandya, 2010). Labour conflicts thus negatively impact inflows of FDI (Menon & Sanyal, 2007). Hence, due to the program of intensifying both FDI and DDI, including in the mining sector, the government of Indonesia tends to facilitate investors rather than labour rights and conditions, which entails inevitable negative consequences in an inherently difficult labour environment (i.e. the mining industry).

Commodification of labour in Indonesia is triggered by domestic and external factors. Following the argument of dependency theory, commodification of labour in Indonesia is a result of Indonesian government's obeisance to the IMF. In order to give financial support, IMF's Letter of Intent (LoI) required economic reforms in Indonesia, including regulation to effect flexible labour markets[8] (IMF, 2003b; Tjandraningsih, Herawati, & Suhadmadi, 2010; Tjandraningsih, 2012). The influence of the external power of the IMF is directly felt in Indonesia, as proven by the implementation of the LoI, expressed in Law 13/2003 concerning Manpower and the National Medium-Term Development Plan/RPJMN (2004-2009), based on which Indonesia employs flexible labour markets to increase productivity and innovation.[9]

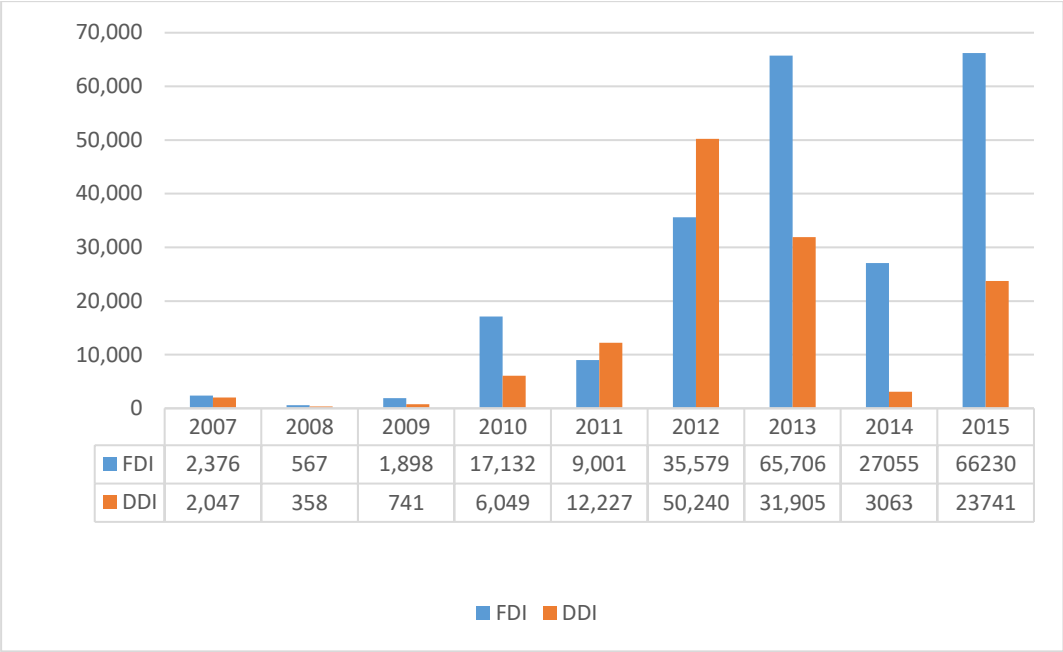
Labour markets reflects a competitive environment to enhance the freedom of labourers to select their jobs in response to opportunities, as well as freedom for the corporations to adjust the workforce in response to opportunities to increase

[8] See Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding Indonesia-IMF point 42.
[9] See Medium Term of Development Plan (2004-2009), Chapter 1, Point B: Priorities of National Development 2004-2009 on Improvement of Labour Environment.

the firm's profits (Muhamad, 2006). Hence, Indonesia allows outsourcing or contracted workers[10] as part of its implementation of flexible labour markets (Tjandraningsih, 2012). However, since most of the labour force in Indonesia are unskilled, the implementation of flexible labour markets does not support opportunities to workers' welfare; indeed, it only benefits corporations. In developing countries such as Indonesia where unemployment is high, the role of free trade combined with high interest of IMF loans contributes to worsening job opportunities (Stiglitz, 2001). Outsourcing and contracted work occur in both foreign and domestic companies, thus commodification of labour occurs in DDI as well as FDI as both are structured under state management and subject to policy.

The mining industry (whether funded by FDI or DDI) provides limited jobs for local communities due to its technological- and capital-intensive nature, the existence of FDI and DDI in general undoubtedly gives an immediate fillip to reducing the endemic unemployment problem in Indonesia. Even under conditions of commodification, the labour force needs work to sustain life. Evidence in Indonesia shows that FDI in general has provided higher opportunities for employment than DDI (as shown in Figure 6.5). I argue that this evidence confirms the theoretical argument of moderate dependency theory regarding 'dependent development', arguing that while causing economic dependence, FDI might support industrialisation in developing countries.

[10] Outsourcing refers to system of labour recruitment, management and control including salary, benefit and rights under a labour agency. Outsourced labourers are contracted in a short term of approximately six to twelve months and receive a basic wage without any additional incentives (Tjandraningsih, 2012).



	2007	2008	2009	2010	2011	2012	2013	2014	2015
FDI	2,376	567	1,898	17,132	9,001	35,579	65,706	27055	66230
DDI	2,047	358	741	6,049	12,227	50,240	31,905	3063	23741

Figure 6.5: Labour Absorption between FDI and DDI in East Kalimantan

Adapted from BPS Kaltim (2017a, 2017b)

However, the mining sector provides very limited job opportunities to local communities (Figure 6.6). Hence, the mining industry does not support to solve unemployment problems.

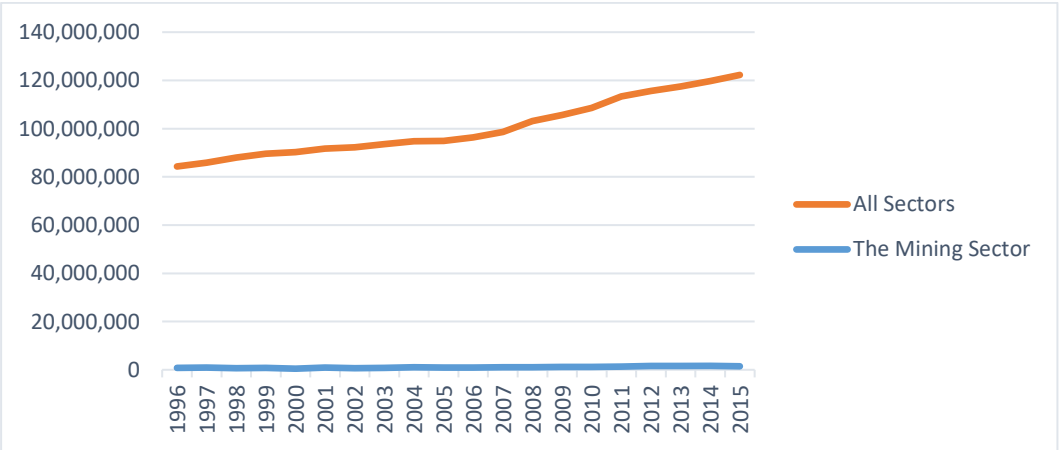


Figure 6.6: Labour Employment in the Mining Sector Relative to All Other Sectors

Adapted from BPS (2016b, 2016c, 2016d; ILO, 2015)

Figure 6.6 shows that the mining sector provides very low job opportunities, approximately less than 1.5% of all sectors (BPS, 2016b, 2016c, 2016d; ILO, 2015). The low absorption of labour force in the mining industry is not because

the companies employ foreign workers, but it is caused by the characteristics of capital intensive as opposed to labour intensive industries (Fleming & Measham, 2014; Davaakhuu, Sharma, & Bandara, 2014; Topal & Ramazan, 2010). It brings consequences that only skilled workers could meet the requirements of the mining companies. This fact is contrasted with the local labour force (all able-bodied males and females aged over 15), most of whom are unskilled workers and dominant in the province (BPS Kaltim, 2014b), as shown in Figure 6.7.[11] Thus, it creates unemployment as unskilled local workers who lose their jobs due to land grabbing for mining areas are not absorbed by the subsequent mining industry. This is evidenced in East Kalimantan, the most prolific coal-producing province in Indonesia, with the highest level of unemployment as discussed in section 1.2 of this thesis (Antara Kaltim, 2016; BPS, 2018; Detik Finance, 2017; Liputan6.com, 2017).

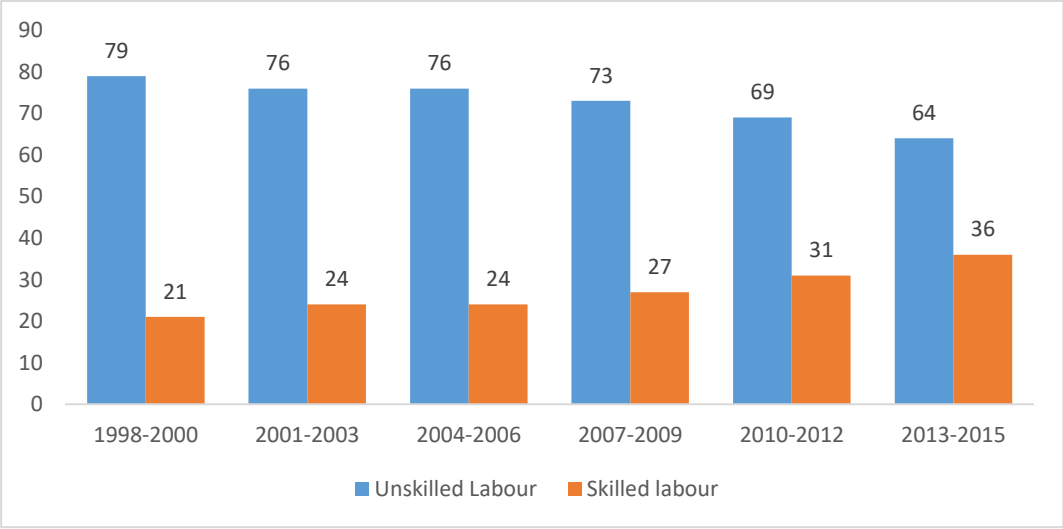


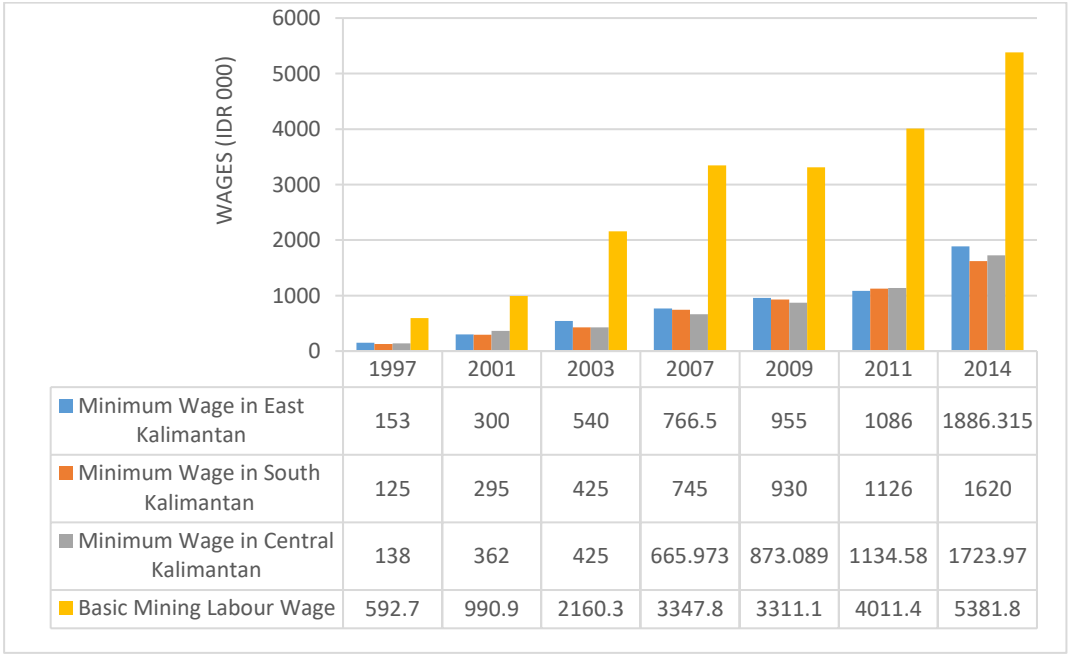
Figure 6.7: Percentage of Skilled and Unskilled Labour in Indonesia, 1998-2015

Adapted from BPS (2016b, 2016c, 2016d)

[11] This research differentiates skilled and unskilled labour based on educational attainment as it becomes one of requirement for applying jobs in corporations. Skilled labour is professionals or technicians and other similar or higher level of skills (Wickramasekera, 2002) or workers whose educational attainment is at least graduated from secondary education (Islam, 2002), while unskilled labour is other than this. Since the Indonesia government regulates that primary education is nine years of school (junior high school or *Sekolah Lanjutan Tingkat Pertama*, SLTP), skilled labour is those who are graduated from senior high school or *Sekolah Lanjutan Tingkat Atas* (SLTA) or above.

Figure 6.7 shows that there is significantly more unskilled than skilled labour (over double net for the period 1998-2015, although the gap has been noticeably narrowing in recent years). More specifically, in East Kalimantan unskilled labourers working in the primary sector (including agriculture and mining) account for about 66% of the labour force, with 34% skilled labour (BPS Kaltim, 2017b). Unskilled local labourers do not have sufficient skills to operate the advanced technology of the mining industry, thus there is intense competition for the limited jobs that are available to the unskilled, which reduces wage bargaining power along with options and opportunities to get employment. Most mining workers from local communities only works in low-level roles [Int.: GOVA3, a government official of East Kalimantan, 2016]. Thus, its benefits are limited to elite investors and permanent workers, as opposed to non-permanent workers and local communities.

Regardless of structural inequalities and disadvantages within the mining industry, labour wages in the mining sector are nevertheless much higher than provincial minimum wages, as shown in Figure 6.8.



	1997	2001	2003	2007	2009	2011	2014
Minimum Wage in East Kalimantan	153	300	540	766.5	955	1086	1886.315
Minimum Wage in South Kalimantan	125	295	425	745	930	1126	1620
Minimum Wage in Central Kalimantan	138	362	425	665.973	873.089	1134.58	1723.97
Basic Mining Labour Wage	592.7	990.9	2160.3	3347.8	3311.1	4011.4	5381.8

Figure 6.8: Basic Mining Wages and Provincial Minimum Wages in East, South and Central Kalimantan

Adapted from BPS (2015c; 2017)

The figure shows that provincial minimum wages of the three provinces East Kalimantan, South Kalimantan and Central Kalimantan are similar. This indicates that mining workers even the low level of unskilled workers should have enough income to meet their basic needs according to local norms. The provincial minimum wage is annually launched by the government based on three-partied discussion between the government, corporations and labour unions, considering the price of basic needs based on survey on decent living needs (*Kebutuhan Hidup Layak*/ KHL) (Law 13/2003 article 88).

Despite the facts that the mining industry (particularly FDI projects) offers relatively high salary including for the local workers, there is nevertheless the major problem of the lack of sustainability of their jobs and income. Most of local workers are non-permanent workers working on a daily basis, or contracted workers brought in through various outsourcing and non-outsourcing systems. The application of temporary and outsourced labour is obviously highly efficient for companies interested in short term profitability, but it effects the commodification of labour in unsustainable jobs with limited rights compared to permanent workers [Int.: GOVA3, a government official of EK, 2016; GOVB4, a government official of CK, 2016; Amin, an official of AMAN Paser EK; LC-B4, local community, 2016; LC-B5, local community, 2016]. This point is an essential part of commodification, by which unskilled labour forces may lose their opportunities in competition in the labour market. In turn, this leads to vulnerability as the labour force, including ex-contracted workers, may not have employment and income to meet their daily needs (Adger, 2006).

6.4 Impacts on Human Security of Local Communities

The impacts of coal mining industry on the human security of local communities can be investigated from three interrelated fabrics: economic (freedom from want at the macro and micro levels), environment, and social (freedom from fear, and freedom to live in dignity) with particular indicators as discussed in section 3.3.1 of this thesis.

6.4.1 Environmental Fabric

Commodification of land in the Indonesian mining sector has caused environmental issues such as unmaintained ex-mining pits, and environmental degradation that threatens the human security of local communities. The mining industry optimises their right to obtain monetary gain by exploiting mining without respecting the rights of local communities to live in a safe and healthy environment. In East Kalimantan about 24 children have died due to drowning in mining pits during the period of 2000-2015 (Komnas HAM, 2016), particularly in Samarinda. As previously noted, Samarinda is the capital of East Kalimantan province and has high population density. Regardless of these demographic and political factors, the mining industry has exploited lands all around and directly adjacent to residential urban housing. Post-mining reclamation responsibilities are generally ignored, and many mining companies leave mining pits as they are when they stop their operations. Some companies make token efforts regarding their unsafe ex-mining pits (Figure 6.10), but overall local people are deprived of the right to live in a safe place, with particular hazards for children playing.

The ex-mining pit shown in Figure 6.9 accompanied by only one notification about the hole and a ban on bathing and swimming in the hole because of its depth of about 15 m, however there is no fence in the area, thus people standing on the other side of the warning sign might not know about the notification and ban. Indeed, the sign may counter-productively function as an advertisement for an exciting play area among adventurous youths, who are not prevented from access by any conventional barrier. Meanwhile, the mining pits shown in Figure 6.9 are left without reclamation, close to the provincial road, and anyone can freely access the giant hole.



Figure 6.9: Warning Sign of 15 m Deep Mining Pit with No Fence



Figure 6.10: Unrestored Mining Pit (Drowning Hazard)

Photo credit to Jatam

Furthermore, opencast mining in Indonesia involves massive clearance of forest, farmland and housing, followed by massive excavation for coal extraction as shown in Figure 6.2 in the previous section. Deforestation causes immediate devastating impacts on the environment, with net areas of hundreds of thousands of hectares being stripped bare, and thus prone to runoff, leaching of nutrients, soil degradation, flooding and flood-related damage to infrastructure, and water pollution. Forested areas absorb water and prevent runoff from rain, thus deforestation directly enables flooding and mudslides. Hence, the safety of

people is very low due to potential of disaster in the region, as reported by National Agency of Disaster Management Republic of Indonesia (*BNPB*). Accordingly, the disaster risk index of East Kalimantan, South Kalimantan, and Central Kalimantan is high, high and medium, respectively (BNPB, 2014). More specifically, the Regional Disaster Management Agency (*BPBD*) of South Kalimantan reveals that there is an increasing number of disasters in South Kalimantan, such as floods and landslides. In 2009 there were 250 natural disasters in the Province associated with deforestation, and thus with coal mining operations (BPBD of South Kalimantan, 2012, p. 14-15).

In addition to potential natural disaster as proposed by BNPB, coal mining industries have caused pollution including sound, water and air pollution. Besides sound pollution caused by 24-hour mining activities using heavy equipment, local communities lose access to clean water due to mining, particularly the degradation of rivers, which also affects fish stocks. Water pollution caused by mining is mainly through processes of mining production and transportation.[12] The government obliges mining companies to check the quality of water regularly (monthly) and report this to government every six months, but in fact many mining companies do not comply with this and they dump untreated or partially treated water into rivers, causing water pollution [Int.: Far-A1, a farmer association leader, 2016; Far B-1, farmer, 2016; LC-B1, local community, 2016; GOVB2, a government official of Central Kalimantan, 2016; GOVC3, a government official of South Kalimantan, 2016].

In addition, coal dust that exceeds the legal threshold has caused huge air pollution in coal-producing regions (Figure 6.11). Air pollution caused by coal dust is very acute. I noted that trucks passed the road every minute, with acute dust during a one-hour interview with local communities who live near the road. The interviewee said that they must sweep their floors at least once an hour otherwise they would be very dirty. The atmosphere throughout the local area is

[12] Water is anathema to mining production, thus during excavation of approximately 15 metres to access coal, water is pumped out of the site into purpose-built water reservoirs which should be processed until clean and healthy to be discharged into rivers. The checking of water quality includes acidity (maximum 6-9), suspended residual (400 mg per litre), and other residual contents such as iron (maximum 7 mg per litre) and manganese for maximum 4 mg/ litre (Regulation of Ministry of Environment/ PMLH no. 113, 2013).

permeated with dust from coal piles and slag heaps [Int.: Far B-1, farmer, 2016]. In the long-term it might bring health impacts among the local community, including acute bronchial and lung problems.



Figure 6.11: Coal Transport-Related Air Pollution

6.4.2 Economic Fabric

Freedom from Want at Macro Level

The existence of coal mining industry in Indonesia has supported central and local income, particularly East Kalimantan. Mining companies are obliged to pay royalties, land rent and other taxes to government that under decentralisation laws, approximately 80% of the revenue belongs to local government. Thus higher investment on mining and the more mining companies operating in the region leads to higher regional income. However, regional income (Figure 6.12) does not necessarily reflect the effectiveness of regional development, particularly viewed from the perspective of human freedom such as providing opportunities for people as well as encouraging people's capabilities to enhance their choice (Sen, 1993, 2013). The mining industry has provided limited opportunities for local communities to get sustainable employment and income. Limited income affects local communities' purchasing power, in turn influencing the poverty rate in the provinces, as measured based on local communities' spending on basic needs.

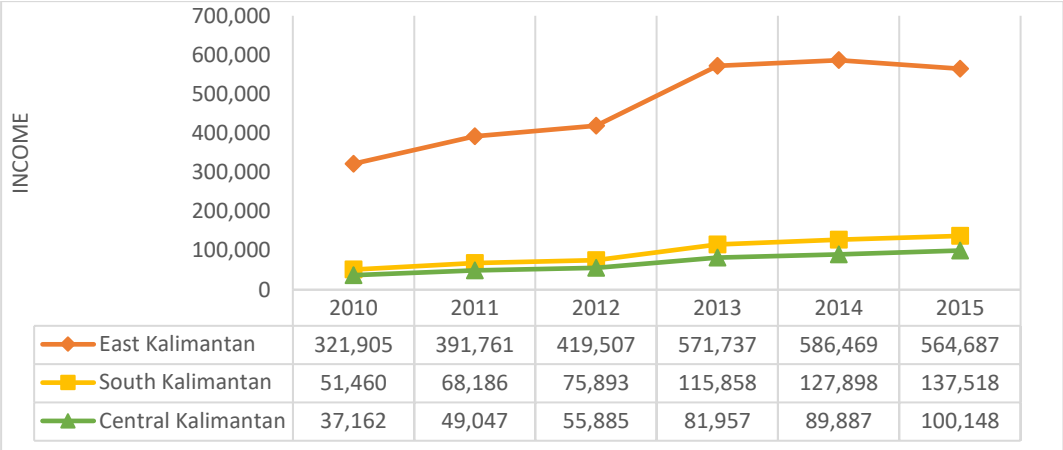


Figure 6.12: Regional Income of East Kalimantan, South Kalimantan and Central Kalimantan, 2010-2015

(IDR millions)

Source: BPS Kaltim (2012, 2014a, 2016b); BPS Kalsel (2012, 2014, 2016); BPS Kalteng (2012, 2014, 2016)

Figure 6.12 shows that East Kalimantan province has the highest regional income, followed by South Kalimantan, and then Central Kalimantan. The average contributions of the mining sector to regional income between 2010 and 2015 were approximately 50%, 25%, and 10% for East Kalimantan, South Kalimantan, and Central Kalimantan, respectively (BPS Kaltim, 2012, 2014a, 2016b; BPS Kalsel, 2012, 2014, 2016; BPS Kalteng, 2012, 2014, 2016).

As noted previously, while East Kalimantan relies on mining, Central Kalimantan relies on agriculture (BPS Kalteng, 2012, 2014, 2016), which is compatible with the skill of local communities and is governed under the NES scheme, which enables the local community to participate in the agricultural industry to obtain economic benefits. Thus, although regional income of Central Kalimantan is about one-fifth of the income of East Kalimantan, its poverty is lower (Table 6.1), as discussed in Chapter 1 of this thesis especially section 1.2 with regard to Figure 1.1 and 1.2.

Table 6.3: Poverty Rate

East Kalimantan	South Kalimantan	Central Kalimantan
BPS version		
2010: 7.66 2011: 6.77 2012: 6.68 2013: 6.38 2014: 6.37 2015: 6.17	2010: 5.21 2011: 5.29 2012: 5.06 2013: 4.76 2014: 4.75 2015: 4.86	2010: 6.77 2011: 6.56 2012: 6.51 2013: 6.23 2014: 6.05 2015: 5.93
BKKBN version		
2010: 7.66 2011: 6.77 2012: 6.68 2013: 6.06	2010: 5.21 2011: 5.29 2012: 5.06 2013: 4.77	2010: 6.77 2011: 6.56 2012: 6.51 2013: 5.93

Source: BPS (2016), BKKBN (2014)

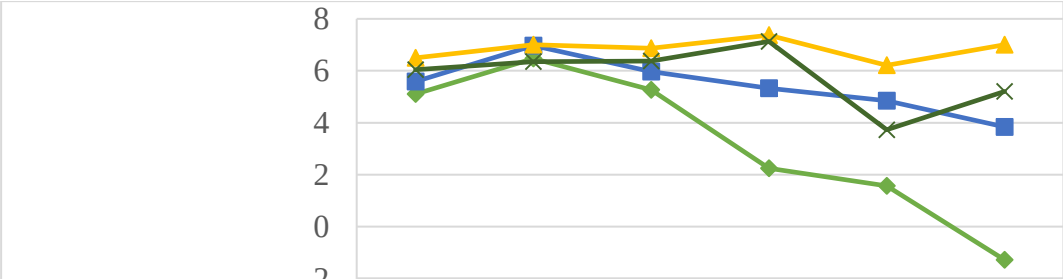
The poverty rate shown in Table 6.3 is measured based on the ability of households in spending activities to fulfil basic human needs, including food and non-food, such as shelter, clothes, and health (BPS, 2016a). I argue that this data is valid since it has similar result with poverty survey conducted by other institution namely BKKBN (BKKBN, 2014). This research argues that since vast swathes of East Kalimantan have been converted to mining, local labourers are difficult to find jobs. Indeed, there is a scarcity of food access, clean water and other basic needs, which leads to higher prices. In turn it influences the consumer price index, which is higher in East Kalimantan than in Central Kalimantan and even the national average for Indonesia (BPS Kaltim, 2017c). Thus, derived from the consumer price index, people of East Kalimantan may face difficulty in fulfilling the basic needs due to the high price of the materials. Indeed, local communities have to spend extra money to buy food, water and other natural resources that they formerly took freely from nature before this was rendered impossible by mining operations [Int.: Far-A1, a farmer association leader, 2016]. This affects the poverty rate since it is measured based on spending activities.

In addition to the impacts on poverty rate, this thesis also presents the trends of economic growth for which government eagerly exploits the mining sector. While I argue that the goal of development is to achieve human freedom, which cannot be quantified economically (Sen, 1999, 2013), presenting the trend of economic growth is useful as an index of the government's neoliberal principles

regarding growth achievement through mining exploitation. Therefore, this section provides trends of economic growth in East Kalimantan, South Kalimantan, and Central Kalimantan.

Similar to Sen (1999, 2013), Polanyi argued that the main indicator of economic development is the achievement of human freedom rather than economic growth (Selwyn, 2014). Economic growth is not suitable as indicator of the human security achievement, but declining economic growth may bring spill-over effects on elements of human security such as state, household and individual income. It is necessary to investigate how far the global coal market influences economic growth, since Indonesia (particularly East Kalimantan province) greatly relies for its economic development on exporting raw materials such as coal. This is moreover useful for providing evidence for proving Polanyi's critiques on the impacts of free markets.

Declining coal prices in the global markets cause declining of economic growth in provinces whose economy is greatly determined by coal exports. This has affected the balance of trade in East Kalimantan, with declining exports and more costly imports, which in turn affects the ability of companies to pay tax and employ workers. Declining coal prices in global markets have caused declining economic growth in Indonesian coal-producing regions, as shown in Figure 6.13.



	2010	2011	2012	2013	2014	2015
East Kalimantan	5.1	6.47	5.26	2.25	1.57	-1.28
South Kalimantan	5.59	6.97	5.97	5.33	4.85	3.84
Central Kalimantan	6.5	7.01	6.87	7.37	6.21	7.01
Barito Utara	6.04	6.35	6.37	7.13	3.73	5.2

Figure 6.13: Trend of Economic Growth of East Kalimantan, South Kalimantan, Central Kalimantan and Barito Utara Regency

N.B. District Barito Utara is a major coal field within Central Kalimantan Province

Source: BPS Kaltim (2012, 2014a, 2016b); BPS Kalsel (2012, 2014, 2016); BPS Kalteng (2012, 2014, 2016)

Figure 6.13 shows that economic dependence on the export of raw materials, in particular non-renewable resources, does not support sustainable economic development. It confirms Polanyi's argument regarding the danger of free market. In this sense, coal prices determined by global markets do not provide stable economic growth, as evidenced by East Kalimantan, South Kalimantan and Barito Utara Regency of Central Kalimantan province. These regions have faced declining economic growth caused by declining global coal prices, which in turn caused the closure of several mining companies, immediately increasing unemployment and causing numerous associated social problems. In the case of Barito Utara, while overall growth in Central Kalimantan, that has limited mining coal, is high as opposed to the two other provinces, district Barito Utara as the major coal field within Central Kalimantan has a declining trend of economic growth. Therefore, it can be argued that self-regulating markets cause uncertainty in economic development.

Freedom from Want at Micro Level

At the micro level, this chapter investigates the impacts of mining on the human security of different stakeholders, including mining workers, farmers and local entrepreneurs, as these societies are greatly impacted by mining operations. Based on Law 4/2009, this thesis defines local communities as groups of people living in the mining area, as specified by their identity cards. Thus, mining workers, farmers and local entrepreneurs are local community members who are greatly affected by mining operations.

Mining Labourers

Skilled mining workers with permanent contracts have good employment and income from the mining industry [Int.: LAB-A1, mining worker, 2016; LAB-A2, mining worker, 2016]. On the other hand, mining industry has provided limited and unsustainable job opportunities to unskilled local labour for getting employment and income [Int.: LC-B4, local community, 2016; LC-B5, local community, 2016; LAB-C1, mining worker, 2016]. Permanent workers received a high salary that can be used to meet their basic needs and still have savings. In addition, companies also provide health insurance and incentives for overtime. In contrast, contract workers have contrasting experiences to those of permanent workers. Besides lower wages, contract workers face uncertainty about the sustainability of their jobs.

A daily basis contract worker receives a daily basic salary from the mining company of about IDR 80,000 (£5) for a seven-hour working day, which is not enough for families' basic needs, thus such workers do additional work such as collecting rubber or timber in the forest [Int.: LC-B4, local community, 2016]. In addition, ex-contract mining workers used to receive an income of about IDR 4,000,000 (£245) per month [Int.: LC-B5, local community, 2016]. This interviewee's family spent this money to fulfil basic needs and have a little spare for saving, but as soon as he ceased working in the company the family had an uncertain income. Before the mining industry came, most people in the local communities had a livelihood of gathering food from the forest or farming. However, since the arrival of mining companies, they lost their farming areas

and forest. While wages from mining are higher than from farming, local labourers face uncertainty about the sustainability of their jobs, while mining literally uproots the traditional sustainable economy.

Nevertheless, the problem of unsustainable employment does not hinder local labour to work in the mining companies since there is a limited choice to work in the other sector. A mining contract worker in a domestic mining company stated that his salary is relatively low for the responsibility and skill he has. He works for eight hours per day for a salary of about IDR 3,500,000 (£212) per month, manifesting labour dependence; workers have no choice but to continue working in the company, and they must accept any policy of the company due to their weak bargaining position. If the workers complained or asked for higher salaries the company would fire them as provocateurs disrupting the company [Int.: LAB-C1, mining worker, 2016]. Thus, the workers have a weak position in labour markets, and they must follow the companies' instructions and policies if they want to remain in employment by the company.

Farmers

Building on Polanyi's conception on commodification, land or nature has been commandeered as a commodity, which is most egregiously demonstrated in the case of mining; while other commodification (e.g. enclosures for large-scale agriculture or building on greenfield sites) appropriate land for other uses, in many ways mining destroys the land itself. Before mining exploitation, the price of land in Kalimantan was very low (indeed, locations were basically worthless if far from the road network, such as in deeply forested areas), but following the emergence of mining the price of land was multiplied, leading to several land disputes and seizures [Int.: LC-A1, local community, 2016; LC-C1, local community, 2016; Far B-3, farmer, 2016]. Some farmers are willing to sell their land to the mining company, generally far above the normal economic value, while some others refuse – due to fundamental opposition to mining and wishing to continue farming their land, or due to land banking (holding out for a higher price). Mining companies survey land based on calculating the values of land, buildings, trees and other valuable immobile materials.

For some farmers mining operations represent a bonanza and an opportunity to get rich quick by selling their land to mining companies, creating a snowball effect of free advertising whereby they advise, cajole and coerce their peers to do likewise. The total compensation can amount to billions of rupiah; a farmer group leader stated that one family could receive compensation of approximately IDR 3 billion (approximately £187,500, based on £1 = IDR 16,000) for selling their land to the mining company [Int.: Far-A1, a farmer association leader, 2016]. This is a massive amount of money for Indonesian farmers, who could not hope to accumulate such a capital sum over their lives, which provides a major enticement for them to sell their land. However, economic problems arise for farmers who agree to sell their land to the mining company. They typically receive huge lump sums from mining companies, but due to a lack of education in financial management they generally squander this on luxury items compounded by usurious loans (e.g. new cars, building houses, paying for holidays and shopping), therefore in a short time they lose their money and find themselves without assets and no land to farm [Int.: Far-A1, a farmer association leader, 2016; FAR-C2, farmer, 2016; LC-C2, local community].

On the other hand, crop farmers suffer the most devastating impacts from mining operations. One a more prosaic level, land conversion has caused economic problems and impoverishment of many farmers who continue to farm, including those with land adjacent to mining operations [Int.: Fiyanto, Campaigner of Greenpeace Indonesia, 2016; Siregar, former leader of Jatam, 2016; Far-A1, a farmer association leader, 2016]. Local farmers stay in poverty even though many rich people have exploited the mining around the area they are living. Economic freedom of the crop farmers has been threatened since they lose their opportunities to obtain their livelihood. This brings spill-over effects on farmers' inability to obtain the freedom from want due to impoverishment of the farmers that occurred since the mining companies began their activities. Commodification of land causes farmers to lack sufficient land to farm; indeed, they do not generally have any transferrable skills. From this point, farmers do not have enough income to fulfil their basic needs (Greenpeace, 2010; Mongabay, 2013; Tempo.co, 2017), becoming subject to rapacious local lenders

with usurious loans [Int.: Far-A1, a farmer association leader, 2016; Siregar, former leader of Jatam, 2016].

Those farmers who refuse to sell their land and who continue to plant their crops etc. often find that water and soil degradation by mining-related contamination and other effects of the mining operation decrease the quality and quantity of their yields and thus their income. Farmers are harmed since their harvest was less than half of the previous one, before the incursion of mining companies in the area, while all of his family and community depend on agriculture for their livelihood. They have a precarious and uncertain income, but they have to spend a minimum of IDR 5 million (£300 per month) per family [Int.: Far-A1, a farmer association leader, 2016; FAR-C2, farmer, 2016]. Before mining came, they used to consume water from wells or rivers, but contamination by water acidity from mining, along with discolouration (to dark brown or black) renders local natural sources unusable (Figure 6.14), thus they have to buy water in addition to vegetables and fruit from outside that they formerly harvested from their own farms [Int.: LC-C3, local community, 2016; LC-B2, local community, 2016; LC-A2, local community, 2016].



Figure 6.14: General Mining-Related Water Pollution

The existence of opencast mining can also fundamentally threaten indigenous farmers whose livelihoods are based on gathering food from forests and fishing in rivers (Adri & Cahya, 2018). The conversion of forest area to mining is done by first clearing trees and exposing the surface of the earth, damaging the

ecosystem (i.e. insects, birds and fish), irrigation systems and water quality (and increasing risk of flooding and landslide). Indigenous people lose opportunities to access food, medicine and other economic resources from the forest, thus they are driven into poverty (Figure 6.15) [Int.: Anas, an official of AMAN, 2016; Fiyanto, Campaigner of Greenpeace Indonesia, 2016; Marut, former leader of INFID, 2016; LC-B5, local community, 2016; LC-C3, local community].



Figure 6.15: Housing of Indigenous People (Farmers)

Local Entrepreneurs

The mining industry encourages economic activities in the provinces [Int.: AC1, academic, 2016; GOVA2, a government official of EK, 2016; LC-A1, local community, 2016; LC-A2, local community, 2016]. This argument has a parallel with argument of moderate dependency theory that the process of capital accumulation employed by foreign investment includes a 'substantial degree of industrialisation' and internal division of labour and productivity (Evans, 1979, p.10). Mining FDI and DDI provides positive spill-over effects for local entrepreneurs (e.g. the service sector catering to permanent workers). However, the opportunity of local employment to develop the business is influenced by the activities of mining industry. Once the mining industries are declined, it leads to local economic business downturn.

The closure of mining companies is greatly determined global coal markets, thus external or global factors penetrate and determine local development prospects. Declining demand for coal in global markets leads to declining coal prices, which in turn affects domestic production. Declining coal prices in 2014-15 (Ministry of Energy and Mineral Resources/ MoEMR, 2016) have caused the closure of many coal firms in Indonesia, thus it also causes the declining demand of local service such as hotels, restaurants and transportation. In turn, local entrepreneurs are also impacted by global coal price. If the coal industry is productive, it will bring positive spill-over effects for local entrepreneurs, while a declining coal industry means declining local business [Int.: Marut, former leader of INFID, 2016; LCA3, local community, 2016; LC-C2, local community, 2016]. Hence, the commodification of land and labour means that human security is subject to the laws of supply and demand within which the price is fluctuated.

As opposed to the farmers, local entrepreneurs such as hoteliers, restaurateurs, grocers, transportation and other services benefit from the mining industry by providing ancillary services. Mining workers who come from other areas need lodging, transport, food and other daily needs (e.g. laundry etc.). One hostel owner has 16 rooms rented to mining workers, from which she generates an income of approximately IDR 10 million per month. Similarly, taxi drivers also get high income due to mining operations, since there are many people visiting the area who need transportation. In addition, markets and shopping centres benefit from mining workers spending their money, particularly at the weekend [Int.: LC-C2, local community, 2016].

In addition to benefitting local entrepreneurs, the positive spill-over effects also help local workers employed in local businesses, as well as some rich farmers living around mining areas who can also benefit by renting out rooms in their houses to mining workers drafted from other regions, selling food and other provisions [Int.: LC-C1, local community, 2016; GOVB4, a government official of Central Kalimantan]. Despite the fact that mining industry brings positive spill-over effects for local entrepreneurs and employers, the number of local entrepreneurs is quite small compared to farmers and society as a whole that

work in primary sector (BPS Kaltim, 2014b). Local entrepreneurs benefit from mining, however many people dependent on agriculture and fisheries suffer due to the environmental impact of mining. Indeed, these sustainable archetypal economic sectors are fundamentally damaged by the short-term and unsustainable mining industry. As seen in East Kalimantan and South Kalimantan, the global decline in coal prices in recent years caused many mining companies to scale-down or close their operations, resulting in the disappearance of the ancillary local businesses, leaving no viable alternatives for local workers.

However, in general, local communities, including farmers, also argue that mining companies bring benefit to them such as opening their road access, and making their lives easier, as they can use the roads built by the company for its own access and facilities (Figure 6.16). Before the mining company came, they had to walk half a day through forests to go to the nearest market [Int.: LC-B4, local community, 2016; LC-B6, local community].



Figure 6.16: Road Built by Mining Company

6.4.3 Social Fabric

Freedom from Fear Due to Tenurial Conflicts

Tenure is the main source of conflicts in the mining sector. Natural resources contained in the land become commercial assets and objects of struggle between local communities and mining companies, and among local communities. Commodification of land accompanied by weak state effectiveness and political

accountability has led to social conflicts that often appear between local communities and companies, and also among local communities, particularly concerning issues pertaining to land grabbing. Beside the problem of land grabbing between local communities and the mining companies, such sources of conflict related land ownership in Indonesia are very complex and related to rule of law and accountability of government. The biggest problem is undocumented land owners or overlapping land ownership and jurisdiction.

Undocumented land ownership mainly affects indigenous peoples, who have been living in their areas since time immemorial, before the creation of Indonesia itself; however, they often do not have any documents to prove their ownership of the land. Such communities have no tradition of proprietary land ownership, having held natural resources in common for thousands of years. This becomes a problem when mining companies come, as under Indonesian law they only give compensation to those who own documentation of land ownership. As a consequence, indigenous people can be evicted from their ancestral homeland against their will, and without receiving any compensation. Some indigenous people might fight with mining companies and cause social conflict, direct violence and intimidation. Several indigenous people have been jailed due to cases where they were accused of disturbing mining operations and threatening mining companies and their employees.

Overlapping land ownership also appears between local communities and the Ministry of Forestry, and between different local communities themselves. The complexity of the land problem is also caused by unclear documentation. Certification of land ownership should be provided by National Land Agency, but local communities normally only have a Statement Letter of Land Ownership from local village heads, which they believe to suffice as proof of ownership. One piece of land might have double or triple statement letters of ownership, with different owners. Indeed, village heads might produce statement letters of land ownership for land belonging to the Ministry of Forestry [Int.: GOVBb1, a government official of Barito Utara regency, Central Kalimantan, 2016]. This is caused by undocumented land owner as reflected in statement of a village head. Accordingly, he often produces statements of land ownership based on oral

claims made by local people [Int.: GOVB5, a government official of Central Kalimantan].

Building on freedom from fear conception, commodification of land has threatened the human security of local communities as some mining investment, including DDI and FDI, has caused fear among local communities due to direct violence and conflicts. Conflicts often appear between local communities and mining companies, and also among local communities themselves, such as the Muara Tae conflict.[13] Conflict causes fear as people who refuse the extractive corporations and defend their land face intimidation and direct violence. This attracts public attention not only domestically, such as from NGOs, governments, and human right commissions, but also from UNDP, which granted the Equator Prize 2015[14] to the Muara Tae community.

In addition, from the perspective of indigenous people, they are also threatened by mining companies through criminalisation. According to indigenous people, land belongs to local communities in perpetuity, not only the current generation, even without legal documents of ownership. Hence, indigenous people see that the land conversion to mining is a seizure. On the other hand, mining companies only recognise the rights of indigenous people to the land based on legal documents. Thus, any activities to prevent mining operations by local communities in the name of defending their own land is construed as criminal sabotage, and in numerous cases local communities have been prosecuted and jailed at the behest of mining companies [Int.: Maemunah, an official of Jatam, 2016; Abdi, an official of AMAN, 2016; Amin, an official of AMAN Paser EK, 2016; Siregar, former leader of Jatam; LCA1, local community, 2016]. This criminalisation is not only an outrage against fundamental human rights of local communities but also threaten human dignity.

[13] The conflict is between indigenous people of Muara Tae (*Komunitas Adat Muara Tae*) and mining and palm oil companies, and also Muara Tae community with Muara Ponak community in Kutai Barat Regency, East Kalimantan.
[14] The Equator Prize is an international award recognising local achievements in sustainable development.

Freedom to Live in Dignity

Dignity in this case refers to recognition of the existence of local communities in the conceptualisation of mining operations. As previously noted, dignity is investigated with regards to vulnerable relations of local communities in relations to corporations and government particularly in terms of pre-existing, during, and after completion of mining operations. Local communities' vulnerability in the period of preparation of mining operations are related to local communities' consent. Meanwhile, during the mining operations, local communities are vulnerable regarding the impacts of mining operations. Meanwhile, local communities' vulnerability in the post-mining operations is related to post-mining reclamation. Indonesian mining laws have regulated the rights of local communities regarding mining operations. However, law enforcement is weak; indeed, there are overlapping regulations between national and regional government, and between Indonesian ministries.

The existing mining regulations, including both the old and new mining law, provide regulations on how mining companies have to deal with local communities even though the substance does not reflect the will of local communities. Indeed, law enforcement on local communities' protection and empowerment is low. The existence of CSR does not support local development, as not all mining companies employ CSR except for their own interest. Adopting the value of Polanyi's embeddedness arguing that 'market is always organised through politics and social practice' (Block and Sommers, 2014, p. 10), the mining industry should be governed by considering the existence of local communities, and establishing mutual relationships under which mining companies are embedded with social and political institutions in the region.

According to interviewee accounts in August-September 2016, local communities are neglected by the government and mining industry. Local communities are not intrinsically anti-industrialisation, including the mining sector, but there are deep problems about the governance of the mining industry. So far, the mining sector is limited only to maximum profiteering without considering sustainability and future generations. Local governments are dominated by governors elected for five-year terms, with political ambition to

sustain their power, thus they have to increase regional income by exploiting the main available resources (from a business perspective): natural resources, lax regulation and cheap labour. The combination of short-term political opportunism and investors' economic self-interest trump the interests of local communities and sustainable development [Int.: Amin, an official of AMAN Paser East Kalimantan].

Nevertheless, local communities' consent ought to be very vital to mining operations as it reflects recognition of local communities who inhabited in the mining area before the arrival of mining. International regimes such as the United Nations Declaration on the Rights of Indigenous People (UNDRIP) proposes Free, Prior, and Informed Consent (FPIC) to protect the human rights of local communities, particularly indigenous people with regards to mining (Oxfam, 2015). Adequate information about the projects and potential impacts of the mining operations may affect local communities' decision on whether to approve or reject the mining operation. At the national level, such requirements have been regulated under the procedures of environmental impacts assessment (AMDAL) that involves the representatives of local communities and CSOs. However, weak law enforcement has made the regulations ineffective to protect local communities. For instance, the representatives of CSOs are actually hand-in-glove with the interest of mining and power holders as opposed to poor and vulnerable local communities [Int.: Anas, an official of AMAN, 2016].

Furthermore, local communities who have legal documents of land ownership are defenceless against mining operations. Mining concessions obtained from the government might include local communities' land, given away from beneath them by the state. As stated in the mining laws, mining companies have to get consent from land owners before operation that can be implemented by buying or renting, particularly for legal land owner proved by legal documents. Short-term economic interest encourages part of local communities to sell their land to the mining companies. As a result, some communities are literally destroyed by the abandonment of villages. For instance, an extreme case has

occurred in a village in East Kalimantan called Mulawarman[15] surrounded by mining area, which lost access to resources to fulfil basic needs [Int. Rupang, Coordinator of Jatam East Kalimantan, 2016] (Government of East Kalimantan Province, 2017; Bontangpost, 2017; Trans7 Official, 2018).

People lose their identity as their villages disappear due to mining, which is an intrinsic assault to human dignity (e.g. ethnic rights to exist). When people move from a village given over to mining, any who remain do not have land to farm or access to clean water, and they are subjected to air, water and sound pollution. In addition to undermining the economic basis of local communities, land conversion erodes community identity, including the spiritual associations of land. Local communities believe that nature is a blessing from God, therefore they used to conduct spiritual activities using materials from forest. After forests are converted to mining areas, they cannot undertake such spiritual activities properly. Relocation may give temporary support for the people, however it brings other indirect hurt impacts such as struggling situations in new locales.

In some cases, this situation is also triggered by village heads granting permission to mining companies without consulting their local communities, due to their personal benefit, thus mining companies consider that they have granted due notification and payment (*ex gratia*) to local communities. In addition, the indigenous people might live in areas administered by the Ministry of Forestry. Once the Ministry of Forestry gives permission for mining of an area, indigenous people do not have any legal rights to stay there. Some people at first might freely decide to cooperate with the mining industry because they expect potential economic benefits from the mining industry, as promised by its brokers. However, they are then disappointed and demand compensation from the mining industry. I argue that inadequate information or miscommunication regarding the mining project and land rights is the source of this issue [Int.: Anas, an official of AMAN, 2016].

[15] Mulawarman village is located in Kutai Kertanegara regency East Kalimantan, inhabited by approximately 3,000 people. They are surrounded by mining operations in close proximity of about 25-100 meters (Government of East Kalimantan Province, 2017).

Hence, the core problem is related to recognition of indigenous people's rights, exacerbated by bad governance, particularly the legality and administration of their land ownership. Specifically, in several cases, indigenous people do not aware about the importance of land ownership document to defend their land from the mining. It is profoundly irresponsible to obliterate these ancient communities, their cultures, and their sustainable natural livelihoods for the sake of short-term economic gain. Furthermore, it is generally of no benefit to those communities themselves or even the national and global economy, given the long-term impacts of the destruction of rich and well-maintained farmlands in an era of global food scarcity.

6.5 Conclusion

This chapter investigated how commodification of land and labour operates in the Indonesian mining and its impacts on the human security of local communities. Debates about the impacts of mining industry on macro economy of host countries have been discussed at length, particularly by the proponents of the neoliberal perspective and dependency theory. However, regarding impacts on human security, in line with the argument of moderate dependency theory, evidence in Indonesia shows that both FDI and DDI have possibilities to bring similar impacts on local communities, and in the mining sector the source of problem is not particularly related to the ownership structure (i.e. whether it is FDI or DDI), but rather to the industrial characteristics of mining and its associated governance of the mining industry through commodification.

Essentially, the legal and political regime has ensured that land has been greatly commodified to serve the mining industry, as a commercial asset and production factor. This evidence reflects Polanyi's argument that commodification of land and labour destroys the integrity of society as a whole, in addition to having detrimental impacts on labour. Adopting the value of sustainable development, the exploitation of land in the mining sector is encouraged by the short-term economic and political interests of mining investors and elite politics without considering local communities, future generations and national wellbeing.

However, the assessment of the impacts of mining industry on the human security of local communities cannot be generalised, as human security is about the security of individuals. Thus, different stakeholders may have different impacts of the mining industry. From a freedom from want point of view, the mining industry provides monetary gains and positive impacts for mining investors and permanent labourers, while it has provided unsustainable and limited job and income to contracted workers and local entrepreneurs. Indeed, it also brings the long-term prospects of society including the permanent labourers e.g. early death and long-term health costs due to injury or bronchitis, lung cancer and other mining-related diseases.

In contrast, the existence of the mining industry (FDI and DDI) has harmed local crop farmers and indigenous people who employ shifting cultivation and gathering foods from the forest. At the macro level, high income from the mining sector does not necessarily lead to declining poverty; indeed, reliance on income from the export of raw materials determined by global markets is dangerous for the region, since declining global coal markets greatly affect the economic growth and welfare of the region. The destruction of farmland and farming communities and their associated land husbandry erodes the traditional agricultural base of the economy, which is inherently diverse (e.g. growing different crops at different times of year), reducing economic diversification by sacrificing all of this for the short-term economic benefits for limited beneficiary stakeholders.

Mining (particularly coal mining) is not a viable long-term economic resource due to changing global economics (e.g. the drive toward renewable energies) and the localised environmental destruction of mining itself. Consequently, despite in the short term the mining industry can bring employment and economic benefit to local communities, the long-term economic prospects and wellbeing of coal provinces are undermined by the governance framework that essentially gives carte blanche to mining concerns, and will be a cause of future poverty for generations. Hence, governance is the most important determinant of whether mining industry supports or devastates human security.

Chapter Seven

Civil Society Counter-Movements for Human Security

7.1 Introduction

The mining impacts on the human security of local communities examined in the previous chapter have triggered counter-movements by civil society that seek to improve the governance of mining and to protect the environment and society and ensure the security of local communities. This chapter investigates the role of civil society in counter-movements in the Indonesian mining sector through an analysis of the extent to which they have protected the human security of local communities from mining impacts. This is useful for addressing my research objective to provide a sufficient explanation, from the role of civil society point of view, regarding the failure of the mining industry to enhance the human security of local communities.

Building on Polanyi's work, the role of civil society in counter-movements can be seen as part of a double movement that aims to protect 'man and nature' from the impacts of the self-regulating market (Polanyi, 2001, p. 138). Indeed, it also reflects the argument of moderate dependency theory that 'local dominated groups and classes' have challenged the social and economic exploitation employed by alliances of dominant classes consisting of domestic and foreign groups (Cardoso & Faletto, 1979, p. 173; Kapoor, 2002). Using the deductive approach adopted in this research, the chapter contributes to contextualising as well as providing a better understanding of Polanyi's work and moderate dependency theory especially regarding counter-movements.

Theoretically the governance of mining and human security protection is no longer the sole domain of the governments, but increasingly involves the role of civil society (Michael, 2002; Duffield, 2007; Peters, Koechlin, & Zinkernagel, 2009). Indeed, as argued by Cardoso and Faletto (1979, p. 29), control and participation of 'local social classes' in the process of production is necessary condition for economic development. I argue that during the early stages of regulating the Indonesian mining sector, during the Reform Era (since 1999),

civil society organisations (CSOs) gradually became a positive force. They helped to raise awareness of the impacts of mining industries on the environment and society.

While most CSOs have been active in raising awareness, CSO counter-movements lack the power to influence the decision-making process, which is monopolised by the government and corporations weak state effectiveness and political accountability. Despite democratisation providing space for some freedom for civil society in Indonesia, weak state effectiveness and political accountability hinder the participation and control of CSOs in the governance of mining. Within the existing political structure, CSOs can establish networks at the national and global levels facilitated by interconnectedness of society due to globalisation and the advanced technology in communication, transportation and social media. They aim to increase their leverage in attempting to influence government policies and corporate behaviour (Castells, 2002, 2010; Munck, 2007; Sikkink, 2009). On this basis, it can be argued that the role of CSOs is influenced by global and domestic political structures. Therefore, it is necessary for this chapter to analyse global and domestic political structures as underlying factors that facilitate or hinder the role of civil society in counter-movements in the context of Indonesian mining.

At local and national level, counter-movements are employed by unorganised and spontaneous groups of local communities directly affected by the mining industry. However, they tend to lack agency and power to influence government policies. Therefore, in several cases, local communities need assistance from organised counter-movements such as networks of CSOs that have their own justification, guided by knowledge or norms about the mining impacts. At the global level, national CSOs establish a transnational network seeking to lobby the target countries of coal markets as well as the source of finance and investment for mining companies investing in Indonesia. Indeed, they also initiate a multi-stakeholder network consisting of CSOs, government, and corporations. These networks are useful for ensuring the human security of local communities including freedom from want, fear, and to live in dignity (UNDP, 1994; Sen, 2014; UNOCHA, 2009; CHS, 2003).

Understanding the notion of CSO networks helps this study to contextualise the notion of counter-movements in the mining sector, especially regarding the agency of actors, which are more diverse than the immediately affected 'society' of Polanyi. Indeed, it also explains the mechanisms applied in counter-movements not only through influencing the state, as argued by Polanyi, but also influencing corporations and financial institutions. It is also useful for a better understanding of the scope of counter-movements in the Indonesian mining sector not only for achieving decommodification of land and labour, but also seeking to improve mining governance as a necessary condition for decommodification and human security protection.

I identify networks of CSOs based on their core goals in counter-movements, i.e. achieving improved mining governance, protecting the environment, and society. On this basis and considering data and participant selection methods discussed in Chapter 4 of this thesis, I decided to carry out my investigation on particular CSOs directly involved in the Indonesian mining governance, including the following:

1. Improved governance of mining movements, such as Publish What You Pay (PWYP), Mining Advocacy Network (Jaringan Tambang, Jatam), and the Extractive Industries Transparency Initiative (EITI).
2. Environmental movements such as Greenpeace, Indonesian Forum for Environment (Wahana Lingkungan Hidup, WALHI), and Jatam.
3. The Indigenous People's Alliance (Aliansi Masyarakat Adat Nusantara, AMAN).

This chapter is structured in four sections. Following this introductory section, section 7.2 provides an analysis of global arrangements and domestic political structures that might facilitate or limit the power of CSOs. Section 7.3 examines the roles and agency of CSOs. The movements of CSOs that have actively sought to influence government policies and corporate behaviour are employed by unorganised movement of local communities and organised movements such as CSOs networks. Indeed, a multi-stakeholder network consists of CSOs, government and mining corporations contributes to a better governance of Indonesian mining. Section 7.4 concludes that despite democratisation since

1999 provided space for freedom of civil society, the issue of weak state effectiveness and political accountability ensured that civil society had limited access to participate in and control the mining industry. Consequently, improved governance of mining and the protection policies on the environment and society are determined by government orientation, as opposed to the agency of CSOs.

7.2 The Influence of Global and Domestic Political Structure

Understanding global and domestic structure helps this study to interrogate underlying factors that facilitate or inhibit the role of civil society in counter-movements in the mining industry. It is found that while democratisation and globalisation in terms of ideas and association facilitates the freedom of CSOs, at the domestic level the political and economic structure inhibits CSOs' sphere of action. The findings of this section support my central argument regarding the failure of the mining industry to enhance human security from the perspective of the role of counter-movements. One source of this failure is the notion of weak state effectiveness and political accountability, within which CSOs have limited space to participate in the governance of mining, especially to control the commodification of land and labour.

7.2.1 Global Structure

Global structures that affect the role of counter-movements consists of globalisation, democratisation, developing ideas of environmental consciousness, sustainable development. To begin with, globalisation is the underlying element of global structure in counter-movements. It encompasses worldwide economic, social and cultural homogenisation, which enables the dissemination of ideas of environmental and social protection through sustainable development. This global structure has a parallel with the emergence of the idea of human security in which the notion of security is defined not only as national or territorial security but also the security of the individual especially freedom from want, fear, and to live in dignity (UNDP, 1994; Sen, 2014). Economic, social, and environmental problems can be the sources of human insecurity.

Economic globalisation driven by free market triggers counter-movements in particular countries due to the atrocities stemming from the minimal role of the state in the market system as well as the growing competition of the markets, which exacerbates the commodification of society and nature (Udayagiri & Walton, 2003, p. 316). This is immensely profitable in the short term for business interests, but catastrophic for local communities, enlarging the unequal distribution of wealth, and disparities between the rich and poor. As noted by Mayo (2005) and Klein (2014), the intensification of the neoliberal agenda in the 1980s was accompanied by acute social and environmental problems that fomented the intensification of green and social counter-movements to neoliberalism.

While globalisation is mainly driven by capital, social globalisation does have side effects that benefit counter-movements by providing an interconnectedness of individuals, CSOs at the local, national and global levels. From the perspective of social globalisation, due to advances of technology in communication, transportation and social media, globalisation as a process of increasing transnational activities leads to the interconnectedness of CSOs and their networks (Castells, 2002, 2010; Munck, 2007). As a result, there are more opportunities for groups of people, civil society organisations and CSOs at the local, national and global levels to have connections as well as make networks of mutual support. Following the tide of globalisation, there has been a significant increase and proliferation of civil society organisations and CSOs participating in global governance (Weiss, 2003; Gulbrandsen & Andresen, 2004).

In addition, the globalisation of ideas, particularly environmental protection and sustainable development, has enhanced international community concern about the importance of environmental protection by reconciling capitalism and sustainable development agenda. This construction of ideas has supported counter-movements. Currently, awareness of the importance of the protection of the environment and society is a concern of states, markets and corporations themselves in addition to CSOs and IGOs. Transnational green movements such as Friends of the Earth (FoEI) and Greenpeace have been actively campaigning

about environmental protection since the 1970s (FoEI, n.d.a; Greenpeace, 2016a). The UN also now acknowledges the increasingly critical environmental catastrophe caused by unsustainable capitalism and has placed concern for environmental issues at the heart of the developmental agenda, with broad scope for CSOs formally involved in the UN conferences. It can be seen in the UN Conference on the Human Environment in Stockholm, the UN Conference on Environment and Development (UNCED) in Rio de Janeiro, and the UN Conference on Sustainable Development in in Rio de Janeiro, in 1972, 1992, and 2012 respectively (UN, 1972, 1997, n.d.). These conferences have provided policies on the environment and society such as the Kyoto Protocol and the sustainable development agenda that provide a basis for CSOs to monitor the compliance of governments at the domestic level, including coal mining sector.

The current circumstances at the global level, indeed, indicate a growing tendency of market embeddedness in society within which corporations are tentatively concerned about sustainable development and human rights issues in their operations. Sustainable development currently has been widely accepted by states, civil society and markets, including the mining industry. Yet it also prompts the mining and minerals industry to consider and engage with sustainable development regimes such as the Mining, Minerals, and Sustainable Development (MMSD) and Global Mining Initiative (GMI) (Azapagic, 2004; International Council on Mining and Metals/ICMM, n.d.; International Institute for Environment and Development/ IIED, n.d.). Under sustainable development regimes as mandated by the Earth Summit (UNCED, 1992), companies cannot be seen solely from the perspective of the market economy or private institutions, but they must be understood as being embedded in social institutions (Yakovleva, 2005). Despite the motives of companies being debatable (Cosans, 2009; Ashford, 2010; Ferrero, Hoffman, & McNulty, 2014), mining companies are bound consider community development under CSR and the issue of the human rights of local communities, particularly with regard to ‘free prior and informed consent’ (FPIC) (Hilson, 2012; Owen & Kemp, 2014).

In addition to globalisation, the wave of democratisation has offered space for CSOs to invoke their goals. The counter-movements get momentum due to

democratisation and the demand for freedom proposed by neoliberals that is growing hand in hand with globalisation (Eichengreen & Leblang, 2008). Democracy offers a set of opportunities that can be grabbed by the citizens to achieve their objectives or values, thus democracy is also 'a basic feature of freedom in general' (Sen, 1999, p. 155). This structure of freedom and democratisation therefore not only affects the expansion of the markets but also provides space and opportunities for CSOs to exercise their actions against unfettered market capitalism to defend society and the environment.

7.2.2 Domestic Structure

This section traces domestic political structure in Indonesia to investigate the extent to which political structure has shaped the space, power and freedom of CSOs. It divides Indonesian political structure into several chronological events pertinent to mining laws and decentralisation policies: the New Order Era that implemented authoritarian political system and centralised governance of mining (1966-1998), the first decade of the democratic Reform Era (1998-2009) that implemented decentralised governance of mining while using old mining law issued by the New Order regime (Law 11/1967), and the second decade of the democratic Reform Era (2009-present) that uses the new mining law since 2009 (Law 4/2009). These eras are marked by different regulations regarding the role of civil society in the mining sector, due to which there has been changing freedom for CSOs in the governance of mining.

Discussing the political structure of the New Order Era is necessary as it provides a basic understanding of the limited counter-movements by CSOs in the Indonesian mining sector during that time. Meanwhile, political structure in the Reform Era becomes the main point discussed in this study since on the one hand, it provides wide space and freedom of CSOs, and on the other hand, it has given more power to local governments to manage the mining based on regional autonomy laws that lead to natural resources exploitation. The mining law is the core differentiator of the Reform Era with regard to mining governance, since there is a significant difference between the old mining law (Law 11/1967) and new mining law (Law 4/2009) regarding the role of civil society, local community and environmental protection.

The New Order Era

The New Order government (1966-1998) severely limited the space of CSOs in organised or unorganised institutions using legislative tools or ad hoc repression. As a result, CSOs were not able to express their freedom to invoke environmental and social protection. The Indonesia Constitution of 1945, article 28, regulated and guaranteed people's freedom to gather and join associations, however, in order to sustain its power, the New Order government wielded absolute control over political activities, particularly in terms of gatherings and public discussion. Under the Law on Public Gathering (Law 5 PNPS/1963), the government could dissolve any public activities (Hadiwinata, 2002). This was implemented in conjunction with Law 11/1963 on Eradication of Subversive Activities, through which the government accorded itself authority to arrest people accused of subversion. The New Order government also controlled and suppressed the freedom of mass media under Law 11/1966, amended by Law 4/1967 and Law 21/1982 concerning Basic Principles of the Press. Based on these laws government had power to cancel publishing permits (*surat ijin usaha penerbitan pers*/SIUPP) without judicial process or even forbid press companies from printing (Kakiailatu, 2007; Wiratraman, 2014). These regulations limited the space of CSOs to express their freedom of voice, expression and action. As a result, there was very limited CSOs counter-movements in Indonesia, specifically in the mining sector.

The fall of Soeharto, triggered by the monetary crisis of 1997/1998, was a milestone for democratisation. The Reform Era has enhanced democratisation, reflected in the plethora of civil society movements, mass media, political parties, labour unions and free, fair, and peaceful direct elections, and regional autonomy (Webber, 2006; Ramage, 2007). It was implemented by successors of Soeharto, including President B. J. Habibie (21 May 1998-20 October 1999), Abdurrahman Wahid/ Gus Dur (20 October 1999-23 July 2001), Megawati Soekarno Putri (23 July 2001-20 October 2004), Susilo Bambang Yudhoyono (20 October 2004-20 October 2009; 20 October 2009-20 October 2014), and Joko Widodo (20 October 2014-present).

Early Reform Era (1998-2009)

Indonesia significantly changed the political system to be more democratic following the fall of Soeharto administration. Nevertheless, during the Early Reform Era, antithetical to the vision of Polanyi and moderate dependency theory, democratisation in Indonesia failed to foster state effectiveness and political accountability. The manifestation of democratisation was more focused on freedom of speech and association, democratic elections at the national and local levels and decentralisation issues as opposed to achieving state effectiveness and political accountability *per se* (Liddle, 2000; Tornquist, 2000). Its implementation, including decentralisation policies, remained problematic since the increase of political freedom was not accompanied by increasing unaccountable government and weak law enforcement (Slater, 2004; Ramage, 2007; Poczter & Pepinsky, 2016). This was shown in the coalition of self-interest in the name of freedom, corruption and weak rule of law, and overlapping between national and local regulations (Slater, 2004; Aspinall, 2010; O'Callaghan, 2010; Spiegel, 2012; Fukuoka, 2013; Poczter & Pepinsky, 2016).

B. J. Habibie managed to accomplish a series of political reforms to enhance the freedom of civil society, including the adoption of human rights principles, political freedom, freedom of the press, and democratic elections (Lindsey & Santosa, 2008). As a result, CSOs such as Jatam, and AMAN, that actively involved in counter-movements of the mining industry and indigenous people protection, were established following the Reform Era. In addition, in order to guarantee the freedom of civil society, the government enacted Law 26/1999 to revoke Law 11/1963 on Eradication of Subversive Activities and eliminated state control of the press through *Surat Ijin Usaha Penerbitan Pers/* SIUPP (press licence) (Kakiailatu, 2007). In addition, decentralisation laws, namely Law 22/1999 and Law 25/1999, were approved to change the centralised system of New Order regimes as well as to enhance democracy at the local level (Pratikno, 2005; Sulistiyanto & Erb, 2005).

Theoretically, decentralisation gives space and freedom to society and potentially improved services from the government due to geographical proximity (Davoodi & Zou, 1998; Fisman & Gatti, 2002). However, in the

Indonesian context, CSOs lack power in the decision-making process and policy implementation. With the implementation of direct elections, citizens could elect governors, mayors and members of parliament who could (theoretically) represent their interests. Civil society at the local level might have representatives in parliament, or at least have a simpler procedure by which to lobby decision makers (due to geographical proximity). Hence, CSOs at the local level have opportunities to directly participate in governance (Oates, 1999; Duncan, 2007; Poczter & Pepinsky, 2016). Nevertheless, its implementation has not been effective to enhance the freedom of local communities due to weak state effectiveness and political accountability [Int.: Hidayati, National Executive Director of Walhi, 2016; Siregar, former leader of Jatam, 2016] (Green, 2005; Nordholt, 2005; Nasution, 2016).

Later Reform Era (2009-2015)

This section examines the political structure in Indonesia post 2009 that affected the governance of mining since during this time Indonesia promulgated new mining law (Law 4/2009) and its subsequent regulations that give wider space and power to CSOs. During this period, while the issue of weak state effectiveness and political accountability have persisted, local communities and CSOs have obtained greater legal power to get involved in the decision-making process. The enactment of Law 4/2009 shows that Indonesia has attempted to improve the governance of mining due to which local communities have the right to 'file a claim with the court for damage resulting from the conduct of mining business that is against provisions' (Law 4/2009 article 145). In addition, Presidential Regulation 26/2010 concerning the transparency of local and national mining revenue has appointed three representatives of CSOs to become members of the Indonesian Transparency Team. This is supported by the legal right of civil society to participate in the decision-making process, as stated in Law 12/2011 article 96: (1) 'the public is entitled to provide feedback both spoken or written in the laws formation'. (2) 'It may be done through public hearing meetings, work visit, socialisation, seminars, workshop or discussion'.

In addition, in order to increase state effectiveness, the government has appointed representatives of CSOs to be involved in the coordination and

supervision of the governance of mining led by the Corruption Eradication Commission (KPK). KPK, with support from the coalition of CSOs, launched the 'National Movements for the Saving of Natural Resources' (GNPSDA). In the GNPSDA, CSOs play official important roles to monitor the implementation of action plans and the obligations of the stakeholders in mining governance as well as reporting to the law enforcer if there is a legal violation regarding the implementation of action plans and obligation of the stakeholders. At the provincial level, the Governor of East Kalimantan issued Governor Regulation 17/2015 based on which the government must have public consultation with CSOs in mining governance. Hence, the current developments show that the political system is gradually facilitating a wider role for CSOs in the governance of mining.

7.3 Civil Society's Agencies in the Governance of Mining

This thesis argues that the mining industry is necessary to support economic development in Indonesia (RPJPN 2005-2025; Law 11/1967 concerning Basic Provisions of Mining; Law 4/2009 concerning Mineral and Coal Mining; Bubandt, 2006; O'Callaghan, 2010; Rusli & Duek, 2010; Spiegel, 2012). Nevertheless, severe environmental and societal problems due to the mining industry threaten the human security of local communities. This problem raises tensions and provokes counter-movements against the mining industry, especially from CSOs and local communities. Building on this fact, this thesis proposes the need for improving the governance of mining as opposed to total closure of the mining industry. I argue that better mining governance and practice can be an appropriate way for mitigating commodification of land and labour as well as enhancing decommodification of land and labour. On the one side, the state and particular stakeholders can continue to receive benefits from the mining industry; on the other, better regulation, management and mining practices could minimise the negative impacts of mining on the human security of local communities. Therefore, a coordination and cooperation between civil society and government to achieve better governance of mining is essential.

Nevertheless, it does not mean that the involvement of civil society is to replace the role of the state/ government as formulated in the neoliberal approach (Purdue, 2007), rather civil society plays the role of monitoring and controlling the governance of mining conducted by the state (Azulai et al., 2014). Thus, the state is the main actor in the governance of mining, supported by active participation of civil society. For this purpose, as discussed in section 2.3.1 and 3.5.2 of this thesis, state effectiveness, political accountability, and participation of active citizens and civil societies are important for achieving better mining governance. This section focuses on the agency of civil society in the governance of mining; meanwhile, the notion of state effectiveness and political accountability are discussed in Chapter 8 of this thesis. Put simply, this section is about what civil society can do and to the extent to which it can protect the human security of local communities.

CSOs in the governance of Indonesian mining vary in terms of their leverage, coverage of actions and methods. Their motivations also differ as they are influenced by their respective skills and resources including knowledge, networks, and membership (Albin, 1999; Nasiritousi, Hjerpe, & Linnér, 2016). In terms of its motivation, CSO movements are divided between those who seek to totally stop the mining industry, and those who aim to achieve better regulation of mining. While the first stands as the opposition of the mining industry and government in general, the latter seek to enhance its involvement, control, and monitoring in mining governance.

Indeed, derived from the type of movement and relationship among members, CSOs can be categorised as: (1) unorganised movements of local communities, and (2) organised movements of national CSOs, transnational networks of CSOs, and multi-stakeholders network (collaborative network of CSOs, corporations, and government). The following subsections are structured based on this categorisation. This section identifies CSOs' actions since it is useful for understanding the extent to which CSOs are able to act in line with their values in the governance of mining, especially with regard to their potential influence over government policies and corporate behaviour, to protect society and the environment. There are numerous junctures for CSO roles in the governance of

mining, including in policy making, policy implementation and monitoring (Albin, 1999; Tantivess & Walt, 2008), but most unorganised movements lack power and effectiveness. Meanwhile, networks of CSOs have gradually involved in the governance of Indonesian mining, but their roles are determined by government political orientation as opposed to agency of CSOs.

7.3.1 Unorganised Movements of Local Communities

Local communities in the context of counter-movements mainly comprise informal groupings of farmers and indigenous people who employ unorganised and spontaneous movements. They seek to lobby the government and protest against mining companies to defend themselves from the mining impacts. As demonstrated in Chapter 6, the mining industry has threatened the dignity and freedom from want of farmers and indigenous people as mining converts land where they used to live and work into areas of mining and access for other operations. The mining also causes environmental problems and displacement. In several cases the mining has triggered conflict and violence that lead to fear in local communities.

In line with Polanyi, the commodification of land is the underlying antagonist for such local community movements, and their common trigger is the dispute over tenures and environmental degradation. As a result, local communities demand land compensation, and solutions for environmental problems and displacement issues. Their movements fall into two categories: (1) influencing government and mining corporations, including both domestic and foreign companies, considered to have harmed them; and (2) direct environmental recovery based on local wisdom by replanting forests in post-mining areas.

To influence the government and the mining companies, local communities use several methods such as lobbying, protest and boycott. However, it seems that their actions are ineffective due to collusion between the mining companies and state apparatus, as well as the moral unreliability of some avaricious protest leaders. In Central Kalimantan local people protested against the mines from the beginning of land conversion, boycotting the process of road construction, as the mining company converted their land without their permission of local people. However, most of their movements failed due to collusion between the mining

companies and the village apparatus by which village heads gave consent for mining operations, as discovered during interviews [Int.: Far B-2, farmer, 2016; LC-B2, local communities, 2016]. Indeed, in East Kalimantan, the mining company was successful in ending protests by bribing some protesters to quit the boycott, yet the movement lacked power to continue [Far-A1, a farmer association leader, 2016] (Kirana, 2014; Henderson & Kuncoro, 2011).

Similar to the case of East Kalimantan and Central Kalimantan, in South Kalimantan, national and local mass media reported that hundreds of local communities protested against mining companies regarding compensation for land grabs, water pollution and other environmental impacts (called 'dust money'). They occupied the village head office, blocked the mining company's road and obstructed a sweeping truck carrying coal (MetroTV, 2012; Metro Kalsel, 2015a, 2015b; Banjarmasin Post News, 2016; Tribun Kaltim, 2017). Down to Earth, a UK-based NGO, also notes that 'local people, supported by an indigenous organisation, disrupted the coal-mining operations of Australian-owned PT Bahari Cakrawala Sebuku to protest against the impacts of mining' (Down to Earth, 2004).

In addition to protests against the government and mining companies, some local people attempt to protect and recover the environment based on their local wisdom by replanting the forest, as undertaken by the Dayak Benuaq tribe in the Muara Tae community, who received the UNDP's Equator Prize in 2015 (Antara News, 2015; Jakarta Post, 2015; Tempo, 2015). The UNDP (2016b) notes that:

> Komunitas Adat Muara Tae is a community of Dayak people in Kalimantan fighting for the protection of their customary forests. Of their original 11,000 hectares of land, only 4,000 hectares remain, the rest having been lost to illegal clear-cutting by palm oil, mining and logging companies… The community has replanted more than 700 hectares of forest with traditional wood and fruit trees that are becoming increasingly rare due to land clearing for extractive industries. The movement was formed as a means of struggle and cooperation, a way of maintaining, safeguarding and preserving their culture and the natural

> resources in the customary forest. Komunitas Adat Muara Tae is a model of peaceful community resistance for forest protection in Indonesia – one community fighting with dignity for their survival.

Returning to Polanyi's double movement, it placed much more emphasis on the potentially wide-ranging impacts of successful counter-movements:

> Under the circumstances, a group able to represent the endangered rural interests could gain an influence out of proportion to their numbers. The protectionist countermovement actually succeeded in stabilising the European countryside and in weakening that drift toward the towns which was the scourge of time. (Polanyi, 2001, p. 194)

Unlike Polanyi's argument, however, the evidence in Indonesia shows that local communities lack the power to influence decision makers of the state and companies. Consequently, the coal mining industry under foreign and domestic companies since the early 1990s in Kalimantan (East, Central and South) has caused severe negative impacts on the human security of local communities, and mining companies continue to operate in the area and to reiterate similar problems for local communities.

In addition to political economic structure that pays less attention to local communities, local communities' lack of power is also caused by endogenous factors including divergent views and interests among local communities themselves regarding the mining industry, which leads to horizontal conflict. Indeed, building on Polanyi's market society, alliance between beneficiary local communities and mining corporations, supported by government, worsens the conflict with disenfranchised and oppressed groups. Due to these interrelated endogenous factors, local communities' counter-movements lack the power to invoke their grievances.

Firstly, from the commitment to goals/ values point of view, members of local communities have divergent views regarding the mining industry due to personal economic interests. Those who directly benefit from the mining industry, such

as mining employees or brokers, will be the most ardent and vociferous supporters of the mining industry as local advocates for foreign companies. Facilitation fees or general land compensation payments are very lucrative for some local community members who become land brokers and coerce other local community members into selling their land to the mining companies. At worst, the different interests of local communities in support or opposition to the mining industry lead to horizontal conflict, which weakens the struggle of local communities, since they have to confront their neighbours due to economic interest. Common forms of conflict among community members include ostracism, physical violence and horizontal conflict [Int.: AC1- academic, 2016; GOVA4, a government official of East Kalimantan, 2016; Fiyanto, Campaigner of Greenpeace Indonesia, 2016; COMA1, an official of the mining company, 2016; Anas, an official of AMAN, 2016; Amin, an official of AMAN Paser East Kalimantan, 2016; Rupang, Coordinator of Jatam East Kalimantan, 2016; Far-A1, a farmer association leader, 2016; LCA3 & LCA4, local community, 2016].

Indeed, economic interests causing the disunity of local communities is related to CSR. Some mining companies incite conflict within local communities by the allocation of CSR and job creation only for local community members who support their operations, as opposed to the whole society (Conde & Billon, 2017). CSR might be a tool to assuage conflict in the Indonesian mining business, as revealed by Lian Sinclair (Republika, 2017b; UGM, 2017), or a form of market embeddedness to encourage social harmony [Int.: GOVA4, a government official, 2016] due to which mining companies consistently allocate their CSR budgets to support local communities [Int.: LC-C2, local community, 2016]. However, CSR also fundamentally aims to maximise the profitability of mining companies, including as a shield against counter-movements (Friedman, 1970; Schaefer, 2008; Wishloff, 2008; O'Callaghan & Graetz, 2017). As a result, the mining companies only allocate CSR to buy support from local communities, which can cause tensions within them [Int.: Siregar, former Jatam leader, 2016].

Secondly, alliance between local beneficiaries, mining companies and the interests of government officials have worsened the conflict. The intensity of the horizontal conflict extends not only among local community members, but also

between tribes, such as Muara Tae versus Muara Ponak community, wherein the former refused to permit six companies (including mining and palm oil companies) to operate in disputed land, while the latter community agreed to support the companies (Sajogyo Instutite, 2016). Utilising governmental authority, local officials facilitate business activities [Int.: Siregar, a former Jatam leader, 2016; Rupang, leader of Jatam EK, 2016]. As reported by the *Guardian*, collusion between the private sector and Indonesian government at the local, regional, and national levels exacerbates socio-economic and environmental problems, especially regarding land claims (Mathiesen, 2016).

According to the laws, private companies cannot be granted authorisation to convert the land of indigenous peoples without free prior informed consent. However, on 31 May 2012, the Mayor of Kutai Barat provided 'Decision Letter' no. 146.3/K.525/2012 on the borderline of Muara Ponak community's area, whereby Muara Ponak community could legally sell the land to the companies. This decision letter of Mayor of Kutai Barat was challenged by tribal leaders of Muara Tae community, arguing that the government has purposively supported the companies and the Muara Ponak, since the border assumed by the mayor 'is not in accordance with the ancestral agreements' of the Muara Tae and Muara Ponak communities (Sajogyo Institute, 2016, p. 210).

Thirdly, while a lack of accountable agrarian administration, is an endemic problem related to land claim tenure issues in Indonesia (Fraser Institute, 2000, 2013, 2014, 2015), most local communities, especially indigenous people, are not yet aware on the importance of legal documents of land ownership due to its traditional customs. Indigenous people believe that, based on customary (*adat*) law, indigenous people already possess rights over their land because they have been living in their ancestral lands since time immemorial, with natural landmarks such as trees or rocky outcrops being used as boundaries. Indeed, they do not have a concept of private land ownership, since they consider the land to be universal property that they safeguard for future generations. As a momentary generation they have the right to gather food and their necessary needs from their land, but they are prohibited from exploiting and commodifying nature, including buying and selling land. Therefore, they do not have legal documents

regarding land ownership [Int.: Sampurna, AMAN CK, 2016; SCA3, civil servant, 2016; AC1, academic, 2016].

However, as far as the Republic of Indonesia is concerned, land can only be claimed in general and defended against the mining industry in particular using legal land ownership documents. Local communities have the *de jure* power to refuse for mines to operate in their land, as stated in Law 04/2009 article 134, which posits that 'mining permits shall not include surface land titles'. Indeed, article 135 emphasises that exploration mining permit holders must have consent from the land owner before undertaking exploration, while article 136 regulates that 'Mining permit holders and Special Mining Permit holders, before carrying out production operation activities, must settle land titles with titleholders under provisions of the laws and regulations'.

7.3.2 Organised Counter-Movements for Human Security

In addition to the actions of local communities, networks of CSOs play a significant role in counter-movements to ensure local communities live in freedom from want, fear, and in dignity. Local communities need assistance from organised counter-movements especially for gaining power. Borrowing Samina Luthfa's (2017, p. 133-134) terms of 'reach out' and 'pick up connections', the initiation of the assistance is a combination of a 'reach out' and 'pick up connection' by which local communities mandate CSOs, who support local communities since the case meets their criteria and is in line with their goals.

To ensure human security, CSOs implement protection and empowerment strategies through their assistance to local communities as suggested by UNDP (1994). Protection strategy means 'shield people from menace' while empowerment strategy encourages local communities 'to develop their resilience to difficult conditions' (CHS, 2003, p. 10). Due to resilience, local communities develop their capabilities for instance by developing collective action to protect themselves from external shock such as mining impacts (Adger, 2000; Pfefferbaum et al., 2008).

I identify several approaches applied by CSOs such as lobbying, protesting or boycotting to become more powerful to influence government policies and corporation behaviour through national and transnational networks among CSOs. More specifically, to influence corporate behaviour they not only seek to influence government policies but also coal target market, shareholders of mining corporations and financial institutions. In this sense, while Polanyi's argument on counter-movements guides this study in investigating counter-movements to influence state policy, it needs to be updated with an alternative approach to influence the markets.

Polanyi's work tends to focus on the successful of counter-movements due to the notion of accountable government and law enforcement, while he paid less attention to states with weak governance. This study found that since CSOs are unable to influence state policies, they seek to influence the source of financial capital (shareholders and financial institutions), and target markets of the product as the core aspects that dictate the mining corporations. In this sense while state matters in governing the mining industry as suggested by Polanyi and moderate dependency theory, market influenced by global norm on human right and environmental protection can also provide control of corporate behaviour.

The role of national CSOs

CSO movements can be categorised by their advocacy of protection and empowerment through community assistance, research agendas, and education. CSOs such as Walhi and Jatam in collaboration with community-based organisations have directly assisted local communities to protest against corporations and government at the district, provincial and national levels. In assisting local communities, they use a responsive approach based on the mandate of local communities, and an anticipative approach by which CSOs criticise government policies [Int.: Hidayati, National Executive Director of Walhi, 2016; Siregar, former leader of Jatam, 2016].

For instance, supported by the Asia Foundation, Jatam with academics and local communities came together in 'Gerakan Samarinda Menggugat' (the Samarinda Lawsuit Movement) to sue relevant government institutions in 2014. They sued

the Samarinda Municipal Government and Mayor, the East Kalimantan Government, the East Kalimantan Provincial Parliament, the National Government's Ministry of Energy and Mineral Resources, and the Ministry of Environment. As a result, while not all demands in the lawsuit were approved, the Samarinda High Court decided that the Government had failed to perform its duty to protect the environment as mandated by Law 32/2009 concerning Environmental Protection and Management (Asia Foundation, 2014; Mongabay, 2014a, 2014b, 2015; Tribune Kaltim, 2014; Jatam, 2015b) [Int.: Rupang, Coordinator of Jatam EK, 2016].

On the other hand, some CSOs seek to educate local communities on the dangers of coal and how to invoke their problems to decision-makers as well as to support the economic empowerment of local communities (AMAN, 2016; Greenpeace, 2016a). CSOs also actively undertake research and publish their findings on the harmful impacts of mining on human security to influence government regulations. For instance, as opposed to direct confrontation, some CSOs prefer to educate local communities, advocating government regulations such as water and air emission standards, as well as influencing target markets of coal (Greenpeace, 2014). In addition, in collaboration with Harvard University, Greenpeace conducts research on the dangers of coal for the environment and humans, as well as conducting a series of laboratory test on water affected by the coal mining industry [Int.: Fiyanto, Campaigner of Greenpeace Indonesia, 2016] (Greenpeace Indonesia, 2015). These methods can be considered as CSOs' attempts to conduct Polanyian counter-movements within which civil society seeks to protect the environment and the security of communities using protective legislation and instruments of intervention (Polanyi, 2001, p. 138).

At the first stage of agenda setting, most CSOs successfully identify problems encountered by local communities as well as invoking problems through their campaign. Moreover, CSOs establish networks to monitor state governance, for instance a number of CSOs established a network called 'the Coalition of Anti-Mafia of Natural Resources' (*Koalisi Anti-Mafia Sumber Daya Alam)* that actively monitors the implementation of government policies in reducing corruption, and more generally improving the governance of mining

(Beraunews.com, 2016). Regarding policy formulation and implementation, nevertheless, it is hard to precisely measure the extent to which CSOs without networking with the state have produced tangible results of improved mining governance to protect human security, since there are complex circumstances in this case (Peters, Foster, & Koechlin, 2009). The issue of weak state effectiveness, especially at the local level, hinders participation and control of civil society in the governance of mining. Due to decentralisation policies that lead to regional autonomy, local government has power to govern the mining sector. However, in several cases local government encounters the issue of unresponsive to the aspirations of civil society, hence civil society has limited participation and control in the governance of mining [Int.: Rupang, Coordinator of Jatam East Kalimantan, 2016].

The Role of Transnational Networks of CSOs

As discussed above, at the domestic level the role of CSOs is limited in its influence over government policies due to weak governance. Therefore, CSOs establish networks at the global levels as they have similar values and goals regarding the governance of extractive resources. They aim to shield local communities from menaces through protecting the environment, and indigenous or local communities' rights, as well as achieving transparency and accountability in the governance of natural resources. Through a transnational network with CSOs in the home country of the FDI and target countries of coal markets, CSOs expect to increase their power to affect government policies and corporate behaviour.

To affect corporate behaviour, the networks influence important institutions in the mining business circle, including the state and the markets of the coal and the source of funding of the corporations, especially funding institutions and shareholders. For instance, Greenpeace has made a collaboration with branches in countries with major coal markets, such as China and India, to campaign and advocate about the dangers of coal [Int.: Fiyanto, Campaigner Greenpeace Indonesia, 2016] (Greenpeace East Asia, 2012; The Guardian, 2013; Greenpeace India, 2016).

In addition to influencing the coal markets, networks of CSOs also seek to influence the source of funding of the corporations, especially funding institutions and shareholders, through shaping corporate reputation. By providing facts about corporate operations and their impacts of mining business, CSOs aim to influence shareholders and financing banks that underwrite mining corporations. Corporate reputation is very important for such corporations, especially public limited companies (PLCs), whose shares are traded in stock exchanges and whose value and general corporate prospects are vulnerable to negative publicity [Int. Siregar, former Jatam leader, 2016; Hidayati, National Executive Director of Walhi, 2016, Sumargiyanto, an official of foreign mining company, 2016; Wuryawan, an official of foreign mining company, 2016). For instance, Jatam's transnational network, particularly with the World Development Movement, London Mining Network, and Down to Earth, attended the annual general meeting of BHP Billiton, the biggest mining investor in Indonesia, to voice the danger of coal practices, especially for local communities in Kalimantan [Int.: Siregar, former Jatam leader, 2016] (Down to Earth, 2013; Jakarta Globe, 2015; London Mining Network, 2014).

In addition to directly influencing shareholders, the movement also lobbies financing institutions. Using a similar scheme to shape corporate reputation, protesters publish a report regarding the involvement of financial institutions in damaging the environment and abusing the human rights of indigenous people. For instance, the World Development Movement (Global Justice Now) launched a report stating that major UK banks such as HSBC, Barclays, Standard Chartered, RBS and Lloyds are complicit in deforestation in Kalimantan through their financing of mining corporations; such lobbying calls on financial institutions to withdraw their support (i.e. facilitation) of irresponsible mining companies (Down to Earth, 2010a, 2010b; World Development Movement, 2013, 2014; Global Justice Now, 2013; London Mining Network, 2013; Perkins, 2016; Greenpeace UK, 2017). Indeed, Greenpeace and Banktract directly lobbied banks by sending letters to Barclays and Singaporean banks concerning environmental and human rights issues related to their financial support for Indonesian mining companies (Down to Earth, 2014b).

It is beyond the scope of this study to quantify and evaluate the causative role of CSOs in influencing the corporate behaviour of shareholders, financial institutions and mining companies themselves, but it is illustrative that in 2016 BHP Billiton withdrew its investment in coal mining in Kalimantan by selling its 75 percent stake to PT Adaro, an Indonesian coal mining company (Bloomberg, 2016; Reuters, 2016a, 2016b, 2016c). The CSOs claimed that the method of approaching financial institutions is quite effective, since the financial institutions have ethical codes and regulations governing environmental and human rights issues [Int.: Siregar, former Jatam leader, 2016]. In this sense, I assume that while BHP Billiton might consider the downturned trend of global coal markets since 2012 (Kompas.com, 2012) and the complexity of mining regulations in Indonesia (Fraser Institute, 2000, 2013, 2014, 2015; Reuters, 2016a, 2016b, 2016c) as disincentives to continue its investment in the country, its behaviour is also responsive to new environmental, social and human rights regulations and expectations pertaining to financing provided by the largest UK banks as BHP Billion funders, and UK Export Finance (UKEF) (Lloyds, 2015; HSBC, 2016; UKEF, 2016a, 2016b).

Multi-stakeholder networks

In addition to transnational network among CSOs, CSOs have made a progress in the governance of mining by establishing a multi-stakeholder network involving civil society, government and corporations. This network can be seen in EITI, which was formally launched in 2002 at the World Summit on Sustainable Development by the initiation of CSOs and supported by the government and mining corporations. I argue that currently EITI is the most powerful global network involved in governance in the Indonesian mining sector, demonstrating effectiveness to implement its transparency standards in member states.

Indonesia joined EITI in 2010 with Presidential Regulation 26/2010 concerning the Transparency of National and Regional Revenue. Based on this regulation, the Government formed a special body to implement EITI standards consisting of governmental officials and representatives of CSOs. This body has a special duty to produce an annual report on mining revenue obtained from royalties and

land rents in the mining industry as well as the allocation of such revenue. Since 2010, Indonesia has issued annual reports on extractive industries that are recognised as compliant with EITI standards of transparency (EITI Indonesia, 2014b; Secretariat of EITI Indonesia, 2014; WB, 2014).

The power of EITI can be understood from its membership point of view. EITI consists of multiple stakeholders in the mining industry, including states, civil society and mining corporations. This collaboration reflects the representative stakeholders in the mining industry worldwide and produces greater efficiency. In 2016 a total of 51 mining countries were members of EITI. It also supports a civil society coalition including Transparency International, Global Witness, Oxfam, Natural Resources Governance, PWYP and others. Indeed, the main members of PWYP, the founder and main supporter of EITI, include more than 700 CSOs spread across over 40 countries (EITI, n.d.; PWYP, 2017, 2018). In Indonesia, PWYP is a coalition of domestic CSOs consisting of about 35 organisations spread at the national and local levels (PWYP Indonesia, 2017a, 2017c). In addition, EITI is also supported by over 80 of the world's largest mining companies, such as BHP Billiton, Freeport, Newmont and Rio Tinto as well as by partner organisations such as the WB, Organisation for Economic Co-operation and Development (OECD), Asian Development Bank, African Development Bank, European Commission and others (EITI, n.d.).

Despite EITI's achievement to encourage countries to voluntarily comply with its standards, the Indonesian EITI annual report does not reflect the real mining revenue and income of the mining companies gathered from their environmental exploitation. There are several basic problems in the implementation of EITI standards, especially regarding royalty calculations. *Firstly,* the number of mining companies that report to EITI is very small compared to the total number of the mining licences. Based on EITI annual reports, the number of mining companies providing reports to EITI, including coal and mineral companies, was about 51 and 75 in 2010 and 2014, respectively. Meanwhile, the total number of mining licences is over a thousand (EITI Indonesia, 2015a, 2015b, 2017a, 2017b; Jannah, 2017). This reflects that after almost a decade of its operations

in Indonesia, EITI Indonesia has not been successful in encouraging all Indonesian mining companies to follow EITI's standard.

Secondly, there are also basic problems in the calculation of royalty of coal production that leads to a high chance of corruption in the disbursal of mining royalties. The regulations tend to be amenable to mining businesses with loose regulations on royalty payments. Based on Law 20/1997 concerning non-Tax Revenue supported by Government Regulation 29/2009, mining royalties can be calculated through self-assessment and can be paid after the sale of the product. While the regulation was modified by the Letter of the Directorate General of Mineral and Coal No. 04 E/84/DJB/2013, which obliges mining companies to pay royalties before shipment, it has not been effective to optimise mining royalty revenue. Indeed, as claimed by KPK/Indonesia's Corruption Eradication Commission, Indonesia loses trillions of rupiahs to tax evasion on mining royalties (Investor Daily, 2013; KPK, 2014a, 2014b; PWYP Indonesia, 2017b).

In addition, the weakness of EITI report is also caused by a lack of human resource support to monitor production, sale and royalty calculation. The number of supervisors and auditors of coal production and sale is very limited compared to the high volume of production and the number of coal mining companies, and the intrinsic complexity in the calculation of coal royalties [Int.: Gov-Aa2, a government official of district Kutai Kartanegara EK, 2016]. Coal royalties are calculated by matching the coal caloric content with the market price of coal, and the type of mining company. For example, coal caloric content $\leq$ 5,100, 5,100-6,100, and $\geq$ 6,100 corresponds to royalties of 2%, 4% and 6% of sale price, respectively (EITI Indonesia, 2015a). Coal is a major commodity traded in world markets and its sale price fluctuates hourly according to markets, aside from consideration of caloric content and logistical costs (e.g. transportation and storage costs). Royalties are also affected by whether the coal was mined from deep pits or opencast mining, and whether by IUPs or PKP2B.[16] Hence, while EITI is associated with tentative improvement in Indonesian mining governance, especially in terms of enhancing transparency, it lacks accuracy in terms of

[16] IUP is a mining licence based on Law 04/2009, while PKP2B is a contract of mining exploitation between Indonesia government and mining companies that exists before Law 04/2009.

content and substance. As a result, there has been unremitting commodification of land and labour due to unaccountable of counter-movements that continue to disrupt the human security of local communities.

7.4 Conclusion

The objective of this chapter is to investigate the role of civil societies in counter-movements to protect the environment and society from mining impacts on Indonesian local communities. More specifically, it is through an analysis of the extent to which civil societies have protected the human security of local communities from the mining industry. It is found that civil societies have been a positive force in the governance of Indonesian mining sector, especially in the Reform Era such as by establishing networks at local, national and global level to improve the governance of mining as well as to ensure human security through protecting the environment and society. Practically and strategically, the networks seek to frame the issues in order to grab attention of national and global audience as well as encouraging collective actions to support human security protection (Keck and Sikkink, 1999).

Nevertheless, most of the CSOs' roles are determined by global arrangements and domestic political structure as opposed to the power of CSOs. Globalisation and the wave of democratisation as a global phenomenon has impacted on Indonesian domestic structure by facilitating network of CSOs as well as encouraging the domestic government to be more democratic. Nevertheless, the space and freedom of CSOs at domestic level is determined by the ruling regime. Even though the wave of democratisation in Asian countries have escalated in the 1980s, it has only begun to emerge more recently in Indonesia since the fall of the New Order regime in 1998. At domestic level, indeed, despite Reform Era has provided decentralisation policies aiming to enhance democratisation at local level, it has not been effective to achieve protection of human security. This is because democratisation has not been accompanied by state effectiveness; as a result, while CSOs have space and freedom of voice, they lack power to influence the decision-making process as well as to control the implementation of government policies especially in the first decade of Reform Era. In the

second decade of Reform Era, CSOs actively take part in the mining governance due to democratic system that requires representative of civil society in the decision-making process.

Due to the democratic ethos of the Reform Era, furthermore, CSOs (including local communities) have undertaken a lot of movements to influence government policies and corporate behaviour among both foreign and domestic mining companies. The movements might be employed by unorganised and spontaneous groups of local communities directly affected by the mining industry that lack agency and power to influence government policies. In addition to the unorganised movements, counter-movements are also conceived and driven by organised institutions such as CSOs that have their own justification, guided by knowledge or norms about mining impacts. Lastly, the current progress of the mining governance has included the role of corporations to provide a standard setting in the mining governance.

However, the driving motivations of civil society involved in the governance of mining is various ranging from obtaining economic interest to protecting the environment. For instance, local communities have divergent views regarding the mining industry due to personal economic interests, local communities can be classified in several types, i.e. money-oriented communities that support mining companies, money-oriented protesters, environmental protection-oriented communities, and community members indifferent to environmental and mining issues. Unlike in Polanyi's vision, local communities might not have power to influence government and corporate policies due to the diversity of their interests. Combined with the political structure that is less responsive to the aspirations of civil society due to weak governance, the divergent interests of local communities' counter-movements contribute to their failure to protect themselves from mining impacts.

Building on the evidence of counter-movements by civil society in the Indonesian mining sector, this section highlights the finding of this chapter that offers both theoretical and empirical contributions. First, it bridges Polanyi's idea and moderate dependency theory based on the facts that the driving motivation of counter-movements is not the mere existence of FDI, rather it is

the coercion or destructive actions employed by market capitalism, which might consist of the alliance between the domestic and foreign groups, against local communities. As argued by Polanyi, protective counter-movements are employed by CSOs as a response to the negative impacts of self-regulating markets (Polanyi, 1944/2001; Sandbrook, 2011). Meanwhile, moderate dependency theory argues that 'local dominated groups and classes' have challenged the social and economic exploitation employed by alliances of dominant classes consisting of domestic and foreign groups (Cardoso & Faletto, 1979, p. 173; Kapoor, 2002).

Hence, from the perspective of human security, the main focus of counter-movements regarding mining impacts is not mere relations between developed and developing countries represented by FDI, but the notion of governance within which CSOs ought to have space, freedom, and power to participate in control of the mining industry. In other words, state effectiveness leads to human security, since it gives space, freedom, and power of civil society to participate in mining governance, especially in terms of preventing or reducing commodification of land and labour. In contrast, weak state effectiveness worsens commodification of land and labour and threatens human security.

Second, this chapter contributes to a better understanding of Polanyi's protective counter-movements as the second element of double movement, and the notion of social movements proposed by moderate dependency theory. Their arguments converge on some points such as the rise of protective counter-movements against market capitalism and the importance of democracy accompanied by state effectiveness and political accountability, but some elements of the theory are not necessarily applicable to the Indonesian mining context. While Polanyi assumes that the affected community effectively works in protective counter-movements, local community movements in Indonesia are mostly driven by farmers who are directly afflicted by the mining industry but who do not have broader-based community support, and most of their movements are ineffective and need assistance from organised institutions such as CSOs. As a result, due to their lack of power, local communities have minimal participation and are even considered outsiders in the mining business circle in their own areas, while

they are the chief victims of the negative impacts of mining such as pollution, environmental degradation and the destruction of farmland.

Indeed, regarding the methods of counter-movements, as opposed to Polanyi arguing that influencing the state is the main methods of CSOs for protecting the environment and society, counter-movements of CSOs in the governance of Indonesian mining show a various way. Counter-movements are conducted not only by influencing the state policies but also the markets both financial institutions and target coal markets. Indeed, some local communities conduct environmental protection following their own local wisdom such as replanting the forest. Meanwhile, to influence corporate behaviour, while CSOs use state intervention to force the corporations, they also seek to shape corporate reputation that in turn influences funding institutions, shareholders, and coal markets.

Finally, this chapter also contributes to a better understanding of governance of the Indonesian mining sector, especially the roles that CSOs play in their operations, and several conditioning factors such as freedom, space and power. Despite Indonesian mining governance showing changing styles from a hierarchical to non-hierarchical paradigm with more scope and freedom for CSO activities due to democratisation, the issue of weak governance still exists that contributes to cause human insecurity. During the New Order Era, the state dominated the governance of mining with a very limited role for CSOs. On the other hand, in the Reform Era, while the state was still dominant, Indonesian mining governance showed a greater role of CSOs both for unorganised movement of local communities and organised movements of CSOs and their networks. While this can be considered progress in the governance of the Indonesian mining sector, weak governance limits participation of local communities in the industry. Commodification of land and labour continue to dominate and contributes to the failure of high investment and mining revenue to enhance human security.

Chapter Eight

State Roles in Governance of Mining for Human Security

8.1 Introduction

The previous chapter analysed the role of civil societies in counter-movements in the Indonesian mining sector to ensure human security through environmental and societal protection. It was found that while there has been a changing style of mining governance that gives wider space for the role of civil societies, the governance of Indonesian mining is dominated by the state.[17] Therefore, the objective of this chapter is to analyse the extent to which state governance protects the human security of local communities from the impacts of mining. To achieve my research objectives, it is necessary to provide sufficient explanation regarding the disruption of the human security of local communities, especially from the point of view of state governance.

For this purpose, this chapter investigates the case from the lens of the 'soft' Polanyian perspective as opposed to the 'hard' one. It is said in the 'soft Polanyian perspective' that 'the market should remain the dominant coordinating mechanism but should be complemented by redistributive institutions'. In doing so, the growing state intervention is important to protect the environment and society through decommodification of land and labour (Dale, 2010a, p. 370; Sandbrook, 2011, p. 429; Carton, 2014).

In this regard, to protect the human security of local communities, it is not necessary for the state eliminates the mining business, but to regulate and control the mining sector without commodifying land and labour. As argued by Polanyi (2001), 'the end of market society means in no way the absence of markets' (p.

[17] Based on Law 4/ 2009 articles 4 and 5, 'state' in this chapter is defined as government both central and local (provincial and municipal government). In cases related to crucial national interest, such as many mining activities, local governments must get approval from the national Parliament to issue particular policies – although in practice there is often an incoherent and muddled operationalisation of the theoretical division of powers between the central and local governments, and indeed between different government departments and agencies.

260), however '… regulation and control can achieve freedom not only for the few, but for all' (p. 265). Hence, following the 'soft Polanyian perspective', I prefer to define the current state governance in the Indonesian mining context as shifting policies from low to high state intervention on the mining business.

I argue that since 2009 Indonesia has made significant changes in the governance of mining from low to high state intervention, especially through the promulgation of Law 4/ 2009 to replace Law 11/1967.[18] Law 11/1967 provided limited regulations on the environment and society, and was eager to facilitate mining investment at any cost, while in contrast the new legislation Law 4/ 2009 provides a legal basis for state intervention to improve the governance of mining in such a way as to specifically and actively protect the human security of local communities. Indeed, the new mining law mandates that both central and local governments govern mining in line with the principles of sustainable development, protecting the environment and society as well as enhancing community development.

Borrowing the concept of sustainable development contained in Chapter 3 of this thesis, however, I argue that the current government policies aim to enhance weak as opposed to strong sustainable development.[19] It evidences in the document of national development planning known as the National Long-Term Development Planning (RPJPN) 2005-2025 and National Medium-Term Development Planning (RPJMN), and also local development planning. Despite the fact that the new mining law has deeper regulation of environmental and societal protection, the government prioritises the mining sector as a source of money for funding national development. As a result, the government continues to commodify nature to optimise economic gains that causes environmental and societal problems, thus undermining human security [Int: GOVA1, government official of East Kalimantan, 2016; GOVA2, a government official of East Kalimantan, 2016; GOVB1, a government official of Central Kalimantan, 2018]

[18] Law 11/1967 is the mining Law issued by New Order government that is centralistic giving limited power to local government. It is replaced by Law 4/2009 that gives high power to local governments to govern mining.
[19] The definition of sustainable development, weak sustainable development and strong sustainable development has been provided in Chapter 3 (section 3.5.2).

(Gibbs, Longhurst, & Braithwaite, 1998; Luke, 2005; Dietz & Neumayer, 2007; Nilsen, 2010; Davies, 2013).

This chapter is organised in four sections. Following this introductory section, section 8.2 discusses the rationale of state intervention in the mining business to protect the human security of local communities. Section 8.3 presents an analysis of state intervention to improve the governance of mining and de-commodification of land and labour for protecting the human security of local communities. It includes investigation on potential challenges for the achievement of human security. Section 8.4 highlights the main findings of this chapter, including that the enactment of Law 4/2009, supported by other regulations, shows a tendency for more extensive state intervention in the mining sector to improve mining governance and protect the human security of local communities. This transformation from low to high state intervention is driven by the state's awareness regarding the impacts of bad mining governance. However, there are still potential challenges in existing government policies relating to weak governance and commodification of land and labour that continue to hinder the achievement of human security. Specifically, it is related to the lack of coordination among government institutions and between central and local governments during regional autonomy era.

8.2 Rationale for State Intervention

The term 'state intervention' can be defined differently depending on social constructions (Karagiannis & Madjd-Sadjadi, 2007). In particular cases, according to Polanyi, state intervention can be used to facilitate free markets; on the other hand, it can also be used to intervene in the markets to protect the environment and society. In this chapter, I define state intervention as state 'planning, regulation, and control' of the mining industry to achieve freedom and security of local communities (Polanyi, 2001, p. 265). In this regard, Law 4/2009 concerning Mineral and Coal Mining asserts the potential for extensive state intervention in the mining sector, in order to improve its governance as well as to protect the human security of local communities.

I argue that the state intervention in the governance of mining is enhanced by the raising of government's awareness of economic, environmental and societal problems due to the impacts of short-term economic greed, weak governance, and the risks of depending on raw natural resources export. Despite Indonesia being rich in natural resources that could facilitate development, state ineffectiveness and political unaccountability have caused over-exploitation of nature. Corruption issues, inconsistent policies, lack of coordination among government institutions and between central and local government, as well as lack accountable government hinder the achievement of development goals to ensure human security.

Government awareness of environmental problems is reflected in the document RPJPN 2005-2025 Chapter II.1.H. Accordingly, due to the desire to gain short-term economic benefits, the development has been carried out without following the spatial planning, ignoring the sustainability and carrying capacity of the environment, and not paying attention to the region's vulnerability to natural disasters. The rapacious over-exploitation of natural resources has sacrificed the environment and exacerbated environmental disaster. More specifically, the government admits that:

> Water, air, and soil pollution is still not handled properly because of the rapid development activities that lack attention to the environmental sustainability aspects. The existence of indigenous peoples that rely heavily on natural resources and have local wisdom in the management of natural resources has also not been recognised. Local wisdom is necessary to ensure the availability of natural resources and the preservation of environmental functions (RPJPN 2005-2025 Chapter II.1.I (4)).

Indeed, government is also aware of the need to improve the accountability of state governance in the mining sector. As stated by a government official in South Kalimantan:

> When the authority to govern the mining is in the district government, the mining permits were massively issued without

> accompanied by proper supervision and control. It leads to environmental degradation that causes a high cost of the recovery. Indeed, the mining permits in several cases related to direct election of mayors/ regents that leads to collusion and corruption, since the candidates need funds for the election campaign [GOVC2, a government official of South Kalimantan, 2016].

Moreover, the awareness of government is derived from bad experiences of depending on raw natural resources markets combined with short-term orientation of economic development as occurred in East Kalimantan. Since the 1970s East Kalimantan has been depending on natural resources that can be classified chronologically into the wood period (1970-1990), the oil and gas period (2000-2008), and the coal period (2008-present). East Kalimantan ended the former periods due to the exhaustions of timber, oil and gas as well as declining economic growth due to the market scheme for exporting raw natural resources. Currently, coal-based economic development has resulted in a decline of economic growth that even went to the minus level in 2015 (BPS Kaltim, 2012, 2014a, 2014b; Ishak, 2016, p.4) [Int.: GOVA1, government official of East Kalimantan, 2016].

On this basis, therefore, the government of East Kalimantan considers that it is highly risky to depend on raw natural resources, since it does not achieve the intended goal of economic development, rather it exacerbates economic problems, such as increasing the rate of unemployment and decreasing economic growth [Int.: GOVA1, government official of East Kalimantan, 2016]. Therefore, East Kalimantan proposed a new model of development focused on a green economy (Ishak, 2016), within which the orientation of economic development is for improving human well-being and social equity, while preventing harmful impacts on environment and ecology (The United Nations Economic Commission for Europe/ UNECE, n.d.).

To sum up, despite the free market causing the commodification of nature that in the Indonesian mining context leads to exploitation of mining activities, as explained previously, weak state effectiveness and political accountability in terms of overlapping regulations, especially related to licencing, weak

monitoring and controlling as well as endemic corruption, exacerbates the human insecurity of local communities. The Fraser Institute (2000/2001, 2006/2007, 2013, 2014, 2015, 2016) has consistently reported that Indonesia has not been effective in ensuring law enforcement as there is a high level of uncertainty concerning the administration, interpretation, and enforcement of existing regulations; inconsistency of regulations; uncertainty of native land claims and regulation of the environment and employment. Therefore, driven by the awareness on this issue as well as the desire to establish international confidence in Indonesia, especially for foreign investors, the government seeks to improve the governance of mining and enhancing human security of local communities.

8.3 State Intervention to Improve Mining Governance

This section explores state intervention to improve the governance of mining and to ensure human security by integrating the analysis with potential challenges that could weaken state intervention. I argue that under the new mining law, Indonesia attempts to improve the governance of mining and ensuring human security (Law 4/2009). Nevertheless, its implementation is still problematic, especially due to inconsistent or even contradictory policies, as well as political unaccountability. While the government is aware of the environmental and societal risks of mining exploitation, as discussed in the previous section, inconsistency of policies exists due to the ambition of the national development agenda to boost economic growth, in the context of weak law enforcement and less accountable government. As a result, commodification of land and labour which I argue as the source of human insecurity continue to exist within the national development agenda.

8.3.1 Potential Challenges

I argue that the government efforts to improve governance is a great step forward in Indonesian mining, since a lack of state effectiveness and complex problems of the mining have occurred in Indonesia since a long time ago. The new mining

law reflects the willingness of the government to improve the governance of mining and sustainable development, as stated in article 2 of Law 4/2009:

> Mineral and/or coal mining shall be managed under the principles of: (a) benefit, justice, and balance; (b) being in favour of the nation's interests; (c) participation, transparency, and accountability; (d) sustainability and environmental soundness.

Such attempts, nevertheless, are greatly affected by potential challenges that may weaken the process of improving governance and ensuring human security. In the context of Indonesia, democratisation, as suggested by Polanyi and moderate dependency theory, has not been successful to enhance human security due to weak governance. Unlike the definition of human freedom as individual freedom with responsibility (Polanyi, 2001), in many ways democracy in Indonesia can be interpreted as freedom by emphasising the nature of ego (personal or institutional). As a result, due to egoism between bureaucratic sectors, institutions and departments, Indonesia is still facing the issue of overlapping policies and a lack coordination among government institutions, as well as the issue of power relations between central and local government (Bakti, 2004; Nurrochmat, 2005; Jakarta Globe, 2016).

First, the lack of coordination among government institutions possibly occurred in the process of changing presidents, governors, and mayors due to the implementation of direct elections. While the direct election aims to accommodate demands for democracy, it also results in inconsistency in the developmental agenda between successor and predecessor regimes at the level of president, governors and mayors/ regents, since candidates have their own visions, missions, and programs of development agenda (Law 23/2003 concerning General Election of President and Vice President article 27; RPJMN 2010-2015). Although Indonesia has established a long-term development plan in the RPJPN, the president/ governor/ mayor/ regent might have different interpretations and priorities according to their vision, mission, and program, influenced by supporting political parties' agendas (Republika, 2014; Tempo.co, 2014). Meanwhile, at the ministerial level, egoistic orientations cause ministries and other government institutions to fulfil their own targets, with less

coordination and cooperation with other institutions, which also triggers overlapping policies [Int.: GOVC1, a government official of South Kalimantan, 2016; Rompas, leader of Walhi and Jatam Central Kalimantan, 2016].

Second, overlapping policies and a lack coordination are also a product of power relations between central and local governments during regional autonomy era. It shows a bargaining power between central and local governments as reflected in amendment of decentralisation laws in several times during 1999-2015, i.e. Law 22/1999 amended by Law 32/2004 (with additional amendment through Law 8/2005 and Law 12/2008), amended by Law 23/2014 (with additional amendment through Law 2/2015, and Law 9/2015). As a result, while changing structures and regulations could be an outcome of evaluation of the implementation of regional autonomy, it inhibits the effectiveness of policies to govern the mining for ensuring human security of local communities.

More specifically, a lack of coordination between central and local government inhibits the implementation of the development agenda, for instance as occurred in Central Kalimantan regarding spatial planning. According to the decentralisation laws, local government has the right to develop local spatial planning (GR 25/2000 article 2.3), yet the government of Central Kalimantan issued Local Regulation 8/ 2003 amended by Local Regulation 5/2015 concerning Provincial Spatial Planning. It focuses on the development of the agricultural sector to support food security program, based on Law 41/2009 concerning Protection of the Agriculture Area for Sustainable Food (Jenerio, 2016). However, this agenda is facing problems since most of area needed is in forest area under authority of Ministry of Environment and Forestry that might have different allocation. As a result, it becomes an obstacle for the implementation of local development planning (Ministry of Domestic Affairs, 2017). As stated by an official from the Government of Central Kalimantan:

> Due to different perceptions regarding spatiality between the Government of Central Kalimantan and the Ministry of Environment and Forestry, business licences issued by the local government based on local spatial regulation are considered illegal. On the other hand, local government is not willing to

> revoke the local regulation [Int.: GOVB1, a government official of Central Kalimantan, 2016].

While it is useful in theory to have some form of constitutional checks and balances, the current system in Indonesia reflects the condition of weak governance. This is based on the fact that Indonesia is facing leadership crisis within which numerous political leaders and government officials that should function in a checks-and-balances mechanism are more focused on personal interests and fiefdoms to sustain their power, influence and control of financial resources (Bakti, 2004). In this context, institutional egoisms drive particular institutions to achieve their own targets as opposed to coordinating with others for common interests or coherent national policies, which is a critical issue in Indonesian governance (Nurrochmat, 2005; Sujadi, 2010; Jakarta Globe, 2016). As a result, the involvement of various institutions from different ministries without proper coordination might cause further problems, for instance regarding who is responsible for the liabilities of the implementation of programs [Int.: GOVC3, a government official of South Kalimantan, 2016]. In turn, inconsistency and overlapping hinder the government agenda to attract investment. Some major international financial analysts advise that it is not recommended to invest in Indonesia due to uncertainty concerning the administration, interpretation and enforcement of existing regulations (Fraser Institute, 2013-2015).

Third, despite better regulation on environmental protection contained in the new mining legislation, it might be ineffective due to lack accountable government and less proper control of the implementation. This is related to the limited human resources available for supervision and monitoring regarding environmental obligations of the mining corporation. As found during the fieldwork, ‘there are obstacles in conducting monitoring and controlling the mining project since there is limited access to the location, limited government budget, and limited human resources’ [Int.: GOVB2, a government official of Central Kalimantan, 2016; Siregar, former leader of Jatam, 2016]. As a result, while on paper mining legislation aims to ensure environmental and social protection, the implementation is questionable.

Building on this issue, decentralisation is central in the governance of mining. I argue that regional autonomy in Indonesia is a double-edged sword: on one side, it aims to ensure democratisation at a local level, with community participation, equity, justice and promoting the potential and diversity of local people (Law 22/1999); on the other hand, the high power of local governments combined with weak governance causes over-exploitation of nature that threatens freedom and dignity of local communities. It can be seen in the contradiction between the objectives of decentralisation and its implementation, as discussed below.

The objective of regional autonomy is to facilitate local governments to enhance the prosperity of people, as mandated in the 1945 Constitution, article 33 (3). For this purpose, local governments have been granted more power and autonomy to govern mining, protect the environment and enhance local development (Law 22/1999 article 7; Law 25/1999 article 6). The power of local government in the mining sector is shown in their authority to govern mining projects in all phases, such as in the determination of mining zones, issuing mining permits, supervising and monitoring exploration and production, as well as post-mining project activities such as reclamation, sales, as well as allocating the mining revenue (Law 4/2009). Indeed, local governments have right to receive 80% of the mining revenue derived from royalties and land rents that can be used to fund local development.

However, its implementation at the local level was not accompanied by state effectiveness (Ramage, 2007), which is a necessary condition for achieving human security (Polanyi, 2001; Howe, 2013). A study on the Indonesian governance index in 2012 conducted by the Partnership for Governance Reform (*Kemitraan*) supported by the Australian Agency for International Development (AusAID) considered that local governments in Indonesia had reached fair governance at best, and had not reached good governance. More specifically in the context of this thesis, it ranked East Kalimantan the lowest (22/33), compared to Central Kalimantan (12/33) and South Kalimantan (7/33) (Kemitraan, 2012). In this regard, under conditions of weak governance, the high percentage of revenue sharing combined with the high power to govern mining activities might trigger over-exploitation of natural resources, since local governments are keen

to get approximately 80% of revenue to increase local economic growth. Moreover, in numerous cases local government officials have been embroiled in corruption cases (KPK, 2014a, 2014b) [Int.: Hidayati, National Executive Director of Walhi, 2016; Int.: Siregar, former leader of Jatam, 2016].

Despite of the presence of these potential challenges, Indonesia – especially the central government – seeks to implement a development agenda to improve the governance of mining. Based on the new mining law, the government also attempts to obtain decommodification of land and labour to minimise the negative impacts of mining on human security, as discussed in the following sections.

8.3.2 Improving the Governance of Mining

Building on the theoretical framework discussed in Chapter 3, several indicators can be used to investigate how far the Indonesia government seeks to improve the governance of mining in terms of state effectiveness, political accountability (especially accountable government, rule of law and law enforcement, and corruption eradication), and also active participation of the citizen. The issue of participation of civil society has been discussed in Chapter 7 of this thesis, thus this section only discusses the issues of the accountability of government, law enforcement, and corruption eradication.

The government of Indonesia has managed to handle the problems related to the issue of accountability, law enforcement, and corruption eradication by promoting a program namely Coordination and Supervision *Minerba* (*Korsup Minerba*). The main purpose of this program, in preparation since 2014 and launched in 2014, is to eradicate corruption in natural resources revenues, including mining. However, I argue that corruption is a complex system, not merely about bribery and taking money through illegal actions. Corruption is a socio-economic problem that arises in a bad system with a lack of control (Henderson & Kuncoro, 2004; Lopez-Claros, 2014), caused by 'social and political structure, motivations, political economy, as well as institution and culture' (Smith, 2007, p. 187). Therefore, combatting corruption needs a

comprehensive approach by increasing accountability, transparency, and law enforcement.

Building on the conception of governance (Smith, 2007; Ansell & Gash, 2008; Emerson, Nabatchi, & Balogh, 2011), to eradicate or at least reduce corruption, KPK needs a collaborative governance in terms of actors and actions. Collaborative governance requires the involvement of multi-stakeholder consists of state and non-state actors that work together through collaborative actions. I argue that this mechanism has been implemented within *Korsup Minerba*, especially in the National Movement of Natural Resources Rescue (*Gerakan Nasional Penyelamatan Sumber Daya Alam/* GNPSDA). Regarding the actors, *Korsup Minerba* under the leadership of the KPK, has been working by involving multiple stakeholders including central government consisting of 12 institutions including the army, police, attorney general and other state agencies; 31 provinces; and CSOs (KPK, 2014b; PWYP, 2017b).

Korsup Minerba seeks to conduct comprehensive actions by investigating and reforming from the early stage of the mining process until post-mining operations. It is applied by following a sequential process from reviewing the policies on mining, as well as identifying the problems and the impacts of the policies. The finding of this investigation is followed up through: re-arrangement of the mining permits and law enforcement regarding the implementation of financial obligations, production obligation, the implementation of obligation on producing and selling processed mining, and sales supervision including the transportation/ shipment. As a result, based on MoEMR Regulation 43/2015, the government launched the 'Clean and Clear' (CNC) certificate given to the mining corporations that have fulfilled the administrative, territoriality, technical, environmental, and financial requirements.

The question may arise regarding the effectiveness of this program, considering the potential challenges explained in the previous section. I argue that the immediate result of *Korsup Minerba* shows an effective outcome to manage the mining permit in accordance with good mining practice. As reported by KPK, as of 2 June 2015 the government identified non-CNC mining permits as totalling approximately 1,198 coal mining permits and 4,276 overall mining permits,

including mineral and coal (*Directorate General of Mineral and Coal*/ DGoMC MoEMR, 2015). This finding was followed up by giving sanctions according to a scale from light to heavy, such as written warnings, suspension of mining activities, and revocation of mining permits depending on their failure to fulfil CNC requirements (MoEMR Regulation 43/2015 articles 7-20).

Indeed, the effectiveness of this policy is reflected in the declining rate of corruption as reported by Transparency International (2008, 2017); although it is still considered as highly corrupt, Indonesia has achieved progress in the corruption eradication by moving from the rank of 126/180 in 2008 to 96/180 in 2017. Nevertheless, the high number of non-CNC mining permits reflects the acute problems in the Indonesian mining sector. Therefore, central government and several local governments implemented a moratorium of new mining permits to give adequate time for the government to maintain the existing mining permits following the principles of good mining practice and sustainable development (CNN Indonesia, 2016).

The positive outcome of *Korsup Minerba* can be explained through investigation of the reinforcement of central government and law enforcement regarding the governance of mining. It can be seen in the replacement of Law 32/2004 with Law 23/2014 concerning Local Government, within which there is a strengthening power of central government to supervise local governments as well as an increase in the power of provincial governments, while reducing the power of municipal/ district governments. Based on the new regulation, central government takes several initiatives, especially with regard to law enforcement in the mining sector. Law enforcement is a keyword for improving the governance of mining and ensuring human security. As stated by Polanyi, ‘the true answer to the threats of bureaucracy as a source of abuse of power is to create spheres or arbitrary freedom protected by unbreakable rules’; for this purpose, institutions are required to make the rights of society effective (2001, p. 264). In the context of Indonesian mining, currently (at least until 2015, which is the end time limit this study) the institution that has power to ensure law enforcement is KPK.

I argue that in order to combat corruption including in the mining sector, which is endemic in Indonesia, KPK has high authority and power to supervise and monitor all government institutions and related stakeholders. Indeed, it seems that all institutions in Indonesia are subject to KPK, as a government official in East Kalimantan noted:

> The involvement of KPK in the mining sector since 2014 through Korsup Minerba encourages government institutions related to the mining, at central and local level, running internal supervision as well as checking data of the mining business in their area. Indeed, it has caused panic of the government institutions; as a result, they blame each other for the problems that occurred within the mining sector [Int.: GOVAa2, a government official of East Kalimantan, 2016].

The high power of KPK can be seen in Law 30/2002 concerning the Commission for the Eradication of Criminal Acts of Corruption as the legal basis for the authority of KPK, based on which KPK is allowed to examine the bank accounts of suspects, conduct wiretaps, freeze suspects' assets, issue hold orders, and make arrests (Jasin, 2012). Article 3 of the Law states that the 'KPK is to be a state agency that will perform its duties and authority independently free from any and all influence'. Indeed, article 14 states that KPK has authority to:

(a) Conduct reviews of the administration management systems of all state institutions;
(b) Provide suggestions to the leader of state agencies, should the KPK's review reveal an administration system that is prone to corruption; and
(c) Report to the president, the parliament, and the state auditor, should the suggestion of the KPK be ignored by potentially corrupt state agencies.

Based on the law, KPK has a high power to conduct several programs to improve the governance of mining. It is supported by central and local governments as well as other state institutions such as the Indonesian National Army (*Tentara Nasional Indonesia/* TNI), the Attorney General, and the Indonesian National Police who are committed to improve the governance of mining through a

'Declaration of National Resources Rescue' held on 19 March 2015 (ACCH/Anti-Corruption Clearing House, n.d.). As a result, KPK has wide space to enhance law enforcement that is crucial for ensuring human security.

8.3.3 Ensuring the Human Security of Local Communities

This section focuses on the current state regulations and control in the mining sector for protecting human security, especially pertaining to the decommodification of land and environmental protection, as well as of labour and social protection. Building on the theoretical framework discussed in Chapter 3 of this thesis, I develop the analysis of state governance for ensuring freedom from want, fear, and to live in dignity of local communities following the UNDP's human security vision. It classifies possible sources of threats to human security into several elements (economic, food, health, environmental, personal, community, and political security). Building on Polanyi's work, indeed, the main way for achieving human freedom is state intervention through planning, regulation, and control for realising decommodification of land and labour (Polanyi, 2001, p. 265; Changiani, 2012, p. 37).

I argue that the current state governance of the Indonesian mining shows a great focus to ensure the human security of local communities, as shown in the new mining law as well as in the strategic planning proposed by MoEMR consisting of pro-growth, pro-environment, pro-poor and pro-job (Law 4/2009; DGoMC, 2016). Nevertheless, its implementation encounters significant problems that could be counter-productive with the mission to achieve human security. For instance, while the government plans to enhance social and environmental protection, as stated in development planning (RPJM 2010-2015), in the context of mining, the pro-growth strategy is implemented by expanding mining exploitation through the direct commodification of nature. Derived from the central argument of this research, in this regard, commodification of nature as consequence of pro-growth strategy through mining exploitation is detrimental to human security. In other words, while the government purports that it aims to achieve human security, in reality it functions to commodify nature and undermine human security.

Examining Decommodification of Land and Human Security Protection

Following Polanyi's work, I argue that human insecurities of local communities are a result of the commodification of land, by which land is not seen from the perspective of its usefulness for housing or providing livelihood, but as an economic commodity to get material and monetary gains following the market price through selling and buying (Gerber & Gerber, 2017). It becomes the main source of the problems in the mining sector since it impacts not only on environmental degradation but also on the livelihood that ensures freedom from want and fear and which is part of living in dignity for local communities. Indeed, land problems lead to social conflict, violation, criminalisation, and displacement that cause fear as well as threatening dignity of local communities [Int.: Anas, an official of AMAN, 2016; Amin, an official of AMAN Paser EK, 2016].

This section seeks to unearth Polanyi's work, namely the decommodification of land in the Indonesian mining context, by integrating pro-environment policies proposed by government as a potential solution of the tenurial and environmental problems. However, it is also influenced by pro-growth strategy within which government seek to accelerate economic growth through commodification of nature. According to Polanyi (2001):

> To remove land from the market is synonymous with the incorporation of land with definite institutions such as the homestead, the cooperative, the factory, the township, the school, the church, parks, wild life preserves, and so on. However widespread individual ownership of farms will continue to be, contracts in respect to land tenure need deal with accessories only, since the essentials are removed from the jurisdiction of the market (p. 259-260).

Nevertheless, it is hard to exactly implement Polanyi's argument on decommodification of land in the context of the mining sector since the basic commodity in the mining project is nature. Therefore, decommodification in this context does not mean the elimination of private ownership of the land but the limitation of selling and buying of the land to obtain profit. It aims to minimise

the over-exploitation of nature that is fundamental to mining as reflected in determination of mining zone/ area[20].

In the Indonesian mining context, while part of the mining area is converted from private land ownership, especially that belonging to conventional farmers, the mining area is also converted from public land located in the forest that is managed under Ministry of Environment and Forestry. While the issue of land claim between mining corporations and private owners depends on the agreement among them, government under Law 41/2009 concerning Protection of the Agriculture Area for Sustainable Food article 44 prohibits the conversion of agriculture area designed for enhancing sustainable food for other purposes (Law 41/2009; National Development Planning Agency/ Bappenas, 2015). Meanwhile the public land in the forest area is regulated under the Law of Forestry supported by regulations issued by the Ministry of Environment and Forestry. According to the Law 41/1999 concerning Forestry, article 38 (3), the use of forest for mining is based on the Forest Borrow-to-Use License (*Izin Usaha Pinjam Pakai Kawasan Hutan* - IPPKH) issued by the Ministry of Forestry by considering the time limits and sustainability of the environment.

However, in addition to problems related to private land ownership, land claim problems in the mining sector also arise due to the nature of public land/ forests where the indigenous people used to live, and getting livelihood, which is currently under the Ministry of Forestry. Although the mining corporations are not the owner of the public land, since their existence in the area is based on 'Forest Borrow-to-Use License', the mining permits is granted for a very long-term maximum approximately 47 years, i.e. seven years for exploration phase, and 20 years for production phase that can be extended for 10 years, plus 10 years (Law 4/2009). It is also complex due to which in some areas it raises tensions between indigenous people, government, and mining corporations due to unclear regulations of indigenous people land as well as causing direct

[20] The Law 4/ 2009 article 1 differentiates the definition of mining zone and the mining area. Accordingly, the mining zone (*Wilayah Pertambangan/ WP*) means 'a zone that has potential minerals and/or coal and is not bound by governmental administrative boundaries as part of the national spatial planning'. Meanwhile the mining area (*Wilayah Usaha Pertambangan/ WIUP*) means part of a mining zone that already has data, potential, and/or information about the geological availability'.

violence that threatens freedom from fear and dignity due to displacement. The mining sector, moreover, is a capital-intensive industry that employs only limited trained workers as opposed to indigenous people. However, it does not support the livelihood of indigenous people and even threatens their freedom and continued survival in their traditional form, as their livelihoods become untenable due to the effects of land conversion (Laplante & Spears, 2008).

The issue of decommodification of land in Indonesia, therefore, is not only about selling and buying between land ownership and the corporation, but also ensuring the human security of indigenous people especially related to the right of indigenous people to live in the area safely. In this context, the Forestry Law (Law 4/1999 articles 4, 5, 37) regulates that in governing the forest, the state must consider the right of indigenous people as long as supported by sufficient evidence, and not contrary to the national interest. However, the interpretation and implementation of the law is complex determined by the interest of the actors [Int.: Abdi & Anas, officials of AMAN, 2016]. As a result, land claim problems in mining are complex (Fraser Institute, 2000, 2013-2015) and even causing violence.

Considering the complex problems, the new mining law mandates that the government shall be concerned with the notion of sustainable development and human security in determining mining zones and mining areas (the initial phase of mining incursion in local areas). In comparison, Law 11/1967 gave flexibility in the determination of mining areas, the new mining law has deeper regulation and control over mining areas. Law 4/ 2009 regulates the mining area in one chapter consisting of 25 articles, i.e. Chapter V articles 9 to 33. Indeed, to implement the law, the state issued GR 22/2010 concerning the Mining Area, and the MoEMR/ PerMen 37/2013 on Technical Criteria of the Mining Area.

In order to de-commodify the land and resolve problems of land claims, the determination of the mining area must be guided and integrated within national sustainable development planning and reflect the aspiration of the people. This is part of agrarian reforms that seek to ensure the right of people and to mitigate conflicts over land claims. In the Indonesian current policy, the mining zone is proposed by central government with the assistance of the provincial and

municipal government, approved by the House of Representatives (*Dewan Perwakilan Rakyat/ DPR*). It is determined by considering spatial planning and national development planning that focuses on sustainable development. As stated by the Law 4/ 2009 Ch 5, article 9 (1), 'mining zones as part of the national spatial planning shall be a foundation on which mining activities are determined'. The new mining law also mandates government concern about human security in determining mining areas, as stated in Law 4/2009 article 18, concerning the criteria of mining areas that consist of geographical locations, conservation principles, carrying capacity of the environment, optimisation of mineral and/ or coal resources, and the rate of population density.

Indeed, as stated in GR 22/2010 concerning the Mining Area article 20 (2) point f and g that the mining zone is 'an area that can be utilised for mining activities on a sustainable basis' (point f); indeed, it is also 'an area designed for mining in accordance with the spatial planning' (point g). As noted previously, however, there is inconsistency in policies regarding decommodification of land, human security protection, and the national development agenda. While mining legislation clearly regulates the determination of mining zone by respecting the rights and aspirations of local communities, its implementation routinely crushes the latter.

The implementation of mining law is driven by a national development agenda that seeks to increase national income and economic growth through optimising mining exploitation. This is based on the reason that the mining sector is an integral part of national development, since the state places the mining sector as the source of capital for funding development, and also as a basic commodity to support development as stated in RPJPN 2005-2025. The importance of the mining sector is also stated in the five-yearly RPJMN as the implementation of RPJPN 2005-2025, and the realisation of vision, mission, and programs of the President[21]. In turn, RPJMN guides the Ministry of Energy and Mineral

[21] While Indonesian development planning is guided by RPJPN 2005-2025, it is also influenced by the vision, mission and development programs offered by President and Vice President as a consequence of the implementation of direct elections since 2004.

Resources (MoER) to formulate Ministerial and Institutional Strategic Planning (Renstra-KL) to govern the mining business.

Indonesian national development planning does not clearly mention the notion of human security nevertheless the substance of the development planning aims to ensure the freedom and dignity of local communities. According to RPJPN 2005-2025, one of the most important targets of development is the realisation of prosperity of people that can be achieved by implementing sustainable development, increasing economic growth, protecting the environment and society. To achieve these goals, more specifically, the government applies an integrated, four-pronged strategy: pro-growth, pro-environment, pro-poor, and pro-job, as stated in the RPJMN 2010-2014 that is adopted by MoEMR in developing Renstra-KL to govern the mining sector (Salim, 2015; Center for International Forestry Research/ CIFOR, 2014).

However, I argue that the government's approach to sustainable development achieves only weak sustainable development within which I argue the commodification of nature still exists and cause human insecurity. This is evident in several documents such as the RPJPN 2005-2005 Chapter IV.1.6 (2), and Law 4/ 2009 concerning Mineral and Coal Mining, as well as revealed by Bappenas. Accordingly, natural resources are a major consideration in the Indonesian economy, past, present, and future, since they provide a source of capital for development and supporting the availability of foreign exchange stock that is useful for increasing economic growth. Indeed, mining revenue is allocated to accelerate economic growth by investing in other economically productive sectors and for the rehabilitation and conservation of certain areas, as well as funding research on alternative natural resources (Bappenas, 2011).

In line with this, governments at the local level of East Kalimantan, Central Kalimantan, and South Kalimantan, while concerned about sustainable development, also place mining as a source of local income and funding for development. Local governments argue that the mining exploitation can be considered as part of economic transformation towards renewable natural resources-based economic development, for which mining is needed to provide capital (Ishak, 2013) [Int.: GOVA1, a government official of East Kalimantan,

2016; GOVB1, a government official of Central Kalimantan; GOVC1, a government official of South Kalimantan, 2016]. Indeed, the idea of weak sustainable development is also reflected in the document of long-term local development planning (RJPMD*)* 2005-2025 of the provinces (attachment of Local Regulation of East Kalimantan 15/2008; Local Regulation of South Kalimantan 17/2009; Local Regulation of Central Kalimantan 4/2010).

Indeed, in order to accelerate growth, government tends to exploit natural resources, as reflected in the government program namely *Masterplan for Acceleration and Expansion of Indonesia Economic Development/ MP3EI 2011–2025*. This program aims to accelerate the achievement of economic development planned in the RPJP 2005-2025 by placing coal mining as one of the priority sectors for facilitating economic acceleration. For this purpose, Kalimantan is designated for the Center for Production and Processing of National Mining and Energy Reserves (Bappenas, 2011). MP3EI emphasises that:

> The general strategy for economic development in the coal mining sector is to encourage the extraction of large coal deposits located in inland Kalimantan, accessible with adequate infrastructure and supported by proper regulations while maintaining environmental sustainability. (*ibid*., p. 98)

I argue that the notion of weak sustainable development especially MP3EI program is going to deeper commodify and exploit nature in Kalimantan as well as endanger the life of indigenous people who depend on genuinely renewable economic activities for their livelihood. This program is contradictory with the objective to protect the environment and society under sustainable development programs. Despite it being said that the exploitation of inland Kalimantan is conducted through proper regulations and environmental sustainability, the inland forest area in Kalimantan is a buffer zone for environmental protection. Indeed, Indonesia lacks law enforcement regarding environmental protection that has not been resolved until the very recent era. Hence exploiting inland Kalimantan could lead to environmental problems and endanger the lives of

indigenous people, and their continued existence as ethnic identities [Int.: Marut, former leader of INFID, 2016].

Examining Decommodification of Labour and Human Security Protection

Decommodification of labour, in the simplest terms, can be understood as conceptualising labour as a human entity entailing rights and responsibilities for workers and employers, rather than subjugating the human value of workers and treating them (i.e. the value of their labour) as a commodity akin to other inputs in industrial processes. In practical terms, it entails that basic wages, hours of work, working conditions, and modalities of contract are not determined solely in free markets, between employers and labourers, but in a matrix including liaison with the state, trade unions, and other public bodies governed by legislation and regulations (Polanyi, 2001, p. 259).

However, while Polanyi's concept of decommodification is useful for protecting labour, it does not comprehensively touch the real problems associated with the mining industrial activities in society. It is limited to consideration of labour relations in terms of actual work within the industrial processes of immediate concern, whereas the most egregious and extensive commodification of labour in the context of Indonesian mining occurs outside mining itself in the realm of displaced farmers and indigenous people as well as freelance or contract mining labour. These are the most vulnerable parties who need protection, as opposed to permanent mining workers who generally receive a high income and other facilities from the mining industry as discussed in Chapter Six of this thesis.

Borrowing the logic of Cardoso and Falleto's (1979, p. xvi) argument, 'local dominated groups' such as freelance and temporary contract workers, have to fight against coercion and potential exploitation applied by the mining industry as the 'dominant class'. Hence, as opposed to discussing the decommodification of labour in terms of permanent mining workers that receive benefit from the mining industry, this section examines social protection through pro-job and pro-poor strategy to protect human security of freelance workers and poor people. As stated by the UN, human security is achieved by the 'protection and empowerment of people' (UNOCHA, 2009, p. 8). Yet, to ensure human security,

it is necessary to develop a comprehensive approach consists of top down (protection) and bottom-up (empowerment) approach through a strategy of pro-poor, and pro-job.

This subsection seeks to examine the implementation of protection and empowerment in the Indonesian mining sector to ensure the human security of local communities by integrating the investigation with Polanyi's forms of embeddedness, namely redistribution. According to Polanyi (2001, p. 55), redistribution 'tends to enmesh the political system proper in social relationships' because it 'obtains within a group to the extent that in the allocation of goods (including land and natural resources) they are collected in one hand and distributed by virtue of custom, law, or ad hoc central decision' (*ibid.*, p. 40). This conception can be used to understand the allocation of state revenue obtained from the mining sector to achieve freedom for local communities. It is through an analysis of how far state utilises the resources for protecting the vulnerable local communities in the context of mining industry.

- **Pro-Poor Strategy**

Pro-poor strategy aims to enhance equitable distribution of income through the implementation of community development and CSR, as revealed in Law 4/ 2009 article 108 and GR 23/2010 articles 106-109. Law 25/2007 concerning investment regulates that CSR must be conducted by corporations for the purpose of establishing a good relationship with local communities. In the Indonesian context, there is a gradual embeddedness of community development, from charity and voluntary programs to be more embedded in political institutions governed by the state. The state has authority to control community development from pre-, during-, and post-mining community development phases. Pre-mining project refers to the phase of application for mining permits for which the mining corporations need to submit documents of community development planning. Meanwhile, during the phase of exploration and production, the corporations establish community empowerment, community relations, and community service. This process is consolidated during the post-mining project phase (DGoMC, 2010).

On paper, these steps of community development might support poor people who are vulnerable due to the mining industry. It also aims to encourage participation of local communities by establishing a CSR forum consisting of representatives of corporations, local communities, and government to accommodate the aspirations of local communities through a bottom-up approach. Nevertheless, Indonesia lacks law enforcement and accountability, since there is no clear guidance on the implementation of CSR, especially related to the amount of CSR funding and the allocation of the fund. As a result, while it might help, the role of CSR to support community development has not been optimum [Int.: GOVA4, a government official of East Kalimantan, 2016]. Indeed, an operational manager of a domestic mining company told me that his company had not conducted community development despite having been in the production phase for a while [Int.: COMB1, an official of the mining company, 2016]. In particular areas, moreover, CSR also causes conflict among local communities due to unequal distribution as discussed in Chapter 7 (section 7.3.1) of this thesis [Int.: Siregar, former Jatam leader, 2016].

- **Pro-Job Strategy**

Pro-job policy obligates the mining industries to empower local community through hiring local workers and to use local service and local content required in the mining project (Law 4/2009 article 9). This is part of national development planning to reduce unemployment and poverty. For this purpose, the government seeks to encourage domestic workers by limiting the number of foreign workers as well as obliging them to transfer knowledge to domestic workers (Law 13/2003 articles 42-49). At a local level, local governments oblige mining corporations to provide special allocations and give priorities to local workers. While the mining corporations have technically allocated space for local workers, this has often been unfulfilled due to local workers lacking necessary skills or preferring to work as government officials due to the greater prestige of this carrier compared to working in the private sector, particularly in a practical role such as skilled labour [Int.: COMA1, an official of the mining company, 2016; GOVA3, a government official of East Kalimantan, 2016].

Furthermore, there are many situations within which local communities (particularly indigenous peoples) are familiarised with a primordial lifestyle of small-scale cultivation and housing, with freedom and flexibility of working hours, thus it is difficult for them to adapt to sedentary roles and lifestyle with fixed, compulsory hours of employment, thus if they are employed in mining companies they rarely stay for long [Int.: GOVB4, a government official of Central Kalimantan, 2016; Mahlan, an official of Chemical, Energy and Mining Workers Union, 2016; LC-B4, local community, 2016]. Therefore, from the perspective of agency of local communities, they are incompatible for working in the mining industry, as their basic knowledge is limited and they are only realistically capable of performing traditional agricultural labour. Industrialisation brought in by the mining industry as occurred in East Kalimantan, which is technologically and capital-intensive, fail to support pro-job strategy that the government expects to be a major solution to unemployment. Indeed, it creates new unemployment due to land conversion, causing farmers and indigenous people to lose their jobs and livelihoods. In contrast, as I previously discussed, Central Kalimantan has a better performance of human security of local communities since Central Kalimantan focuses on agriculture industry that is compatible with the skill of local labours, allowing local labours and local farmers to participate and getting benefit from the industry. As a result, although Central Kalimantan' income is only about one fifth of East Kalimantan's revenue, it has a better performance of the human security of local communities shown in the poverty and unemployment rate (BPS Kaltim, 2012, 2014a, 2016b; BPS Kalteng, 2012, 2014, 2016).

8.4 Conclusion

The purpose of this chapter is to investigate the extent to which state governance protects the human security of local communities from the impacts of mining. It is found that while the state concerns on the protection of the human security of local communities, commodification still occurs due to national development agenda that seek to exploit the nature for increasing economic growth. Indeed, the notion of weak state effectiveness and political accountability such as

overlapping policies and unaccountable governments hinder state efforts to improve the governance of mining and to protect human security. Building on the investigation of this chapter, several findings and contributions can be highlighted as follows.

Firstly, this chapter contributes to examine Polanyi's argument on the role of the state in ensuring freedom of local communities through decommodification of land and labour as well as the notion of redistribution of mining revenue. Polanyi's arguments converge on some points such as the need for state intervention. In the context of Indonesian mining, Polanyi's work is reflected in the transformation from low to high state intervention that can be seen in the governance since pre-, during-, and post-mining projects. It reflects decommodification of land and labour as well as increased embeddedness and even resources nationalism. Specifically, it is shown in the determination of mining area based on spatial planning that involves central, provincial, and municipal government and the parliament. Indeed, several provincial governments issue provincial regulations that oblige the mining industry to provide special allocation of job for local labours, as well as enforcing CSR and community development.

However, some elements of the Polanyi's theory are not necessarily applicable in the Indonesian mining context. Unlike Polanyi's suggestion that decommodification of land can be done by removing land from the market, in the Indonesian mining context commodification of land is defined narrowly by focusing on limiting intensive land buying and selling for mining area. Decommodification of land in the context of Indonesian mining entails the government taking a more active role to plan, regulate and control determination of mining zones. On paper it already seeks to limit commodification of land, since mining zones are determined based on particular considerations as stated in the mining law, as well as accommodating the interests of local communities due to the involvement of House of Representatives in the determination of mining zones. However, the national development agenda that considers mining as a major source of national income for development might hinder the achievement of decommodification of land.

Moreover, while Polanyi's decommodification of labour is a useful guide for protecting the labour, in the Indonesian context it does not solve the core problems of manpower. Polanyi's decommodification of labour is more applicable on permanent mining workers which receive benefit from the mining business. In contrast, it is less applicable for freelance workers and unemployed indigenous people, who are the most vulnerable party in the mining milieu. Human security means protecting the most vulnerable in society (CHS, 2003; Howe, 2013), but in the context of Indonesian mining, decommodification of labour proposed by Polanyi is not applicable to ensure human security of vulnerable local communities. Hence, this chapter contributes to evaluating Polanyi's work as well as proposing that decommodification of labour should not only protect labour from market domination (and exploitation), but also provide social protection for both labour and non-labour members of society affected by free market activities.

Secondly, this chapter contributes to a better understanding of state governance in the Indonesian mining to protect human security. The state governance of mining shows a transformation from low to high state intervention to improve governance of mining as well as achieving human security. The governance of the mining sector is part of national development agenda that aims to cure the impacts of economic crisis 1997/1998 as well as establishing a strong basis economic foundation following the principle of weak sustainable development. More specifically, it shows counter-movements enhanced by the state within which the current state governance is in response to the impacts of rapacious profiteering by local government and the mining sector itself. I argue that the core issues problematised in the current governance are not about the presence of the investment, but the absence of genuine regulation and enforcement that has unleashed massive environmental and societal problems. This circumstance and the spread of the global consciousness of environmental protection, and sustainable development encourages government awareness to achieve better governance of mining and protecting the human security of local communities. However, apart from this awareness to improve governance of mining and to ensure human security, overlapping policies, less accountable government, and commodification continue to exist in the governance of Indonesian mining. As

a result, these circumstances hinder the achievement of human security protection.

In addition, to support the livelihoods of local communities, the government implements a pro-poor and pro-job strategy within which it seeks to provide community development through CSR and creating jobs in the mining industry for local communities. However, its implementation needs more work; for instance, as shown in the pro-job strategy, it is necessary to have a comprehensive approach that integrates local, traditional agricultural communities into industrial society. Given that most indigenous people are unskilled workers used to living in a traditional lifestyle, a pro-job strategy cannot be implemented merely by providing special job allocations or quotas for local communities, rather it requires a comprehensive approach for developing human and social capital. In other words, as suggested by UNDP's human security approach concerning protection and empowerment strategy, po-poor and pro-job strategy can be effective if it is implemented not only by protecting the vulnerable people but also by educating and empowering indigenous people. I admit that this solution might be too ambitious since one government might not be able to do everything for pleasing all stakeholders. However, it can be done step by step and sustained under long and medium term of national development planning agenda. Increased human and social capital supported by the allocation of jobs might support and sustain the livelihoods of local communities while the state continues to regulate mining operations in parallel.

Chapter Nine

Conclusion

This chapter presents the conclusion of this thesis in four sections. Section 9.1 summarises the research project, with a recapitulation of the research problems and research objectives, as well as summarising the theoretical framework and methodology utilised for addressing the research questions. It also summarises the central argument stemming from the theoretical framework, and presents the main findings and originality of this research derived from the empirical chapters of this thesis. It is followed by a discussion of the theoretical and empirical contributions of this study in section 9.2 and 9.3 (respectively). Finally, section 9.4 discusses the limitations of this study and makes some recommendations for further research.

9.1 Summary of Research Project

The purpose of this study is to explain the impacts of the mining industry on the human security of local communities in the case of the main coal mining provinces in Indonesia, namely East Kalimantan, South Kalimantan, and Central Kalimantan, whose mining investment and revenue is high, medium and low, respectively. The poverty and unemployment rate of East Kalimantan is the highest compared to that in South Kalimantan and Central Kalimantan, which have similar geographical, demographic and socio-cultural structure but have lower mining investment and revenue.

Understanding human security in the Indonesian context, especially the poverty rate, is complex, since it includes historical background, geographical conditions, and sociocultural factors at the provincial level. It is also influenced by political economic development, which is characterised by inequality between Western and Eastern Indonesia, i.e. Java, Sumatra and Bali vs. the other islands in the archipelago (Firmansyah, 2016; Afandi, 2017). Therefore, as opposed to investigating all resource-rich provinces in Indonesia, this study

focused on East Kalimantan, South Kalimantan and Central Kalimantan, which I argue are comparable since they have similar geographical, demographic, socio-political and cultural conditions and structures, but different levels of mining investment and revenue.

Nevertheless, it is important to note that compared to aggregate poverty at national level, these three provinces are relatively rich with a low poverty rate. Indeed, they have been included in the five provinces with the lowest poverty rate in Indonesia since the government began publishing data on poverty rates during the 1990s (BPS, 2016). Therefore, I argue that the notion of the resource curse explaining the paradox of plenty, stating that rich natural resources countries/regions tend to have low progress of economic development (Mehlum, Moene, & Torvik, 2006; Kolstad & Wiig, 2009), is not applicable in this context.

This thesis investigates the disruption of the human security of local communities by the mining industry, through an analysis of the mining impacts on local communities at the micro level (i.e. that of individuals or groups of people, such as mining workers, farmers, and local entrepreneurs) and at the macro or aggregate level of communities at the provincial level. I defined human security as a relative condition of "safety from chronic threats such as hunger, disease, and repression as well as protection from sudden and harmful disruptions in the patterns of daily life – whether in homes, jobs or communities" (UNDP, 1994, p. 23). This encapsulates freedom from want (poverty and unemployment), fear (violence and conflict), and indignity (displacement and human rights abuse). Meanwhile local communities can be understood as groups of people living in mining areas such as mining workers, farmers, and local entrepreneurs, including indigenous and migrant people who were resident in such areas before modern mining activities (Law 4/ 2009 concerning Mining; Jimura, 2011; Pacione, 2001; Thornberry, 2002).

In order to address the objective, I developed this as main research question:

- *Why do higher levels of investment and revenue in the mining sector fail to achieve higher levels of overall human security in local communities?*

I argue that the impacts of the mining industry on human freedom are shaped by the notion of governance, as the act of governing the mining industry involves the roles of stakeholders including mining corporations, government, civil society and local communities. Therefore, I decided to develop my investigation of the governance of mining by examining the role of these stakeholders. As a result, I divided my central research question into several sub-questions:

1. To what extent has the mining industry's commodification of land and labour affected freedom from want, freedom from fear, and indignity in Indonesian local communities?
2. To what extent have CSOs protected the human security of local communities from mining impacts?
3. How far is state governance responsible for the outcomes of the mining industry as they relate to the human security of local communities in Indonesia?

Addressing the research questions from a theoretical point of view I relied on the key themes of governance and freedom. In the simplest form, governance refers to 'the act or manner of governing' (Kjaer, 2004, p. 3), while freedom refers to the opportunity and ability to choose 'goals, means, and outcomes', autonomously or independently (Vliert, 2013, p. 465). Derived from key themes of governance and freedom, I developed a theoretical framework based on Karl Polanyi's work on double movement and moderate dependency theory, especially the works of Cardoso and Faletto (1979) and Evans (1979).

Polanyi argues that free markets cause devastating impacts on society through commodification of land and labour, which in turn threaten human freedom. This assumption is based on reason that land where people normally live and seek their livelihood is commercialised based on market value and converted into mining areas. Meanwhile, labour, which is essentially a human entity, has also been commercialised, since workers are valued based on market price. This entails consequences, including that local communities lacking in relevant skills and knowledge are unable to work in the mining industry, with its technologically intensive requirements. As a result, local communities lose their traditional jobs and livelihoods due to land conversion, and are unable to find

employment in the mining industry. In turn, the impacts of commodification of land and labour face counter-movements of civil society to protect the environment and society that seek to enhance state intervention to decommodify land and labour.

This study deductively contextualises Polanyi's work in the context of Indonesian mining. The Indonesian mining sector is dominated by FDI, which was not discussed as such by Polanyi. Therefore, it was necessary for this study to incorporate moderate dependency theory to focus on the role of FDI in developing countries. This was useful for explaining the impacts of FDI as well as global and domestic structures that affect the governance of economic development in developing countries. Building on moderate dependency theory, the governance of the Indonesian mining sector is influenced by interrelated global and domestic political economic structures, for instance globalisation, environmental protection, sustainable development, democratisation, and decentralisation. I decided to elaborate on the analysis of structure and agency in the investigation of the governance of Indonesian mining both in the phase of liberalisation and the emergence of counter-movements.

I found that the impacts of the mining industry on human security investigated in this study are not given but constructed within power relations among stakeholders in the mining industry, shaped by the notion of social political economic structure and agency of stakeholders. Building on Polanyi's double movement and using 'explaining-outcome process tracing' methods, I tracked the governance of Indonesian mining. I argue that changing global and domestic socio-political economic structures have challenged the agency of actors to govern the mining industry. Therefore, by integrating the analysis with the notion of structure and agency this study traced commodification and counter-movement during different eras of Indonesian governance: the New Order (1966-1998), the early Reform Era (1999-2009) and the later Reform Era (2009-2015).

9.1.1 Summary of Central Arguments

Building on Polanyi's work and moderate dependency theory, the central argument in this research is that the main cause of the failure of the mining industry to achieve higher levels of human security is intensive commodification of land and labour. Commodification of land can be understood as treating land as a commercial asset or commodity in the process of capital accumulation. Specifically, it can be found in the land grabbing by the mining industry facilitated by government and beneficiary local communities. Meanwhile, commodification of labour essentially refers to labour being subject to market forces that can be sold and bought under a market system.

I argue that the commodification of land and labour was mainly driven by the mining industry, facilitated by stakeholders including state and beneficiary local communities. From the state's point of view, commodification of land and labour was facilitated by government commitment to economic liberalisation, specifically the national development agenda that focuses on maximising growth as opposed to freedom of local communities. Moreover, commodification that threatens human freedom is worsened under ineffective state and political unaccountability, which ignores the interests of local communities and limits civil society participation. As stated by Polanyi (2001), accountable government and law enforcement is a necessary condition for ensuring human freedom.

In addition, from a civil society point of view, commodification is also facilitated by beneficiary local communities who seek to obtain economic gains from the mining industry. This has a parallel with Polanyi's market society, within which market values dominate the social and economic structures of society. Derived from Cardoso and Faletto's (1979) argument, there are coincident interests between the mining industry and some local groups and classes, due to which beneficiary local communities support commodification of land in the mining industry.

The governance of mining industry through commodification of land and labour as a consequence of neoliberal economic policies brings various impacts among stakeholders. In the short term the mining industry can bring employment and economic benefit to local communities, especially mining workers and local

entrepreneurs. However, this often also brings an immediate cost for farmers and indigenous people since their livelihood are highly dependent on the land. In the longer term this process is often incompatible with sustainable mining and non-mining related livelihood and the maintenance of the local environment.

Building on Polanyi's double movement, moreover, the impacts of the mining industry on human security triggers counter-movements by civil societies and the state. Civil society demands decommodification of land and labour to protect the environment and society. However, building on Polanyi's market society, part of local community supports the mining industry to sustain commodification of nature due to self-economic interest. Meanwhile, despite state facilitation of the commodification of land and labour, it also has a responsibility to protect the people. Therefore, the government seeks to improve governance and acknowledges the vision of decommodification to protect the environment and society.

However, the impacts of the mining industry (independent variable) on the human security of local communities (dependent variable) are not solely as a result of the mining industry. I argue there are intervening variables that influence the mining industry and which affect human security or insecurity, particularly in relation to the governance of mining, shaped by the notion of global and domestic political economic structures as well as agency of stakeholders. Therefore, this study interrogates the nexus of commodification of land and labour, human insecurity, and counter-movements against commodification by examining the notion of governance, structure, and agency to understand the disruption of the human security of local communities.

9.1.2 Summary of Findings

The starting point to understand commodification in the Indonesian mining industry is the notion of liberalisation since the New Order Era (1966-1998) within which the state facilitated intensive exploitation of mining by mining corporations. As I explained in Chapter Five of this thesis, liberalisation of mining was enhanced by global and domestic political economic structures. On the one side, domestic economic crisis and lack of investment compelled

Indonesia to seek foreign investment and borrow funding from global financial institutions. The combination between lack of domestic investment to enhance development and conditionalities applied by donor institutions resulted in extensive liberalisation in Indonesia to desperately encourage FDI.

Commodification of land can be seen in land grabbing for mining areas, and land selling by local communities to mining corporations. In the context of this thesis, commodification of labour can be understood as the alienation of unskilled local labourers, including those who lose their agricultural-based jobs due to land grabbing. They then have to compete in the job market, including in the mining industry, which is capital intensive and requires skilled labourers as opposed to unskilled local labourers. As a result, while the government develops the mining industry, unskilled local labourers are unable to work or only become freelancers or temporary contract workers with few rights and poor pay and conditions in the mining industry. In other words, greater mining investment increases the likelihood of the commodification of land and labour.

Chapter Six of this thesis presented findings regarding the extent to which the mining industry has affected freedom from want, freedom from fear, and indignity in Indonesian local communities. At the micro level, the impacts of the mining industry on human security vary among stakeholders. Some members of local communities, such as permanent mining workers, local entrepreneurs, and government officials might get personal economistic benefits from the mining industry, while unskilled local workers can usually achieve temporary or freelance work at best, and in most cases they do not obtain sustainable livelihoods in the new mining micro economies that dominate local areas. Indeed, farmers and indigenous people that depend on natural resources encounter directly harmful impacts due to land transfer to be the mining area, even if they attain short term financial benefits (i.e. they may benefit from selling their land in the short term, but the removal of their source of long-term economic livelihood generally results in a net loss, certainly in terms of broader, non-economic results for individuals and communities uprooted from their traditional lands and lifestyles). The number of unskilled local labourers, farmers and other indigenous people whose livelihoods are dependent on the land

outnumber those who stand to benefit from the most tangible economic benefit for local communities, land sales (BPS Kaltim, 2017a, 2017b), thus mining creates poverty and unemployment at the aggregate level of communities by effectively closing the traditional agricultural economy on which local communities depend and replacing it with the exclusive and inaccessible mining economy (at the micro level).

Furthermore, this study found that the impacts of the mining industry are not determined by whether the mining industry is run by FDI or DDI, since both have possibilities to harm human security. Most FDI in Indonesia is in the form of joint ventures with domestic state or private companies. Therefore, since human security is about the daily conditions of individuals, including freedom from want, fear, and indignity, it is difficult to precisely differentiate FDI or DDI impacts on human insecurity. I argue that the nature of mining impacts is shaped by the governance of mining, particularly in relation to the commodification of land and labour, with weak sustainability orientation tending to ignore local communities and indigenous people.

The impacts of the mining industry on human security trigger counter-movements by civil society, including local communities and CSOs. In most cases, local communities are ineffective in invoking their demands to protect themselves from the impacts of mining, and they depend on assistance from CSOs if they are to vocalise their grievances and concerns. On the other hand, while local communities have less power to influence government and mining corporations, driven by their own initiative and local wisdom, they seek to protect the environment and prevent further damage, such as by replanting forests extirpated by mining activities. In addition, with regard to the second research question, I claim that while CSOs have a positive role in the context of Indonesian mining in raising awareness regarding the impacts of the industry on human security, they lack the power to influence government policies and corporate behaviour. This is because domestic political structures hinder a more active role for CSOs. Weak state effectiveness and political accountability in the governance of mining has limited the space of freedom and power for civil society to participate in governance and control of the mining industry. As a

result, the government dominates the governance of mining, which is keen to obtain monetary gain by facilitating the interests of mining corporations as opposed to CSOs.

It should be acknowledged that Reform Era policies on mining (since 1999) show a changing style from undemocratic governance to democratic governance that gives wider space and freedom for local communities, but as argued in this thesis, democratisation in Indonesia occurred without commensurate state effectiveness and political accountability. While CSOs have the freedom to invoke their grievances, they lack effective power at the decision-making level. To address this issue, CSOs establish networks at the national and global level in counter-movements. It aims not only to influence government policies but also coal target markets, shareholders of mining corporations, and global financial institutions by shaping corporate reputations and shaming offenders in order to compel internal changes by mining corporations themselves. The efforts are facilitated by globalisation which has enhanced interconnectedness of global society through advanced technology in communication, transportation, and social media.

Finally, with regard to the third research question regarding the state's role in counter-movements, I claim that recently there has been progress in the effort to improve the governance of mining and human security protection, as manifest in current mining legislation as well as the establishment of public-private partnerships in the multi-stakeholder networks of mining governance. A notable government effort to decommodify nature is by deeply regulating the determination of mining zones. However, the national development agenda continues to dictate the governance of mining premised on the continued commodification of land and labour to optimise mining revenue. As a result, there is an inconsistency between the purported vision of sustainable national development and actual policies anchored in the absolute prioritisation of short-term revenue generation by facilitating the maximum proliferation of mining activities.

9.1.3 Originality

The originality of this research lies in three key areas, as described below. First, this study offers an innovative approach to understand the disruptive impacts of mining on the human security of local communities (i.e. the nexus of commodification, human insecurity, and counter-movements). This is a comprehensive approach to understand the underlying factors of the failure of the mining industry not leading to human security, not only from top-down perspective (i.e. the role of mining corporations and government) but also a bottom-up perspective (i.e. the role of civil society). The notion of causal mechanism is utilised as an analytical tool to assess the commodification/human insecurity/counter-movements nexus by integrating it with the notion of global and domestic political economic structure, as well as the agency of actors. As a result, my study has underscored the deep cultural and political economic symbiosis between local communities (particularly indigenous peoples), the natural environment and the global capitalism which I argue is really a very original insight.

Second, this study highlights that in order to promote the human security of local communities, democracy must go hand-in-hand with state effectiveness and political accountability. Democracy provides freedom for civil society, however a lack of state effectiveness and political accountability hinders the participation and role of civil society in the decision-making process. At worst, democracy without state effectiveness and political accountability leads to an anarchic situation within which labour, local communities, and nature can be commodified and exploited in the name of freedom. As a result, the implementation of democracy is counter-productive with regard to its original purpose of ensuring people's freedom.

Third, this study provides evidence that, from the perspective of human security, which considers threats in the daily lives of individuals, both FDI and DDI can cause human insecurity through commodification of land and labour. In this respect, the impacts of corporate behaviour on human security are unrelated to whether the corporations or agents involved represent FDI or DDI *per se*. However, there is a power that can control corporate behaviour arising from

shareholders and funding institutions, particularly in developed countries, in addition to the state. Despite acknowledging the importance of state power, this study found that market power is likely to be highly instrumental in promoting environmental and social protection, such as influencing capital markets that ultimately wield more effective control over the activities of mining corporations in developing countries.

9.2 Theoretical Contributions

This thesis sought to deductively contextualise Polanyi's work and moderate dependency theory in the context of Indonesian mining, especially for explaining the disruption of the human security of local communities by the mining industry. To achieve the objective of this research, this study deployed the key themes of governance and freedom. While existing literature concerning mining governance mainly focused on the issue of how to improve governance to obtain positive social impacts, this study was keen to trace back the notion of governance applied by mining stakeholders to explain the paradox of Indonesian mining, as previously noted. Where previous studies discussed the impacts of the mining industry on local communities, this was mainly from the perspective of corporate behaviour. However, this research comprehensively explained the impacts of mining from the perspective of governance, involving investigation of the role of mining stakeholders, including mining corporations, government, CSOs and local communities.

Derived from empirical evidence expounded in Chapters 5 to 8, I argue that some elements of Polanyi's work are applicable in the Indonesian context and guided this study to investigate the research problem. However, at some points Polanyi's arguments are not applicable in the Indonesian context, and do not cover some important aspects that arose during the field research. Polanyi wrote nearly 80 years ago about an entirely different context nevertheless the core claims of his work – commodification, double movement, and market embeddedness are still instructive for present day economic activity. Therefore, I propose refining Polanyi's work to be applicable in the context of Indonesia. The theoretical contributions consist of: clarifying the impacts of FDI on human

security, CSO networks in counter-movements, and capital markets controlling corporate behaviour.

9.2.1 Clarifying the Impacts of FDI on Human Security

From the perspective of human security, I argue that the impacts of mining industry cannot be differentiated according to whether they are enabled by FDI or DDI; both potentially disrupt the human security of local communities. The notion of commodification of land and labour threatens human security, especially for farmers and indigenous people. Under the scheme of commodification, the mining industry converts farmland and forest to mining use, often irreparably, destroying natural resources that provided sustainable livelihoods for farmers and indigenous people since time immemorial and removing their source of employment, income and socio-cultural identity. In numerous cases local communities experience displacement issues due to land transfer. Indeed, the commodification of land also raises tension and causes conflicts between local communities and mining corporations, or within local communities themselves (e.g. between advocates of selling to mining corporations and smallholders who do not wish to sell their land).

This evidence is useful for clarifying the debate between proponents of neoliberalism (and modernisation theory) and proponents of radical dependency theory regarding the role of FDI in developing countries such as Indonesia. Neoliberals posit that the mining industry, especially with FDI, brings benefits for the prosperity of host communities. Modernisation claims that economic development in developing countries is retarded by a lack of capital to fund development, lack of adequate technology, and a lack of modern social organisation and values (Hite, Roberts, & Chorev, 2015, p. 9). On the other hand, radical dependency theory believes that FDI represents external forces as a kind of new imperialism that exploits developing countries (Willis, 2011).

Both FDI and DDI drive the commodification of land and labour and thus potentially threaten human security. In other words the commodification of land and labour is greatly influenced by coincident interests between foreign and domestic actors, including beneficiary local communities (Cardoso & Faletto, 1979, p. xvi). Thus, the presence of FDI is no longer purely representative of

external forces, since foreign investors cooperate and share interests with locals, including state or private domestic companies, and beneficiary local communities themselves (Evans, 1979, p. 9).

9.2.2 Expanding the Polanyian Perspective

CSO Networks in Counter-Movements

Unlike Polanyi's work that argues that counter-movements emerge in a spontaneous way, evidence in Indonesia shows that in addition to the unorganised movement of impacted local communities, organised networks of CSOs also exist. The role of CSOs is based on their own programs and guided by broad knowledge and experience, as opposed to merely responding the impacts of particular mining corporations in specific localities. Indeed, while Polanyi's work reflects the successful story of counter-movements by impacted communities, evidence in Indonesia, as discussed in Chapter 7 of this thesis, shows that local communities lack the power to influence government policies and corporate behaviour. Therefore, they need support from CSOs.

This finding highlights the important role of civil society in development, especially for promoting human security, by enhancing protection and empowerment of people, as proposed by the UNDP's human security vision (CHS, 2003, p. 88). This fact is in line with the general position of the UN regarding human security and its dependence on networks of CSOs and other stakeholders, as stated by the Human Security Unit (HSU):

> With its emphasis on the interconnectedness of threats, human security requires the development of an interconnected network of diverse stakeholders, drawing from the expertise and resources of a wide range of actors from across the UN as well as the private and public sectors at the local, national, regional and international levels (HSU, 2009, p. 11).

Indeed, in accordance with HSU's statement, Commission on Human Security (CHS) reveals that:

> Numerous loose networks, involving a wide range of actors, are already formulating and implementing human security agendas [….] To overcome persistent inequality and insecurities, the efforts, practices and successes of all these groups should be linked in national, regional and global alliances. The goal of these alliances could be to create a kind of horizontal, cross-border source of legitimacy that complements that of traditional vertical and compartmentalized structures of institutions and states (CHS, 2003, p. 142).

Polanyi's argument emphasising the role of the state is useful for understanding the governance of Indonesian mining, especially at the domestic level that is dominated by the state, but current development shows that globalisation has enhanced the rise of various non-state actors in the governance of mining, including their roles relative to the state itself (Castells, 2002, 2010; Munck, 2007). This reflects the increasing interconnectedness of global communications compared to Polanyi's own era, one of whose defining characteristics is the networking of CSOs worldwide.

Consequently, while economic globalisation accelerates the commodification of land and labour in the form of increased FDI and even forms of neo-colonialism, which threaten the human security of local communities (especially farmers and indigenous people), a feature well-known to Polanyi, it also universalises the norms of environmental and human rights protection. It also encourages interconnectedness in global civil society, as seen in the proliferation of CSO networks participating in global governance, which could not be foreseen in Polanyi's time (beyond state-centric international socialist organizations) (Weiss, 2003; Gulbrandsen & Andresen, 2004).

CSOs establish networks at national and global levels to leverage their power to promote the protection of the environment and society. Indeed, multiple stakeholder governance, which involves the role of state, civil society, and market/ corporations, are common in the governance of mining. Therefore, it can be argued that while Polanyi's work emphasising the role of the state is useful for understanding the commodification of land and labour and its impacts on

human security, it is important to pay attention on the role of non-state actors in addition to the role of state to obtain decommodification of land and labour.

Capital Markets Controlling Corporate Behaviour

Polanyi believed that the success of counter-movements is due to the role of the state, held by accountable government and the active participation of civil society (Block & Somers, 2014). In this regard, Polanyi did not explain counter-movements in the context of weak state governance, as in the case of Indonesia, where the government is latently unresponsive to accommodate the demands of civil society, thus other mechanisms are needed to support human security protection. Based on the evidence discussed in Chapter 7 of this thesis, capital markets and target product markets could be alternatives for controlling corporate behaviour.

In the Indonesian mining context, while counter-movements seek to influence the state by lobbying and using intervention methods, network CSOs seek to influence shareholders, financial institutions, and target markets by shaping corporate reputation. They argue that this is the most effective strategy as corporate reputation is very important, especially for public limited companies whose shares are traded in the capital market. Negative news and information can incur boycotts and even organised divestment campaigns that reduce their share prices, while positive news of CSR activities can have the opposite impact. Hence, this study proposes that under conditions of weak governance, within which the government does not play the role expected in the Polanyian paradigm, capital markets can be an alternative to control corporate behaviour. This strategy can focus attention on environmental and social protection, particularly as these issues tend to resonant in metropolitan, advanced economies (i.e. in former imperialist countries that are the main sources of FDI).

The power to control corporate behaviour is an important aspect of human security, especially in relation to the decommodification of land and labour. The state has the ultimate power to govern the mining industry at the domestic level, however weak governance, manifest in weak law enforcement, unaccountable government, limited participation of civil society, and corruption, hinders the effectiveness of the state's role in counter-movements. On the other hand,

despite the market enhancing the commodification of land and labour, it can also be a tool for controlling corporate behaviour, especially through share and product markets. Therefore, it can be argued that the current global governance of mining, especially the nexus of commodification and decommodification, is complex, and is not merely about the state vs market, but also involves the universalisation of the norms of environmental and human right protection, including within markets themselves.

9.3 Empirical contributions

In accordance with the purpose of this research to provide sufficient explanation regarding the paradox of the mining industry, this study provides empirical contributions and policy reflections. It is useful for stakeholders in Indonesian mining to evaluate the governance of mining in order to achieving better governance in the future. The empirical contributions presented in this section are mainly based on analysis of governance of mining derived from Polanyi's double movement and moderate dependency theory.

It was found that commodification and state ineffectiveness (weak law enforcement, unaccountable government, limited participation of civil society, and corruption) are the main source of the failure of higher mining investment to enhance higher levels of human security. Commodification, the default position of free markets, originates in the case of Indonesian mining in the liberalisation of the industry, enabled by government deregulation, privatisation, and other concessions to facilitate mining business activities, accompanied by a lack or regulations (or enforcement of regulations) for environmental and societal protection. Mining sector gives a fillip to the commodification of land and labour with a lack of accountability and corruption. In other words, following the soft Polanyian perspective, while the mining industry can operate for the purpose of fulfilling mineral and energy needs, the industry should be governed by state intervention under democratic state effectiveness and political accountability, otherwise it is intrinsically oppressive.

This study found that democratisation must go hand in hand with state effectiveness and political accountability. While democracy enhances the freedom of civil society to participate in governance, weak state effectiveness and political accountability might hinder the effectiveness of development. Democratisation without state effectiveness and political accountability could lead to chaotic governance that causes intensive commodification of nature in the name of freedom. This is evident in the context of Indonesia in the Reform Era followed by decentralisation policies. Democratisation since 1999 provided freedom but not state effectiveness and political accountability; as a result, it led to an intensification of the commodification of nature for economic purposes.

The governance of mining in Indonesia changed over time from undemocratic centralism with a limited role for civil society under the New Order paradigm to a more democratic model with wider freedom of civil society since the Reform Era. Indeed, the new mining law (Law 4/2009) shows government efforts to improve mining governance with specific concern about environmental and societal protection. However, the issue of weak state effectiveness and political accountability still prevents any substantial *de facto* progress in these dimensions, especially given the confused power relations between central and local governments due to decentralisation policies. The former tends to espouse a sustainable development vision while the latter is usually preoccupied with moneygrubbing local schemes, including lucrative mining projects. This also presents a disconnect in economic policy, as the main motivation for the national aim of improving mining governance and industrial policy generally towards a more sustainable model is to promote the brand image of Indonesia as a suitable destination for FDI. However, ironically, the way in which FDI projects unfold in the realm of local governance typically reiterates the commodification of labour and the environment. Therefore, under weak state effectiveness and political accountability that ignores the interests of local communities, commodification threatens human security and the very existence of local communities.

9.4 Research Limitations and Recommendations

Several limitations can be identified in this research, especially related to methodological issues. As discussed in Chapter Four of this thesis, the chief limitations of this study are its nature as a single case study, and process tracing methods analysis. I argue that the selected methodology is the most suitable for interrogating the nexus of commodification of land and labour/ human insecurity/ counter-movements against commodification. Specifically, it is useful for investigating the disruption of the human security of local communities, since human security is about daily individual experiences related to the 'safety from chronic threats such as hunger, disease, and repression as well as protection from sudden and harmful disruptions in the patterns of daily life – whether in homes, jobs or communities' (UNDP, 1994, p. 23). However, I also admit that this approach has limitations, as described below.

The single case study has an obvious limitation in terms of external validity, especially related to the generalisation of the findings. As a single case study, this research only focused on the governance of mining in the Indonesian context, based on the evidence in Indonesia, which provides little basis for generalisation (Yin, 2003, p. 10). Nevertheless, as I argued in the methodology chapter, generalisation is not merely about the number of sample or population being investigated under statistical generalisation, rather it can also be interpreted as analytical generalisation, within which a single case study can be generalised based on theoretical propositions. The replication of the implementation of theoretical proposition in other single case studies might be useful to support analytical generalisation. In other words, generalisation in a single case study can be enhanced by doing a multiple set of research through a replication of the same phenomenon in different cases (*ibid.*). Put simply, comparative research might mitigate the generalisation issue.

This study compensated for this issue by exploring the cases of East Kalimantan, South Kalimantan, and Central Kalimantan, whose mining investment and revenue is high, medium, and low, respectively. These neighbouring provinces have similar geographical, demographic, and socio-cultural characteristics, therefore the selection of these cases was purposive, to limit potential variables

in the research. They also have similar authority to govern natural resources due to decentralisation policies. Nevertheless, despite decentralisation policies transferring more power over mining activities and revenues from central to local government, in fact the policies of local government must be in line with central government. Thus, this research actually is about a single case study of Indonesia. Therefore, I suggest that a comparative study that compares the same phenomena and theoretical propositions, but in different cases (countries) to provide stronger analysis.

In addition, the application of mixed methods might strengthen the analysis. Mixed methods that can be defined as 'the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study' (Johnson & Onwuegbuzie, 2004, p. 17) can enhance the data gathering and analysis to make the results 'more accurate or the inferences more useful' (Rocco et al., 2003, p. 21). Therefore, investigating the governance of Indonesian mining and human as security can be done by combining qualitative and quantitative approaches, entailing consideration of the 'which strengths' of these approaches are desirable for the purposes of the research (Morgan, 2014, p. 61).

Furthermore, this research applied 'explaining-outcome process tracing' methods to analyse the data, which is useful for tracking the governance of Indonesian mining during different eras, particularly the New Order, Early Reform and Later Reform Eras. This approach allows this study to identify causal mechanisms in the governance of mining, influenced by the notion of global and domestic political structure as well as agency of the stakeholders. Nevertheless, there might be potential of 'incorrect inference' due to the ability in identifying potential variables that influence causal chain in the governance of mining. Therefore, this study anticipated this issue by implementing three potential strategies: (1) developing a causal graph based on theoretical framework, (2) providing a set of event history maps based on evidence in the field, and (3) providing a descriptive inference by corresponding the causal graph (point 1) with event history maps (point 2) as discussed in section 1.4 of this thesis (Waldner, 2015).

Lastly, I had a limitation regarding the time available to conduct this research, which results a less comprehensive contextualisation of the Polanyian approach. I argue that Polanyi's work is useful for identifying the sources of the disruption of human security of local communities, and also providing prescriptions for achieving better human security. Polanyi proposes commodification of land and labour as the source of threats to human freedom (i.e. human security), and proposes that state intervention and market embeddedness comprise redistribution and reciprocity mechanisms that are useful for protecting and empowering local communities. Nevertheless, this research focuses more on the former, especially on commodification, as the source of human insecurity, with a lack of discussion on the latter, especially regarding market embeddedness. In the empirical chapters I have discussed the issue of CSR as one mechanism of market embeddedness, but building on Polanyi's idea on reciprocity, the alternative prescription needs a more comprehensive cooperation and joint project between the mining industry and local communities. Therefore, I propose that the next research agenda is to develop a model of market embeddedness, specifically designed to explore how reciprocity can be implemented in the Indonesian mining context. In addition, it would also be useful for future research to focus on less anthropocentric aspects and instead shift to consider the ecological impacts of mining in more depth, considering environmental aspects including local communities (and not the ecosystem in itself as a separate system). I suggest that further research focuses on comparing commodification in mining with the agriculture industry, such as palm oil production. This would contribute to wider knowledge on natural resources governance with a view to promoting sustainable socio-economic development with minimised environmental impacts.

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List of Interviewees (August-October 2016)

Civil Society Organisations
Anas, an official of AMAN
Abdi, an official of AMAN
Amin, an official of AMAN Paser East Kalimantan
Fiyanto, Campaigner of Greenpeace Indonesia
Marut, former leader of INFID
Siregar, former leader of Jatam
Mahlan, an official of chemical, Energy and Mining Workers Union
Maemunah, an official of Jatam
Hidayati, National Executive Director of Walhi
Sampurna, AMAN Central Kalimantan
Rompas, leader of Walhi and Jatam Central Kalimantan
Rupang, Coordinator of Jatam East Kalimantan

Government Officials
GOVA1, a government official of East Kalimantan
GOVA2, a government official of East Kalimantan
GOVA3, a government official of East Kalimantan

GOVA4, a government official of East Kalimantan
GOVAa1, a government official of East Kalimantan
GOVAa2, a government official of East Kalimantan
GOVC1, a government official of South Kalimantan
GOVC2, a government official of South Kalimantan
GOVC3, a government official of South Kalimantan
GOVB1, a government official of Central Kalimantan
GOVB2, a government official of Central Kalimantan
GOVB3, a government official of Central Kalimantan
GOVB4, a government official of Central Kalimantan
GOVBb1, a government official of Barito Utara regency, Central Kalimantan
GOVB5, a government official of Central Kalimantan

Mining Companies
COMA1, an official of the mining company
COMA2, an official of the mining company
COMB1, an official of the mining company

Mining Workers
LABA2, mining worker
LABA1, mining worker
LABAa2, mining worker
LABC1, mining worker

Farmers
Far A1, a farmer association leader
Far A2, farmer
Far B-1, farmer
Far B-2, farmer
Far B-3, farmer
FAR-C1, farmer
FAR-C2, farmer

Local Communities/Indigenous People
LCA4, local community
LCA3, local community
LC-B3, local community
LC-B4, local community
LC-B5, local community
LC-B6, local community
LC-C2, local community

Local Entrepreneurs
LE-A1, local entrepreneur
LE-A2, local entrepreneur
LE-B1, local entrepreneur
LE-B2, local entrepreneur
LE-C1, local entrepreneur
LE-C3, local entrepreneur

Civil servant
SC-A3, civil servant;
CS-B1, civil servant
CS-B2, civil servant
CS-C1, civil servant

Academics
AC1, academic
AC2, academic