

# CHAPTER I

## INTRODUCTION

This chapter aims to discuss the early problem by identifying the issue by projecting the background of the issue along with the research question. This chapter also consists of theoretical framework to answer the research question and there is a hypothesis to answer the research question. In addition, this chapter also manages the explanation to the research method, research purpose, and also writing structure.

### **A. Background**

Indonesia had received an offer of foreign investment from Freeport related to the abundant deep resources of Papua before 1965. But Sukarno subtly refused it. He stated that he agreed and it was an interesting offer, but not for now, and he said them to offer the foreign investment to the next generation after him. Actually Sukarno planned that new foreign investment would enter Indonesia in about 20 years later, after the young generation of Indonesia was ready to manage. He did not want foreign company to enter while Indonesian citizen still had zero knowledge about their own nature. Therefore, as a preparation, Sukarno sent many students to study in other countries and closed Indonesia from foreign investment (Indocropcircles, 2013).

Meanwhile, during the Soeharto era who was extremely contrast to Soekarno, he strongly supported foreign investment in Indonesia. Therefore, only a few weeks after Sukarno was ousted and Soeharto became president, Indonesia allowed Freeport to sign its first contract in 1967. Soeharto stated that Freeport was a pioneer of foreign investment in Indonesia, and more specifically due to the fact of the very large capital. To Suharto, the amount of money invested by Freeport in Papua is a form of a trust to Indonesia to build a future. This trust had also encouraged other foreign investors to come to

Indonesia. In addition, Suharto also expressed his belief that mining activities would help advance local communities in Papua (Sitompul, 2019).

The existence of the Freeport's operation in Indonesia is commenced with the existence of the first Contract of Work which was formed and signed in 1967 during President Suharto era. The Contract of Work is the basis of the agreement by the Indonesian Government and PT Freeport Indonesia prior to the commencement of the mining operation. Since the first operation until nowadays Indonesian Government and PT Freeport Indonesia have been applying two Contracts of work which was in 1967 and the last one was in 1991.

However, in recent years, Indonesian society start to worry about the environmental pollution issue due to waste, especially in the province of Papua. The issue is caused of the existence of the mining company that has been operating since 1967 in Mimika, Papua, Indonesia (Kelley, 2019). Since its decades of operation in Indonesia, Freeport has caused a negative impact on Papua's environment. This is due to the tailing waste resulted by the company.

Therefore, according to an environmental observer from the University of North Sumatra, Isra Suryati, studies on environmental feasibility, both in the form of Environmental Impact Assessment or Environmental Management Efforts and Environmental Monitoring Efforts (UPL) must be met by the related companies. In addition, the government as supervisor and licensor is also obliged to ensure that all mining tailing treatment infrastructure has fulfilled the mining standard in order to minimize the potential risks that might arise if damage occurs in order not to sacrifice the surrounding community (Nurfitriyani, 2018).

PT Freeport Indonesia is an affiliated mineral mining company of Freeport-McMoRan (FCX) which is a leading international mining company with headquarters in Phoenix, Arizona, United States. PT Freeport Indonesia mines and processes ore to produce concentrates containing copper, gold and silver and then markets the concentrates through all over the world, especially to the domestic copper smelter, PT

Smelting. PT Freeport Indonesia operates in a remote highlands in Sudirman mountain, Mimika Regency, Papua Province, Indonesia (PT Freeport Indonesia, 2018).

Mining companies are known as company environment polluter. During managing its business, directly or indirectly the existence of a mining company could create positive and negative impacts on the community and the surrounding environment. Besides giving an impact economically, the existence and production activities of a mining company often damage the surrounding environment and harm the society, for example is the impact of tailing waste of PT Freeport Indonesia (Bruce, 2013).

During the operation of more than 50 years, PT Freeport Indonesia has been giving such a big negative impact towards the surrounding society and also the environment where the company does the mining activity. The issue that these years being displayed on the mass media and also being paid attention by the society and government is about the environmental pollution due to Freeport's tailing waste. As well as according the calculation of the Supreme Audit Board which was released in 2017, on average Freeport produces about 230 thousand tons of tailing waste every day. Understandably, of all the dredged and cultivated land, only 3 percent that contains minerals and then most of the rest is discarded. The abundance of Freeport's tailing causes water pollution and damage to forests and sago gardens. Thus, the local community is these years being isolated (Hidayat, 2019).

There are 71 villages in the mining area (Mimika district), 29 of them have been identified as the most critically impacted by PT Freeport Indonesia's operations (Montgomery Watson, 1999). Highland villages include Banti, Waa and the company town of Tembagapura and also lowland villages include Timika, Inauga, Sempan Barat, Nawaripi, Amamapare, and the original area capital Mapurujaya. The impact of dumping waste into rivers mainly affects villages in the lowlands (IIED, 2002).

From 1972 to 1997, Freeport dumped 253 million tons of tailings, which the 114 million tons was dumped in the

lowlands and the 8 million tons was dumped at the Ajkwa river mouth, while the majority of 131 million tons of tailings waste ended up in the Arafura Sea (PTFI 1997). Since then, the rate of tailings disposal has increased dramatically: cumulatively, 1 billion tons of tailings has been released from 1972 until the end of 2005. This causes severe damages which really harms the environment and the population of Papua (Tinto, 2006).

The case of environmental pollution by PT. Freeport has been happening since 2000 where the river siltation and landslides have happened which destroy lives around the mine. Then in 2006 the Wahana Lingkungan Hidup (Walhi), an environmental NGO, released a report on the mining impacts of PT. Freeport based on a number of government and company monitoring reports that were not made public. The report describes the impact of pollution and environmental damage by PT. Freeport in the air, water, environmental damage, and violates the Environmental Impact Analysis provisions outside the regulated area. PT. Freeport has polluted the environment due to mining waste, river water, sediment deposition, metal and hazardous waste content, and the use of protected forests based on data released by the Wahana Lingkungan Hidup (Walhi) NGO and the Environmental Management Performance Program. The company results and discards the tailing waste that is categorized as (Dangerous Toxic waste) through the Ajkwa River which then the waste now has reached the Arafura coast. The tailings dumped by PT. Freeport to the Ajkwa River exceeds the total suspended solid (TSS) quality standard allowed under Indonesian law. The tailing waste of PT. Freeport has also polluted waters at the mouth of the Ajkwa River and contaminated a large number of species of life and threatened waters with large amounts of acid mine drainage. According to the results of an environmental audit conducted by Parametric it was revealed that the tailing dumped by PT. Freeport is a material that capable of producing dangerous acidic liquids for aquatic life (Astuti, 2018).

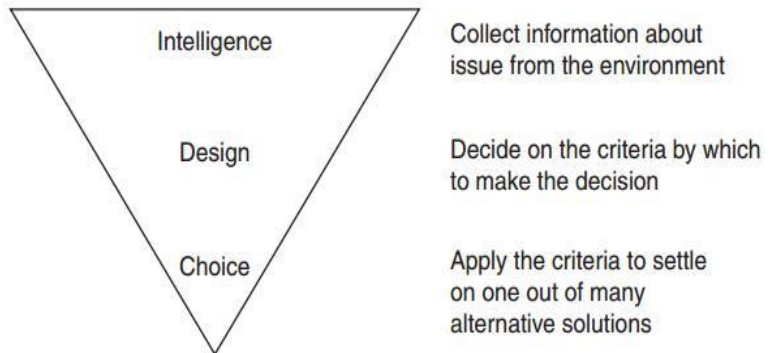
## B. Research Question

Based on the background above, the research question of this thesis is: ***“How did Indonesian government respond the Freeport’s tailing waste issue that has been giving huge damages to the Papua environment in 2018-2019?”***

## C. Theoretical Framework

To answer the question above, the researcher will use the model of Decision Making Process.

Picture 1 The Decision Making Model by Herbert Simon



Source : <http://mytypings.com/herbert-simon-model-on-decision-making/>

According to Herbert A. Simon the decision making process is divided into 3 phases namely:

- a. Step 1. The Intelligence Phase - The executive tries to understand the organizational environment and identifies conditions that need fresh action.

According to the expert, in this step the government should do observation to Papua province in order to do research to find the problem that is faced by the society. The big issue that has been happening in Papua is environmental pollution due to the tailing waste of the PT Freeport Indonesia's operation. Therefore, the

environment, especially the water is now extremely being polluted.

- b. Step 2. The Design Phase - Identifying, developing and analyzing all possible courses of action.

In the second step, government should start thinking the alternative ways to solve the problem found in the first step. For example: 1) Find a way to reduce the utilization of the tailing and then do recycling of the tailing waste into break; Demand more compensation from the company to restore the environmental damage; Supervise the work of local government related to environmental repair; imposing sanction to the company; etc.

- c. Step 3. The Choice Phase - evaluate the alternatives that were developed in the design phase and choose one of them.

In the last step, government should choose the best alternatives that can solve or reduce the problem accrued such as publishing new decree about the tailing waste that has better policy to decrease the tailing deposit, (Article1000.com, 2019).

Simon says that these phases may appear to be simple & one precedes the other, in practice, the sequence is more complex than what it appears to be. These three phases are closely related to the problem solving – what is the problem, what are the alternatives & which alternative is the best? Decision making is thus, a choice between alternative plans of action & choice in turn, involves facts & values (Article1000.com, 2019).

While according to James A.F. Stoner, decision making is a process used to choose an action as a way of solving problems. Decision making as a continuation of the way of solving the problem has the function as the beginning of all human activities that are conscious and directed individually and in groups both institutionally and organizationally. In addition, the function of decision making is futuristic which

means that it has to do with the future which the influence will last long enough (Suharnan, 2005).

From the definition above, it can be concluded that decision making is a way that is used to provide an opinion that can solve a problem in a certain way so that it can be more accepted by all parties and for the common good.

#### **D. Hypothesis**

According to the decision making theory, the response of Indonesian government towards the Freeport's tailing would be:

1. The Indonesian government conducts survey and collects data related to the impact of the environmental pollution.
2. The Indonesian government and the PT Freeport Indonesia agree to adopt a new agreement of the tailing management.
3. Imposing sanction to the Freeport and implementing new policy related the tailing waste utilization.

#### **E. Purpose of Research**

The purposes of this research are:

1. To study about the issues and the adverse impacts resulted by the Freeport's tailing waste
2. To know about the Indonesian government and PT Freeport Indonesia agreement related the Freeport's tailing waste also to analyze the response of the Indonesian government towards the Freeport's tailing waste.

#### **F. Method of Research**

This research uses qualitative research method by collecting information from reliable, resources, and analyzed using the theoretical framework mentioned on the previous part.

## **G. Writing Structure**

The systematics of writing in this thesis will be:

### **Chapter 1**

This chapter describes the background of the issue, research question, the theoretical framework used, hypothesis, purposes of the research, method of the research, and the outline of the paper.

### **Chapter 2**

This chapter talks about the history of the Indonesian government and Freeport agreement that has been agreed since the early Contract of Work related to the tailing waste.

### **Chapter 3**

This chapter talks about the history of PT Freeport Indonesia and Freeport McMoran, also the tailing waste that produced by the company. This chapter also talks about the tailing waste management.

### **Chapter 4**

This chapter discusses about the Indonesian response towards the Freeport's tailing waste by answering the research question with the theory of Decision Making Proses theory.

### **Chapter 5**

This chapter concludes the whole research and explanation that have been analyzed in the previous chapters.