

Survey report

The Green Corruption paradox: Natural resource management and environmental corruption in Indonesia

Juhani Grossmann, Rizka Halida and Taradhinta Suryandari | September 2021

Table of contents

1 Executive summary	4
1.1 Plummeting trust in KPK creates leadership vacuum on environmental corruption	4
1.2 The Green Corruption paradox	5
1.3 Resource nationalism is alive and well	8
1.4 Indonesian companies are disliked, too	9
1.5 Conclusions and recommendations	10
2 Methodology	12
2.1 Public opinion survey	12
2.2 In-depth interviews	12
3 Background and context	13
4 Environmental degradation vs economic opportunity	18
5 Socioeconomic differences in views on environment and corruption	22
6 Who should manage Indonesia's natural resources?	26
7 Public scepticism about foreign investment in the environmental sector	28
8 Attitudes to plantations, mining and fisheries	30
8.1 Palm oil and rubber plantations	35
8.2 Mining	39
8.3 Fisheries	42
9 References	46

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About the Green Corruption programme at the Basel Institute on Governance

The Green Corruption programme at the Basel Institute on Governance applies anti-corruption and governance tools to address environmental crime and degradation. It covers investigation and prosecution support, research and private-sector engagement. Its team members are resident in Switzerland, Uganda, Indonesia, Peru and Bolivia.

For more information, see www.baselgovernance.org/green-corruption.

About this report

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Acronyms and abbreviations

BPS	Statistics Indonesia
BUMD	<i>Badan Usaha Milik Daerah</i> (Regionally owned enterprises)
BUMN	<i>Badan Usaha Milik Negara</i> (State-owned enterprises)
DBH	<i>Dana Bagi Hasil</i> (Revenue-sharing fund)
DPR	House of Representatives
ESG	Environmental, social and governance
GDP	Gross Domestic Product
KPK	Corruption Eradication Commission
LSI	Indonesian Survey Institute
NGO	Non-governmental organisation
PTPN	PT Perkebunan Nusantara (State plantation company)
SIKPI	<i>Surat Izin Kapal Pengangkut Ikan</i> (Fish transport permit)
SIPI	<i>Surat Izin Penangkapan Ikan</i> (Fish capture permit)
SIUP	<i>Surat Izin Usaha Perikanan</i> (Fishery business licence)
SLO	<i>Surat Layak Operasi</i> (Certificate of shipworthiness for fish capture vessels)
SOE	State-owned enterprises
STKA	<i>Surat Tanda Keterangan Andon</i> (Migratory fishing permit)

1 Executive summary

This survey of Indonesians' perceptions of corruption and the environment comes at a crucial time: in the midst of a pandemic, we are reminded every day about the devastating consequences that environmental degradation has not only on our health and way of life, but also our livelihoods.

The sentiment that the environment and people's livelihoods are closely connected is clearly in the minds of participants in this research project, which consisted of a national public opinion survey covering 2,580 respondents and in-depth interviews with 30 private-sector representatives working in various natural resource sectors. Below are our key findings:

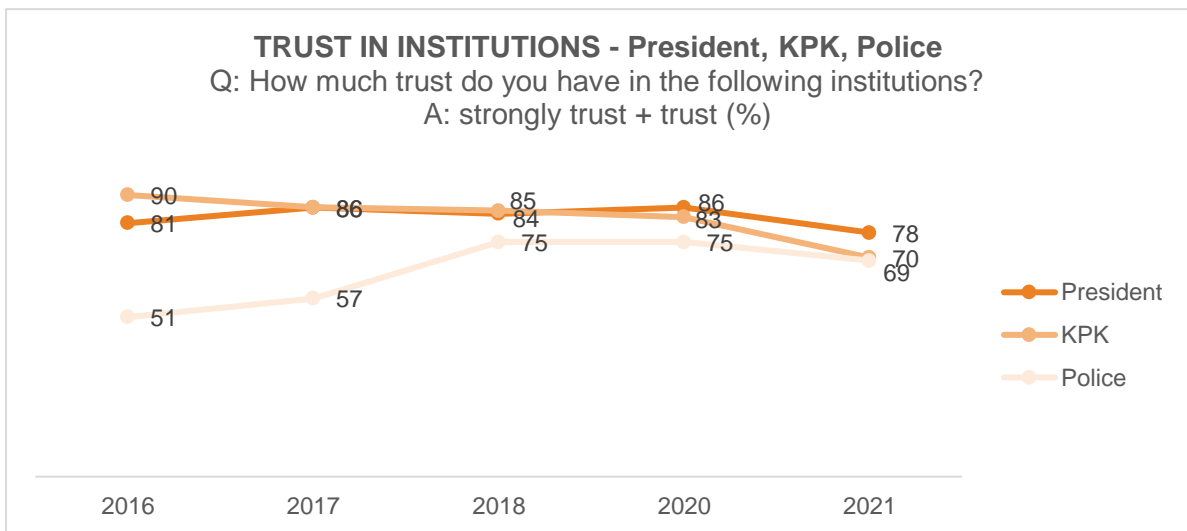
1.1 Plummeting trust in KPK creates leadership vacuum on environmental corruption

No study on corruption in Indonesia is complete without a discussion about the status of its iconic Corruption Eradication Commission (KPK), with its long string of achievements, including in the environmental corruption field. In this area it has engaged actively on both the enforcement (with numerous high-profile investigations, arrests and prosecutions) and prevention (a range of studies on specific sectors and assessments of natural resource licensing practices, among others) front. Unfortunately, our survey shows a steady and significant decline of trust in the KPK.

In 2016, the KPK was trusted and highly trusted by 90% of the population, reaching levels unattainable by any other public institution. However, trust in the institution has gradually declined until 2019, at which point it experienced a drastic erosion of trust, down to 70%.

The President, despite a recent trust dip during the pandemic, has replaced the KPK as the most trusted national institution.

Equally noteworthy is the steady ascent from trust laggard to trust champion of the national police. Five years ago, there was a 40% divide in trust between the police and the KPK. Now the two institutions are tied. This represents as remarkable a journey in the establishment of public trust in the national police as it chronicles the trust erosion of the KPK.

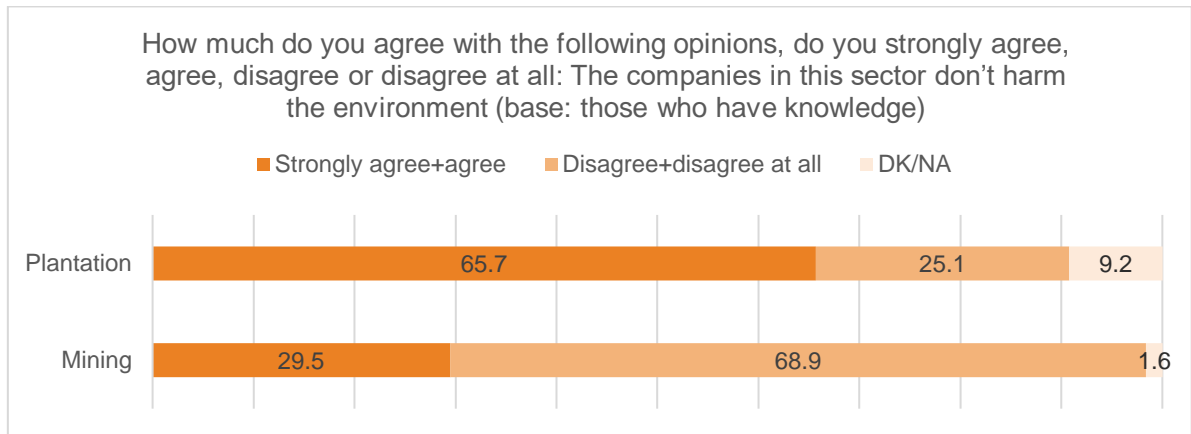


This erosion of trust is highly worrisome to those fighting environmental corruption, as the KPK now speaks with significantly less authority in this sector and can no longer provide effective leadership.

1.2 The Green Corruption paradox

According to the survey data, Indonesians harbour great reservations about corruption levels generally, high levels of corruption in the natural resource sector specifically, and worsening environmental degradation.

Yet despite this, **two thirds of respondents say they believe that some types of exploitation (palm oil, rubber) are not harmful to the environment.**



Moreover, even when environmental degradation is clearly the result of natural resource exploitation, **a majority believes that this is acceptable because of the economic benefits that it brings.**

This attitude may be exacerbated by the depressed economic situation: a full two-thirds (65.4%) of the participants see the current state of the economy as bad or very bad.

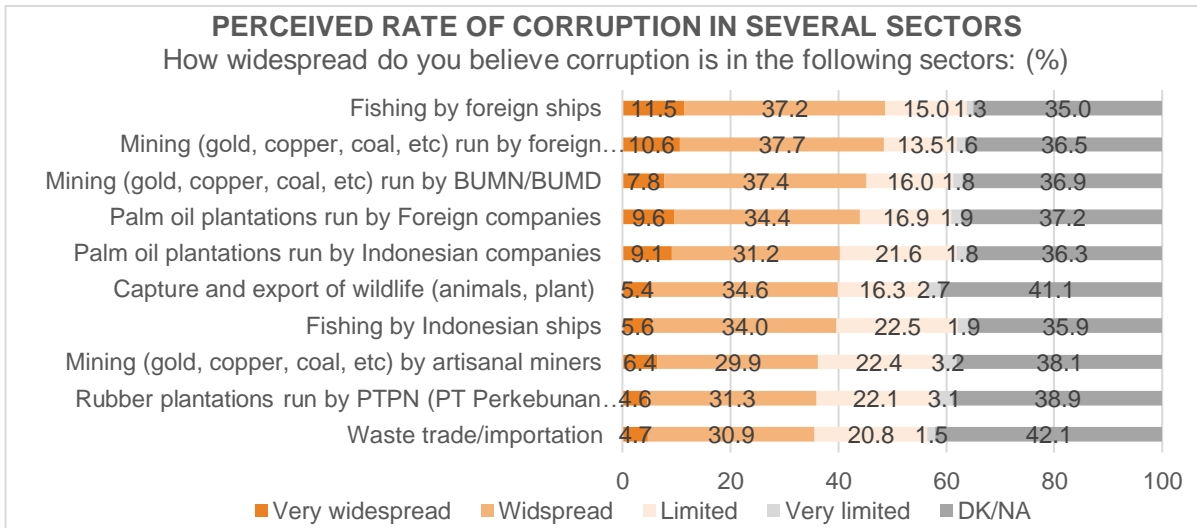
The survey respondents rate both corruption (93.5%) and environmental (92.7%) concerns very highly. They are on par with bread-and-butter issues such as jobs and employment (97.3%) and economic growth (96.2%). The share of the public that says corruption has increased over the last two years is at its second highest level (60%) in the five years that LSI has been measuring this question. This is the result of a one-year worsening that has accelerated significantly since late 2020.

Despite this pessimistic assessment of overall corruption levels, trust in government remains rather high among Indonesians. While those government agencies who are physically closer to citizens continue to be perceived as more trustworthy, trust in the various agencies charged with managing natural resources is respectable – between 73% and 78%.

It is unsurprising, then, that a full three quarters (75.6%) of participants believe the government can be trusted to be a steward of the environment. Almost the same percentage say the government is doing its best to balance economic growth and environmental degradation (75.9%).

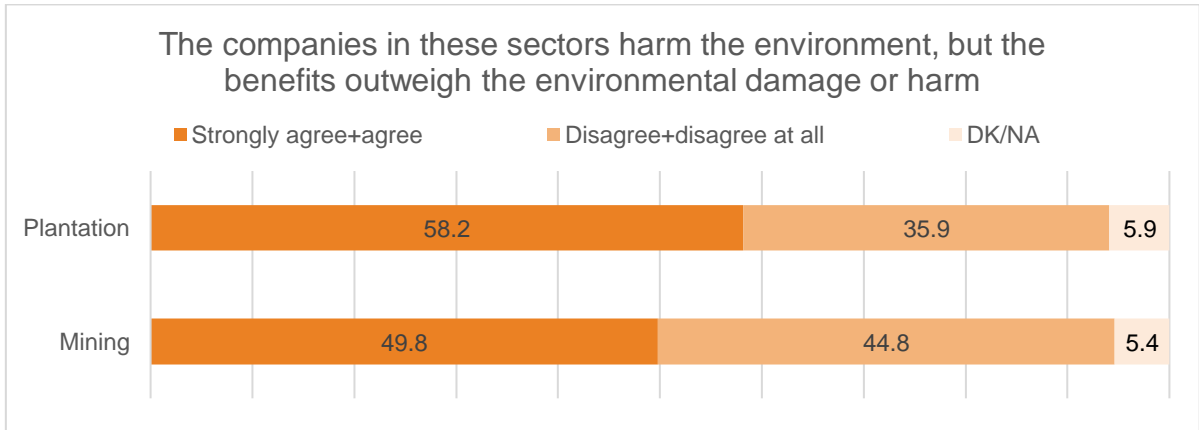
This trust in government agencies in charge of natural resource management cohabitates uncomfortably with citizens' assessment of the level of corruption in the sector. When asked about a wide array of activities to utilise natural resources, respondents who had an opinion were between two and three times more likely to say that corruption is widespread or very

widespread. Clearly, citizens are not naïve about the governance risks that natural resource exploitation brings with it.



So, the public generally is concerned about corruption and environmental degradation. People also have strong concerns about worsening corruption in the country overall and high levels of corruption in natural resource exploitation in particular. One would think that these concerns would make natural resource sectors highly unattractive. Yet this is not the case.

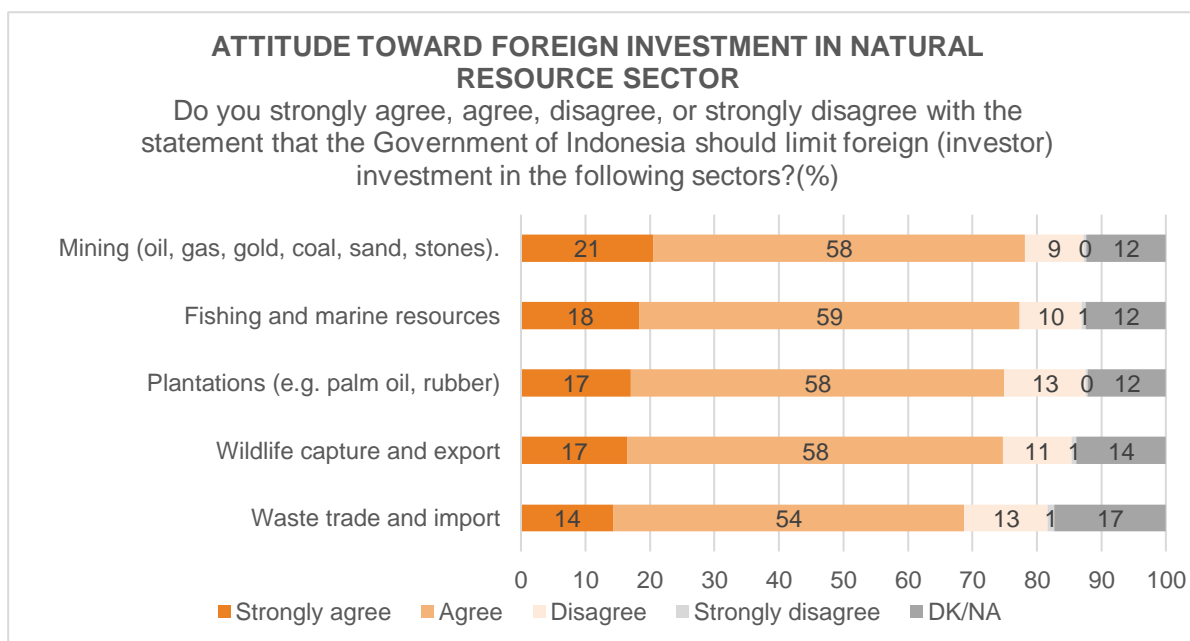
Based on our analysis of the survey data, we believe the economic benefits of natural resource exploitation are what lead respondents to suspend their otherwise highly sceptical attitude when it comes to the harmfulness of some environmental practices. This uncomfortable acceptance of natural resource exploitation is further emphasised when a majority of the respondents say that where environmental degradation occurs, it is outweighed by the benefits the exploitation brings.



1.3 Resource nationalism is alive and well

Concerns about corruption and the environment, one might suppose, could lead to a welcoming of foreign investors with their environmental, social and governance (ESG)-friendly ratings and compliance systems. This would be a mistake, however, as the **Indonesian public is highly critical of any involvement of foreign companies in the natural resource field.** In the aforementioned list of environmental activities perceived as corrupt, three out of the top four involve foreign companies (fishing, mining and palm oil). In no environmental sector do more than 2% of the public want foreign companies in charge.

In stark contrast to the forgiving attitude that the Indonesian public displays towards its own government’s record on corruption and environmental stewardship, its view of foreign investments in the environmental sector is severe. The share of the public that supports curbs on foreign investment in environmental exploitation is between four and seven times higher than those who do not desire such curbs, despite the significant economic hardship the country is experiencing.



A logical reason for the severe dislike of foreign companies would be that they are perceived as more corrupt or more polluting. But that is in fact not the case: corruption and pollution do not even make the top three reasons. Those top three reasons are all variations of resource nationalism: foreign companies don’t have Indonesian interests at heart, Indonesia should not compromise its independence, and the expectation that state revenue will be greater without foreign companies.

1.4 Indonesian companies are disliked, too

Who, then, should be managing Indonesia’s natural resources? Clearly not Indonesian companies, as the public is overwhelmingly critical of them too. In no sector do more than 14% of respondents support private companies managing natural resources.

So who should be in charge? Cooperatives and state-owned enterprises (SOEs), say the public. The total rejection of the private sector in natural resource management appears to rest on two beliefs:

First, that **natural resources are a public good that should be used to directly improve people's economic conditions through cooperatives.**

Private companies that are profit-driven are not seen as sufficiently concerned to support citizens' economic conditions. This explains the strong preference for people's cooperatives. Though this business model is probably rather impractical in any significant resource utilisation at scale, cooperatives are at least twice as popular as private companies (mining) and up to four times as popular (fishing, where they are also significantly more popular than SOEs).

Second, that **SOEs can be trusted to manage natural resources for the benefit of the people.**

The survey data show that SOEs can be even more popular than people's cooperatives, especially in the mining sector. This is an exceptionally strong endorsement of SOEs by the public. It is also a trust credit that has to be carefully maintained and not tainted by corruption allegations.

Considering the perilous state of governance in SOEs generally, and the already existing corruption scandals, one can surmise that efforts to build compliance and governance systems in an SOE would lead to an even greater endorsement by the public. This is significant homework for the SOEs themselves, the Ministry for SOEs, as well as civil society organisations (CSOs) and donors providing governance assistance.

1.5 Conclusions and recommendations

1.5.1 Rebuild trust in the KPK as Indonesia's principal anti-corruption institution

Recent legal, administrative and political measures that have undermined trust in the KPK need to be urgently reversed to restore the agency's moral authority and ability to lead the highly complex fight against environmental corruption.

1.5.2 Only interventions that address economic, governance and environmental concerns together stand a chance to succeed

The close connection between economic, governance and environmental concerns means that any conservation efforts must address all three of these points. This significantly

heightens the complexity of government reforms and donor programmes in any of these areas. Yet it is essential: working in isolation will only lead to efforts being undermined.

1.5.3 Foreign investors need to grow thick skin

Resource nationalism is a significant obstacle to both foreign investment in the natural resource sector and foreign-supported and -implemented conservation programmes. Substantial investments in public relations do not appear to have yielded many results.

Accordingly, foreign actors in the natural resource field need to both grow a very thick skin and ensure their systems are sufficiently robust to withstand certain public and likely political criticism.

1.5.4 Strengthen SOE governance

The strong preference of the public for SOEs in the management of natural resources places a tremendous responsibility on both the government and the SOEs themselves. Numerous corruption scandals and conflicts of interest are evidence that this public trust is on credit and must still be earned through tough political decisions, inspired reforms, methodical implementation and diligent monitoring.

It is hard to imagine an area that will yield greater return on investment in terms of slowing environmental degradation than building solid corporate governance structures for Indonesia's SOEs.

1.5.5 Support cooperatives in enhancing their governance

While SOEs are the most visible corruption risk, as well as the most impactful potential solution, people's cooperatives remain popular. This is especially true in the fishing industry.

Strengthening the governance systems of cooperatives is likely a more diffuse and painstaking exercise than undertaking the same in SOEs. However, it should not be neglected considering the environmental, economic and political importance of fisheries in a maritime nation like Indonesia.

2 Methodology

The research approach had two prongs: a public opinion survey and in-depth interviews with representatives of the private sector.

2.1 Public opinion survey

A total of 2,580 respondents, selected through a random sampling method, were surveyed from 9–13 July 2021. The respondents consist of a 1,200 base sample from all provinces which are proportionally distributed, and additional respondents in four oversampled provinces (400 respondents each) based on the following criteria:¹

1. South Sumatera: rich in natural resources, low corruption
2. East Kalimantan: rich in natural resources, high corruption
3. Central Java: poor in natural resources, low corruption
4. North Sulawesi: poor in natural resources, high corruption

Due to Covid-19 restrictions, the survey was conducted through phone by trained interviewers. Assuming a simple random sampling method, the base sample size of 1,200 respondents has an error tolerance (margin of error or MoE) of about $\pm 2.88\%$ at a 95% confidence level.

2.2 In-depth interviews

In-depth interviews with representatives of the private sector were conducted in four provinces, namely South Sumatera, Central Java, East Kalimantan and North Sulawesi. The interview participants were selected based on the following criteria:

1. Businesspersons who are or have been involved in the mining, extraction or forestry/plantation sectors.

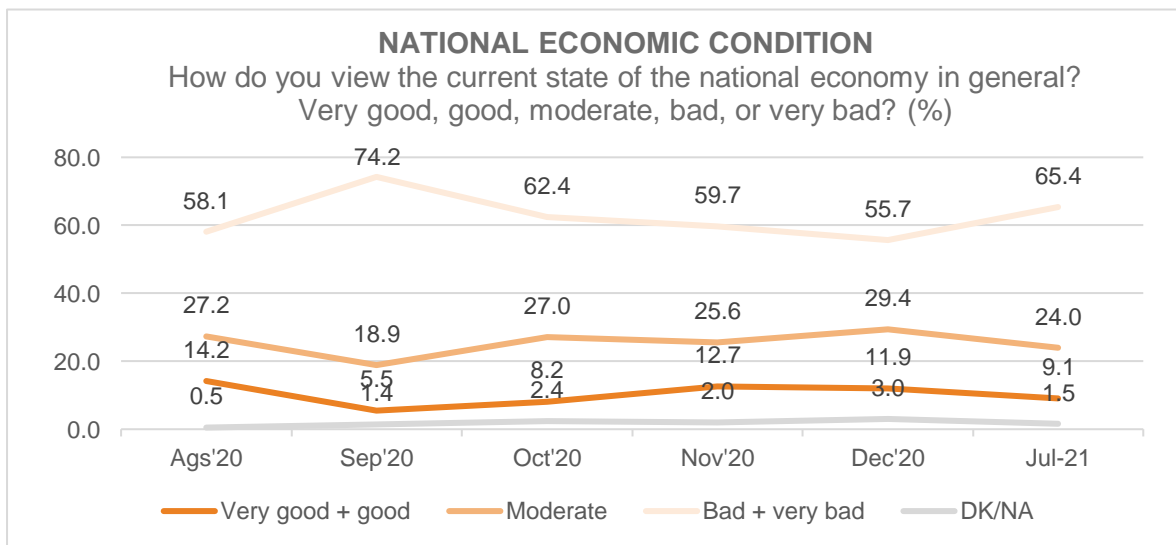
¹ To determine the oversampled provinces, we used the data of natural resource wealth (reflected in the DBH from Natural Resources in 2019), as well as the level of corruption (reflected in convicted corruption cases per 100,000 residents in a certain region). Thanks to Zuhairan Yunmi Yunan for preparing the data on the level of corruption and the level of natural resources wealth per province.

2. Employees in companies' permit/licensing departments working as representatives and/or managing permit affairs with the government.

A total of 30 participants who work in the natural resources sector, especially plantations and mining, were interviewed face-to-face in adherence with the government's Covid-19 protocol. The data was coded based on themes that emerged from the interview.

3 Background and context

The survey took place at a time of extreme economic distress. It is therefore unsurprising that an average of 65.4%, or two thirds of the population, believe that the current state of the national economy is bad or very bad. This perception was in line with previous surveys conducted in the previous months during the pandemic, as shown in the chart below (August – December 2020). It also aligns with a National Labour Force Survey conducted by BPS in August 2020, which shows the national unemployment rate at 7% or an increase of 2.7 million persons compared to the same period in 2019 (WFP, 2020).

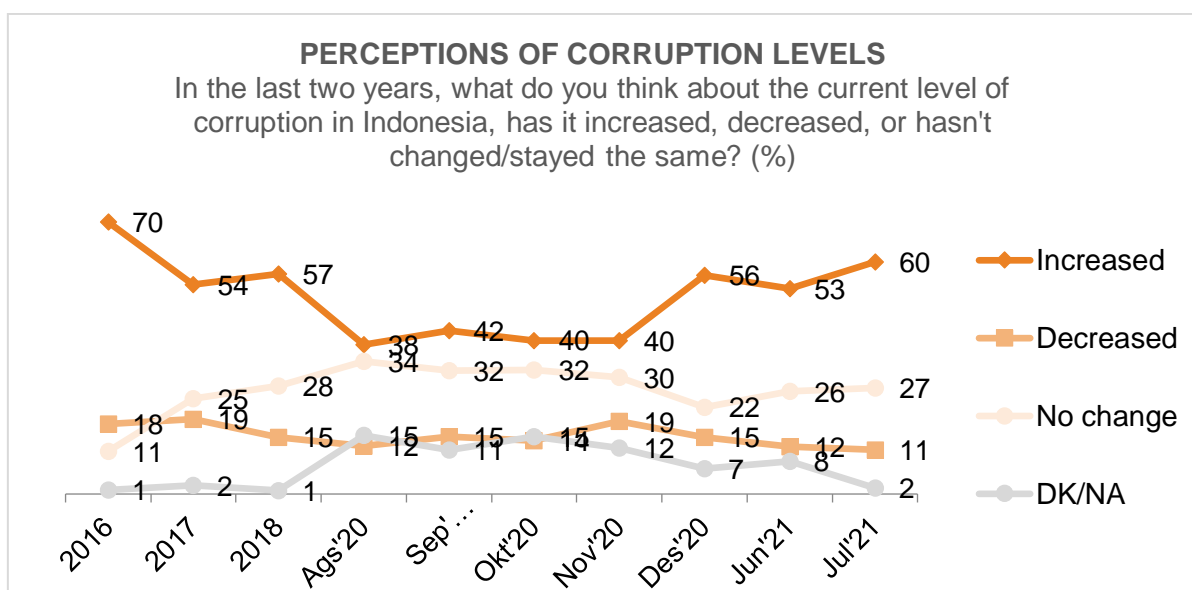


This economic situation is worth keeping in mind as we look at attitudes to corruption and environmental degradation. As we will notice, concern for economic welfare permeates all other societal concerns.

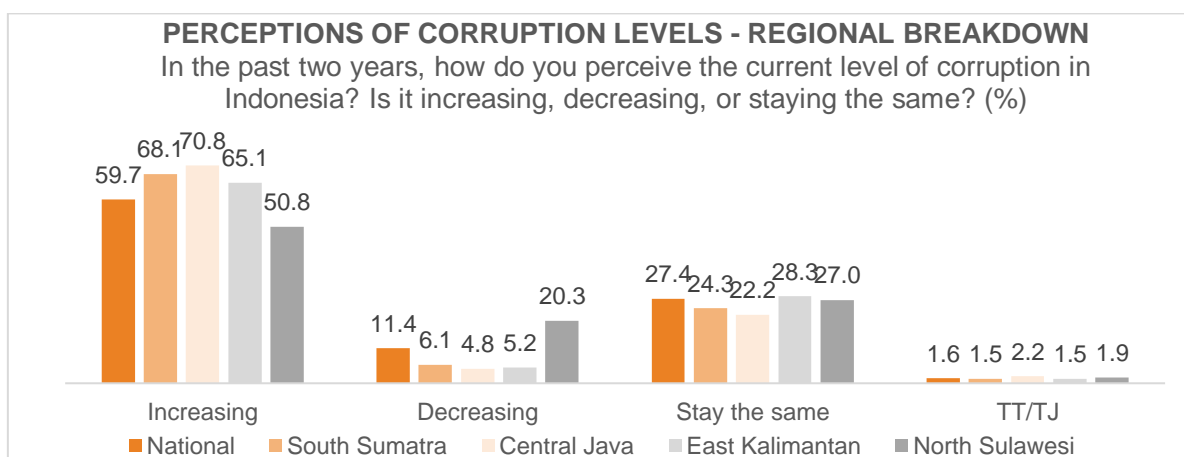
Looking at the public's assessment of the level of corruption, we witness a similarly bleak picture. Over a period of five years, LSI has asked respondents whether they believe corruption has increased, decreased or stayed the same over the last two years. While there

has been a substantial dip in pessimism (from 70% in 2016 to 38% in August 2020) we also see that the lower level of pessimism only lasts for approximately half a year.

At the end of 2020, 40% of respondents stated that they thought corruption had increased. By the July 2021 survey, that number had increased to 60%. It should be noted that this apparent return to pessimism largely comes from those who had previously declared they did not know the answer to the question. It is not because a large number of optimists are becoming more pessimistic.



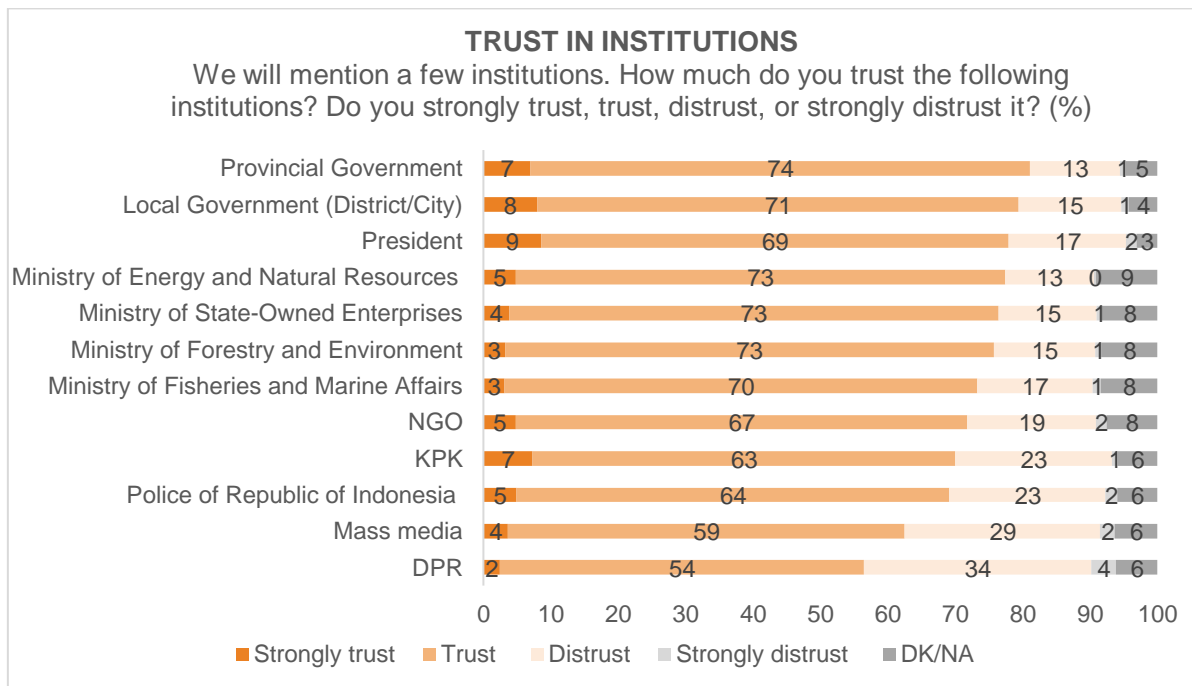
Looking at our four over-sampled provinces, the share of pessimists is highest in Central Java (70.8%) and lowest in North Sulawesi (50.8%). This is interesting, because it contrasts with our starting assumptions that Central Java has relatively low levels of corruption and North Sulawesi has higher levels. Yet respondents in North Sulawesi are the least pessimistic and respondents in Central Java are the most pessimistic. One can deduce that the objective measurement of corruption levels is not always commensurate with how citizens perceive the situation to be.



When asked about their trust in public institutions, respondents revealed a rather high level of trust in the government agencies at all levels. There are no significant regional differences. It appears that Indonesia is not yet afflicted by the hyper-partisan divisions that increasingly plague Western societies.

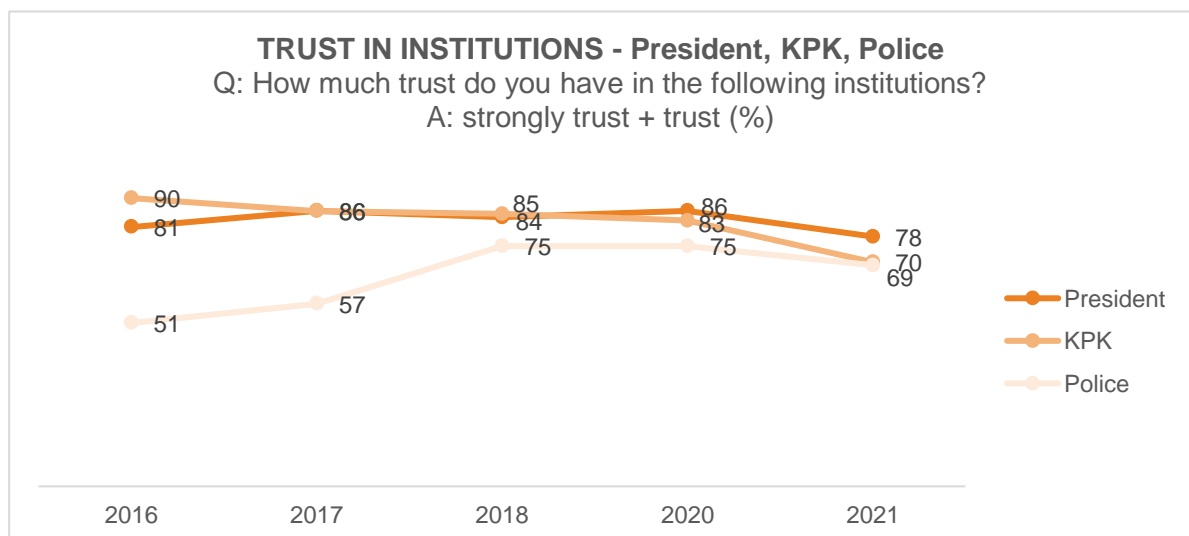
Unlike in the West, existing political parties in a multiparty system of Indonesia do not have many ideological differences (Aspinall, Fossati, Muhtadi, & Warburton, 2018). The number of partisan voters is very small; only around 15% in the 2014 election (Muhtadi, 2019, p. 28). Elections are more candidate-centred (Aspinall & Berenschot, 2019) and losing candidates may join the winning candidate in the government. This is the case with the current leadership of President Joko Widodo, who appointed Prabowo Subianto, the losing candidate in the 2019 presidential election, as Defence Minister. So, voters who chose the losing candidate do not really have a reason to be overly critical of the current government.

The most trusted appear to be provincial and local governments, which typically experience a trust bonus because of their close proximity to respondents and their involvement in public services.



In the anti-corruption sphere, one trend is particularly noteworthy: the steady and significant decline of trust in the Corruption Eradication Commission or KPK. In 2016, the KPK was trusted or highly trusted by 90% of the population, reaching levels unattainable by any other public institution. However, trust in the institution has gradually declined until 2019, at which point it experienced a drastic erosion of trust, down to 70%. This means that the President, despite a recent trust dip during the pandemic, is now receiving significantly more trust from the public than the KPK, and has replaced KPK as the most trusted national institution.

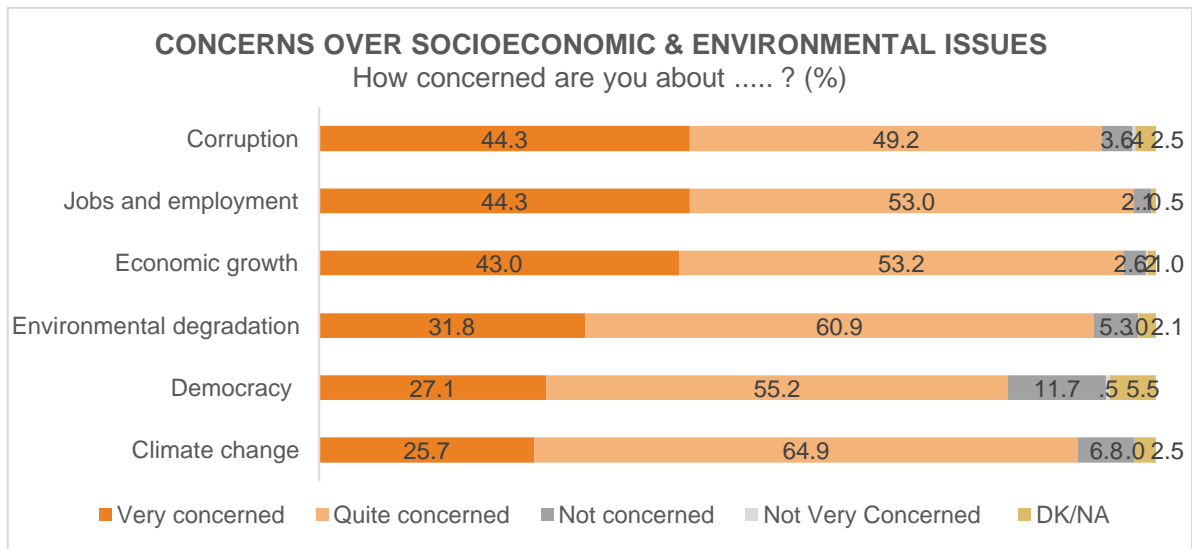
Equally noteworthy is the steady ascent from trust laggard to trust champion of the national police. Five years ago, there was a 40% divide in trust between the police and KPK. Now the



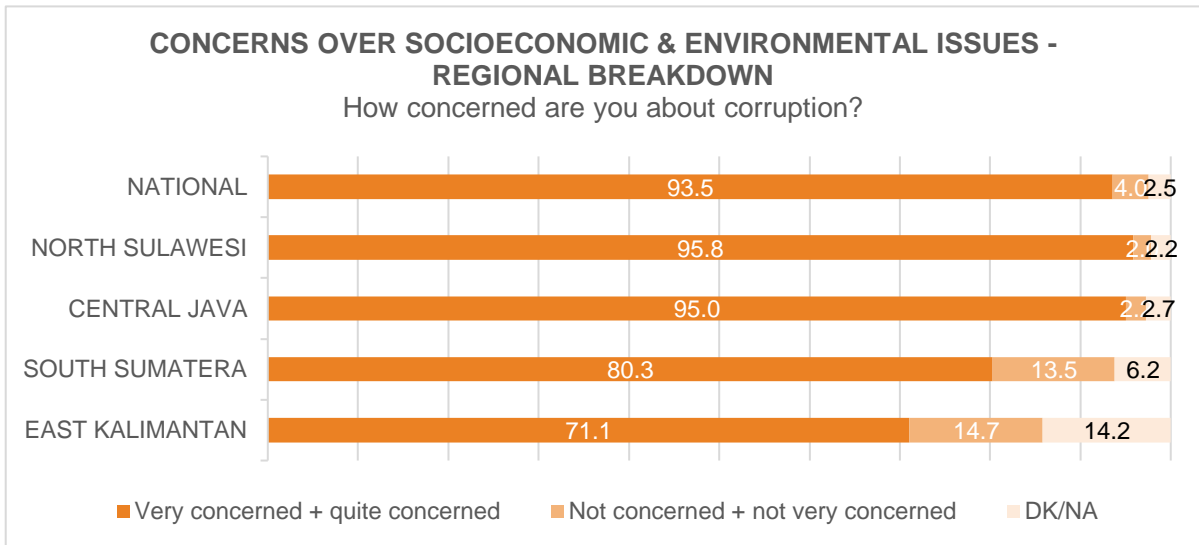
two institutions are tied. This represents a remarkable journey in the growth of public trust in the national police.

4 Environmental degradation vs economic opportunity

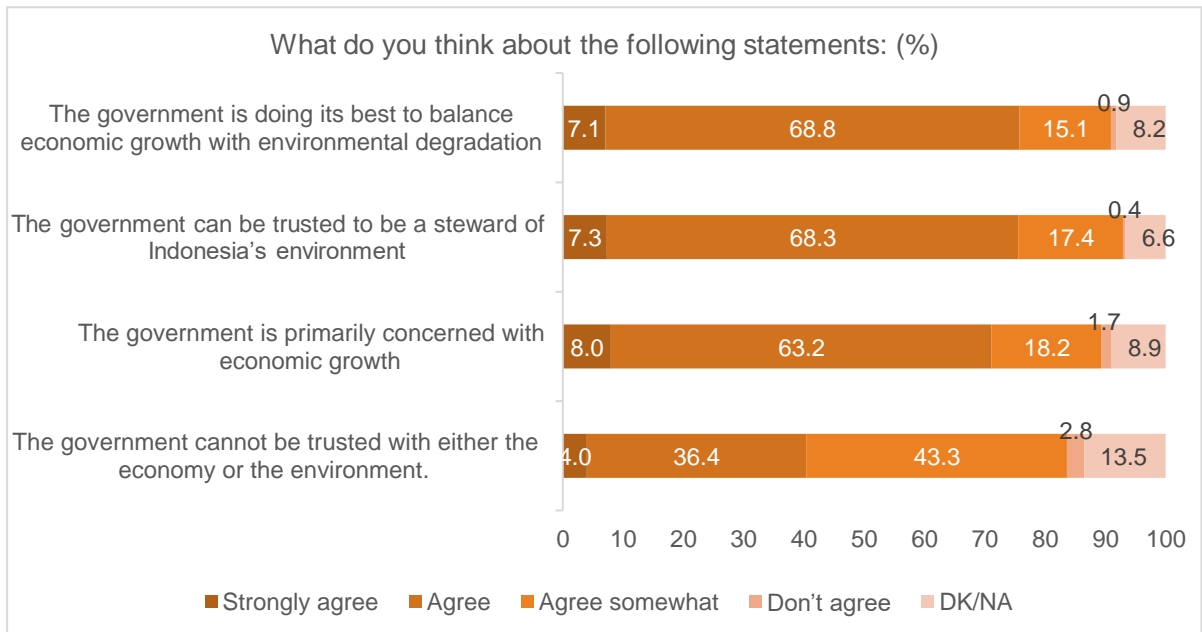
Indonesian citizens expressed significant concern over a number of societal economic and environmental issues. Corruption, employment/economy and environmental degradation see similar shares of very concerned and concerned citizens, all over 90%. Democracy and climate change, while still serious, are of slightly lower concern.



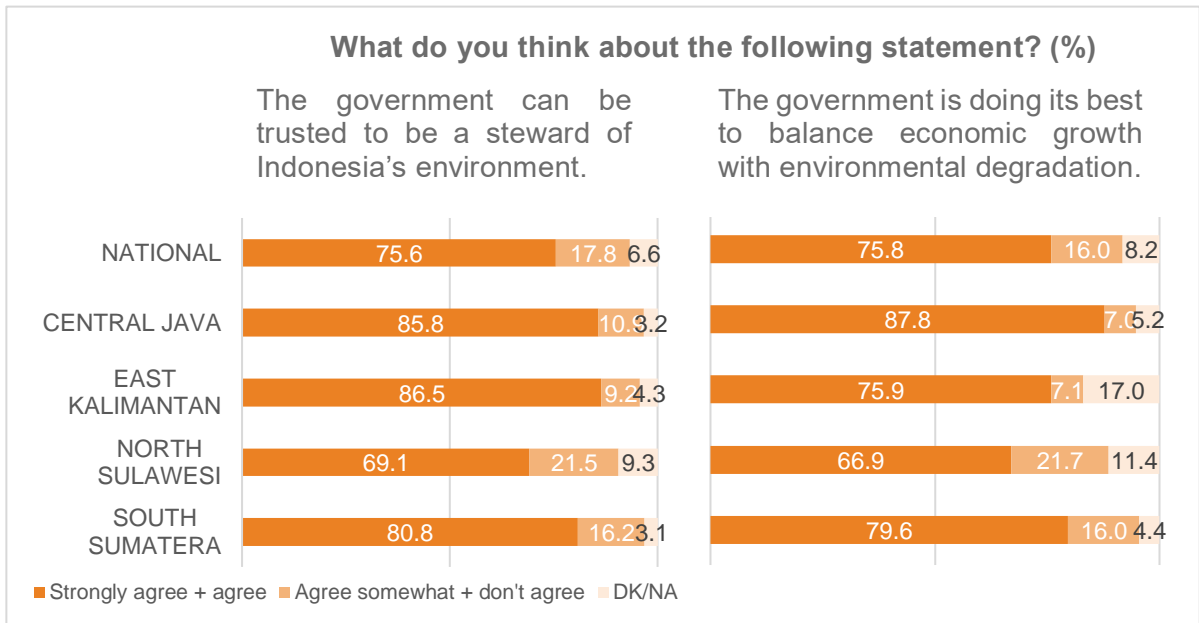
Looking at corruption, at a national level 93.5% of respondents express concern. Citizens in Central Java, echoing the pessimism observed in the previous chapter, along with those in North Sulawesi (both approximately 95%), express a significantly greater degree of concern about corruption than those in our two other provinces: South Sumatera and East Kalimantan.



At the national level, survey respondents have a fairly high degree of trust in the government's management of natural resources. About three quarters of respondents believe that the government a) is doing its best to balance economic growth with environmental degradation; b) can be trusted to be a steward of Indonesia's environment; and c) is primarily concerned with economic growth. Of note, when interviewers questioned the trustworthiness of the government in relation to environmental and economic issues, half of respondents came to the government's defence. This underscores that the trust appears solid.

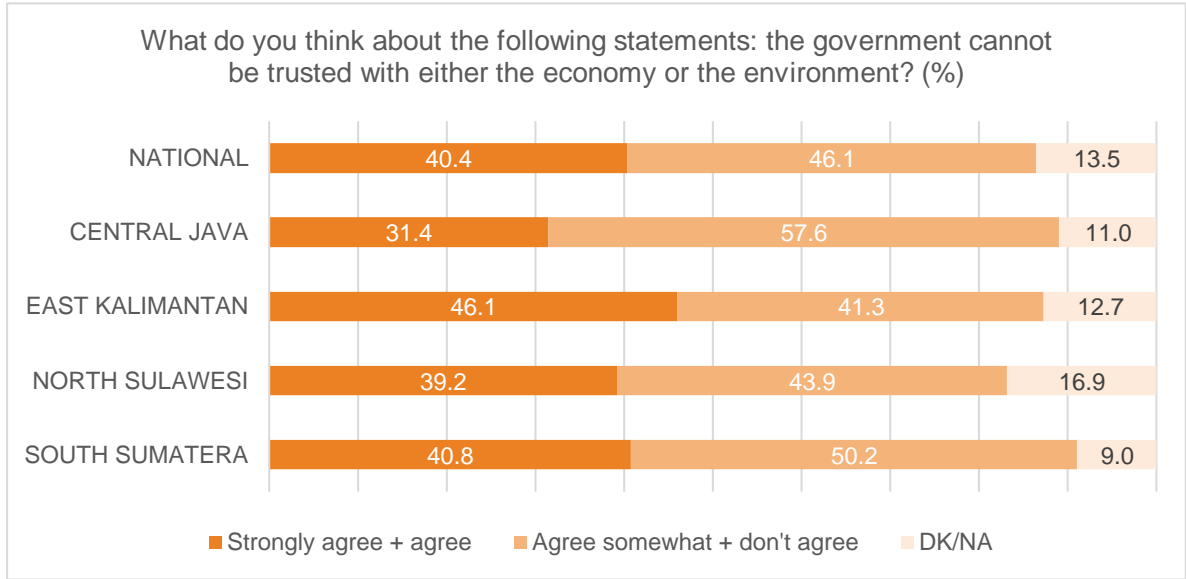


While overall trust is high in all oversampled provinces, North Sulawesi stands out by having a significant minority of the public (approximately one fifth) which does not trust the government to be a steward of Indonesia's environment or to balance economic growth with environmental degradation.



Residents of Central Java mostly trust the government when it comes to balancing economy and environment. Almost 90% of the respondents in Central Java agree that the government is doing its best to balance economic growth and environmental degradation. The majority

(57.6%) do not agree that the government cannot be trusted with either the economy or the environment.

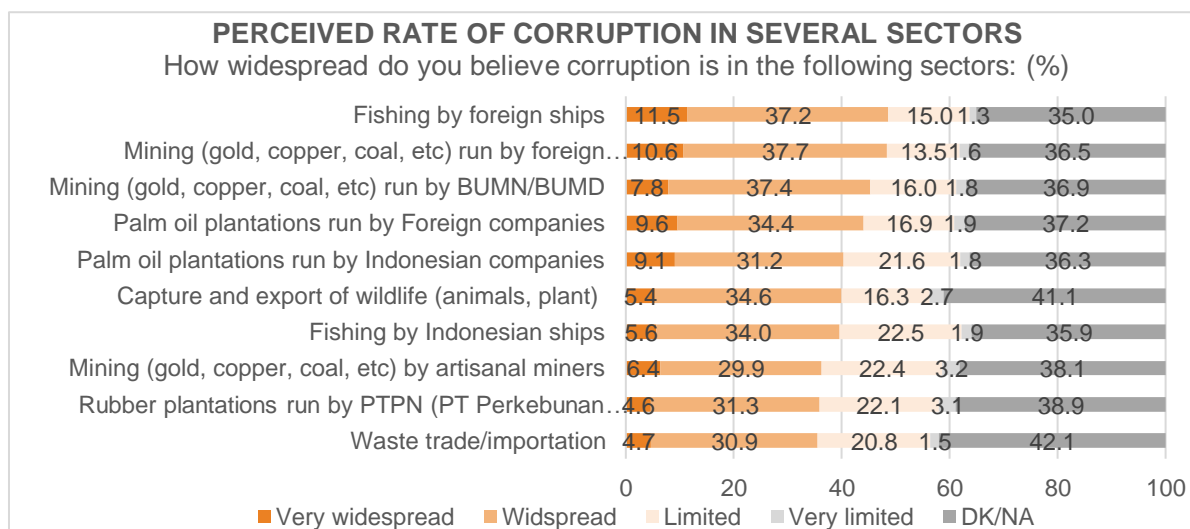


5 Socioeconomic differences in views on environment and corruption

In trying to gain a better understanding of public perceptions of the spread of corruption in various environmental activities, it is noteworthy that a large share of the public does not seem to have an opinion. Between 35% (fishing by foreign ships) and 42% (waste importation) say they don't know how widespread corruption is.

The range of perceived corruption levels between the various environmental sectors appears narrow: from 48% (fishing by foreign ships) to 36% (waste importation). Clearly the environmental sector is broadly tainted by a corrupt image, but that is not its defining feature. This again reminds us of our earlier findings: that respondents clearly see natural resource matters through multiple lenses, which, while conflicting, are all important to them: conservation, economic growth and integrity.

Within that limited range, we see that engagements by foreign entities take three out of the top four spots (fishing by foreign ships, mining by foreign companies, palm oil plantations run by foreign companies).



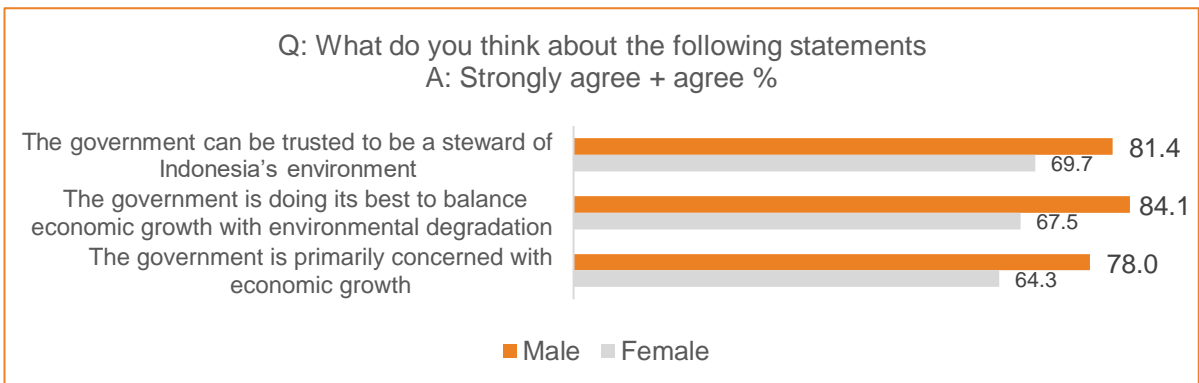
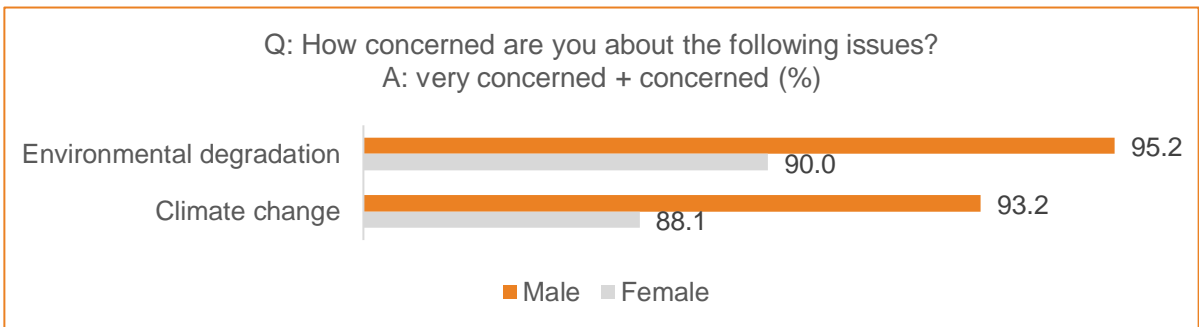
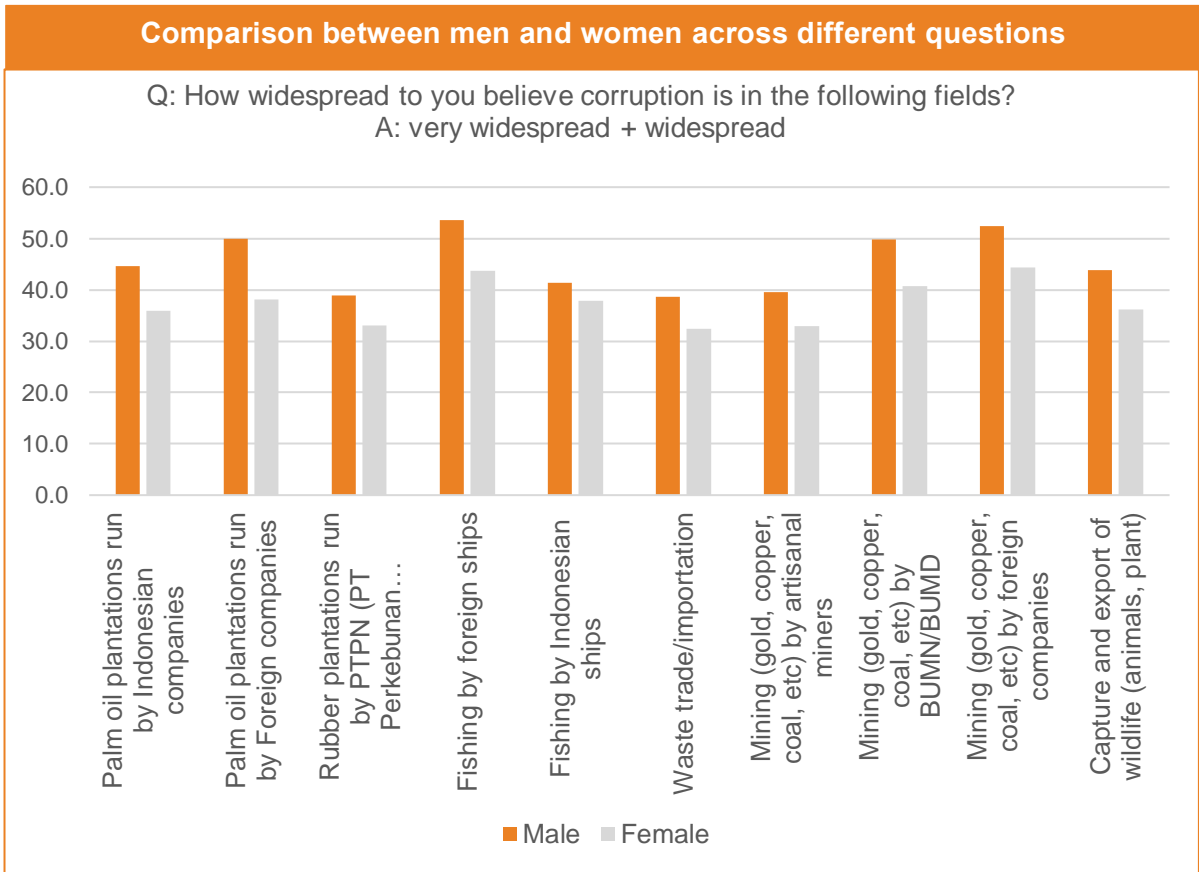
Breaking down the don't know/unwilling to respond answer among our oversampled regions, North Sulawesi and Central Java stand out as having a significantly higher share of respondents who say they don't know (on average twice as high as those in resource-rich East Kalimantan in South Sumatra). Curiously, those resource-rich provinces, where

respondents are more likely to have an opinion about the level of environmental corruption, also have a far higher share of the public that says corruption is very widespread or widespread in the sectors mentioned in the survey. Residents of East Kalimantan are twice as likely to say corruption is widespread than those of North Sulawesi and Central Java. In South Sumatra it is approximately 50% higher than North Sulawesi/Central Java.

This makes a certain amount of sense: if you are living in a resource-rich region, it is logical that you would be more likely to have an opinion about corruption relating to natural resources. And strong opinions about corruption are rarely positive.



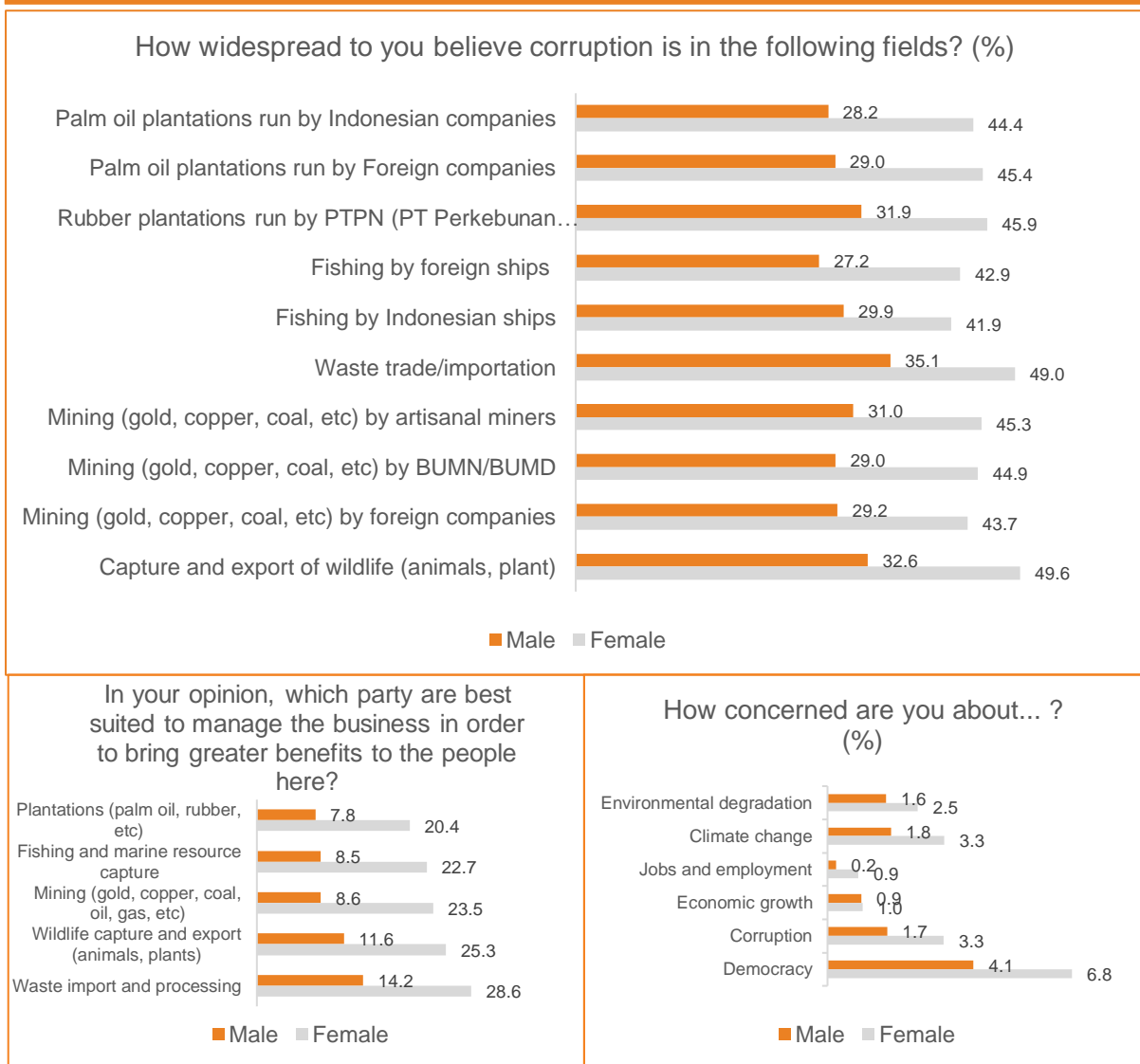
When breaking down the corruption perception levels on a range of environmental activities by gender, we notice that men are significantly more likely to believe corruption to be widespread and very widespread than women. Women are also less likely to be concerned about environmental problems than men. Finally, women are less likely to trust the government to balance environmental protection and economic growth.



It is not entirely clear why these gender differences persist in a number of questions. An initial theory is related to the fact that women are far more likely to admit to the interviewers

that they don't have an opinion or don't know the answer to a question. As we can see in the below charts, depending on the question this can be up to twice as common a response for women than it is for men. If this theory is correct, it would mean that the difference of opinion between men and women established earlier might not be as solid/informed as an initial reading suggests and be strongly influenced by a lack of confidence among female respondents (or, perhaps more likely, overconfidence on the part of our male respondents). Further research would be necessary to ascertain the reasons.

Comparison between men and women who answer DK/NA across different questions



6 Who should manage Indonesia's natural resources?

What type of organisations do Indonesians believe should be in charge of the exploitation of natural resources? On this question, we received rather clear feedback from respondents: they are overwhelmingly critical of all private companies, especially those that are foreign owned. In no sector does there more than 14% (palm oil/rubber) support private companies managing natural resources.

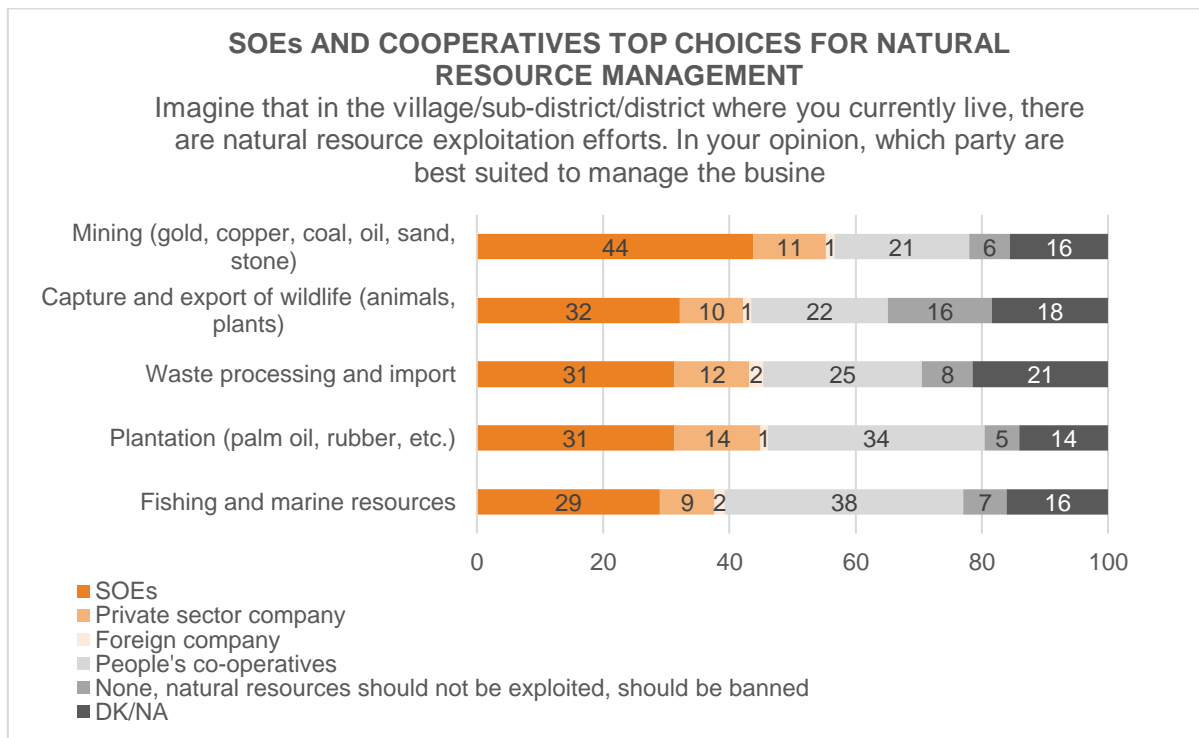
This rejection of the private sector should trigger thoughtful reflection on what might have led to such a negative perception. Our hypothesis is that the reason for this is twofold:

First, that people see natural resources as a public good to be used for the improvement of their economic conditions – and that process should take place directly through people's cooperatives. Private companies that are profit-driven are not seen as sufficiently concerned to support citizens' economic conditions. This explains the strong preference for people's cooperatives, which is probably rather impractical in any large-scale resource utilisation. Nonetheless, cooperatives are at least twice as popular as private companies (mining) and as much as four times as popular (fishing, where they are also significantly more popular than SOEs).

Second, that SOEs can be trusted to manage natural resources for the benefit of the people. The survey data show that SOEs can be even more popular than people's cooperatives, especially in the mining sector. This is an exceptionally strong endorsement of SOEs by the public and a trust credit that has to be carefully maintained so that it will not be tainted by corruption allegations. Considering the perilous state of governance in SOEs generally, and the already existing corruption scandals, one can surmise that efforts to build compliance and governance systems in SOEs would lead to an even greater endorsement by the public. This is significant homework for both the SOEs themselves and the government ministry in charge of them.

With regard to foreign companies engaging in natural resource extraction, the aversion is almost universal and even more strongly expressed than in relation to private companies overall: in no sector does the preference for this type of corporate ownership go above 2%. We will address this more in the following section.

In the wildlife trade sector only, there is a sizeable minority that opposes any kind of trade: 16% (more than those who are in favour of having private companies engage in wildlife trade).

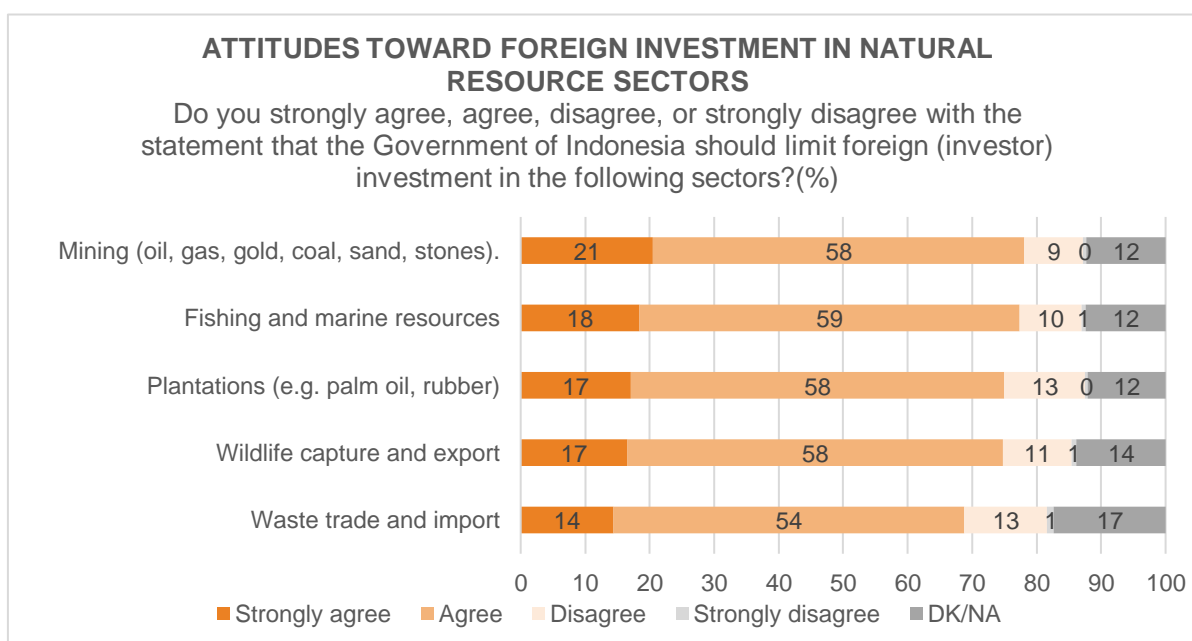


When looking at a regional breakdown of the above data, a few points stand out:

- East Kalimantan residents have a higher acceptance of private companies managing plantations, mining and fishing (this does not extend to waste trade);
- North Sulawesi has a sizeable minority that prefers no trade across environmental sectors;
- A significant minority (one third) of residents of South Sumatra prefers no trade in wildlife.

7 Public scepticism about foreign investment in the environmental sector

As mentioned above, the survey indicates that the Indonesian public does not want foreign companies engaged in natural resource utilisation. This is despite decades of expensive corporate social responsibility and public relations efforts.



The public’s dislike of foreign firms translates into substantial support for government efforts aimed at limiting foreign investments in environmental sectors. Approximately two thirds of respondents – between 60% (waste) and 79% (mining) – agree or strongly agree with government measures to limit foreign investment. At most, 14% (waste) oppose such measures.

This should lend significant public support to government efforts to encourage foreign companies currently operating in Indonesia to divest themselves of their Indonesian operations. It also makes the work of the Ministry of Investment (BKPM) and other government agencies that seek to attract foreign investment very challenging.

Any foreign company seeking to engage in the natural resource sector in Indonesia ought to be prepared for severe public criticism, with the associated staffing challenges and negative media coverage.



On a related note, our in-depth interviews with employees of natural resource companies showed that informal payments are still a deeply entrenched practice in public services involving security. This, combined with deep public dissatisfaction at the presence of foreign companies in the country, makes companies engaged in natural resource utilisation exceptionally vulnerable to security-related extortion.

The reasons for the strong support of government measures to curb foreign investments in natural resource utilisation (and by extension the reason for the public's dislike of these foreign companies) is very clear: resource nationalism.

The problem is not that foreign companies are seen as more polluting or as more corrupt than Indonesian companies. It is that respondents don't believe that foreign companies work for the good of the Indonesian people. They want Indonesia to be more independent by managing its own resources, and they believe state revenue will be greater if natural resources are managed by Indonesians. While the accuracy of some of these assumptions could be contested, the public's perception on this is very clear.²

² While the general public prefer restrictions on foreign investment, more than 50% of Indonesian businesspeople surveyed by the Australia National University and LSI in 2020 are open to trade and investment from other countries. See: https://www.newmandala.org/wp-content/uploads/2021/01/Paying-bribes-in-Indonesia_formatted.pdf

The anti-foreign investment sentiment of the Indonesian public can be traced back to pre-independence Indonesia and appears in every important episode of Indonesian history (Vickers, 2017). It was widely used to fuel nationalism during the struggle for independence in the 1940s. Specifically in terms of natural resources, this nationalism was enshrined by the founding fathers in the 1945 Constitution: Article 33 states that “the land, waters, and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people.” This historical sentiment and its enshrinement in the constitution are retold to every Indonesian in educational institutions right from elementary school.

Another aspect that might explain the strength of anti-foreign investment sentiments among the public today relates to the growing phenomenon of populism (Aspinall, 2015), with some politicians leveraging such sentiments to advocate for and justify populist policies. In the mining sector, examples include the banning of exports of unprocessed minerals³ and the so-called “divestment rule”, which mandates foreign mining companies to divest equity to Indonesian companies or SOEs.⁴⁵

8 Attitudes to plantations, mining and fisheries

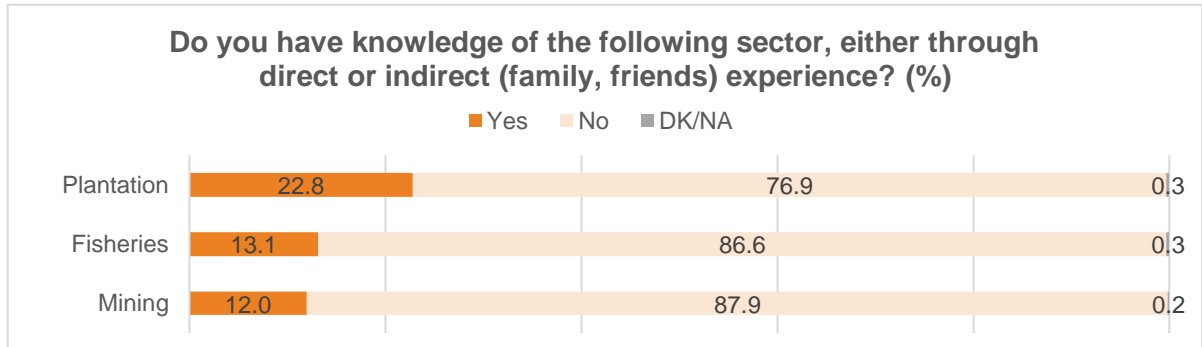
Several striking insights emerged from the survey data on three specific natural resource sectors: plantations, mining and fisheries.

³ See Library of Congress. 2014. *Indonesia: Export Ban on Unprocessed Minerals Comes into Effect*. <https://www.loc.gov/item/global-legal-monitor/2014-01-23/indonesia-export-ban-on-unprocessed-minerals-comes-into-effect/>.

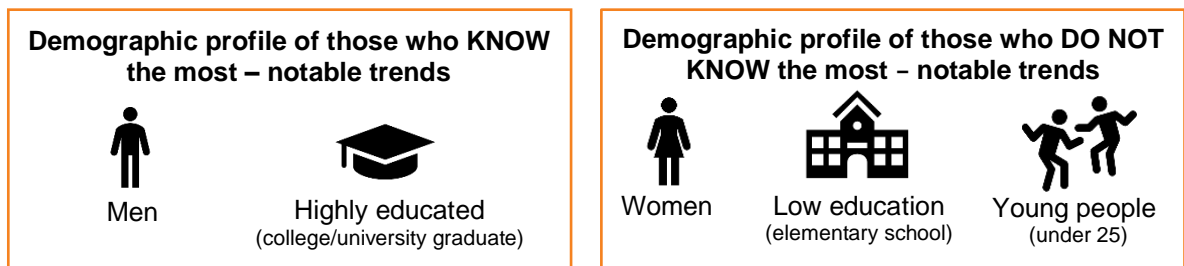
⁴ See Natural Resource Governance Institute. 2017. *Developing a Strong Mining Divestment Rule in Indonesia*. <https://resourcegovernance.org/sites/default/files/documents/developing-strong-mining-divestment-rule-in-indonesia-summary.pdf> or SSEK. 2019. *Recent Developments in Divestment Rules for Mining Companies in Indonesia*. <https://www.ssek.com/blog/recent-developments-in-divestment-rules-for-mining-companies-in-indonesia>

⁵ There is a possibility that the overly negative perceptions towards foreign investment and foreign companies may be due to the term that we use in the questionnaire: “asing”, which literally translates as “foreign” in English. The term has negative connotations in the minds of the Indonesian public. For further research it might be useful to use another term with a more neutral connotation, such as “multinational company”.

First, respondents displayed a rather low level of awareness or understanding of the various sectors: only 22.8% say they have any knowledge of the plantations sector, for example. In fisheries, only 13.1% claim to have some knowledge – somewhat of a surprise due to the high share of the population involved in fisheries. In mining, 12% claim knowledge. This is a rather low base and encourages caution in overinterpreting data.

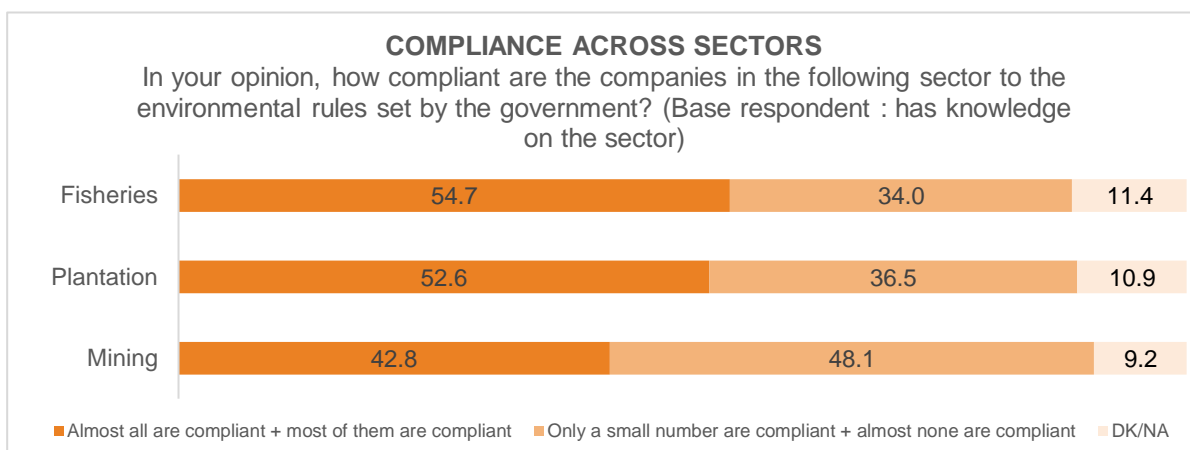


Respondents with higher education and men generally are more likely to claim that they have knowledge about the topics. Young people, those with lower levels of education and women are less likely to say that they have knowledge. This recalls the earlier observation that women tend to express less confidence in their views on societal issues.



Second, Indonesians’ relatively high trust in government coincides with a fairly high – and some observers will no doubt argue unwarranted – degree of trust that companies engaged in natural resource exploitation are compliant with environmental rules set by the government.

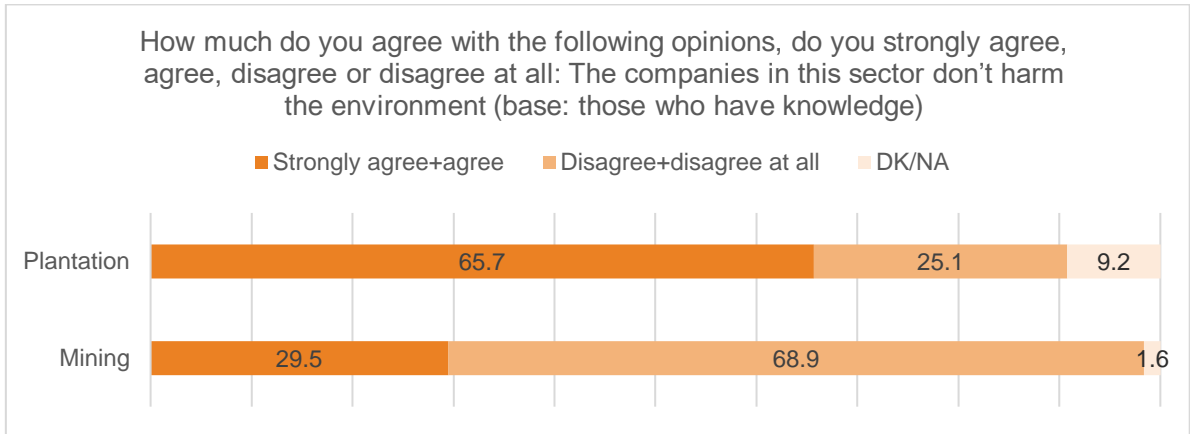
Over half (54.7%) of respondents who claimed knowledge of fisheries said that companies in this sector are compliant with environmental regulations. This relatively high degree of trust could be related to the many small-scale fisheries that generally elicit more trust (discussed in section 8.3). Yet trust in environmental compliance is also relatively high in the plantation sector at 52.6%, as well as in the mining sector at 42.8%. This is surprising considering the exceptionally negative news coverage of the mining sector.



Third, there are some surprising perceptions about whether certain types of natural resource exploitation⁶ harm the environment or not. Two thirds of respondents (65.7%) strongly agree or agree that companies in the plantation sector do not harm the environment. In the mining sector, the attitude is more sceptical, with more than two thirds (68.9%) expressing concern that mining companies do harm the environment.

It is worth noting that the “don't know” response in regards to mining is very low at 1.6%, meaning that almost everybody who claims to know about mining has an opinion on whether or not it harms the environment. Interestingly, despite this predominantly negative attitude, only 6% responded in an earlier question that mining should be banned.

⁶ The survey only addressed this question in relation to palm oil/rubber plantations and mining.



Looking at demographic breakdowns, those with lower levels of education and incomes are more likely to say that companies are compliant with environmental regulations. Men and middle-aged respondents are significantly more sceptical of companies' compliance with environmental regulations than the average.

Demographic profile of those who say these companies are compliant – notable trends

Low education (elementary and middle school)

Middle income (2-3 and 3-4 million)

Demographic profile of those who say these companies are less and not compliant – notable trends

Men

Working age (22-25 and 26-40 years old)

Demographic profile of those who say these companies don't harm the environment – notable trends

Low education (elementary and middle school)

Low income (<2 million)

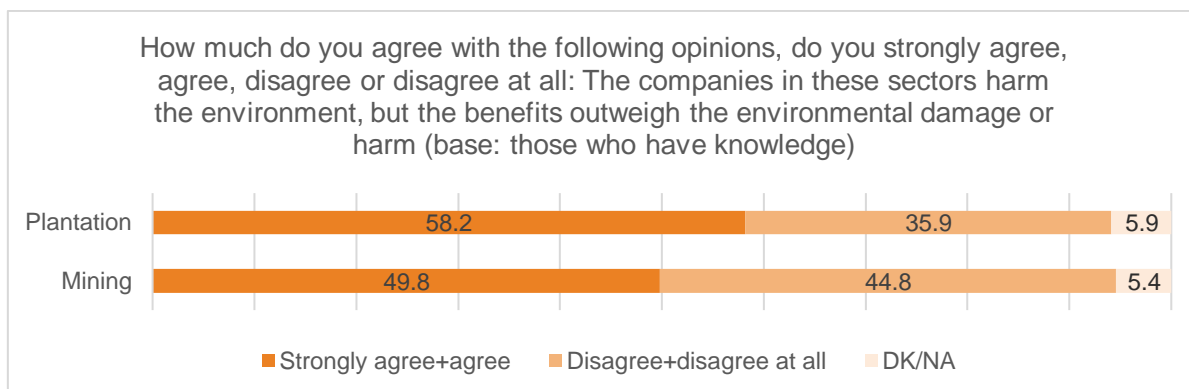
Demographic profile of those who say these companies harm the environment – notable trends

Highly educated (college/university graduate)

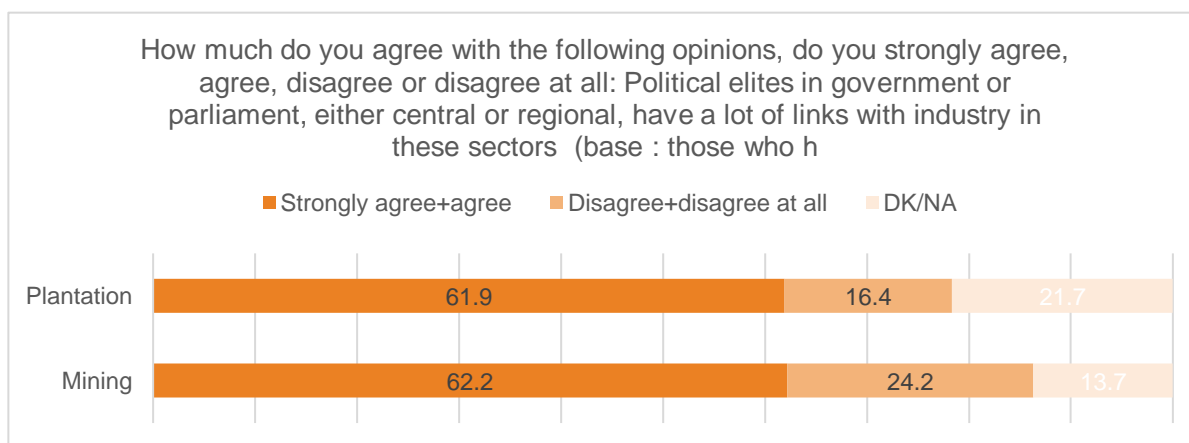
Middle age (41 - 55 years old)

As previously mentioned, Indonesian citizens appear to have a pragmatic attitude towards natural resource exploitation. This is on full display in regards to both the plantation and the mining sectors. At first, people had a significantly (36%) more positive attitude towards environmental compliance in the plantation sector in comparison to mining. When

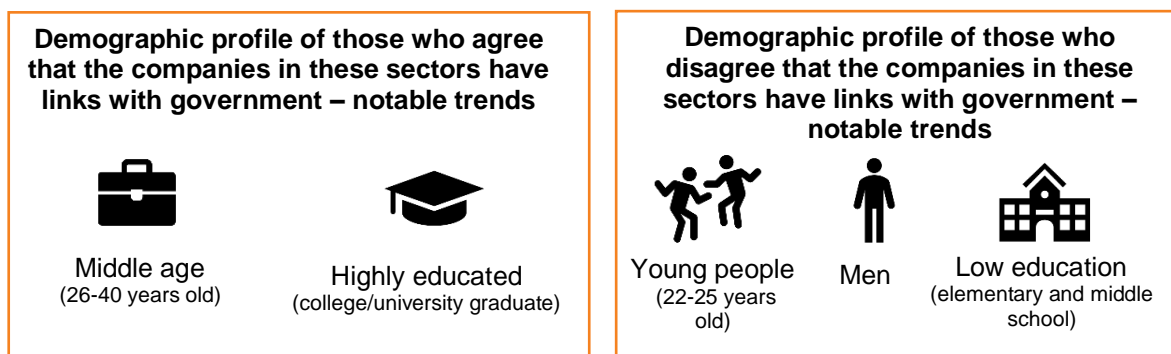
respondents were confronted with the statement that companies in both sectors harm the environment but the benefits outweigh the environmental damage, that pragmatism led to a narrowing of the gap between plantations and mining to 8%. This again highlights that economic realities play a major role in the perception of environmental degradation.



To gain a more nuanced insight into people's attitudes and understanding, respondents were then asked how closely connected with government they believe the plantation and mining sectors to be. Respondents seem fairly realistic about the high degree of government connections in both sectors: plantation at 61.9% and mining at 62.2%. Note that the results for plantations and mining are virtually identical, despite the much more negative attitude towards mining generally. It follows that, in the public's perception, the degree of political connections are not seen as the main driving factor behind companies violating environmental regulations or the degree of environmental harm the industries cause.

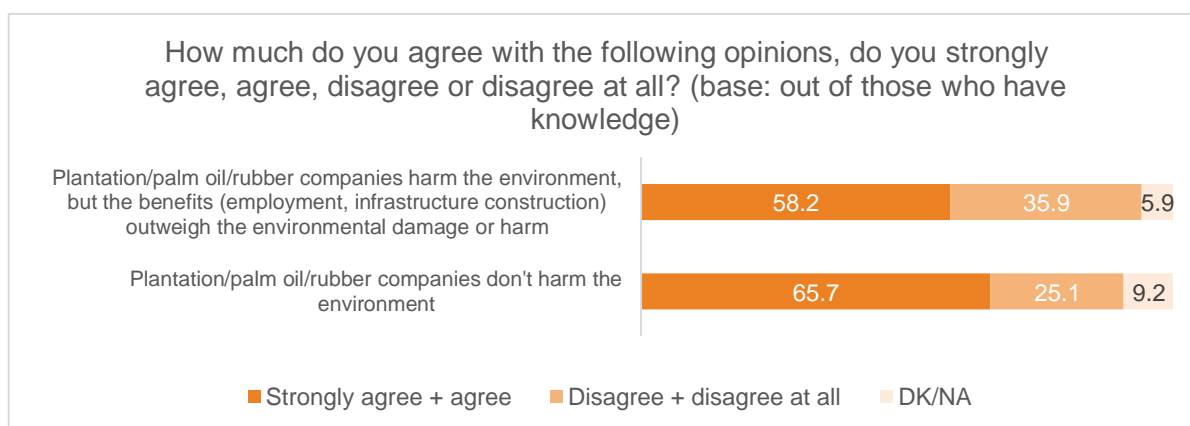


Those aged 26 to 40 years and with higher education are more likely to believe that government and the plantation/mining sectors are closely connected. Men, younger people and those with lower levels of education are less likely to believe in this connection.

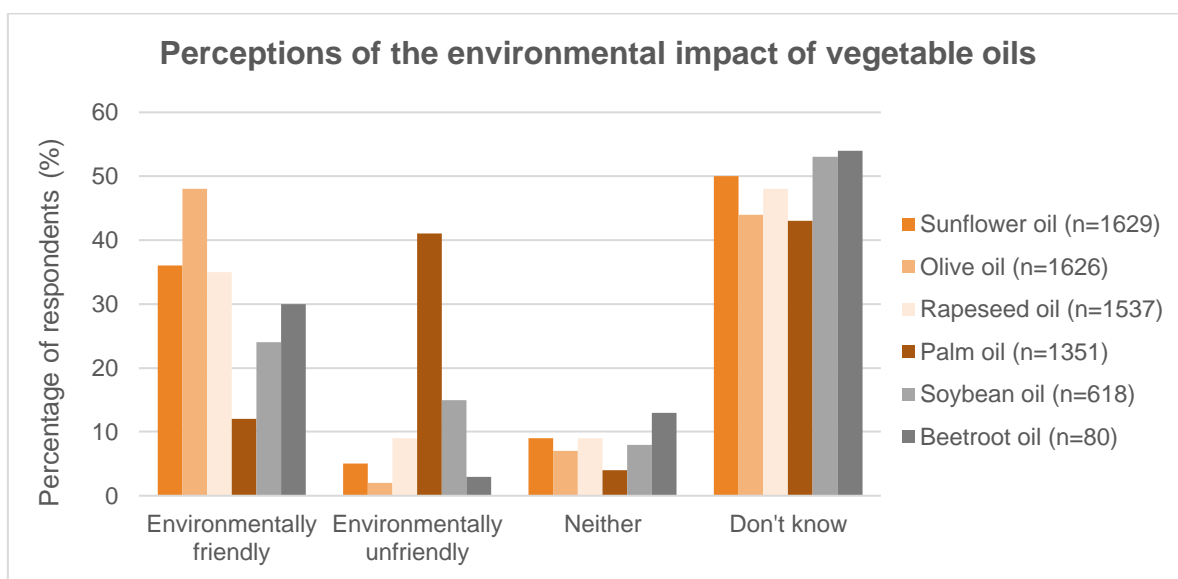


8.1 Palm oil and rubber plantations

As a reminder, palm oil and rubber plantations are the type of environmental activity that most people are familiar with (22.8% claim some knowledge of the sector). More than half of those respondents (52.6%) say that almost all/all companies abide by environmental regulations. Two thirds (65.7%) strongly agree/agree that these plantations don't harm the environment. A similar share (58.2%) believe that any environmental degradation is outweighed by the economic benefit that results.



For many Western readers, this positive attitude to plantations will be a surprising finding; a 2016 survey in the UK (Ostfeld, Howarth, Reiner, & Krasny, 2019), for example, found that only 12% believe palm oil to be environmentally friendly. This again highlights that the perceptions of the Indonesian and Western public about palm oil and rubber plantations is quite different.

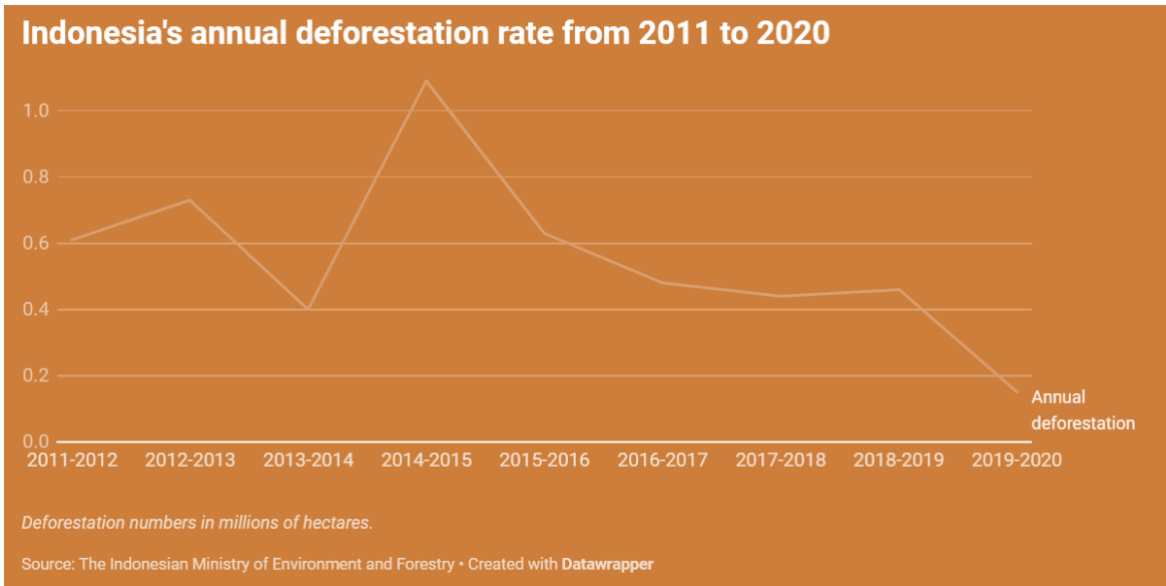


Source: (Ostfeld, Howarth, Reiner, & Krasny, 2019)

The positive attitude of the Indonesian public to plantations should not be a surprise considering it is a massive source of income and employment for the country. Based on data from the Ministry of Agriculture, 59% of palm oil plantations are owned by private companies and 41% by smallholder farmers. Those owned by smallholder farmers have supported around 2.3 million jobs (Katadata, 2019). In 2018, its export value reached USD 17.8 billion or 3.5% of Indonesia’s GDP.

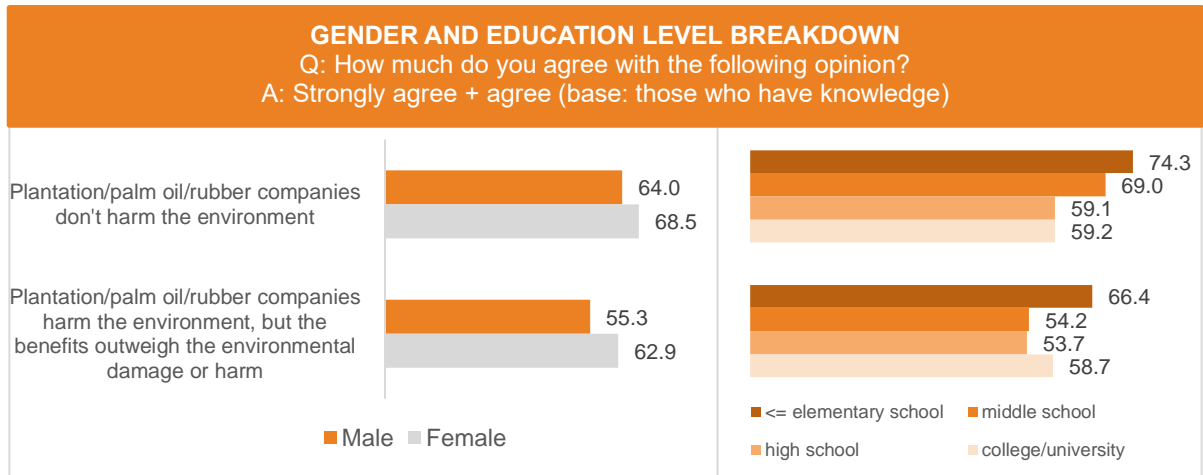
Moreover, despite massive forest fires due to deforestation that have been widely reported in the media, the deforestation rate in Indonesia in 2020 is actually estimated to have fallen by 75% to its lowest level since monitoring began in 1990.⁷ These two considerations might explain why respondents with knowledge of the plantation sector think that plantations bring benefits and do not harm the environment.

⁷ As reported by Mongabay, see: <https://news.mongabay.com/2021/03/2021-deforestation-in-indonesia-hits-record-low-but-experts-fear-a-rebound/>



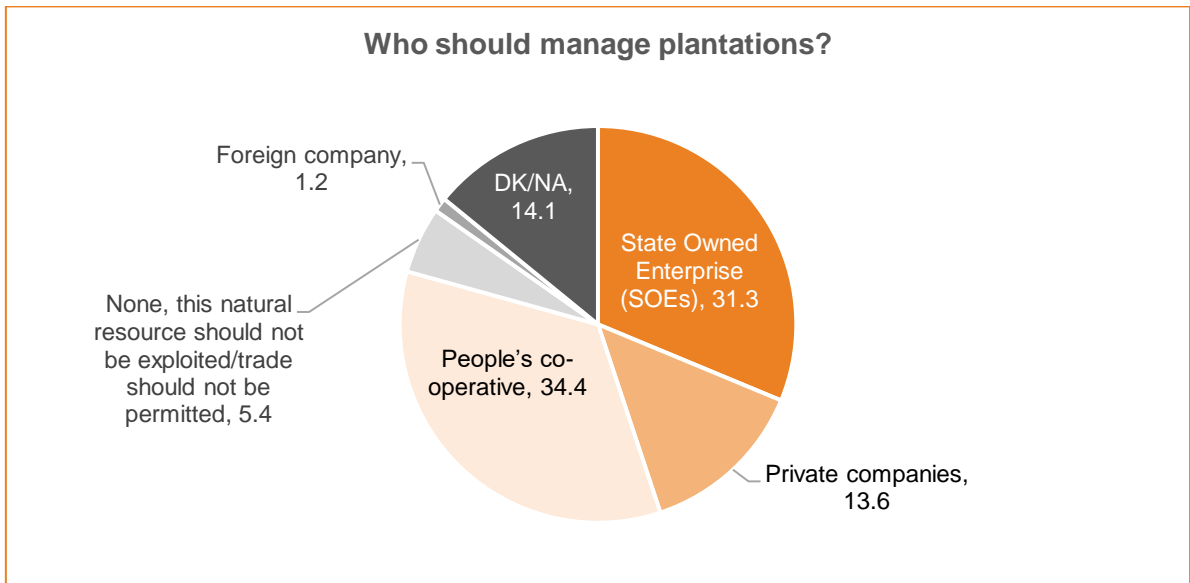
Source: (Jong, 2021)

Looking at the demographic profile breakdown, women and respondents with lower levels of education (elementary school) tend to have a more positive attitude towards palm oil/rubber plantations.



Finally, respondents are more likely to say that the palm oil/rubber industry has close political connections than not (62.9% versus 16.4%).

When asked who should manage palm oil/rubber plantations, the most popular response is people's cooperatives (34.4%), closely followed by SEOs (31.3%). Private companies are unpopular at 13.6% and foreign companies are particularly disliked at 1.2%.



Demographic profile

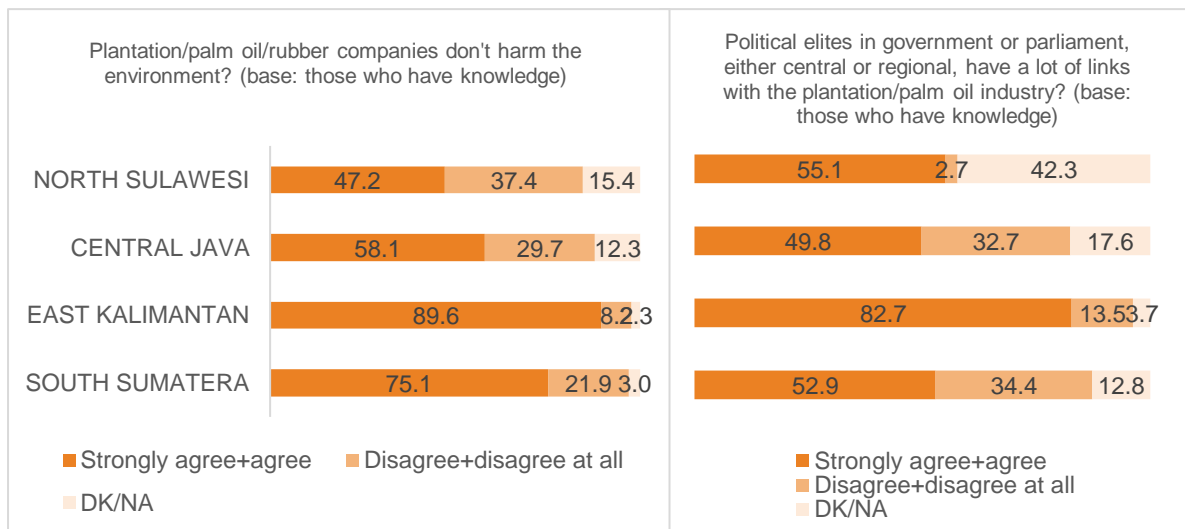
Most preferred by men - people's cooperative (40.4%)
 Most preferred by women - SOE (30.7%)

Most preferred by low income group (< IDR 1 million) – people's cooperative (33.4%)
 Most preferred by high income group (> IDR 4 million) – SOE(40.69%)

The age group that preferred private companies the most is young people (23.9%)

Interestingly, men prefer people's cooperatives (44.4%), whereas women prefer SOEs (30.7%). The lowest income group prefers people's cooperatives (33.4%) whereas, somewhat surprisingly, the highest income group prefers SOEs (40.69%). Among the various age groups, young people are the greatest supporters of private companies (23.9%), but even for this demographic they are not the preferred corporate structure to manage palm oil/rubber plantations.

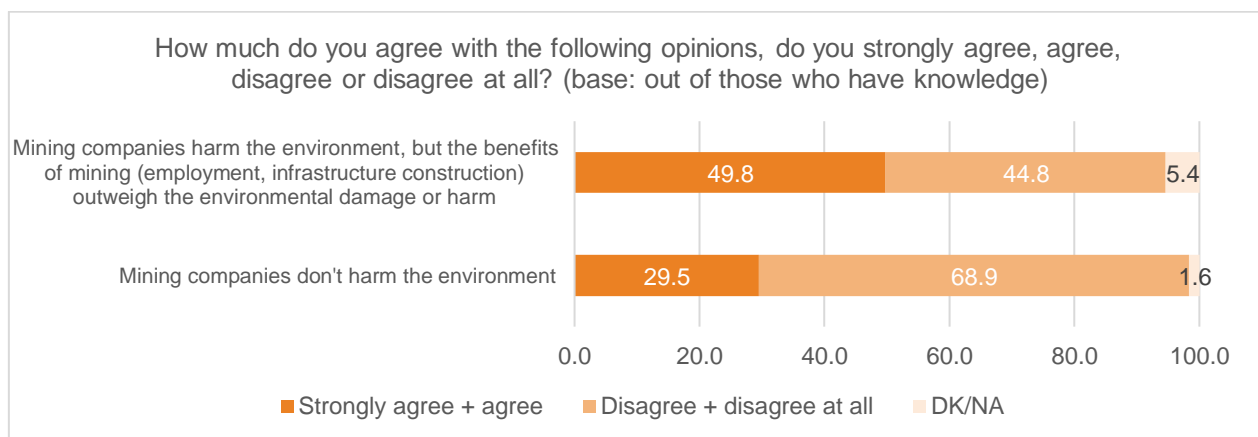
From a regional perspective, respondents in the oversampled provinces that have more plantations are less likely to say that plantations harm the environment, while acknowledging that political elites have strong links with the palm oil industries.



8.2 Mining

The mining sector is seen as significantly more harmful to the environment than plantations, but half of respondents still believe that its benefits outweigh these harms.

Once again, the survey findings display a pragmatic attitude: mining causes environmental harm, but it is still beneficial for the people.



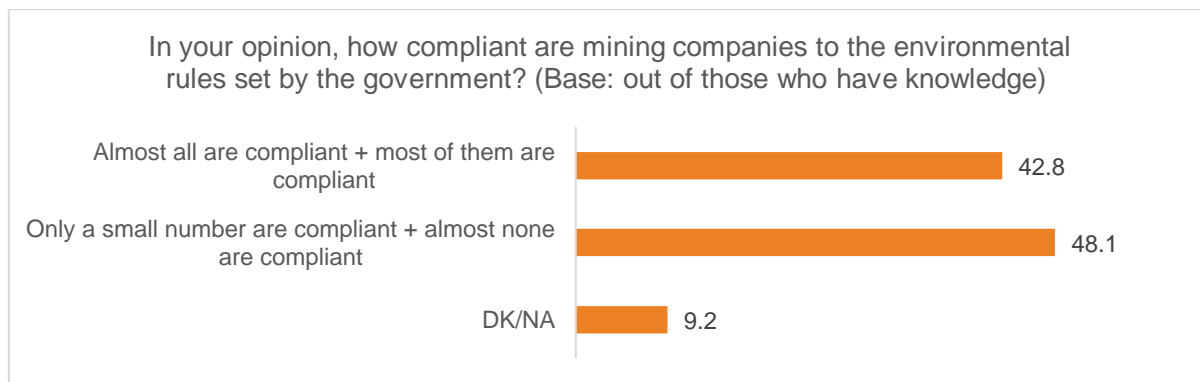
In regions like East Kalimantan and South Sumatera, both people and the government depend on the mining industry, in particular for coal. These regions contain the biggest coal reserves in the country. East Kalimantan is also the biggest coal producer in Indonesia

(Climate and Land Use Alliance, 2018, p. 14). Coal brings employment and income to people, and helps to improve infrastructure in these regions.

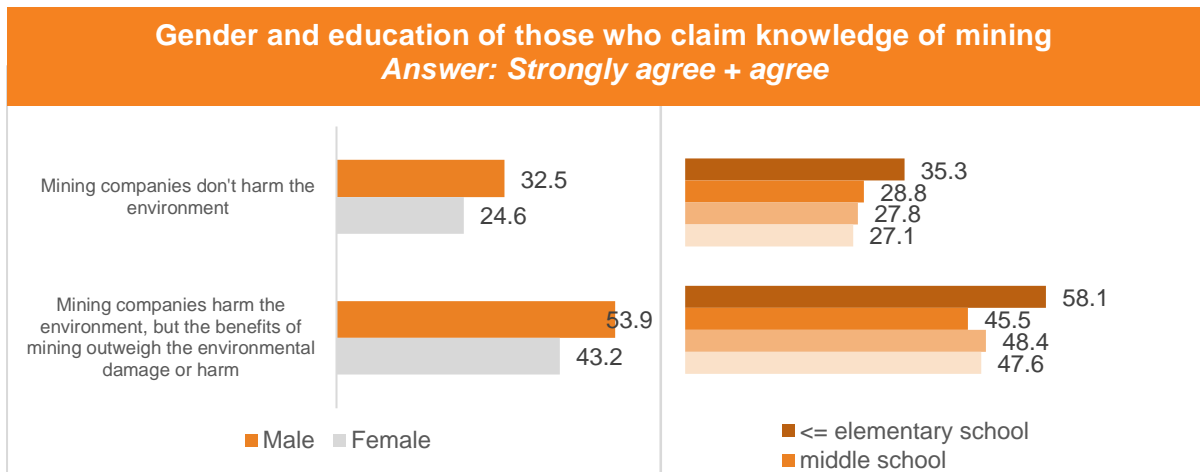
The contribution of the mining sector more generally to employment, and the comparison between large-scale mining by companies and small-scale/artisanal mining, are less clear than for plantations. This is partly due to the nature of artisanal mining in Indonesia, which is mostly illegal in nature. It is estimated that there are between 66,000 and 300,000 artisanal gold miners, for example, with 1.5 million people depending directly on this sector (Climate and Land Use Alliance, 2018). If other minerals such as nickel, copper and coal are included in the figures, the mining sector’s contribution to employment might be equal to or greater than that of plantations.

However, several concerns arise from this industry, such as the use of mercury by artisanal miners (KLHK, 2020), deaths in coal-mining sites due to a lack of safety measures – including deaths of children in abandoned coal-mining pits – and water pollution (Climate and Land Use Alliance, 2018, pp. 43-44). This resonates with the survey findings, with respondents acknowledging that while the mining industry brings (economic) benefits to people, it is harmful to the environment.

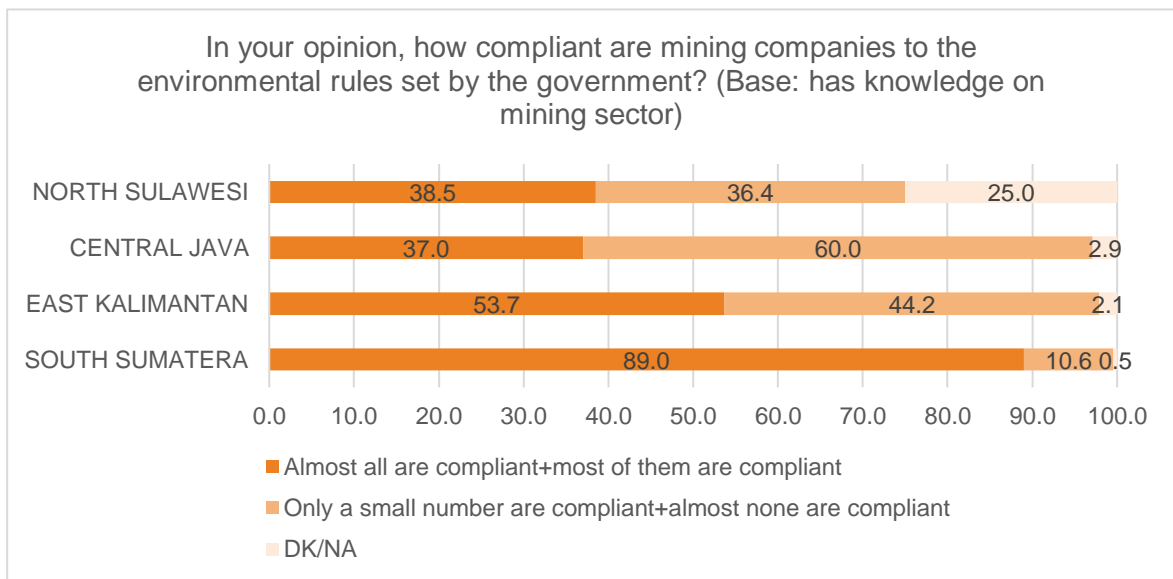
When looking at compliance, respondents are roughly split between those who think mining companies are compliant with environmental regulations (42.8%) and those who don't (48.1%).



Those with a more positive attitude towards mining tend to have lower levels of education (elementary school) and/or to be male.



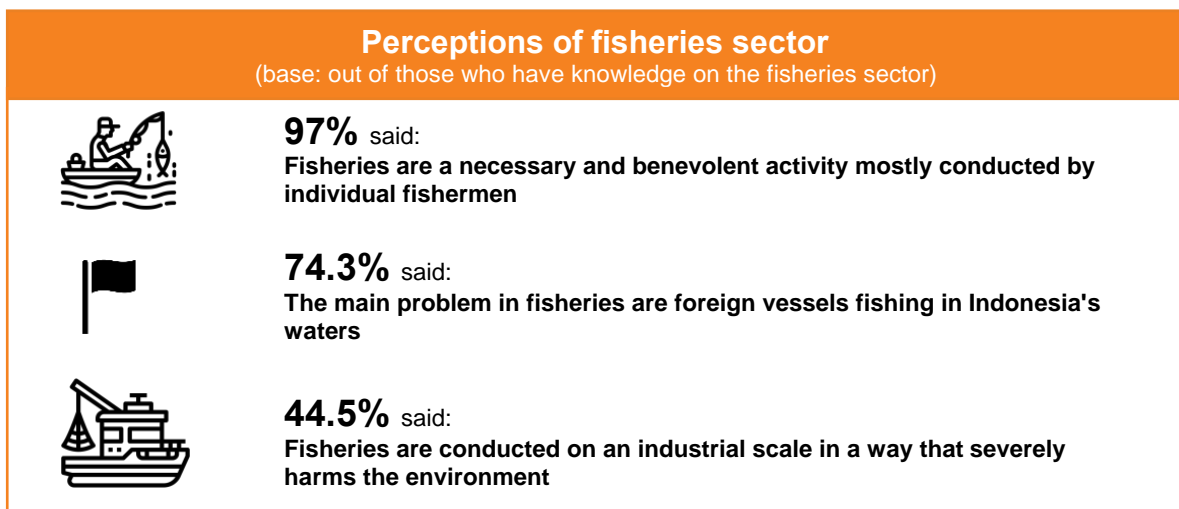
Looking at the regional breakdown, it is striking that citizens in South Sumatra are much more likely to say that mining companies (gold, copper, coal and others) are all or almost all compliant with licensing rules (89%), followed by residents of East Kalimantan (53.7%). At the other end of the spectrum, residents of Central Java (37%) and North Sulawesi (38.5%) believe a far smaller share of companies to be compliant.



8.3 Fisheries

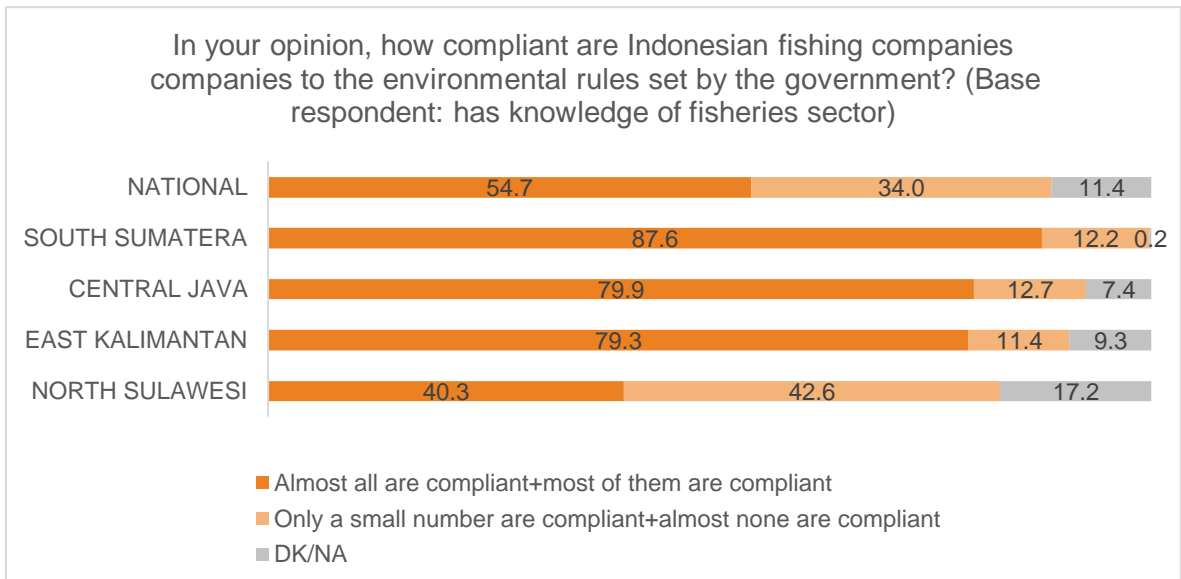
Survey data on the fisheries sector looks significantly different from those on plantations and mining.

First, attitudes are overwhelmingly positive: 97% of respondents say that fisheries are a necessary and harmless activity mostly conducted by individual fishermen. The most negative element, according to 74.3% of respondents, appears to be foreign vessels fishing in Indonesia's waters. This recalls government messaging on this topic over the last decade.

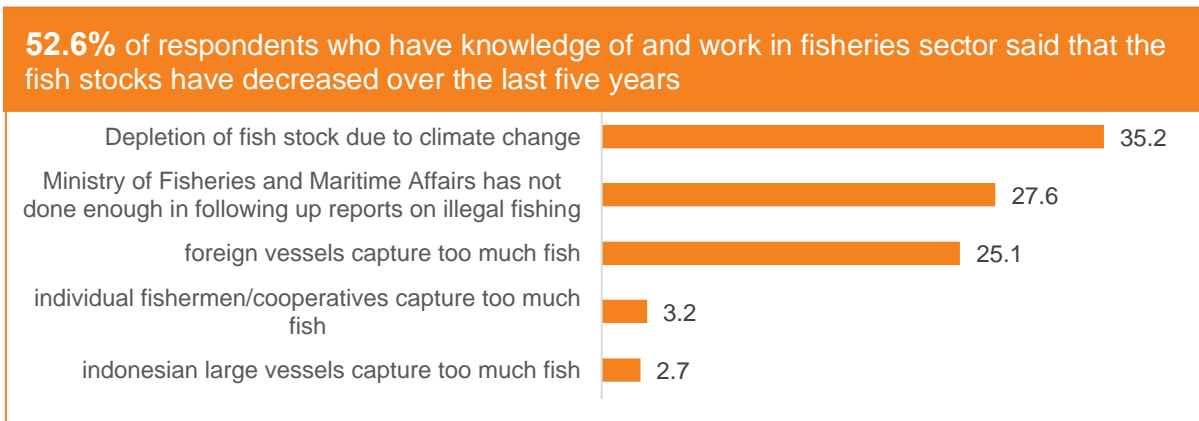


Attitudes towards Indonesian fishing companies are also quite positive, with more than half of respondents nationwide (54.7%) saying that almost all or most companies are compliant with government licensing rules.

Of note, three of our oversampled provinces (South Sumatra, Central Java and East Kalimantan) are significantly more convinced of these companies' compliance than the national average (87.6%, 79.9%, 79.3% respectively versus 54.7% nationally). On the other hand, fisherfolk in North Sulawesi are much more sceptical of fishing companies, with only 40.3% believing them to be compliant or mostly compliant. Two fifths of North Sulawesi respondents (42.6%) say that only a small number/none are compliant, a rate that is more than three times higher than for the other three provinces.

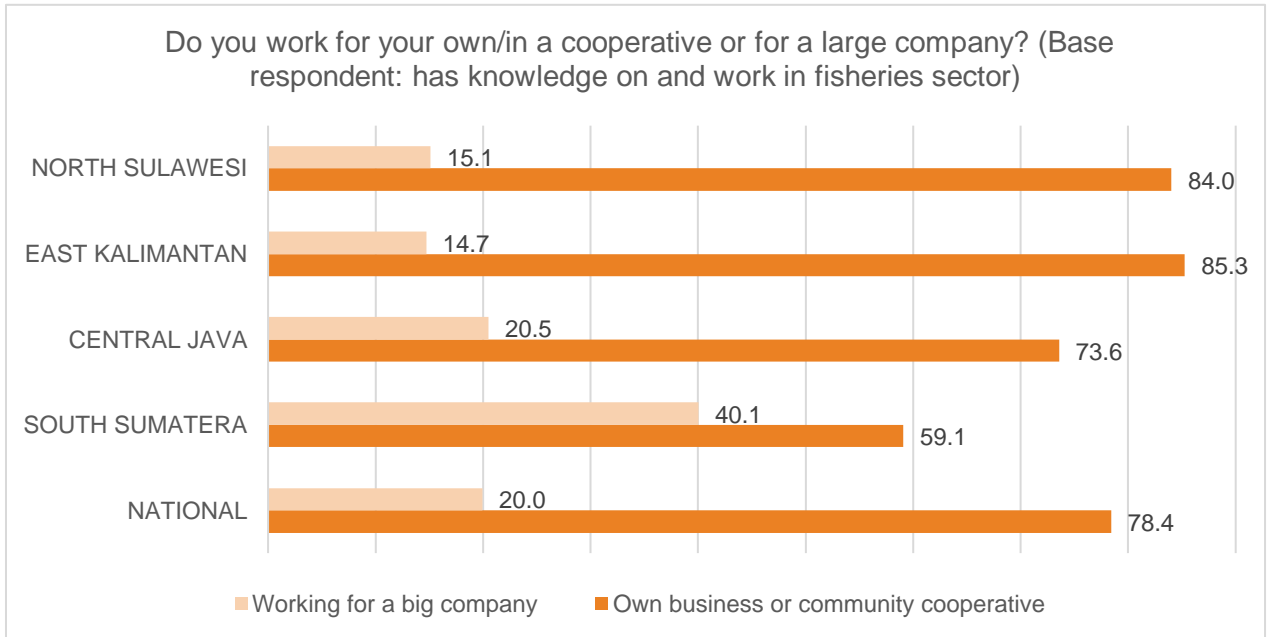


More than half (52.6%) of respondents say that fish stocks have decreased over the last five years. They attribute this depletion to a variety of factors, including climate change, lack of enforcement of quotas, and foreign vessels. The blame does not appear to fall on individual Indonesian fisherfolk (3.2%) or even large Indonesian-owned vessels (2.7%)



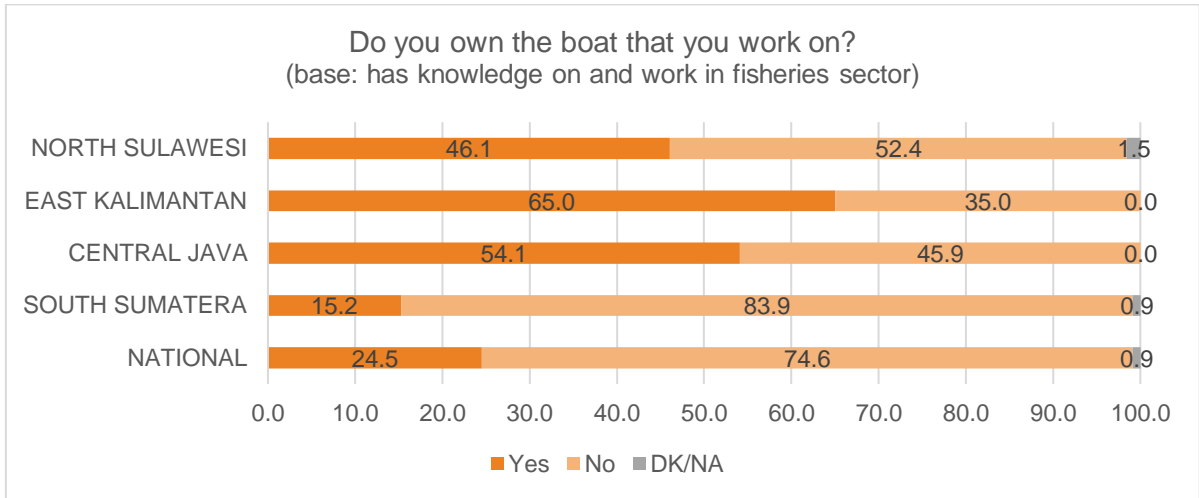
This may be related to the fact that the most preferred corporate entity to manage fisheries among all demographic groups is SOEs.

This preference for SOEs, which permeates the natural resource sector generally, is surprising considering that three quarters of respondents who work in the fisheries sector have their own business or are part of a cooperative. South Sumatra is an outlier here: the share of those who work in large companies is twice as high as the national average (40.1% versus 20%).

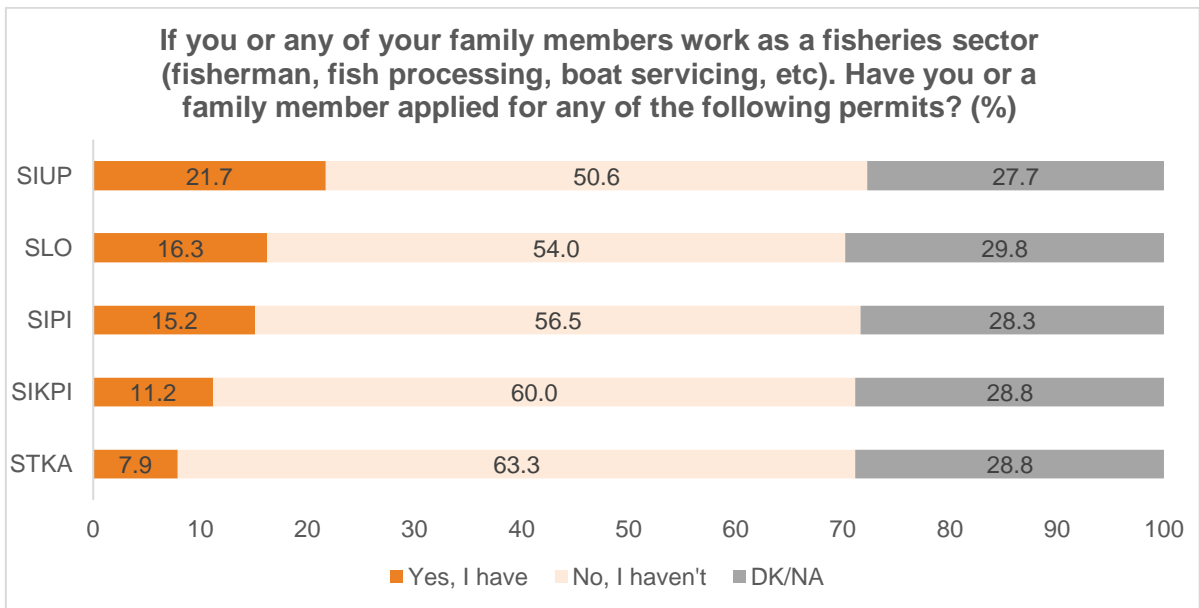


There are quite wide regional differences in ownership, too: at the national level, only one quarter of respondents from the fisheries sector own their own vessel, whereas in North Sulawesi and Central Java it is close to half (46.1% and 54.1% respectively). In East Kalimantan two thirds of fishermen state that they own their own boat.

The typical fisherman or woman therefore either owns his/her own business or works for a cooperative but does not own his/her own boat.



Interestingly, participating fisherfolk demonstrate a relatively low level of experience with fishing-related permits, with four fifths or more having no experience with any permit out of the list provided, including the most prevalent, the SIUP or Fishery Business License. This low level of experience precludes any statistically significant findings about corruption in relation to permitting.



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