FOREIGN INVESTMENT IN MONOPOLY PRACTICES IN THE MINING SECTOR

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ABSTRACT: In Indonesia, Joint Venture is regulated in Law No. 25 of 2007 on Investment. Joint Venture itself is a form of alliance that emphasizes more on cooperation and its temporary nature. Before the occurrence of Joint Venture in the establishment of the company conducted a Joint Venture agreement, it contains the agreement of both parties. Law No. 5 of 1999 concerning Prohibition of Monopoly Practices and Unfair Business Competition regulates the prohibition of a company in carrying out its business activities, must not do 3 things, namely: make a prohibited agreement, become the dominant position, and conduct prohibited activities. On the contrary, Law No. 40 of 2007 on Limited Liability Companies and also Law No. 25 of 2007 on Investment does not regulate the matter. Therefore the company does it by joint venture. The company's growth in the mining sector is growing very rapidly. To attract investors, the government is expanding in the mining sector. Certainly in this case the practice of monopoly in a company is very likely to occur as mining sector companies increase. The research method used by the author is normative juridical, i.e. research whose reference material uses the norms contained in the laws and regulations. The results showed that companies have implications for monopoly practices, of course a company, especially the mining sector, should also consider the principle of fairness.

Keywords: Joint Venture; Monopoly Practices; Principles of Justice

INTRODUCTION

The demands of modernization make all countries vying for validation as developed countries. Of course it will affect all aspects of life in a country. It even affects also about the order and the top priorities that will be done by a country. Business, politics, economics and various other aspects will be required to be efficient, clear and provit in carrying out all its activities. Every country will certainly do development, prosperity and prosperity for its people.
To do development and welfare of the community, the state definitely needs a large fund for it. One of the steps that Indonesia is taking to improve the country's economy is to attract as many investors as possible to invest in their country. The demands of industry 4.0 and becoming a developed country make national development directed to the industrial sector. And the path taken is to attract and invite foreign capital into the country.

Indonesia has a purpose in the state stated in the Preamble to the Constitution of the Republic of Indonesia year 1945 (Constitution 1945), some of which is to protect the entire nation of Indonesia, to advance the general welfare, participate in implementing a world order based on independence, lasting peace and social justice for all Indonesians. To achieve this goal, Indonesia held various national developments. Development that is still encouraged is in the field of mining, because this field is a much needed sector to increase state revenues.¹

Mining is one of the sectors guaranteed in the Law, especially Article 33 paragraph (3) of the 1945 NRI Constitution which states that the earth, water and natural wealth contained in it is the control of the state used for the prosperity of the people. The article becomes the foundation of mining development in utilizing the potential of natural resource wealth that is optimally owned in supporting sustainable national development. Some mining commodities in Indonesia such as petroleum, bauxite, coal, iron, tin, gold, copper, nickel, marble and so on. In fact, development only focuses on economic growth with development.²

If referring to the Investment Law, foreign investment can be done in 2 ways. First, by using all foreign capital. The second can be by combining foreign capital with domestic capital. If referring to the first option, that capital and power and decision making are entirely done by foreign parties as long as they obtain the approval of the Indonesian government and do not violate the prevailing public order in Indonesia. If referring to the second option should be done in the form of cooperation (join venture), because it has become a must that is done before later continued with the establishment of a joint venture company.

There are some things that are of concern because the choice is also very potential for a conflict with the joint venture system. Some of the conflicts that may occur are the form of agreements of joint ventures, the structure of the company's capital, the management system of the company, even the legal system. An example of a joint venture company engaged in mining is PT Panca Mitra Limbah Indonesia (PMLI).

¹ 4th Alenia Opening of the Constitution of the Republic of Indonesia in 1945
² Article 33 paragraph (3) of the Constitution of the Republic of Indonesia year 1945
³ Article Info, “Merger And Joint Venture Process Used In Group Company Expansion in Coal Mining Sector,” Pandecta : Research Law Journal 12, no. 2 (2018): 111–134.
⁴ Ibid.
The estimated value of the company is approximately Rp. 15 Billion, with a combination of the four companies namely: PT Antam (Persero) Tbk., PT Inalum (Persero), PT Timah (Persero) Tbk and PT Bukit Asam (Persero) Tbk. Because mining is a very strategic commodity for the benefit of the People of Indonesia, it has become a necessity that it is managed and utilized for the lives of many people.\(^5\)

Article 33 of the Constitution of the Republic of Indonesia year 1945 states that "Production branches that are important for the state as well as those that control the lives of many people are controlled by the state; and the Earth and the water and natural riches contained therein are controlled by the state and used to the greatest extent for the prosperity of the people".

In addition, because it concerns the lives of many people, it is strictly forbidden to monopolize. Contained in Article 51 of Law No. 5 of 1999 concerning Prohibition of Monopoly Practices and Unfair Competition. The Law states that "Monopoly and or concentration of activities related to the production or marketing of goods and or services that control the lives of many people and production branches that are important to the state are regulated by law and organized by State-Owned Enterprises and or entities or institutions established or appointed by the Government".

Article 16 also states that "Businesses are prohibited from making agreements with other parties abroad that will contain provisions that could result in monopoly practices and or unfair business competition". But the reality shows that the upstream sector of the coal mining industry is controlled by national private companies, not state or state-owned enterprises (BUMN).

The Indonesian Directorate of Energy and Mineral Resources (ESDM) notes that 71.7% of coal production in Indonesia is controlled by national private companies, others are controlled by foreign companies. An example of a national private company is Bumi Resources Group (PT. Kaltim Prima Coal and PT Arutmin), Berau Coal, Indominco Mandin, Adaro. Although the ownership of shares in the company is dominated by the national private sector, but the investment model used mostly in the form of foreign investment (PMA).\(^6\)

Another form of irony is that Indonesia's mineral resources are ranked 6th in the world but in terms of mining investment ranked 46th in the world, it makes the United States expand its investment in the mining sector. The United States during the period 2000-2010 investment amounted to 3,540 million dollars, even in 2011 increased to 359.1 million dollars. An example

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\(^5\) Lukas Hendra TM, "4 BUMN Tambang Bentuk Joint Venture", https://market.bisnis.com/read/20171123/192/712229/4-bumn-tambang-bentuk-joint-venture , accessed on April 04, 2021, at 21.54 WIB

\(^6\) Berdikari online, "National Coal Industry And Mandate Article 33 of the 1945 Constitution", https://www.berdikarionline.com/industri-batubara-nasional-dan-amanat-pasal-33-uud-1945/ , accessed on April 04, 2021, at 22.58 WIB
of a very familiar company is PT Freeport McMoran which conducts copper and bauxite mining. From the explanation of the plot that has been explained, then formed some problem formulations that will be raised by the author.

**PROBLEM**

Starting from the problem that has been described by the author, several problem formulations are taken, namely:

1. What is the form of joint venture conducted in investment in Indonesia?
2. How is the principle of distributive justice still enforced in a company as an effort to minimize monopoly practices?

**RESEARCH METHODS**

The research used is Normative Juridical, which is a legal research conducted by researching library materials or secondary materials. The scope of research used by withdrawing the principle of law, and conducted against positive written or unwritten laws. And in this case the researcher will give his analysis on Foreign Investment in Joint Venture and Prohibition of Monopoly Practices in the Mining Sector. With statutory data, books, journals and pre-existing research to reinforce the results of this writing.

**DISCUSSION**

**Joint Venture Company and its position in Investment in Indonesia**

Written in Law No. 3 of 1982 concerning Mandatory Company Registration, explaining that the company is any form of business that runs every business that is fixed and continuous and established, working also domiciled within the territory of the Republic of Indonesia with the aim of gaining profit. Joint Venture in Law No. 25 of 2007 on Investment, namely equity joint venture. That when the holding of investment by foreign investors in Indonesia must be formed Limited Liability Company (PT) on the basis of Indonesian law. Regarding other perspective theories explain that PT is a legal entity (moralist persona, legal person, legal entity, rechtspersoon) this is like a human (natuurlijk persoon) either independent or independent of the founder, member or investor in a legal entity, the legal entity can conduct business activities on behalf of itself like a human being, and act through that legal entity with the aim of establishing legal relationships to third parties.

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7 D I Mining Sector et al., INDONESIA - USA, n.d.
8 Soerjono Soekanto and Sri Mahmudji, *Normative Law Research A Brief Review*, Jakarta: Raja Grafindo Persada, 2003, p.13
9 Soerjono Soekanto, *Introduction to Legal Research*, Jakarta: UI Press, 1996, p.63
10 Murjianto R, *Pengantar Hukum Dagang: Aspek-aspek Hukum Perusahaan dan Larangan Praktek Monopoli*, Yogyakarta: Liberty, 2002, hlm.84
11 Ridwan Khirandy, Kompetensi Absolut Dalam Penyelesaian Sengketa di Perusahaan Joint Venture, *Jurnal Hukum* Vol.26 No.24, hlm.43
Also explained in Article 1 paragraph 1 of Law No. 40 of 2007 concerning Limited Liability Companies explains that: "The Company (the company) is a legal entity in the form of a capital alliance, which is established on the basis of an agreement, carrying out its business activities with a basic capital that is all divided into shares and also meets the requirements set forth in the law as well as its implementation regulations".

Furthermore, in Article 2 of Law No. 40 of 2007 and explaining: "The Company must also have the intention and also the purpose of business activities that are not contrary to the provisions of legislation, public order, and/or decency".

From this can be concluded that any type of business a company should not violate the prevailing laws and regulations. In order for a company to continue to grow and continue to run, a breakthrough business is needed, one of the ways that the company takes it is by investing.

The main source of foreign capital in a country can be branches of multinational companies, subsidiaries, licenses, joint ventures, or others. And can be seen also some benefits obtained from foreign capital, namely:
- Employment
- Technology switching
- Managerial training
- Access to international markets with exports

In foreign investment, the form of investment is based on government regulations, one of which is Joint Venture or Joint Venture, which is a provision of foreign investment must form a Joint Venture with local companies that conduct economic activities according to what they want. Even in its establishment it is necessary to conduct a Joint Venture Agreement. Some elements in the Joint Venture that must be fulfilled include:
1. Cooperation between two or more parties
2. The existence of capital
3. The existence of a letter of agreement

The existence of a letter of agreement because of a form of cooperation between the two parties. This is a form of cooperation that can be accounted for from both parties. The definition of Joint Venture according to experts is an agreement between two companies whose purpose is to form a new company, this new company which after that is called a Joint Venture company. Businesses see that this Joint Venture becomes an effective way of developing and improving a business and has become a strategic plan, especially one that has become an international company. In Indonesia there are several regulations governing joint ventures, among others:

12 Universitas Gadjah Mada, “Peranan Penanaman Modal Asing (Pma) Terhadap Pertumbuhan Ekonomi Di Indonesia,” Jurnal Ekonomi dan Bisnis Indonesia 14, no. 1999 (1999)
13 I Gede Cahya Widiangga and I Putu Sudarma Sumadi, "Joint Venture Reviewed From The Perspective of Law No. 5 of 1999 on Prohibition" (1999): 1999–2003
14 Peter Mahmud and Budi Sutrisno, Investment Law in Indonesia, Jakarta: Rajawali Pers, 2008, p.206
1. Article 23 of Law Number 1 of 1967 on Foreign Investment
2. Government Regulation Number 17 of 1992 jo. Government Regulation Number 7 of 1993 concerning Shareholders of Foreign Investment Companies.
3. Government Regulation Number 20 of 1994 concerning Ownership of Shares in Companies Established in the Framework of Foreign Investment
4. Decree of the Minister of State for Investment Fund/Chairman of the Investment Coordinating Board Number: 15/SK/1994 concerning The Provisions on the Implementation of Share Ownership in Companies Established in the Framework of Foreign Investment.

The forms or characteristics of the Joint Venture are:
1. Both parties become shareholders in a company established for a particular economic activity, based on the agreed share. Usually foreign investors are already the majority shareholders. Its position as the majority and minority shareholders, in addition to determining the amount of dividends obtained, it also affects the composition occupied in the board of commissioners and also the board of directors. The majority shareholders also occupy more positions and are also significant than the majority shareholders.
2. Mengenai pemegang saham mayoritas yang bentuknya berupa perusahaan induk (parent company, holding company, controlling company) dari perusahaan joint venture yang didirikan. Sedangkan selain itu disebut dengan anak perusahaan (subsidiary). Regarding the majority shareholders in the form of parent companies (parent companies, holding companies, controlling companies) of established joint venture companies. While in addition it is called a subsidiary.
3. The transfer of technology, with the holding of the technology transfer, from both parties must maintain the confidentiality of a trade or trade secret in the transfer of technology.

Proportionality within the Company
In business relationships that occur between parties, generally because they have mutual interests. According to Roscoe Pound "Interest "or"interest" ie "a demand or desire which humanbeing, either individually or through groups or associations in relations seek to satisfy", which means interest as a desire that wants to be done by man, individually, or group or association.

Characteristics also mean "balance" and "proportionality" according to W.van Hoeve 'interpreted 'evenredig',like balance, equality. Thus evenredigheid is interpreted the same as evenwicht which means balance, equilibrium. In addition proportioneel also means balanced, comparable. The measure of proportionality of the exchange of rights and obligations is based on the values of equality (zorgvuldigheid), feasibility (redelijkheid; reasonableness) and propriety (billijkheid; equity). The principle of proportionality does not matter about balance (equality) but rather the proportion of the division of rights and obligations between the parties that take place in a fair and reasonableness.

Johannes Ibrahim and Lindawaty Sewu, Business Law in Modern Human Perception, Bandung: Refika Aditama, 2003, pp. 12-13
W.van Hoeve, Dutch Dictionary of Indonesia, Jakarta: Iktiar Baru van Hoeve, 1996, pp. 117 and 393
Distributive Justice Principles

Justice for Upianus is described as "Justitia est constans et perpetua voluntas ius cuique tribuendi", meaning that justice is a will that is constant and continues to give to each of his rights or "tribuere cuique suum". So in this case it makes it clear that everyone's right to anything that should be his or hers must be recognized by anyone. In addition Justinianus in Corpus Iuris Civilis: Juris praecpta sunt haec: honeste vivere, alterum non laedere, suum cuique tribuere, which means that the basic rule of law is to live properly, and not cause harm to others, and give others what belongs to him.

In the theory of justice, Thomas Aquinas proposed three fundamental structures (basic relationships), including:
1. Relationships between individuals (order partium ad partes)
2. Inter-community relations as a whole with individuals (order totius ad partes)
3. The relationship between individuals and society as a whole (order partium ad totum)

According to Thomas Aquinas, it is a form of respect for the human person (acceptio personarum) and its nobility (dignitas). Distributive justice, fairness, and propriety (equity) can be achieved only by the determination of actual value or can also with the similarity between one thing with another (aequalitas rei ad rem). There are two forms of similarity:
- Proportional similarity (proportionate acquality)
- Similarity of quantity or quantity (acquality quantitas).

According to John Boatright and Manuel Velasquez:
1. Distributive justice, which is between benefits and burdens must be divided fairly.
2. Compensatory justice, is a person has a moral obligation to compensate or indemnify others who are harmed.

In order for distributive justice to be realized, Beauchamp and Bowie stated that there are six principles that must be fulfilled, namely:
1. To everyone the same part
2. To each person according to his individual needs
3. To everyone according to his rights
4. To each person in accordance with his individual efforts
5. To each person according to his or her contribution
6. To each person according to his merits (merit)

K. Bertens, Introduction to Business Ethics, Yogyakarta: Kanisius, 2000, pp. 86-87
O. Notohamidjojo, Problem: Justice, Semarang: Tirta Amerta, 1971, p.9
E. Sumaryono, Legal Ethics Relevance of Thomas Aquinas Natural Law Theory, Yogyakarta: Kanisius, 2002, pp. 90-91
Ibid.
J. Van Kan and J.H. Beekhuis, Introduction to Law, Jakarta: Ghalia Indonesia, 1990, pp. 171-172
Thus it can show that justice has a variety of perspectives and much need to be considered. Distributive justice becomes a theory of justice that can be used for consideration in making a decision that involves many people and should not damage the surrounding components, and in this case can be realized if all mining in Indonesia can consider every decision using the theory of justice.

**Company Expansion**

In making a breakthrough effort to keep running a company is one way by investing in business development or often referred to as corporate expansion or expansion of the company. Expansion is a manifestation of the desire to maintain the existence of the company in a long period of time. A company is not established with the aim of quitting after profit only. But another goal is to deliver growth for the company.

The way taken in expanding the company is by enlarging the company either by establishing a new business with new prodak or with existing prodak elsewhere or also by increasing the production of goods that have been produced. The purpose of expanding the company is to consider in increasing or stabilizing the profits earned. This can happen for example because of the increasing demand for prodak or services produced by a company.

The greater the amount of production that can be sold, the greater the possibility of getting a greater profit, so that each head of the company will get the hope and purpose to be able to change and develop the company. It is quite natural this is because the company to be able to maintain and develop the company must benefit. The objectives that will be obtained by the company and its uses are:

- As a benchmark of a company with achievements as an indicator
- Can be used in fulfilling the obligations of a company
- Become a source of corporate funds

The expansion of companies carried out on this kind of psychological grounds often or even did not perform previous economic calculations. The expansion of the company is based on the personal *ambition* of the owner or leader of the company in gaining prestige and greater power.

If the expansion of the company is based on instinct or *judgement* in the form of courage in taking risks even without the support of careful rationality considerations. With this, the expansion of the company either with the aim of increasing lancer assets, fixed assets or other that become a motive in increasing the economic value or personal ambition of the company's leadership in achieving a goal.

**Monopoly Practices**

In foreign investment and expansion the company will certainly give rise to also the potential for monopoly. In Law No. 5 of 1999 concerning Prohibition of Monopoly Practices and Unfair Business Competition, the law explains the definition of monopoly and monopoly practice,
namely: "Monopoly is control over the production and or marketing of goods and or for the use of certain services by one business or one group of business actors".

While the definition of monopoly practice is the concentration of economic power by one or more businesses that can result in the control of production and or marketing of certain goods and or services so as to cause unhealthy business competition and can harm the public interest. That in the Act it is very clear that prohibiting businesses to take control of the production and or marketing of goods and or services that could result in monopoly practices and or unfair business competition.

Businesses will be considered jointly to master the production or marketing of goods or services, if the business group will control more than 75% of the market of one particular type of goods or services. Contained in article 4 paragraph 2 of Law No. 5 of 1999 "Business actors should be suspected or considered jointly to control the production and or marketing of goods and or services, as referred to in paragraph 1 (one), if 2 (two) or 3 (three) businesses or groups of businesses control more than 75% (seventy-five percent) of the market share of one particular type of goods or services".

In article 17 of Law No. 5 of 1999 explains that: "Business actors (group companies) should be suspected or considered to have control over the production and or marketing of goods and or services if:
1. The goods and/or services in question have no substitutions; Or
2. Resulting in other businesses can not enter into the same business competition goods and or services; Or
3. One business or one group of businesses controls more than 50% (fifty percent) of the market share of one particular type of goods or services".

Regarding the term monopoly indicates three different heavy points. First, the term monopoly describes a market structure (the state of demand and supply). Second, on the term monopoly the purpose is to describe a position. The meaning is the position of the seller who has exclusive power and control over certain goods or services. Third, the term monopoly is also used to describe the power controlled by the seller to control the offer, determine the price, and manipulate a price.

In competition law is a legal instrument that determines how a competition should be conducted. There is a connection about the aspects of competition, competition law and its relation to the eradication of monopolies, this is because also the center of attention of competition law is about the regulation of competition so as not to lead to monopolies.
CONCLUSION

Written in Law No. 3 of 1982 concerning Mandatory Company Registration, explains that the company is any form of business that runs every business that is fixed and continuous and established, works and domiciled within the territory of the Republic of Indonesia with the aim of gaining profit.

Regarding another perspective theory is to explain that PT is a legal entity that in this case is like a human being either independent or independent of the founder, member or investor in a legal entity, the legal entity can conduct business activities on behalf of itself like a human being, and act through that legal entity with the aim of establishing legal relationships to third parties.

From this can be concluded that any type of business a company should not violate the prevailing laws and regulations. In order for a company to continue to grow and continue to run the need for a breakthrough business, one way with the company's investment. The main source of foreign capital in a country can be branches of multinational companies, multinational subsidiaries, licenses, joint ventures, or others.

Justice for Upianus is described as"Justitia est constans et perpetua voluntas ius cuique tribuendi", meaning that justice is a will that is constant and continues to give to each of his rights or"tribuere cuique suum". So in this case it makes it clear that everyone's right to anything that should be his or hers must be recognized by anyone.

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Regarding the term monopoly indicates three different heavy points. The meaning is the position of the seller who has exclusive power and control over certain goods or services. Third, the term monopoly is also used to describe the power that the seller controls in controlling the offer, determining the price, as well as the manipulation of a price. In the law of business competition is a legal instrument that determines how a competition should be conducted.

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