



Local Political Dynamics of Natural Resource Exploration: A Case Study of Nickel Mining in Sulawesi Island

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Abstract. This article investigates the intricate political dynamics surrounding natural resource exploration and mining activities in the provinces of South, Central, and Southeast Sulawesi. The primary focus is on the power dynamics that exist among political actors affiliated with mining firms. This article applies a political settlement approach to examine local political dynamics where power and institutions are mutually harmonious and enduring in terms of economic and political feasibility. The research employs qualitative methodologies, including observation, interviews, and document analysis, to gather data, which is subsequently subjected to analysis through an interpretive framework. The findings of the study demonstrate a significant correlation between mining corporations and local political figures, highlighting the dynamics of competitiveness among the elite class and facilitating the distribution of economic benefits to maintain patron-client connections. The essay primarily highlights the intricate and interconnected nature of Indonesia's relationship, including the extraction of natural resources, local political dynamics, and power structures.

Keywords: Local Politics, Nickel Mining, Political Settlement, Political Ecology

1 Introduction

Indonesia is well recognized as a prominent worldwide player in the domain of mineral resources, with a distinctive and valuable asset in the form of nickel reserves located beneath its land. Indonesia, being the nation with the biggest global deposits of this crucial mineral resource [1], holds a significance that surpasses mere economic implications. Its importance extends to the complex network of local political dynamics associated with nickel mining on Sulawesi Island.

Nickel deposits have been identified in many regions of Indonesia, including West Kalimantan, Maluku, Papua, South Sulawesi, Central Sulawesi, and Southeast Sulawesi [2]. The islands of Sulawesi and North Maluku are located in the most significant

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nickel reserves. The primary origins of nickel are predominantly found in three provinces, specifically Central Sulawesi (26%), Southeast Sulawesi (32%), and North Maluku (27%) [3], [4].

Prior to exploring the intricacies of local political dynamics, it is crucial that we understand the complex context in which nickel mining takes place on Sulawesi Island [5]. This context encompasses a fabric of interrelated subsequent matters: employment, social cohesion, the ecological and social impacts, illegal mining and elite corruption.

In order to gain a comprehensive understanding of the complex dynamics surrounding local politics in the context of natural resource exploitation, this study utilizes a theoretical framework that is grounded in the concept of political settlement. The political settlements approach employs a comprehensive comprehension of politics, power dynamics, and institutional structures to elucidate how, in light of diverse political processes and motivations, the same institutional forms can yield disparate economic and developmental consequences [6], [7]. This framework offers a perspective from which we may examine the decision-making processes around nickel mining, the distribution of benefits, and the allocation of costs.

The central focus of this study pertains to the degree to which the political arrangement concerning nickel mining in Sulawesi Island impacts the local political dynamics within the provinces of Sulawesi. Our objective is to gain a thorough understanding of the functioning of power in the context of natural resource exploitation by examining the impact of political settlements on the distribution of mining rights, resource benefits, and social economic development in communities of mining areas.

2 Research Method

This research was conducted in three provinces, namely Central Sulawesi, Southeast Sulawesi and South Sulawesi, which are nickel mining centers on Sulawesi Island. This research uses a qualitative approach to understand more deeply the context of mining political dynamics in three provincial regions. Researchers use the interview method in collecting data. Researchers interviewed 25 informants consisting of politicians, community leaders, academics, mining workers' groups, and environmental NGO activists.

To analyze the data that has been collected, this study uses interpretative methods because Interpretative methods focus on understanding the context and nuances of interview data. This approach is particularly valuable in interview analysis because it helps capture the depth and complexity of informants' experiences and perspectives.

3 Results and Discussion

3.1 Social Economic Background of Study Areas

In this section, a concise overview will be presented by the author of the contextual background of the three provinces that serve as the study area and serve as the primary hub for nickel mining activities on the island of Sulawesi. There are three provinces in

Sulawesi, namely Central Sulawesi Province, Southeast Sulawesi Province, and South Sulawesi Province.

Central Sulawesi is a province located at the heart of the island of Sulawesi. The province's economy is predominantly based on agriculture, fisheries, and mining. Agriculture, including rice, cocoa, and copra production, plays a vital role in sustaining the local economy. In the mining sector, Central Sulawesi Province has the potential of excavated and mineral resources, and gas and petroleum potential.

Data from the Central Sulawesi Statistics Agency [8] reports that these two sectors contribute greatly to regional GDP. The agricultural sector contributed 15.82 per cent and the mining sector contributed 15.37 per cent (*ibid*). This figure has increased where previously the agricultural sector dominated regional economic growth, which contributed 21.76 per cent in 2020 (*ibid*). Meanwhile, the mining sector was only 13.40 per cent (*ibid*). The presented data illustrates a notable transition in the auxiliary industries of the regional economy of Central Sulawesi, which had previously exhibited a significant reliance on the agricultural sector.

Central Sulawesi Province has four large-scale nickel smelting industrial estates and 91 nickel mining management permits [9]. PT. Indonesia Morowali Industrial Park (IMIP) in Bahodopi District, Morowali and PT. Industrial Nickel Gunbuster (GNI) in North Morowali produce [10]. Ongoing construction includes PT. Indonesia Huabaho Industrial Park (IHIP) in Bungku Barat District and PT. Vale Indonesia in Bungku Pesisir District, Morowali. The most developed industrial park is PT. IMIP, with 52 enterprises and 72 thousand employees, will be in operation till 2023 [11]. Domestic and foreign corporations control these licences, demonstrating Central Sulawesi's mineral resources' global relevance.

Morowali and North Morowali in Central Sulawesi are successful nickel industries powered by worldwide giant private finance. As part of the Tsingsan Group, PT. IMIP has 3000 hectares and will develop up to 6000 [11]. The industrial areas of PT. IHIP and GNI would total 7,187 and 1,907 hectares, respectively [12][13].

Accordingly, the nickel extraction in Central Sulawesi shows significant growth and development. The significance of the mining sector in this area is evident by the abundance of mining permits, ambitious smelting projects, and the concentration of mining activity in the area. Central Sulawesi exhibits promising potential for long-term expansion in the nickel mining industry thanks to its ongoing commitment to investment and exploration efforts.

The second study area is Southeast Sulawesi Province, which is considered a significant region for the advancement of nickel mining in Indonesia. The economy of the province is predominantly reliant on the sectors of agriculture, fishing, and mining. Agriculture assumes a crucial part in the socio-economic fabric, encompassing the cultivation of staple crops such as rice, maize and cocoa, alongside the manufacture of copra and coffee. Fisheries, encompassing both marine and freshwater environments, play a substantial role in contributing to the local economy. Mining and quarrying play a significant role in the economic landscape of Southeast Sulawesi. The region is characterized by its significant mineral resources, which encompass nickel, gold, and copper, hence establishing its major position within Indonesia's mining industry. These resources play a crucial role in both local consumption and international trade.

According to the data provided by the Central Bureau of Statistics of Southeast Sulawesi Province [14], the economic growth of the region is significantly driven by the dynamics of two primary industries, namely agriculture and mining. The agricultural and fisheries sector contributed 23.25 per cent to the gross domestic product (GDP) of the region, whilst the mining sector accounted for 20.27 per cent of the GDP. While the agriculture and fisheries industries continue to play a prominent role in the region's economy, their contribution to the region's GDP has experienced a decline since 2020, when they accounted for 24.13 per cent of the total. In the year 2020, the mining sector maintained a steady proportion of 19.79 per cent. The presented data indicates a notable growth in the mining industry within the region of Southeast Sulawesi over the past three years.

Over the past decade, the extraction of nickel has emerged as a prominent catalyst for economic growth in Southeast Sulawesi Province, Indonesia. The area in question, renowned for its abundant mineral reserves, has witnessed enormous nickel extraction operations that have encompassed various districts and municipalities. The region of Southeast Sulawesi is characterized by a notable presence of 138 enterprises engaged in the extraction and processing of nickel [15]. The landscape of this region encompasses a wide range of entities, including international firms, state-owned organizations, and locally based companies. The existence of a diverse range of participants highlights the worldwide fascination with the province's large reserves of nickel.

PT Antam is a notable national mining company that operates in Southeast Sulawesi. This corporation possesses a substantial presence in many industries pertaining to mineral and metal commodities. It is worth mentioning that PT Antam possesses several nickel mines in the vicinity, one of which is situated in the Pomalaa area. PT Antam, leveraging its extensive experience and notable proficiency in the mining sector, plays a significant role in fostering the advancement and long-term viability of nickel mining activities in Southeast Sulawesi.

PT Vale Indonesia, a multinational organization, contributes to the mining sector by expanding its presence in the exploration of nickel in Southeast Sulawesi alongside its existing operations in South Sulawesi. The international presence and utilization of sophisticated mining technology by PT Vale have significantly contributed to the province's recognition as a prominent nickel mining center.

The nickel mining sector in Southeast Sulawesi Province is distinguished by its broad scope, attracting a diverse range of firms, including global corporations and local entities. The mining industry in the region has had substantial expansion and development, largely due to the operations of PT Antam Tbk and PT Vale Indonesia Tbk, among other key players. Southeast Sulawesi, characterized by its substantial nickel reserves and a wide range of mining participants, continues to occupy a prominent position within Indonesia's mining sector.

The final case study pertains to the South Sulawesi Province, a region of significant importance in terms of economic development within Sulawesi Island. The city of Makassar, serving as the provincial capital, plays a pivotal role in driving economic expansion, accounting for 34 per cent of the overall Gross Domestic Product (GDP) in South Sulawesi [16]. This contribution is particularly significant in the service and industrial industries.

The regional economy of South Sulawesi is significantly bolstered by the agriculture and fisheries sectors, which collectively account for a substantial contribution of 22.1 per cent [16]. The economy of the province has a notable degree of diversity, wherein agriculture assumes a pivotal position. The region of South Sulawesi is renowned for its agricultural practices, particularly in the production of a diverse range of crops such as rice, maize, cocoa and coffee. The aforementioned industry not only serves as a pillar for the regional economy but also plays a significant role in bolstering the nation's overall food security [17].

The mining sector's contribution to the regional Gross Regional Domestic Product (GRDP) in South Sulawesi is comparatively smaller than that of the preceding two provinces, amounting to a mere 5.1 per cent [16]. Nevertheless, there was a marginal rise in this statistic from 4.67 per cent in the year 2020 [16].

Nickel extraction in South Sulawesi is primarily concentrated within the confines of East Luwu Regency, which shares borders with the provinces of Central Sulawesi and Southeast Sulawesi.

The nickel mine in South Sulawesi involves two primary actors, specifically PT Vale Indonesia, which operates as a multinational corporation. Another significant participant in the industry is PT. Citra Lampa Mandiri (CLM) and PT. Panca Digital Solution (PDS), both of which are actively involved in the exploration and mining of nickel, with a particular focus on the East Luwu Regency in the South Sulawesi Province, as well as the adjacent territories in the Southeast Sulawesi Province.

PT Vale has successfully built a robust presence in the regions of South and Southeast Sulawesi. PT Vale, a prominent entity in the mining industry, operates within the East Luwu Regency of the South Sulawesi Province. Additionally, it conducts exploration activities across several regions within the Southeast Sulawesi Province. Notably, PT Vale significantly contributes to Indonesia's overall nickel production. The company utilizes cutting-edge mining methods and global knowledge to extract this highly valuable mineral.

Local enterprises are actively engaged in the nickel mining sector within the region. PT. CLM and PT. PDS are recognized as noteworthy illustrations. The participation of individuals in the exploration of nickel in East Luwu Regency exemplifies the cooperative dynamics observed within the mining industry in Indonesia. The integration of indigenous participants in the sector facilitates regional economic growth and the generation of employment opportunities.

Following an examination of the economic landscape in the three central nickel mining areas on Sulawesi Island, wherein the extent of the mining sector's influence on the economic dynamics was assessed, our subsequent focus lies on a concise exploration of the socioeconomic context pertaining to poverty indicators and human development indexes. The poverty rate in the aforementioned regions associated with the nickel mining sector has a significant level of prevalence, particularly in the provinces of Central Sulawesi and Southeast Sulawesi. In 2022, the poverty rate in Central Sulawesi was recorded at 12.3 per cent, while in Southeast Sulawesi, it stood at 11.27 per cent [18]. The poverty rate in the aforementioned regions exceeds the national average of 9.57 per cent [18]. In South Sulawesi, the proportion of individuals living in poverty stands

at 8.66 per cent, which is lower than the average poverty rate seen at the national level [18].

Moreover, an examination of the Human Development Index (HDI) reveals disparities between the three regions in terms of human development. The Human Development Index (HDI) in Central Sulawesi is currently recorded at a significantly low value of 70.28 [19]. Subsequently, Southeast Sulawesi recorded a value of 72.23 [19]. The province of South Sulawesi has the highest Human Development Index (HDI) value among the three regions, with a reported value of 72.82 [19]. Overall, the human development index in the three regions remains lower than the national average of 72.91 [19].

The data on social inequality in the three primary nickel mining regions reveals a limited impact of mining activities on poverty reduction, particularly in Central and Southeast Sulawesi provinces. Likewise, the contribution of the mining sector to the enhancement of human resources, particularly in the improvement of education and health services, remains significantly limited in all areas. In the following section, we will examine the impact of the nickel mining industry on local political dynamics within the three regions.

3.2 Political Settlement of Nickel Mining in Sulawesi Island

Within the Sulawesi nickel mining business, there exists a complex network of stakeholders that encompasses a broad array of individuals and organizations, each possessing distinct functions and exerting their own impact.

The Sulawesi nickel mining network encompasses a wide array of actors, including individuals from central and local government bodies, prominent business figures, leaders of political parties, military and law enforcement personnel, activists, lawyers, members of the processing sector (smelters), and influential members of local communities. The presence of diversity within the industry is indicative of the intricate nature of its operations and the decision-making procedures it employs.

The relationship between authority and involvement in nickel mining activities is frequently characterized by a strong correlation, as the level of involvement tends to align closely with the authority and position held by these players. For example, governmental authorities have the ability to influence and formulate rules and regulations, whereas business executives possess significant economic influence and authority. The interaction between authority and involvement is a fundamental characteristic of the political processes within the sector.

There exist five distinct network types. The actors involved in the political settlement over nickel mining in Sulawesi Island have identified and categorized five main network types that exert influence over the business. First, company networks consist of influential company executives and entrepreneurs who play a crucial role in investing and commercial activities.

Second, family networks refer to the involvement of familial connections and relationships that have the potential to exert influence on decision-making processes and the allocation of resources. Third, political party networks consist of individuals who are affiliated with political parties and have positions of influence, such as members

and leaders. These individuals play a crucial role in shaping laws and regulations that align with their respective party's goals. Fourth, government networks: Comprising individuals holding positions of responsibility across several tiers of government, responsible for the formulation and implementation of policies. Fifth, mass organization networks refer to a collective term encompassing many social and religious groups that possess the ability to mobilize communities and advocate for specific causes.

The concept of political settlement can be understood through the lens of three distinct levels. This study aims to delineate and categorize three discrete tiers of political settlement observed within the context of the Sulawesi nickel mining industry. At the national level, foreign investors are enticed by favorable investment policies, such as the Golden Visa, which promotes a welcoming environment for investment. These investors frequently employ foreign labor, and notably, there exists no requirement for these workers to acquire proficiency in the local language, which contrasts with earlier restrictions.

At the regional level, the presence of favorable business legislation serves as a catalyst for investment in local enterprises, so facilitating the development of "shadow beneficial ownership." At this level, the utilization of military and police personnel, as well as the implementation of extortion, are employed to facilitate and sustain commercial activities. Regional authorities are frequently backed by local oligarchs in return for the preservation of lenient mining rules.

Lastly, at the community level, this stage encompasses the involvement of village chiefs in collecting remuneration from mining corporations in order to mitigate the environmental consequences of mining operations. These monies, commonly referred to as "dust money," "vibration money," "shipping money," and Corporate Social Responsibility (CSR) funds, play a crucial role in addressing community concerns. Mining firms engage in partnerships with local Civil Society Organizations (CSOs) and Non-Governmental Organizations (NGOs) in order to enhance community empowerment and effectively execute corporate social responsibility endeavors. Social media platforms and collaborative reporting in local media are employed to bolster the brand reputation of companies and mitigate the dissemination of inflammatory or inaccurate content.

The complicated interplay among various actors, network types, and levels of political settlement highlights the complex and multifaceted nature of the political dynamics within the Sulawesi nickel mining industry.

4 Conclusion

Indonesia's political economy has been greatly impacted by Sulawesi's nickel mining. It boosts local and regional economies, which cannot be ignored. The mining industry has created jobs, money, and economic prosperity in many locations. Although economic advantages are clear, numerous concerns must be addressed. Even in mining districts, poverty and inequality are high. Environmental damage from unsustainable mining is a major issue. Moreover, an elite group seems to benefit most from the economic boost. This is called "elite capture," where a few people or entities benefit most from mining operations, leaving the community and region with little[5][20][21].

Nickel mining's unequal wealth distribution reminds Indonesia's political economy of the importance of egalitarian economic development.

Another major difficulty in Indonesia's political economy is the seeming gap between political concessions and social and environmental issues. Mining supports the economy, but politics often ignores poverty, inequality, and environmental sustainability. More comprehensive and accountable governance is needed to ensure that political decisions at all levels, from national to local, address these concerns. All stakeholders must work together to balance economic growth, social welfare, and environmental preservation in Indonesia's political economy.

Lastly, the methodological limitations of our investigation are duly acknowledged in relation to the presented results. Therefore, it is advisable to conduct additional research in order to ascertain the level of participation by political actors and entrepreneurs in national and local policy-making processes that contribute to the erosion of oversight in nickel mining exploration on Sulawesi Island. This exploration has detrimental effects on the environment and socio-cultural aspects of the communities residing in the vicinity of the mining site.

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