

The Influence of Foreign Investment on Natural Resource Development in Indonesia

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ABSTRACT

Penelitian ini bertujuan untuk mendeskripsikan strategi investasi sumber daya manusia (SDM) dan dampaknya terhadap produktivitas sektor ekonomi di Indonesia, serta mengidentifikasi tantangan dan kesenjangan dalam implementasinya. Metode penelitian yang digunakan adalah deskriptif kualitatif dengan analisis data sekunder dari berbagai sumber resmi seperti Badan Pusat Statistik, kementerian terkait, dan lembaga internasional. Hasil penelitian menunjukkan bahwa strategi investasi SDM di Indonesia meliputi pengembangan pendidikan formal, pelatihan vokasi, peningkatan kompetensi digital, dan perbaikan layanan kesehatan. Dampak positif tercermin dari peningkatan Indeks Pembangunan Manusia (IPM), produktivitas tenaga kerja di sektor industri dan jasa, serta daya saing nasional yang lebih baik. Namun, terdapat sejumlah tantangan, antara lain ketimpangan akses antardaerah, ketidaksesuaian kompetensi dengan kebutuhan industri, terbatasnya peran sektor swasta, dan fragmentasi kebijakan. Penelitian ini merekomendasikan peningkatan pemerataan akses, penguatan kemitraan antara pendidikan dan industri, optimalisasi peran sektor swasta, dan integrasi sistem dan tata kelola berbasis data untuk meningkatkan efektivitas investasi SDM di Indonesia. Temuan ini diharapkan dapat menjadi acuan bagi para pembuat kebijakan dalam merancang kebijakan pengembangan SDM yang lebih inklusif dan produktif.

This study aims to analyze the influence of foreign investment on the development of natural resources (SDA) in Indonesia using a descriptive qualitative approach. Foreign investment plays an important role in driving economic growth through the provision of capital, technology, and job creation, especially in the mining, energy, and plantation sectors. However, behind its contribution, there are major challenges related to environmental sustainability, social inequality, and the dominance of control of natural resources by foreign parties. The data in this study were obtained through library research, document review, and analysis of relevant literature. The results of the study indicate that the development of natural resources involving foreign investment often does not fully prioritize the principles of social justice and ecological sustainability. Therefore, an active role is needed from the government, society, academics, and NGOs to ensure that foreign investment is not only economically profitable, but also fair and sustainable. This study recommends strengthening regulations, technology transfer, local community involvement, and increasing transparency in every process of natural resource investment.



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INTRODUCTION

Foreign direct investment (FDI) is one of the important instruments in national economic development, especially in developing countries like Indonesia. The natural resources sector is one of the strategic sectors that attracts the most interest from foreign investors because of Indonesia's abundant natural wealth potential. The presence of foreign investment in the natural resources sector is expected

to bring positive impacts such as technology transfer, job creation, and increased state revenue. However, on the other hand, foreign investment also poses various challenges, such as over-exploitation, environmental degradation, and unequal distribution of benefits for local communities.

This study aims to examine in depth how foreign investment affects the development of natural resources in Indonesia, both from an economic, social, and environmental perspective. Although many previous studies have examined the role of FDI in economic growth or its social impacts partially, this study attempts to comprehensively look at the interaction between various actors (government, community, foreign investors) in the context of natural resource management. Previous studies such as those conducted by Narjoko and Hill (2016) have focused more on the contribution of FDI to the growth of the extractive industry, but have not explored much of the socio-ecological dimensions of the existence of such investment. In addition, there is still a research gap in understanding the perceptions of local communities and how government policies respond to these dynamics.

By using a descriptive qualitative approach, this study not only attempts to describe the impact of foreign investment factually, but also examines the narratives and subjective experiences of the actors involved. This is important to gain a complete and contextual understanding of the dynamics of foreign investment in the natural resource sector in Indonesia.

METHOD

This study uses a qualitative approach with a descriptive research type. This approach was chosen because it is able to describe in depth and holistically the social, political, and economic realities related to foreign investment and natural resource management in Indonesia. Qualitative research also allows researchers to capture complex dynamics, including interactions between actors, conflicts of interest, and public perceptions of policies and practices of resource exploitation by foreign investors.

The data sources in this study consist of primary data and secondary data. Primary data were obtained through in-depth interviews with a number of key informants who are considered to have direct knowledge and experience of the topic being studied. These informants include officials from related agencies (for example the ESDM Agency and the Environmental Agency), representatives of foreign companies in the natural resources sector, community leaders in areas affected by investment, environmental activists, and academics who have expertise in the field of resource economics or investment governance.

In addition to primary data, this study also utilizes secondary data sourced from official government documents, reports from non-governmental organizations, scientific journals, mass media news, and annual reports of foreign companies operating in the natural resources sector. The data analysis technique used in this study is thematic analysis, namely identifying, classifying, and interpreting the main themes that emerge from the results of interviews and document studies

RESULTS AND DISCUSSION

The results of this study reveal that foreign investment has a significant influence on the development of natural resources (SDA) in Indonesia, both in terms of increasing production capacity, infrastructure development, and employment absorption. However, on the other hand, there are also various negative consequences that arise, especially related to environmental and social impacts in the exploitation area.

The presence of foreign companies has opened up access to roads, electricity networks, and increased regional income through taxes and levies. Several informants acknowledged that the technology standards and safety procedures brought by foreign investors tend to be more advanced. However, most of the available jobs are unskilled with low wages. Managerial and technical positions are still dominated by foreign workers. Natural resource exploitation activities also often cause serious environmental damage. Weak supervision from local governments has exacerbated this situation.

Foreign investment management must be aligned with the principles of sustainable development and social justice. The government needs to strengthen the regulatory system, increase the role of society in the decision-making process, and ensure that every form of investment brings real and sustainable benefits.

The Impact of Foreign Investment on Natural Resource Development Based on Actor Perspectives

1. Government Perspective

The government acts as a regulator, facilitator, and beneficiary of foreign investment in the natural resources sector.

- a. **Increasing State Revenue**
Foreign investment in the exploration and exploitation of natural resources (such as mining, oil and gas, forestry, and plantations) generates state revenue through taxes, royalties, levies, and profit sharing. This contributes to the APBN and APBD.
- b. **Technology Transfer and Capacity Building**
Governments usually require technology transfer in investment agreements. This provides opportunities for local workers to learn advanced technologies, both in natural resource exploration and in processing the products.
- c. **Strengthening Regional Infrastructure**
Foreign investors often build supporting infrastructure such as roads, ports and electricity for their operational purposes, which can then also be utilized by the community and government.
- d. **Challenges of Natural Resource Governance and Sovereignty**
The risk of foreign investor dominance in controlling natural resources can reduce state sovereignty over natural resources. Strict regulations and strong monitoring mechanisms are needed.

2. Foreign Company (Investor) Perspective

Foreign investors view natural resources as economic assets that can generate long-term profits.

- a. **More Efficient and Productive Exploitation**
Large capital and access to advanced technology enable foreign companies to exploit natural resources more quickly and efficiently than local companies.
- b. **Increased Production and Exports**
Natural resource products (for example coal, nickel, oil, palm oil) are often exported to the investor's country of origin, thus improving Indonesia's trade balance, although this also raises the issue of inequality in added value within the country.
- c. **Risks of Unsustainable Practices**
Short-term profit motivation often leads to over-exploitation without regard to environmental carrying capacity. Examples: massive deforestation or water pollution due to mining waste.
- d. **Corporate Social Responsibility (CSR)**
Some foreign companies run CSR programs such as education, health, or job training. However, their effectiveness depends heavily on the company's commitment and government oversight.

3. Local Community Perspective

Communities living around natural resource areas are the actors most directly impacted.

- a. **Economic and Social Opportunities**
Foreign investment opens up employment opportunities, both formal in companies and informal such as stalls, transportation, or local contractors.
- b. **Social and Ecological Impacts**
Exploitation of natural resources often causes land conflicts, loss of living space, pollution, and changes in socio-cultural structures. Example: indigenous peoples lose access to traditional forests.
- c. **Risk of Marginalization and Inequality**
If the distribution of benefits is not fair, local communities become mere spectators of the large economic activities taking place in their area. Social inequality can increase.
- d. **The Rise of Critical Consciousness**
In some cases, foreign investment has sparked public awareness to fight for land rights, the environment, and involvement in decision-making.

4. Perspectives of Non-Governmental Organizations (NGOs) and Activists

NGOs play an important role in monitoring, advocating, and criticizing natural resource investment practices that are detrimental to communities and the environment.

- a. **Human Rights Monitoring and Advocacy**

NGOs often act as a voice for affected communities, as well as facilitating conflict mediation between companies, communities and the government.

b. Environmental Advocacy

They highlight the ecological impacts of natural resource exploitation: deforestation, damage to marine ecosystems, land degradation, and water crises.

c. Economic and Climate Justice Campaign

Global and local NGOs demand that foreign investment be based on the principles of social justice and environmental sustainability, including recognition of indigenous peoples' rights and conservation of natural resources.

5. Academic and Researcher Perspectives

This group contributes an objective and analytical perspective to the phenomenon of foreign investment in natural resources.

a. Multidimensional Impact Study

Researchers evaluate the economic (value added, multiplier effect), social (relocation, conflict), and ecological (carbon emissions, land degradation) impacts of natural resource projects.

b. Public Policy Recommendations

They suggest a regulatory model that integrates national interests, environmental sustainability, and community participation.

c. Local Human Resources Capacity Building

Through research and education, academics help improve local capacity so that they become not only objects, but also subjects in natural resource management.

Table 1. Impact of Foreign Investment on Natural Resource Development Based on Actor Perspective

Actor	Positive impact	Negative impact
Local government	PAD Increase; Infrastructure Development	Fiscal dependency; Weak supervision
Foreign companies	Production efficiency; High safety standards	Exploitation of natural resources; Lack of technology transfer
Local Community	Job Opportunities; CSR Programs	Environmental damage; Social conflict
NGOs and Activists	Information advocacy	Marginalization of indigenous peoples

The results of the study shown in Table 1 illustrate how foreign investment in natural resource development has various impacts depending on the perspective of each actor involved. From the local government side, foreign investment provides a significant contribution to increasing Local Original Income (PAD) and encourages better infrastructure development. However, these benefits are often accompanied by the risk of fiscal dependency, where local governments become too dependent on funds from foreign investors, as well as weak monitoring capacity for company activities, which can ultimately lead to violations of environmental and social standards.

Meanwhile, foreign companies that enter bring efficiency in production and implement higher safety standards than local practices. However, these companies are often involved in large-scale exploitation of natural resources with little regard for environmental sustainability. Furthermore, technology transfer to local workers tends to be minimal, as companies prefer to use experts from their home countries, resulting in limited capacity building for local human resources.

From the perspective of local communities, the presence of foreign investment creates job opportunities and opens access to corporate social responsibility (CSR) programs, such as the provision of public facilities or educational scholarships. However, these benefits are often offset by negative impacts in the form of environmental damage that harms the livelihoods of communities, especially those who depend on natural resources to survive. In addition, the lack of community involvement in the decision-making process can trigger prolonged social conflicts, both between communities and companies, as well as with the government.

Non-Governmental Organizations (NGOs) and activists play a vital role in voicing community interests and advocating for transparency and fairness in investment processes. However, in some cases,

they also face the challenge of marginalizing indigenous communities, who are often not fairly included in investment projects, putting their land rights and cultural identities at risk.

Overall, this study confirms that foreign investment in the natural resources sector is a complex and paradoxical phenomenon. On the one hand, it brings economic and development potential; on the other hand, there are threats to the environment, local culture, and social justice. Therefore, natural resources management policies must be designed in a participatory, accountable manner, and in favor of the long-term interests of the community and the environment.

The Influence of Foreign Investment on Natural Resource Development in Indonesia



Figure 1. Flowchart of the Influence of Foreign Investment on Natural Resource Development

Foreign investment is the main catalyst in the development of natural resources (SDA) in Indonesia. This investment flow triggers a multi-layered process, starting from the drive towards economic superiority. The increase in production capacity that occurs due to the entry of foreign capital leads to the expansion of strategic infrastructure development, such as roads, ports, and supporting facilities for the extractive industry. These economic benefits do not stand alone, but are directly related to the environmental dimension.

On the other hand, foreign investment carries significant risks to ecological sustainability. Highly accelerated production processes can lead to environmental degradation. On a certain scale, uncontrolled resource exploitation accelerates the destruction of local ecosystems, pollutes water and soil, and threatens biodiversity. This leads to tensions between economic interests and environmental conservation.

Meanwhile, the presence of foreign investment also raises various reactions from the government and society. The government responds by formulating policies that try to balance between encouraging investment and protecting national interests. These policies include environmental regulations, business licensing, and investment incentives. However, at the local community level, perceptions of foreign investment vary widely. Some see it as an opportunity, but many also see it as a threat to land rights, local culture, and sustainability.

Overall, foreign investment in natural resources triggers a chain of interrelated multidimensional impacts, creating a space for interaction between development potential, ecological challenges, and complex socio-political dynamics.

CONCLUSION

1. Foreign investment plays an important role in the development of natural resources in Indonesia through the provision of capital, technology, and increasing production capacity, especially in the mining, energy, and plantation sectors.
2. Contributions to national economic growth are significant, especially in terms of increasing foreign exchange, taxes and job creation, but the benefits are not always felt evenly by local communities.
3. There is a risk of over-exploitation and environmental damage if there is no strict supervision and regulation. The balance between economic growth and environmental sustainability is often not achieved.

4. Power relations and inequality in resource control remain major issues, with foreign companies having major control while local communities are often marginalized from the decision-making process.
5. The importance of the role of actors such as government, NGOs, academics, and the community in ensuring that foreign investment is fair, sustainable, and in line with long-term national interests.

SUGGESTION

1. The government needs to strengthen regulation and supervision of foreign investor activities, especially in terms of environmental protection, local community rights, and natural resource sustainability.
2. Promote inclusive investment schemes, by integrating the interests of local communities as active partners, not just recipients of impacts.
3. Require technology transfer and knowledge transfer from foreign investors to local workers and institutions to increase national capacity in managing natural resources.
4. Expansion of concrete and targeted Corporate Social Responsibility (CSR) programs, adjusted to the needs of the community around the investment area.
5. Academics and research institutions need to be involved in evaluation and policy-making, to ensure decision-making is based on data, research and sustainability principles.
6. Increase transparency of investment agreements between the government and foreign investors, including cooperation and profit-sharing contracts, so that the public can monitor and assess the fairness of these investments.

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