HoA with Freeport-McMoran Inc Not Victory for Indonesia

An Indonesian political observer who is also an expert on International Law from University of Indonesia (UI), Hikmahanto Juwana, has said that it is a must to appreciate the achievement of President Jokowi’s administration [represented by Inalum or PT Indonesia Asahan Aluminium (Persero)] for having signed the recent HoA or the Head of Agreement with Freeport-McMoran Inc (FCX).

Mentioning the HoA, President Joko “Jokowi” Widodo said Thursday (on 12 July) that the initial agreement was about the increase of Indonesian shares in Freeport to 51 per cent from recently 9.36 per cent.

According to Hikmahanto, however, the agreement should not be regarded as a victory for Indonesia, yet, as there are still at least four reasons to deal with after the signing of the HoA [This must have been dealing with the lawyers’ old adagio saying that ‘the devil is on the detail’].

First, it should be understood that the agreement does not mean that Freeport has officially conducted the divestment as the HoA is not a stock trading agreement. It just functions as an initial principal agreement. As a result, numbers of other agreements should be made. So, it would be best not to create any state of euphoria yet as t would be premature.

Next, the Indonesian government does not have a certain attitude related to PTFI [or FCX] contract extension. The contract needs renewing by 2041. Otherwise the price of the Freeport Indonesia’s share would be too cheap [Grasberg mine is, at the moment, worth around USD10-11 billion].

The Indonesian government, he said, should be concerned with the decision-making scheme at the shareholders meeting since the majority shareholders title would be useless if the decision-making scheme should need validity of attending at least 51%+1.

Fourth, unless the shareholders meeting reach a quorum, there would not any decision-making take place as Freeport McMoran with its share would hold a special status in such a meeting. In other words, the government needs to have a gentleman agreement with the board of directors and board of commissioners.
The fourth reason is that the government needs to make sure that its 51 per cent of the shares would not be to be diluted for failing to meet its obligation.

Hikmahanto demanded, therefore, that the government be transparent and accountable to the public, Indonesian people. This way, the feelings of being betrayed can be prevented from taking place. After all, the HoA is not a kind of the steps of the negotiation expected.