A critical enquiry into privatisation of state-owned enterprises: the case of PT Semen Gresik (Persero) TBK. Indonesia

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A CRITICAL ENQUIRY INTO PRIVATISATION OF STATE-OWNED ENTERPRISES: THE CASE OF PT SEMEN GRESIK (PERSERO) TBK. INDONESIA

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by

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2004
Declaration

I, Gugus Irianto, declare that this thesis, submitted in fulfillment of the requirements for the award of Doctor of Philosophy, in the School of Accounting and Finance, University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. The document has not been submitted for qualifications at any other academic institution.

Gugus Irianto
25 November 2004
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ABSTRACT

Privatisation has been interpreted in a variety of ways. It encompasses a variety of aspects such as ideology, politics, the economy, financial, as well as social implications and the global context. Above all, privatisation is conclusively understood as a medium of ‘reality’ construction. It is a policy that does create a newly constructed distribution of wealth and power and reveals conflicts of interests among various parties.

The fundamental determinant of privatisation is ideological, which is the government’s inclination to praise laissez faire (liberalism/neo-liberalism) rather than interventionist systems. The other central issue of privatisation is about efficiency or performance of state ownership vis-à-vis private ownership. Beyond these aspects, privatisation is commonly exercised by countries that are in the middle of a deep economic crisis, facing soaring foreign debt, dealing with a widening budget deficit and dependent on international agencies, particularly the IMF and the World Bank (Ramamurty, 1992).

Considering the nature of privatisation, a study on privatisation of state-owned enterprises is argued to be best placed in such a context. Such a study is parallel to the call to study accounting within its environment. Whilst a variety of theoretical frameworks of critical accounting studies are available, this study utilises one of them which is the political economy of accounting (PEA), a theoretical framework pioneered by Tinker (1980), advanced in the works of Cooper and Sherer (1984) and others and ‘applied’ in the case of privatisation, such as, in the works of Shaoul (1997a, 1997b), Arnold and Cooper (1999), and Uddin and Hopper (2001, 2003).

Grounded in such a framework, this study is an enquiry into the privatisation of PT Semen Gresik (Persero) Tbk., a state-owned enterprise in Indonesia which operates in the cement industry. The privatisation of this company was carried out as part of broader policy reforms and executed at three consecutive times in 1991, 1995, and 1998. These gradual divestments have been completed within different contexts. The latest partial divestment sparked heavy opposition to the hegemonic nature of MNCs from various stakeholders. A variety of issues ranging from justice and fairness, job security, financial aspects, to the economic sovereignty have been raised. Accounting and accountants are at the nerve centre of such discourse. Whilst various deficiencies are apparent in the ‘construction’ of such policy, above all, the case raises the fundamental issue of the distribution of wealth and power, which, unlike that in Malaysia, the Indonesian government has failed to address.
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ADB
Asian Development Bank

Berhad (Bhd.) Limited

BOT
Build, Operate, and Transfer

BPK
Badan Pemeriksa Keuangan (Supreme Audit Board)

BPKP
Badan Pengawasan Keuangan dan Pembangunan (State Internal Audit Agency)

BUMN
Badan Usaha Milik Negara (State-owned Enterprises)

CAA
Civil Aviation Authority (UK)

CEE
Central and Eastern Europe

CII
Cement Industry in Indonesia

DPR
Dewan Perwakilan Rakyat (House of Representative)

FSU
Former Soviet Union

GBHN
Garis-garis Besar Haluan Negara (Broad Outlines of the Nation's Direction)

Gol
Government of Indonesia

IBRD (the World Bank)
International Bank for Reconstruction and Development

IMF
International Monetary Funds

Ind. or INA
Indonesia

Inpres
Instruksi Presiden (Presidential Instruction/Decree)

IPO
Initial Public Offering

ISCID
International Centre for Settlement of Investment Disputes

Kepmen
Keputusan Menteri (Minister Decision)

Kepres
Keputusan Presiden (President Decision)

Keuangan
Finance

KKN
Korupsi, Kolusi dan Nepotisme (corruption, collusion and cronyism/nepotism)

KLSE
Kuala Lumpur Stock Exchange

LDC
Less Developed Countries

Loi
Letter of Intent

LRD
Labour Research Department (UK)

LSPEU
Lembaga Studi dan Pengembangan Etika Usaha (Institute for the Study and Advancement of Business Ethics)

MARA
Majlis Amanah Rakyat (Council of Trust for the Indigenous People)

MAS
Malaysia Airlines

MCA
Malaysian Chinese Association

M/EBO
Management/Employee Buy-out
RUPS (ASGM)  Rapat Umum Pemegang Saham (Annual Shareholders General Meeting)
Sdn. Bhd.  Sendirian Berhad (Private Limited)
SEDCs  State Economic Development Corporations
Semen  Cement
SK  Surat Keputusan (Decision Letter)
SOE  State-owned Enterprise
SOEs  State-owned Enterprises
TAP  Ketetapan (Decree)
TAP MPR  Ketetapan MPR (MPR Decree)
Tbk.  Terbuka (a notion for public listed company in Indonesia)
UK  United Kingdom
UMNO  United Malays National Organisation
UU  Undang-undang (Law/Act)
UUD  Undang Undang Dasar (Constitution)