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

Gugus Irianto

University of Wollongong

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

A thesis submitted in fulfillment of the requirements for the award of the degree

DOCTOR OF PHILOSOPHY

from

UNIVERSITY OF WOLLONGONG

by

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School of Accounting and Finance
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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# GLOSSARY

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
<table>
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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>MEFP</td>
<td>Macro Economic and Financial Policies</td>
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<td>MIC</td>
<td>Malaysian Indian Congress</td>
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<td>MISC</td>
<td>Malaysian International Shipping Corporation Berhad</td>
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<td>MMC</td>
<td>Monopolies and Mergers Commissions</td>
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<td>MNC</td>
<td>Multinational Corporation</td>
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<td>MP</td>
<td>Malaysia Plan</td>
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<td>MPR</td>
<td><em>Majelis Permusyawaratan Rakyat</em> (People’s Consultative Assembly)</td>
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<td>MTR</td>
<td>Mid-Term Review</td>
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<td>NAO</td>
<td>National Audit Office (UK)</td>
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<td>Negara</td>
<td>State</td>
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<td>NEP</td>
<td>National Economic Policy</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic and Cooperation Development</td>
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<tr>
<td>OFGAS</td>
<td>The Office of Gas (UK)</td>
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<td>OFTEL</td>
<td>The Office of Telecommunication (UK)</td>
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<tr>
<td>OFWAT</td>
<td>The Office of Water Services (UK)</td>
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<tr>
<td>Partai Golkar</td>
<td>Golkar Party</td>
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<tr>
<td>PDIP</td>
<td><em>Partai Demokrasi Indonesia Perjuangan</em> (Indonesia Democratic Party of Struggle)</td>
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<tr>
<td>PEA</td>
<td>Political Economy of Accounting</td>
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<tr>
<td>Pemerintah</td>
<td>Government</td>
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<td>Peraturan</td>
<td>Regulation</td>
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<tr>
<td>Pernas</td>
<td><em>Perbadanan Nasional</em> (National Corporation)</td>
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<tr>
<td>PKB</td>
<td><em>Partai Kebangkitan Bangsa</em> (National Awakening Party)</td>
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<tr>
<td>PLC</td>
<td>Public Listed Company</td>
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<td>PNB</td>
<td><em>Permodalan Nasional Berhad</em> (National Equity Corporation)</td>
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<td>PP</td>
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<td>Privatisasi</td>
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<td>Propenas</td>
<td><em>Program Pembangunan Nasional</em> (National Development Programme)</td>
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<td>Reformasi</td>
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<td>RI</td>
<td>Republic of Indonesia</td>
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<tr>
<td>RM</td>
<td><em>Ringgit Malaysia</em> (The Malaysian currency)</td>
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<td>Rp. or IDR</td>
<td><em>Rupiah or Indonesian Rupiah</em> (the Indonesian currency).</td>
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<tr>
<td>Sdn. Bhd.</td>
<td>Sendirian Berhad (Private Limited)</td>
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<td>SEDCs</td>
<td>State Economic Development Corporations</td>
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<td>Semen</td>
<td>Cement</td>
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<td>SK</td>
<td>Surat Keputusan (Decision Letter)</td>
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<td>SOE</td>
<td>State-owned Enterprise</td>
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<td>United Malays National Organisation</td>
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