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ESCAPING THE RESOURCE CURSE: A COMPARATIVE ANALYSIS OF INDONESIA AND NIGERIA IN THE CONTEXT OF NATURAL RESOURCE PRIVATIZATION

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Abstract

This study investigates the political instability triggered by the privatization of natural resources in Indonesia, particularly through Government Regulation No. 72/2016, using Nigeria as a comparative case. Employing a qualitative, descriptive-comparative approach and case studies in Papua, Sulawesi, and the Niger Delta, the research finds that non-inclusive resource governance, weak state oversight, and the dominance of foreign corporate actors have led to local marginalization, social inequality, and conflict. The Nigerian case illustrates how overreliance on oil, extreme privatization, and poor governance have entrenched the resource curse—manifesting in poverty, political crisis, and armed violence. This study underscores the risks Indonesia faces as it exhibits early signs of similar vulnerabilities, including agrarian disputes, environmental degradation, and diminishing state control over strategic sectors. The paper calls for inclusive governance reforms, greater public participation, and a critical reassessment of privatization policies to prevent escalating instability and ensure sustainable, equitable resource management.
Keywords: Privatization, resource curse, inclusive governance.

Abstrak

Studi ini mengkaji ketidakstabilan politik yang dipicu oleh privatisasi sumber daya alam di Indonesia, khususnya melalui Peraturan Pemerintah No. 72 Tahun 2016, dengan menggunakan Nigeria sebagai kasus pembanding. Melalui pendekatan kualitatif deskriptif-komparatif dan studi kasus di Papua, Sulawesi, dan Delta Niger, penelitian ini menemukan bahwa tata kelola sumber daya yang tidak inklusif, lemahnya pengawasan negara, dan dominasi aktor korporasi asing telah menyebabkan marginalisasi masyarakat lokal,

ketimpangan sosial, dan konflik. Kasus Nigeria menunjukkan bagaimana ketergantungan berlebihan pada minyak, privatisasi ekstrem, dan tata kelola yang buruk memperparah kutukan sumber daya—yang diwujudkan dalam kemiskinan, krisis politik, dan kekerasan bersenjata. Studi ini menyoroti risiko yang dihadapi Indonesia karena menunjukkan tanda-tanda awal kerentanan serupa, termasuk konflik agraria, degradasi lingkungan, dan lemahnya kontrol negara atas sektor-sektor strategis. Tulisan ini menyerukan reformasi tata kelola yang inklusif, partisipasi publik yang lebih besar, serta evaluasi kritis terhadap kebijakan privatisasi untuk mencegah ketidakstabilan yang memburuk dan memastikan pengelolaan sumber daya yang adil dan berkelanjutan.
Kata Kunci: Privatisasi, resource curse, tata kelola inklusif.

Introduction

Natural resources (Sumber Daya Alam/ SDA) constitute one of the primary pillars of a nation's economy. They play a strategic role in driving both economic and social development. Resource-rich countries—those endowed with oil, gas, coal, minerals, and biological resources—often rely on this abundance as a key driver of their national economies (Irhan et al., 2024). Abundant natural resources, including those in agriculture, plantations, mining, and energy sectors, contribute significantly to Gross Domestic Product (GDP), job creation, and state revenue. Accordingly, natural resources serve not only as a source of foreign exchange but also as a means to promote broader social welfare (Irhan et al., 2024).

When managed effectively, natural resources can generate substantial income through commodity exports, downstream industrial development, and tax revenues from related sectors. Furthermore, they constitute a critical foundation for national energy provision, supporting infrastructure development and the growth of the manufacturing sector. However, the exploitation of natural resources is not without significant challenges. These include overreliance on raw commodity exports—exposing the economy to global price volatility—environmental degradation due to excessive exploitation, and growing socio-economic inequalities arising from unequal distribution and governance of resources (Irhan et al., 2024).

While natural resources can serve as a pillar of national prosperity, their management is often shaped by evolving global economic paradigms. One such paradigm shift occurred in the 1980s with the global rise of privatization. This transition—from state-led to market-driven resource governance—was driven by expectations of substantial efficiency gains,

improved performance in the residual public sector, reduced tax burdens, and the overall downsizing of governmental functions (Naufal, 2020). In Indonesia, the wave of privatization targeting State-Owned Enterprises (Badan Usaha Milik Negara, or BUMN) gained momentum in the aftermath of the 1997 financial crisis, although the practice had already commenced in the early 1990s through the sale of government-owned shares on the stock exchange (Naufal, 2020). Government efforts to implement privatization policies sparked varied reactions from different segments of society. For some, it represented a strategic breakthrough necessary to revamp Indonesia’s public service infrastructure; for others, it raised concerns about potential threats to public welfare and the safeguarding of citizens’ rights to natural resource benefits (Naufal, 2020).

Indonesia is beginning to exhibit early symptoms of a similar resource curse, particularly in the aftermath of its controversial regulatory reform through Government Regulation No. 72 of 2016. This policy, which facilitated deeper privatization of state-owned enterprises and strategic natural resources, has raised significant concerns regarding the erosion of state oversight, increasing foreign corporate dominance, and the marginalization of local communities.

The implications of such privatization policies can be better understood when analyzed in comparison with countries that have long grappled with the consequences of resource mismanagement. Nigeria, for instance, offers a pertinent case study. Ranked as the 13th largest oil and gas producer globally, Nigeria holds a paradoxical status—despite being one of Africa’s top exporters, it continues to experience severe developmental setbacks. Nigerian crude is distinctively valuable, characterized as "sweet crude," a rare low-sulfur variant that differs significantly from the more common Brent blend. Sweet crude dominates in resource-rich regions such as Algeria, Libya, the North Sea, and Nigeria, and is often referred to as “black gold” due to its strategic economic value (Okpebenyo et al., 2023). Resource endowments of this magnitude are generally perceived as an immense advantage for both state and society. However, the expected benefits of such abundance have frequently failed to materialize in Nigeria, primarily due to external governance failures, including institutional corruption, poor regulatory oversight, and lack of accountability.

This contradiction lies at the heart of what is widely recognized as the “resource curse” or “natural resource curse.” In Nigeria’s context, it manifests specifically as an “oil curse,” wherein the abundance of

petroleum has not translated into equitable socio-economic development (Okpebenyo et al., 2023). Instead, public officials have often abandoned their fiduciary responsibilities in favor of personal enrichment, undermining the potential for inclusive and sustainable growth. This trend has obstructed progress in poverty alleviation, democratic governance, and economic diversification. The results are striking: Nigeria's current poverty rate exceeds levels recorded before its first oil boom in the 1970s, when poverty stood at approximately 35%. According to classical economic theory, increased resource revenues should contribute to wealth creation, infrastructure development, and poverty reduction. Yet, Nigeria's experience illustrates the opposite—natural resource revenues have exacerbated economic inequality and entrenched underdevelopment, underscoring the destructive potential of the resource curse (Okpebenyo et al., 2023).

The concept of the resource curse is often assessed through macroeconomic indicators such as GDP growth, economic expansion, and financial development. However, as Narh (2023) notes, impressive macroeconomic statistics do not necessarily translate into improved livelihoods for ordinary citizens. The real test of whether natural resources are a blessing lies in their impact on marginalized communities—those who are most directly and adversely affected by the environmental challenges stemming from resource extraction. For many ordinary citizens, aggregate economic gains may feel irrelevant or meaningless unless they generate tangible, positive changes in their daily lives (Narh, 2023).

Overdependence on natural resources is, in fact, a significant contributor to poor economic development. Countries in which natural resources account for at least 20–25% of government revenue or exports are generally classified as resource-dependent states (Narh, 2023). In such contexts, governments often underestimate the volatility of global commodity prices and rely almost entirely on windfall revenues to fund development, exposing their economies to severe external shocks. Although Nigeria has managed a relatively stable democratic transition its economy remains heavily reliant on oil. This dependence is a key reason why Nigeria is frequently categorized as a country suffering from the resource curse: not because of its natural endowments per se, but because of the structural overreliance on them (Narh, 2023).

In Indonesia, the privatization of natural resources has become a critical issue with significant implications for national political stability. By shifting control from the state to private entities,

such policies risk weakening the government's role in managing and distributing resources that are, by principle, a collective public right. This transition often leads to higher service costs, asset monopolization, and the exclusion of individuals from resources essential to their livelihoods (Ardiansyah & Aminuddin, 2020). These outcomes have triggered social discontent and, in several resource-rich regions, sparked political tensions. Drawing parallels, Nigeria—Africa's top oil-producing nation—has long grappled with the consequences of mismanaged resource wealth, including social unrest, corruption, and unequal distribution, all of which have deepened political instability (Okpebenyo et al., 2023). Nigeria's experience serves as a cautionary example of the resource curse that Indonesia must strive to avoid.

To develop inclusive and accountable policies that safeguard political stability and ensure equitable resource governance, this study investigates the political consequences of natural resource privatization in Indonesia, and the lessons that can be drawn from Nigeria's trajectory. It examines how reduced state oversight over strategic sectors can exacerbate social inequality and foster political conflict, particularly among communities directly impacted by resource extraction. As Nigeria illustrates, the unchecked influence of private and elite interests, in the absence of robust government regulation, can intensify instability—as evidenced by protracted conflict in the Niger Delta (Okpebenyo et al., 2023). Therefore, by comparing both cases, this research underscores the urgent need for stronger state oversight, transparency, and equity in resource management to prevent discontent and ensure that the benefits of natural resources are shared justly across society.

METHODS

This study employs a qualitative, descriptive-comparative approach to examine the political consequences of natural resource privatization in Indonesia, using Nigeria as a comparative case. The comparison adopts a Most Similar Systems Design (MSSD), as both Indonesia and Nigeria share several structural similarities—being resource-rich developing democracies with histories of colonial extraction, decentralized governance systems, and persistent challenges of corruption and inequality. Despite these similarities, their divergent policy trajectories and political outcomes in managing resource privatization provide a valuable analytical contrast.

Data collection relies on an extensive literature review, encompassing academic journals, institutional and government reports, as well as credible media publications. The case studies focus

on Papua and Sulawesi in Indonesia and the Niger Delta in Nigeria—regions marked by social unrest, environmental degradation, and governance challenges associated with resource extraction and privatization.

The resource curse theory serves as the primary analytical framework, offering a lens to explore how natural resource abundance, when coupled with weak institutional oversight and inequitable distribution, can paradoxically foster political instability and erode state legitimacy. Within this framework, the Nigerian experience functions as a cautionary comparative model for Indonesia—highlighting how elite-driven privatization and regulatory fragility can exacerbate political grievances and fuel conflict.

This methodological approach allows for a systematic comparison that emphasizes institutional performance and political responses under similar structural conditions, providing insight into how policy design and governance capacity shape the political consequences of resource privatization.

RESULT AND DISCUSSION

Natural Resource Privatization and Political Instability in Indonesia

Indonesia's economy has historically relied on the agricultural and extractive sectors. Although classified as a lower-middle-income country in 1979, the sharp decline in global oil prices during the early 1980s prompted the Indonesian government to diversify its economic structure (Iksan, 2022). In response, development policy was redirected toward export-oriented industrialization, accompanied by various strategies to attract foreign direct investment. Nevertheless, the extractive sector—particularly mining—has remained a fundamental pillar of the national economy for decades, sustained by abundant natural resource reserves scattered across the archipelago (Iksan, 2022).

Government policy decisions have often been shaped by fiscal positioning, revealing that natural resource privatization in Indonesia has frequently been driven more by fiscal imperatives than by long-term sustainable development goals. This became particularly relevant in the post-New Order period, when Indonesia faced severe fiscal pressures following the 1997–1998 Asian Financial Crisis. During this time, the government increasingly relied on the natural resource sector—especially mining and oil and gas—to attract investment and reduce budget deficits (Iksan, 2022).

The oil boom of 1974–1982 had previously provided the state with the fiscal capacity to intervene extensively in the

economy through state-owned enterprises and tight control over natural resources. However, the long-term effects of this model were mismanagement and corruption, as seen in the case of PT Pertamina, which eventually led to a shift toward deregulation and liberalization in subsequent decades (Iksan, 2022). This historical trajectory paved the way for a more open approach to natural resource privatization during the 1990s and the Reformasi era.

By the early 2000s, Indonesia had become a hub for the operations of several global mining companies. In addition to International Nickel Corporation (INCO), multinational corporations (MNCs) such as Freeport, Newmont, Barrick Gold, Rio Tinto, and BHP were actively engaged in the exploration and exploitation of mineral resources across various regions (Iksan, 2022). Nickel, in particular, has long been regarded as one of Indonesia's strategic economic commodities (Iksan, 2022).

A key contribution of foreign investment and multinational corporations to Indonesia's economy has been the stimulation of trade activities and acceleration of economic growth (Iqbal et al., 2023). MNCs serve as critical intermediaries in enhancing trade performance, especially given Indonesia's rich natural resource base. These investments, coupled with the availability of low-cost labor, have made Indonesia increasingly attractive to global markets and driven international demand. In other words, the trade expansion spurred by MNCs has also contributed significantly to Indonesia's broader industrialization process (Iqbal et al., 2023).

Recent data indicate a dramatic surge in Indonesia's nickel production—from 32 million tons in 2020 to a projected 71.4 million tons by 2024, nearly doubling in just four years. This rapid growth is primarily driven by soaring global demand for strategic minerals essential to the global transition toward clean energy (Wibisono, 2024). However, this expansion brings with it a complex array of consequences—social, environmental, and economic—that require thorough examination and greater regulatory oversight (Wibisono, 2024). The government's downstream policy on nickel, implemented in collaboration with private actors, has often resulted in severe environmental degradation while neglecting the rights of local communities. In many cases, both state and corporate actors have played significant roles in accelerating ecological destruction, both at the local level and on a broader global scale (Wibisono, 2024).

The nickel mining industry in Sulawesi, in particular, has given rise to multiple forms of agrarian conflict and severe environmental degradation. In the

regions of Kolaka and Morowali, deforestation and forest degradation caused by mining activities have disrupted river flows, undermining communities' access to clean water (Hyldmo et al., 2025). Nickel extraction for battery production commonly uses a high-pressure acid leaching (HPAL) method, which produces hazardous waste and heavy metals such as iodine—posing significant risks of soil and water contamination and jeopardizing human health (Hyldmo et al., 2025). While direct causal links between deforestation and disasters are not always formally documented, the routine compensation provided by mining companies to affected residents strongly suggests that the industry's expansion plays a role in creating or exacerbating such conditions (Hyldmo et al., 2025). Moreover, agrarian conflict has emerged as a major issue in areas surrounding nickel industrial zones. According to the Agrarian Reform Consortium (KPA), at least 15 cases of land conflict directly related to nickel industry operations occurred in Morowali Regency between 2022 and 2024 (Wibisono, 2024).

While conflicts in Sulawesi are largely rooted in environmental issues, the situation in Papua presents a much deeper and more extreme case—demonstrating how decades-long resource extraction by foreign corporations such as Freeport has directly contributed to highly complex socio-political conflicts. Just five years after the United States mediated the 1962 New York Agreement between Indonesia and the Netherlands, the American company Freeport began operations in Papua, initiating exploration and extraction of natural resources in the mountainous regions. Since then, Freeport has developed the Grasberg mine, which has become one of the largest gold mines and the second-largest copper mine in the world (Ginanjar et al., 2022).

Over the course of its operations, Freeport has generated extraordinary profits—estimated to exceed USD 100 billion—from the extraction of natural resources in West Papua. The company has extracted approximately 1,448 tons of gold, alongside substantial quantities of copper and silver from the region (Trajano, 2010). These mining activities have been centered in a militarized zone that is inaccessible to the general public, including to the indigenous landowners who once inhabited and managed the area. Prior to mining, Mount Ertsberg was communally managed by the indigenous peoples of West Papua and functioned as a traditional hunting ground (Trajano, 2010).

Beyond resource extraction, Freeport's operations have resulted in extensive and irreversible environmental damage . The tropical rainforests of West Papua have been severely degraded, while

approximately 1.3 billion tons of tailings and 3.6 billion tons of waste rock have been disposed of into the surrounding environment without adequate management or mitigation (Trajano, 2010). This dumping has led to the contamination of the Ajkwa River, the rupture of Lake Wanagon, and the devastation of hundreds of hectares of land—reaching as far as the coastal areas of the Arafura Sea (Trajano, 2010).

The relationship between Freeport and the indigenous Papuan communities has been fraught with tension. Although the company has launched various economic development programs, local populations report that they have not experienced meaningful benefits from the presence of the mine (Zulakia et al., 2024). The company's operations have failed to bring substantive improvements to the welfare of the Papuan people or the development of surrounding areas. On the contrary, Freeport's continued presence is frequently associated with conflict—ranging from land disputes with the Amungme indigenous group to long-standing socio-economic grievances that remain unresolved (Ginanjar et al., 2022).

Having examined how foreign corporate dominance has deepened the marginalization of local communities in Indonesia, an equally pressing concern lies in the erosion of state sovereignty over natural resources through opaque privatization mechanisms of state-owned enterprises (SOEs). When the national parliament (DPR) fails to exercise its oversight functions during privatization processes, the state effectively relinquishes control over the management of its own wealth. The privatization framework as outlined in Government Regulation No. 72 of 2016 has, in fact, institutionalized a pathway for gradual and unchecked privatization of SOEs (Widyaningrum & Hutami, 2018). Under such conditions, the transfer of SOEs into private hands—absent transparency and adequate public participation—risks stripping them entirely from state accountability.

This shift not only jeopardizes the alignment of natural resource management with public interest but also replaces their social function with purely commercial motives (Widyaningrum & Hutami, 2018). In a broader political context, privatization carried out without democratic safeguards contributes to the weakening of the social contract between the state and its citizens. As control over strategic assets drifts further away from public institutions, citizens grow increasingly alienated from decision-making processes that directly affect their livelihoods. This alienation can manifest in political distrust, social unrest, and ultimately, instability—particularly in regions rich in resources but historically

underserved by the state.

Thus, privatization, especially when executed without institutional accountability, becomes more than an economic issue; it transforms into a political liability. It undermines the state's legitimacy, fuels public resentment, and exacerbates existing tensions around inequality and exclusion. In this light, the privatization of state assets—rather than promoting efficiency—can erode democratic governance and destabilize political order, particularly in post-colonial societies grappling with uneven development and persistent structural injustice.

The Resource Course Tragedy: Lesson Learned from Nigeria

The dominance of foreign corporations in Nigeria's oil sector is rooted in a long-standing historical trajectory that dates back to British colonialism. Shell, which later operated as the Shell-BP consortium, was granted exclusive exploration rights in 1938, covering the entire territory of Nigeria (Frynas et al., 2000). These privileges, conferred by the colonial government, positioned Shell-BP as the sole actor in oil exploitation until the early 1960s. This monopolistic arrangement created a "first mover advantage" that persisted even after Nigeria gained independence, supported by British officials and national policies that continued to favour foreign corporate interests (Frynas et al., 2000).

Shell has remained a dominant player in Nigeria's oil industry for decades, accounting for approximately 40% of the country's total oil production (Ite, 2007). Remarkably, Shell maintained extensive operations despite continuous conflict and social unrest, revealing the asymmetrical power dynamics in which multinational corporate influence routinely overrides the boundaries of national sovereignty in states with weak regulatory oversight (Ite, 2007).

Chevron further reinforced this pattern of dominance but faced more overt forms of social resistance. In 2002–2003, hundreds of local women from the Niger Delta staged an occupation of Chevron-Texaco's export facilities in Escravos. Their protest stemmed from widespread environmental degradation, loss of livelihoods, and the corporation's failure to uphold its social responsibilities to host communities (Turner & Brownhill, 2004). These women demanded employment opportunities, equitable development, and inclusion in decision-making processes, presenting their resistance as a direct challenge to what they described as the "economy of death" perpetuated by foreign

oil companies (Turner & Brownhill, 2004).

The privatization of Nigeria's oil sector has led to severe structural inequality, particularly in oil-producing regions such as the Niger Delta. The Niger Delta basin has yielded around 30 billion barrels of crude oil and approximately 30 trillion cubic feet of natural gas. Deepwater exploration commenced in the 1990s, and the region currently contributes around 39% of global deepwater reserves (Fagbadebo, 2019). Despite this immense wealth, around 75% of the local population in the Delta lives in extreme poverty, surviving on less than US$1 per day (Fagbadebo, 2019). These communities remain deprived of access to basic services such as clean water, electricity, education, and healthcare—despite residing atop some of the world's most lucrative oil reserves. This illustrates a pattern of extreme privatization and extraction without fair redistribution or compensation for local communities.

This condition results from the systemic neglect of oil-producing communities by both the state and the corporations. A growing number of youth in these regions feel abandoned, leading to frustration and radicalization. After years of expressing their grievances through legal and democratic means without receiving any meaningful response, many have come to believe that militancy is the only viable path to gain attention from both the government and oil companies (Fagbadebo, 2019). The Movement for the Emancipation of the Niger Delta (MEND) emerged as a direct response to the accumulation of social, political, and economic injustices experienced by the people of the Delta.

MEND is not merely a militant group, but a manifestation of collective resistance against systematic marginalization, environmental exploitation by multinational corporations, and the Nigerian state's abandonment of its obligation to protect the rights of oil-producing communities. Since late 2005, MEND has launched coordinated attacks on oil installations, engaged in the kidnapping of oil workers, and sabotaged key energy infrastructure. Within a short period, the group managed to reduce Nigeria's national oil production by up to one-third, inflicting financial losses amounting to billions of dollars on both the state and foreign corporations (Courson, 2011).

This case illustrates the far-reaching consequences of failed natural resource governance: how unchecked privatization, corporate impunity, and state neglect can

fuel cycles of violence, alienation, and instability. Ultimately, the Nigerian experience offers a stark warning that the commodification of natural wealth without justice, accountability, and equitable redistribution not only deepens poverty and ecological destruction, but also threatens the very fabric of political stability.

According to a 2006 UNDP report, Nigeria's South-South region, including the Niger Delta, experienced an alarmingly high poverty rate of 74.8% (Courson, 2011). The report further reveals that local populations have rarely benefited directly from the oil industry, primarily due to their limited access to capital and skills, which has effectively marginalized them from employment opportunities in the sector. Arising from this context of exclusion and deprivation, the Movement for the Emancipation of the Niger Delta (MEND) voiced demands for fair inclusion of local communities in Nigeria's oil industry (Courson, 2011). The movement's objectives included claims to royalties, employment opportunities, infrastructure development, and compensation for environmental degradation caused by corporate and state oil exploitation (Courson, 2011).

Most resource-based insurgencies typically exhibit four defining characteristics. First, there is often an ethnic or religious identity difference between local communities and the national majority. Second, these groups collectively believe that the central government has unjustly appropriated their natural wealth and that they would be better off with sovereign control or some form of political autonomy. Third, local communities bear the direct burdens of extraction—such as land dispossession, environmental destruction, and the influx of outside labor—without receiving adequate compensation. Fourth, such conflicts impose high costs in terms of human casualties and economic losses, especially when extraction operations become targets of protest or takeover by aggrieved communities (Ross, 2003).

Nigeria's failure to reduce poverty despite its vast oil wealth exemplifies the paradox of natural resource abundance. Oil riches have not translated into improved well-being for the broader population. In 2000, approximately 99.7% of Nigeria's total export revenues came from the oil sector, positioning the country as one of the most oil-dependent economies globally (Ross, 2003). This heavy reliance underscores the weakness of non-oil sectors in national exports. A more diversified export structure would have shielded the Nigerian economy from the volatility of

global oil prices (Ross, 2003).

Since 1981, the Nigerian government has shown a consistently high dependence on oil revenues, which have contributed between 56% and 86% of total government income annually (Ross, 2003). This dependency has persisted without significant downward trends, reflecting a structural rigidity in fiscal policy. In the absence of revenue diversification, government income has become highly susceptible to fluctuations in global oil prices. As a result, Nigeria's fiscal policies have become pro-cyclical—government spending rises during economic booms and contracts during downturns. This pattern has exacerbated the adverse effects of oil price volatility on macroeconomic stability (Ross, 2003).

As seen in the Niger Delta case, economic diversification is an urgent necessity for Nigeria. Heavy dependence on the oil sector renders the economic structure extremely vulnerable to external commodity shocks, directly affecting fiscal stability and societal welfare (Usman & Landry, 2021). Diversification not only supports long-term sustainable development but also enables a more equitable distribution of benefits, reduces regional disparities, and reinforces the state's legitimacy in the eyes of its citizens (Usman & Landry, 2021). In the long run, structural transformation through economic diversification is a key strategy for Nigeria to escape the resource curse trap and build a more inclusive and stable economy.

Moreover, the dominance of foreign corporations without the meaningful involvement of local communities has fueled multiple forms of injustice. This underscores the growing urgency of promoting community participation and strengthening state oversight over foreign corporate actors. The exclusion of local populations from decision-making processes prevents them from adequately reaping the rewards of ongoing development efforts (Tosun, 2000). In this context, privatization not only fails to promote inclusive growth but also becomes a key driver of political instability and institutional crises, hallmarks of states afflicted by the resource curse.

In summary, the Nigerian case demonstrates how privatization—when pursued without robust regulatory frameworks and inclusive governance can entrench a resource-dependent economy, marginalize local populations, and trigger cycles of conflict. The confluence of structural poverty, environmental degradation, and exclusion from decision-making creates fertile ground for

insurgency and political instability. Rather than fostering national development, the privatized oil sector in Nigeria has exacerbated social fragmentation and weakened the state's capacity to govern equitably. Thus, the failure of resource governance in Nigeria provides a critical warning about the dangers of unchecked privatization and underscores the need for policies that ensure community empowerment, state accountability, and economic diversification to break free from the vicious cycle of the resource curse.

Comparative Analysis: Indonesia and Nigeria

The relationship between natural resource abundance and economic development is not always positive. In several cases—including Indonesia and Nigeria—natural resource wealth has paradoxically contributed to the persistence of poverty. Poverty here refers not only to the lack of income but also to structural conditions that marginalize and weaken communities, rendering them vulnerable and excluded from development benefits (Hajad et al., 2023). While every nation aspires to promote the welfare of its citizens, many individuals remain trapped in unjust economic systems, experiencing structural poverty that hinders their capacity to escape deprivation (Hajad et al., 2023). In such contexts, natural resources are no longer viewed as a blessing but instead as an obstacle to inclusive development and social well-being.

In both Indonesia and Nigeria, the management of natural resources is often concentrated in the hands of a small elite composed of political and economic actors, while institutional oversight mechanisms remain weak and susceptible to corruption. In the case of Indonesia, although regulatory frameworks such as Law No. 32 of 2009 on Environmental Protection and Management exist, their implementation has been insufficient. Community participation procedures remain unclear, and the legal framework often fails to address the specific contexts and rights of Indigenous communities (Pradipta, 2015). Meanwhile in Nigeria, corruption is deeply entrenched within the institutional fabric of the ruling elite. Political leaders have consistently embezzled large portions of state revenues derived from oil. Former head of Nigeria's anti-corruption agency, Nuhu Ribadu, in an interview with the BBC in 2006, revealed that over USD 380 billion had been stolen or mismanaged by successive governments since Nigeria's independence in 1960 (Courson, 2011).

Indonesia is currently exhibiting several early signs of the resource curse

phenomenon, including widening inequality, agrarian conflicts, and growing corporate dominance over land and resource management. Without careful governance and preventive mechanisms, Indonesia risks replicating the trajectory of Nigeria, where natural resource abundance ultimately becomes a developmental curse. The Nigerian experience shows how weak institutions, rent-seeking behavior, and unregulated extraction can deepen structural vulnerabilities, obstruct economic and social progress, and escalate political instability.

However, the primary distinction between Indonesia and Nigeria lies in the degree of conflict escalation and institutional capacity. Nigeria has experienced severe structural deficiencies in crisis management, including weak security governance and a lack of political accountability. As discussed in the previous chapter, Nigeria represents one of the most vivid manifestations of the resource curse. This is largely attributable to its extreme dependence on the oil sector, which has generated a host of structural challenges—ranging from systemic corruption and violent conflict to the failure of economic diversification—leaving the national economy vulnerable to global oil price fluctuations (Onyeukwu, 2007). By contrast, Indonesia—despite its flaws—retains a relatively greater degree of institutional resilience and political responsiveness. The decentralization reforms and the existence of civil society watchdogs, independent anti-corruption agencies, and participatory budgeting initiatives (e.g., *Musrenbang*) are signs that, at least normatively, Indonesia has built mechanisms capable of mitigating the worst impacts of the resource curse. However, these institutional capacities remain far from optimal. There is an urgent need to strengthen transparency, empower local communities, and enforce environmental and social safeguards—especially in resource-rich regions—so that extractive industries do not deepen inequality or fuel local grievances.

In conclusion, the comparison between Indonesia and Nigeria highlights that the presence of abundant natural resources does not automatically guarantee development; instead, it often exposes a nation to a complex set of governance challenges. While Nigeria exemplifies the extreme end of the resource curse with political violence and entrenched kleptocracy, Indonesia stands at a crossroads—displaying early warning signs, yet still equipped with the institutional tools to avert a similar fate. The key lies in how these tools are

mobilized and whether political will exists to implement meaningful reform aimed at inclusive, sustainable, and equitable development.

Policy Implication and Recommendations for Indonesia

To prevent Indonesia from falling into the resource curse trap, as experienced by Nigeria, anticipatory and transformative policy actions are urgently needed. A community-based approach is particularly crucial in this context. Local communities often act as the most effective stewards of their environments, possessing valuable traditional knowledge in managing natural resources. Therefore, involving these communities in the planning and implementation of environmental policies fosters a sense of ownership and accountability. The integration and synergy of such participatory policies with institutional reforms will strengthen Indonesia's capacity to protect its environment and ensure the sustainable use of natural resources (Darmanto & Wahyudi, 2024).

Environmental governance and policy implementation in Indonesia are essential components of long-term resource sustainability. Addressing pressing ecological challenges—such as deforestation, pollution, and biodiversity loss—requires not only effective regulations but also consistent enforcement (Darmanto & Wahyudi, 2024). Indonesia has made notable strides in environmental policy over the past decades. At both national and local levels, regulatory frameworks have been introduced to address urgent ecological concerns. A key milestone is Law No. 32 of 2009 on Environmental Protection and Management, which emphasizes the principles of sustainability and ecosystem preservation. Environmental policy, in this sense, reflects collective societal choices to achieve environmental objectives, encompassing both proactive state interventions and deliberate inactions that allow external forces to shape environmental outcomes (Darmanto & Wahyudi, 2024).

A vital principle that should be institutionalized within environmental policy is Free, Prior, and Informed Consent (FPIC). FPIC is a rights-based standard enshrined in international law and policy, designed to protect the rights of Indigenous peoples in the context of extractive industry projects such as mining, oil, and gas (Tomlinson, 2017). It guarantees Indigenous communities the right to accept or reject proposed projects on their ancestral lands through informed and culturally appropriate decision-making

processes (Tomlinson, 2017). Institutionalizing FPIC has significant policy implications in reducing foreign dominance over natural resources and safeguarding the rights of local and Indigenous communities. By obligating foreign corporations to obtain genuine consent through transparent and non-coercive mechanisms, the state can ensure that development projects carry social legitimacy and reduce the risk of conflict (Tomlinson, 2017).

Indonesia must also re-evaluate its approach to the privatization of state-owned enterprises (SOEs). The enactment of Government Regulation No. 72 of 2016 has facilitated a trend of weakened public and legislative oversight over SOEs (Widyaningrum & Hutami, 2018). Although the House of Representatives (DPR) is constitutionally mandated to exercise budgetary control and oversee capital injections into SOEs, in practice this role is often neglected, creating room for opaque privatization processes (Widyaningrum & Hutami, 2018). This reflects a marginalization of democratic oversight, whereby the commercialization of SOEs, originally established for public service, is increasingly driven by profit motives alone—often at the expense of broader social interests. Therefore, strengthening the oversight role of the DPR is essential to ensure that privatization decisions align with constitutional mandates, particularly Article 33 of the 1945 Constitution (Widyaningrum & Hutami, 2018).

In addition, the integration of Environmental, Social, and Governance (ESG) frameworks into national investment strategies represents one of the fastest-growing approaches to achieving sustainable development (Bannour & Abdelkawy, 2024). Embedding ESG principles into national policy has proven effective in attracting sustainable foreign direct investment, fostering economic diversification away from extractive sectors such as oil and gas, and enhancing global competitiveness (Bannour & Abdelkawy, 2024). Strong ESG performance at the national level also boosts investor confidence through transparent and accountable governance, supports the growth of green sectors—such as renewable energy and clean technology—and mitigates environmental and social risks that could undermine long-term economic stability (Bannour & Abdelkawy, 2024).

Hence, for Indonesia, the push toward green investment and ESG-based economic diversification is not merely an economic strategy, but a critical path for mitigating

environmental degradation and structural inequality. The implementation of a national ESG framework would strengthen Indonesia's position in the global transition toward sustainable development. At the same time, the application of FPIC is vital to counterbalance foreign dominance and ensure that local and Indigenous communities are fairly and transparently consulted regarding development projects on their lands. Together, these approaches offer a pathway toward equitable and sustainable resource governance.

Indonesia must draw concrete lessons from Nigeria's overreliance on natural resources, which has led to economic volatility, environmental destruction, and entrenched social inequality. To avoid repeating such patterns, Indonesia needs to accelerate its commitment to alternative development models—ones that respect ecological boundaries, uphold Indigenous rights, and build institutional resilience. As this paper has demonstrated, the comparative analysis with Nigeria shows that early signs of resource dependency and weak governance must be addressed decisively. Strengthening institutional capacity, fostering public accountability, and adopting inclusive sustainability frameworks can enable Indonesia to transform its natural wealth into a genuine foundation for shared prosperity—rather than a trigger for future instability.

CONCLUSION

Indonesia, as a resource-rich state, faces a critical juncture in its development trajectory, echoing the cautionary tale of Nigeria's experience with the resource curse. Despite the abundance of natural resources, the over-reliance on extractive industries, combined with weak environmental governance, has placed the country at risk of unsustainable growth, environmental degradation, and socio-economic inequality. This research examined the political economy of resource governance in Indonesia, highlighting structural parallels with Nigeria, and analyzing how inadequate policy design, limited community engagement, and governance deficits could hinder Indonesia's sustainable development goals.

The key findings indicate that Indonesia's environmental governance framework, while formally robust, remains vulnerable to regulatory capture, policy incoherence, and insufficient enforcement. The weakening of public and legislative oversight in Indonesia's resource governance can be traced primarily to Government Regulation No. 72/2016, which facilitated the privatization of state-owned enterprises (BUMN) and diluted the supervisory role of the parliament. This

regulatory shift has opened pathways for commercial interests to take precedence over public welfare, often at the expense of transparency and constitutional mandates. Consequently, this trend has contributed to a wave of extractive-driven development projects, particularly in resource-rich regions like Sulawesi and Papua, where local communities, especially Indigenous peoples, have been systematically sidelined. The absence of strong community-based management frameworks and inclusive consultation mechanisms, such as the Free, Prior, and Informed Consent (FPIC) principle, has further marginalized these communities, intensifying socio-environmental conflicts and threatening ecological integrity. In contrast, Nigeria's experience demonstrates the long-term consequences of over-reliance on extractive sectors and elite-dominated governance, offering a critical mirror for Indonesia to reflect upon and avoid replicating.

These insights hold profound implications for policy reform. First, environmental governance must transition from top-down to participatory approaches, empowering communities as stewards of their ecosystems. Second, policy coherence is essential, particularly in reconciling economic objectives with environmental and social safeguards. Third, adopting ESG frameworks at a national level could accelerate Indonesia's green transition, attracting sustainable foreign investment and reducing dependency on high-risk extractive sectors. Lastly, the institutionalization of FPIC can serve as a democratic mechanism to ensure that development projects respect indigenous rights and local autonomy, mitigating conflict and enhancing project legitimacy.

Nonetheless, this study acknowledges its limitations. The analysis primarily draws from comparative literature and secondary data, with Nigeria serving as the main empirical reference. While the comparative framework provides critical insights, future research would benefit from primary fieldwork, stakeholder interviews, and quantitative assessments of ESG implementation outcomes in Indonesia. There is also a need to explore the intersection between gender justice and extractive governance, especially given the disproportionate impacts borne by women and other vulnerable groups in resource-rich yet poorly governed areas.

Ultimately, Indonesia stands at a decisive crossroads. By learning from Nigeria's experience, the country must commit to shifting its economic foundation from extractive over-dependence toward a more just, inclusive, and sustainable development paradigm. The road ahead

demands not only institutional reform but also a deep transformation in how resources are valued, not merely as commodities for profit, but as shared legacies to be protected. Without bold, integrative, and community-centered governance, the promise of resource wealth will remain a paradox. Yet, with the right policy direction and genuine democratic accountability, Indonesia has the potential to redefine its path and become a global exemplar in sustainable resource governance.

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