



## JLPH: Journal of Law, Politic and Humanities

<https://dinastires.org/JLPH> [✉ dinasti.info@gmail.com](mailto:dinasti.info@gmail.com) [☎ +62 811 7404 455](tel:+628117404455)

E-ISSN: 2962-2816  
P-ISSN: 2747-1985

DOI: <https://doi.org/10.38035/jlph>  
<https://creativecommons.org/licenses/by/4.0/>

# The People's Economy Approach in the Management of Natural Resources by State-Owned Enterprises in Indonesia

**Tina Amelia<sup>1</sup>**

<sup>1</sup>Borobudur University Jakarta, Jakarta, Indonesia, [tinaamelia@borobudur.ac.id](mailto:tinaamelia@borobudur.ac.id).

Corresponding Author: [tinaamelia@borobudur.ac.id](mailto:tinaamelia@borobudur.ac.id)<sup>1</sup>

**Abstract:** The management of natural resources in Indonesia is constitutionally mandated to follow a people's economy approach, prioritizing public welfare. However, there has been a significant deviation from this principle, with the State-Owned Enterprises Law (UU BUMN) promoting privatization and commercialization, rather than the intended economic model. This reveals a critical gap between constitutional ideals and actual policy implementation. This paper aims to address this gap by examining the inconsistency between the constitution and current SOE practices, particularly in natural resource management. Utilizing a normative juridical research methodology, combining statutory and conceptual approaches, this study investigates how SOEs have increasingly focused on profit maximization, often at the expense of sustainable development and local community welfare. Key findings highlight a fundamental misalignment between the constitutional mandate and the operational goals of SOEs, which now prioritize excessive exploitation for financial gains. The implications of this research suggest an urgent need to reform SOE policies, steering them towards sustainable practices that align with the people's economy model and the constitutional goal of achieving the greatest prosperity for all citizens. Reorienting SOE management to balance profit and sustainability is essential for protecting both natural resources and the long-term interests of local communities.

**Keyword:** State-Owned Enterprises, People's Economy, Natural Resources.

## INTRODUCTION

The introduction contains the research background in a concise, concise, and clear manner; research purposes; as well as supporting theories. Written in Times New Roman font, size 12, space 1. Writing in a foreign language is typed in italics. In narrative writing, no need to be given a special subtitle. Included in the writing of operational definitions, if deemed necessary, also written narratively. All forms of reference used must be written down the source. Writing citations or references using body notes, namely by writing the last name of the author and the year of writing written in brackets (Muthmainnah, 2017).

The problem formulation contains article questions that must be explained in the discussion and answered in the conclusion.

## METHOD

This research is a type of normative legal research, with a conceptual approach method and a statutory approach (Jonaedi Efendi, 2020). Normative legal research focuses on norms, rules, principles, and principles that apply in a legal system (Ifitah, 2023). Therefore, the main objective of every normative legal research must always be prescriptive (Benuf and Azhar 2020) or trying to provide recommendations and suggestions for improvement on the legal issues raised. The legal issue raised in this study is about the conflict of norms, between the 1945 Constitution of the Republic of Indonesia and the BUMN Law. The concept of the People's Economy initiated in the constitution is actually interpreted differently as contained in the BUMN Law.

## RESULTS AND DISCUSSION

Economic law serves as a vital framework for regulating economic activities, and its interpretation varies across jurisdictions and academic literature. The concept of Economic Law is deeply rooted in Western legal traditions, with several key terminologies found in global literature shaping its understanding today. In Western contexts, "Economic Law" has been described as the body of rules and regulations governing economic relationships between individuals, corporations, and governments.

For instance, Hereditary (2024) defines Economic Law as the entirety of laws that regulate economic transactions, protecting consumers, regulating competition, and ensuring fair practices in the marketplace. Enders (2020) emphasizes that Economic Law encompasses laws that address market failures, ensure transparency, and promote economic stability. In the United States, the term "Law and Economics" has become more prominent, particularly in academic discussions. Priest (2020) highlights the integration of legal and economic principles to guide judicial decisions and policy-making, while Roszkowski and Pontrandolfo (2021) explore the concept as synonymous with "Business Law," focusing on laws that affect businesses and commercial transactions.

In the Indonesian context, the term Economic Law has been interpreted by several legal scholars to suit the country's socio-political and economic conditions. Sihombing (2023) summarizes Economic Law as a body of law that includes regulations, customary practices, and court decisions related to economic activities. This comprehensive definition encompasses various aspects, such as legal entities of economic actors, their transactions, the venues for these transactions, and the extent of government intervention in supporting economic activities. Furthermore, Sihombing emphasizes that Economic Law also covers mechanisms for resolving economic disputes, highlighting its role in ensuring legal certainty and stability in economic relations.

From a global perspective, Economic Law serves as a bridge between economic policies and legal frameworks. It ensures that economic activities, such as trade, investment, and commerce, operate within a regulated environment that fosters fair competition, protects rights, and mitigates risks. For example, European Union (EU) competition law is a well-established field of Economic Law, ensuring that companies operate fairly within the single market by prohibiting practices like price-fixing and market monopolization (Whish & Bailey, 2021). Similarly, in the U.S., antitrust laws regulate competition, preventing monopolies and promoting consumer welfare (Areeda & Hovenkamp, 2020).

The modern evolution of Economic Law reflects the increasing complexity of global trade and economic activities. As economies become more interconnected, the role of Economic Law in providing a structured legal environment becomes even more significant. The legal frameworks must address not only traditional issues like contract enforcement and property rights but also new challenges arising from globalization (Ifitah, 2017), digital economies, and international

trade disputes. For example, international trade law, as governed by organizations like the World Trade Organization (WTO), has become a critical component of Economic Law, ensuring that trade policies between countries are fair and just (Matsushita et al., 2020).

In conclusion, Economic Law plays a crucial role in regulating the economic activities of individuals, businesses, and governments. Its various interpretations, both in Western and Indonesian contexts, reflect its adaptability to different legal traditions and economic conditions. As global economies continue to evolve, so too must the frameworks of Economic Law, ensuring that they can meet the challenges of a rapidly changing world.

Another definition of Economic Law is also conveyed by CFG Sunaryati Hartono. According to her, economic law is the entirety of the rules and legal decisions that specifically regulate economic activities and life in Indonesia. All of these rules then result in the multidisciplinary nature of economic law studies that are not only limited to State Administrative Law, but also regulate matters that include the substance of Criminal Law, Civil Law, Commercial Law, International Civil Law, even Civil and Criminal Procedure Law (Arifah and Kartini 2024). Sri Redjeki Hartono also expressed his opinion regarding the limitations of economic law. According to him, economic law is "a series of regulations that regulate economic activities carried out by economic actors" (Robot, Putong, and Tuwaidan 2023).

Based on the three definitions, according to the author, in essence, economic law is a series of legal regulations that regulate economic life. According to the General Guidelines of State Policy (GBHN) in 1993, national economic law is divided into 18 sectors, where the 18 sectors include:

1. Industrial Economics Law;
2. Agricultural Economics Law;
3. Labor Economics Law;
4. Law of Trade Economics;
5. Transportation Economics Law;
6. Mining Economics Law;
7. Forestry Economics Law;
8. National Business Economic Law;
9. Tourism Economics Law;
10. Postal and Telecommunication Economic Law;
11. Cooperative Economic Law;
12. Regional Development Economic Law;
13. Maritime Economic Law;
14. Aerospace Economics Law;
15. Financial Economics Law;
16. Transmigration Economic Law;
17. Energy Economics Law; and
18. Environmental Economics Law.

Given the broad scope of economic law, Nandang Sutisna et al. grouped legal regulations in the economic field into 3 parts. First, economic legislation that regulates finance, banking, and monetary, second, economic legislation that regulates production and industry, and third, economic legislation that regulates distribution, consumption, and trade (Sutisna et al., 2024). Based on the description, the author will focus more on economic law that regulates natural resources, including all production, consumption, and trade activities. Thus, what is meant by economic law in this paper is a series of legal regulations in the field of natural resource management, especially related to the management of natural resources managed by BUMN.

As mentioned above, ideally, according to the Constitutional Court, in the management of natural resources, the State, through BUMN, must be the first party given the authority to manage Natural Resources in Indonesia. This management certainly includes all production

and distribution activities, where the results of the implementation of these activities will later be used for the greatest prosperity of the people. The process of managing Natural Resources carried out by BUMN in reality does not absolutely have to be done. The Constitutional Court, in reality, understands that the current condition of Indonesian BUMN is not yet fully capable of directly managing all of these natural resources. Thus, the Constitutional Court makes the management of these Natural Resources into 3 levels as mentioned above. However, in the case that BUMN has been able to manage the natural resources themselves, then BUMN should be prioritized, considering its position as the first level manager according to the Constitutional Court's decision.

Problems then arise, when the position of BUMN which until now is still dualistic. On the one hand, BUMN must act as a representative of the State that prospers the community, on the other hand, BUMN is also required to obtain the highest possible profit or benefit in managing the natural resources. In the current conditions, what happens is that BUMN confirms its position as a pure corporation that pursues the highest possible profit. This is evident from, for example, the management of BUMN over electricity carried out by PT. Perusahaan Listrik Negara (PLN). PLN, with its position as a BUMN, should be able to provide free electricity to the people, because electricity is one of the basic needs of the community. However, in reality, PLN actually places the people as consumers, where the people must buy electricity at a basic rate determined by the Central Government, with the hope that the sale of electricity can increase profits for PLN.

At first glance, this concept does not seem to violate any legal provisions. However, according to the author, with BUMN, in this case PLN, placing the people as consumers of the goods offered (in this case electricity), it has violated the concept that the state should prosper its people. With the people still having to buy electricity from the state, the people are actually burdened to meet their living needs, and the concept of the greatest possible people's welfare will certainly not be achieved.

One notable example of natural resource management by a State-Owned Enterprise (SOE) in Indonesia is Pertamina's management of oil and gas. According to Article 60(b) of Law Number 22 of 2001 concerning Oil and Gas, Pertamina is mandated to conduct business activities in both the upstream and downstream sectors of the oil and gas industry. The upstream sector includes exploration and exploitation, while the downstream sector encompasses processing, transportation, storage, and trading. These provisions essentially position the people as consumers of oil and gas, with Pertamina acting as the seller or producer. When global oil prices rise, Indonesia's domestic oil prices inevitably increase as well, primarily because Pertamina, Indonesia's State-Owned Enterprise (SOE) responsible for oil and gas management, is not allowed to operate at a loss. This situation directly impacts consumers, who face higher costs for essential resources such as fuel. This creates a conflict between Pertamina's role in maximizing profits and its broader constitutional obligation to prioritize the welfare of the people. As an SOE, Pertamina is expected to generate revenue for the state, yet it is also tasked with ensuring equitable access to natural resources for the public. Balancing these dual roles has become increasingly difficult, especially during periods of volatility in the global oil market.

The crux of the issue lies in Pertamina's pricing policy, which reflects a broader challenge faced by SOEs in balancing economic interests with social responsibility. Article 33 of Indonesia's 1945 Constitution clearly mandates that the management of natural resources, including oil and gas, should be conducted in a way that prioritizes the welfare of the people. This principle, rooted in the concept of economic democracy, suggests that the state should manage resources not just for profit but for the benefit of all citizens. However, when global oil prices surge, domestic prices must follow suit to protect Pertamina's financial stability, ultimately placing the burden of increased costs on consumers.

This pricing policy raises significant concerns about how natural resource management in Indonesia can better align with the principles of social justice and public welfare as outlined in the constitution. The current model, in which SOEs like Pertamina operate as profit-maximizing entities, often results in outcomes that contradict the government's duty to ensure the equitable distribution of resources. High fuel prices disproportionately affect low-income households, exacerbating economic inequality and undermining the goal of shared prosperity. To address these concerns, reforming the pricing and operational practices of SOEs like Pertamina is essential. One potential solution is to introduce a more flexible pricing mechanism that takes into account the economic conditions of the population. For example, a tiered pricing structure could be implemented, where wealthier consumers pay market rates while subsidies are provided to low-income individuals to shield them from price hikes. Such a system would enable Pertamina to remain financially viable while reducing the economic strain on the public, particularly during times of global market volatility.

Additionally, greater emphasis should be placed on improving operational efficiency within SOEs. By optimizing processes and reducing unnecessary costs, Pertamina could potentially maintain profitability without imposing significant price increases on consumers. This would also allow the government to direct more resources toward subsidizing essential goods and services for those in need, further aligning resource management with the principles of economic democracy.

Finally, transparency in pricing decisions and greater accountability for how profits are used could help build public trust and ensure that the benefits of Indonesia's natural resources are distributed fairly. Revenue generated by SOEs like Pertamina should be reinvested in public goods, such as infrastructure, education, and healthcare, to ensure that all citizens benefit from the country's natural wealth.

In conclusion, while global oil price fluctuations pose significant challenges for Indonesia, there are opportunities to reform SOE policies to better align with constitutional mandates. By adopting a more socially responsible pricing structure, enhancing operational efficiency, and ensuring that profits are used to benefit the public, Indonesia can create a more equitable system for managing its natural resources. These reforms would not only help reduce the economic burden on consumers but also ensure that the country's natural wealth is used to promote the welfare of all its citizens.

The conditions that occur in BUMN as stated above, are basically a misunderstanding in formulating regulations regarding laying the foundation or principles in the objectives of establishing BUMN. Article 2 paragraph (1) of Law Number 19 of 2003 concerning State-Owned Enterprises states:

The purpose and objectives of establishing a BUMN are:

- a. contribute to the development of the national economy in general and state revenues in particular;
- b. pursuit of profit;
- c. provide public benefits in the form of providing high quality and adequate goods and/or services to fulfill the needs of many people;
- d. become a pioneer in business activities that cannot yet be implemented by the private sector and cooperatives;
- e. actively participate in providing guidance and assistance to entrepreneurs from economically weak groups, cooperatives and the community.

The provision under Article 60(b) of Law Number 22 of 2001 concerning Oil and Gas illustrates how the Indonesian people are positioned as consumers of natural resources managed by State-Owned Enterprises (SOEs). This is significant because SOEs, such as Pertamina, are tasked with generating the maximum possible profit from these resources. While it may appear that the profits generated by SOEs ultimately contribute to state revenue—since

SOEs are entities whose capital is fully or mostly state-owned—the way in which these profits are obtained raises important concerns. The error lies in the fact that these profits are often derived from the people themselves, the very group that the state is constitutionally obligated to make prosperous through the management of its natural resources.

This situation contradicts the spirit of Indonesia's constitution, particularly Article 33 of the 1945 Constitution, which mandates that the economy should be organized as a collective effort based on principles of economic democracy. In other words, the state should prioritize shared prosperity, not merely profit maximization, when managing national assets like natural resources. This principle, often referred to as the "people's economy" or "economic democracy," emphasizes income equality over mere economic growth. It reflects a model of economic management that focuses on collective welfare rather than individual wealth accumulation.

By positioning citizens as consumers subject to fluctuating market prices—such as in the case of oil and gas when global prices rise—SOEs like Pertamina are effectively burdening the public rather than fulfilling their constitutional mandate of ensuring widespread prosperity. This tension between profit-driven management and the constitutional principle of economic democracy suggests that SOEs are failing to adhere to their fundamental purpose. Instead of using their state-backed position to foster equitable access to resources and contribute to the welfare of all citizens, they operate with the same profit-maximizing motives as private corporations.

The solution to this misalignment between state policy and constitutional obligations lies in adopting a people's economy approach. This method emphasizes the importance of restructuring SOE policies so that they prioritize sustainable, equitable distribution of resources rather than short-term profit gains. A shift towards this model would require SOEs to operate not solely as business entities aiming for financial success but as public service institutions committed to economic democracy. By doing so, SOEs can still generate profits that contribute to state revenue, but in a way that enhances the collective welfare of the people, as originally intended by the constitution.

Indonesia's democratic system encompasses not just political democracy, but economic democracy as well. This economic democracy envisions an economic structure where the benefits of national resources are shared equally among the people, and the focus is on income equality rather than pure economic expansion. According to this principle, by ensuring income equality, national economic growth will naturally follow as a consequence of improved collective welfare. If SOEs such as Pertamina adopted this approach, the broader goal of shared prosperity could be achieved, fulfilling the constitutional mandate of a people's economy and ensuring that natural resources benefit all Indonesians, not just the state or a select few.

In conclusion, reforming SOE policies to align with the principles of economic democracy is essential for achieving Indonesia's constitutional goals. Through this approach, natural resources can be managed in a way that fosters collective prosperity and sustainable development for the nation as a whole.

In relation to the management of natural resources by BUMN which is actually unable to improve the welfare of the community as mandated by the constitution, it is actually caused by the failure to implement the principle of people's economy. Ideally, in the management of natural resources, the principle of people's economy must be used to answer the problem of the dualism of the position of BUMN. When people's economy is implemented, then BUMN is no longer appropriate to pursue maximum profit from the people. BUMN must be able to improve the welfare of the people by managing all natural resources as much as possible, but the results are used as commodities to be traded abroad or exported in order to generate foreign exchange for the country as much as possible. Then, the state's profits are used to subsidize the basic needs of the community, so that the people can meet their needs easily and cheaply. If this

condition occurs, the principle of the Indonesian economy which is based on family will be achieved. Like a family, the bond between the state, in this case BUMN and the people is an eternal bond that certainly cannot be separated by anything because it is mutually beneficial and helps each other. On the one hand, the people obediently pay taxes to the state, the state then transfers the tax money to productive sectors through state-owned enterprises which are expected to be able to achieve the greatest possible profits, especially in the natural resource management sector, and then the profits obtained are reused to meet the needs of the people so that the people become more prosperous together.

## CONCLUSION

In its position as the main manager of natural resources, BUMN actually still experiences dualism in legal status. On the one hand, its position is as a business entity that ideally pursues maximum profit, on the other hand, the existence of BUMN is as an extension of the state to carry out its function, namely to improve the welfare of the community. This dualism causes errors in the management of natural resources carried out by BUMN itself, so that the management carried out does not improve the welfare of the people, and on the contrary, it actually increases the burden of life of the community itself. By using the people's economic approach method, this problem can actually be resolved properly. This economic approach will actually position BUMN as purely an extension of the state, so that all forms of excessive exploitation of the people by making them consumers of the results of natural resource management cannot be justified. That BUMN must pursue maximum economic profit is appropriate and must be done. However, if using the previous method, it cannot be justified at all. In addition, this approach method will also answer that the bond between the state, in this case BUMN, and the people is a family bond, as mandated by Article 33 paragraph (1) of the 1945 NRI Constitution, where this bond will make the state and the people a family that helps each other, influences and synergizes with each other to build a national economy that brings prosperity.

## REFERENCE

- Adams, Henry. 2023. *Democracy*. BoD-Books on Demand.
- Agustina, Febi, dan others. 2022. "Ketokohan Mohammad Hatta dalam Perspektif Histori-Politik." In *Prosiding Conference on Research and Community Services*, , 645–54.
- Anzalia, Bella Ayu et al. 2023. "Analisis Konsep Kekuasaan Dalam Teori Politik Dan Demokrasi." *MIMBAR ADMINISTRASI FISIP UNTAG Semarang* 20(2): 410–15.
- Arifah, Kuni Nasihatun, dan Ika Ariani Kartini. 2024. "Proporsionalitas Pembangunan Hukum Ekonomi Bisnis dan Hukum Ekonomi Sosial (Kajian Pemikiran Sunaryati Hartono)." In *Prosiding University Research Colloquium*,.
- Baswir, Revrison. 2024. "Peluang dan Tantangan Pengamalan Pancasila Dalam Bidang Ekonomi."
- Benuf, Kornelius, dan Muhamad Azhar. 2020. "Metodologi Penelitian Hukum Sebagai Instrumen Mengurai Permasalahan Hukum Kontemporer." *Gema Keadilan* 7(1): 20–33.
- Daffa, Adika Reyhan, dan Eliada Herwiyanti. 2023. "Tinjauan Literatur Prinsip Good Corporate Governance (GCG) Pada Badan Usaha Milik Negara Indonesia." *Economics and Digital Business Review* 4(2): 217–30.
- Dedi, Agus. 2021. "Implementasi Prinsip-Prinsip Demokrasi di Indonesia." *MODERAT: Jurnal Ilmiah Ilmu Pemerintahan* 7(1): 1–9.
- Enders, Christoph. 2020. "Social and Economic Rights in the German Basic Law? An Analysis With Respect to Jurisprudence of The Federal Constitutional Court." *Const. Rev.* 6: 190.

- Herdegen, Matthias. 2024. *Principles of International Economic Law*, 3e. Oxford University Press.
- Indriyanti, Eki, Azizatul Fitriani, Muhammad Yasin, dan others. 2023. "Transformasi Industri Dan Pembangunan Industri Terhadap Perekonomian." *Jurnal Riset Ekonomi dan Akuntansi* 1(4): 88–97.
- Priest, George L. 2020. *The Rise of Law and Economics: An Intellectual History*. Routledge.
- Putra, Marsudi Dedi. 2021. "Negara Kesejahteraan (Welfare State) dalam Perspektif Pancasila." *Likhitaprajna* 23(2): 139–51.
- Robot, Yuddi, Diana Putong, dan Arthur Tuwaidan. 2023. "Kapita Selektu Hukum Ekonomi: Pengaturan Hukum Perjanjian." *Innovative: Journal Of Social Science Research* 3(2): 13762–74.
- Rochman, Saepul, Hery Dwi Utomo, Ucuk Agiyanto, dan Iwan Mariono. 2022. "Demokrasi Desa Menurut Mohammad Hatta: Gagasan Pemilu Kerakyatan di Indonesia." In *Prosiding Seminar Nasional Program Doktor Ilmu Hukum*, , 50–61.
- Roszkowski, Stanislaw Gozdz, dan Gianluca Pontrandolfo. 2021. *Law, Language and the Courtroom: Legal Linguistics and the Discourse of Judges*. Routledge.
- Rundell, John. 2020. "Jürgen Habermas." In *Social Theory*, Routledge, 133–40.
- Salim, Agus. 2023. *Ekonomi Politik Internasional: Peran Domestik Hingga Ancaman Globalisasi*. Nuansa Cendekia.
- Samosir, Osbin, dan F X Gian Tue Mali. 2022. "Pancasila dan Tantangan Demokrasi di Indonesia." *Jurnal Ilmu Hukum, Humaniora Dan Politik* 2(3): 320–31.
- Sihombing, Jonker. 2023. *Peran dan Aspek Hukum Dalam Pembangunan Ekonomi*. Penerbit Alumni.
- Suarlin, Suarlin, dan Fatmawati Fatmawati. 2022. *Demokrasi Dan Hak Asasi Manusia*. Penerbit Widina.
- Supratikno, Hendrawan. 2021. *Globalisasi, Ekonomi Konstitusi, dan Nobel Ekonomi*. Kepustakaan Populer Gramedia.
- Sutisna, Nandang et al. 2024. "Hukum Ekonomi: Konsep dan Implementasi." *YAYASAN LITERASI SAINS INDONESIA* 2(1).
- Suyono, Akhmad. 2021. "Ekonomi Kerakyatan Pemikiran Mohammad Hatta Serta Implikasinya." *PEKA* 9(2).
- Ulfiyyati, Alifa, Ridho Muhamad, Ilham Sultan Akbari, dan others. 2023. "Demokrasi: Tinjauan Terhadap Konsep, Tantangan, dan Prospek Masa Depan." *Advances In Social Humanities Research* 1(4): 435–44.
- Wingarta, I Putu Sastra et al. 2021. "Pengaruh Politik Identitas Terhadap Demokrasi di Indonesia." *Jurnal Lemhannas RI* 9(4): 117–24.