



## Starbucks' Efforts in Creating the Green Investment in Papua and West Papua

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<http://dx.doi.org/10.18415/ijmmu.v9i7.4019>

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### **Abstract**

The provinces of Papua and West Papua have abundant of natural resources; therefore, the Indonesian government wants to improve the agricultural, plantation, and maritime sectors, especially in the coffee plantation sector. One way to improve the plantation sector is to open cooperation on the Green Investment program, which is expected to run effectively and be environmentally friendly. Therefore, this study discusses the efforts made by Starbucks in the Green Investment program held by the Indonesian government in Papua and West Papua Provinces. The problems raised in this study can be answered by using descriptive qualitative methods and research techniques through interviews, observations, and literature studies to analyze the topics raised. The analysis process of this research was carried out using the theory and concept of Multi-National Corporations (MNC) and Green Investment (GI). The results of the study explained that the implementation of the Green Investment program has been running, but it has not been optimal because it is hampered by the Covid-19 pandemic, even so, Starbucks can help in improving the plantation sector in Papua and West Papua Provinces through investments made in an environmentally friendly manner and based on environmental, social, and governance principles contained in ESG.

**Keywords:** *Green Investment; Multinational Corporations; Coffee Plantations; Environmental; Social; Governance (ESG)*

Green Investment is a type of investment that made to protect the environment while promoting a sustainable economy. (Höhne, Khosla, Fekete, & Gilbert, 2012).

### **Introduction**

Green Investment itself has a definition as a form of investment that not only has a focus on environmental aspects, but also has a focus on social aspects and governance aspects in order to maintain economic stability (Kehati, 2020). Thus, Green Investment can be equated as a state's commitment. Before the concept of Green Investment was made, a country has to choose between increasing the economic growth or the environment. There was no in between. If said country chooses to increase the economic growth, then they have to face the consequences of the environmental damage, and vice versa,

if said country chooses to improve the environment, then they have to give up their economic growth. That is why, developing and underdeveloped country seldom prioritize the environmental growth. The developed country does. It is because the economic growth in developed country has been stabilize.

The commitment of implementing the Green Investment, was made by the developed country. They found a way to create a situation where they can increase the economic growth while improving the environmental growth (Khan, et al., 2019). If previously the government of a country could only choose between improving the economy or the environment, given that previously both of them couldn't go hand in hand, now there are new options that can be used in which the economic and environmental sectors can go hand in hand. Thus, the concept of Green Investment was made by the United Nations Framework Convention on Climate Change (UNFCCC). The developed country realized the need for green financial system in order to improve the environmental, such as reducing the carbon emissions, renewable energy consumption, and also technological innovation that are indeed highly pursued by developed country. In UNFCCC, the developed countries play the role of a country that put their investment in the form of money and technology given to developing and underdeveloped countries.

Developed country is not the only actor who can implements the concept of Green Investment, other country can also do it, if they are capable of doing it. One of them is China. As we all know, China is one of the biggest industrial country in Asia, even in the world. It doesn't stop China to implemented the Green Investment in their country in order to increasing the economic growth while protecting the sustainability of the environment (Khan, et al., 2019). Indonesia also wants to contribute to the implementation of Green Investment. In fact, Indonesia is the very first country in the South East Asia region to implement Green Investment, and also the first country in the world that ever implement the Green Investment through green obligations, called "Green Sukuk" (Karina, 2020).

At first, Indonesia implemented Green Investment through the program called Green Sukuk in 2018. Green Sukuk was made by the government alongside with the foundation of environmental sustainability called Yayasan Kehati (Kelestarian Hayati Indonesia). However, along with the development of times, the form of Green Investment in Indonesia has also widened. Such as the reduction of greenhouse gases, the application of renewable energy, the creation of environmentally friendly lithium batteries, even to the plantation and agricultural sectors.

Indonesia has a large number of plantations and agricultural areas. One of them is in the Province of Papua and West Papua. Due to the large number of plantations and agricultural areas in Papua and West Papua, the government of Indonesia need the help of non – actors to strive for the plantation and agricultural sectors. That is one of the reasons why the government opens up the opportunities for foreign investment, so the foreign investors could come and improve welfare as well as economic growth, either from foreign investment or domestic investment.

All of those forms of investment are allocated to various sectors, starting from the sectors with renewable natural resources, such as plantation sectors, agricultural sectors, maritime sectors, etc. and also allocated to the sectors with unrenowable natural resources, such as mining sectors. But here's the thing, every region in a country has their own prioritized or leading sectors. It happened because that specific sectors are able to encourage growth or development for those regions. In this case, Papua and West Papua also have a leading sector, which is the mining sector. It is as if that they're forget that Papua and West Papua also have an abundance in plantation and agricultural sectors, even though it is not well processed. That is why, the Coordinating Minister for Maritime Affairs and Investment, Mr. Luhut Binsar Pandjaitan, committed to increase the economic growth in Papua and West Papua through the plantation and agricultural sectors (Menkomarves, 2020). However, since the environmental in Papua and West Papua still well maintained, thus the government wants to maintain the environment sustainability in those provinces while increasing the economic growth. In order to fulfill that, the government implemented the green way of investment, which is through the green investment's program.

In 2020, the government of Indonesia has agreed to implement the green investment program in Papua and West Papua in order to increase the plantation and agricultural sectors (Menkomarves, 2020). The government is trying increase the investment to prioritize the plantation commodities in the form of cocoa, nutmeg, and especially coffee crops, considering that the provinces of Papua and West Papua are very rich in Arabica coffee and Wamena coffee. However, the government wants this incoming investment to be carried out in a green and environmentally friendly manner, that is the reason why the project of green investment was implemented there by the government. This green investment program has attracted the attention of Starbucks.

Starbucks is a Multinational Corporations (MNC) from Washington DC, United States of America. The founder, Jerry Baldwin, and his two colleagues, namely Gordon Bowker and Zev Siegl started this company in 1971 (Madaskaty, 2015). Starbucks itself is named after one of the cartoon characters who works as a ship staff named Starbucks in a novel entitled Moby Dick. After a while, Howard Schultz then joined the three founders, and the sales started increasing. Then ironically, the three founders of Starbucks then sold the coffee shop to Howard Schultz. This coffee shop from the United States began to adopt a multi – domestic company approach, which is a commodity marketing strategy that is usually applied by small business that wanted to expand to other countries in order to deal with large competitors in the local market in the host country. The implementation of this strategy succeeded in making Starbucks expand its two wings to other countries in 1996 to Tokyo, Japan and this had an effect on the growing Starbucks in many countries, especially Indonesia.

Starbucks entered Indonesia for the first time through PT. Sari Coffee Indonesia after 31 years Starbucks was founded, which is on May 17, 2022 at Plaza Indonesia Mall in Menteng, Central Jakarta (Madaskaty, 2015). Because of the large number of Indonesia's citizen interest in Starbucks' coffee, Starbucks began to open many branches in various cities, especially big cities in Indonesia.

As the largest coffee multinational company in Indonesia, Starbucks is not only focusing on improving the company, but Starbucks has also contributed a lot to Indonesia, from increasing employment, increasing the country's foreign exchange, to contributing to Indonesia's national development carried out through Corporate Social Responsibility (CSR) in the social and environmental fields, such as the implementation of the *Take A Mug Pledge* program which is balanced by the use of product packaging made from recycled paper in order to reduce the use of plastic, then there is also the *Ground for Hope* program with the aim of using coffee grounds as compost, and also *Water for Change* which is carried out by providing clean water to several regions in Indonesia with a clean water crisis (Starbucks, 2020). In addition to the previously mentioned things, Starbucks also contributes to Indonesia as stated in the Memorandum of Understanding (MoU) signed by the two parties.

The MoU formed by the Indonesian government regarding the Green Investment has intrigued Starbucks to joined the cooperation to increase the environmentally friendly plantations and exports of coffee in Papua and West Papua, which are Arabica Coffee and Wamena Coffee. Although there are many other non – state actors who want to participate in this Green Investment program, only Starbucks has joined formally and signed the MoU with the Indonesian government (Menkomarves, 2020).

### **Research Method**

The author used a qualitative descriptive method for this research. A qualitative approach is a type of research that in the results of its findings does not use statistics or any form of counting, but in the form of sentences to analyze the raised topic (Sugiarto, 2017). This approach is used to examine in more detail related to Starbucks' efforts in increasing the Green Investment in Papua and West Papua in order to improve the development and the economy in those two regions that still pay close attention to environmental sustainability. The results of this research will be explained descriptively and accompanied by proof of the data that has been obtained related to the phenomena raised in order to prove the concepts that have been carried out. The Author collected the data from interviewing the certain amount of people

related to the topic, and also collected the data from books, journals, and internet sources that are relevant and whose validity can be ascertained. This article used the data analysis techniques by Miles and Huberman, which are data collection, data reduction, presentation of data, and conclusion and verification of data (Miles & Huberman, 2014).

## **Discussion**

### **The Condition of Investment and Green Investment in Indonesia**

Ragnar Nurkse argues that, “A Country’s poverty is because of its own poverty”, which means that the poverty of a country occurs because the country is already poor (Kumar, 2018). Basically, the country is trapped in a vicious cycle of poverty. To reinforce his opinion, Nurkse used a description as follows, poverty of a person occurs because the person has a low-income level. Because the wages he receives are low, he will be malnourished and it will be difficult for him to get an adequate health and education services, and also the difficulty in saving or making investments. That is why it is hard for him to get out of this vicious cycle if he doesn’t have a lot of money. This is where investment comes to help. The existence of investment has been felt by Indonesia since the Dutch colonized Indonesia through the *Vereenigde Oost Indische Compagnie* (VOC) in 1799 that implemented an investment policy called *Agrarische Wet* (Ilmar, 2010).

Fast forward to 1942, the activity of investment in Indonesia suffered a setback, even completely stop, due to the World War II that disadvantages the Japanese government, who was currently colonized Indonesia after the Dutch left. This makes Indonesia experience a vacuum of foreign investment, even until Indonesia becomes an independent country (Ilmar, 2010). As a newly independent country in 1945, Indonesia faces various challenges, there are political and security issues everywhere. These challenges make the economy strategy in Indonesia fell apart. There is still no foreign investment entering Indonesia, and the only thing left is the investment that was planted by the Dutch colonials who have begun to operate again after the vacuum.

As the time passed, the Indonesian government then granted permission for foreign investor to invest in Indonesia, but only in sectors that were less important, coupled with burdensome conditions for investors. This strategy did not make investors come to Indonesia, but instead caused a debate in the existing cabinet, between moderate groups that support foreign companies to operate in Indonesia, and radical groups that are very nationalist. Finally, the government of Indonesia, called the Old Order Regime, tried to plan a law on foreign investment in 1953. Then the incident of G-30-S/PKI occurred in 1965 and replaced President Soekarno with the Old Order Regime to President Soeharto with the New Order Regime in 1966 (Ilmar, 2010). At this time, the government was trying to improve Indonesia’s relation with foreign countries in order to seek foreign investment in order to pay off the foreign debt owned by Indonesia, considering that the transition from the Old Order to the New Order has made the inflation rate increases.

In 1986, Indonesia tried to liberalize the market and enlarge the role of foreign investment in order to increase the development in Indonesia (Ilmar, 2010). There was a mixed orientation in 1992, the Indonesian government began to increase the economic cooperation, but accompanied by protectionism, because they didn’t want those foreign investment to dominate Indonesia. There are ups and downs in investment’s in Indonesia, but The Ministry of Investment of the Republic of Indonesia, or better known as the Investment Coordinating Board (BKPM) noted that there was an increase in investment.

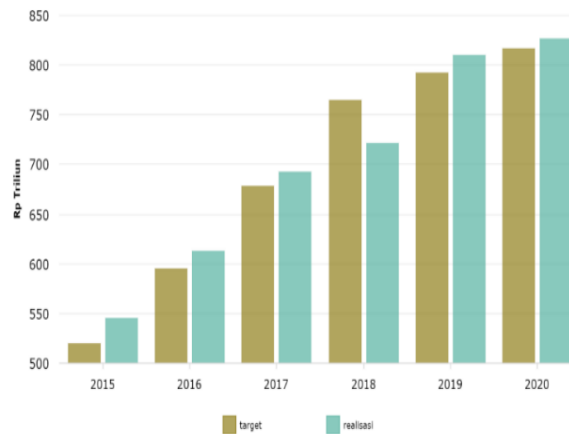


Figure 1. Source: Investment Coordinating Board (BKPM), 25 January 2021

As shown in the chart above, there is an increase in investment from 2019 to 2020 around 2.1% and another increase in 2020 to 2021 around 9.9% (BKPM, 2021). This increase needs to be praised, considering that Covid-19 began to emerge and spread throughout the world in 2020, it didn't affect the influx of investment into the country's treasury. Incoming investments were allocated into various sectors, such as:

Table 1. Source: Investment Coordinating Board (BKPM), 2021

No.	Domestic Investment	Investment Amount	Foreign Investment	Investment Amount
1.	Transportation, Warehouse, and Telecommunications Sector	Rp. 37,6 Trillion (671 projects)	Basic Metal Industry Sector, Metal Goods, Non-Machinery, and Equipment	\$. 1.5 Billion USD (323 projects)
2.	Construction Sector	Rp. 14,1 Trillion (802 projects)	Electricity, Gas and Water Sector	\$. 868,6 Million USD (220 projects)
3.	Food Crops, Plantations, and Livestock Sector	Rp. 10,3 Trillion (843 projects)	Transportation, Warehouse, and Telecommunications Sector	\$. 806,9 Million USD (346 projects)
4.	Housing, Industrial Estates, and Office Sectors	Rp. 9,1 Trillion (755 projects)	Housing, Industrial Estates, and Office Sectors	\$. 602,9 Million USD (490 projects)
5.	Food Industry Sector	Rp. 7,3 Trillion (1.129 project)	Chemical and Pharmaceutical Industry Sector	\$. 569,4 Million USD (508 projects)
6.	Electricity, Gas and Water Sector	Rp. 5,5 Trillion (380 projects)	Mining Sector	\$. 482,7 Million USD (310 projects)
7.	Mining Sector	Rp. 5,3 Trillion (321 projects)	Food Crops, Plantations, and Livestock Sector	\$. 478,8 Million USD (351 projects)

8.	Trade and Repair Sector	Rp. 3,9 Trillion (3810 projects)	Food Industry Sector	\$. 298,4 Million USD (743 projects)
9.	Other Service Sectors	Rp. 3,7 Trillion (1581 projects)	Hotel and Restaurant Sector	\$. 220,3 Million USD (1,363 projects)
10.	Nonmetallic Mineral Industry Sector	Rp. 2,6 Trillion (158 projects)	Machinery, Electronics, Medical Instruments, Electrical Equipment, Precision, Optics, and Clock Industry Sectors	\$. 127,1 Million USD (391 projects)

From Table 1, it can be seen that as of 2020, domestic investment entering Indonesia is more accepted by the Transportation, Warehouse, and Telecommunications sectors, while foreign investment entering Indonesia is more accepted by the Basic Metal Industry, Metal Goods, Non-Machinery, and Equipment sectors. In addition, it can also be seen that the investment that enters the mining sector, amounting to RP. 5.3 trillion comes from domestic investment while \$ 482.7 million USD comes from foreign investment (BKPM, 2021). Although it is ranked 7th for the domestic investment category, and ranked 8th for the foreign investment category, the mining sector is still included in the 10 largest investment sectors in Indonesia.

That was the condition of investment in Indonesia, but if we talk about the condition of green investment in Indonesia, so far, the Green Investment carried out by the Indonesian government in agriculture and plantations has just received more attention after a long time of focusing on tackling climate change by reducing greenhouse emissions, the use of effective and efficient renewable energy, the creation of petrol chemicals, the creation of environmentally friendly lithium batteries, and so on. Over time, *Green Investment* or Green Investment has not only focused on these things, but has also begun to spread to other sectors. One of them is the improvement of the agricultural and plantation sectors of regions in Indonesia that are rich in natural resources that have great potential to improve the welfare of the area.

### The Condition of Investment and Green Investment in Papua and West Papua

Most of the investment that goes to Papua and West Papua Provinces is allocated to the mining sector. This is not a strange thing to do because indeed the provinces of Papua and West Papua have a large myriad of non-renewable natural resources, which in the process of taking them require mining processes, such as coal, iron ore, copper, and moreover gold which not only benefits Indonesia, but also greatly benefits investors, so that the majority of investments that go to Papua and West Papua provinces are channeled into the mining sector. This can be seen from the data listed in Table 2.

Table 2. Source: Investment Coordinating Board (BKPM), 2021

Era	Amount of Papua Investment (in USD \$)	Number of Projects in Papua	Amount of West Papua Investment (in USD \$)	Number of Projects in West Papua
2015	\$. 897 million	133 Projects	\$. 258.6 million	96 Projects
2016	\$. 1.168,4 Million	169 Projects	\$. 514.5 million	126 Projects
2017	\$. 589.8 million	57 Projects	\$. 24.5 million	25 Projects
2018	\$. 1,132,269 thousand	102 Projects	\$. 286,861 thousand	70 Projects
2019	\$. 205.9 million	33 Projects	\$. 6 million	12 Projects
2020	\$. 206.9 million	82 Projects	\$. 5 million	43 Projects

From Table 2, it can be seen that there was an increase in foreign investment income to Papua Province from 2018 to 2020, while in West Papua Province, there was an increase from 2018 to 2019, but it fell again in 2020. Most of the foreign investment that came in, about 28.87% was allocated to the mining sector of non-renewable materials such as the mining sector, then about 14.11% was allocated to sectors related to the renewable environment, such as the agricultural, plantation, forestry, and fisheries sectors. Furthermore, around 13.79% was allocated to the large trade and retail business sector, which was followed by the allocation of the car and motorcycle repair sector by 9.11%, and the rest was allocated to other business sectors (BKPM, 2021).

It can be seen that the mining sector in Papua and West Papua Provinces still controls foreign investment that enters the two provinces. The Indonesian government expects investors to be interested in investing more in other sectors that also have equally good potential, such as the plantation sector. The provinces of Papua and West Papua have an abundance of renewable natural resources, making the plantation sector can be processed by local communities, such as the production of oil palm, coconut, rubber, pepper, jatropha, cocoa, and also coffee plantations. These plantation sectors have the same opportunities as the mining sector, therefore the Indonesian government wants to increase the amount of investment that goes into the sector in order to advance the plantation sector in Papua and West Papua provinces.

Therefore, the government opens cooperation intended for business holders to invest in the plantation sector in Papua. However, potential investors must also have the same vision as the government, which is to have the desire to create an environmentally friendly green investment situation. Mr. Bimo Wijayanto, Assistant Deputy for Strategic Investment from the Coordinating Ministry for Maritime Affairs and Investment (MENKOMARVES) emphasized the definition of green that is environmentally friendly. he said that, "The definition of green here should be classified again. Green means environmentally friendly, both in the process of its implementation and the resulting impact on the environment. Green also means that the governance is good, not complicated, and not corrupt. So, for this Green Investment program, from all sides it must have been green" (Wijayanto, 2022).

Mr. Bimo also mentioned that the provinces of Papua and West Papua are suitable to be used as places for implementing green investment. Considering that the situation is still beautiful, the government wants the ongoing investment process to maintain the beauty of the natural environment there, so as to create a green investment program in the two provinces (Wijayanto, 2022). Therefore, since the Indonesian government opened cooperation for the *Green Investment* program in Papua and West Papua Provinces, there have been several multinational companies that are interested in becoming investors, one of which is Starbucks.

### **Starbucks' Efforts in Creating the Green Investment in Papua and West Papua**

Starbucks, a coffee company under the auspices of PT Sari Coffee Indonesia is indeed known as a company that likes to contribute to the natural environment. They apply these green programs to the application of Corporate Social Responsibility (CSR), in a collaboration with Non-Governmental Organizations (NGOs), provide training for the coffee farmers, and also a cooperation with the Indonesian government through a Memorandum of Understanding (MoU) about the green investment program.

According to Hühne, Green Investment is often associated with green growth and green finance (Hühne, Khosla, Fekete, & Gilbert, 2012). This is in line with the program run by the Indonesian government in the Green Investment program carried out in the Provinces of Papua and West Papua, that through the Green Investment program, the government wants green growth in Papua and West Papua provinces to be achieved. Therefore, the Indonesian government cooperates and opens up investments made in an environmentally friendly manner so that investors can participate in creating green investments in the provinces of Papua and West Papua.

As an investor, Starbucks invested in this Green Investment program in the form of opening Starbucks shops in Papua and West Papua Provinces as well as the establishment of Arabica coffee and Wamena coffee plantations, which are expected to increase coffee production in Papua so as to advance Indonesian coffee exports originating from Papua. The President Director of PT. Sari Coffee Indonesia, Anthony Cottan, has signed a plan to open a Starbucks outlet in 2020 at Diana Mall in Papua and Jayapura Mall in West Papua. Both shops are Starbucks' first outlet in Papua.

In addition to the opening of the shop, Starbucks also created arabica coffee and Wamena coffee plantations. Wamena coffee itself can only be found in Papua, more precisely in one of the valleys in the Jayawijaya Mountains, namely the Baliem Valley. So, Starbucks plans to open a coffee plantation in the area. The coffee plantation will be operated in a green and environmentally friendly manner in accordance with Starbucks' C.A.F.E. principles (Starbucks, 2020).

Coffee plantations that will be opened in Papua will later use the principle of C.A.F.E. or *Coffee and Farming Equity*. The C.A.F.E. principle was formed with the aim of creating a method of production and trade that is economically sustainable and also green. Starbucks plantations, which are carried out on this principle, will create a plantation method that maintains the protection of water flow. This is done by using water efficiently, providing water flow protection for flora and fauna habitats, preventing water pollution due to coffee plantation practices, and ensuring that the water that has been used to irrigate coffee does not have a negative impact on local communities. In accordance with the C.A.F.E. principle, coffee plantations run by Starbucks will also not apply the use of pesticides that damage the environment (Starbucks, 2020).

In addition, the C.A.F.E. principle carried out by Starbucks also contains elements of protection of soil resources created with the aim of maintaining soil health and productivity in order to maintain the survival of other biotic resources. This principle is carried out by maintaining the management of soil nutrients in order to maintain soil health and allow agricultural production in the long term, and is carried out by cultivating the soil in such a way as to minimize soil surface erosion, which can be caused by land slope, soil type, rainfall level, and so on.

The green concept applied in the C.A.F.E. principle not only alludes to Starbucks' contribution to the natural environment, but also to the local community and coffee farmers who work in the coffee plantation sectors. Starbucks will try to ensure that their plantation practices do not have a negative impact on the union community. Starbucks is also paying attention to the survival of its workers. This is done by ensuring protection from dangers in the workplace, fulfilling workers' rights, and not providing wages below the minimum wage limit that has been determined in accordance with Indonesian national legislation and international conventions related to the health and safety of coffee plantation workers.

The opening of coffee plantations in Papua and West Papua Provinces carried out by Starbucks is not the only coffee plantation owned by *Starbucks* in Indonesia. Starbucks has coffee plantations in several other areas in Indonesia, one of which is located in Berastagi, North Sumatra, more precisely in Suka Village in Berastagi, Karo Regency. In there, Starbucks not only opened a coffee plantation, but also conducted a Starbucks' Farmer Support Center (FSC) training program (Starbucks, 2020).

This Starbucks' FSC training is intended for local people who want to work as coffee farmers and advance the production of quality coffee plants in Berastagi, North Sumatra. Intended for local communities, this training does not charge any fees. In addition, Starbucks also does not require coffee farmers who take part in this FSC training to sell the entire coffee production to Starbucks.

The Starbucks' FSC training held in North Sumatra is the only FSC training in Indonesia, even becoming one of the nine (9) FSC owned by Starbucks in the world. In addition to Indonesia, this FSC training was also established in China, Ethiopia, Guatemala, Colombia, Costa Rica, Mexico, Rwanda, and also Tanzania. This FSC training not only benefits Starbucks, but also benefits coffee farmers in



Indonesia and also improves coffee plantations in Indonesia.

The increase in coffee plantations in Papua and West Papua Provinces is expected to lead to an increase in Papuan coffee exports in Indonesia, so that there will be more quality coffee bean producing areas in Indonesia. It is also expected that this Papuan coffee will sell well in the market such as Mandailing coffee from North Sumatra, Gayo coffee from the Gayo highlands in Central Aceh, Kintamani coffee from the Kintamani Mountains in Bali, Toraja coffee from Sulawesi, and also Flores coffee from the Ngada Mountains, East Nusa Tenggara (Starbucks, 2020). The increase in coffee plantations in Papua and West Papua Provinces is inseparable from Starbucks' intervention as an investor in the Green Investment program to increase coffee plantations in those area.

In addition to increasing coffee plantations in Papua and West Papua Provinces which are carried out with an environmental perspective and in a green manner, Starbucks also runs its coffee shop by paying attention to environmental sustainability. When viewed internally at Starbucks stores, Starbucks has implemented the implementation of the use of paper straws or paper straws and also uses items that are easy to recycle on their coffee packaging. In addition, Starbucks also invites its customers to use non-disposable drinking bottles, by providing discounts on certain days, one of which is that on every 22nd of each month, Starbucks will provide discounts to its customers of 30-50% (Starbucks, 2020). This is done by Starbucks to reduce the use of single-use plastic packaging.

Then when viewed from the external side of the coffee shop, Starbucks has also contributed to the natural environment and also the social environment. This is done by implementing the Corporate Social Responsibility (CSR) program that they run, namely *Water for Change* and also *Art in A Cup*. In the *Water for Change* program, Starbucks contributes clean water to areas in Indonesia that are experiencing a clean water crisis, such as Sunggal Village, Bantar Gebang, and others (Starbucks, 2020). Then, in Starbucks' CSR, the *Art in a Cup* program, the contribution made by Starbucks is more aimed at its workers. That is, for every 10 drinks sold at Starbucks, Starbucks will donate 1 coffee tree to the farmers who work in Starbucks-owned coffee plantations located in Berastagi, North Sumatra. The proceeds from the coffee tree are not required to be resold to Starbucks, but farmers who get gifts for coffee tree seeds can use and sell them to the will of the farmers who work there.

### **Viewing the Starbucks' Green Investment in Papua and West Papua through the Environmental, Social, and Governance (ESG) principle from the concept of Green Investment**

When viewed using the concept of Green Investment, Starbucks has met the standards set out in the ESG principle. Environmental, Social, and Governance (ESG) was created as a response from the actors contained in the business as demands to contribute to environmentally friendly and sustainable economic development. ESG is even used as a benchmark for the quality of the company's overall management (Sherwood & Pollard, 2018). Factors that can be used to see ESG can be separated into three factors, namely environmental factors, social factors, and also governance factors.

Environmental factors in ESG specifically discuss environmentally friendly company activities, some of which can be done by utilizing energy use, preventing negative impacts of waste generated from production, preventing pollution, maintaining the sustainability and protection of natural resources, both for animals and plants, and minimizing the occurrence of natural disasters caused by company activities. As a company that relies on the environment as the main ingredient in making its products, Starbucks strives to make a positive contribution to the environment.

As previously explained, Starbucks implements an environmentally friendly company performance. This environmentally friendly activity was also implemented when Starbucks acted as an investor in the Green Investment program in Papua and West Papua Provinces. This can be seen from the coffee plantations to be established in the two provinces. The coffee farm will be operated under the principle of C.A.F.E. or Coffee and Farmers Equity. Starbucks ensures that there is no use of pesticides

that are harmful to the environment, ensures that the waste generated from the coffee plantation does not harm the environment or the surrounding community, maintains the quality and quantity of clean water, maintains the quality and quantity of the soil, and prevents natural disasters caused by coffee plantations, such as soil erosion and so on. In addition to the plantation sector, Starbucks has also achieved standards in the environmental principles of ESG conveyed in the concept of Green Investment. Starbucks has sought to use paper straws and also replaced the majority of its product packaging with materials that are easy to recycle.

Next, social factors. When viewed from the internal side of coffee plantations, social factors will be found in how Starbucks treats its workers, especially coffee farmers. As stated in C.A.F.E., Starbucks strives to provide basic rights that should be obtained by its workers, such as wages above the minimum wage, guarantees of safety in the workplace, health insurance, and other rights that have been regulated in national legislation and international conventions that discuss workers' rights. In addition, this internal social factor can also be seen from the Corporate Social Responsibility (CSR) program formed by Starbucks, namely *The Art in a Cup* program, where Starbucks improves the welfare of its workers by providing 1 coffee tree for coffee farmers in Berastagi, North Sumatra, for every 10 Starbucks drinks that have been sold (Starbucks, 2020).

If the social factors in this ESG are viewed from the external side, it can be seen from the side of cooperation between Starbucks and the Indonesian government. For the implementation of Green Investment in the Provinces of Papua and West Papua, the Indonesian government opens cooperation with business people who do have the same vision and mission as Green Investment, and indeed have a commitment to improve the welfare of an area through green investment that is environmentally friendly. Starbucks has considered and chosen to join this Green Investment program (Starbucks, 2020).

Finally, when viewed from the side of Governance in ESG, which discusses how Starbucks operates green management, this can be seen from the form of investment given to the Provinces of Papua and West Papua. Starbucks funded the opening of a coffee plantation there, opened a branch of a Starbucks outlet there, and created jobs. So, the investment provided by Starbucks, not only has a good impact on the company, but also on the surrounding community and to the Indonesian government through its contribution to this Green Investment program (Starbucks, 2020).

Starbucks' contribution as an investor in the Green Investment program can be seen in terms of productivity through the activities carried out by Starbucks in the plantation sector opened in Papua and West Papua Provinces. It needs to be reiterated, whether the principle of Coffee and Farmers Equity (C.A.F.E.) that they are going to run, is really done green or not. Whether the implementation of the C.A.F.E. principle will improve the coffee sector in Papua and West Papua Provinces or not.

In addition, it is not only in terms of activities. However, its productivity can also be seen from the implementation or not of all forms of investment that have been promised by Starbucks. Considering that not all forms of investment have been realized. Only the opening of Starbucks shops has been legalized in Papua and West Papua Provinces. Meanwhile, the coffee plantation there is still under construction, which is accompanied by infrastructure development carried out by the Indonesian government around the coffee plantation in order to make it easier for Starbucks to carry out its green investment program.

The implementation of the Green Investment program has been running, although it has not been optimal, considering that the Covid-19 pandemic had occurred and hit Indonesia. Therefore, regardless of the obstacles faced by both parties, both the Indonesian government and Starbucks, they will continue to carry out their respective obligations in this Green Investment program regardless of the various opportunities and obstacles that will be faced.

## Opportunities and Challenges in Creating the Green Investment in Papua and West Papua

Just like any other cooperation, the project of the Green Investment in Papua and West Papua made by the government of Indonesia, alongside with Starbucks as their partner, also has its own opportunities and challenges. This cooperation was made in 2020, which means that the pandemic of Covid-19 still occurred at the moment.

The Covid-19 pandemic soared up, thus making Indonesia experience an economic downturn. Apart from the increasing economic development at the time of signing the memorandum of understanding on Green Investment in Papua and West Papua Provinces, the Covid-19 Pandemic made most actors in Indonesia experience economic constraints. Starting from government actors, to non-governmental organization actors, group actors, individual actors, to multinational company actors who have entered and operated in Indonesia. Starbucks is no exception.

The decrease in the amount of income of PT. Sari Coffee Indonesia, the parent company of Starbucks in Indonesia, made Starbucks Indonesia also experience a decline in revenue. So that the investment provided by Starbucks in the Green Investment program is also hampered. The rest will be explained below in the section regarding the opportunities and obstacles experienced by Starbucks.

The last factor is the facilities and infrastructure required by investors. Infrastructure development in order to improve access and infrastructure needed by investors is one of the things that must be considered by investors. Easy access to facilities and infrastructure will affect the production and distribution processes of the company. Therefore, the government often increases the infrastructure development of each region in Indonesia with the hope that the amount of investment entering the region often increases.

All these considerations will be adjusted to the opportunities that an actor will get after investing his capital. An actor tends to consider all the factors encountered before actually making a decision. The actor first sees what opportunities will be obtained, what are the challenges that will hinder the achievement of goals, and whether the results that will be obtained later are comparable to the challenges that have been faced, and so on.

The same goes for Starbucks. Coffee company under the auspices of PT. Sari Coffee Indonesia also faces various challenges and opportunities obtained when contributing to Green Investment in Papua and West Papua Provinces.

Starbucks, as one of the investors in Green Investment in Papua and West Papua Provinces, will get a variety of opportunities that can be achieved. Some of them are that Starbucks can open more shops in Indonesia. Starbucks has a desire that people who live in Papua can also experience the coffee products offered by Starbucks. In 2020, Starbucks has planned to open its outlets in Diana Mall in Papua and also in Jayapura Mall in West Papua (Starbucks, 2020). The expansion of these coffee shops not only benefits Starbucks, but can also benefit Indonesia which can be seen through the side of increasing employment opportunities.

In addition, the opportunities that are also felt by Starbucks can be seen in terms of its natural resources. As a coffee company, Starbucks needs a large reserve of coffee, tea, and cocoa in order to maintain the quality of the products offered. Therefore, Starbucks intends to open a coffee plantation in Papua as a form of investment that will be given to this Green Investment program. The opening of this coffee plantation will also provide benefits for *Starbucks* to be able to contribute to the increase in Papuan coffee exports.

On the other hand, Starbucks also faces various obstacles in implementing this Green Investment program, both obstacles that have been predicted and obstacles that are not expected to occur. When

viewed from the obstacles that have been estimated, there is one striking thing about the implementation of this Green Investment, namely infrastructure problems.

Mr. Bimo Wijayanto, Assistant Deputy for Strategic Investment from the Coordinating Minister for Investment, said that the Indonesian central government has been working on development in Papua and West Papua Provinces to improve the welfare of local communities (Wijayanto, 2022). He also said that in the past, access to contact one place and another was difficult to find, given the ups and downs of the runway in the area. However, now there are many roads that contact between districts there, and there are even roads that contact the Provinces of Papua and West Papua.

The issue of infrastructure must be considered by potential investors, because the easier the access to infrastructure in an area, the easier the production, distribution, and operation processes of the company will also be easier. Similar to Starbucks, considering that Starbucks will build a Wamena coffee plantation, where this type of coffee can only be obtained in the Baliem Valley located in the Jayawijaya Mountains, access to the location must be in good condition.

The second obstacle faced by Starbucks is human resources. Starbucks must be able to maximize the interference of local people as a source of its workers. You must be able to hire the Papuan people first, before hiring people from other regions. This is because the jobs opened are located in the locations of Papua and West Papua, so they must optimize human resources there. However, it is also necessary to consider the quality of human resources, both in terms of health, skills, and education.

The last obstacle that Starbucks faced is the Covid-19 pandemic that has hit not only Indonesia, but also almost all corners of the world. As a multinational company, Starbucks is certainly affected. The decrease in the amount of production that must be sold and the obligations that must be paid to workers make PT. Sari Coffee Indonesia had suffered losses, which as a result had an impact on Starbucks. This makes Starbucks have to focus on its company first, trying to save itself from the Covid-19 pandemic, before it can continue to create Green Investment in Papua and West Papua Provinces. Although it looks like there is a vacuum of activity, in fact the Indonesian government is still struggling to maintain Green Investment in Papua and West Papua Provinces through resolving obstacles faced by the government.

Like a cooperation in general, the Green Investment program is also implemented in two directions. Starbucks is not the only actor involved and active in achieving the goal of this green investment, but the Indonesian government also participates in pursuing this common goal that has been negotiated and ratified before the signing of the memorandum of understanding occurred. The government continues to try to overcome the obstacles faced by the government itself when implementing the Green Investment program. This is because the obstacles faced by the government in the Green Investment program are in line or intersect with the obstacles of the Indonesian government in general, namely to improve the development and welfare of the Indonesian people.

The first obstacle faced by the Indonesian government is, just like Starbucks, which is the problem of public welfare. This is not only implemented in the provinces of Papua and West Papua, but also to all regions in Indonesia. Especially in the era of the Covid-19 pandemic, the government must be able to maximize health and education services for all Indonesians, including the people of Papua and West Papua.

The second obstacle is infrastructure. It has been explained before that in the past, access from one place to another in Papua and West Papua Provinces was still not optimal. However, the government is still trying to improve access to infrastructure, especially to important points in the two provinces, in order to bring in more investors there.

On the other hand, because access from one place to another is still difficult, therefore the government opens cooperation with the business world to invest in the provinces of Papua and West

Papua. It is hoped that the incoming investment can help improve the welfare of the local community, which goes hand in hand with the increase in infrastructure, infrastructure, education, and health.

Then, the last obstacle faced by the Indonesian government is the issue of employment. The government strives to provide the best education, training, and health services in order to improve the quality of human resources in Papua and West Papua provinces. This goes hand in hand with other goals that want more Papuan workers to be absorbed. Not prioritizing workers from outside Papua, but from Papua, in order to improve the welfare of the people.

After discussing the obstacles, it will be discussed about the opportunities obtained by the Indonesian government in implementing this Green Investment program, the first is the welfare of the community. With the opening of jobs from Starbucks, it will create new jobs, be it in Starbucks outlet or at Starbucks-owned coffee plantations.

In addition, the Indonesian government has an opportunity in the form of an increase in the plantation sector there. The provinces of Papua and West Papua have an abundance of renewable natural resources, making the plantation sector can be processed by local communities, such as the production of coffee plantations, cocoa, coconut, rubber, pepper, jatropha, and also palm oil. These sectors can provide profitable opportunities for Papua if they can be managed properly. It will be even better if these sectors are managed in a green and environmentally friendly manner.

This is in line with the concept of Green Investment, there is one principle called Environmental, Social, and Governance (ESG). Broadly speaking, ESG can be defined as an investment strategy that evaluates environmental, social and governance factors in a company's activities (Sherwood & Pollard, 2018). Environmental, Social, and Governance (ESG) was created as a response from actors in the business world to the demands to contribute to environmentally friendly and sustainable economic development.

This green investment program carried out by *Starbucks* and the Indonesian government, when related to the concept of Environmental, Social, and Governance (ESG), has been carried out in an environmentally friendly and sustainable manner. This can be seen from the form of green investment in the form of opening coffee plantations which will be carried out with the principle of C.A.F.E., while the government continues to improve infrastructure development so that this ESG principle can run optimally.

## **Conclusion**

Just like other investment programs, this green investment program is carried out in order to attract many investors who are interested in increasing investment in an area in Indonesia, but it is carried out in a green manner and pays attention to environmental sustainability. Since the government announced that it would run the Green Investment program in Papua and West Papua Provinces, Starbucks was immediately interested in investing in the program. The form of investment provided by Starbucks is in the form of opening Starbucks outlet and coffee plantations in Papua and West Papua Provinces.

The coffee plantation to be opened by Starbucks also uses the principle of Coffee and Farming Equity (C.A.F.E.). Through this principle, Starbucks will try to preserve the environment, this is done by maintaining the protection of water flow for flora and fauna habitats, using water efficiently, preventing water pollution due to coffee plantation practices, ensuring that the water that has been used to irrigate coffee does not have a negative impact on the local community. Starbucks will also not implement the use of pesticides that damage the environment. In addition, the C.A.F.E. principle carried out by Starbucks also provides protection for soil resources created with the aim of maintaining soil health and

productivity in order to maintain the survival of other biotic resources. This principle is carried out by maintaining the management of soil nutrients in order to maintain soil health and allow agricultural production in the long term, and is carried out by cultivating the soil in such a way as to minimize soil surface erosion, which can be caused by land slope, soil type, rainfall level, and so on.

Since the Memorandum of Understanding (MoU) between the Indonesian government and Starbucks has been signed, Starbucks can directly carry out the program that has been launched in the Green Investment made by the Indonesian government. A new Starbucks outlet has been opened at Diana Mall, which is located in Papua Province, and also one Starbucks outlet at Jayapura Mall, which is located in West Papua Province. Even so, the opening of a coffee plantation owned by Starbucks in Papua has not yet been inaugurated.

The Covid-19 pandemic has hampered the investment run by Starbucks in Papua and West Papua Provinces in the Green Investment program. Some of the other obstacles experienced by Starbucks and the Indonesian government are infrastructure problems. Starbucks needs an easy access in order to reach important locations more efficiently. However, the infrastructure development has been carried out well. Currently, many areas there have received access to transportation and adequate infrastructure. In fact, there is now access from the provinces of Papua and West Papua.

There is a striking difference between the Indonesian government and Starbucks, this can be seen through its role and function in carrying out this Green Investment program. The difference can be seen from the point of view of the capital giver and the one given capital. As a provider or investor, Starbucks will provide its investment in this Green Investment program in the form of opening Starbucks outlets and coffee plantations in Papua and West Papua Provinces. All forms of funding are accountable to *Starbucks*. In addition, Starbucks is also responsible for running the Green Investment program properly, namely in a green manner. This is done through the principle of Coffee and Farmers Equity (C.A.F.E.) owned by Starbucks as its coffee plantation system.

On the other hand, as a host country, the Indonesian government plays a role in creating a comfortable situation for its investors. This is characterized by infrastructure development in the provinces of Papua and West Papua, especially to important locations needed by investors. In addition, the government is also tasked with creating quality human resources in the provinces of Papua and West Papua. Improving the quality of human resources is carried out by providing proper and comprehensive health and education services.

When related to the Principles of Environmental, Social, and Governance (ESG) contained in the concept of Green Investment, the green investment program carried out by Starbucks has met these three criteria. This can be seen through three factors, namely environmental, social, and also governance factors.

Environmental factors on ESG carried out by Starbucks have included environmentally friendly company activities, some of which are carried out by utilizing energy use, preventing negative impacts of waste resulting from production, preventing pollution, preserving and protecting natural resources, both for animals and plants, and minimizing the occurrence of natural disasters caused by activities company.

Social factors on ESG carried out by Starbucks have included how Starbucks' efforts in treating its workers, especially coffee farmers. As stated in C.A.F.E., Starbucks strives to provide basic rights that should be obtained by its workers, such as wages above the minimum wage, guarantees of safety in the workplace, health insurance, and other rights that have been regulated in national legislation and international conventions that discuss workers' rights.

In addition, social factors on ESG carried out by Starbucks have included the cooperation between Starbucks and the Indonesian government. For the implementation of Green Investment in the

Provinces of Papua and West Papua, the Indonesian government opens cooperation with business people who do have the same vision and mission as Green Investment, and indeed have a commitment to improve the welfare of an area through green investment that is environmentally friendly. Starbucks has considered and chosen to join this Green Investment program.

Finally, the Governance Factor in ESG has included how Starbucks' efforts in operating green management, this can be seen from the form of investment given to the Provinces of Papua and West Papua. Starbucks funded the opening of a coffee plantation there, opened a branch of a Starbucks coffee outlets there, and created jobs. So, the investment provided by Starbucks, not only has a good impact on the company, but also on the surrounding community and to the Indonesian government through its contribution to this Green Investment program.

So, it can be said that the implementation of this Green Investment program has been running, although it has not been optimal, considering that the Covid-19 pandemic had occurred and hit Indonesia. Therefore, regardless of the obstacles faced by both parties, both the Indonesian government and Starbucks, they will continue to carry out their contribution in this Green Investment program. The Indonesian government continues to ensure infrastructure and social welfare improvements in Papua and West Papua Provinces, regardless of the various opportunities and obstacles that will be faced, while Starbucks continues to open Starbucks shops and coffee plantations in Papua and West Papua Provinces.

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