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## Golden shares and privatisation of strategic sectors: a comparative study between Indonesia and the UK

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Atip Latipulhayat

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**Abstract:** Protecting national interests (strategic sectors) has been a plausible argument behind the adoption of golden shares by many of the countries undertaking privatisation, including Indonesia. This legal device is primarily designed for social and political purposes and not commercial purposes. In its operation, therefore, the golden share deviates from the general principles of company law such as 'one share one vote' by creating special rights including veto rights. The golden share is the state's control-based regulation, not an equity-based control. Due to this unique characteristic, the Indonesian Government should maintain the existence and application of the golden share mechanism in privatised strategic sectors, such as telecommunications companies. However, as the existing golden shares arrangements suffer from a lack of clarity about specific functions, i.e., protecting national interests, the government should specify its criteria and put these into specific legislation.

**Keywords:** golden shares; privatisation; Indonesia; shares; strategic sectors; UK.

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### 1 Introduction

Governments in many countries, including developed countries, view privatisation as a transaction that threatens the national interests of their country. They aptly describe this as 'the danger of privatisation'. Since governments have realised that national interests might be threatened by takeovers upon the floating of their enterprises, they have created 'golden shares' as a form of protection to safeguard their interests while at the same time availing themselves of the benefits that privatisation has to offer.<sup>1</sup>

The term 'golden share' does not have any relationship to gold as a commodity, to golden material, to the gold standard, or to other commercial qualities of gold. The word 'golden' expresses the great symbolic value or quality of this type of share. Some have, therefore, categorised it as the special share,<sup>2</sup> the special rights share, the specific share,