

Material Resources, Natural Assets and Integral Development: An Asian Perspective¹

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Introduction

The relationship between Material Resources, Assets (natural, technological, intellectual resources) and Integral Development is a major and highly significant issue in the current global conditions and in the context of globalization. This paper is focusing specifically on the relationship between Material Resources, Assets (especially natural assets), and Integral Development in an Asian Country which is Indonesia for the past decade (1999-2009).

The first part of this paper is focusing especially on the relationship between natural resources and development in the Third World, especially, Indonesia. The analysis is focusing on the relationship from a sociological perspective based on a case study from an empirical research carried out by a team of researchers from the Department of Sociology, Faculty of Social and Political Sciences, University of Indonesia in Jakarta in collaboration with researchers from the Department of Anthropology, Faculty of Social and Political Sciences, University of Cenderawasih in Jayapura, Papua, in 2010.

The second part is discussing the relationship between Material Resources, Natural Assets and Integral Development in the context of Pope Benedict XVI Encyclical Letter *Caritas In Veritate* (June 2009) based on the empirical research analyzed in the first part. Specifically the opportunities, accomplishments, set-backs and challenges as lessons learned.

The relationship between natural resources and development in the so-called developing world is important. Three questions are especially relevant. First, what is the nature of the relationships between natural resources and development—in particular what are the relations between the wealth of natural resources and the national industrialization strategy. Second, what are the relations between the wealth of natural resources and the character of the relations between state and society. Third, what are the relations between the process of decentralization and these patterns of relations in The Post New Order Era (1999-2009) on the local level specifically how the mechanism of exclusion and inclusion of local communities involving local, provincial, and the Indonesian central state, and an MNC surrounding the LNG Plant in the province of West Papua.

The presence of natural resources especially the Oil and LNG industries played a major role in the Indonesian national development. The relationship between natural resources and development has been discussed by many specialists from various different perspectives. In this context, the major focus of this research is specifically about the impact of large endowments of natural resources on a national political economy. The research conducted by Karl (1997) has shown that the presence of natural resources especially the oil and gas industries are clearly a determinant of the national development strategy. The oil and gas-derived windfall during the 30 year period (The New Order era) and its volatility clearly marked on which industrialization strategy was selected and which camp of policymakers were in control of the Indonesian political decisionmaking.

A related question is whether heavy reliance on natural resource exports necessarily have a strong impact on the character of state-society relations. Indonesia during the New Order Era has shown how heavy reliance of oil and gas had served as one of the factors why the government was able to

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concolidate its power for more than three decades. It was only when the 1997 crisis occurred that the regime was unable to withstand its impact and had to fall from power. Thus entering the Post New Order Era or The Era of Reformation.

In this Post New Order Era, especially, beginning 1999 until 2009, the Indonesian Oil and LNG Industries will face several important developmental issues. The most important issue is the factor of decentralization currently occurring on the local level. The question is how does the process of decentralization influence the patterns of relations between natural resources and development and between natural resources and the character of the relations between state and society on the local level. Specifically, how the exclusion of local communities surrounding the LNG Plant in Papua can indicate the mechanisms of exclusion and inclusion that involves local, provincial and central states as well as an MNC. This research will demonstrate the dynamics of power relation among those actors during the process of decentralization that overlaps with another local context, which is separatism.

The decentralization process on the local level is in the province of West Papua, specifically, in the districts of Sorong and Bintuni. This site is chosen due to the presence of wealth of natural resources specifically, the Tangguh gas field near the Bay of Bintuni, which is now being processed by BP (Beyond Petroleum). Another factor is the relevance and importance of The Law On The Special Autonomy For Papua (Otonomi Khusus or Otsus) as the local manifestation of the decentralization process. The implementation of Otsus in Papua has fostered the evolvement (pemekaran) process or the establishment of new regencies (kabupatens) or new province such as West Papua. The regency of the Bay of Bintuni (kabupaten Teluk Bintuni) is one example from this evolvement process. It would be interesting and important to analyze how the process of decentralization on the local level such as manifested by the implementation of Otsus in West Papua influence the dynamics of the mechanisms of social exclusion and inclusion of local communities surrounding the development of the LNG Plant in Bintuni, West Papua.

The academic aspect, or more specifically, the sociological significance of this research is to address and analyze the linkages between the processes of Indonesian development and Industrialization Strategy In the Post New Order Era (1999-2009) in the Oil and Gas Sector on the macro level with the decentralization process on the local level in West Papua. This research is also relevant for policymaking especially in poverty alleviation at the local level since it also analyze the linkages between the process of decentralization with the dynamic processes of social exclusion and inclusion of local communities surrounding the development of the LNG Plant in the Bay of Bintuni Regency. The data analysis and policy recommendation of this research will be highly relevant to the improvement of the welfare of the local communities surrounding this plant.

This research is conducted in collaboration with researcher from the Faculty of Social and Political Sciences at the University of Cenderawasih, Jayapura, Papua (FISIP-UNCEN) because it is highly relevant to cooperate based on local expertise and knowledge on the social, cultural, political, and economic contexts of the decentralization processes on the local level in West Papua especially on the surrounding communities of the LNG Plant. It is with this national collaborative research that a real and equal academic partnerships based on empirical researches can be developed through both institutional and private cooperations.

Research Questions:

1. What are the changes in the pattern of relations between natural resources and the Indonesian Industrialization Strategy in the Oil and Gas sector In The Post New Order Era
2. What are the changes in the pattern of relations between natural resources and the Character of State-Society relations In The Post New Order Era
3. How the process of decentralization, specifically, The Special Autonomy For Papua, influence these patterns of relations on the local level (the province of West Papua) In The Post New Order Era
4. How the process of decentralization, specifically, The Special Autonomy For Papua, influence these patterns of relations on the local level (the province of West Papua) In The Post New

Order Era including the social exclusion processes experienced by local marginalized groups in the regency of The Bay of Bintuni surrounding the development of The LNG Plant

5. How the process of decentralization, specifically, The Special Autonomy For Papua, influence these patterns of relations on the local level (the province of West Papua) In The Post New Order Era including the relevant inclusive national and local policies and their implementations in addressing and overcoming the social exclusion processes experienced by the local marginalized groups who live in the regency of The Bay of Bintuni surrounding the development of The LNG Plant

Research Objectives

1. To explain the changes in the pattern of relations between natural resources and The Indonesian Industrialization Strategy In The Oil and Gas Sector In The Post New Order Era
2. To explain the changes in the pattern of relations between natural resources and the Character of State-Society relations In The Post New Order Era
3. To explain how the process of decentralization, specifically, The Special Autonomy For Papua, influence these patterns of relations on the local level In The Post New Order Era (The Province of West Papua)
4. To explain how the Special Autonomy for Papua influence these 2 (two) patterns of relations on the local level including the social exclusion processes experienced by the local marginalized groups
5. To explain how the Special Autonomy for Papua influence these 2 (two) patterns of relations on the local level including the relevant inclusive national and local policies and their implementations in addressing and overcoming the social exclusion processes experienced by the local marginalized groups.

Literature Review

Natural Resources and Development

The impact of large endowments of natural resources on a national political economy have raised several important questions. Is it a blessing, a curse, both, or merely one of many factors to consider? Further, is the presence or absence of natural resources a fundamental determinant of national development strategy? The impact of large endowments of natural resources on a national political economy and the degree of this particular impact has been studied and discussed for several decades. Economists, political scientists, and sociologists have been among the many who were and are still engaged with this important topic.

As Michael Ross has noted (1999), one of the major lines of thought is that of the resource curse. Growth rates across the developing world have shown indications of stagnation in resource-rich Africa and rapid growth in resource-poor East Asia. Thus the thesis of resource curse argues that states with abundant resource wealth perform less well than their resource-poor counterparts, although there is little agreement on why this occurs.

Several economists, such as Prebisch (1950) and Singer (1950), argued that primary commodity exporters would suffer from a decline in the terms of trade, which would widen the gap between the rich industrialized states and the poor resource-exporting-states. Another reason, advanced by Nurske (1958) and Levin (1960), was international commodities markets were subject to unusually sharp price fluctuations. States that relied on commodity exports would find these fluctuations transferred to their domestic economies, making government revenues and foreign exchange supplies unreliable and a risky private investment.

Hirschman (1958) and Baldwin (1966) emphasized a third reason, arguing that resource industries were unlikely to stimulate growth in the rest of the economy, especially if foreign multinationals dominated resource extraction and were allowed to repatriate their profits instead of investing them

locally. Under such circumstances, resource exporters would have booming resource enclaves that would produce few forward and backward linkages to other parts of the economy.

A fourth possibility is that a boom in resource exports can produce economic stagnation through an effect known as the “Dutch Disease” which involves the combined influence of two effects that commonly follow resource booms. The first is the appreciation of a state’s real exchange rate caused by the sharp rise in exports. The second is the tendency of a booming resource sector to draw capital and labor away from a country’s manufacturing and agricultural sectors, raising their production costs. Together both these effects can lead to a decline in the export of agricultural and manufactured goods and can inflate the cost of goods and services that cannot be imported such as the nontradable sector.

These four economic explanations can create difficulties for resource exporters. But another important factor has to be taken into account on the reason why these difficulties lead to persistently slow growth of resource exporters. Government policy is an important factor as Neary and van Wijnbergen (1986) suggested. The failure of states to enact policies that could change resource abundance from a liability to an asset is one of the most puzzling phenomena of the resource curse.

Decentralization

The analysis of the process of decentralization in Indonesia for the past decade generally describe both the positive and negative aspects of this process on the local level. As Iwan Gardono and Hari Nugroho have noted in their paper (2010), the positive aspects are the positive evolvement of Civil Society Organizations (CSO) into a more vibrant and empowered actors in the context of the relations between the state (on the national and local levels) and the market (such as MNCs). Eventhough state elites are not willing to empower their elites (Antlov 2007). Decentralization can also increase the opportunity and the power for local people such as in Papua (Satryo 2003). The decentralization process has given birth to various forms of public participation (Suharyo 2009).

In contrast, the negative aspects of the decentralization process are usually emphasizing the oligarchic nature of the existing power relations with its negative impact on the democratization processes on the local level (Hadiz 2003). In addition, local elites’ perception mostly are conservative and pragmatic towards decentralization and local autonomy (Hidayat and Firdausy, 2003). The negative excesses are usually more noticeable in the context of the nature of power relations between the elites and civil society on the local level.

Both the positive and negative aspects of the decentralization processes in Indonesia for the past decade have not yet evolved into a coherent and comprehensive theoretical framework.

This situation will hopefully change in the near future if there are more researches available specifically on the Special Autonomy of Papua. It is also highly relevant in the context of the relations between the decentralization process and the reforms in the industrialization strategy of the Oil and LNG sectors In The Post New Order Era to describe the different legal laws and government decrees which indicate existing policies of the government. They are:

1. UU/Law No.21/2001 on Special Autonomy For The Province of Papua
2. UU/Law No.22/2001 on The Industry of Petroleum and Gas
3. PP/Government Decree No.42/2002 on The Implementing Agency of Upstream Industry of The Petroleum and Gas Sector
4. PP/Government Decree No. 35/2004 on The Upstream Industry of The Petroleum and Gas Sector
5. Per Men/Ministerial Decree No.0008/2005 on The Incentives for the Development of Marginal Oil Fields.

BP Tangguh Project (Brief summary)

In 2005, the Indonesian government gave the approval for the BP Tangguh project. Tangguh is operated by BP Indonesia, with a 37.16 per cent interest, as a contractor to the Indonesian oil and gas regulator, BPMIGAS. Other partners in the project are MI Berau B.V. (16.3 per cent), CNOOC Ltd. (13.9 per cent), Nippon Oil Exploration (Berau) Ltd. (12.23 per cent), KG Berau/KG Wiriagar (10 per cent), LNG Japan Corporation (7.35 per cent) and Talisman (3.06 per cent). (Source=BP Indonesia website) The total investment is around US\$3.5 billion, done through financing by several international banks to finance the development of the LNG plant for extracting a potential 14.4 trillion cubic feet of clean gas from six fields. (BPwebsite). This BP Tangguh operation is projected will be go for at least thirty years.

The BP Tangguh project is committed in developing fully integrated development project to the local teluk Bintuni communities cooperating with the newly established *Kabupaten Teluk Bintuni*. However, the BP Tangguh CSR (Corporate Social Responsibility Project) encountered several problems in implementing their community development projects in the area.

Key Concerns of the BP Tangguh Project

The descriptions of concerns are listed in the finding of the DPR commission I during their on-site observations done in 2008. Some of the concerns listed are on the issues regarding the status of the land that BP Tangguh used as they are still encountering problem with the *hak Ulayat tanah* (local customs rights on land). The BP Tangguh mining operation also limited local fishermen catching fish around the designated mining area. Furthermore, those areas were also considered as dangerous sites for both miners and fishermen. (See DPR Commission I report, September 3, 2008) Another issues that the DPR commission I highlights are the fact that the operation of BP Tangguh have not yet fully incorporate local human resources. Moreover, the local government (Pemda) of Teluk Bintuni is hopeful that BP Tangguh could be the motivator/activator for the local economy of the Teluk Bintuni community.³

The report also highlights key concerns of local government and the people of Teluk Bintuni towards the BP Tangguh operation. The concerns addressed are as follows: a) BP Tangguh has not empowered the production output of the Teluk Bintuni society. On the other hand, BP Tangguh already conducted training of skills development for the people of Teluk Bintuni, but the results of the training has not been utilized by BP Tangguh, hence it is viewed that the training did not contribute any benefit for the local Teluk Bintuni people.

b) The *Kabupaten* Teluk Bintuni hopes that BP Migas as the party responsible for the gas processing activities in *Kabupaten* Teluk Bintuni can carry out collaborations in building the economy and welfare of the Teluk Bintuni society. C) In processing the gas at Teluk Bintuni, the local government and the people request BP Tangguh to provide the illustration for the location of the underwater gas processing pipelines. D) During the meeting with commission I, *Pemda*, and the Teluk Bintuni people, there were hopes that another meeting can be held between, *Pemda*, the people (*Masyarakat*) and BP Migas with the DPR commission I acts as the facilitator for the meeting.⁴

Other implication of the *pemekaran* is that the new natural resource rich Teluk Bintuni *kabupaten* became the object of struggle between West Papua province and the Southwest Papua (a proposed new province). Moreover, a BP Tangguh managed gas well located at the border of Aranday-Inanwatan already hinting a potential conflict between the administration of *Kabupaten* Sorong Selatan and the *Kabupaten* of Teluk Bintuni.⁵ Furthermore, there are also concerns of increased

³ See *Laporan Kunjungan Kerja Komisi I DPR RI Ke Provinsi Papua Barat Dalam Reses masa Persidangan IV Tahun Sidang 2007-2008 Tanggal 29 Juli s/d 2 Agustus 2008*

⁴ Ibid.

⁵ Ibid *Situasi Papua*

inter ethnic/ inter tribes conflict within the Papuan people as a result of the *pemekaran* policy which could lead into increasing security concerns in the area.⁶ Not too mention more possible issues that can cause conflicts such as; religious, certain group of tribe domination in the bureaucracy, dropping of migrant from outside Papua, increased military activities through the formation of new military command within the new *pemekaran* area etc. These are just some possible factors that potentially can lead into a bigger problem as part of the consequences in applying the *pemekaran*.

In a 2009 report of BP response to the recommendation from TIAP (Tangguh Independent Advisory Panel), BP Tangguh provides positive responses to each of the TIAP's recommendations which were related with many issues such as; transparencies of finances, security, employment, governance, human resource development for Papuan etc. (For complete report see both the TIAP report/recommendations and the BP response to each of the recommendations. Both reports can be downloaded from the BP Indonesia website). One of the TIAP recommendations specifically addressed the issue of governance where it emphasized on the need for BP "to maintain a sustained, long term-effort to increase capacities of government and civil society at the village, *kabupaten* and provincial levels."⁷ Other TIAP recommendation to BP related with governance is "Given the importance of capacity building at the Kabupaten level, BP should reinstate its governance support for the Regency government, including, at the earliest possible time, its legislative council ("DPRD") and its civil society."⁸ BP also agreed to make these recommendations their priority.

By looking at BP acceptance of these recommendations for involving in increasing the capacity of the local governance, we can assume that these governance related programs also contributed to the local government/population desire for maintaining the new district from the result of the *pemekaran*, while at the same time encouraging other areas to also implement their own model of *pemekaran*.

Therefore there are some collaborations and perhaps strong influence from outside corporate investors to the local government in implementing programs that perhaps more suitable for the sustainability of the corporation, rather than for the benefit of the local population. A study is still needed to be done in order to see the magnitude and also to what extent BP Tangguh influenced the policies of the local government in administrating the population. The independency of a local government resulted from a *pemekaran* will be examined, in order to see whether OTSUS and *pemekaran* as part of its consequences can actually produce a local government that is more concerned for the well being of their own people rather than merely an extension for corporate interests.

Social Exclusion

The literature on social exclusion give different interpretations of this specific processes. There are three different interpretations within discussions on social exclusion (Levitas 2005). First, RED (the redistributionist discourse) which is concerned primarily with people living in poverty and the social forces that make this happen. Only through the redistribution of wealth across society as a whole will poverty and inequality be eradicated. This implied that it is not individuals who have to be changed if there will be improvement in the social welfare of society. Second, MUD (the moral underclass discourse) which concentrates on individual delinquencies and problems in individual attitudes and morality. Proponents extend this argument to social groups. It is also a gendered discourse in the context of highlighting moral weaknesses in which gender has a highly significant role. Thus there is an 'underclass' in society that has become detached from mainstream social

⁶ There are many rumors circulating in the area, for example at Teluk Bintuni sometime in 2007 there were rumors on someone spreading poisonous substance on the rivers and in the people's wells which cause the people to panic. (source *Situasi Papua*)

⁷ 2009 TIAP/BP response p.14

⁸ Ibid. p.14.

institutions, adopts anti-social behavior and has values to justify it. Third, SID (the social integrationist discourse) which focuses primarily on paid work and entrance into the labor market as means to achieve a cohesive society. This implies that social exclusion is analogous with exclusion from the labor market.

In addition to these various interpretations, there are also different definition of social exclusion. This research will follow the general definition suggested by Pierson (Pierson 2010) in which social exclusion means that it is a process over a long time that deprives and individuals and families, groups and neighborhoods of the resources required for active participation in the social, economic and political activity of society as a whole. The causal factors are poverty, low income, discrimination, low educational attainment and depleted environments. The impact of social exclusion is that certain people or groups of people are cut off for a long time from institutions and services, social networks and developmental opportunities that the great majority of society enjoys.

This research will take into account the discourse of social exclusion from the RED and the SID discourse perspectives. The process of social exclusion experienced by marginalized communities living in the surrounding communities of the development of the LNG plant in the area of The Bay of Bintuni in West Papua and what kind of possible social inclusive policies by the local government and CSR programs by BP will be a major concern and focus of this research.

Unfortunately the literature review indicates that similar to the decentralization process on the local level there is not yet a coherent and comprehensive body of theoretical framework available at the present time. Hopefully further researches will be available to improve this situation.

Theoretical Framework

Natural resources and development :Natural resources and industrialization strategies

Natural resource-rich states, including Indonesia, tend to have their development strategies, more specifically industrialization strategies, influenced by their wealth of resources. This is more so if the resources are in the form of oil and natural gas. Terry Lynn Karl, in his book *Paradox of Plenty* (1997), proposed a thesis that states such as Indonesia, which need not depend on domestic taxation to finance their development process – especially in the first decade of the New Order era in Indonesia – would not have their government plan development goals and strategies under the supervision of society members, as they do not have much of a say in financing the process.

At the same time, governments could effortlessly distribute and allocate development funds among sectors and regions, based on *ad hoc* policies. The independence of the state from its constituents in the financing of the development process is the main cause of the lack of transparency, excessive centralization, lack of attention to local societal conditions, and lack of public accountability.

The New Order regime, especially in its early years, chose an export-oriented industrialization strategy (EOI). The strategy was chosen due to a number of factors: the shambles that was Indonesia's economy, as a legacy of Soekarno's regime; financial aid from Western donor countries; international political condition of the mid-1960's to the mid-1970's, when the Cold War was at its zenith, and with the US's defeat in Vietnam in 1975; and the expectation that Indonesia was to be a buffer to prevent South East Asia's fall into USSR's or PRC's zone of influence. The legitimacy of New Order's political authority was early on based on economic growth.

Ever since its independence, Indonesia did not have the ability to manage and utilize its natural resources, especially in the petrochemical sector. This is one reason why Indonesia became dependent on foreign investment, especially multinational companies, in the management of its natural resources. Government authority became dependent on the petrochemical sector, a

centralization process occurred in the development of the regions, and the state became stronger while society weaker (or was weakened).

Especially since the New Order era, Indonesia utilized petrochemical resources as a source of wealth to strengthen the capacity and authority of the state, chose an industrialization strategy based on exploitation of natural resources, and increased government spending. At the same time, the dependence to natural resources, especially oil and gas, weakened mechanisms of state control, by giving incentives to corruption, and resulting in the creation and maintenance of vested interest groups, which remain a headache in the governance of present day-Indonesia.

The choice of industrialization strategy in the oil dependent-development resulted in an *ersatz* form of capitalism, in which President Soeharto, his family members and cronies, followed by other government apparatus with their own family members and entourage of cronies, could continuously and unrestrainedly sponge Indonesia's economy. The corruption and nepotism worsened with the spread of the dreaded disease into all levels of the bureaucracy, from the capital to the backwaters. The military, which had benefited greatly from Soeharto's rise to power, was also involved in corrupt practices, and by the end of the New Order era, the military has been dangerously fragmented. This condition remains to the present.

Indonesia's multidimensional crisis has accurately been predicted by an expert on Indonesia's economy, Anne Booth, in her book *The Oil Boom and After* (1992), which stated that the political decay occurring during the New Order era could swiftly turn into a crisis, if an acute economic problem struck Indonesia. This prediction was fulfilled in 1997.

Natural Resources and the Character of State-Society Relations

Since the early 1970's, when the price of petrochemical products in the world market fluctuated wildly, there were two hypotheses on the relations on the state and democracy in oil-producing developing nations such as Indonesia. The first hypothesis stated that authoritarian regimes, such as Soeharto's, could be in a better position to face economic crises compared to democratic ones. Democracy requires consultation and debates, and the decision-making process is less efficient and slower. Elections could result in manipulation of political life, through money politics, in the efforts to control public opinion. Furthermore, as democratically-elected governments are dependent and accountable to various interest groups in the society, or their constituents, resulted in their policies often lacking in continuity, compared to authoritarian regimes.

The second hypothesis stated that a democratic system is more capable of overcoming an economic crisis. Consultation and open debates occurring in democratic regimes are considered to result in better decisions, with a more consistent implementation. At the same time, decision-making process in the government level is more transparent. A democratic election system also compels the authorities to be accountable and responsible to the constituents, and thus providing an outlet for the society's grievances. Democracy, based on equality and participation, is regarded as the source of political legitimacy, which is not merely based on pure economic growth. Soeharto's fall in May 1998, following a year of economic crisis, seemed to confirm the arguments of the second hypothesis.

Soeharto's authoritarian regime had for more than 30 years depended on a form of government in which there was no clear-cut distinction between state finances and private finances of the bureaucrats and their families and cronies, and the absolutist government under the authority of a single Supreme Leader resulted in practices of corruption being completely out of control, and could only possibly be stopped with a complete and thorough change of the leadership.

Whether a state's leadership becomes predatorial or developmental (Evans, 1995), depends on the main source of finances for the governance, including the nature of the main source of the finances. The choice of industrialization strategy, and its implementation, is also dependent on the same factor. In other words, the New Order's authoritarianism under Soeharto, followed with state violence, is related to the fact that financial sources of development are dependent to the fluctuations of the price of petrochemical products in the world market.

A negative relationship exists between natural resources and success in an economic growth-based development process. Resource-rich states with large numbers of population, such as Indonesia and

Nigeria, tend to be less successful in the development process, while resource-poor states such as South Korea and Taiwan are successful. Their success might be caused by their lack of resources. The needs and demands to overcome poverty, in a condition in which natural resources are lacking, compelling those states to make decisions accommodating societal interests on improving standards of living. These states, following a meaningful growth, could implement a democratization process in stages, which is relatively more successful compared to Indonesia and Nigeria. This is the paradox of social change. Wealth in natural resources could be a two-edged sword to a developing nation. It could benefit the nation, but at the same time could harm it instead. It could become a blessing or a curse.

It must be noted here that possession of natural resources is not the single factor influencing the success or failure of the development of a developing nation, although it is an important one. External factors such as world economy and geopolitical interests, and internal factors such as homogeneity of a nation, should also be considered in discussions on the development of a state.

This discussion on social change in the macro level does not have any pretensions to provide solutions to Indonesia's problems due to the multidimensional crisis being suffered by Indonesia as a nation and as a society. If there is a lesson to be learned from the relations of natural resources and the development process during the New Order era, it is that a development strategy is necessary, which is not merely based on economic growth, but an alternative one, oriented on the society's welfare and justice.

This alternative strategy could only be taken when democratization, in the sense of transparent and accountable government, followed with a trusting relations in the horizontal and vertical levels, is present. In turn, democratization could only be successful when state finances are no longer dependent from income from petrochemical products, which causes the government to be unresponsive to the demands of the society. A democratization process followed with a cutback in state authorities, abolition of state violence and empowerment of the society could take place if state finances for development and governance are based on taxation and income from the manufacturing, services and information sectors, which are based on the skill and expertise in the society. There is indeed no shortcut nor magical cure for Indonesia's hardships. If Indonesia really desires to overcome the troubles, the only way out is a systemic and structural long-term solution ideas and activities. Structural change is necessary, even a must, and mere change of personages of policies are not sufficient.

Research Method

This research is carried out with the Qualitative approach with specific emphasis on in-depth interviews, focus group discussions (FGD) for the primary data, and analysis of secondary data . This research uses the Case Study of The Indonesian Oil and Gas Sector In The Province of West Papua specifically the development of The LNG Plant in the regency of The Bay of Bintuni. This site is chosen due to the existence of the development of The LNG Plant being developed and operated by the giant oil and gas MNC, BP (Beyond Petroleum). This research is being carried out within the period of 10 (ten) months (October 2010-July 2011).

Matrix of Research Method

Aspect	Techniques of Data Gathering	Instruments of Data Gathering	Research Subjects
Pattern of relations between natural resources and The Industrialization Strategy in The Indonesian Oil and Gas sector in The Post New Order Era	<ul style="list-style-type: none"> • Analysis of documents • In-depth Interviews • Secondary data 	<ul style="list-style-type: none"> • Guidelines of In-depth Interviews • Guidelines of secondary data 	<ul style="list-style-type: none"> • Informants from the Ministry of Energy and Minerals & The State Company of BP Migas • Informants from Members of the National Parliament, especially, The Commission

			<p>related to the Mining, Oil and Gas Sector</p> <ul style="list-style-type: none"> • Informants from members of the academic community • Informants from The National Planning Board Agency (Bappenas) especially, the relevant directorate
<p>The pattern of relations between natural resources and The Character of State-Society relations In The Post New Order Era</p>	<ul style="list-style-type: none"> • In-depth interviews • FGD • Secondary Data 	<ul style="list-style-type: none"> • Guidelines of In-depth Interviews • Guidelines of FGD • Guidelines of secondary data 	<ul style="list-style-type: none"> • Informants from members of the local communities • Informants from members of Dewan Adat • Informants from local informal community leaders • Informants from members of the Top Management from the Oil and Gas Company • Informants from members of the National and local Chamber of Commerce • Informants from the local Agency of the Ministry of Energy and Minerals, especially, the R&D (research and development) section Bappeda • Informants from the members of the local parliament (DPRD), especially, the Commission related to the Mining, Oil, and Gas sector • Informants from the members of the local and relevant Civil Society Organizations (CSO) • Informants from members of the local academic community
<p>The influence of the decentralization process, specifically, The Special Autonomy for Papua, on these patterns of relations on the local level In The Post New Order Era (including the social exclusion process and the inclusive policies and programs for local marginalized groups)</p>			

The Relationship Between Material Resources, Natural Assets and Integral Development

The empirical study shows that Integral Development as discussed by Pope Paul VI in *Populorum Progressio* (PP) and further discussed by Pope Benedict XVI in *Caritas In Veritate* (CIV11) has not yet been fully realized in countries like Indonesia and other resource rich countries in Asia. Integral development is an authentic human development which concerns the whole of the person in every single dimension. Thus it is an integral human development. Institutional capacity building of local organizations and local institutions are not enough. This is because integral human development is a vocation, with the assumption of every individual responsibility and solidarity. Such development requires God, because without God, a dehumanized form of development will happen (CIV 11). The preliminary research results unfortunately shows that this is already occurring in Asian resource rich countries such as Indonesia.

Preliminary results of this research on the micro level have shown that the processes of decentralization, specifically, the Special Autonomy for Papua, has relatively not decreased the

social exclusion processes experienced by local marginalized communities surrounding the development of the LNG Plant in The Bay of Bintuni Regency, West Papua. The policies and programs of the local government and the MNC, BP, have so far not been inclusive. Neither do the policies of the Central government (i.e., PNPM Mandiri and RESPEK), which have so far not yet been inclusive at the local level. Especially the BP programs which have consisted of both the DAV (Directly Affected Villages) and the IAV (Indirectly Affected Villages) which prioritizes the local communities in the DAV areas. It resulted in fragmentations and latent conflicts within both the DAV communities internally and between the DAV and the IAV local communities and also manifest conflicts between the IAV local communities with BP.

The local government has been strengthened by the several programs of increased institutional capacity due to programs conducted by several outside stakeholders contracted by BP. The local multiple stakeholders forums do exist and involve the major stakeholders such as, the local government, MNC (BP), but only the DAV communities are actively included. Unfortunately, these do not include the IAV local communities.

The social exclusion processes are mostly experienced by both the most marginalized within the DAV local communities and the IAV local communities. This is due to the fact that DAV communities leaders are the ones who are most able to take advantage of the BP programs for the DAV local communities. The IAV local communities are considered by BP as the responsibilities of the local government (especially at the regency level) to have socially inclusive programs directed towards them. The social exclusion processes and the relatively ineffective inclusive programs of both the local government and the MNC (BP) have resulted in several collective actions (e.g., demonstrations and violent vandalism) carried out by the IAV local communities directed towards the MNC (BP). These collective actions have not yet resulted in changing the MNC (BP) programs and policies towards the IAV local communities. At present, there is not yet any indication towards a change from these collective actions towards a social movement in the making on the local level. In the notion of development, as understood in human and Christian terms, Pope Paul VI in *Populorum Progressio* proposed Christian charity as the principal force at the service of development. (CIV 13). As this preliminary research results show collective actions taken by the local communities ((including demonstrations and violent vandalism) is a collective effort towards social justice and increased welfare of the communities due to the lack of acknowledgement for the significant importance of Christian charity as the driving force of development.

The social exclusion processes are also the results of how the local communities surrounding the plant categorize themselves (*See attached Map of Papua*). The first circle covers the area inhabited by both the DAV and the IAV local communities (The Bay of Bintuni Regency). The second circle covers the area inhabited by local Papuans in the Bird Head areas in the province of West Papua (Sorong, Manokwari, Fakfak, Kaimana). The third circle covers the area populated by Papuans in the province of Papua (Jayapura, Agats, Timika, Merauke). The fourth circle is all areas inhabited by Indonesians outside the Provinces of West Papua and Papua. These social exclusion processes can be viewed as indicated by BP programs such as priority areas for employment hiring practices, education, and health facilities. On the other hand, at the same time, the process of migration specifically in-migration from outside the Bay of Bintuni Regency (migrants who come from the areas of The Second, Third, and Fourth Circles) have made the local population from The First Circle less able to compete and are under threat of being socially excluded.

On the macro level, the Indonesian Industrialization Strategy for the past decade specifically in the oil and gas sector has changed with the restructuring of the Indonesian State-owned National oil and gas company, Pertamina. The restructuring resulted in both the downstream and upstream oil and gas industries being diversified. Decentralization has not yet further influenced the restructuring of the Indonesian oil and gas sector. Despite the restructuring of Pertamina in the past decade, the oil and gas sector is still regulated centrally on the national level. Policymaking concerning authority to mine and licensing for foreign and domestic contractors are still made and decided upon by the

central government in Jakarta. Both the decentralization and the democratization processes have not changed the Indonesian Industrialization Strategy in the oil and gas sector for the past decade.

Pope Paul VI in Populorum Progressio as discussed by Pope Benedict XVI in Caritas In Veritate stated that Integral human development presupposes the responsible freedom of the individual and of peoples. Development is a vocation which requires a free and responsible answer (CIV 17). Economic structures and institutions are instruments of human freedom. (CIV 17). Integral human development as a vocation also demands respect for its truth. An integral development has to promote the good of every man and of the whole man. The Christian vocation to development helps to promote the advancement of all men and of the whole man (CIV 18). The vision of development as a vocation brings with it the central place of charity within that development (CIV 19). There is a need for solidarity between individuals and among peoples (CIV 19) to make this particular vision of development becomes real. The preliminary research results indicate that development in Asian resource rich countries such as Indonesia, is still understood and implemented as a structural change and institutional capacity building both for individuals and communities in order to increase economic growth but not in the context of the deeper and more humane meaning of Integral Human Development.

On the natural resources and development relations, there is a tendency that what Hirschman (1958)⁹ⁱ and Baldwin (1966)¹⁰ conceptualized, do occur, in that resource exporters countries such as Indonesia have booming resource enclaves that would produce few forward and backward linkages to other parts of the economy. On the natural resources and the character of state-society relations, there is a tendency that in the past decade, the development strategy in the Indonesian Oil and Gas Sector relatively has not changed from merely based on economic growth towards oriented on society's welfare and justice. Whether a state's leadership becomes predatory or developmental (Evans, 1995)¹¹, depends on the main source of finances for the governance, including the nature of the main source of the finances.

The Decentralization processes especially the Special Autonomy for Papua in the context of this research have not yet been able to generate more inclusive policies from the provincial and the regency local governments which are effective towards the socially excluded and marginalized communities. The Decentralization processes relatively give advantages towards the local elites in the context of the triangular relations between the State (local provincial and regency governments), the Community (DAV local elites) and the Market (local subcontractors of BP). The preliminary results so far have indicated that the oligarchic nature of the existing power relations with its negative impact on the democratization processes on the local level (Hadiz, 2003)¹². In addition, local elites' perception mostly are conservative and pragmatic towards decentralization and local autonomy (Hidayat and Firdausy, 2003)¹³. The negative excesses are usually more noticeable in the context of the nature of power relations between the elites and civil society on the local level.

On the Social Exclusion issue (Levitas 2005)¹⁴, the preliminary research results show that poverty is prevalent (the RED-Redistributionist discourse) and that the exclusion from the labor market do indeed made the local population (both the DAV and the IAV communities) socially excluded even with BP Programs which prioritize the DAV local communities in their CSR projects (such as, building housing complexes, health and educational facilities, human resources trainings, and

⁹ Hirschman in Ross, Michael L. "The Political Economy of The Resource Curse,". World Politics 51, 1999.

¹⁰ Baldwin in Ross, Michael L. "The Political Economy of The Resource Curse,". World Politics 51, 1999.

¹¹ Evans, Peter. Embedded Autonomy States and Industrial Transformation. Princeton:Princeton University Press, 1995.

¹² Hadiz, Vedi R. "Power and Politics in North Sumatra: The Uncompleted Reformasi," in Local Power and Politics in Indonesia: Decentralization and Democratisation, eds. Edward Aspinall and Greg Fealy. Singapore: ISEAS, 2003.

¹³ Hidayat, Syarif and Carunia Mulya Firdausy. Beyond Regional Autonomy: Local State-Elite's Perspectives on the Concept and Practice of Decentralisation in Contemporary Indonesia. Jakarta: JICA in association with PT Pustaka Quantum, 2003.

¹⁴ Levitas, R. The Inclusive Society? Social Exclusion and New Labour. 2nd edition. Basingstoke: MacMillan, 2005.

employment hiring practices). This is relatively similar to the conceptual arguments of the SID-Social Integrationist discourse.

Future Challenges

The relations between the Central Government and the Local Governments is structured under the Law No 32/2004 on Governance and not under the Law No 21/2001 on Special Autonomy For Papua. This is, according to the local government's perspective, because there is not yet any implementation regulations available from the Law No 21/2001 (e.g., PERDASI and PERDASUS). On the other hand, another possible explanation is from the Central Government's perspective, which is the lack of institutional and individual capacities on the part of both the Central and Local Governments to implement the Special Autonomy For Papua. Increase in the institutional and individual capacities of both governments together with the legislation of PERDASI and PERDASUS have to be carried out.

In the context of the Oil and Gas Sector, the Law No 22/2001 on The Industry of Petroleum and Gas supersedes the Law No 21/2001 on The Special Autonomy For Papua. This resulted in the centralized and nationally policy making decisions on crucial and important issues (e.g., authority to mine, licensing authority, etc.). This indicates a mutual distrust between the Central Government and The Local Provincial and Regency Governments. There should be a balance between the interests of the Central Government and the Local Governments.

Inclusive policies by the Central Government (i.e., PNPM Mandiri and RESPEK) need to be more effectively and efficiently directed with zero tolerance for corruption if the locally marginalized and socially excluded communities lives are to be empowered, specifically, the IAV local communities and the most marginalized within the DAV local communities. Corruption and illegality are prevalent as conducted by the economic and political class both in rich and poor countries (CIV 22). CSR Programs conducted by BP has to take into account the latent conflicts between the local DAV and IAV communities and between the IAV local communities with BP. Reprioritization of the focus and target groups have to be carried out by the MNC.

BP has also to be more inclusive in its employment hiring practices with priority on the local communities (both the DAV and the IAV), especially, in the context of the in-migration of immigrants from the Bird Head Area, The Rest of Papua, and from The Rest of Indonesia. Multiple Stakeholders Forums need to be maintained with special emphasis on the full and active participation of the ordinary members of the local DAV communities and not just the local elites. It is relevant that Pope Benedict XVI in *Caritas In Veritate* warns that the systemic increase of social inequality, both within a single country and between populations of different countries decrease social cohesion and resulted in progressive erosion of "social capital" in the sense of the network of relationships of trust, dependability, and respect for rules which are indispensable for civil coexistence (CIV 32).

The possibility of establishing a local BUMD (Badan Usaha Milik Daerah/Regional State Owned Companies) with co-shareholders and as stakeholders both the local governments and the local communities. In addition, the probability of the legislation on the establishment of the local business associations (e.g., Asosiasi Pengusaha Asli Papua) such as PERDA. And the high dependence of the DAV local communities on BP needs to be decreased by focusing on CSR programs which focuses on empowering them.

Preliminary Conclusions

The Decentralization processes in the context of this case study have not yet resulted in a more flexible and decentralized structural relations between the Central Government and the Local Governments (both at the Provincial and at the Regency Levels) generally and also specifically in the Industrialization Strategy in The Oil and Gas Sector (1999-2009). Pope John Paul II in *Centesimus Annus*, stated the need for a system with three subjects: the market, the State and civil society (CIV 38). The preliminary research shows that the triangular relations between State, Market, and Society are fluid and internally fragmented within each pillar and externally contested between the three pillars. These triangular relations needs to be discussed within the context of the process of globalization. The processes of globalization, if well understood and directed, can

possibly leads to large scale redistribution of wealth world wide but if otherwise, it can increase poverty and inequality or even a global crisis (CIV 42).

Inclusive policies by the local governments have not yet been effective and efficient in targetting the most marginalized and socially excluded members of the local communities. The local governments need to have a clear and more affirmative policies focusing on the local communities welfare, including in-migration policies. The MNC (BP) Programs need to take into reconsideration the categorization of DAV and IAV local communities and the internal fragmentation within these communities.

The relations between the local communities and the local government are not as strong nor as dependent on compared to the relations between the local communities (especially DAV) with the MNC (BP). Collective actions are sporadic, so far only the IAV local communities have done so against the MNC (BP). At present, there is no indication yet of any process of social movement in the making on the local level.

The Church's stresses the importance and special relevance to the commitment to development in an increasingly globalized society: justice and the common good. (CIV 6). This preliminary research of a resource rich Asian country, Indonesia, shows that both are still far from reality. The main challenge lies in how The Church can participate in a joint effort with the State, Market, and Society in the context of globalization for justice and the common good especially for the poor, marginalized, and excluded, with Integral Human Development as its main driving force.

In focusing on this main challenge it is significant and relevant to remember what Pope John XXIII has emphasized precisely fifty years ago in his Encyclical Letter *Mater Et Magistra* that the fundamental principle of Catholic Church's social teaching is individual human beings are the foundation, the cause and the end of every social institution. That is necessarily so, for men are by nature social beings (MEM 219). Thus Pope Benedict XVI stated in *Caritas In Veritate* that development will never be fully guaranteed through automatic or impersonal forces such as derived from the market or from international politics. Development is impossible without upright men and women, without financiers and politicians whose consciences are finely attuned to the requirements of the common good. Both professional competence and moral consistency are necessary (CIV 71). Development must include not just material growth but also spiritual growth, since the human person is a "unity of body and soul". There cannot be holistic development and universal common good unless people's spiritual and moral welfare is taken into account, considered in their totality as body and soul (CIV 76).

It is important to end this paper with the observation of Pope Benedict XVI in *Caritas In Veritate* (CIV 53) that interaction among the peoples of the world calls us to embark upon a new trajectory so that integration can signify solidarity rather than marginalization. Thinking of this kind requires a deeper critical evaluation of the category of relation which cannot be undertaken by the social sciences alone but interdisciplinary approach with theology and metaphysics is needed if man's transcendent dignity is to be understood. The theme of development (CIV 54) can be identified with the inclusion-in-relation of all individuals and peoples within the one community of the human family, built in solidarity on the basis of the fundamental values of justice and peace.

Jakarta, Third Week of Easter, 2011

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