



DECENTRALIZATION AND THE INDONESIAN INDUSTRIALIZATION STRATEGY IN THE POST NEW ORDER ERA: THE CASE STUDY OF OIL AND GAS SECTOR IN THE PROVINCE OF WEST PAPUA

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ABSTRACT

This study focus on the dynamic relations between the process of decentralization (specifically the Special Autonomy for Papua) and the social exclusion processes experienced by local marginalized communities surrounding the development of The LNG Plant in The Bay of Bintuni Regency. Also the potential inclusive policies and programs of the local government and BP (Beyond Petroleum as MNC). This study use qualitative approach with specific emphasis on in-depth interviews, focus group discussions (FGD) and analysis of secondary data. The result show that 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 Provincial and Regency Levels) generally, specifically in the Industrialization Strategy of Oil and Gas Sector (1999-2009). The triangular relations between State, Market, and Society are fluid and internally fragmented within each pillar and externally contested between the three pillars. On the micro level the processes of decentralization (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. Inclusive policies by the local governments and MNC (BP) Programs have not yet been effective and efficient in

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targetting the most marginalized and socially excluded members of the local 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).

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1. INTRODUCTION

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 (Barnes, 1995). 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 study 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 (Booth, 1992).

A related question is whether heavy reliance on natural resource exports necessarily have a strong impact on the character of state-society relations (Seda, 2000; 2001). 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 consolidate its power for more than three decades from 1971 to 1998. In this Post New Order Era, especially, beginning 1999 until 2009, the Indonesian Oil and LNG Industries 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 study 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 will be 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.

2. LITERATURE REVIEW

2.1. Natural Resources and Development Strategy

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. As Michael Ross (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 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 and Levin (Jean, 1992), 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 and Baldwin (Ross, 1999) 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 (Winters, 1996). 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. 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.

2.2. Decentralization: Both Positive and Negative Impact

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 (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. 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: a) UU/Law No.21/2001 on Special Autonomy For The Province of Papua; b) UU/Law No.22/2001 on The Industry of Petroleum and Gas; c) PP/Government Decree No.42/2002 on The Implementing Agency of Upstream Industry of The Petroleum and Gas Sector; d) PP/Government Decree No. 35/2004 on The Upstream Industry of The Petroleum and Gas Sector; e) Permen/Ministerial Decree No.0008/2005 on The Incentives for the Development of Marginal Oil Fields.

2.3. Social Exclusion Interpretation: Focus On Marginal Group

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 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 (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 (Okpara, 2011).

This study 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.

3. RESEARCH METHOD

This study has been 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 study used the case of The Indonesian Oil and Gas Sector In The Province of West Papua specifically the development of The LNG Plant in theregency of The Bay of Bintuni which being developed and operated by the giant oil and gas MNC, BP (Beyond Petroleum).

Tabel- 1. 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	<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 related to the Mining, Oil and

<p>Post New Order Era</p>		<p>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"> • 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 Commision 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>	<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 Commision 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

4. DISCUSSION AND ANALYSIS

4.1. Industrial Strategy and Decentralization (Autonomy for Papua) Not Decreased Social Exclusion

Local Government Policies has relatively impact for local community (Ighodalo Akhakpe *et al.*, 2012). The result of this study 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.

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.

4.2. Marginalized Communities: Impact of Dynamic Relation between State and Corporation

Drawing from the data from the field, we can identify there are several groups who experiencing marginalization as a result of BP operation in teluk bIntuni regency. *First*, certain tribal family at teluk Bintuni who are living in the Tanah Merah village, DAV area. *Second*, the people of Teluk Bintuni who are living in Kampung Tanah Merah, DAV area. *Third*, non-papuans who are living in the DAV. *Four*, Papuan immigrants.

From the first mentioned group, it shows that not all tribal family who are living in the DAV area of Tanah Merah village can directly access the BP CSR programs equally. The involvement of the Tanah Merah locals in BP CSR programs in reality tend to involve certain elite in a tribal family within a certain tribe. Whereas the other tribal family does not necessarily getting or accessing the programs. Certain tribal family are getting the opportunity to experience BP CSR program if there is the head of tribal family who is directly involved in managing the program. As a result, this situation caused the feeling of social jealousy between tribal family and potentially brewing conflict in the future. The relation resulted from this marginal group existence, does not involve only those tribal family who are experiencing BP CSR programs and for those who does not experiencing it, but it also involve BP authority.

The second mentioned group, illustrates the BP CSR program in Tanah Merah village, DAV area, not only they have not experience equal access to BP CSR Programs within the level of tribal family, but also within the community in general. Not all members of DAV community in Tanah MERAH village can directly access BP CD programs since it tend to involve only certain elite from certain tribe. The current condition of the Tanah Merah community is they are more depended to the company, contrary previously to more depended on nature. After BP began its operation, The people of Tanah Merah village have to relocate into the hinterland, before BP operates in the area, the community were living on the coast. After BP project became operational The people have to change their livelihood from being a fisherman into becoming a farmer. BP authority need to re-think their CSR program in the village of Tanah Merah, so it will be more just and evenly.

The third group mentioned illustrates the non-papuan immigrants in the IAV are the group who have no access whatsoever to BP CSR programs. They tend to occupy the economic sector especially in trade and services and also have certain position within the bureaucracy. Non-Papuan immigrants are not the target for BP CSr programs. However, the existence of these non-papuan imigrants have caused latent conflict with the Teluk Bintuni natives especially on issues related to the control of economic source and also buraucracy. However, by looking from various experience that usually shows immigrants will be more prosperous than the natives, this issue cannot simply be ignored. Because it is not impossible that in the future there could be a manifested open conflict

The fourth mentioned group illustrates the papuan immigrants (coming from outside of Teluk Bintuni) in general as a group that need to be notice. As a marginal group who has potential of conflict with the local people, their existence are more as BP employee and also in the bureaucracy. This fact could be a possibility in creating discrepancy with the Teluk Bintuni local people and it could sparked conflict in the future.

4.3. The Relations Between BP and Local Community

The discussion on the relations between BP and the local community at Teluk Bintuni can be seen from several collective actions of the local community who are living at the DAV and IAV

First, The collective action of the DAV local community in taking a short cut land route by broken through BP fences which marked BP area of operation, in order for the villagers to be able to go to Tanah Merah village. Since BP began its operation, the people of Tanah Merah village no longer have access to their home from land. This happened as a result of the area around Tanah Merah village has been turned into BP area of operation, therefore the Tanah Merah villagers who are doing activities outside their village need to use boat and take the sea route.

With this existing condition it is evident that it will take longer time for the villagers to commute (because they need to go around using the sea route) and it will also cost them more (the price for the boat diesel fuel is quite expensive). In reality, the action of the people is a demand BP authority, to re-open the land access route going to Tanah Merah village. At the moment, BP authority did not do anything against the people's action/demand other than having a stricter protection and rebuilding the damaged fence.

This potential for latent conflict in the relations between BP and the people of Tanah Merah village, if not taken care could developed into a manifested conflict in the future.

Second, the collective action of the people at DAV who demanded having electricity at all the time. The village of Tanah Merah is a village that was relocated by BP since they began their operation at Teluk Bintuni. BP build a new village, complete with all the facilities. The location of this new BP built village is a bit further from the coast. BP gave an electric Generator set for the villagers to fulfill their needs of electric power in Tanah Merah village.

During the first phase, BP still supplied the diesel fuel for the generator, hoping that in the subsequent phase the community will be able to manage it independently. But what happen is, the community demanded BP to continue responsible for managing the generator. The villagers refuses to pay for the electricity that they are been using. The people of tanah merah assumes it was BP who wanted to relocate their village in the first place not them, therefore BP have to continue guaranteeing the electricity access for all people.

This condition shows a situation when before the arrival of BP, the people of Tanah Merah depended their livelihood to nature, since BP began their operation the Tanah Merah people began depended on the company, especially in terms of getting access to electrical power. The refusal of the people in paying for the electricity demonstrates a form of conflict relations that were manifested between the people of Tanah Merah and BP authority.

Third, The collective action of the DAV community in refusing to pay for the building and land taxes. Since they were relocated to the new location, the people of tanah merah were given a house and land, complete with all the government administrative paper work that are related with it. The people at Tanah merah is of course get the benefit from it because they do not need to independently process those paper work. But this condition lead into the existence of annual obligation for the people to pay the land and building taxes. This condition obviously invites strong refusal from the villagers. The people in Tanah Merah argues that before they were relocated, they never have to pay any taxes since their land was a tribal rights land. Practically, this strong refusal occur as a result of the difficult livelihood the villagers are currently facing, a life with many

expenses, something that they never have before. The villagers viewed BP is the party who is responsible for this problem. The type of relationship that occur between the Tanah Merah people and BP authority demonstrates unequal relations, where BP tried to force modern lifestyle into villagers who are still living in traditional way.

Four, is the collective action of some community who live in the IAV area. They protested by holding BP owned boats at the harbor. This action occur within the construction period of the BP installation. Some locals who live in the IAV demanded that they could involve in workers recruitment. This issue was caused from the fact there are many workers who were recruited from outside Teluk Bintuni. As a result this situation caused some feeling of envy in some people who are living at IAV. For that purpose, they need a clear explanation of BP recruitment system. As a matter of fact BP authority has opened up opportunities for the communities who are living around IAV to follow the workers recruiting process. However, since BP workers qualification requires highly skilled human resources standard (having appropriate skills, highly educated and experience), therefore, there are not many local people who are eligible to work. BP has been cooperating with Teluk Bintuni regency labor agency in doing the process of selecting and recruiting workers. Nonetheless, not everyone who live in the local community around the IAV can understand the qualification requirements that BP required. This problem reflects the fact that BP have the ultimate say in determining who are the workers that they need. This problem can be solved with some kind of involvement from the Teluk Bintuni regency labor agency authority by giving explanation and clarification about workers qualifications.

Five, is the Collective action of some members of the community, who are living in the IAV by ransacking and closing BP representative office at the town of Teluk Bintuni. The IAV people did this action because they were demanding two things, which are: First, They protested about the lack or non-existent CSR programs in the IAV; Second, they demanded 60 billion Rupiah compensation for the tribal rights land. This actions exactly showed a clear picture of violent acts. One of the direct consequences of this action is there is no longer official BP representative office at Teluk Bintuni. Some IAV people speculate the reasons in why the tribal rights land compensation takes a long time to receive is because they were used first to fund the Teluk Bintuni Regency direct election process. Therefore, indirectly BP handed over responsibility about this compensation problem to the Teluk Bintuni local government in dealing with the people's demand. The act of closing the BP office did not lead into any changes to the condition of the IAV communities. BP continue giving their attention to their CSR project at the DAV area, not in the IAV. In the future, BP must consider this problem about their CSR project so the same problem would not occur.

4.4. Industrialization Strategy, Decentralization, and Local Development Relations

On the natural resources and development relations, there is a tendency that what Hirschman and Baldwin (Ross, 1999) 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), 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 study 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 study results 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). 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.

On the Social Exclusion issue (Levitas, 2005), the 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 employment hiring practices). This is relatively similar to the conceptual arguments of the SID-Social Integrationist discourse.

5. CONCLUSIONS

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. 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.

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.

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). The triangular relations between State, Market, and Society are fluid and internally fragmented within each pillar and externally contested between the three pillars.

Inclusive policies by the local governments have not yet been effective and efficient in targeting 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.

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