

# Economic injustice

## cause and effect of the Aceh conflict

Nazamuddin Basyah Said



**Marjuni Ibrahim, a former GAM member, leads 'guerrilla tours' in the jungle, taking visitors with a taste for extreme hiking and an interest in Aceh's conflict.**

Source: Reuters/Tarmizy Harva

Nazamuddin Basyah Said is a researcher at the Syiah Kuala University and co-founder of the Aceh Institute.

## Root causes and a chaotic period

Only two years after the discovery of the Arun natural gas field, Hasan di Tiro declared Aceh's independence on 4 December 1976. Natural gas production and exports reached their peak in 1994 and gradually declined thereafter. For some decades, the Acehnese witnessed a contrast between the life amenities enjoyed by the white collar workers operating within the enclaves of PT Arun, Mobil Oil, and downstream enterprises around Lhokseumawe and their surrounding slums. Export-oriented natural resource exploitation did not generate enough jobs for less skilled workers, and in most cases, very limited downstream industry linkages were created.

It was only in 2002 when the earlier special autonomy law took effect that Aceh received a seventy per cent share of oil and natural gas revenues. For many years previously the gas dollars were fully controlled by a centralized authority in Jakarta, with only around three per cent of the total revenues from Aceh's oil and natural gas – all related taxes included – returned to Aceh in the form of central government's transfers to the poor province. Infrastructure in Aceh was and is poor. A quarter of the population lives below the poverty line. Rich natural resources, poor infrastructure and public services, and centralized authorities, combined with poverty and lack of opportunities have been *causes* of the conflict. Some of these factors have also been its *effects*. Rising levels of unemployment and poverty, especially in rural areas, prompted the escalation of the conflict in the early 2000s. Yet the ongoing conflict only made these trends worsen.

The 2004 tsunami occurred in this context. It deprived over half a million people in Aceh of not only their sources of income but also their household and productive assets. They were displaced and forced to live in tents, temporary barracks or with their relatives for more than eleven months. Seventeen of Aceh's twenty-one districts were affected and a total asset loss of US\$ 4.4 billion – equivalent to 97 per cent of Aceh's Gross Regional Product – was incurred. More than three quarters of the losses were incurred by the private sector.

## A big push for sustainable peace

The tsunami and the signing of the peace agreement between the Free Aceh Movement (GAM) and the Government of Indonesia (GoI) on 15 August 2005 marked important milestones in Aceh's history. Given the influx of huge amounts of funds from international organizations as well as the GoI, there are high expectations of real changes to benefit the Acehnese. Aceh represents a unique case of how to revive and redevelop a region whose people's infrastructure,

livelihood and opportunities for economic growth were nearly totally destroyed. A strategy is needed for recovery not only from the tsunami, but from the physical as well as psycho-social destruction caused by both the disaster and armed conflict.

Reconstruction efforts combined with a substantial redevelopment strategy can help ease the economic situation and create construction and related jobs. Yet the scale of the damage suggests that full economic recovery will take more than the four years planned by the government. The objective should be to change the whole idea of Aceh's redevelopment to promote sustainable development after the completion of the reconstruction phase. Long-lasting peace and economic growth become prerequisites for one another. This can occur as a result of massive investments in infrastructure and the influx of workers to the region during the reconstruction phase, together with improved knowledge and application of technology. The goals for this phase should include normalized livelihoods for victims of both the tsunami and the armed conflict, the creation of more productive jobs, increased income, and sufficient social security. All of these will require conducive economic policies, law enforcement, and institutional improvement. Peace will only last if there is an improvement in the social and economic welfare of the Acehese people.

## A transition to sustainable growth and reintegration of GAM ex-combatants

Improved political stability and the institutional supports provided by international agencies have created the preconditions for economic growth. However, a coherent economic growth strategy is not yet in place. This would consist of a sustainable, private-sector-driven, export-oriented economy in which products move up the value chain, creating more employment and improved productivity.

Policymakers should consistently pursue ongoing steps, such as removing the institutional barriers to growth, sustaining infrastructure investment (especially beyond 2009 when the mandate of BRR, the government-established reconstruction agency, terminates), educating and training the workforce to suit a competitive labour market, and helping expand access of small and medium enterprises to capital and land.

The majority of GAM returnees belong to a productive age group, with over 75 per cent aged between 18-35 years. Most of them are primary and junior secondary school educated. School dropouts and unemployed young men, especially in villages, have in the past been

targeted for recruitment by GAM, and remain vulnerable. While physical reintegration, in the sense that ex-combatants are accepted in their communities, seems to be successful, full reintegration has been less so. If these working-age young men remain unemployed, there is a high risk that crime increases and tensions rise.

Many unemployed GAM returnees depend on their relatives for their livelihood. A World Bank survey indicates that 74.9 per cent of GAM returnees are not yet employed. Before joining GAM, around 30 per cent of them worked as farmers and many of these people who still have access to land can easily start working again. However, for the majority, livelihood revival, in terms of providing access to capital markets with technical assistance, is a major need, next to the security of living in permanent housing. About half of them reveal that they want to be small traders. The urgency of launching economic empowerment programmes targeted specifically at GAM returnees has so far been disregarded, while attention has focused on difficulties with the provision of *Jadup* (living allowances) to around 3000 ex-combatants.

There is a whole range of activities that international agencies and local government can get involved in. First, there should be greater support to the Aceh Reintegration Board (BRA). Secondly, ex-combatants should be made confident of the immediate benefits from the peace process. Labour-intensive projects such as rebuilding or repairing local public infrastructure would create *cash-for-work* types of temporary employment before more sustainable economic activities emerge. This would be far preferable to simply distributing *Jadup* to the communities without productive impacts. It is also easier to implement because it does not require an agreed list of GAM ex-combatants, which is a sensitive issue.

For longer-term impacts on the economy and welfare of the Acehese people, and to avoid future conflict, larger-scale private investments are necessary. A competitive future economy would rely on whether products and services provided by the private sector are competitive in the global market. Private investments will then play a greater role in creating jobs and having trickle-down effects on local businesses. Local entrepreneurship will grow and exploit the available opportunities in Aceh.

A long-lasting peace may not be an utopian ideal. Currently there are certainly pebbles in the shoe. The conflict has ruined the 'joints' of the Acehese economy, but the building blocks that are being created provide hope for a peaceful and prosperous future.