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MUBYARTO

Riau

Progress and Poverty

Introduction

The province of Riau enjoys the reputation of being one of the richest provinces in Indonesia.¹ This is largely due to the fact that within its boundaries are large reserves of oil, gas and forest products. Since the assumption of power by the New Order Government, large-scale rubber and palm oil plantations have also opened in Riau. These plantations rival those in the neighboring province of North Sumatra that have long been famous for being the most advanced and modern of all plantations outside Java. Therefore, Riau is at present considered to be doubly blessed as it has oil above as well as under the ground.

However, for a long time, Riau lacked the necessary infrastructural facilities to attract investors to the region. Hence, in early 1973, the government designed a new source of attraction by designating Batam island as the center of new economic growth. They did this by promoting activities ancilliary to the exploration and exploitation of off-shore oil. As the pace increased, Batam became a center for shipping, advanced technology, and tourism. The growth of Batam and Bareleng (Batam, Rempang, and Galang) as centers of economic growth was acknowledged by officially including them in the Singapore-Johor-Riau (SIJORI) 'Growth Triangle' scheme in 1978. This is now officially known as the MSGT (Indonesia-Malaysia-Singapore Growth Triangle) program.

Thus, the province of Riau is heading toward an even more advanced economy. However, alongside this extremely rapid economic growth, carried out as it were to rival Singapore, Riau still harbors backward conditions in several economic sectors. This is especially so in relation to subsistence agriculture, fishing, and the protection of the livelihoods of aboriginal groups (*masyarakat terasing*). The number of these aboriginal peoples is estimated at 36,000. Yet, in spite of their significant number, they have been mere spectators in the development of Riau.

¹ This paper was translated from Indonesian into English by Rosemary Robson, Cynthia Chou and Will Derks.

Progress, Poverty, and Disequilibrium

The province of Riau covers a land and sea area of 94,572 and 235,000 square kilometers respectively. The province is divided into five regencies (*kabupaten*), a greater administrative area (*kotamadya*), and a municipal area (*kotamadya administratif*). Population figures as well as the rates of population growth in Riau vary greatly. For instance, the population figures in *kabupaten* Kampar, Bengkalis, Indragiri Hulu, *kotamadya* Pekanbaru, and Batam are increasing rapidly in contrast to the low figures recorded for *kabupaten* Indragiri Hilir and Kepulauan Riau. The population in *kotamadya* Batam has grown so rapidly that within the last three years it has reached a rate of nearly eleven percent per year.

The gross regional domestic product (Pendapatan Daerah Regional Bruto, PDRB) per capita for the province of Riau is the highest in Indonesia. Yet, a subtraction of the input of figures for oil production would drastically lower the PDRB of Riau to a figure beneath that of the average national PDRB. In 1990, the per capita PDRB in Riau including oil was Rp. 3.98 million. However, it only reached a fifth of this amount, Rp. 795,000, without the input of oil figures at a time when the national average PDRB was Rp. 890,000.

Table 1. Area and population per *kabupaten* / *kotamadya*, 1993.

Region	Surface area km ²	Total Inhabitants		Density per km ² (1993)
		1980	1993	
Bengkalis	30,647	566,377	942,648	31
Kampar	27,908	567,789	617,929	22
Indragiri Hulu	15,854	277,885	407,262	26
Indragiri Hilir	11,606	398,214	501,625	43
Kepulauan Riau	7,487	384,049	460,664	62
Batam	613	38,663	146,785	239
Pekanbaru	447	237,672	401,477	898
Total	94,562	2,470,649	3,478,390	37

Source: Bappeda Propinsi Dati I Riau.

Despite Riau's wealth in natural resources, there is still widespread poverty in the region. This is due to a distribution of benefits accruing from its economic resources. A closer examination of the performance of the various economic sectors in Riau will reveal that the primary sector is achieving the highest rate of growth in the PDRB. This sector includes the extraction of oil, which is a government monopoly, and the large industrial forestry and logging sectors, which are controlled by large private companies of a monopolistic or oligarchic character. Regional analysis shows that districts or *kabupaten* possessing natural resources grow more rapidly in comparison to other areas. Conversely, there is a slower rate of growth in regions where farming, small-scale plantations and fishing form the base of economic activity. Therefore, I would like to reiterate that a

high rate of growth in the PDRB does not always benefit the local people if there is an inequitable distribution of income.

The rate of economic growth in the province of Riau during the period of the first of the five Five-Year Plans (Repelita I-V) was 7.6 percent. The target for Repelita VI is 7.5 percent per year, even though a rate of 9.1 percent was already reached in 1994. This extremely high rate of growth was achieved in the mining, industrial processing, and building sectors, which reached growth rates of 17.8 percent, 14.8 percent, and 18.3 percent respectively. Well above the others in this was the growth in Batam. In evident contrast to this, the growth in the farming sector was extremely low at only 0.94 percent in 1994. This was due to a decline in the harvest produced in the small-scale local rubber and coconut plantations.

Growth in the industrial sector reached such heights in comparison to the very small returns in the food-cropping and local small-scale plantation sectors that the difference triggered a shift in the economic structure of Riau. As Table 2 shows, the farming sector's contribution to the Gross Regional Domestic Product fell over five years (1989-1994) from 24.5 percent to 18.5 percent. In contrast, the industrial sector's contribution rose sharply from 21.9 percent to 27.3 percent.

Table 2. Distribution of the PDRB in the Province of Riau, 1989 and 1994.

Sector	1989 (%)	1994 (%)
Farming	24.5	18.5
Mining	1.0	3.3
Industry	21.9	27.3
Electricity, Gas and Drinking Water	0.6	1.0
Construction	5.1	6.8
Trade	20.6	18.3
Communications	7.3	7.5
Finance	8.9	9.7
Other Services	10.1	7.6
PDRB	100.00	100.00

Source: Bappeda Propinsi Dati I Riau.

It is often considered a normal indicator of progress for the industrial sector to forge ahead of the farming sector. However, what is not stressed is that this discrepancy also generates economic disequilibrium and social inequalities. In Riau this means an imbalance between the modern sector, the semi-modern sector comprising farming and small-scale plantations, and the aboriginal groups sector. Hence, such a form of development only serves to generate socioeconomic imbalances between the different sectors of the economy and will certainly help neither government efforts nor society to overcome poverty and social tensions.

One of the major sources of intersectoral economic disequilibrium that I

am referring to is that between the modern (for example, mining and large-scale plantations) and traditional (for example, farming and fisheries) sectors. This is because the modern sectors often attract foreign investors. However, the bulk of their profits are also known to flow out of the region. Neither large-scale government nor private plantations that were once part of the PIR-BUN² have shown any satisfactory results so far. The ownership of small-scale plantations via a system of credit also has not yet taken off among plantation farmers. This is because of the poor remuneration offered by international and domestic markets to the farmers for their produce.

The forestry industry (logging), or Hak Pengusahaan Hutan (HPH) enterprises compete with the needs of local inhabitants and small-scale businesses for wood and other forest products. As soon as a region is taken over by HPH enterprises, inhabitants in the area whose livelihoods depend on the forest unwittingly become thieves of these same products. Naturally, these 'felons' include members of aboriginal societies upon whose living space is seriously encroached. This has given rise to an entirely new form of poverty that is becoming increasingly disturbing for the provincial government. The exploitation of the forest's natural resources for the industrial manufacturing of plywood or pulp can indubitably offer new and important sources of income as well as employment opportunities for the area. However, the downside of the picture is that it can also result in highly contentious conflicts of economic interests.³

Another source of unrest is that arising from the recruitment policies of large and modern businesses. These businesses include the agricultural and forestry enterprises in the lowlands of Riau, and the large industries established on Batam. Young Riau inhabitants seeking work always lose out to non-Riau applicants, and especially to those from Java. Indeed, it is often the practice for these large and modern businesses to recruit their work force directly from their home regions in Java. There are even times when preparatory courses are offered for job applicants received in Java, hence leaving the local Riau candidates in a disadvantaged position.⁴

The data above plainly reveal the inequity of income between sectors and groups in this resource-rich region. The processes that spur on this

² These are not the modern agricultural enterprises that function as a sort of plasma for the owners of small-scale plantations who own 2.5 to 5 hectares under long-term cultivation.

³ See the contributions by Ashley Turner and Tenas Effendy to this volume.

⁴ See the contribution by Cathy Hoshour to this volume. Nevertheless, there are examples – though very few – of indigenous Riau inhabitants who have received jobs, despite the stiff competition. One case that springs to mind is of a man named Raja Makmur, aged 50, who never graduated beyond the third year in his primary school education. Starting off as a class four heavy labourer, he rose to the position of superintendent of a large foreign business within the span of 25 years. His perseverance has paid off and now he supervises 108 employees that include three university graduates.

disturbing economic disequilibrium continue unabated. The proposal to exploit gas reserves in Batam, Bintan, and the Natuna archipelago has resulted in a tense scramble for jobs. On Batam, the symptoms of unconcealed unemployment have begun to be revealed in the form of such criminal acts as a rise in large and small theft, inter-gang battles, and conflicts between the various ethnic groups that now live on the island.

It is essential that 'Otorita Batam' work in closer co-operation with the municipal authority to overcome these problems.⁵ At present, Batam is a center for new growth that will continue to attract young people from all over Indonesia in search of their fortunes. Many hope to find employment in the formal sector. However, in reality many eventually work in the informal sector.

Poverty and the Orang Laut

Members of the local Orang Suku Laut or Orang Laut population, who inhabit the islands in the IMSGT region, are now poised at the crossroads of development programs. They will be affected if they participate in these programs. However, they will also be affected if they decide to remain as they are. The Orang Laut cannot escape the process of global change that is in full operation at this very moment. The dilemmas confronting the Orang Laut are interesting because they touch upon ongoing and extremely grave problems in the implementation of poverty alleviation programs in the region of the Riau islands (*wilayah kepulauan Riau*). The generally accepted picture is that the Orang Laut are the people who have lived in this district for over a thousand years. These people once formed the military backbone for the sultanates of Malacca, Johor, and Riau. Today, their lives are closely connected to the *tauke* or Chinese businessmen to whom they sell their fish yields. Sometimes, the Orang Laut even become the henchmen of Singaporean *tauke*.

One question that always looms large in this discussion is whether the Orang Laut still live nomadic lives or whether they are now settling down permanently in one district. Should it be the case that the Orang Laut remain true to their nomadic traditions, then the problems of integrating them in one particular district or village will be enormous. Of course, this would then mean that it will be difficult to assist them with programs designed for poverty alleviation. An example is that of the Inpres Desa Tertinggal Program (IDT Program for Backward Villages) which mobilizes government funds to assist self-help groups and individuals at the village level to set up economic enterprises to improve their welfare. However, the various observations and investigations carried out so far have shown beyond a doubt that the Orang Laut are attached to particular areas. Per-

⁵ Otorita Batam is a central government body in Jakarta that oversees the development of the Riau side of the Growth Triangle. It has the power to overrule decisions made by the local authorities in Riau.

tinently, the impression that the Orang Laut have not, or have not yet adopted a system of production, but still live as hunters and gatherers, has been contested by Cynthia Chou.⁶ Certain conclusions can be drawn from Chou's research. First, the rights of the Orang Laut to the area that they have inhabited for centuries must be recognized. Second, the Orang Laut are fairly stable in the production and reproduction of their natural resources.

It is a truism that globalization tends to favor that which is large-scale and efficient and to repress groups that are powerless or 'less than efficient'. Bearing this in mind, what is the attitude of the government and people of Riau to the development of the IMSGT, forging ahead at such a rapid pace? How can this growth be reconciled with the goal of equitable distribution? In what ways can industrialization and foreign capital investment, which is steadily on the increase, be curbed so that its fruits of prosperity can be distributed to the maximum extent among the local people?

There are those who believe that the tendency toward globalization in Riau should be weighed up against the processes of localization too. What this calls for is the need to pay more attention to the needs of local communities and to provide maximum protection to those who are bearing the full impact of changes in the economy at the local level. At all costs, local inhabitants must not be left behind in this period of transition. The existence of small-scale societies like those of the Orang Laut, the Talang Mamak, and the Sakai must be recognized as peoples possessing their own identities and cultures.

Undeniably, it has to be acknowledged that the local inhabitants, especially those belonging to indigenous groups, are often afraid when faced with the process of globalization impacting upon their area. For instance, it has become increasingly difficult for the Orang Laut to carry on with their fishing activities. Yet, these Orang Laut, with their lack of 'relevant skills' in an industrial society are also finding it difficult to enter the new fields of employment that are currently on offer in Riau. Under such circumstances, efforts to resettle the Orang Laut in particular districts where they will no longer be able to continue with their livelihood will not solve any problems. Such efforts will only create more difficulties than they resolve. Research on the living conditions of the Orang Laut in Riau indicates the necessity for carefully guided programs to support and assist the poor. The Social Department, which is responsible for guiding the indigenous groups, must work with the greatest assiduity in this matter.

An easy way to avoid solving the problems of the poor is to say that not all the poor in the villages are ready for the implementation of the IDT program. However, it would be more accurate to recognize the fact that the actual problem lies in the inflexible operational ways of the bureaucracy

⁶ See the contribution by Cynthia Chou to this volume.

and the regional government. Rather than working from the bottom up to solve the problems of the poor, they have stuck to a top-down program. Resorting to the art of various sorts of polite orders or even not-so-polite orders, government officials have with a variety of strategies endeavored to implement the IDT program.

In dealing with the Orang Laut, it is necessary to implement the art of assistance with even greater circumspection. This is because the heavy pressures exerted by globalization have to be brought into line with the needs as well as the participation of the Orang Laut in development programs. The Orang Laut are proud of their illustrious past and must not be treated as backward in any physical and material sense. Their economic, spiritual and socio-cultural aspirations must be fulfilled. Any program to eradicate poverty among the Orang Laut has to be conceived and implemented as far as possible with their assistance, even if this requires more time and preparatory work. At the very least, the IDT program must involve the Orang Laut.

Dual Economy

In 1910, it was J.H. Boeke, in a dissertation that he defended at the University of Leiden, who characterized the Indonesian economy as 'dualistic', containing within itself a sociological and technological dualism. Twenty years after Boeke first proposed this concept, his thesis matured into the title of his inaugural lecture as professor at the same university.⁷

In comparison to other parts of Indonesia, it has been easy to notice the dualistic economic conditions in Riau even before Indonesian Independence. The economy of Riau was divided into three subsystems: (1) the modern economic subsystem, consisting of oil production, forestry, and large-scale plantations; (2) the local traditional agricultural economic and plantation system; (3) the subsystem dominated by the aboriginal people on mainland Riau (the Sakai, the Talang Mamak and the like), and among the islands of the Orang Laut. These three subsystems differed greatly from one another. Efforts to raise the three of them simultaneously was not just difficult, but considered to be virtually impossible. For instance, the Sakai who lived along the tributaries of the Siak river became mere spectators of development programs such as the building of a highway between Pekanbaru and Dumai. This highway was built just before the outbreak of World War II, and was indeed a symbol of progress in Riau.⁸ Furthermore, the upsurge of plywood factories and pulp mills, equipped with highly

⁷ The title of Boeke's address was *Dualistische Economie* (Boeke 1930). His lecture reinforced the theory that he had adduced in his doctoral dissertation (Boeke 1910). However, Boeke simultaneously offered criticisms of the concept of tropical colonial economics. He believed that Western economic theory could not be reconciled with the dualistic economic conditions in the East. See Mubyarto 1979.

⁸ See Mubyarto 1992, 1993.

sophisticated technology to increase forest felling, has since 1970 accentuated the contrast in Riau between modern and traditional economy. This has forced the aboriginal people from the virgin forest that has been their home for generations.

This dualistic condition obtrudes even more glaringly in the economy of Batam. In 1973, Batam was still inhabited by a society of fishermen numbering some 6,000. The scene has since changed beyond recognition. It is now an industrial society comprising some 154,000 inhabitants.⁹ Although it is an industrial society, Batam differs significantly from Singapore. Indubitably, the industrial society of Batam is largely engaged in the secondary sector. However, there is simultaneously a fair percentage of the population that throngs the local economy and the informal sector in all fields of economic activity. This local economy developed in the initial phase of the project to support the building industry which was then forging ahead. Later it went on to aid the industrial, trade, and tourist sectors that the Otorita Batam and the city of Batam encouraged.

The economic growth (PDRB, the Gross Regional Domestic Product) of Batam over the period 1983-1991 (at the going rate), was 24.3 percent per annum or 14.8 percent constant at the price level of 1983. Over the past few years, the economic growth has been even higher, reaching 18.7 percent in the period 1986-1991. This was far higher than the growth figure for the province of Riau (8.4 percent) or for Indonesia as a whole (6.3 percent). For the years 1983-1994, the growth rate for the Batam economy remained high at around 17 percent per annum.

Table 3. Percentagewise Distribution of the Gross Regional Domestic Product of Batam According to the Economic Sectors for 1983 and 1993 (at the current rate).

Sector	1983	1993
1. Primary (Agriculture, Mining, and Extractive)	8.7	3.3
2. Secondary (Industry, Management, Electricity and Construction)	35.3	47.7
3. Tertiary (Trade, Transport, Banking, Govern- ment, and other Services)	<u>56.0</u>	<u>49.0</u>
PDRB	100.0	100.0

Source: Otorita Batam.

The rapid growth in the service sector is closely allied to the growth of the tourist industry. In 1985, the number of foreign tourists entering Batam was only 60,161. This swelled to 680,373 in 1993 bringing with them foreign currency worth US\$ 250 million.

⁹ This was the figure recorded in 1994.

The work force is primarily employed in industry and construction, which together contain 81 percent of all the formal work force numbering 62,358 people.¹⁰ The size of the work force in construction industry reflects the level of development in Batam at the moment which includes the building of six bridges that will link Batam, Rempang, and Galang.

The rate of development in Batam is racing ahead by leaps and bounds and this is attracting many new inhabitants from elsewhere. In 1980, there were 38,663 inhabitants in the town of Batam. In 1990, the figure rose to 105,820 and it continued to soar so swiftly that by mid-1994 it reached 154,024. This means that in three-and-a-half years, the rate of population growth has been 11.3 percent per annum. This is far higher than the rates registered for the province of Riau (4.3 percent) and the national average (2 percent per annum). It is also significantly ahead of the average rate of increase for an urban population (5.4 percent per annum).

Table 4. Population Growth Rate of the City of Batam (1980-94).

Year	Number	Rate of Growth in % (per year)
1980	38,663	10.7
1985	58,439	16.2
1990	105,820	11.3
1994	154,024	

Source: Kantor Statistik Kotamadya Batam.

One very interesting phenomenon that is allied to the dualistic economy of Batam is the extremely rapid growth of squatter settlements called RULI (*rumah liar*, unplanned settlements), which offer a home to new immigrants. However, the sanitary and environmental facilities in these settlements leave a great deal to be desired. Squatter settlements have mushroomed in various localities that are usually not allocated for housing. These include protected forest areas. This has in turn had an enormously negative effect on water conservation in Batam. A good reason prevails for the rapid spread of these squatter settlements. They now number 16,000 houses in fifty-nine locations. Migrant workers in the formal (business and government) and informal sectors, and those who are still seeking employment are generally not in a position to occupy the houses built by investment developers. About 50 percent of the land allotted to housing is controlled by developers for the purpose of speculation. The building of houses is based on a rough estimate of the rise in population, but this is calculated on the incorrect assumption that the entire population possesses a reasonably high purchasing power in order to buy or rent those houses that are being built commercially. However, the bulk of the migrants to

¹⁰ These were figures recorded for 1994.

Batam are really young people aged between twenty to thirty seeking work, the majority of whom are not married. The actual earnings (below Rp 200,000 a month) of such young employees are hardly enough to buy or rent a house. Their earnings are simply enough to cover their internal transportation fares, their board and lodging, and with perhaps a little to set aside as savings. This explains why there are so many empty luxury houses in Batam waiting for buyers or tenants. Yet, there are so many other people without the sufficient wherewithal to occupy these premises, including the younger migrant employees who invade the squatter settlements in search of a cheap place to live. Both the city authorities and the Otorita Badan are facing complicated problems in overcoming the rash of squatter housing springing up in various nooks and crannies in Batam. This is because these settlements offer an opportunity for the burgeoning of informal sector activities that take care of the daily needs of the inhabitants.

Approximately 65,000 (42 percent) out of a total of 154,000 inhabitants in Batam are classified as unprogrammed migrants. This implies that the estimates for the building of houses are based on unrealistic assumptions that are totally out of step with the needs of the Riau inhabitants.

Table 5. Estimate of the Inhabitants of the City of Batam 1994.

Classification of inhabitants	Number
Registered workers	62,358
Officials and families	12,252
Local population	12,000
Foreigners and staff	2,400
Unprogrammed migrants	<u>65,000</u>
Total	154,000

Source: Otorita Batam.

It is thus a Herculean task to get rid of the squatter settlements, which has in turn also become a major obstacle in the main task of developing the industrial sector in Batam. The building of luxury houses has been financed largely by Singaporean investors. However, the introduction of a prohibition on house ownership by foreigners has introduced another problem of finding buyers. Regulations for and the control of squatting and unprogrammed migration to Batam therefore demand concerted efforts to find appropriate solutions.

One very interesting proposal is to invite the population to play a direct role in the building of houses by means of a policy that will stimulate small investors either by allowing them easy credit terms without collateral or via other facilities. From the practical point of view, the squatter areas, which spread over fifty-nine different locations, will need to undergo an evaluation to meet a suitability criterion based on the requirements of the original plans, the stability of the ground and its incline. Including a feasible economic criterion will also ensure the location of settlements in appro-

priate areas to give access to centers of economic activity to raise the income of the inhabitants. The simultaneous implementation of an environmental criterion will also ensure the settlement of access to clean water, pollution control and the prevention of health problems.

Analyzing a Dualistic Economy

J.H. Boeke's theory of the dual economy was born out of observing the peasants in Java. The situation in Riau, where poverty exists alongside increasing progress in the region, is very much like the situation predicted by Boeke in his theory of the dual economy. A responding volume, *Indonesia; Dualism, Growth and Poverty*, published by the Australian National University in 1980, contains several essays by writers and young researchers in Australia who support Boeke's theory as revealed in the textile industry, the financial market, the inter-island shipping sector, and the job market. However, the contributors to this book also adopt a very critical stance in their support of Boeke's theory. They have raised the following important question: Is dualism to explain or to be explained? If this matter is not elucidated and agreed upon, indubitably the use of the concept of dualism will create only confusion and will not help to explain the problems.¹¹

Admittedly, there are writers such as J. Mackie, who argue that Boeke's theory of dualism is not only basically wrong, but that it actually forms an obstacle in understanding the workings of the Indonesian economy (Mackie 1980:295). I disagree with such arguments. My view is that Boeke's ideas are extremely helpful to Indonesian researchers as they will be made aware that neoclassical Western economic theory offers insufficient analysis of problems in Indonesia's dualistic economy. Nevertheless, it is true that Boeke's idea does not represent a complete alternative theory to this either. Even now, the economic theory that is founded on the Indonesian state ideology Pancasila and Article 33 of the Indonesian constitution, has yet to offer a solution for Indonesia's inequitable and unjust economy.

Analysis reveals that the economy of Riau is without a doubt dualistic, inequitable and unjust. Thus, a sympathetic attitude to a dualistic theory like that offered by Boeke forms a true and fair approach. By acknowledging that the economy of Riau is dualistic and divided into a three-strata system as explained earlier, we are forced to avoid using a single method of approach. In order to understand the economy of Indonesia, and of Riau in particular, there is a need to espouse two or three methods simultaneously, namely: the rational economy (neoclassical) approach for the modern sector; the socioeconomic approach for the semi-modern and in-transition sectors; and the sociocultural approach for the aboriginal

¹¹ See Dick 1980.

peoples' sector. When opting for these three economic strata, we set aside ideas of a single solution to the Indonesian economy. The impact of a rational economic policy, which stresses only such measures as efficiency, will in fact only exacerbate economic inequality and social tensions. This is a fact that we ourselves are witnesses to at this moment in time.

Different approaches for dealing with the various strata of the economy are known as transdisciplinary solutions by adherents of this applied theory, be they economists, sociologists, anthropologists or political scientists. Espousal of the transdisciplinary approach by economists means that they are eating humble pie or, more positively, are showing their appreciation for approaches borrowed from the noneconomic social sciences that definitely eschew the use of economic measures in their analyses. All this means that economists who choose to use the transdisciplinary approach must devote some time to studying the methods of their colleagues in the social sciences, which are broadly speaking qualitative. The willingness to use such a qualitative approach is valued by noneconomic social scientists, even though it is frequently ridiculed in conventional economic circles as nonscientific or bearing no resemblance at all to economic analysis. This is what Boeke had to say in his inaugural lecture as Professor of Economics in Leiden in 1930,

'When I defended my dissertation on tropical-colonial economics at this university nearly twenty years ago, Professor Greven raised the objection that the subject of the study was not really economics.

If at that time I had possessed the candor I have now, I should have answered, "the more's the pity for economics." In any case my experience in the intervening years has strengthened my conviction that dualistic economics deserves a place of its own, a place whose limits it will have to determine according to its own needs.' (Boeke 1930:32)¹²

Therefore, risking a fall in the popularity polls in the eyes of the conventional economists, specialists in socioeconomics who adopt the transdisciplinary approach must be consistent and work indefatigably in the field, on their own or in the company of anthropologists, to gather data directly for the various isolated social groups like the Orang Laut in the Riau archipelago.

¹² The original Dutch reads:

'Toen ik, bijna twintig jaar geleden, aan deze universiteit mijn proefschrift over tropisch-koloniale staathuishoudkunde had te verdedigen, voerde de toenmalige hoogleeraar Greven hietegen de bedenking aan, dat het eigenlijk geen economie was, wat dit geschrift behandelde.

Wanneer ik toenmaals de vrijmoedigheid had bezeten, waarover ik thans beschik, ik zou geantwoord hebben "desto schlimmer für die Oekonomie." In elk geval heeft de tusschenliggende ervaring mij versterkt in mijn overtuiging, dat aan de dualistische staathuishoudkunde een eigen plaats toekomt, waarvan zij zelf de grenzen naar eigen behoeften zal hebben te bepalen.'

Conclusion

Undeniably, the government and the people of Riau are in a state of transition that weighs heavily upon them. During the last two to three decades, a small number of citizens who have been engaged in the modern industrial sectors of oil extraction, large-scale plantations and forestry, as well as the high-technology industries of Batam, have made great strides and undergone a process of exceedingly swift economic transformation. However, on the other side of the coin is the traditional economic sector constituting the subsistence economy and that of the aboriginal people's, that has either plunged into stagnation or been uprooted. Admittedly, there is a small section of citizens in the traditional sector and aboriginal groups who have succeeded in fighting against the oppressive forces of globalization. In doing so, they certainly form a small group of skilled and shock-resistant entrepreneurs. However, the majority, who if they have not been dispossessed of their land and livelihood, will be threatened with losing out in the free fight of liberalism that is biased beyond belief.

The progress of the Riau economy into the global market coincides with a process of marginalization that most strongly affects the traditional sectors and the aboriginal people. Faced with such a situation, it is no more than proper to emphasize the danger of the implementation of monolithic economic development strategies and plans that have a marked tendency to set small groups firmly on one side.

Ginadjar Kartasasmita has convincingly suggested a dual strategy to tackle the problems of the dualistic Indonesian economy. He suggested that one strategy be implemented for the strong sector or economic group and a second strategy for the weaker sectors or economic groups (Ginadjar Kartasasmita 1995). There are those who favor the implementation of this dual strategy. However, there are also those who bitterly oppose it. If the goal of development is to build a rounded, dependable, solid and unitary national economy, this will require above all a strategic plan with a goal for unity, which in other words means the eradication of dualism. The most extreme of these views is the one that advocates that there be competition, even if it means that those who are weak or inefficient are cast aside and left behind so that which remains is the healthiest and most efficient. In summary, it is an echo of Darwin's law of the survival of the fittest.

One manifestation of such a view was the success of Indonesia's economic development during the first Long-Term Period of Economic Growth (PJP I), which was based on deregulation policies. This was especially so during the mid-1980s, which ironically was referred to as the period of the 'lost decade' by many other countries. If deregulation was indeed capable of curing the ills of the Indonesian economy and restoring the monetary sector, then this should have been implemented in all sectors of the economy. This would have included what are now designated as the

real sectors comprising industry, agriculture, communications and tourism.

This strategy or twin policy is neither original nor revolutionary. It has been introduced into Indonesia with disappointing results. In the past as it is today, credit has been offered to small businesses with conditions that have been far too relaxed. The consequent problem has been that facilities for small businesses have more often than not been seized upon by larger businesses. This happened to the extent that there is now the understanding that not only are strong groups able to be more empowered, but that there is also a parallel interpretation that these strong groups are better able to grab the rights of small businesses. This has meant that the truly small businesses have not been able to benefit from the credit facilities that are in fact their right.

In studying the conditions that give rise to economic inequality and social tensions, Ginandjar believes that deregulation will undoubtedly raise efficiency, productivity and competition in the Indonesian national economy. However, he has the gravest doubts about whether it can alleviate current economic and social problems, which were referred to explicitly in the Guidelines for the National Development (GBHN) of 1993. Therefore, he suggests a middle way and a compromise. The policy of deregulation has consistently had a strong liberalizing effect on the private sector, and Ginandjar suggests that it should be continued at full speed. However, the local economy sector is weak, backward, and not able to compete, and is gradually being overwhelmed in this enterprise of free competition. Thus, this problem must be rectified by the introduction of a different policy pertinent to this sector of the economy. This will necessarily require the active intervention of the government. Ginandjar believes that this intervention should follow three courses. First, it should be enabled by creating an atmosphere and climate which is supportive. Second, it should be empowered by strengthening and motivating local economies. Third, it should be protected by looking after weak local economies.

The economic inequities and the social tensions that mar the development of the province of Riau are conspicuous. In a similar vein, prominent traits have surfaced in the national development of Indonesia as it nears the end of the first period of the Long-Term Development (PJP I) program and broaches the beginning of its successor (PJP II) (1994-2019) scheme. Should the province of Riau be able to alleviate or at least reduce the increasing clashes of interests in development programs, it will certainly be easier for other provinces to emulate Riau and overcome similar problems.

Globalization and localization are two sides of the same coin for economic, socio-cultural, and social policies that must be implemented in the province of Riau in a balanced, suitable and harmonious way. This is a challenge and an opportunity for policy makers both at the center and in the region to prove themselves.

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