

'Shock Doctrine' in Indonesia in 2005: Disaster Capitalism in Aceh Post-Tsunami

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Abstract

Economy is the most important thing in dealing with problem of individuals, groups, and even a country to meet unlimited needs based on honesty, in accordance with business ethics and prioritizing the public interest. The most 'loved' economic system is the capitalist economic system. Capitalists tend to be more principled with economic growth than equality. Even when natural disasters occur, there are some elements who take advantage of the post-disaster conditions. This is called Disaster Capitalism. This research analyzes disaster capitalism occurred in Aceh. This paper uses a descriptive analysis method with library research as a data collection technique. Data collection is analyzed with historical social approach focused to the process of tsunami 2004 and post-tsunami 2005 in Aceh. The result is found that there are some people who 'exploited' post-tsunami situation in Aceh, namely transfer of land ownership with the aim of converting oil palm land on the export market. This project is carried out by Artha Graha Group and its new conglomerate. The solution is from within a country itself. Making the community united and high I solidarity will prevent capitalists from 'roaming' into a disaster.

Key words: *Aceh, Disaster Capitalism, Economy, Post-tsunami, Shock Doctrine.*

Abstrak

Ekonomi adalah hal terpenting dalam menangani masalah individu, kelompok, bahkan negara untuk memenuhi kebutuhan yang tidak terbatas berdasarkan kejujuran, sesuai dengan etika bisnis dan mengedepankan kepentingan umum. Sistem ekonomi yang paling 'dicintai' adalah sistem ekonomi kapitalis.

Kapitalis cenderung lebih berprinsip pada pertumbuhan ekonomi daripada kesetaraan. Bahkan pada saat bencana alam terjadi, ada beberapa elemen yang memanfaatkan kondisi pascabencana. Ini disebut Kapitalisme Bencana. Penelitian ini menganalisis bencana kapitalisme yang terjadi di Aceh. Makalah ini menggunakan metode analisis deskriptif dengan studi pustaka sebagai teknik pengumpulan datanya. Pengumpulan data dianalisis dengan pendekatan sosial historis yang difokuskan pada proses tsunami 2004 dan pasca tsunami 2005 di Aceh. Hasilnya ditemukan adanya beberapa orang yang 'mengeksplotasi' situasi pascatsunami di Aceh, yaitu pengalihan kepemilikan tanah dengan tujuan mengkonversi anak kelapa sawit di pasar ekspor. Proyek ini dikerjakan oleh Grup Artha Graha dan konglomerat barunya. Solusinya dari dalam negara itu sendiri. Menyatukan komunitas dan solidaritas yang tinggi akan mencegah kapitalis dari 'berkeliraran' menjadi bencana.

Kata kunci: Aceh, Kapitalisme Bencana, Ekonomi, Pasca Tsunami, Shock Doctrine.

INTRODUCTION

The *Shock Doctrine* by Naomi Klein binds history, economy, globalization, natural disaster and geopolitics into a grim picture. The *Shock Doctrine* is a basic assumption of capitalism and this is what is considered to have no "conscience". Because, there are some people who take advantage behind post-disaster conditions (Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, 2007). Some main points related to shock doctrine are expansion of capitalism in neoliberalist, emergence of disaster capitalism and finally failure of free markets

and neoliberalism. Capitalism is presumed (Mark, 2009) as corporate greed for maximizing profits through seizure of assets and market utilization of workers and consumer in free market area. It supports neoliberalism movement, which is economic theory needed about the granting of freedom gained by individuals and entrepreneurial skills in relations to those related to free trade (David, 2005).

Neoliberalisation has base target as followed deregulation, privatization, and spending public (Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, 2007). Those three goals are very affected

to control of state by owners of capital. Poor people who do not have ownership rights will face the ruling elite corporation. A monetarist economist and Nobel prize winner in economics, Milton Friedman, is a person who always thinks that by campaigning ideas he has about capitalism system and the government is not allowed to take care of individuals in it as well as economics. Friedman also believes that crisis is a right condition in increasing new ways to politic and economic aspects where government must release interference in the economic field. Market must be free without government's interference. Because, it only causes inefficiencies not only in value but also economic process that cannot develop in a sustainable manner. Further, Friedman also said economy never happened without composing an unsettling system, whether it is a natural crisis created something similar. The effect, capitalism even unleashes the opportunistic side of humanity through the exploitation of profits by the ruling elite against disadvantaged people (Robert, 2012).

How the shock doctrine theory worked? It began with education. Followers of free markets theory were Friedman students (Chicago

Boys) from University of Chicago. Considering that Friedman was also a professor at the University of Chicago, a place where he developed many free market theories. The origin of 'disaster capitalism' in America emerged in the 1970s with Chile as the first country to implement an economic 'shock doctrine'. For more than 3 decades, Friedman and his followers had perfected this strategy: waited for a major crisis, then sold pieces of the state to private players while citizens stagger from surprise, then quickly made permanent 'reforms'. These were the point where the two types of shock become closely related. First, surprise for the country, which would confuse the population into a situation where it was unable to prevent change. Economic reforms such as cutting government spending and selling public goods were put in place immediately. Second, torture. Population segments that were not in accordance with the new order of individualistic free market capitalism, will disappear, be tortured by the Pinochet regime. Augusto Pinochet is the president ad dictator of Chile. He served as the 29th president of Chile in 1974-1990. During his reign, he was charged with committing human rights violations by killing 3197

and torturing around 35000 people. He still served as Chile's military commander until 1998 and died in 2006 without being tried on charges. (Utomo, n.d.).

Capitalism and neoliberalism which hitched a ride on shock therapy to progress, eventually led to a humanitarian disaster. That means, those two principles play an important role in conducting shock therapy, yet the facts inappropriate which had intended to advance the world instead destroy it. In thesis (Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, 2007) shock doctrine is way how a country firstly shocked by wars, terror attacks, indignity, and natural disaster; secondly by corporates and politicians that exploits fear and disorientation from the first shock to reap economic benefits; and thirdly by polices and interrogators if there is rejection of second shock. In other word, shock doctrine is a theory aims to practice those principles of a free market economy whose policy implementation must occur immediately after national shock therapy, one of which is the existence of disaster capitalism.

Sri Lanka, for instance where industry changes through foreign investment and privatization were stronger when there were

projects to improve tsunami affected areas. Foreign companies in charge of tourism, development and privatization of country's electricity and water companies control country's economic sector. According to Sri Lankan humanitarian activist, this is a matter of "second tsunami crisis" due to the dominance of beaches and other marine wealth by foreign companies that have support from Sri Lankan military (Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, 2007). This is called as disaster capitalism, namely privatization and securitization of interests in operating shock doctrine and taking advantage of therapy (Mark, 2009).

Disaster capitalism that was originally presumed to be able to cause new problems for countries affected by disasters because of its base is based on foreign debt. Even though the country experienced a very destructive disaster, as a 'savior', IMF and World Bank provided emergency financial assistance. Emergency Aid in this context is not in the form of grants, but in debt. World Bank provides aids accompanied by "terms and conditions apply", like privatization economic sector they presume it will be profitable and energy cuts

in health and education subsidies in assumptions imposed on state budget (APBN). If it does not have profitable wealth resources, the 'world savior' organization will not help a country. This principle is also often used to 'help' troubled countries. Just as some projects are accommodated by debt rather than restoring small people's economy like a fisherman, some development projects accommodated tend to prioritize the reconstruction of tourism and fisheries industry sector then, make farmers marginalized.

This is appropriate with economic capitalist system according to Milton Friedman on his book "*Capitalism and Freedom*", said :

"The capitalist economic system is influenced by getting the maximum benefit with limited resources. This capitalist endeavor is supported by values of freedom to comply unlimited needs."

The capitalism side is very visible from the egoism side, freely accumulating personal wealth, increasing and spending it (Baswir, 2009).

How about human and natural disaster occurred in Indonesia? In Indonesia, the emergence of capitalist system caused by the emergence of misused foreign

capital, namely by transfer of Indonesia's wealth by a nation other than Indonesia. Emerging capitalism is also caused existing social layers (Malaka, 2008). Despite differences from Europe, capitalism in Indonesia has always been based on capital ownership, it causes disparity in social classes. At the beginning of its independence, Indonesia's economic system was not as different as in colonial times. Capitalist system applied often experiences irregularities and changes at time. Thus, Indonesian's economic system was bad and apprehensive. Plus, President Soekarno had not been able to implement an advance economic system for Indonesia at that time.

Shock doctrine therapy happened since 1965 for declaring neoliberalism flag in Indonesia (Hatley, 2012). When New Order began (1965), the first shock was waged through a military coup against Soekarno government with various mass killings. In this case, the government was supported by the Berkeley Mafia and loan recovery funds from IGGI (Intergovernmental Group on Indonesia) to overcome this problem. During New Order (1998), President Soeharto replaced economic system in Indonesia by

bringing up and improving capitalist system arbitrarily, by deregulation, privatization and elimination of social security promoted in the name of Reformation. Reformation, which is 'said' was an alternative way for New Order, had actually become a penetration and expansion and economic interests both from within and outside Indonesia. Not only that, Soeharto's era government also paid attention to social hierarchy and political power (Baswir, 2009). In New Order era, wealthy was not used well, as disregard of people's aspirations by authorities in social, political, or economic fields. General Soeharto was a figure of president with power like a king with his dictatorial system for about 1/3 century. The differences in beliefs and opinions with system established by him, it would be removed target, even though he was a friend.

According to Klein, the driving issue that created the rift of differing perceptions is the advent of neoliberal capitalism, specifically the continuously deregulated one within an international anarchic system (Rahmani, 2018). It is as Klein said in her book that she wrote about shock and how countries are shocked by wars, terror attacks, coups d'état and natural disasters.

Then, they are shocked again by corporations and politicians who exploit the fear and disorientation of the first shock to push through economic shock therapy. Those who dare to resist this shock politics, if it is necessary will be shocked for a third time by police and prison interrogators (Klein, *The Shock Doctrine : The Rise of Disaster Capitalism*, 2007).

The climax occurred in 2004 after tsunami surged Aceh, private sectors controlled devastated development region. Every capitalist really likes areas devastated by disasters. At that time, there were no more trees and buildings that stood tall in Aceh. Every capitalists's perspective, empty land is a beauty (Blank is beautiful). It is considered more efficient in construction for new business. It is obvious that fundamentalist form of capitalism always requires disaster to progress (Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, 2007). The writer of this research describes about disaster capitalism existence gives 'shock doctrine' effect to Indonesian people, especially Aceh, after tsunami 2005 titled "***Shock Doctrine' in Indonesia in 2005: Disaster Capitalism in Aceh Post-Tsunami***".

RESEARCH METHOD

This research uses descriptive analyses method and the writer tries to describe about shock doctrine phenomenon ever been written by an activist, Naomi Klein. The case study used by the writer is to describe a similar phenomenon existed in Indonesia, namely disaster capitalism existed in Aceh post-tsunami (2005).

Data collection techniques used is library research through various information sources, such as books, journals, articles, and relevant news collections. Data collection is analyzed using a historical social approach, where it is focused in 2004 tsunami happened and post-tsunami 2005 in Aceh.

LITERATURE REVIEW

Literature review found by writer related with title of this research. First, thesis by Risky Novialdi (Novialdi, 2016), a Magister International Relations student in Universitas Muhammadiyah Yogyakarta titled *Tsunami Disasters Effect on Increasing Soft Power Diplomacy for Aceh Provincial Government in 2004-2015*. This thesis explains tsunami and earthquake disasters phenomenon in Aceh, includes all “blessings” that were brought. Tsunami disaster has

led Aceh to become a better province in regional governance and also improved its foundation for foreign relations. Through this responsive governance and infrastructure disaster made Aceh be ‘expert’ in disaster management. This ‘expert’ could be shared to all other regions at local and international level. So, finally it can increase soft power diplomacy for Aceh government in establishing cooperation with outside parties.

Second, journal written by Ratih Herningtyan and Surwandono from International Relations major, Universitas Muhammadiyah Yogyakarta titled “*Natural Disaster Diplomacy As Suggestion to Increase International Cooperation*” (Surwandono, 2014). This thesis analyses how disaster issues in Indonesia can be modified into social capital to solve social, political, and socio-cultural problems in disaster prone areas. One of them is disaster that struck Aceh (2004). The result is Indonesia’s disaster management gained worldwide recognition and increased Indonesia’s competitiveness against other countries. It becomes source of Indonesian soft power and used as strategy to build international collaboration and cooperation.

Of both literature reviews show the differences of research title raised by this writer. Both literature reviews used natural disaster in Aceh (2004) as study case and described disaster diplomacy influence at that time. However, the writer of this research more describing the condition after tsunami disaster in Aceh (2005). The result found is there is a 'blessing' obtained by a handful of certain parties who took advantage of post-disaster condition by 'utilizing' situation behind natural disaster, namely tsunami in Aceh (2004).

RESULT AND DISCUSSION

A disaster, both natural disasters, such as conflict and economic crisis, is a new economic event that can bring profits to increase dramatically. The disaster has become a foundation to build a capitalism or neoliberalism economic in area where disasters occur. Disaster capitalism becomes a new economy. Disasters can take many forms, (i.g earthquakes tsunamis).

On December 26, 2004 was something that could never be forgotten for Asian country, because earthquake with approximately strength 9,3 SR hit Indonesia, precisely in western region of northern Sumatera. Tsunami was

the biggest disaster occurred and devastated Aceh region, especially Banda Aceh and Meulaboh, and caused damage to a number of things that were fairly severe. The point was located in the waters of Indian Ocean (255 Km) in the city of Banda Aceh with magnitude 9,2 at the depth of earthquake center 30 Km and wave height reaches 10-12 meters (Mohd. Robi Amri, 2015).

Tsunami happened had destroyed all beach communities in India Ocean area, such as some regions in ASEAN. There are some different survey and data reports about number of died and disappeared victims. According to data in BNPN output book, particularly tsunami in Aceh, number of all victims were approximately about 283.100. Meanwhile, death toll in Indonesia was 108.100 and 127.700 people lost (Hirokazu Iemura, 2006). In another report from World Health Organization (WHO) shows about 500.000 people got injured (www.who.int).

Among other developing countries, Aceh is categorized as having the most damage and losses from earthquake followed by tsunami. A comprehensive analyses conducted by Indonesian Government team and several

international experts noted that damage and losses caused by tsunami disaster reached Rp 29,2 trillion or around US\$ 3,2 billion. In social sector, damage and losses included housings, educations, health services, and prayer places. For environment around the coast, destruction of various kinds of natural and artificial ecosystems are also a big impact due to the disaster. However, damage most concentrated in tsunami occurred was housing and private sector buildings (<http://siteresources.worldbank.org>).

The widespread coverage of natural disasters has brought aid from various directions, both private and personal, both NGO and central government. However, the national military and/or foreign military which needed to access the affected communities experience obstacles in sending basic humanitarian assistance due to the large scale of damage. Things must be focused besides issues of coordination and ability to handle humanitarian emergence response are steps and efforts in channeling aid and development that are fairly close to complex power relations formed due to the national political situation and affected regions. Nevertheless, the facts is only a

fraction on systematic efforts that have been made in examining role of dynamics of political patterns that affect humanitarian aid and reconstruction in areas affected by disaster (Couldrey, 2005). Even supported by some kinds of meeting and public statements about interagency corporation, it is still hard to find dealt definition about right 'recovery'. It is proven when Aceh provided reference that when involvement of large number of external organizations was involved, the relief and reconstruction process was a problem.

Inside the book of Naomi Klein, *The Shock Doctrine*, focuses to cynical and opportunistic behavior often participates in post-conflict and post-disaster reconstruction processes. In a strong argument, Klein assumes that government and corporate interests exploit conditions that create social trauma or doctrine of shock for large-scale local people to reap political and/or economic benefits, and trigger conflicts (Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, 2007). The reconstruction of natural disasters and these disasters have become a very big and profitable business. Some companies will succeed if there is a disaster (war or natural disaster, such as a tsunami),

and they will damage the disaster if it does not occur. As such, there are clearly a number of cases where aid provide for development and emergency relief has been manipulated to achieve goals, such as social, economic and political. This is what came to be called disaster capitalism.

The results of an assessment from one of the world rescue organizations, namely World Bank in the early months after tsunami in Aceh 2004 and early 2005, stated that there was a transfer of agricultural land in Aceh to cash crops, or what is known as the 'cash crop' of the World Bank assumes not too productive of food crop in improving the economy of the small people in Aceh who work as farmers. It is clear that the idea proposed is none other than to convert oil palm land into the export market. Likewise around the beginning of January (2005), the discussion was about the Artha Graha Group project to build city of Meulaboh designed like City of Shanghai. In this regard, the Artha Graha Group and its accomplices, namely its new conglomerate, a number of Indonesian National Army (TNI) officers and international banks were quick to see disaster in Aceh as a great opportunity in

developing business (Indonesia R. N., 2005). This is related with what George Aditjondro (GA) delivered. He is a social-political observer in an interview with Juliani Wahyana via Radio Netherlands Indonesia broadcast on February 2, 2005.

On the interview, GA said that when tsunami occurred, it was very obvious that there were military actions in emergency, rescue and recovery or rehabilitation processes. It means, in apart from mountainous areas, there was still a shootout between TNI and Nangroe Aceh Army, even Aceh region was seized by soldiers around 2/3 (two-thirds). Those armies were tasked with clearing for the largest military business in Indonesia, the Artha Graha Group under direction of Tommy Winata. GA added that tsunami occurred and additional troops sent to Aceh under protected or disguised as humanity project, as well as having a combat function against GAM and while opening the path termed that they did clearing for Artha Graha centered in Meulaboh area (Indonesia R. N., 2005). In one of media published by Artha Group, *Tiras* magazine, illustrates the reach of area towards some of their very broad posts. Meanwhile, followers of the Artha Graha company that contribute

to the recovery of Aceh region is a phase towards construction. Artha Graha Group is a company which distributed the most aid in Aceh. There is also a group of Chinese businessmen and military businesses who are 'participating' in various businesses in Southeast Asia. As well as Media Group supervised by a businessman from Aceh and also a military child, Surya Paloh (Indonesia R. N., 2005). It can be said that those company groups are kind of indigenous bureaucrat capitalist group that used to be a supplier of funds for Golkar or even still going, they are Kalla and Bukaka Group owned by Jusuf Kalla (Indonesia R. N., 2005). The last is Bakrie Group, that still so mastered oil palm plantations on island of Sumatera through PT. Bakrie Sumatera Plantation. There are allegations that they want to expand control of oil palm commodities to Aceh (Indonesia R. N., 2005). Eventually, a disaster that should be completed well, instead create new disaster, especially for Aceh people that exactly got disoriented when policies made unilaterally.

In Indonesia, 2005-2009, around 20-50 million lands hectares owned by poor people were privatized by corporate. More than 100 billion dollar made for

acquisition of farmland covering ± 50 million hectares. The real fact was the palm oil industry, it was obvious how country did land re-organization to 'clean' capital flow in new peasant order. Worse, the land was not cultivated directly, but rather used as land stock giant companies. The Indonesian Palm Oil Commission stated that around 3,3 million hectares of untreated land had been accumulated by company. Sadly, in Indonesia itself was allowed to own more than 100,000 hectares in Indonesia and there were no controls or restrictions on establishment of new companies to obtain additional land. The land tenure system that did not take sides at all to people started from New Order. It was forcing Indonesian people to be graceful and emergence of agrarian problems had been inherited by New Order. The applicable policies need to be allocated to the businessmen at that time (Agung, 2012). Those who owned more capital had the right to control agricultural land. Meanwhile, for poor people, even though in own town, forced to be marginalized.

The permanent problem of inequality and economic poverty in Indonesia as described above is inseparable from hegemony

of neoliberalism. The monetary crisis that occurred in 1997/1998, neoliberal agendas began to massively enter Indonesia. This can be seen from various memorandums of understanding signed by government and IMF (International Monetary Fund). These economic agendas switched oversight, namely by World Bank, ADB and USAID after the end of IMF involvement (2006) (Baswir, 2009).

CONCLUSION

From the explanation above, it can be concluded that at one point of neoliberalism is capable to provide progress to human being. However, in other side, as a result of human greed, this progress is only enjoyed by few parties, especially the elite owners of capital. A quote from Peter Boettke, that there are no unintended consequences; bad things happen because bad people want it (Looney, 2012). Capitalism that produces its own scope and thinks that 'it is also like people's scope'. Devoid think how fate that victims will face, capitalism enters and develops behind the word 'condolences' for a disaster.

The fact that it does sound sad and adorable. However, it does not necessarily make social movements put an end to such conscience. In

the end, the thing that can bring welfare of country is the strength from within country itself, namely by uniting all strengths and solidarity of people in it. When people are trapped in insistence of capitalism and state regulations that govern it, while people begin to be marginalized and accumulation of capital incessantly moves towards owners of capital, and state's presence as an investment interest and not for welfare of people. Then, unite and fight are ways that must be brave.

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