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The dilemma of natural resources: economic opportunities and challenges post-conflict

Provided in Cooperation with:

International Journal of Energy Economics and Policy (IJEPP)

Reference: Hajad, Vellayati (2021). The dilemma of natural resources: economic opportunities and challenges post-conflict. In: International Journal of Energy Economics and Policy 11 (1), S. 426 - 432.

<https://www.econjournals.com/index.php/ijeep/article/download/10326/5610>.

doi:10.32479/ijeep.10326.

This Version is available at:

<http://hdl.handle.net/11159/8137>

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The Dilemma of Natural Resources: Economic Opportunities and Challenges Post-conflict

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Received: 23 July 2020

Accepted: 29 October 2020

DOI: <https://doi.org/10.32479/ijeep.10326>

ABSTRACT

The aim of this paper is to find out how natural resources are able to strengthen economic recovery after the conflict while at the same time maintaining peace. Natural resources in the form of coal mining are a new arena for former rebels to create greater economic opportunities after the conflict. The objective of the economic sovereignty of the rebels is to preserve the social and political existence of the community that had faded as a result of the peace agreement signed in 2005, which caused the rebels to lose many of the previously owned effects created by the possession of weapons, troops and loyalist support. This study uses a qualitative method with a case study approach in West Aceh, Indonesia, by interviewing former rebels on economic activities before and after the conflict. The conclusion of this study shows that former rebels use limited access to natural resources as an opportunity for economic recovery and making coal mining one of the arenas of a new economic struggle to replace armed struggle.

Keywords: Natural Resources, Coal Mining, Economic Opportunity, Rebels, Post-conflict

JEL Classifications: O13, P28, Q34

1. INTRODUCTION

The distribution of wealth over natural resources plays an important role in the process of transition from war to peace, especially related to negotiations on the distribution of income from natural resources (Zartman, 2005). There are at least two types of distribution, namely inter-company transfers and special sharing schemes between the central government and regional entities (rebels). The existence of natural resources in a country, both renewable and non-renewable, is a potential source of wealth, for example minerals, metals, stones, hydrocarbons, wood, water, natural gas, petroleum, and wildlife (United Nation Environment Programme, 2009). Revenue from natural resources is very important for developing developed countries. These commodities can be sold or leased and finally the country gets a normal profit margin (Collier, 2009).

However, there are also countries with many specific natural resources, such as oil, gas, and valuable minerals, which actually

experience low economic growth compared to other countries that experience scarcity of natural resources (Auty, 2001; Karl, 1997). The explanation for this phenomenon is that natural resources are actually not income, but a country's assets. An example is coal which is part of a country's natural wealth. However, when coal is extracted from land and sold (commercialized), coal is converted into liquid assets (Radon, 2007). Therefore, this transaction is not income but a change (denomination) of assets. Thus, the challenge for developing countries like Indonesia is to try to convert assets sourced from natural resources into long-term development so as not to experience depreciation.

The World Bank show that countries that rely on primary commodity exports, such as agricultural products and natural resources, are highly vulnerable to civil violence (Collier and Hoeffler, 2000). They argue that there is a correlation between conflict and wealth from natural resources that is reinforced by, perhaps, greed or ethnic complaints. For example, the Aceh conflict is widely understood as a conflict caused by unfair exploitation

of Acehnesse resources, struggles over various human rights violations, and struggles to create an independent Acehnesse society (Human Right Watch, 2001; Robinson, 1995; Ross, 2003). However, there is still little writing that explores more deeply how natural resources become the core of the conflict even after the conflict in Aceh has ended (Reid, 2006a). The approach of the political economy is very appropriate for studying the problems of natural resources, this approach focuses on how natural resources are transformed and commodified, so that the benefits and income from these natural resources are distributed specifically to certain people (Bryant and Bailey, 1997) mainly related to livelihoods, resource rights, justice and human rights issues (Peet and Watts, 1996).

The Aceh conflict, which has been triggered by unfair natural resource management, economic inequality, poverty and human rights violations (Ikhsan et al., 2020), ended in 2005 with the signing of a Memorandum of Understanding on Peace. A million related to the reconstruction and rehabilitation of the economy of former rebels and the community were also mentioned in the agreement (Hajad and Ikhsan, 2019). One of them was through the equitable economic distribution of Aceh's natural resources and the availability of jobs for former rebels. These points are set out in The Law on the Governing of Aceh (LoGA) as a framework for effective self-government for Aceh. However, in its implementation, particularly in relation to the mining sector, the attitude of the Government of Aceh is very ambiguous. On the one hand, the Province of Aceh has full authority to take care of all public affairs in accordance with the law, except those related to central government affairs such as foreign policy, defense, security, law, monetary and national taxation, as well as religion (Pemerintah Aceh, 2006). While related to the natural resources management authority, the Aceh Government has the authority to manage its own natural resources including mining, including mineral, coal, geothermal, forestry, agriculture, fisheries and marine, from planning, implementation, management, utilization to supervision of business activities in the form of exploration, production and cultivation. This form of authority of the Aceh Government can be seen from the significantly reduced Mining Business Permit with the aim of protecting forests and preventing illegal exploitation of the area by mining mafias (Suryawan and Aris, 2020).

On the other hand, however, the Government of Aceh can also be missed if there are companies that clandestinely increase the status of mining licenses by changing permits at national level through the Investment Coordinating Board. The dualism of regulations in the management of natural resources, which tends to ignore the local context that has previously been formulated in the LoGA, is actually putting existing peace at risk because it does not give Aceh the priority of justice in the management of natural resources. Recorded since 2006-2012, there are at least 134 mining business licenses issued by the Government of Aceh in 15 counties and cities covering 672,540.27 hectares of mining concessions, although they eventually dropped to 30 mining business licenses in 2019 due to the new Aceh government's mining policies. The policy was adopted because, apparently, there were 4 companies with mining licenses in the forest conservation area and 65 others in the forest protected area.

The policy to reduce mining licenses also essentially aims to protect the future of mining by limiting the exploitation of the natural resources in Aceh today to be managed by the people of Aceh in the future (Hidjaz, 2019). But, unlike the provincial level, local elites at district and city level are using access to natural resources that have now been managed to become a national mining company. At the end of the day, they are trying to get involved in the mining production process, at a minimum, to become subcontractors for various jobs and projects in the mining area. For example, hardening, roads, drainage, forming a partner company for transport and catering services. In essence, local elites at the district level are, by the way, ex-rebels who seek economic benefits from the sector. As was the case in Aceh Barat, there are 13 coal commodity mining business permits and 2 gold mining business permits and one labor contract company.

The interesting thing is that the local elite (rebels), infiltrating and doing a lot of subcontractor work in mining companies, was a former rebel of the Free Aceh Movement, who pleaded, demanded, and pressured the company to employ them in various jobs in the mining area on the grounds that they helped protect the area that was the first to be in conflict. This phenomenon is very interesting to discuss further, because there is still very limited research to explore how natural resources are used as an economic recovery effort by former rebels after the peacetime.

2. LITERATURE REVIEW

A number of studies have been conducted on conflicts caused by natural resources in a country. In general, however, these studies can be divided into two groups, namely the first studies on resource scarcity and conflict, and the second studies on the relationship between resource abundance and conflict. However, the different studies show that there are conflicting findings that are difficult to compare with each other because there is no definite measure of the degree of scarcity, abundance, and depth of conflict. According to experts, natural resources are considered to be capable of contributing to economic growth, employment and fiscal revenue (Fubara et al., 2019). In reality, however, many countries are resource-rich and resource-dependent, characterized in fact by disappointing growth rates, high inequality and widespread poverty, poor governance, and an increased risk of civil violence (Humphreys, 2005; Lujala, 2010).

Natural resource conflicts stem from a long history of resource extraction since the kingdom, colonialism, and the presence of the state, so that the availability of natural resources in any form does not necessarily lead to conflict, greed, and community needs that ultimately shape economic hard politics, often a strategy. The scarcity of resources (renewable natural resources) and abundance of resources (non-renewable resources) can lead to conflict. Scarcity or abundance are at a higher risk of causing violent conflict (Rokhmad, 2020). Although many people see that ownership of natural resources is a curse (scarcity) because a country has abundant natural resources, particularly natural resources that cannot be renewed often lead to sharp economic disparities and uneven distribution of results between the state and indigenous peoples where natural resources are located and

ultimately cause conflict (Auty, 2001; Hauge and Ellingsen, 1998; Homer-Dixon, 1999).

In reality, high-value natural resources, especially those that cannot be renewed, such as oil, gas, and other valuable minerals are often unfairly distributed and when there is an accumulation of distribution to certain ethnic, religious, or groups, and ends up in the inequalities and injustices that cause complaints (Ross, 2003; Sambanis, 2004). For example, Nigeria's mineral-based income is mostly used as capital and the rest is allocated only to producing regions. This certainly raises many complaints from the community whose territory is part of the mining area because the decentralization of income from natural resources should take place as a form of economic sharing that can reduce and prevent inequalities, both during and after conflict (Brosio, 2003). Economic sharing is also an important strategy for the peace process (Ulum et al., 2019). For example, Aceh Indonesia and Sudan are making income sharing a key strategy for peacemaking.

Many researchers have found a positive relationship between resource scarcity and conflict. They suggest that depriving people of their livelihoods leaves them no choice but to fight for survival. Critics of the neo-Malthusian approach argue that there are too many non-environmental variables involved to establish a direct link between population growth and conflict. Scarcity is not necessarily a threat to livelihoods, but an opportunity to be flexible, given adequate means, they argue. The issue has again emerged from the threat of climate change-induced scarcity (Giordano et al., 2005; Le Billon, 2001; Theisen, 2008). However, technological innovation, international trade, and substitution offer solutions to the scarcity of natural resources (Boserup, 1965; Hauge and Ellingsen, 1998; Raleigh and Urdal, 2007).

Moreover, Neo Malthusian theory argues that population growth will further reduce the availability of natural resources, because the population is able to grow faster than food supply in nature, which ultimately triggers competition and conflict. According to Homer-Dixon (1999), the conflict may take the form of three types, namely conflict between states, conflicting group identities, and civil disputes about the rebellion. In the first place, conflicts between states or international conflicts over scarcity of natural resources, especially those that can be renewed, tend to be rare (Homer-Dixon, 1999). Second, scarcity can cause people to start migration and lead to ethnic conflict and competition with indigenous peoples in the area. Third, scarcity often leads to economic deprivation and subsequent conflicts. Fourth, more losses are usually experienced by developing countries when there is scarcity and conflict, because they are not smart enough to allay complaints. Although the current threat of scarcity is also due to climate change (Barnett and Adger, 2007; Reuveny, 2007).

Natural resources have always been an important reason behind the various wars that have taken place in the world, capable of motivating and financing various violent activities (Grayman and Delvecchio, 2009; Keen, 1998; Reid, 2006b; Westing, 1986). Including the reasons given by the rebels for seeking public support. They maintain military and political activity through new

political and economic means (Berdal and Keen, 1997; Kell, 1995; Miller, 2009). The rebels also sometimes become the shadow of a country that is capable of controlling the informal economy when the conflict takes place (Reno, 1998), and in the process, they need a large amount of money to finance armed conflict. The source of these funds is criminal and illegal activities, sometimes in the form of protection rackets for businesses and groups, diversion of aid, abduction and illegal sale of natural resources. If the rebel groups initially used natural resources as a source of funding, after the conflict, natural resources became the objective of maintaining material values, the path was to gain access to valuable resources (Berdal and Malone, 2000; Keen, 1998) and rebel groups view natural resources as opportunities for survival. This paper uses a new mining site and shows that, apart from gold and iron ore, coal directly influenced the rebel movement after the conflict. According to the theory of war on natural resources, on scarce resources, people, including former rebels, will fight each other to secure access to the natural resources needed to survive. The less resources, the more difficult the struggle (Bennett, 1991; Brown, 1977; Homer-Dixon, 1999).

Studies that examine the important role of natural resources for former rebels after the end of the conflict are still limited. To date, various studies have focused only on competing for natural resources during periods of conflict and stopping there. In fact, it turns out for some regions that natural resources have been used as tools by former rebels to survive economically after the conflict, perhaps not by being the owner or leader of a mining company, but by becoming an important actor that has undermined the use of natural resources not for the benefit of the community, but for itself. This paper will discuss the matter in more depth.

3. METHODOLOGY

This research is based on a qualitative method with a case study approach (Craswell, 2014). This approach was chosen because it makes it easier for researchers to see the case of the involvement of former rebels in economic activities, particularly in efforts to manage natural resources that cannot be renewed in the mining sector. The research site is located in West Aceh Regency, Indonesia, with the view that there are a number of mining companies that have begun exploring, exploiting and producing after the conflict in that area has ended.

The presence of a mining company marks a fresh start to the economy after the long conflict and tsunami hit Aceh in 2004. In addition, primary research data was obtained from researchers through observation and interviews with ex-rebels who are now actively involved in mining economic activities, while secondary data was collected through various literature, such as journals and books that are considered appropriate and capable of enriching researchers' insights into the issue under study. A reduction-display-conclusion pattern is then applied to the data obtained. The point is that the data collected will be reduced or eliminated if the data is not in line with the problem under study, then the selected data will be aligned or the data will be displayed so that the data pattern finally forms a good conclusion when drawing conclusions.

4. RESULTS AND DISCUSSION

4.1. Aceh's Conflict

Natural resource problems arise and dominate the conflict phase in Aceh, similar to the conflicts in Nigeria and Papua New Guinea, and conflicts arise as a result of clashes between indigenous peoples and the state on the basis of the struggle for the right of ownership of natural resources. Conflicts are caused by complaints about the lawfulness of natural resources. In accordance with the Law of the Republic of Indonesia, natural resources, such as minerals or other mining products, are under state control and are used for human welfare (International Crisis Group, 2002). That is, the state has full control over natural resources and is strongly influenced by discourse struggles over national interests, national identity, and citizenship in the modern form of a nation state.

In the end, natural resources make both parties, namely the state and the parties involved in the conflict (the state referred to as the rebels) fight to gain access to natural resources. The rebel 's access to natural resources is determined by the following: first, the location of natural resources that will have a significant impact on the duration of the conflict, because if the natural resources are in the actual conflict zone, the duration of the conflict will be doubled. Second, natural resources play a central role in armed civil conflict, because rebel groups have incentives and opportunities that they can personally have (Aspinall, 2007; Collier and Hoefler, 2000; Reuveny, 2007). Thus, when natural resource development is unilaterally regulated at national level, without involving local communities but with legitimate legal legitimacy, it will ultimately lead to inequities and large gaps, because the agenda being implemented does not favor the conditions and interests of the local community or tends to neglect the local economy. So it's not strange when rebel movements take place, such as in Aceh with the Free Aceh Movement, which was set up as a struggle to achieve economic justice for the people of Aceh. If the Aceh conflict was initially triggered by the injustice in oil and gas exports that greatly benefited the country (Jihad, 2000; Schulze, 2003; Sulaiman, 2000). After the conflict, coal, gold and iron ore have become new targets to seize economic opportunities for former rebels.

The long-standing Aceh conflict ended after the 2004 tsunami, which eventually led to the signing of a peace agreement between the Free Aceh Movement and the Indonesian Government in 2005. Prior to the peace period, the political and economic struggle of the conflict continued to be marked by the struggle over natural resources and the battles of discourse, imagination and truth competition over conflict regimes that take place when the subsistence system becomes the subject of discussion and in-depth discussion of the conflict (Peet and Watts, 1996). At the same time, the interests of the people of Aceh continue to be nurtured, re-negotiated and re-articulated (Ballentine and Haufler, 2005; Bertrand, 2004). For example, oil and gas resources in Aceh, which are managed by the Central Government without involving the Government and the people of Aceh, cause complaints and conflict with the expectations and economic justice that Acehese people should have (moral economy).

In other hand, private sector companies engaged in extractive industries such as petroleum, mining and timber play an important role in many conflict zones, as well as ex conflict zones (Collier, 2009; Humphreys, 2005; Le Billon, 2001; Lujala, 2010). Most companies take a neutral stance on civil disputes and deny all political agendas. That happened because the company was aware that their operations in the field could be disrupted including and also had an impact on the global market. Failing to provide support can exacerbate conflict and damage their profits and reputation. As a result, there are increasingly voluntary initiatives, mandatory laws, and corporate legal responsibilities that have been tried to minimize the negative aspects of the behavior of former rebels. The division of wealth between the state and the rebels creates a double economic incentive that is providing direct benefits to all parties, while providing opportunity costs for further conflicts. Distribution of wealth has three functions, namely: one, if a dispute related to the control of natural resources is a source of conflict, then the division of wealth directly overcomes the dispute. Second, the distribution of wealth aims to finance armed groups if natural resources are used to finance the initiation and preservation of conflict. Third, the distribution of wealth can form a new government and ensure a rapid economic recovery.

Although the problem of injustice in the management of natural resources has not yet been resolved, the conflict has escalated again after numerous human rights violations committed by the Indonesian army, which in turn further fueled the hatred of the Aceh people towards Indonesia and increased support for the Free Aceh Movement rebels. As a result, the Aceh conflict that had previously been articulated to establish an Islamic government with broad regional autonomy has turned into a conflict that has been articulated as a struggle over natural resources, namely the creation of justice and a desire to build an independent state. In fact, there is a community assumption that the separation from Indonesia is a must, because Indonesia is considered economically unfair and also violates human rights (Saptomo, 2019). Even though this upheaval movement must finally end in 2005 after the peace agreement was signed. The reason for peace was because the rebels were tired of the war, the lack of support, the devastation caused by the tsunami.

4.2. After Conflict

After the end of the conflict, the economic aspect played a more important role than many had imagined, especially in Aceh. Various differences in economic problems tend to be more easily resolved or reconciled because they can be quantified and shared between countries, companies and communities. For example, conflicts relating to the control of coal mines, markets and other economic infrastructure can be resolved easily provided that the economic needs of the community are met. This is certainly different if the conflict is caused by identity problems such as an emotionally demanded ethnic conflict. For example, there are several mining companies operating in West Aceh Regency, such as gold, iron ore and coal mines. One of the biggest ones is PT. Mifa Brothers who have been exploring the coal industry since 2012.

The extractive industries are central to the sharing of wealth. They negotiate with governments on the basis of costs and

risks, return on investment and profit margins. Wealth sharing between companies and governments takes place in accordance with contractual obligations. Some argue that income from natural resources must first be centralized before it is distributed. Centralization may be the only feasible option in small or fragile states. There are 13 holders of coal mining permits in West Aceh, 2 gold mineral IUPs, and one contract of employment (KK) company (Figures 1 and 2). Of the 13 companies, four are entering the production phase, namely PT Mifa Brothers, PT Indonesia

Pasifik Energy, PT Agra Budi and PT Bara Adipritama. The area currently has coal reserves of 700 million tons, with low-calorie coal of around 3,000 kcal/kg. In fact, of the total, 430 million tons are in the PT Mifa and Brothers mining area and the remaining 190 million tons are in the PT Indonesia Pacific Energy area.

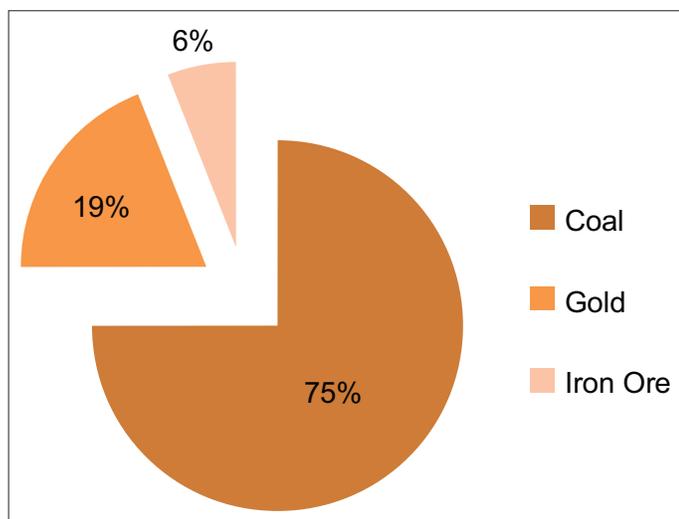
Former rebels, GAM fighters, used the extensive mining potential in West Aceh to gain economic opportunities. The strategy adopted is to put pressure on mining companies through demonstrations on environmental issues or the issue of openness in the recruitment system. One of the biggest demonstrations in the West Aceh mining area is a demonstration by FORKAB (Citizen’s Communication Forum) or better known as an organization of former combatants surrendered. Forkab itself was established in 2006 and is a forum for the gathering of former rebel who had surrendered during the Aceh conflict (before the peace period).

The President of FORKAB (2015-2020), Maturizi said, “There was a lot of work after the conflict opened a garage in front of the house, it had the opportunity for the first FORKAB organization because the organization had the time to get certification money for up to 70 people in West Aceh, many others who had joined the MIFA so far.” Indeed, the demand of the former rebels is the availability of jobs by the mining company MIFA and Brothers, despite hiding behind environmental issues. Thus, when demands are met, employment is made available by becoming a security officer or other subcontracted work, conflicts and various demonstrations end. In addition to work, there are also conflicts between communities and mining companies which are caused by purely environmental problems, discrimination, the refusal of indigenous peoples to use mines, the revocation of mining permits and illegal exploitation by mining companies.

Based on the data compiled by the Forum for the Human Environment or WALHI Aceh (2009-2014), after peace in Aceh, mining conflicts reappeared throughout Aceh. Mining, with all its charms, will remain the root of the conflict if it is not properly managed and the results of the mine are fairly distributed (Table 1).

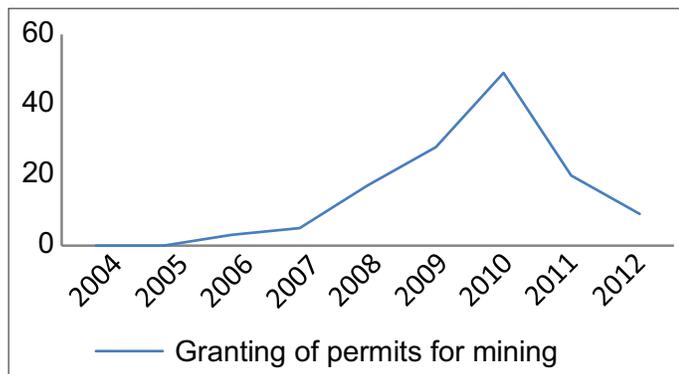
Another example in Aceh Barat is illegal gold mining, where the government and the police have repeatedly promised to stop illegal mining. Miners, however, do not care and continue to mine, while most local residents do not receive any benefits, except for the adverse effects of mining. “We’re not brave, all of them have strength and power, while we, the small community, have nothing if we can fight the company.” As a result, farmers who were

Figure 1: Concession of West Aceh Mineral and Coal Mining 2014-2019



Source: GERAK Aceh 2014

Figure 2: Granting permit for mining



Source: GERAK Aceh (2013)

Table 1: Aceh mining conflict data (2009-2014)

No	Period	Location	Company	Conflict
1.	May-11	Aceh Selatan	Pasir Besi	Environmental damages
2.	Jun-11	Aceh Barat	Jaya Aceh Mining	Environmental damages
3.	Sep-11	Aceh Selatan	PT. Pinang Sejati Utama	Discrimination
4.	Oct-11	Banda Aceh	PT. Songo Warga	Revocation of the mining permit
5.	Oct-11	Aceh Besar	Tambang Galian C	Residents are rejecting the mine
6.	Dec-11	Aceh Besar	PT. Bina Meukuta Alam	Environmental damages
7.	May-12	Aceh Besar	Tambang Biji Besi	Residents are rejecting the mine
8.	Sep-12	Aceh Timur	PT. Triangle Pase Inc	Illegal exploitation
9.	Oct-12	Aceh Barat	PT. Cipta Kridatama and PT. Mifa Bersaudara	Demanding Jobs

Source: WALHI Aceh 2014

eventually evicted because their agricultural land or plantations had been damaged by insane mining activities in the Sungai Mas and Pante Ceureumen districts of West Aceh. The majority of miners are not local residents, they are miners coming from outside, both former rebels of the Free Aceh Movement (GAM), the Indonesian National Army (TNI) and the police.

Specifically, by controlling natural resources, rebels have used resource leases to provide political leaders with the classic way to stay in power by forming regimes organized through patronage systems that value followers and punish opponents. Institutional arrangements and client networks related to the resource sector are thus shaping power policy. Such a regime could break away from the need for legitimacy of the people. Privatization by privatization, which generates many more important benefits and can reduce the risk of domestic political competition, ultimately results in a wealth and power gap between the authorities and those under control as part of the subsequent political change. Broadly speaking, the struggles of the former rebels have shifted from armed struggle to economic struggle. And when talking about economic opportunities in terms of natural resources, ex-rebels use their access to natural resources and existing human resources, a group of former rebels, to pressure private companies to provide them with jobs either by becoming field workers, security officers, food partners and cleaning services to become sub-contractors in companies that help them.

5. CONCLUSIONS

Conflict arises as a result of clashes between indigenous peoples and the state, based on the struggle for the right of ownership of natural resources. The conflict in Aceh was also caused by the seizure of natural resources and ended as a result of the 2004 tsunami marked by the signing of a peace agreement in 2005. Natural resources play a central role in armed civil conflict because rebel groups have the incentives and opportunities that they can personally have. So it's not strange that rebel movements take place, such as in Aceh with the Free Aceh Movement, which was formed as a struggle to achieve economic justice for the people of Aceh. If the Aceh conflict was initially triggered by injustices in oil and gas exports that were very beneficial to the country, coal, gold and iron ore became new targets after the conflict.

After the conflict, the economic aspect played a more important role than many had imagined, particularly in Aceh, where coal, gold and iron ore had become new targets to seize economic opportunities for former rebels. For example, several mining companies have been operating in Regency West Aceh, which is now the extractive industry at the heart of wealth distribution. In West Aceh, there are 13 holders of coal mining permits. As many former rebels understand, the results of natural resources in the form of profits from mining must first be distributed to communities around the mining site, in particular to former rebels who had previously controlled the area.

Centralization and accumulation of wealth from natural resources is what former rebels did after the conflict, using limited access to natural resources as an opportunity for economic recovery, and making coal mining one of the arenas of a new economic struggle

to replace armed struggle. In other words, former rebels are using existing mining potential to gain economic opportunities for their personal and group interests. Their strategy is to approach, influence and even put pressure on mining companies through accusations of environmental pollution. Although the availability of jobs as an economic interest is a hidden agenda. Accessibility of this way of working, for example, by becoming a security officer or subcontractor under the supervision of a mining company.

6. ACKNOWLEDGMENTS

I would like to thank the Indonesia Endowment Fund for Education (LPDP) for funding this research and Universitas Teuku Umar for supporting the study.

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