



Kent Academic Repository

Halldorsson, Jon Ormur (1991) *State, class and regime in Indonesia : structural impediments to democratisation*. Doctor of Philosophy (PhD) thesis, University of Kent.

Downloaded from

<https://kar.kent.ac.uk/86114/> The University of Kent's Academic Repository KAR

The version of record is available from

<https://doi.org/10.22024/UniKent/01.02.86114>

This document version

UNSPECIFIED

DOI for this version

Licence for this version

CC BY-NC-ND (Attribution-NonCommercial-NoDerivatives)

Additional information

This thesis has been digitised by EThOS, the British Library digitisation service, for purposes of preservation and dissemination. It was uploaded to KAR on 09 February 2021 in order to hold its content and record within University of Kent systems. It is available Open Access using a Creative Commons Attribution, Non-commercial, No Derivatives (<https://creativecommons.org/licenses/by-nc-nd/4.0/>) licence so that the thesis and its author, can benefit from opportunities for increased readership and citation. This was done in line with University of Kent policies (<https://www.kent.ac.uk/is/strategy/docs/Kent%20Open%20Access%20policy.pdf>). If y...

Versions of research works

Versions of Record

If this version is the version of record, it is the same as the published version available on the publisher's web site. Cite as the published version.

Author Accepted Manuscripts

If this document is identified as the Author Accepted Manuscript it is the version after peer review but before type setting, copy editing or publisher branding. Cite as Surname, Initial. (Year) 'Title of article'. To be published in *Title of Journal*, Volume and issue numbers [peer-reviewed accepted version]. Available at: DOI or URL (Accessed: date).

Enquiries

If you have questions about this document contact ResearchSupport@kent.ac.uk. Please include the URL of the record in KAR. If you believe that your, or a third party's rights have been compromised through this document please see our [Take Down policy](https://www.kent.ac.uk/guides/kar-the-kent-academic-repository#policies) (available from <https://www.kent.ac.uk/guides/kar-the-kent-academic-repository#policies>).

**STATE, CLASS AND REGIME IN INDONESIA:
STRUCTURAL IMPEDIMENTS TO DEMOCRATISATION**

JON ORMUR HALLDORSSON

**PH.D. THESIS
UNIVERSITY OF KENT AT CANTERBURY**

STATE, CLASS AND REGIME IN INDONESIA:
STRUCTURAL IMPEDIMENTS TO DEMOCRATISATION

A Dissertation Presented to the
Centre of South-East Asian Studies,
University of Kent at Canterbury
in Candidacy for the Degree of
Doctor of Philosophy

by

Jon Ormur Halldorsson

June 1991

TABLE OF CONTENTS

Glossary of Indonesian terms and abbreviations	
Abstract	
Acknowledgements	
Introduction	1
Chapter 1 Approaches to the Indonesian State	5
Chapter 2 Dominant Classes	37
Chapter 3 The Post-Colonial State in Indonesia	52
Chapter 4 The Indigenous Bourgeoisie	61
Chapter 5 Rise of the Military	79
Chapter 6 Origins of an Armed Bourgeoisie	95
Chapter 7 Establishment of the New Order State	104
Chapter 8 Early New Order Politics	147
Chapter 9 The Presidency, the Ruling Group and the Patronage System	171
Chapter 10 State and Regime in the 1970s	196
Chapter 11 Transformation of State, Class and Regime, the 1980s	230
Chapter 12 The Emerging Capitalist Class	268
Chapter 13 A New Middle Class	304
Chapter 14 Islam, Class and State	322
Conclusions - State, Class, Regime and the Question of Democracy	334
Bibliography	1-20

Glossary of Indonesian Terms and Abbreviations:

- abangan refers to nominal, syncretist Muslims, mostly Javanese, influenced by Hindu culture.
- ABRI (Angkatan Bersenjata Republik Indonesia): The Indonesian Armed Forces.
- ASPRI (Asisten Pribadi): Personal Assistant, refers to officers who formed a group of advisers to President Suharto during the early New Order period.
- BAKIN (Badan Kordinasi Intelijen Negara): The Indonesian State Intelligence Co-ordinating Agency.
- BAPPENAS (Badan Perencanaan Pembangunan Nasional): The National Development Planning Board of Indonesia.
- benteng "fortress", refers to the 1950s policy of protecting pribumi importers.
- BULOG (Badan Urusan Logistik Nasional): The State Logistics Agency that purchases and sells basic foodstuffs, such as rice, to stabilise their prices.
- cukong "master" in Hokkien. A pejorative term for wealthy Chinese businessmen, particularly the main clients of the Indonesian military and bureaucracy.
- DPR (Dewan Perwakilan Rakyat): "People's Representative Council", Indonesia's Parliament.
- Drs. "Doktorandus", prefixed as a title, a Dutch educational degree, roughly equal to an M.A.
- Dwi-Fungsi "Dual Function", the dual role of the Indonesian military as a defence force and as an organisation with social and political rights and responsibilities.
- GBHN (Garis Besar Haluan Negara): "Broad Guidelines of State Policy", the five year policy statement of the government passed by the MPR.
- GESTAPU (Gerakan September Tiga Puluh): "The September 30 Movement", refers to the abortive coup attempt by military officers in 1965 that prompted Suharto's assumption of power.

- GOLKAR (Golongan Karya): "Functional Group", the political party of the Indonesian regime, bureaucracy and military.
- HIPMI (Himpunan Pengusaha Muda Indonesia): The Young Entrepreneurs' Association of Indonesia.
- INPRES (Instruksi Presiden): "Presidential Instruction", an extra budgetary device for government expenditure.
- KADIN (Kamar Dagang dan Industri): The Indonesian Chamber of Commerce.
- kiyayi Islamic scholar.
- KOPKAMTIB (Komando Operasi Pemulihan Keamanan dan Ketertiban): "Operations Command for Restoration of Order and Security", the powerful and unconstrained military and intelligence organisation underpinning the New Order.
- KOSGORO (Koperasi Serba Usaha Gotong Royong): The military controlled "Mutual Aid Cooperative".
- KOSTRAD (Komando Cadangan Strategis Angkatan Darat): "Army Strategic Reserve Command", the army unit commanded by Suharto in 1965, strategically crucial for control of Jakarta.
- kretek clove, used in popular cigarettes.
- Malari (Malapetaka Limabelas Januari): "January 15th Disaster", the anti-Japanese riots in Jakarta of January 1974.
- Masyumi (Majelis Syuro Muslimin Indonesia): Modernist Muslim party, influential in the 1950s, later banned by successive regimes.
- MPR (Majelis Permusyawaratan Rakyat): "People's Consultative Assembly". Constitutionally the highest authority of the Indonesian state, elects the President, passes the GBHN, consists of all DPR members and Presidential appointees
- NU (Nahdatul Ulama): "The Union of Muslim Scholars". Traditionalist Muslim organisation, the largest organisation of any kind in Indonesia, an influential political party until its incorporation into PPP in 1974.

- Pancasila "Five principles". The proclaimed ideological basis for successive Indonesian regimes since independence.
- PDI (Partai Demokrasi Indonesia): "Indonesian Democratic Party". The smaller "opposition" party, created by amalgamation of diverse nationalistic and Christian parties.
- peranakan Assimilated, Indonesian speaking Chinese.
- Pertamina (Pertambangan Minyak dan Gas Bumi Nasional): The Indonesian state owned oil and gas monopoly.
- PKI (Partai Komunis Indonesia): "The Communist Party of Indonesia", banned since 1966.
- PNI (Partai Nasionalis Indonesia): "Indonesian Nationalist Party", party of Sukarno, influential in the 1950s, merged into PDI in 1974.
- PPP (Partai Persatuan Pembangunan): "United Development Party", originally Muslim party created by mergers in 1974, later non-denominational, larger of the two "opposition" parties.
- pribumi Indigenous Indonesian, most often used as contrast with Chinese Indonesian.
- priyayi Javanese nobility or elite, the indigenous bureaucracy of the colonial and pre-colonial governments.
- santri Orthodox Muslims, traditionalist and modernist, contrasted with the syncretist abangan.
- yayasan "Foundation". Legally constituted as charitable foundations, the yayasans are controlled by leading military and political figures and used as holding companies. Highly important in the 1970s, less so in recent years.

Note:

The Indonesian custom of referring to individuals by their given names rather than their family name is followed in the text. In the bibliography, however, Indonesian individuals are listed under their surnames.

Most of the Indonesian Chinese business tycoons discussed in the text have adopted Indonesian names. These names are used in the text, usually both family name and first name, except when the individuals concerned are more commonly known by their Chinese names.

Abstract

The concern behind the thesis is with the potential for democratisation of Indonesian politics. It is shown that the undemocratic form government has taken in Indonesia has not been determined by a cultural predisposition but is the logical outcome of politics of access to economic resources. Political history of Indonesia is interpreted through theorisation structured around three concepts, state, regime and class. The state is understood as the site of economic conflict as well as an integrating principle. Its role in structuring the interests it represents is given attention. A difficult problem in identification and understanding of the interests promoted by the state is overcome through theoretical separation of regime from state. It is shown that the state is not an entity with a life of its own, nor has it been an instrument of any class. Moreover, the state has not been under military control in recent years, nor furthered military interests in politics or business. This, as well as the continued centrality of the state, is explained through analysis of imperatives generated by economic forces and the evolving class configuration at the top of society. The business interests of a ruling group are mapped out in some detail, and so is the interlinking between these and the Chinese owned conglomerates dominating the economy. It is shown that these interests, advanced by monopoly access to the state, have now transformed the state to a much greater degree than did the assumed watershed events of past decades. The political and economic imperatives generated by the interests represented by the Suharto and Chinese owned conglomerates, and companies under their umbrellas, provide a framework of constraints and opportunities with regard to democratisation. This is understood through focus on the politics of gradual elite inclusion in an exclusionary system constituted by dominant economic interests, now increasingly privatised, but still dependent on privileged access to the state.

ACKNOWLEDGEMENTS

I am greatly indebted to a number of people for generous help extended to me with this venture. I am grateful for a single meeting with Prof. Herb Feith, which removed a difficult problem and another short meeting, early on, with dr. Mochtar Mas'oe'd, which put me on a track I was to follow. I am equally indebted to Marsilam Simandjuntak for offering important insights in a single meeting. Further thanks go to Fachry Ali, Prof. Yuwono Sudarsono, dr. Salim Said, Adi Sasono and dr. David Reeve for helpful advice. I wish to thank Max Lane for his illuminating advice and dr. Dorojatun Kuntjoro-Jakti for his help, generosity with his limited time and the wealth of data made available to me through his earlier work. Encouragement and advice from dr. Arief Budiman at a few short meetings was also of lasting importance, and so was pertinent and thoughtful advice from Aswab Mahasin. I am particularly indebted to Liem Soei Liong (not to be confused with his namesake frequently mentioned in this thesis) who generously gave me of his insights, his enthusiasm and his wealth of information. Special thanks for hospitality and friendship go to Irawan, an Indonesian business man very different from those focused on in this thesis, whose concerns and motives offered optimism where it was most

needed. Thanks go to Prof. Chandran Jesshurun for arranging my valuable stay at ISEAS in Singapore, and to the board of the Icelandic Science Council for supporting my research in Indonesia. Lastly, and most importantly, my sincere thanks to my supervisor dr. Bill Watson. The focus of this thesis is largely outside his own varied specialities, but it was his deep and broad understanding of Indonesian society and his ability to communicate this understanding in friendly, but firm advice that gave me confidence to explore outside the mainstream.

INTRODUCTION

The interest behind this thesis is with the failure of the Indonesian political system to include the Indonesian public in any meaningful sense. Its subject matter, however, is not democracy, or the lack of it. It does not attempt to analyze the concept of democracy nor does it evaluate Indonesian experience in this respect. Instead, it seeks to identify some structural impediments to inclusion of the general public in political affairs. This is done through analysis of economic and political structures that generate imperatives, opportunities and constraints in the political system. The analysis is structured around the concepts of state, class and regime. Much attention is paid to these concepts, their meaning and their use. This is a somewhat unusual undertaking in the context of Indonesian studies where these concepts have tended to be used in a notably relaxed fashion.

Most political analysis of Indonesia has been structured around another threefold set of elements, namely the military, Islam and Javanese culture. Such analysis has produced valuable insights and rewarding descriptions of the way politics are conducted in Indonesia. The intention of this thesis, however, is to show that for an understanding of the dynamics of Indonesian

politics, particularly with regard to fundamental questions of the distribution of power, this focus on the military, and on ideological elements highlighting the unique and the peculiar, is misplaced.

By focusing on the state and on the formation of classes at the top of Indonesian society, the thesis attempts to analyze the ways in which economically rooted structures have set the scene for Indonesian politics, and how the imperatives they generate form opportunities and constraints for the political actors. These imperatives have, so far, as will be shown, not made it expedient for the dominant economic and political interests of Indonesia to include the public in politics.

The reasons for this, and the ways in which power has been attained, exercised, kept or lost, and how group interests have been formed, served or ignored, is analyzed in the thesis. Politics, of course, is about power, its distribution and its use. The exclusion of the vast majority of the public from any meaningful exercise of political power and the extremely inequitable distribution of economic resources in Indonesia are not two unrelated phenomena. Neither of these phenomena is rooted in the unique and captivating culture of the country, nor in its religious divisions. The rapid changes in the configuration of economic and political power is also not to be traced to sudden changes in culture or religion. This is not to minimise the uniqueness of some aspects of Indonesian history. The thesis attempts to understand some singular features of its development, particularly class formation at the top of society and the nature of the New Order regime. It

will be shown, however, that the politically important aspects of these unique features are not rooted in a complex, perennial culture but in economic structures that are presently undergoing essential change. In analyzing such economically rooted structures and the imperatives they generate, through application of various theoretical devices, it is believed that some fundamental, and frequently overlooked impediments to democratisation in Indonesia will become clear.

It is not the intention with this thesis to provide a narrative account of Indonesian political history. It is based on the understanding that events and personalities have played a far lesser role in shaping the fundamental realities of power and prospects for democracy in Indonesia than is frequently believed. Large part of it, however, is structured around recent political history. The selection of events and their treatment is entirely based on the narrow focus and scope adopted in the thesis and is not intended as a balanced narrative in any other sense.

The thesis has been partly overtaken by the rapid evolution of the Indonesian economic and political scene in a process that confirms the relevance of its focus. This is both in the sense that the question of democracy has suddenly come to the fore in Indonesia as the thesis is being completed, and in the fact that the business conglomerates, extensively discussed, have steadily gained more prominence during the four years it has been in preparation. Information, on the other hand, that was extremely hard to come by during the initial period of research in Jakarta is now in many cases fairly easily

available, although often in a somewhat coded form and mostly in an anecdotal fashion. Information on individual conglomerates, and on the financial links of powerful political figures to these, is to a large extent pieced together from printed records that confirmed what had already been surmised from interviews. It is believed, however, that this information does not exist anywhere else in the form it is presented here.

When the thesis was started, in 1987, the question of democracy was hardly central in political analysis of Indonesia. That year, and the year that followed, was probably the high water mark of "Pancasila Democracy", the integralist, anti-democratic, authoritarian political formulation of the pervasive New Order ideology. The year before, Richard Robison had published a path breaking study of the structures of ownership in Indonesia and what he saw as the genesis of a bourgeoisie in the country. Robison identified capitalist development as dynamics of change in Indonesia. His study has greatly influenced this one, although it is substantially different with regard to focus of attention, theoretical guidance, political analysis and indeed, conclusions on major problems.

The analysis that follows may stand on its own as an explanation of relationships between state, regime and class in Indonesia, or more generally, as an interpretation of political history. Its primary purpose, however, as already indicated, is to construct a vantage point for a particular use, namely the study of economically rooted structures that may impede, but also potentially facilitate, extension of effective political franchise in Indonesia.

CHAPTER 1

APPROACHES TO THE INDONESIAN STATE

The ubiquitous presence of the state in Indonesian society and politics, its pivotal economic role, its dominant command of resources and political organisation, and its autonomy from the class structure, puts the state itself at the centre of all national political questions. This centrality of the state is implicitly acknowledged in most political analysis of the country. There is, however, little agreement among observers on what constitutes the state, or on the political implications of some of its commonly discussed features, a problem, of course, not unique to Indonesia.

Much material exists on various facets of the state in Indonesia. This is largely of a descriptive nature, and much of it deals with the ways in which the norms and relations of society permeate the operations of the state. Many studies have illustrated how patron-client relationships prevail at all levels of the state machinery. Others have shown how ideological and religious beliefs of society have influenced both popular and elite perceptions of the role of the state and the arrangement of power within it. Yet others have focused on the style of government and on various other political and

institutional manifestations of the country's culture within the framework of its state.

Lack of comparative analysis is noticeable with regard to the Indonesian state. Far more often than not, studies of the state and its various aspects emphasize the peculiarities of Indonesian culture and politics. Comparative study of other countries and systematic application of general theory is a infrequent exception. Comparison to similarly concerned literature on the Indian sub-continent, on the neighbouring Philippines, and on Latin America yields a strong impression of a paucity in systematic analysis of the state and its economically rooted structures, as opposed to analysis of the culture and style of groups shaping its operations.

With regard to the concern behind this thesis, the question of democracy, something of a mainstream conclusion is discernable from this large body of literature that deals explicitly, or more often implicitly with the Indonesian state.

Democracy, in the liberal sense of the word, is often seen as being culturally unsustainable in Indonesia, and even unacceptable on ideological, cultural and religious grounds. The main supporting structures of Indonesian culture, as far as political considerations are concerned, are seen to be hostile to what is taken to be a precondition for democracy, namely a certain respect for individual rights and responsibilities. Such rights and responsibilities are often seen to be precluded by patron-client relations leading to authoritarian ways

and caprice in government. General lack of interest in liberal democracy is often assumed, a natural assumption if little allowance is made for the direct and indirect control over ideological expression exercised by the state and the various dominant elites over the years. In addition to this cultural predisposition to forms of communalism that preclude meaningful assertion of individual political rights, native Indonesian commentators in particular, have often found the sheer diversity of cultures and religions to forestall the establishment of liberal democracy.

In this mainstream framework for political analysis of Indonesia the focus is most often, implicitly or explicitly, on the culturally conditioned acceptance of various aspects of authoritarian rule. This is in the broadest sense a study in regime legitimacy. Some studies have dealt with performance legitimacy and argued that the New Order regime has been partly or even largely sustained by successful development efforts that are easily traded against suppression of democratic values, which in any case are not found to have many roots in Indonesia.

More often, though, the basis for the long reign of the New Order regime is seen to rest on successful manipulation of cultural symbols and cultural cleavages, and in President Suharto's shrewd management of politics within a system essentially constituted by cultural elements. The behaviour of the political elite of the country is in this way studied with reference to cultural realities, rather than to the economic organisation of society. The divisions within society are, in the main, treated as cultural phenomena, and the key

to Suharto's long rule is seen to be his manipulation of these cultural divisions coupled with his ability to either pacify, or crush, the forces they have generated.

The willingness and ability of the military to sustain Suharto's rule is often primarily traced to cultural predisposition and ideological conviction, while the acceptance of military rule is seen to be based on the historical genesis of the military and the cultural cleavages threatening the unity of the country.

Matters of resource allocation within the economy where military officers have reaped particularly noticeable benefits, figure in such studies as aspects of patrimonial rule, rather than as the very basis of the political system.

This general framework for the study of politics has in many other Asian countries lead to extensive studies of the problems of institutionalisation. In many cases this has proved rather unfruitful as these studies tend to focus on shifting patterns of institutions rather than on the dynamics behind them. In Indonesia this is noticeably absent and this further suggests the strength of a fairly narrow cultural paradigm in Indonesian studies. Institutions, such as political parties, parliamentary assemblies and the bureaucracy have been almost exclusively studied from a cultural vantage point, and very few systematic attempts have been made to understand institutions from either a political economy point of view, or from the various theoretical vantage points offered by studies of institutionalisation of politics and administration.

Studies of the type most prevalent in scholarship on Indonesia often yield valuable descriptions of the way politics are conducted between individuals and within the various institutions of society and state. They describe political conflicts as they are actually carried out from day to day and over longer periods.

This mainstream framework of culturally oriented study of Indonesian politics, however, is of limited use for anything but a study of the same peculiarities as it offers as explanatory factors. It is a study of the manifestations of politics, as opposed to analysis of the roots of political conflict.

The concern of this thesis is not with such peculiarities that set Indonesia apart from other countries. On the contrary, the concern is with a very common and general problem, that of structural impediments to democracy, essentially rooted in the economic interests of privileged groups,

For all its well documented peculiarities, the Indonesian state is a part of a ubiquitous phenomenon in the Third World. It is a strong, authoritarian state, dominated by the military, in a society characterised by extremely inequitable distribution of wealth and the absence of any sustained political organisation outside the perimeter of the state, or independent of its patronage. The domination of the state in political affairs is coupled with a leading role in the economy where, in the absence of a strong indigenous entrepreneurial class, the state has been a leading investor, an omnipresent regulator, and an

essential broker between international capital on the one hand, and domestic resources, capital and labour on the other.

All of these basic features of the Indonesian state, and the society it dominates, can be observed in various proportions and prominence in societies as diverse as Bangladesh, Brazil, India, Pakistan, Thailand and the Philippines. In all cases there may be cultural explanations for the lack of democracy, the acceptance of authoritarian rule, the lack of independent political organisation and the toleration of extremes in poverty and conspicuous consumption.

In Latin America the influence of Iberian culture has been used as an explanatory tool for many of the same features as the exceedingly different Javanese culture supposedly explains in Indonesia. In Bangladesh, Indonesia, India and Thailand, diverse religions are also frequently held accountable for essentially the same phenomena, treated as it frequently is, as a feature specific to each country.

A political economy approach to Indonesian politics has long been outside the mainstream scholarship on the country. Matters of resource allocation come up in other frameworks but are treated as features or results of culturally determined systems rather than as basic to the political system and roots of divisions.

Recently, however, a few scholars, and one in particular, have made use of political economy frameworks for political analysis of Indonesia. By far the most prominent and important of such works are those of Richard Robison. [1] Major contribution has also been made by Dorojatun Kuntjoro-Jakti, and although not within a strict political economy framework, by Mochtar Mas'oe'd, and in a somewhat less systematic fashion, so far, by Arief Budiman.

This thesis will draw on the extensive data presented by Robison in his pioneering works, and it is heavily indebted to Mas'oe'd and Kuntjoro-Jakti for their insights and data. The general approach taken here is in some ways similar to that taken by Robison, although the focus is different. Also, as made clear later, on some points of fundamental importance to the thesis, the conclusions reached are different from those that may be drawn from Robison's recent works, and indeed from those of Mas'oe'd.

In writings on Indonesia the features of inequity, authoritarianism and state domination have been commonly observed by scholars of different theoretical persuasions, but there is little agreement on their relationships to the nature of the state, or their meaning and implications for Indonesian politics.

This is partly a problem that does not lend itself to resolution, a problem of different assumptions on human organisation and the dynamics of history. Even within schools of thought sharing many such assumptions, there is no such thing as a general theory of the state. Such is the complexity and elusiveness of the concept, that branches of such schools, centred as they

are on a specific understanding of the structures and processes that make up the state, have failed to produce anything that could be recognised as a cohesive theory of the state. Partly, however, this is a problem of confusion and mistaken attempts at general theorisation on the state from enquiries into particular levels or aspects of the state. This is not the least noticeable with regard to Indonesia.

While no theoretical innovations in the study of the state have been made by Indonesianists, or for that matter scholars of Southeast Asia in general, a plethora of theories and frameworks has at various times been applied to the Indonesian state. In recent years this effort has generated a large number of designations, concepts and labels that have been attached to the state in Indonesia. The state has been termed a "Bureaucratic Authoritarian State", a "Beamtenstaat", a "Patrimonial State", a "Praetorian State", an "Integralist State", a "Politico-Bureaucrat State", a "Military-Bureaucratic State", a "Rentier State", a "Military Rentier State", a "Bureaucratic Polity State", a "Military Dictatorship", a "Dependent Delayed Development State", a "Developmental Fascist State", and a "Repressive Developmentalist State".

This large number of designations illustrates the considerable attention given to the problem, but it is also indicative of a certain confusion over the nature of the state in general, and over the features that constitute the state. As already pointed out, large part of the scholarly work on the Indonesian state is confined to a description of institutional arrangements, and analysis, at a low level of abstraction, of the manifestation certain cultural peculiarities may

gain in such institutions. This level of enquiry is sometimes used for the construction of a general theory of the state, where particular characteristics are seen to be sufficiently dominant to provide a basis for classifying the state and give it designations of the kind indicated above.

As will be made clear later, a failure to distinguish between state and regime in theoretical enquiry has led to much of this conceptual confusion and mistaken theorisation. With regard to the concern of this thesis, a differentiation between these two concepts is far from being a futile exercise in abstraction. The implications of a lack of clarity on this point, which has been almost entirely overlooked in analysis of the Indonesian state, will be returned to at a later stage.

In spite of the absence of comparative studies and the relatively parochial nature of much scholarship on the Indonesian state, most of the various approaches to it have been grounded in, or influenced by, theories or traditions developed in the context of other societies. The growing interest in the Indonesian state for political analysis is also a part of a general trend.

The state, as a concept for analysis, was conspicuously absent from mainstream political science scholarship for decades after the war. American political scientist dominated the field, not the least because research was far better funded there than elsewhere. One of the reasons for generous funding of political research was America's assumption of a global military and

security role, a role in many cases directly inherited from Britain and to a lesser extent from other European powers.

It is beyond the scope of this discussion to examine how the global political role of America affected scholarship on the Third World, or indeed the origins of the dominant framework for political analysis, which American social scientists extended from their own society to those of the Third World. It suffices to point out that the pluralist, society centred framework accorded minimal importance to the state in political analysis, a position that is both in keeping with prevailing American ideology and in line with Anglo Saxon tradition and experience. The difference in tradition between the European continent and the Anglo Saxon countries has been analyzed by K. Dyson. [2] The development of the state concept in American scholarship has recently been discussed by several leading political scientists, including G. Almond, E. Nordlinger and T. Lowi. [3].

In the pluralist tradition the question of the state is sidestepped and the concept is often altogether sidelined in favour of such concepts as 'political systems', 'government' or in the influential writings of Robert Dahl, 'polyarchy'. Pluralism, in this way, as pointed out by Dunleavy and O'Leary, is primarily a theory of politics in society, rather than a theory of the state. [4] The state is in this tradition seen as a pawn, to use the description given to it by Dahl, or as a wetherwane, to use another frequently cited label. [5]

For many pluralist scholars, however, the input-output model of the state, where the state was seen as an inconsequential machine processing inputs from pressure groups in accordance with the strength of such groups, was insufficient. A famous statement of this was Schattsneider's remark to the effect that the flaw in the pluralist heaven is that the chorus sings with an upper class accent.

A certain fusion with elite theories was seen by many to supplement the simple model of the more or less neutral state processing inputs from multitudes of interest groups. It should be noted, however, that although elite theories often described state domination of society, they left the state intrinsically as neutral as before, but saw it as a pawn in the hands of elites. This was not the least influential in Third World societies, where pluralism was not much in evidence, and elite domination of both state and society clear. Influential early works on Third World elites include Fred Riggs study on Thailand. [6]. Studies on Indonesia guided by some conception of elite positions are numerous. Among them are studies focusing on priyayi elites and more recently, on technocrats, usually seen to operate in the interests of an assumed impartial knowledge, studies on bureaucratic elites, that conversely focus on the appropriation of public office for personal gain, and studies focusing on military elites that sometimes fuse the two contradictory points of modernity and patrimonial ways. These will be discussed where immediately relevant.

In Third World societies, especially, cultural consensus was seen as the critical factor of integration and as the determinant of political behaviour. This perception was easily fused with various elite theories. This culturally determined elite-pluralism, along with notions of modernisation, referred to below, has been especially influential in scholarship in Indonesia, as will be further discussed.

The mainstream framework for Indonesian political analysis was further influenced by functionalism, particularly of the ilk most often associated with Talcot Parsons. [7] The influence is most often implicit, as political and social studies of Indonesia are for the most not notable for theoretical rigour, or explicit theorisation. As pointed out by S. Mennel, function in this type of functionalism can usually be translated as 'consequence'. [8] A pertinent example of this has to do with the perception of the state in functionalist thinking, as being the maintenance of order. Equally, order can be seen as the consequence of state activity. [Dunleavy and O'Leary: 1987]. This is of much relevance to Indonesia, as consequences of state action are often confused with their causes, as discussed in a different context in chapters that follow.

This is especially noticeable with regard to maintenance of order and search for assumed legitimacy. The focus on order is one of the preoccupations of this school of thought, particularly the maintenance of order in the face of increased differentiation in society. This will be discussed a little further below in the context of modernisation theories. It may also be pointed out at this

junction, that the studies in state or regime legitimacy, noticeably numerous in Indonesian studies, often borrow from this general school of thought. Such studies, as made clear in subsequent chapters, are seen by this thesis to be largely irrelevant for understanding of the Indonesian state.

The emergence of almost a hundred new states in the former colonial territories of Asia, Africa, the Caribbean and the Pacific generated scholarship on the state, with different concerns from the established state analysis of the industrial world. This increase in interest in the state, however, has not been confined to scholarship on the Third World. One of the best known new theorists of the state, Theda Skocpol, who has primarily written on the West and Russia, spoke in 1979 of an "intellectual sea change....., because not long ago the dominant theories and research agendas of the social sciences rarely spoke of states" [⁹]

A caveat should be added to this generalisation, though, as this trend is neither universal nor in any way uniform. With regard to research oriented towards political or developmental strategy the move has in many cases been in the opposite direction. As argued by Martin Doornbos, the non-state sphere of society has rightly been receiving increased attention in this respect, not the least with regard to the question of democracy. [¹⁰] Although Doornbos was writing on Africa, the point is of some validity for Asia too. [¹¹] The two approaches are far from being mutually exclusive. On the contrary, neither stands alone as analysis or basis for strategy. The thesis, as made

clear in the introduction, is only concerned with the state-sphere and its structures, while conscious of the limitations of this approach.

Initially, scholarship on Third World states tended to sidestep the concept of the state in favour of conceptualisations of some features of society, which were thought to represent political cleavages and their management. The most influential of the early society based paradigms was the "modernisation" paradigm, which has continued to guide much theorisation on Third World societies, and is still a highly influential notion, if not a carefully worked out framework, among both native and foreign writers on Indonesia. The modernisation paradigm benefits from many of the theoretical positions of pluralism and functionalism discussed a little earlier.

This framework is constructed around a dichotomy between the traditional and the modern, and assumes a transition from the former to the latter. This transition was often seen to happen through the emergence of a capitalist business class and an emergence of an economy capable of self-sustained growth. [¹²] The state was not seen to be central to this process, at least in the initial works of this school, and political analysis was therefore centred on society rather than the state.

This general paradigm has roots in Indonesian studies that go much further back than the influential post-war American scholarship that put this to the fore as an analytical conceptualisation of the development process. J.H. Boeke, the influential Dutch scholar working during the early years of this

century, had concluded that the non-rational world view prevalent in Indonesia forestalled development through economic incentives in native society. [13] The same argument has been taken up more or less systematically by several commentators on Indonesia who have often reached a similar conclusion with regard to democracy as with economic development. [14] This general notion on the need for cultural transformation prior to sustained economic development of pribumi society and the establishment of democracy has also been influential in a more casual commentary on Indonesia.

Another, and somewhat less culturally deterministic form of the modernisation paradigm, is the study of social and political organisation around concepts such as patrimonialism, denoting pre-modernity. This has been especially influential in Indonesian studies, and informs, as indicated earlier, the mainstream of scholarship on Indonesian politics. It would be beside the point to go into a lengthy discussion on the various works and contributions in this respect. It suffices to mention a few of the more remarkable, and at the same time somewhat typical works of this genre.

The pioneering, if controversial, work of Fred Riggs on Thailand influenced Karl Jackson to write on the Bueaucratic Polity in Indonesia. [15] As in Rigg's analysis, the work revolves around cliques, groups and circles where patron-client relationships prevail over modern institutions. Inter-elite rivalry, competition for patronage and personalistic factionalism from the top of society downwards are the subject matter of this study and others like it. William Liddle adopted a similar framework and concluded similarly on the

factionalism, power of individuals and cliques and the general diffusion of power among competing personalistic factions of the elite, as explanatory tools for understanding Indonesian politics. [16] Donald Emmerson, likewise, focused on elite rivalries within the bureaucracy and the government, but deals with intra-agency competition more than personalistic conflict, while not denying the importance of the latter. [17]

A more recent article by Emmerson sums up the various positions of this mainstream genre of writing and its conclusions are worth quoting from: [18] "Neither a particularistic, nor a state-reifying viewpoint does full justice to the ways in which New Order policy decisions are actually reached. Groups and personalities do matter, the palace remains central to the process, and the New Order has transformed a previously polycentric bureaucracy into a military instrument for internal security and economic growth. But these partial insights should not be interpreted to preclude, on economic policy, the relative autonomy of civilian lead agencies". In augmenting these partial insights, Emmerson goes on in his conclusions to claim "that the bureaucracy as a set of programmatic organisations is superseded in Suharto's Indonesia by higher personalistic and clientilistic ties" while arguing for the notion of "bureaucratic pluralism" and claiming in conclusion that "there will be more to the regime than meets the eye that sees only an army general in a sultan's palace."

A different way of conceptualising the Indonesian state and politics along culturally determined lines was taken by Ben Anderson, who far from focusing

on inter-elite competition and personalistic factions as the subject of state analysis, conceived of the state as an entity with a life and will of its own. [¹⁹] Anderson claims that "key aspects of policy behaviour of the New Order are unintelligible from the point of view of the nation's interests, but quite rational from that of the old state", and he speaks of the triumph of the state over society and nation.

The triumph of the state over society, as identified by Anderson, and the prevalence of its interests against those of the nation, are seen, in this thesis as according with facts. Anderson's search for the forces that effected this triumph and benefitted from it, however, are seen as being misplaced and failing. As returned to in the last part of the thesis, this failure has become increasingly clear, as the interests of the dominant political forces vis-a-vis the state are changing. Instead of looking for such forces in inexorable movements of culture and history, an attempt will be made here to identify the ways in which the state's dominant position has been effected and exploited by forces that do not originate in Indonesia's cultural peculiarities, however facilitating the existence of this culture may have been for the course of events.

Radical scholarship on the Third World in the 1960s and into the 1970s was heavily influenced by another paradigm giving limited attention to state-society dynamics. The "dependency" theories developed mainly in the context of Latin America, but also systematically applied to Thailand and some other Asian countries was influential for a short time among radical observers of

Indonesia. [20] The dependency paradigm, however, went out of vogue in scholarship on Southeast Asian countries even more than that on some other parts of the world, as the nature and speed of industrialisation in the region called the basic premises of the paradigm into serious question.

It is of some interest to note that the two major works on Indonesia informed by the dependency paradigm, those of Rex Mortimer and Richard Robison, ran in many ways parallel to the mainstream works influenced by the modernisation paradigm and cultural determinism. [21] These works affirm the patrimonial nature of politics and business in Indonesia, but put it into a global framework of metropolitan domination, where the dominant local players are seen as tools in the hands of international capital.

The most fundamental differences in conceptualisation of the state among radical scholars were crystallised in the well known debate between the two Marxist theoreticians, Ralph Miliband and Nico Poulantzas, in the late 1960s and early 1970s. [22] This debate dealt with general issues of the state, and although it was conducted with a more direct reference to industrialised countries than the Third World, it raised a number of points of a more general relevance.

The writings of Hamza Alavi since the early 1970s similarly raised a number of points of even more direct relevance to Indonesia, and indeed numerous other Third World countries. [23] Theoretical innovations made by Alavi will be used in the text that follows. Also of relevance to the field and this thesis

are debates that have taken place in the context of state formation in Africa and industrialisation in Latin America. These will be briefly discussed at relevant junctures.

Before discussing the particulars of the Indonesian state and the similarities it shares with some other post-colonial states, a few more general points on the study of the state need to be made.

Even confined to scholarship influenced by the Marxist tradition, no comprehensive or general theory of the state can be spoken of. Marx himself never formulated such a theory, although he used the concept of state extensively. Along with class, the state may be the most recurring preoccupation in Marx's works. In his earliest writings Marx was influenced by the Hegelian position on the state, and his own views began to crystallise as a critique of Hegel's position.

Hegel had pointed out the separation of civil society from the state. He argued, however, that this separation was overcome in the state's representation of society's nature and meaning. The contradiction between man's private interests, and his interests as a citizen of a state, was for Hegel transcended or resolved by the state being an embodiment of the general interests of society. The state, for Hegel, in its developed form, stood above any particularistic interests and thus eliminated the division between the private individual and the citizen.

In the context of Indonesia, it is of interest to note the affinity between the position of Hegel and that of several highly influential thinkers on the state in Indonesia. Thinkers such as Ki Hajar Dewantoro and Professor Supomo, who had much influence on the formulation of the Indonesian constitution, and on what became the ideology of the Indonesian state, portrayed the state in Hegelian terms, although not referring to Hegel, describing it as the embodiment of the people's general interests. [24]

Such formulations of the state in Indonesia have continued to be highly influential, and they form the basis for the state's all pervasive ideology of Pancasila, which is said to inform all political life in the country. [25] This notion of the transcendent state is the basis for the illegality of opposition to state and regime in Indonesia.

Far from being an embodiment of the general interests of society, the state is, according to Marx, subordinated to interests of private property. Because of this, he asserted, the state was bound to act in the interests of the economically dominant class, the class controlling the means of production. [26] The state, however, was not necessarily directly controlled by this class. The problem is non-existent in feudal societies, but in post feudal societies the state becomes an institution quite separate from the ruling class. [27] The roots of the modern state are in the division of labour emerging with commerce, urbanisation and industrialisation. The political domination of the economically dominant classes is, according to Marx and Engels, achieved through their control over the state. [28]

The way the dominant class exerts its control over the state, and through it, over society, is a matter of much contention within Marxism. Put negatively, this is the question of the nature and extent of state autonomy from class. For a long while this question was not very central to Marxist political analysis. The character of the new states emerging in the Third World after 1945, as well as certain developments within the industrial world served to change this during the 1960s and since.

What has been termed as the instrumentalist view of the state had long been held to be Marxist orthodoxy. The standard reference to Marx's own work in this regard, is the passage in the Communist Manifesto, where he and Engels describe the executive of the modern state as "but a committee for managing the common affairs of the whole bourgeoisie". [29] This view was the basis for the Marxist-Leninist position that was to dominate radical scholarship for some time.

There is, however, a different view of the state to be found in some of Marx's own works, and this has become the basis for voluminous writings that have in some cases departed radically from the instrumentalist position. Much of this is of limited relevance to the matter in hand, because of the particular focus of the thesis. What follows on the theoretical developments generated by the radical search for a new theory of the state in the 1960s and 1970s, is therefore not only brief, but equally selective.

The most obvious problem with a purely instrumentalist view of the state rises from the almost universal experience that it is not the bourgeoisie itself that tends to occupy positions of power within the state. This fact was well noted by Marx, particularly in the context of the Bonapartist state in France, which will be briefly discussed below. Judging from the works of Marx on actual historical states, as well as from much subsequent analysis, one could indeed conclude, that the bourgeoisie rarely occupied such positions in capitalist societies. [30] Among other obvious problems with the instrumentalist view are those that have to do with the very different forms of state, that are nevertheless seen as neutral class instruments. In the more sophisticated instrumentalist theories these problems are overcome in various ways, most basically by making a distinction between a state acting at the behest of a class, and one acting in the general interests of a class.

The same distinction forms a basis for the non-instrumentalist, or structuralist views of the state. Structuralism usually accords limited importance to the intentions of actors, although within that general position great differences may be discerned. Structuralism is in the most simple terms an examination of systemic patterns at work in a given phenomenon.

The structuralist view of the state finds support in Marx's own writing on the Bonapartist state in France and similarly in Engels' *Origin of the Family* where he speaks of the regimes of Napoleon 1st and Napoleon 3rd in France, and Bismarck's Germany. These instances were, however, for Marx and Engels, always a temporary phenomena caused by the balancing out of the strength

of warring class forces. The roots of the strong, autonomous Bonapartist state are, however, instructive with regard to the Third World in general. Marx claimed that the Bonapartist state represented the abandonment of the bourgeoisie of its commitment to a liberal democracy in favour of a regime that could better protect its essential interests. In return for protection of property rights against the politicised masses, the bourgeoisie handed over power to a dictator. The bourgeoisie had not proven to be strong enough to fill the vacuum created by the declining class of landowners, who had been retreating from political power. As will be discussed a little later, the natural function of the state, as seen by structuralist, that is the maintenance of conditions conducive for capital, can also be discerned from these writings.

A certain parallel can be drawn between this, and the inability of the bourgeoisie in many Third World countries to fill the vacuum left by the colonial power and the metropolitan bourgeoisie. A parallel can also be drawn between the large bureaucratic and military organisation sustaining the Bonapartist state and what is commonly observed in Indonesia and elsewhere. Similar phenomenon was observed by Engels, e.g with regard to the German state under Bismarck, where a militarist bureaucratic state acquired, according to Engels, a certain degree of independence from warring classes that temporarily balanced each other. [³¹] However temporary such a situation may be, this provides possibilities, and indeed necessities within Marxist theory, for studying the state as an independent force.

Instead of looking at the state as an instrument, Poulantzas and many other theorists of a similar ilk, have looked at it in terms of its functions. This, of course, is also the starting point of many pluralist perspectives on the state. Poulantzas argues that the general function of the state is to be the factor of cohesion and unity in a class divided society. He further argues that the particular form and institutional structure each state takes on, depends on the dominant mode of production, while all its functions are determined by the general function of maintaining cohesion. [32]

Poulantzas adopted the notion of the state's relative autonomy from Althusser, who had spoken of autonomy of the political, ideological and economic "instances" in the social formation. [33] In a similar way, many structuralist came to view the state, and society, in terms of systems or levels that move unevenly and partly autonomously, but where systems or levels have to move into some correspondence in the end. [34] In this way, the state, its different levels or systems, and the various levels or systems of society could be seen as partly autonomous systems under various mutual influences. In the final analysis, the whole would be kept together by the state in a wider sense.

This position opened up vast new possibilities for abstract theorising on the state and on human organisation in general. In such writing, the state tended to take on a highly abstract character, giving a different quality to the whole problem of the state.

In rejecting the instrumental nature of the state, and by giving it certain autonomy from all particular instances in its overriding function of maintaining social cohesion, economic determinism was also rejected by Poulantzas and others of the same general school. For Poulantzas, the state could, however, in the long run, "only correspond to the political interests of the dominant classes". [³⁵]

Poulantzas, in this way, gives autonomy to the state, and to politics, in the short run, but takes it away in the longer run. He also makes the state itself a site for class struggle. The extent of the state's autonomy from the dominant classes, he argues, depends on the class struggle within a "power block" consisting of different organised fractions of the capitalist or dominant classes. [³⁶] This, as returned to later, provides one way of looking at the Indonesian state, not the least in the late New Order period. This notion of a divided and internally struggling dominant class, and a correspondingly autonomous state is also one basis for Alavi's theories, discussed below.

Apart from his theorisation on the post-colonial state which will be discussed in a following chapter, Alavi has developed a theoretical device which is helpful for the analysis that follows and should be noted at this juncture. He uses the concept of "structural imperative", which was borrowed earlier for describing the external economic dimension of the world trading system. Alavi refers to this concept as the "basis of economic calculation in capitalist society, and the conditions that govern their outcome, both at the level of

individual enterprise, and at the level of the state. It defines the conditions of profitable economic behaviour, and the allocation of resources". [³⁷]

Structural imperative does not determine in advance the actions of individuals, or the state, but it determines the consequences of these actions. It thus imposes itself indirectly on the making of state policy. In Alavi's words, "this alerts us to the fact that the state bureaucracy itself calculates its policy with the dictates of capitalism without having to receive orders from the capitalist class. [³⁸]

A similar point is, in fact, made by Miliband, who is often seen as one of the chief contemporary proponents of the instrumentalist view of the state. Miliband mentions three ways in which the state comes under the sway of the economically dominant class in an industrialised society. The first is the shared outlook and background of state managers and the owners of capital, the second is the mobilisation of capital for the promotion of its own interests, and the thirdly, Miliband speaks of the structural constraints on the state elite provided by capital and the logic of the economic system, grounded as it is in the domination of capital. [³⁹]

However different the historical experience of Indonesia from the western industrialised countries, and however different the exact relationships between state and class, the essence of the problem remains the same. Who controls the state, for whose benefit, and how? The differences are as clear and important as this essential similarity and these will be discussed in a following

chapter on theories of the post-colonial state and the bureaucratic-authoritarian state. For this initial discussion, however, only one further point remains to be made, namely to establish the broadest contours of the way in which insights from both the instrumentalist and the structuralist approaches to the state can be used for understanding of the Indonesian state.

In simplest terms, this is by making a careful distinction between state and regime, and by using the latter concept to represent the instrumentalist forces that have controlled the Indonesian state for their own benefit during the New Order regime, while the state itself is seen to consist of structures best understood through the structuralist approach discussed above.

As argued later, state policy in Indonesia, and outcome of state policy, has been partly shaped, on the one hand by the structural imperatives of the world trading system, and, on the other hand, by such imperatives of the essentially capitalist economic system of the country, even in the absence of any identifiable, or unambiguous, indigenous capitalist class.

In addition to these structural imperatives and constraints, and in the absence of an indigenous capitalist class, there is, however, or has been, a force that leads the state and uses it as an instrument for the advancement of its own interests in much the same way as a class in direct control of the state could be expected to do. The force is not a class, it has more the character of a loose grouping, whose membership is neither fixed nor unambiguous. At

the heart of this force has been a group, which for a certain period, and only for a certain period, could be conceptualised as the ruling group of Indonesia. This group derived all its power from a position within the state, unlike a ruling class. It has been neither independent of the structural constraints and imperatives discussed above, nor totally of other groupings within the state, notably within the institutions of the army and the bureaucracy.

In studying Indonesia for a limited period of time, e.g 1970-1980, one could easily conclude that this ruling group was running the state and the private as well as public sectors of the economy in its own interests, and in such a manner and to such an extent that Indonesia could be spoken of as a rare example of a direct unconstrained rule by a tiny class. In looking at Indonesia in the decade that followed, one could as easily conclude that a capitalist class was rapidly being formed and that this class was equally rapidly positioning itself for the type of politics associated with such forces. Looked at together, however, and seen in the light of how these forces have come into being, and how longer term structures dictate constraints and opportunities, neither conclusion stands up to scrutiny.

This will be made clear in the latter part of the thesis. First, an account of the historical genesis of the state and the forces controlling it is needed. The theoretical perspective used for this, and for the analysis in the last part of the thesis will be further developed, in parts, parallel to this historical account. Before looking at the post-colonial state, the genesis of the class

configuration of the country and the roots of the economic organisation need to be looked at.

Notes

1. References to the works of Robison and other works are given in endnotes to the main body of the text.
 2. K. Dyson, 1980, *The State Tradition in Western Europe*, Oxford: Martin Robertson.
 3. *American Political Science Review*, 1988, vol. 82, no. 3.
 4. P. Dunleavy and B. O'Leary, 1987, *Theories of the State*, Macmillan.
 5. Robert Dahl, 1963, *Modern Political Analysis*, Prentice Hall, pp. 50-51.
 6. F. Riggs, 1966, *Thailand: The Modernization of Bureaucratic Polity*, Honolulu: East West Centre.
 7. Parson's most influential work is probably, 1967, *Sociological Theory and Modern Society*, New York: Free Press.
 8. S. Mennell, 1974, *Sociological Theory: Uses and Unities*, New York: Praeger.
 9. Theda Skocpol in: P. Evans et al (eds.), 1985, *Bringing the State Back In*, Cambridge: Cambridge University Press.
- See also T. Skocpol, 1979, *States and Revolutions*, Cambridge: Cambridge University Press.
10. Martin Doornbos, 1989, *The African State in Academic Debate*, Dies Natalis Address, The Hague: Institute of Social Studies.

11. Of interest in this respect are studies on the NGOs in Indonesia. The NGOs are seen by many, as a partial replacement for party politics. An interesting set of articles on this, by, among others, P. Eldridge, A. Mahasin, M. Mas'ood, is to be found in *Prisma*, (English edition), no. 47, 1989.

12. The most original and influential work of this school is that of William Rostow, 1963, *The Economics of Take-off into Sustained Growth*, Cambridge: Cambridge University Press.

13. J. H. Boeke, 1951, *Economics and Economic Policy in Dual Societies*, Haarlem: H.D.T. Willink.

14. For the most explicit usage of this type of pre-modern/modern dichotomy for economic and political analysis see A. Sievers, 1974, *The Mystical World of Indonesia: Culture and Economic Development*, and Brian May, 1978, *The Indonesian Tragedy*.

15. Karl Jackson, 1978, *Bureaucratic Polity, A Theoretical Framework for the Analysis of Power and Communications in Indonesia*, and the Political Implications of Structure and Culture in Indonesia, in Jackson and Pye (eds.) *Political Power and Communications in Indonesia*, Berkeley: University of California Press.

16. See e.g. W. Liddle, 1973, *Evolution from Above: National Leadership and Local Development In Indonesia*, in *Journal of Asian Studies*, vol. 32.

Also by Liddle in much the same vein, 1977, *Indonesia 1976: Challenges to Suharto's Authority*, and 1978, *Indonesia 1977, The New Order's Second Parliamentary Election*, both published in *Asian Survey*.

17. Donald Emmerson, 1978, *The Bureaucracy in Political Context: Weakness in Strength*, in Jackson and Pye (eds.) *Political Power and Communication in Indonesia*, Berkeley, University of California Press.

18. Donald Emmerson, 1983, *Understanding the New Order, Bureaucratic Pluralism in Indonesia*, *Asian Survey*, vol 23, no. 11.

19. Benedict R.O'G. Anderson, 1983, *Old State, New Society, Indonesia's New Order in Comparative Historical Perspective*, *Journal of Asian Studies*, vol. 42.

20. On dependency theory see: Andre Gunder Frank, 1966, *The Development of Underdevelopment*, *Monthly Review*, vol. 18, no. 4.

For later development of this paradigm see: Fernando Cardoso, 1973, *Associated-Dependent Development*, in: A. Stephan (ed.), *Authoritarian Brazil*, New Haven: Yale University Press.

Also: F. Cardoso and E. Faletto, 1979, *Dependency and Development in Latin America*, Berkeley: University of California Press. (Orig. pub. in Spanish, 1971)

21. Rex Mortimer, 1973, *Indonesia: Growth or Development*, in R. Mortimer (ed.), *The Showcase State: The Illusion of Indonesia's Accelerated Development*, Sydney: Angus & Robertson.

Richard Robison, 1977, *Capitalism and the Bureaucratic State in Indonesia*, Ph.D. thesis, Sydney University.

The later works of Robison adopt a framework substantially different in this respect.

22. This debate will be entered into at a later stage and necessary references given at that point.

23. Discussion of Alavi's works and references to them follow in this and later chapters.

24. For a very thorough treatment and analysis of the thinking on state and society among the most influential political thinkers in pre-independence and early independent Indonesia see: David Reeve, 1985, *Golkar of Indonesia*, Singapore: Oxford University Press.

25. For a general exposition of Indonesian political thinking see: H. Feith and L. Castles (eds.), 1970, *Indonesian Political Thinking 1945-1965*, Ithaca: Cornell University Press.

For a treatment of Indonesian thinking on Pancasila see Pranarka, 1985, *Sejarah Perkembangan Pemikiran Tentang Pancasila*, Jakarta: CSIS - Yayasan Proklamasi.

26. Marx discussed the state in a number of his works. Most relevant to this discussion are his early *Critique of Hegel's Philosophy of the State*, 1843, and his historical writings such as *The Class Struggles*, 1850, *The 18th Brumaire*, 1852, and *The Civil War in France*, 1871.

27. The writings of Marx on pre-colonial social formations, the Asiatic Society and the Asiatic Mode of Production is not very relevant to the problem of the post-colonial state in Indonesia. These have undergone various revisions and formulations by many dedicated scholars, not the least in the context of India and Pakistan. The theoretical problems they raise, however, seem greater than any contribution they may offer for an understanding of the modern Indonesian state.

28. Engels deals with the state in several of his writings, most notably in his *Anti-Durhing*, 1878, and in the *Origin of the Family*, 1894, where he reaffirms his basic view that the economically dominant class becomes the politically dominant class through the medium of the state, which, as a rule, it controls.

29. Marx and Engels, 1848, *Manifesto of the Communist Party*.

30. For a brief discussion on this point see: Bob Jessop, 1982, *The Capitalist State*, Oxford: Martin Robertson.

31. Engels, 1894, *Origin of the Family*.

32. The various positions of the instrumentalists and structuralist were discussed in a debate between Nico Poulantzas and Ralph Miliband in the pages of the *New Left Review*. Poulantzas published a review of Miliband's book, *The State in Capitalist Society*, 1969, in *NLR*, no. 58, 1969. Miliband replied with an article in *NLR*, no. 59, 1970. Three years later, Miliband published a review of Poulantzas' book, *Political Power and Social Classes*, 1973, in *NLR*, no. 82, 1973. This was followed by an article written by Poulantzas for *NLR*, no. 95, 1976.

33. For a discussion and a sympathetic critique of Poulantzas' work on the state see: Bob Jessop, 1982, *The Capitalist State*, Oxford: Martin Robertson.

34. For an interesting structuralist treatment of this kind of state and religion in Sri Lanka, influenced by among others, Levi-Strauss and P. Bourdieu, see Francois Houtart, 1974, *Religion and Ideology in Sri Lanka*.

35. Poulantzas, 1976, *The Capitalist State*, *New Left Review*, no. 95.

36. Poulantzas discusses the existence of class fractions as opposed to a monolithic capitalist class in: 1975, *Classes in Contemporary Capitalism*, London: New Left Books.

37. Alavi in Alavi & Shanin (eds.), 1982, *The Sociology of Developing Societies*, London: Macmillan.

38. *ibid*

39. R. Miliband, 1969, *The State in Capitalist Society*, London: Weidenfield & Nicholson.

Also by Miliband: 1983, *Class Power and State Power*, London: Verso and New Left Books.

CHAPTER 2

DOMINANT CLASSES

A key feature in separating the political experience of Indonesia from that of numerous other countries was the absence, at independence, of a powerful landowning class. In sharp contrast to much of Asia and Latin America, where landowners made up a class of crucial economic and political importance at independence, ownership of land was not, and had never been the chief basis of wealth, status and power in pre-independence Indonesia.

In pre-colonial times, and well into Dutch presence on the island of Java, which is the basis for much of the following discussion, land was regarded as being under the sole disposition of the ruler. [1] In return for taxes, paid in kind, the performance of labour and military service, the peasants enjoyed the right of use to agricultural lands. Between the ruling royalty and the peasants was a class of officials, the priyayi. The priyayi have often been referred to as a class of feudal lords as their position between the royal centre and the peasant class was in some ways comparable to that of the feudal classes of Europe.

Comparison along these lines, however, can be highly misleading, particularly since the priyayi enjoyed far less opportunity for independence from the centre, than the European feudalist frequently did. The priyayi were not granted ownership of land by the monarchy, but the right to control parcels of land and the people it supported. Their income was, in effect, derived from a cut of the taxes they collected for the king. The position of the priyayi was not hereditary in principle, although it tended to be so in practise. Inheritable property rights to land also existed in some cases, but as an exception. The wealth and power of the dominant class in pre-colonial Indonesia was therefore based on occupation of office of state and not on ownership of the means of production.

The colonial government superimposed itself on this system, and although it made some changes to the system, the fundamentals remained the same. Position in relation to the state, rather than property, continued to be the chief basis for class division. [2]

The changes, however, were instructive for the nature of dominant class in native society. Before Dutch rule on Java, the peasants of the main rice growing areas were required to contribute produce from around 40 per cent of the village lands to the king and his priyayi officials. [3] The Dutch East India Company, the VOC, initially made no changes to this system. After the collapse of the VOC and the British interregnum in the early 19th century, a new system was imposed by the colonial state founded by the Dutch. This system, the *Cultuurstelsel*, or the cultivation system, was essentially a system

of forced delivery of crops to the state. The villagers were forced to set aside prime land for crops specified by the state, and obliged to provide labour for its cultivation and harvesting. [4]

The priyayi administered this system along with Dutch colonial officials. As with the king's taxes in former times, their income was basically that of a commission. The commissions, however, were later replaced by regular salaries, turning the priyayi into a class of regularised colonial officialdom.

At one time the priyayi were given the choice between land rights and a combination of salaries and commissions. Most choose the latter, which seemed the more profitable and expedient course of action at the time. [5] In reality, there may, in fact, not have been much of a choice for the priyayi, as pointed out later. During the 19th century traditional rights of the priyayi to peasant labour were abolished along with the system of commissions, further regularising the priyayi nobility as a new bureaucratic class [Onghokham, 1975, Rahardjo, 1985]

This transformation of a dominant class into a class of landless officialdom is probably without parallel. In several other Asian countries, large and powerful classes of bureaucrats developed with colonial rule, and in many cases these were later to wield decisive political influence. Parallel to this, however, in other Asian countries, a class of landowners was perpetuated or created, forming a potentially countervailing force to the bureaucrats and the indigenous bourgeoisie.

Further compounding this situation in Indonesia was the failure of a native entrepreneurial class to emerge as an economic and political force of much consequence. This made the structure and dominance of the bureaucratic class in Indonesia in many ways unparalleled in a major country of Asia.

In the neighbouring Philippines, a powerful class of indigenous landowners had developed well before independence, and this class has continued to dominate the politics of the country, giving Philippine politics a shape substantially different from those of Indonesia. [6] On the Indian sub-continent classes of landowners and entrepreneurs competed with a bureaucratic class for political influence at the time of independence, and this conflict has given shape to politics and state since. [7] In Thailand the dominance of the bureaucrats came closest to that of Indonesia. There were however crucial differences in the relationship of the ruling class to the land, in greater extent of private landholding outside the ruling class as well as greater level of enterprise outside the perimeter of the state. This and the far greater fusion between bureaucratic power, landholding and entrepreneurial groups created less of a vacuum around the state. [8]

The system of forced crop delivery had in the final decades of colonial rule given way to policy designed to provide conditions for the expansion of private European capital in the colony. The main function of the colonial state under this system was to secure the conditions needed by the plantation economy. Land was handed over to the villages and taken over for use by the peasantry. The plantations established by European concerns could not

own land, but had to rent it from the locals. The system adopted for such transactions proved to be extremely disadvantageous for the landowning villagers, who were in effect forced to lease out their best land on very unfavourable terms. [9]

Landownership by the peasants was crucial to the workings of the system. Land became the basis for taxation on the peasantry. The taxes were payable in money, which forced peasants to seek work at the plantations in spite of very low wages. [10] The plantation economy was thus best secured through a maximum number of peasants owning land [Onghokham, 1975]. In only very few cases did native individual landlords emerge out of this system, and these were mostly modest in wealth [Mortimer, 1982, Rahardjo, 1985]. More typical was a system of shared poverty characterised by a growing number of people eking out existence through steadily more intensive farming of finite land resources, a system analyzed by Geertz and termed by him as "agricultural involution" [11]

Because of the centrality to the system of peasant ownership of land with corresponding taxation, the choice allegedly enjoyed by the priyayi over whether to become landlords or officials may not have been real at all. The system of communal village land was viewed by the priyayi as means of keeping the peasants tied to their villages, which along with the taxation on landownership, was the basis for creating a stable pool of cheap labour for the plantations [Onghokham, 1975].

The social and political effects of the systems operating in peasant agriculture and in the plantation economy were, on the one hand, the perpetuation of undifferentiated peasantry in subsistence conditions, and on the other, the perpetuation of a dominant native class without a commercial potential. While the colonial regime lasted, the dominant native class had very limited political potential as it was almost entirely in a dependent position vis-a-vis the colonial state and the foreign owned plantation economy.

Society as a whole, can be seen to have lost political power and capacity vis-a-vis the state as this colonial economic system developed. This has been pointed out by Onghokham, who describes the strengthening of the colonial state around this economic system in terms of society becoming impotent and the state supreme. [Onghokham, 1975] This also accords with Anderson's notion of the triumph of state over society. [Anderson, 1983]

Apart from the ruling Europeans, the priyayi and the peasants, two other groups or classes were much in evidence during the latter part of colonial rule. These groups were engaged in trading and petty commodity production, but divided by race, one indigenous, the other Chinese.

Chinese traders have roots in Indonesia stretching back further than European influence. Nevertheless, they have remained a conspicuously separate minority community, in sharp contrast to the way a similarly constituted Chinese minority was integrated into the dominant classes of Thailand, and in a different way but to an important extent in the Philippines.

The Chinese thrived in Indonesia for various reasons during colonial rule. The VOC, and later the colonial administration found it expedient to use the Chinese as collectors of various dues from native society, and as operators of monopolies. Some of these monopolies came to be leased out to Chinese entrepreneurs, such as road tolls, bazaar fees, salt collection and even custom duties. Whole villages were also sometimes leased out to Chinese middlemen through the system of tax farming, also known in some neighbouring countries. The position of the Chinese merchants was in this way not too dissimilar to the position of the largely Chinese merchant class in Thailand, where they cooperated with the sakdina class in running royal monopolies and tax-farming. [12] The far greater integration of these cooperating classes in Thailand in entrepreneurial activity contributed to a very different class formation from what happened in Indonesia. Whereas in Thailand a bourgeoisie, however fragmented, grew out of a fusion of Thai landowning, aristocratic, bureaucratic and trading classes with a Chinese merchant class, such classes and groups remained separate in Indonesia, leaving the land in the hands of peasants, commerce with the Chinese and an antagonistic declining Muslim trading class, bureaucratic power with the priyayi, and political power eventually with none of these groups.

With the rise of colonial capitalism and expansion of the money economy, the Chinese entered commerce outside state patronage, such as imports, retailing, collection of produce and money lending [13]. Indigenous traders also emerged with the introduction of money economy. This development

was much stronger in Sumatra than in Java, but was in evidence in most of Indonesia in the final decades of the 19th century. The Chinese were restricted from trading in the interior, which facilitated this growth. Indigenous entrepreneurs were also engaged in petty commodity production at this time and had at the end of the 19th century a significant hold on small scale industrial production, such as textiles, batik and household production of commodities was enjoyed by pribumi entrepreneurs. Chinese merchants, however, partly controlled this production as middlemen and traders. The modern sector of industry was in the hands of European companies.

During the early decades of the 20th century, indigenous elements started to lose out in competition with Chinese and foreign capital. Soon after the turn of the century, Chinese traders were permitted to trade in the interior of Java, where they also moved into the traditionally indigenous sector of batik production. This strong competition against the emerging, but still feeble class of indigenous merchants and commodity producers became the focal point for the first national political activity of lasting importance, the founding of Sarekat Dagang Islam, the Islamic Union of Commerce [¹⁴]. The Union, which soon dropped its middle name of commerce and became the Sarekat Islam, was founded by indigenous merchants anxious to resist Chinese encroachment in business. One of the aims of the organisation was the development of commerce among the pribumis. There were hopes that the organisation might facilitate networks for mutual assistance among pribumi entrepreneurs, which was an attempt at emulating what was seen to be one of the keys to Chinese success in business.

Mobilisation of capital through such networks did not materialise, but the organisation enjoyed a spectacular, if short lived, success, and became instrumental in fostering the development of indigenous politics. In less than two decades all the most important political streams of the succeeding decades had been crystallised out of this movement. The class based divisions of native society gained certain expression in the way the union disintegrated, although it would be a misleading oversimplification to see the divisions between the modernists and the traditionalists as a simple class division between traders and peasants.

The merchants who founded SDI had little in common with the prevailing sentiments in the villages, or indeed the radical thinking emerging around the formation of working classes in the towns. The villages were feeling the impact of the intrusion of money economy and the peasants tended to react in a conservative way. On village level the SI was controlled by the kiyayi, the religious scholars and took on a mainly conservative religious outlook. What the merchants and modernisers in towns and cities wanted, was in many cases the opposite of the views taken by the rural kiyayis and peasants. The villages had long been isolated and the production system had perpetuated old divisions, while the same system was changing the towns and cities.

The indigenous merchant class which could have been the foundation for a native bourgeoisie, largely failed to secure its interests through this movement. In the towns communists managed to win control of local branches, while the

kiyayis held sway in rural areas. Neither group had a commitment to the original aims of the SDI or much sympathy for the creation of a strong modern trading class in native society.

There were, however, some significant opportunities for the development of pribumi commerce, particularly after the start of the Great Depression in the early 1930s [15]. Colonial policy at this time facilitated the development of small scale pribumi industries in Java and in the outer islands. Export of manufactured goods from Java to the outer islands started at this time, and parallel to that, the outer islands gained a far greater economic importance than before, primarily as a result of changing markets in Europe for colonial produce.

In spite of these opportunities, Chinese capital consolidated its position in the last decades of colonial rule, as the most important non-European element in the modern economy. Gradually, the plantation economy, along with the growing minerals, oil and timber extraction sectors, came to be dominated by a few large companies, mostly Dutch, but also some British and American. The primitive native economy along with this concentration in the modern economy, and Chinese ownership of intermediate sectors, gave shape to the economy of newly independent Indonesia.

The political and social effects of all this were to entrench pre-capitalist structures by limiting class differentiation and preventing formation of native

classes capable of taking over the colonial economy. This was further thwarted by the size and structure of the colonial enterprises.

Like in other countries, colonial economic domination was not only a question of direct ownership, but also a question of the economic logic constituted by the international trading system, a dimension largely beyond domestic control. The new states differed sharply in their approach to this. In Malaysia large parts of the economy remained in foreign hands for a long time after independence. Important enterprises were eventually acquired through the stock exchange and take-overs. In Thailand various policies were followed in the 1950s and 1960s that were designed to ensure Thai control over the economy, and whatever the side effects of these policies, a dominance of Thai capital in local industry was ensured. In India, total native control of industry was achieved from early on through far more restrictive measures. A brief comparison of the nature and political effects of these different policies will be made at a later stage.

In Indonesia much effort was spent on political attacks on foreign economic domination and on the international trading system, while the transfer into native hands of the main productive assets occurred through a burst of an ill prepared nationalisation, a subject of a subsequent chapter.

As argued later, post colonial policy choices and policy outcome was chiefly shaped by the weakness of the entrepreneurial classes and the relative strength and autonomy of the state, on the one hand, and by the structural

imperatives and the strength of the external dimension, that is the logic of the international trading system, on the other. Nationalisation of foreign enterprises and their transfer to military control was in large part effected by the former, while the failure of this and the attendant economic policy was determined by the latter.

In addition to these difficulties in digesting the colonial economy, its shape at independence was not promising. The war and the Japanese occupation was a heavy blow to most of the foreign enterprises, and in addition, some sectors of the economy had suffered severe difficulties since the onset of the Great Depression almost two decades earlier. While the domination of the modern economy by a few large foreign companies was hardly unique to Indonesia, both the extent of the foreign domination and the the size of the enterprises relative to the local economy were unusual for Asia, although parallels were certainly to be found, e.g in neighbouring Malaysia. The basic organisation of the colonial economy around extraction of minerals and a few types of produce was similar to what occurred in Latin America, Africa and some Asian countries under European domination.

Like in many other former colonies, the key political question after independence, at least in retrospect, was on how control over the economy could be transferred into native hands. At the time, this question was seen mainly in terms of the native versus the foreign and took on strong nationalistic overtones. Although the question of who should take over the foreign enterprises was much debated at the time, most participants will have

failed to grasp the fundamental importance of the way this question was handled for the future political structure of the country.

From the preceding pages, however, it should be clear, that choices in this respect were severely limited. Native society was not economically organised in such a way as being able to absorb the concentrated colonial economy. The state, however weak and fragmented at independence, was to gain a pivotal economic role with crucial implications for the formation of dominant political and economic forces.

Notes

1. For a discussion on landownership see: Onghokham, 1975, *The Residency of Madiun, Priyayi and Peasants in the 19th Century*, Ph.D. thesis, Yale University.

Also: Dawam Rahardjo, 1985, *Transnationalisation of the State, Indonesia*, Working Papers of the United Nations University, Tokyo.

2. For a brief discussion on this point see: Rex Mortimer, 1982, *Class, Social Cleavage, and Indonesian Communism*, in B. Anderson and R. Kahin (eds.) *Indonesian Politics, Thirteen Contributions to the Debate*, Ithaca: Cornell University.

3. For this figure see R. Robison, 1986, *Indonesia, The Rise of Capital*, Canberra: Asian Studies Association of Australia.

4. For a discussion on the colonial economic system during the 19th century see: J. Furnivall, 1944, *Netherlands India, a Study in Pluaral Economy*, Cambridge University Press.

5. For a description and analysis of the transformation of the priyayi into a bureaucratic class, and their administration of the colonial economy see: Onghokam, 1975.

6. For locally focused accounts of the emergence of landowning class and elite in the Philippines see e.g.: J. Larkin, 1972, *The Pampangans, Colonial Society in a Philippine Province*, University of California Press, and: E. C. de Jesus, 1982, in McCoy and de Jesus, *Philippine Social History, Global Trade and Local Transformations*, Manila: Ateneo de Manila University Press.

On the development of the class structure and its impact on politics in the Philippines see e.g: Robert Stauffer, 1985 on the Political Economy of the Philippines in R.Higgot and R. Robison (eds.) *Southeast Asia, Esseys in the Political Economy of Structural Change*, London: Routledge & Kegan Paul.

Also Gary Hawes, 1987, *The Philippine State and the Marcos Regime, The Politics of Export*, Ithaca, Cornell University Press.

7. See e.g: Hamza Alavi, 1972, *The State in Post Colonial Societies*, *New Left Review*, no. 74.

Also by Alavi on Pakistan: 1983, *The State in Crisis, Class and State*, in H. Gadezi and J. Rashid (eds.), *The Roots of Dictatorship*, London: Zed Press.

On India see e.g: Pranab Bardhan, 1984, *The Political Economy of Development in India*, Oxford: Basil Blackwell.

8. On Thailand see: Kevin Hewison, 1985, *The State and Capitalist Development in Thailand*, in R. Higgot and R. Robison (eds.) *Southeast Asia: Esseys in the political economy of structural change*, London: Routledge & Kegan Paul.

Also by Hewison, 1981, *The Financial Bourgeoisie in Thailand*, *Journal of Contemporary Asia*, no. 4, vol. 11.

Also on Thailand see: John Girling, *Thailand, Society and Politics*, Cornell University Press.

9. For a study of this see: 1979, *Between People and Statistics*, *Esseys in Modern Indonesian History*, presented to P. Creutzberg, The Hague: Martinus Nijhoff.

10. For a discussion on the colonial economy and its relations to local economy and society see: J. H. Boeke, 1951, *Economics and Economic Policy in Dual Societies*, Haarlem: H.D.T. Willink.

11. Clifford Geertz, 1971, *Agricultural Involution, The Process of Ecological Change in Indonesia*, Berkeley: University of California Press.

12. For a brief discussion on this see: Kewin Hewison, 1989, *Power and Politics in Thailand*, *Esseys in Political Economy*, Manila: JCA Publishers.

13. For a description of this development see R. Robison, 1986.

14. On Sarekat Islam and the emergence of national political consciousness see: Robert van Niel, 1960, *The Emergence of the Modern Indonesian Elite*, The Hague: W. van Hoeve. (Also published in 1984, Dordrecht: Foris Publications.)

15. For a discussion of this see: D. S. Paauw, 1963, From Colonial to Guided Economy, in R. T. McVey (ed.), Indonesia, Southeast Asian Studies, Yale University Press.

CHAPTER 3

THE POST-COLONIAL STATE IN INDONESIA

The perpetuation of the colonial enclave production of plantations and extraction, discussed above, where economic power was in the hands of foreign enterprises and a class of Chinese merchants, but political power had passed on to a native elite, has been described as an "indeterminate social formation". Speaking of the mode of production prevailing in Indonesia 1942-1965, Alec Gordon claimed that Indonesia had joined "Third World normality" only in 1965 [1].

The newly independent state of Indonesia can be similarly described as having been of an indeterminate and intermediary character. Compared to the states established at much the same time in India, Pakistan and in the Philippines, where one or more identifiable indigenous classes were clearly dominant in the economy, the early independent state in Indonesia seems conspicuously divorced from the organisation of production. Compared to India, Pakistan and Thailand the early post-colonial state in Indonesia also seems underdeveloped, fragmented and weak.

Hamza Alavi's theory of the strong, "overdeveloped" post-colonial state seems inapplicable to Indonesia in the early 1950s. These theories, however, approximate to an important extent, to features of the state that emerged more than 20 years after the declaration of independence. The theory of the "overdeveloped" state being inherited from the colonial power, is then clearly not applicable. In this sense, the Indonesian state, like the social formation in general, was indeterminate at the beginning and grew to approximate other Asian states during the first two decades of independence. The reasons for this were chiefly to be found in the economic organisation of the archipelago, peculiarities of the class structure, and the partly related weakness of the state, as well as in historical cleavages founded in religious differences. These factors will be discussed at various points below.

Alavi's theory of the strong autonomous post-colonial state in South Asia can be used in reverse to highlight the predicament of the Indonesian state at independence. Alavi argues, that the post-colonial state enjoyed great strength, relative to that of society. [2] This is because the colonial state was used to control the whole of native society for the benefit of forces alien to it. The state represented the interests of the bourgeoisie of the industrialised colonial powers, and its mechanism of control was "overdeveloped" for the purposes of an independent democratic state. The weak indigenous bourgeoisie was, at the time of independence, unable to subordinate the highly developed state.

The Indonesian state at independence, however, was for several reasons very different from this picture of what the British left on the Indian sub-continent. To start with, the Indonesian state was established after a prolonged armed conflict with the colonial state. This conflict was carried out without much central command on the Indonesian side. The military of the newly independent state was as a result substantially different from the British trained armies of India and Pakistan inherited by the new states there. The incohesive military will be discussed in some detail in a following chapter.

Secondly, the constitution of the new state was in dispute from the start. The dispute was not confined to the institutionalised political arena where it was played out over a decade or more, but led to separate outbursts of civil war during the 1950s on the main islands of Java, Sulawesi and Sumatra. Both the form of government and the territorial integrity of the new state was challenged in these rebellions after independence. Crucial implications of the second rebellion when forces in the outer islands, rooted in economic structures, geographic realities and religious differences sought to break up the Indonesian state will be discussed in the chapter that follows.

The colonial power also approached its former possession in a manner different from the British in India and Malaysia. Whereas the British fought an armed campaign against external and internal challenges to Malaysia before full independence, the Dutch, after conceding defeat in keeping Indonesia, attempted to weaken the central control of Jakarta over the country by

encouraging a non-unitary form of state with much devolution of powers to the regions.

In addition to this, and probably more importantly, no one class was clearly in a dominant economic position in society, a situation with a certain parallel, but a parallel of a different nature, in South Asia, where instead of a pair of fundamental classes generated by a particular mode of production, the picture was far more complex. The reason for this complexity, observed by Alavi in India and Pakistan, is the way colonial capitalism interacted with pre-colonial and pre-capitalist social formations, producing several fundamental classes within one social formation rather than a single pair.

In Pakistan, Alavi speaks of three dominant classes, namely landowners, indigenous bourgeoisie, and the metropolitan bourgeoisie. In the short term, the interests of these three classes are frequently in conflict, while in the long run, they have a shared stake in the preservation of the existing social order, based as it is on private property, and on capitalism as the dominant mode of production.

In the case of Indonesia, neither landowners, nor an indigenous bourgeoisie could be spoken of as dominant classes, at least not in the same sense as in Pakistan. The dominant class in native society, to the extent that such terminology is applicable, was landless and not involved in commerce, as discussed earlier. This was a bureaucratic class that owed its dominant position in society to its management of the state rather than to ownership

of the means of production. Better-off peasants and merchants undoubtedly had more political clout than workers or poor peasants, but these did not form strong organised classes capable of imposing their will through the state.

The economically dominant class of Chinese traders held no sway over the state and was, in fact, systematically discriminated against in various ways.

The central position of the state, and its relative autonomy from any one class is, in post colonial societies, further compounded by the weakness of indigenous private capital, which leads the state, according to Alavi, to assume a pivotal position in the economic development and industrialisation. The state appropriates economic surplus, and along with funds borrowed from abroad, this is deployed, under the control of bureaucrats, for economic development.

An argument of the same nature has been taken much further by theorists working on industrialisation in the Third World. It has been shown that the longer industrialisation is delayed, the greater amount of capital is needed to carry it out, and hence, the greater tends to be the role of the state as the only indigenous party capable of mobilising funds on the scale needed, or that of foreign companies controlling technology and capital. ⁽³⁾ This important point will be returned to at a later stage in the context of industrialisation in Indonesia, the onset of the New Order and the political and economic conditions developing in the 1960s.

While the colonial genesis of the state gives it strength vis-a-vis society, according to Alavi, the fragmentation of dominant classes gives it a measure of autonomy from any one class. Almost all studies of the Indonesian state have either assumed or concluded that the state has enjoyed considerable autonomy from social classes. There has, in fact, been no published study explicitly concluding otherwise.

The possibility of a class control over the state in Indonesia falls, of course, outside the framework employed by most Indonesianists. For what would constitute a mainstream framework for Indonesian studies, the state may at any time pursue policies that are at variance with the interests or wishes of all classes and groups in society, except perhaps, the elite within the state itself, which is not conceived of as a class.

Neither has the question of state autonomy in Indonesia been greatly debated by those guided by political economy paradigms. Studies directly focusing on class in Indonesia have either been influenced by the dependency theory, which is generally not concerned with the possibility of indigenous class control over the state, or, they have concluded that due to the fragmentation and political impotence of the economically dominant classes in Indonesia, the state has enjoyed relative autonomy.

Studies focusing on the indigenous bourgeoisie in the first two or three decades after independence have generally concluded that this was a class in decline, and as no other class could be seen to be both economically

dominant and with a purchase on the state, it was generally concluded, that the state, since independence has enjoyed high degree of autonomy from class control. The often related question of the strength of the state, has likewise not been extensively analyzed with regard to Indonesia.

For those subscribing to a functionalist framework, or a culturally derived paradigm, the question of strength is mainly interesting with regard to the capacity of the state to deal with various groups in society. A state that can impose its will on all groups in society would be a strong state from this point of view. The New Order state, as opposed to the Old Order state for most of its history, has therefor been conceived of as a strong state.

In traditional Marxist scholarship, on the other hand, a strong state is not one that is autonomous and with a capacity to repress all groups, but one that is not autonomous at all, but a highly developed tool in the hands of a powerful class pursuing its interests. The state is not seen to have any basis for a strength, that is in the long term, except the one that is derived from the economic organisation. A strong state that is also autonomous of all class forces is for Marxism something of a contradiction of terms.

The possibility for a state that controls the whole of society and its monetised economy for the benefit of anything but a class, domestic or a foreign, is not evident in traditional Marxism. Such a construct, however, a strong politically and economically interventionist state free from class control forms the mainstream view of the Indonesian state. For scholars guided by political

economy paradigms the dependency theory, whereby political control was seen to be exercised for the benefit of a foreign bourgeoisie solved part of the theoretical problem created by the observed absence of a local bourgeoisie. The dependency theory, however, was to an important extent disproved by industrialisation in Latin America and East and Southeast Asia, as pointed out earlier.

The importance of the external dimension, the world trading system, however, is clearly vast in the formation of the Indonesian state and in the creation of the conditions for the existence of classes, groups and the regime. As suggested earlier, this external dimension creates opportunities and constraints, the structural imperatives that largely determine the outcome of economic activity and political choices with regard to external trading and industrialisation. This dimension, as important as it is, will not be analyzed separately in this thesis, a task that is outside the scope of the thesis. It will be conceived of as a framework of constraints and possibilities and acknowledged as such.

This external system does not directly dictate policy, but dictates what is a profitable economic behaviour for the state and for individual enterprises, and as such, provides constraints and possibilities. This dimension has already been indirectly discussed in the preceding chapter on class formation in colonial times. In the chapters that follow, its existence will be similarly treated without analysis of this external system itself.

Notes

1. Alec Gordon, 1982, *Journal of Contemporary Asia*, vol. 12, no. 2.
2. Where not otherwise indicated, Alavi's arguments are taken from his original article on the state in post-colonial societies: H. Alavi, 1972, *The State in Post-Colonial Societies*, *New Left Review*, no. 74.

Of relevance to this discussion are also the following:

H. Alavi, 1975, *India and the Colonial Mode of Production*, *Economic and Political Weekly*, Special Issue.

H. Alavi, 1981, *Structure of Colonial Social Formations*, *Economic and Political Weekly*, vol. 16, nos. 10, 11 and 12.

H. Alavi, 1983, *The State in Crisis, Class and State*, in H. Gardezi and J. Rashid (eds.), *Pakistan, the Roots of Dictatorship*, London: Zed Press.

3. See e.g. Alexander Gerschenkron, 1962, *Economic Backwardness in Historical Perspective*, Harvard University Press.

On industrialisation and the various implications of the different routes followed see Tom Kemp, 1989, *Industrialisation in the Non-Western World*, Longman (second ed.)

CHAPTER 4

THE INDIGENOUS BOURGEOISIE

After independence, in something of a reverse process of class formation and state formation, the state attempted to create a class of indigenous entrepreneurs. This was not a very systematic or sustained attempt, but it was an important dimension in the economics and politics of the new state.

A new class of political rent seekers was created. Partly as a result of this, and very importantly for the longer term, the economic policy favouring this new class was highly detrimental to the small but already established indigenous class of traders and producers.

Most of the political leadership was in a broad agreement on the need to change the structure of ownership in the economy in favour of indigenous elements and at the cost of foreign concerns. What united in this respect, was nationalism. Economic independence was seen to be lagging behind the political independence won in an armed struggle against the colonial power. The Dutch had insisted on guarantees for foreign enterprises before transferring sovereignty to the new republic. These guarantees made nationalisation both difficult and costly. In spite of this, numerous and strong

voices called for speedy transfer of large foreign enterprises to native hands. Even the most moderate and business oriented leaders vowed to change the structure of the economy. Mohammad Natsir, the first Prime Minister of the unitary republic and leader of the Masyumi party, which was among the most cautious of all parties in this respect, called on behalf of his government for a "complete change" of the structure of ownership in the economy. [1]

Attitudes, however, differed greatly between parties and individual leaders with regard to what form ownership should take, and what policies should be used in attaining this. In general, the communists, the PKI, not surprisingly, favoured state ownership and a quick transition to a nationally controlled economy, while the nationalists, the PNI, favoured a more cautious pace towards a mixed economy of private and co-operative ownership. Masyumi, the largest party in the provisional and unelected parliament favoured, in general, private enterprise and caution in nationalisation, pointing out the scarcity of capital and human resources for running large enterprises in Indonesia.

Judging from the extensive debate taking place among the political elite of newly independent Indonesia over the future organisation of the economy, and over short term and long term economic policy, however, a somewhat confusing picture of blurred lines emerges. A general lack of commitment to ideological projects can be surmised from these debates, and class interests are hardly identifiable.

It seems possible to conclude from these debates, extensive and wide ranging as they are, that the politics of the early years of the republic were significantly autonomous from the economic organisation of society, in the sense that interests of identifiable classes were not systematically articulated.

[²]

This autonomy can also be surmised from the treatment of the politics of the time by Herbert Feith. [³] Robison, commenting on this autonomy, explains it in terms of the erosion by the money economy, commodity production and the colonial state of the pre-capitalist structures of social class and political power that took place without being replaced by politically organised classes of landlords, labourers or capitalists. [Robison, 1986]

It seems to have been the conscious intention of all the major parties in Indonesia, apart from the communists, to facilitate the growth of an indigenous bourgeoisie through state policy. Various ideas were put forward with regard to co-operative ownership, an important plank in the political ideology put forward by nationalists, particularly by Hatta, the co-proclamator of independence with Sukarno. Relatively little came of these ideas but they continued to figure prominently in political debates. The cooperative ideal is much in line with the fundamental principles of the ideology articulated by both the Sukarno regime and the Suharto regime, the ideology of Pancasila, such as the principle of gotong royong, the mutual help principle, and has for this reason been advocated as a part of a political ideology. These ideals

have been revitalised again for political purposes in 1990, as discussed later.

State enterprises were also discussed by several leading politicians as one way of transferring the foreign owned economy to native hands. A mixture of all three, private pribumi enterprises, co-operatives and state enterprises was favoured by many, even most, judging from debates in parliament. This mixture may not have only been a political preference, but a reflection of the fact, that not only was indigenous capital very weak, prompting those advocating free enterprise to acknowledge a major role for the state, but so were also the administrative and capital resources the government could draw on, a fact generally recognised.

In 1951, soon after full independence had been achieved, the government of the day formulated what was to be a comprehensive plan for economic, industrial and agricultural development. This plan, called the Economic Urgency Programme, EUP, was mainly drawn up by Dr. Sumitro Djodjohadikusumo, who was later to become an influential architect of the New Order economic policy, after an earlier involvement with the regional rebellions in the late 1950s. The plan proposed the consolidation of all efforts at industrialisation through government sponsored finance and production schemes. The object of the policy was to use the large scale, mostly foreign owned companies, for the creation of an integrated industrial base, for the most consisting of import substitution industries. [4]

The plan largely failed. The isolation of politics from the economy may have been an important factor in this failure. Kuntjoro-Jakti describes the failure of the plan in terms of a "fatal combination of its isolated origin, the highly decentralised execution, and lack of continuity in government". [Kuntjoro-Jakti, 1982] He points out that the economically dominant European and Chinese elements in the economy, crucial as they were to the success of the plan, were not invited to participate in its formulation.

In spite of much talk on the need to transfer the economy into native hands and on the need to help indigenous elements to shoulder this responsibility, there was little commitment to the creation of a truly independent capacity in this respect. The political system at this time was only willing and able to facilitate the creation of a group of client capitalists, dependent on the bureaucracy and the party system for favours.

In spite of considerable differences of opinion, all the major parties taking part in the various parliamentary government of the 1950s, lent their hand in the formulation and execution of policies that were supposed to facilitate the creation of a class of indigenous entrepreneurs. The communists and some left wing members of the Parliamentary Assembly warned, though, at times against the social and political effects of the growth of such a class. State finance was used liberally for these purposes during the period of parliamentary government, as discussed briefly below.

The task was daunting. Robison, quoting from Ansbach and Sutter cites three examples of the extent of foreign ownership in the economy in the mid 1950s. [Robison, 1986] [⁵] In the financial sector, the 42 indigenous banks, in spite of a strong support from the government, accounted for only 11 per cent of outstanding credit. In many cases these banks were dependent on continued government finance. In the rural credit sector, according to Ansbach, government initiated credit institutions failed to reduce the Chinese hold on village credit. In the agricultural sector, 70 per cent of the estates on Java and Sumatra were still in foreign hands by 1953. The Chinese had moved into this sector rather than the pribumis, and while Chinese ownership of estates had been negligible in 1929, by 1952 it had reached almost 20 per cent, leaving little more than 10 per cent of this vital sector to the government and indigenous investors. This increasing share of Chinese capital has a certain parallel in later developments in Malaysia, when initial attempts at reducing foreign control of the economy lead temporarily to a greater share for Chinese capital.

In the manufacturing sector, Ansbach's study of the textile industry in Bandung, the centre of the weaving industry, shows the same pattern of foreign and Chinese ownership. Of around 150 million Rps. of employed capital, only 5 million Rps., less than 3 per cent was indigenous capital employed by indigenous enterprises. Around 90 million Rps. of this capital, well over half, was entirely foreign and foreign operated, while the remainder was Chinese, foreign or partly foreign and operated by Chinese and pribumi enterprise. This situation prevailed in the late 1950s after several years of

government schemes designed to alter this state of affairs. In each of these sectors government policy sought to effect such change through a complex mixture of incentives, subsidies and regulations. In all these cases, and in most other sectors, progress was at best slow and in some cases none at all.

The greatest intensity of government effort in this respect was reserved for the import sector. The economic or political logic of concentrating efforts on this particular sector is not entirely clear, and still less so if viewed in the light of the stated objectives of government policy. This sector, however, was in many ways more easily manipulated by licensing policy, without much danger of complete strangulation, than the manufacturing sector. It also required less capital, and a quick and substantial return on investments could be effected through government policy.

Through what was known as the Benteng programme, the government used allocation of import licenses and provision of credit to increase the share of pribumi enterprises in this sector. The programme was on a very large scale, given the size of the Indonesian economy. This lasted for five years in its original discriminatory form, but was not consistently implemented. The extent of the programme can be judged from the proportion of foreign exchange credit channelled through it. In 1954 this rose to more than 75 per cent. The scale can also be seen from the number of pribumi importers enjoying its benefits. This rose from 250 in 1950 to 7000 in 1953. [Robison, 1986] Widespread corruption in allocation of licenses and credit was evident

in this programme. Through their increasing hold over the bureaucracy, a phenomenon to be discussed later, the political parties were very active in using the scheme for patronage and fund raising.

The effect on the structure of ownership in the import sector was of a far lesser importance than the impact of patronage and corruption on the political system. Many of the licensees sold their permits to Chinese importers. The government sponsored credit, extended on easy terms to pribumi importers, was in many cases not fully paid back. A screening process in 1954, designed to weed out corruption, cut the number of pribumi importers in half. Even after this screening, however, a government agency estimated that 90 per cent of the registered importers were not bona fide. [Robison, 1986]

The Benteng programme, and others like it, were on the whole costly failures. Even if the structure of ownership in the economy was not significantly altered, however, several individual fortunes were made. This was mainly through continued privileged access to political and bureaucratic power, creating a pattern for the future. In many cases these fortunes declined with changing political fortunes of the individuals concerned, and only in few cases did they form a basis for self-sustaining enterprises. This, however, happened, although probably not without strong political contacts, and will be discussed at a later juncture.

Many of those most active in reaping government patronage had direct political connections to one or more of the political parties in the shifting

coalitions governing Indonesia, or to bureaucrats, who in turn were often sponsored by political parties. Close to a half of the members of the provisional parliament, serving up to 1955, were directly involved in business. [Sutter, 1959, p:1311] The debates in parliament documented by Sutter also show that a number of people voicing caution against the development of capitalism, or even an active hostility to that system, were themselves privately involved in business.

The political parties also became directly involved in business, capitalising on the access to state credit and to the bureaucracy, which apart from handing out licenses and concessions, controlled the single most important source of purchasing power and contracting. Largest of these party owned enterprises were those set up by the PNI, but other parties were also active in this field.^[6] [Robison, 1986] The interests of the parties and those of private individuals within them were often less than clearly separated in the various enterprises springing up in constellations around the parties.

Much of this set the pattern for, and has a parallel in, the rise of military owned corporations after the military had displaced the parties and gained domination over the bureaucracy, instituting a system where individual officers were shareholders along with the military institutions concerned.

A few individuals or groups, however, were to emerge from this system as traders of some substance. Robison has identified a few such enterprises that either emerged from this environment or were able to expand through

government patronage and go on to greater things. Most of these, it seems, enjoyed close association with one or more of the political parties. Those that have survived to this day have since formed alliances with powerful figures in the military, or the families of such men, particularly the Suharto family.

As briefly mentioned earlier, traders from Sumatra had prospered during the latter part of colonial rule, when the economy was undergoing structural changes, and in some cases moved on to Java and other islands. A few of these traders, like the Dasaad, Djohan, Djohor, Tamin and Aziz groups, had expanded into the inter island trade that had grown during the depression of the 1930s. They had competed successfully with Chinese elements and even in some cases operated international trading. Some, like the Tamin group, became involved with networks dominated Chinese merchants. [Robison, 1986]

Some of these groups, such as the Tamin, Dasaad and Aziz groups expanded significantly as a result of Benteng programme patronage. The groups already possessed capital base and trading structures and were therefore in a far better position to succeed than the ad hoc companies formed to capitalise on political connections.

Among the individual Sumatran businessmen with strong connections to political parties, mentioned by Robison, is Hashim Ning, who rose in the 1950s on connections to the PNI. Ning continued to prosper during the New

Order regime on strong connections to the Suharto group. His business enterprises and those of some other Sumatran businessmen, particularly those linked to the automotive industry, is discussed by Ian Chalmers in his study of the Indonesian car industry. [7] Another, Soedarpo Sastroamato, a brother of the leader of the PSI group in parliament, benefitted from Benteng and was later able to regenerate political connections after the change of regimes. Another Sumatran family that has prospered under the New Order is the Bakrie family, which enjoys particularly strong business connections to the President's family, with several jointly owned companies and joint ventures of various kind, from import monopolies to manufacturing industry. Some others, who based their operations on political connections, failed to find new patrons after the military had replaced the parties as the source of government patronage and went into decline.

The Sumatran traders can to a certain extent be seen as an exception from a structural division within the nascent bourgeoisie in Indonesia. With a simplification, it seems possible to speak of those who benefitted from the government attempts at creating such a class, people chiefly based in Jakarta and almost all enjoying political patronage, on the one hand, and of those who were hurt by the economic policies of the 1950s, on the other.

The irony in this, if the government policy is seen as an attempt at creating a class of entrepreneurs, is that the real loser during the 1950s was a class of far more promising entrepreneurs than anything created in Jakarta.

The policies leading to the demise of this class and the creation of the client capitalists in Jakarta, first through the parties and later through the military, proved to be crucial for the creation of economic and political structures in Indonesia. Some of the most prominent features of the Indonesian state and the constitution of the dominant classes can be traced back to this. Not only did this shift power and resources from one class fraction to a qualitatively different one, it was also instrumental, along with some other historical processes, in unifying the military and pushing it to the centre of economic and political power.

In the early part of the 20th century there had been a shift of investments from Java to the outer islands. This coincided with the attainment of Dutch supremacy over the entire archipelago, but the main reasons for this were external to Indonesia. Demand for agricultural produce of the Javanese plantations had stagnated in the early part of the century, while increased industrial production in Europe and America created a growing demand for raw materials, such as oil, tin, bauxite and coal, all found in quantities on Sumatra, Kalimantan and Sulawesi.

Wertheim has pointed out that the adaption to the modern economy in these islands was carried out by indigenous Indonesians to a far greater extent than was true on Java. [8] Pribumi Indonesians embarked on the cultivation of rubber and coconuts on their own initiative. These entrepreneurial farmers, however, were often dependent on Chinese middlemen.

During the first three decades of the 20th century, this increased economic activity in the outer islands led to a major shift in the colonial economy. By 1930, the exports of the outer islands exceeded those from Java. [⁹] At the same time there was a growing disparity in income between Java and the more prosperous outer islands. [¹⁰] During the Great Depression of the 1930s, the produce export from Java declined sharply, while the outer islands fared better. At the same time, however, there was a significant increase in the inter-island trade and in industrial production on Java. Java sold by then both manufactured products and rice to the outer islands, while the imports from abroad to Java were increasingly financed by outer island exports.

This trend continued beyond independence, and in 1956 even Kalimantan was exporting more than Java. At this time, or slightly later, the outer islands were exporting almost seven times more than Java. [Paauw, 1963] Java, however, was taking most of the imports.

This superiority in export performance was not translated into political power to the increasing dissatisfaction in the outer islands. Nor did the creation of a small bourgeoisie in the outer islands lead to a cohesive representation of their interests at national level. These interests found their voice most clearly in Masyumi. The party, however, was constituted in such a way as to make cohesive articulation of such interests difficult.

Without going in to the complex history of Masyumi and religious politics in Indonesia, one or two features of its history need to be underlined in this

context. The foundation and disintegration of Sarekat Islam has already been mentioned, along with the fact that the main streams of political thinking had crystallised out of it in the 1920s. Masyumi had been created during the Japanese occupation as an umbrella organisation for several Islamic groups, and in a reconstituted form, it became the largest party in the unelected parliament that served until 1955. Differences within Indonesian Islam, however, lead to the disintegration of Masyumi. The remnant of Sarekat Islam left in 1947 to form the PSII, while Nahdatul Ulama, the organisation of the predominantly rural and mainly traditionalist ulama left Masyumi in 1952. What remained was a party of modernist Islam, strongest in the outer islands and in Sundanese western Java.

In the only democratic parliamentary elections in Indonesia, held in 1955, Masyumi became the second largest party, just behind the PNI. The combined vote of NU and Masyumi was 40 per cent. For those opposing Islam in politics, particularly with regard to the often heated debate over an Islamic or secular constitution, this was a potentially formidable block, if somewhat smaller than many had feared before the elections, while in reality, the two parties were far apart on many issues and often at loggerheads.

The fight over the constitution became one of the most dangerous schisms in Indonesian politics of the 1950s. Aspects of this will be discussed at a later stage. What is important at this stage, is the effect this had on the outer island bourgeoisie through pushing Masyumi out of mainstream politics. The

constitutional issue itself, however, was only one of the issues that estranged Masyumi from the state.

Masyumi was banned after the outer island rebellions in the mid to late 1950s.

NU had taken a firm stand against the rebellions but Masyumi had its main base in the rebel areas and sympathised with the rebellion. Before that the party had taken less than clear stand on the Dar-ul Islam rebellion in western Java, southern Sulawesi and Sumatra. [11] These rebellions will be discussed in a following chapter on the rise of the military.

At this point it suffices to underline that the interests of the nascent bourgeoisie in the outer islands became fused with the fate of political Islam. Together they became the losing side in a crucial political conflict in the 1950s.

It would be quite wrong, though, to see Masyumi as a bourgeois party bent on the creation of capitalism in Indonesia. The parliamentary debates of the 1950s chronicled and analyzed from different concerns by Feith and Sutter reveal suspicion of capitalism and unfettered private enterprise among Masyumi leaders. [Sutter, 1959, Feith, 1962] This opposition to capitalism, however, was mostly directed at international capital and the western countries.

It would be even more misleading to assume that all private pribumi entrepreneurs in Indonesia at the time were modernist Muslims. Sufficient

number of them in the outer islands were modernist Muslims to generalise about this particular fraction of the Indonesian trading class or bourgeoisie, but this was not necessarily true of Javanese traders or indeed the new class of entrepreneurs rising around the political parties and the bureaucracy. The significance of Masyumi for the development of Indonesian bourgeoisie was neither a total inclusion of the bourgeoisie in its ranks, nor an unambiguous pro-capitalist stance.

What was important about Masyumi in this sense was more by default than by design. It was the only major party likely to uphold the interests of the entrepreneurs that were independent of state privilege. NU was largely indifferent to these interests, the PKI hostile, while PNI, for long periods the most powerful of the parties, was deeply involved in, or allied with the import business and client capitalism in general. [12]

Masyumi, however, took part in formulating state policies that were as inimical to the interests of the outer island bourgeoisie as they were beneficial to the creation of client-capitalism. These policies, followed to a different extent by all governments of the 1950s, overvalued the exchange rate of the rupiah, harming outer island exports and facilitating imports, mainly consumed in Java and mostly traded through political privilege.

During the first decade of independence, political power and bureaucratic authority were fused, and the state apparatus appropriated by the political elite. This created a pattern of client capitalism and the policies followed

severely weakened export production and the nascent bourgeoisie of the outer island, while a group of traders, rather than producers, survived the demise of the system and forged new alliances with the military after the parties had been displaced as sources of patronage.

Notes

1. Quote taken from: John O. Sutter, 1959, *Indonesianisasi, Politics in a Changing Economy, 1950-1955*, vols. 1-4.

Sutter wrote a very detailed study of attitudes to economic change among leaders and parties during the early 1950s. His quotes from statements by leading members of most of the parties during this period reveal a great deal of impatience with the existing structure of the Indonesian economy. The moderate Natsir declared that the "creation of a national economy,.. [and] to change completely the economic structure, was the goal of his government".

Sutter's work is also an important source of data for the period he covered.

2. The source material here is chiefly the extensive documentation provided by Sutter.

3. Herbert Feith, 1962, *The Decline of Constitutional Democracy in Indonesia*, Ithaca: Cornell University Press.

4. For a discussion on the Economic Urgency Programme see: Dorajatun Kuntjoro-Jakti, 1982, *The Political Economy of Development, The Case of Indonesia under the New Order Government 1966-1978*, Ph.D. thesis, Berkeley, California.

5. R. Anspach, 1969, *Indonesia*, in Anspach et al (eds.), *Underdevelopment and Economic Nationalism in Southeast Asia*, Ithaca, Cornell University Press.

6. For a study of the PNI see J. Rocamora, 1970, *Nationalism in Search of an Ideology, The Indonesian Nationalist Party 1946-1965*, Ph.d. thesis, Cornell University.

7. Ian Chalmers, 1988, *Economic Nationalism and the Third World State: The Political Economy of the Indonesian Automotive Industry 1950-1984*, Ph.d. thesis, Australian National University.

8. W. F. Wertheim, 1964, *Indonesian Society in Transition*, The Hague: W. van Hoeve.

9. For a discussion on this development see D. S. Paauw, 1963, *From Colonial to Guided Economy*, in R. T. McVey (ed.) *Indonesia, Southeast Asian Studies*, Yale University with Hraf Press.

10. For this Paauw, 1963, quotes J. J. Polak, *The National Income of the Netherlands Indies, 1921-1939*, New York: Institute of Pacific Relations.

11. For the Dar-ul Islam rebellion see Cees van Dijk, 1981, *Rebellion Under the Banner of Islam, The Darul Islam in Indonesia*, The Hague: Martinus Nijhoff.

12. For the business interests of the PNI and its leaders see Sutter, 1959, who documented this carefully.

On the PNI and its leaders see also J. Rocamora, 1974, *Nationalism in Search of an Ideology, The Indonesian Nationalist Party 1946-1965*, Ph.D. thesis, Cornell University.

CHAPTER 5

RISE OF THE MILITARY

In its origins, the Indonesian military differs greatly from the armed forces of most other Asian states. Its genesis in armed guerilla struggle set it apart from the armies of most of the countries Indonesia could possibly be compared to politically. In India, Pakistan, Malaysia and in the Philippines, cohesive and professional military organisations were inherited from the colonial power, whereas in Thailand the military had been an arm of an independent state for centuries. Other Asian armies with origins in guerilla war, like those of Vietnam and, in a different way, China, were lead by a political leadership and a cohesive political ideology.

The Indonesian army was created outside the perimeter of the state and was independent of the political leadership of the nationalist movement. It was self-created, in the words of Nasution, its long time commander, "an army which formed itself on its own initiative, which armed and equipped itself and which carried out its operations according to its desires." [1]

Parallel to this, and also connected to the way independence was gained in opposition to the colonial state, was the initial weakness of civilian political

institutions, particularly during the struggle itself, when the military was being formed. A lasting legacy of these origins is to be found in the relationship between the military and civilian politicians. The military was not only formed without a central political command, it also, in its own view at least, won Indonesian independence without the benefit of a civilian leadership. [2] Relations were strained during the war of independence and almost continually since, although the relative strength of the military and civilian politicians differed sharply from one period to another.

Initially, though, and with much impact on the political strength on the military, a more important legacy of these roots was manifested through disunity within the ranks, reflecting the diversity of the component parts of the army. One part had been trained by the Dutch colonial army, other parts had been formed under Japanese auspices, and some had their roots in largely localised units formed during the war of independence. [3] The militias formed during the Japanese occupation and during the war of independence had in many cases particular religious or political affiliation.

The men joining the militias did so, on the whole, for political reasons rather than out of a wish to pursue a military career. The combat methods of a guerilla campaign helped to blur the distinction between military membership and civilian concerns. [4] The militias were therefore not only independent of civilian control, they were largely of a particularistic political or religious outlook, often localised and in limited contact with a centralised military command, and separated from civilian society only to a low degree.

The first major test of strength between the military leadership and the civilian government reflected disunity within the military more than the strain in civilian-military relations. After fighting had ended and independence was gained the military leadership sought to streamline the forces and create a more professional and cohesive armed services. This was met by opposition by many of the officers who had entered the army through the militias. These people saw their position being undermined by the Jakarta based hub of the professional and largely Dutch trained officer corps.

After 1950 the army was in the hands of General Nasution and General Simatupang, who were both keen on rationalising, modernising and professionalising the army. The army was largely preoccupied with its own internal affairs and its political role was minimal for some time, although the military's acceptance of civilian supremacy was probably never a reality. [5] The governments of the Republic supported, in principle at least, the streamlining efforts of the military leadership, headed by General Nasution. President Sukarno, however, was critical of the policies pursued by the army leadership, probably because the personnel changes instituted by Nasution had reduced his own influence in the army. [6]

When plans were made for the retirement of some 60.000 troops in 1952 as a result of a difficult budgetary situation, the opposition took up the cause of the militia officers concerned as a part of a more general attack on the government, and on the army leadership. Sukarno and the opposition parties

engaged in complex moves where divisions within the military were made use of, both with regard to the question of reorganisation of the army, and also in ongoing parliamentary conflicts of the day. [7] This was regarded by the army as an intolerable interference in the army's affairs and its leadership called on the President to dissolve parliament. The affair led to the dismissal of General Nasution and a loss of position by several regional commanders of the army. [Crouch, 1978]

No simple dichotomies explain the position of the protagonists in this affair.

While the army leadership was protesting against political interference with the military, and taking a stand for professionalisation of the army, it was probably engaged in political plotting against the government and parliament. What complicated the affair was the alleged intention of the military leadership to carry out a military coup rather than just the protest that materialised outside the Presidential Palace in Jakarta. Herbert Feith asserts that "it may be regarded as established that General Nasution was engaged, for several months before October 17th 1952, in working out plans for a type of military coup". [Feith, 1962:262] The effects of such a coup, according to Feith, would have been to strengthen Sukarno's powers, but at the same time make him dependent on the military. The logic of this was not very different from what emerged several years later with Guided Democracy.

The elements Nasution was attempting to root out of the military were no less distrustful of the civilian leadership of the country or less disenchanted with the politics of parliamentary democracy. Nor was the opposition in parliament

at this time any different from the government with regard to military policy. The contending interests at the heart of this affair in 1952 were to align themselves in a far more clear cut manner three years later. The government of the day, lead by the PNI, appointed at this time a relatively junior officer and a PNI sympathiser to be the army chief of staff. This appointment was rejected by both main factions in the army.

Between 1952 and 1955 the shared sentiments of the factions within the army had gradually come to prevail over the divisive issues that could be traced to the way the army was formed. What brought the army together was a common interest in avoiding civilian interference. This shared wish was strong enough, according to Feith, for the forces that had prevailed in the army after the 17th of October affair to accept the return of Nasution and his men to a position of dominance in the army. [Feith, 1962]

In 1955 their unity was sufficient to bring down the government over the appointment of army chief of staff. After this it became clear that the army was not be pushed aside or used in inter-party rivalry.

The significance of this affair may have been even greater. Some have seen the army manoeuvres at this time as crossing the threshold between defensive action against civilian interference, and active involvement in politics. Guy Pauker, for example, claims that this incident forms a "dividing line between the period when the army was mainly concerned with resisting political interference in its internal affairs and the period when it began to play

an active role in politics." [8] For all the new found unity and confidence, however, divisions still existed within the military, and according to Crouch, who points to the "brittle quality" of the unity at this time, a successful coup by the military was a virtual impossibility. [Crouch, 1978:31-32]

The most serious division within the military at this time was between the Jakarta based leadership and the outer island commanders. This regional division within the military, however was only a part of a more complex divide with roots in colonial and even pre-colonial times. At the most basic level, of course, is the fact that Indonesia is a recent colonial creation out of diverse geographic and cultural component parts. Probably more importantly, though, the economic organisation of the archipelago was imbalanced in various ways.

In the previous chapter on the indigenous bourgeoisie it was pointed out that the outer islands had come to be responsible for most of Indonesia's exports during the final decades of colonial rule. Imports, on the other hand, were mainly traded through Java and consumed there to a large extent. The exchange rate policy pursued by successive governments in the first few years of independence, as discussed earlier, penalised the outer island exporters and favoured the import consuming economy of Java. In effect, the outer islands were forced to part with their foreign exchange earning produce at an artificially low price, which subsidised import consumption in Java and particularly in Jakarta.

In response to this, the military commanders of the outer islands, particularly Sumatra and Sulawesi started to organise large scale smuggling operations.

Military organisation of smuggling, which was not an entirely new phenomenon as will be discussed in the following chapter, was to become an important economic feature in Indonesia with highly important political impact and long term implications. The regional division within the military came to a head after Nasution had regained his post as army commander. He almost immediately took steps towards centralisation of the army command, which undermined the powerful position of the regional commanders in the outer islands. For the outer islanders this came on top of not only the unfavourable exchange rate policy, but the growth and centralisation of the national bureaucracy in Jakarta, and their distrust of the ever shifting coalitions in the increasingly isolated world of Jakarta politics.

The whole question of Javanese domination of Indonesia was, of course the underlying factor. Daniel Lev claims that the regional rebellions may be summed up as a test of Java's real and inevitable domination of the archipelago. [9]

All the main political parties in Indonesia, except for Masyumi, the PNI, the PKI and the NU had more than 85 per cent of their electoral support in Java and could be considered primarily as Javanese parties. [10] Masyumi, as has been pointed out in the previous chapter on the pribumi traders, was primarily based in the outer islands. Masyumi, unlike the other parties, was deeply suspicious of the expanding bureaucratic control over the economy,

centralised as it was in the Jakarta based, and party influenced, hub of the bureaucracy. While most of the party leaders, apart from those of Masyumi, reacted with little sympathy for the rebellions that broke out in 1956, there were strong sentiments within the army for a compromise with the rebels. The rebels were army commanders who had taken over the civilian government in areas of Sumatra, Sulawesi and some other islands. A number of ranking officers in Jakarta were from the outer islands and in addition, many in the army shared the strong anti-communist sentiments expressed by the rebels.

Many of the Javanese officers, however, wanted no compromise. One of the most outspoken of these was the army commander of Central Java, the Diponegoro command, the then Colonel, later General and President, Suharto. He spoke strongly against appeasement at the National Conference called in 1957. He claimed there that the people of Java, numerically superior as they were, would feel unjustly treated if the government shifted development efforts towards the unruly regions in response to their grievances. [11]

The rebellions and their outcome, which was decided by a swift military campaign in 1958, served to redraw the political map of Indonesia, with power passing away from the parties to the army and to the President. Masyumi was eventually banned and as pointed out previously, the political forces protecting the independent pribumi bourgeoisie were greatly weakened. At the same time the political role of the military was greatly enhanced, and so was the unity in the ranks. Strength of political sentiments grew in the

army and its successful defence of the unitary republic served to give increased legitimacy to its political claims.

During the rebellions Sukarno had declared martial law to be in force. The task of administering this fell to the central army leadership. For this purpose the Central War Authority, later renamed Supreme War Authority, *Penguasa Perang Tertinggi*, or *Perperti* was established. Sukarno himself was the supreme commander of *Perperti*, but he had to rely on the existing army hierarchy and personnel. The army was also given a direct responsibility for administering the re-captured regions in the outer islands. [12]

Coinciding with the regional rebellions was the collapse of parliamentary democracy. The complex chain of events leading up to its demise will not be entered into here. With regard to the focus of this thesis, and matters already discussed, it suffices to say, that the system was not sustained by strong forces grounded in society or its economic organisation.

The establishment of a cabinet government answerable to a strong parliament had in any case been somewhat accidental. The 1945 constitution provided for a system of strong presidential government, but this was sidestepped in favour of a parliamentary system out of concern for foreign opinion more than anything else. Between 1950 and 1959 there were seven short lived governments, and although some enjoyed a measure of success, the system, on the whole, did not work very well. Aside from a growing economic crisis and the problems associated with the regional rebellions, corruption was

rampant and as pointed out before, the parties made extensive use of their powers to penetrate the bureaucracy and enrich themselves, their leaders and their clients.

The ideological cleavages running through Indonesian society were not bridged by the parliamentary system, which could not in ten years of operation resolve the question of whether the state should be based on Islam or on secular principles. [¹³] The regional divide had erupted into full scale rebellions and growing support for the communists threatened increased polarisation in the countryside.

Two major political forces had been excluded to a large extent by the parliamentary system, namely President Sukarno and the army. The basis for Sukarno's powers proved limited and short lived. He enjoyed great powers for a few years based on his historical role, his charisma and to no less degree based on a political vacuum created by structural changes in the political and economic organisation of the country.

His role, like that of the equally short lived parliamentary democracy, is largely outside the scope of this thesis, which is concerned with the development of long term structures of economic and political power.

After the last parliamentary government left office in 1957 and the regional rebellions were quashed a year later, Sukarno and the army gradually became the main pillars of power. The PKI is often spoken of as the third pillar in a

troika characterised more by competition than cooperation. [14] The strength of the PKI proved to be equally temporary to that of Sukarno in spite of its well organised base among the masses in Indonesia. The complexities of the power arrangements during Guided Democracy are, again, mostly outside the scope of the thesis. [15]

The main features of the system replacing the parliamentary democracy were strong presidential powers and a representation at the highest level of groups other than political parties. The latter feature, along with martial law administration, was the basis for military participation in government. Formal military representation was instituted in the newly constituted national parliament, the Dewan Perwakilan Rakyat - Gotong Royong, the Mutual Help People's Representative Council, and in the provisional People's Consultative Assembly, the Majelis Permusyawaratan Rakyat Sementara, as well as in provincial bodies.

The political ideology behind this was formed through an articulation of various concepts that had been floated at the time of independence. These were mainly the supposedly ancient Javanese principle of 'gotong royong', mutual help and that of consensus through consultation, 'musyawarah untuk mencapai mufakat'. [16] On the basis of these principles Sukarno intended to form a cabinet with communist participation, but the military was able to veto these plans, while itself was awarded 11 seats out of 37 in a cabinet that followed.

Over the years of Guided Democracy a plethora of institutions and ideological formulations came into being. [Feith, 1963] The sequence of this and the exact institutional and ideological arrangement is not of interest here. The substance of all this, however, was the creation of a strong centralised Presidency and an institutional and ideological arrangement excluding political parties, but including the military, a system that has in essence survived to this day.

The economic system that was to sustain military rule, and the rise to power of a certain faction within the military, came into being at about the same time as foundations were laid for the political system. After Indonesia lost a vote at the UN towards the end of 1957 over the question of West Irian sovereignty, held by the Dutch and claimed by Indonesia, workers started taking over Dutch enterprises in Indonesia. In order to forestall communist influenced trade unions from taking control of some of the largest corporations in the country, the army moved in, acting on the basis of martial law, and assumed control over Dutch owned enterprises in the country. These were later formally nationalised and placed under army supervision.

The Dutch business empire in Indonesia was huge in comparison to the local economy, although it had faced severe difficulties for a long period of time. The system of Guided Economy ran parallel to Guided Democracy, and was based on control over the previously foreign owned colonial type economy by the military and the bureaucracy, the latter being controlled by the

President and to some extent by political parties. In effect, the nationalisations and the policies of the Guided Economy represented the seizure of the modern economy by the military and the bureaucracy.

The nationalisation of the colonial economy did not serve to alter its structure. The ownership changed without there being a move towards development of national industrial capital. The formally Dutch enterprises were managed by the military for fund raising purposes rather than for longer term investment in a national industrial strategy. Poor management, lack of investment and maintenance were responsible for the decline of the nationalised enterprises under military command and the disintegration of the economy that followed.

Notes

1. Abdul Haris Nasution, 1956, *Tentara Nasional Indonesia*, Jakarta: Yayasan Pustaka Militer. The translated quote is taken from David Jenkins, 1983, *The Evolution of Army Doctrinal Thinking, The Concept of Dwi-fungsi*, *Southeast Asian Journal of Social Science*, vol. 11, no. 2.
2. For a discussion of the war of independence and the various incidents and factors contributing to the army's distrust of the political leadership see Anthony Reed, 1974, *Indonesian National Revolution*, Melbourne.
3. For an account of the Japanese occupation in this respect, particularly with regard to the Islamic units, the Hizbullah, see Harry J. Benda, 1958, *The Crescent and the Rising Sun*, The Hague and Bandung: W. van Hoeve. (Re-issued by Foris, Dordrecht, Holland, 1983.)

For the period of the revolution see Benedict R. O'G. Anderson, 1972, *Java in Time of Revolution, Occupation and Resistance 1944-1946*, Cornell University Press.

4. For a discussion on these points see e.g. Harold Crouch, 1978, *The Army and Politics of Indonesia*, Ithaca: Cornell University Press.

5. Although the political role of the military is often said to have been large curtailed in 1949-1956, by the military's own preoccupation with its internal affairs, and by the constitution of 1950, which clearly subordinated the military to civilian supremacy, it seems the army carried sufficient political clout in 1950 to veto a proposed candidate for the post of minister of defence. Various moves in the years that followed strongly suggest that the doctrine of civilian supremacy was never generally accepted or treated very seriously within the military.

6. For this point and more generally for an extensive discussion on the events leading up to the confrontation between the government and the military, the 17th of October affair of 1952, as well as on its aftermath, see Herbert Feith, 1962.

7. For a discussion on the relationship between the army and civilian politics at this time see Ulf Sundhausen, 1982, *The Road to Power, Indonesian Military Politics 1945-1967*, Kuala Lumpur: Oxford University Press.

Also by Sundhausen on this point and related points, 1971, *The Political Orientation and Political Involvement of the Indonesian Officer Corps, 1945-1966, The Army Headquarters and the Siliwangi Division*, Ph.D. thesis, Monash University.

On the political conflicts of this time see Herbert Feith, 1962.

8. Guy J. Pauker, 1962, *The Role of the Military in Indonesia*, in J. J. Johnson, *The Role of the Military in Underdeveloped Countries*, Princeton University Press, pp. 211.

9. Daniel S. Lev, 1966, *The Transition to Guided Democracy*, monograph, Ithaca, Cornell University.

10. For a discussion on this and related points see Herbert Feith, 1963, *Dynamics of Guided Democracy*, in R. T. McVey (ed.), *Indonesia, Southeast Asian Studies*, Yale University with Hraf Press.

11. Suharto is quoted by Daniel Lev, 1966, in his *Transition to Guided Democracy*. Lev quotes the minutes of the National Conference, *Diklat Musyawarah Nasional*.

12. For a discussion on the martial law regime see Sundhausen, 1982.

13. A concise discussion on the main ideologies in Indonesia at the time is in Ruth McVey's, 1969, *The Management of Ideological Conflict in Indonesia, Introduction to Sukarno's Nationalism, Islam and Marxism*, translated and published by Cornell's Modern Indonesian Project.

On the debate over the form of state see also Syafi-Maarif, 1985, *Islam and Constitutionalism, The Indonesian Experience*, Jakarta: Prisma (English ed.) no. 35.

14. For an extensive discussion on the PKI, its position and strategy at this time, see Olle Tornquist, 1984, *Dilemmas of Third World Communism, The Destruction of the PKI in Indonesia*, London: Zed Books.

15. For the creation and operation of Guided Democracy see Daniel Lev, 1966 and Herbert Feith, 1963.

16. These principles had been floated by Sukarno and others in the working group set up by the Japanese in 1945 to prepare Indonesia for Independence. The authenticity of these principles as what they are claimed to be, age old Javanese form of democracy and cooperation, is highly questionable. These principles have continued to form the basis for government ideology since Guided Democracy along with the family principle, originally articulated by Ki Hajar Dewantoro before independence, but used far more by the New Order Government than by Sukarno.

For an extensive treatment of these ideological formulations see David Reeve, 1985, *Golkar of Indonesia*, Singapore: Oxford University Press.

For analysis of Pancasila and its use as a "civil religion" in Indonesia, see Susan Purdy, 1984, *Legitimacy of Power and Authority in a Plural Society, Pancasila and Civil Religion in Indonesia*, Ph.D. thesis, Columbia University.

For a sympathetic treatment of Pancasila see Eka Dharmaputera, 1982, *Pancasila and the Search for Identity and Modernity in Indonesian Society*, Ph.D. thesis, Boston College

For a discussion on the meaning and genesis of Gotong Royong see Ina Slamet, 1982, *Cultural Strategies for Survival, The Plight of the Javanese*, Rotterdam: Comparative Asian Studies Paper.

Also John R. Bowen, 1986, *On the Political Construction of Tradition: Gotong Royong in Indonesia*, *Journal of Asian Studies*, vol. 45, no. 3.

Of relevance to this are also various contributions in H. Feith and L. Castles (eds.), 1970, *Indonesian Political Thinking 1945-1965*, Ithaca: Cornell University Press.

CHAPTER 6

ORIGINS OF AN ARMED BOURGEOISIE

The chief beneficiaries of Guided Democracy were the men who eventually overthrew it. The military, both the institution and individuals within it benefitted immensely during this period. Feith claimed in the early 1960s that "an overwhelming majority of army members, from generals to privates, are richer, more powerful, and higher in social position than before". [Feith, 1963:398]

The benefits were far from uniformly spread, however. During this period a discernible business oriented faction within the military came into being. These people were not recognised as a faction or a group at the time, but in retrospect it becomes clear, that many of the individuals benefitting most spectacularly from the increased economic involvement of the military were, in various ways, tied together from early on. These men were later to form the ruling group of Indonesia.

This informal group has been spoken of by Crouch as the "financial and political generals". [Crouch, 1978] This roughly corresponds with what Jenkins politely termed the "pragmatists", as opposed to the "principled"

officers, the latter being military men primarily engaged in military affairs rather than in promoting private business concerns. [Jenkins, 1984]

The business involvement of the army, as well as that of individual officers, predated Guided Democracy. The army had to raise its own funds during the war of independence, and due to the budgetary difficulties of the new republic this practise continued after the war had ended. The army frequently complained about insufficient budgetary allocations during the 1950s, and while this became a significant political issue on one or two occasions, the problem remained unsolved.

In the mid 1950s these budgetary constraints had lead to a decline in the status position of military officers relative to that of civilian bureaucrats. Feith claims that officers were being defeated at local level in status competition with better heeled civil servants and local leaders of political parties. [Feith, 1962] This lead to much resentment within the military which in turn gave rise to demands for increased military influence at the political centre where funds were allocated.

At the same time the army increasingly moved into business for fund raising purposes. These activities have not been sufficiently documented anywhere, partly for the understandable reason that the army was from the start involved in illegal operations, and the extent and type of business involvement remains a matter of conjecture from very fragmented sources. It seems clear, however, from a number of incidental and anecdotal references that when

military commanders in Sumatra and Sulawesi started openly to organise large scale smuggling in the 1956, this was a stepping up of widely practised activities, rather than a new sphere of military operation.

The scale of business involvement in the early 1950s, however, was tiny in comparison to what occurred after the nationalisations of 1957 and the onset of Guided Democracy. This brought about what Crouch has termed "a striking change in the army ethos". [Crouch, 1978:40]

A new image emerged alongside that of the freedom fighter, an image of a manager and a bureaucrat, and not infrequently, an image of financial corruption. The officers assigned to commercial activities required business skills, and although such skills often developed very slowly in the individuals concerned to the great detriment of the nationalised enterprises, they were gradually acquired by a number of army officers. Such individuals tended to put their skills to private as well as official use, and as Crouch has pointed out, "after gaining deeper understanding of the workings of the commercial world, it was not a big step for many to adopt the role of the businessman". [Crouch, 1978:41]

For much of the fund raising, however, skills other than those normally associated with business were also required. Aside from smuggling produce out of the country, units of the army were responsible for fairly extensive smuggling into the country, particularly into Java. Many army units also seem

to have relied on gambling and protection rackets more than legal commercial activity.

There seems little doubt, admittedly though from very fragmented evidence, that among the most extensive fund raising operations of the military during the 1950s was that of the Diponegoro division in Central Java, commanded by the then Colonel, later General and President Suharto. The people working with Suharto at this time were in many cases to become members of the small group that ruled Indonesia politically, and increasingly, financially, after 1965. This group will be discussed in some detail in a following chapter.

Colonel Suharto, along with some other army commanders, formed business alliances with Chinese traders. Two of the individuals he went into business with in these early days in Central Java were later to become among the very richest people of the country. One of them, Liem Sioe Liong is by all accounts the richest man in Indonesia, while Suharto's other Chinese partner, Bob Hassan certainly ranks close to the top, along with the President himself, the President's children, and a few business partners of either, or both, the Presidential family and Liem Sioe Liong. All these fortunes had a humble beginning in various army rackets in Central Java. The genesis of the countries largest business empires will be briefly discussed below, and in endnotes to a following chapter.

Business alliances between military men and members of the Chinese minority were not unique to Central Java, or indeed to Indonesia. Similar alliances

seem to have been formed in various areas of the country, where Chinese capital and expertise were fused with army clout in legal and illegal business operations. Such alliances are not peculiar to Indonesia. Army officers and Chinese capital owners had been cooperating in Thailand for a number of years. During the 1950s, under the Phibun regime, civilian and military bureaucrats made extensive use of Chinese capital and business expertise for raising funds, often for political purposes. [1] The Chinese, like in Indonesia, were not milked dry by this exploitation, but on the contrary, flourished in many cases and went on to form large business empires under the protection of military officers.

The fund raising operations of the military started to draw increasing criticism in the late 1950s, as it became evident that corruption was spreading and individual officers were greatly enriching themselves. General Nasution had little sympathy with business involvement for self-enrichment, and tried, however feebly, to curb the worst excesses

Significantly, the two most powerful men to be reprimanded for corruption were Suharto and General Ibnu Sutowo, who together were later to lay the financial groundwork for New Order Indonesia, and who arguably were its two indispensable fathers.

For a while it looked as two promising careers had been cut short, especially that of Suharto who was removed from military command and moved to the Army academy. One of the most powerful figures in the army at the time,

General Gatot Subroto, who was among other things in charge of army promotions, however, saved Suharto from further ignominy. Gatot Subroto was the step-father of one of Suharto's main business partners in Central Java and since in Jakarta, Bob Hassan, who now heads one of the largest business empires in Indonesia. [2]

During Guided Democracy the army as an institution became seriously involved in business on four levels, namely at national level, at the level of regional command, on local level, and on individual level. Individuals were often involved in business on one or more levels on behalf of the army, while in many cases vigorously pursuing their own private commercial concerns.

On national level, the military was given the task of managing some of the largest enterprises in the country. The scale of the nationalised companies can be gauged from figures collected by Anspach. He estimates that the nationalised companies were responsible for 90 per cent of plantation output and 60 per cent of foreign trade. [Anspach, 1969]

Apart from this dominant role in the export sector, foreign companies were in a dominant position in banking, shipping, insurance and various other service sectors. A large part of the manufacturing industry and mining was also in foreign hands. After the nationalised industries had been reconstituted into six state corporations in 1958, these, along with two other state owned firms, accounted for around 70 per cent of all imports, according to estimates by Panglaykim and Thomas. [3]

On regional level, military commanders set up formal and informal business structures to raise funds for divisional units, particularly to augment pay and benefits. Among these were construction companies that gained contracts from the state and state companies. On local level, military officers were engaged in various business activities, from smuggling and protection racketeering to licence peddling and commercial use of military transport. Those engaged in business on behalf of the military were, according to Crouch, expected to rake of some proportion of turnover for their own use and that of their men, so long as they did not overstep informal limits. [Crouch, 1978:275] Procuring of material and services and contracting of work was one of the chief ways of passing on funds from the publicly owned companies to private or military concerns.

The nationalised enterprises were milked of funds in these and other ways, both for private and military purposes to the extent that most of them went into serious decline for lack of investment and maintenance, contributing greatly to the gathering economic crisis of the late Old Order period. Compounding the situation was Sukarno's increasingly assertive foreign policy, which called for increased military spending. His confrontation with Britain and Malaysia over the foundation of the latter, and his West Irian campaign put further strain on military budgets at the time of a general economic downturn and state revenue crisis.



No reliable figures exist to illustrate the extent of the army's fund raising at this time. In the 1960s, however, the military was known to rely on regular state budgetary allocations for only half its funds. Crouch quotes estimates from the army newspaper, Angkatan Bersenjata, showing that only slightly more than half of the military budget at the end of the 1960s was coming from the state. Other newspapers, Pedomas and Indonesia Raya, claimed the state's share of the military budget to be only around 40 per cent at this time. [Crouch, 1978]

The fund raising of the military was gradually organised into several large corporations and "welfare foundations". The ownership structure of these was complex and involved both military divisions, veterans organisations, serving officers and retired generals. Among the best known of these were the Siliwangi company, Propelat, the army company Inkopad, the navy company Inkopal, the veterans foundation's Kosgoro, the Kostrad foundation, Yayasan Dharma Putra, set up by Suharto, and the Ministry of Defence related umbrella company, Tri Usaha Bakti.

Much of the vast system of military commercial patronage which was to sustain and characterise the New Order was already in place before 1965. This was from the start organised, run, and privately milked by a group of business oriented generals who were to assume political power once the two interdependent pillars of Guided Democracy, Sukarno and the PKI, were eliminated.

Notes

1. For a discussion on this phenomenon in Thailand see e.g. John Girling, 1981, *Thailand, Society and Politics*, Ithaca: Cornell University Press.

See also Kevin Hewison, 1981, *The Financial Bourgeoisie in Thailand*, *Journal of Contemporary Asia*, vol. 11, no. 4.

and, Hewison, 1985, *The State and Capitalist Development in Thailand*, in R. Higgot and R. Robison, *Southeast Asia, Essays in the Political Economy of Structural Change*, London: Routledge & Kegan Paul.

Another political economy analysis of Thailand of some relevance for such a comparison to Indonesia is David Eliot, 1978, *Thailand, Origins of Military Rule*, London: Zed Books.

2. The allegations that General Gatot Subroto saved Suharto's career at this time, that his actions were not unconnected to his stepson's business dealings with Suharto, and that this incident paved the way for Bob Hassan's spectacular success in securing profitable forestry concessions during the New Order era has been given much currency in Indonesia. In print, these allegations are most recently referred to by the Japanese writer on Southeast Asian capitalism, Yoshihara Kunio, 1988, *The Rise of Ersatz Capitalism in Southeast Asia*, Singapore: Oxford University Press.

3. K. Thomas and J. Panglaykim, 1973, *Indonesia, The Effects of Past Policies and Suharto's Plans for the Future*, Melbourne: CEDA.

CHAPTER 7

ESTABLISHMENT OF THE NEW ORDER STATE

The crisis facing the Old Order state towards the end was unusual only in its political and economic intensity, not in its nature. There are certain similarities to be found in the crisis resolved by the Sarit coup in Thailand in 1959, that of Brazil in 1964, and several other countries of Latin America in the 1960s and 1970s. *Certain important parallels can also be drawn with the Philippines in the mid to late 1960s, although both the manifestation and resolution of the crisis there was quite different.* The problem in all cases was an economic and political crisis with roots in *problems of industrialisation, changing patterns of international trade, and in the political mobilisation of societies of mass poverty.*

There were, of course, some highly important features unique to the Indonesian crisis, and these dictated the specific course of events, and the details of the outcome. On the whole, however, the economic crisis was caused by failure of the government to either accept the logic of the international economy, or to change this logic as Sukarno had vowed to do.

Successive governments failed to alter the structure of the economy, except the ownership structure through nationalisation. The country continued to be dependent on a colonial type export economy, but failed, at the same time, to sustain this economy. Sukarno vowed to dismantle the colonial economy while continuing to rely on it for foreign exchange. The export sectors and much of the modern economy fell into decay through mismanagement, drain of resources, corruption and lack of investment.

At the same time, the contradictions within the "competitive alliance", as it has often been termed, of PKI, the army and Sukarno became steadily less reconcilable. Other potential political coalitions were not in clear evidence. The demise of the indigenous bourgeoisie, the political impotence of the Chinese bourgeoisie, unresolved divisions within Islam, and more importantly between Islam and the army, all limited severely options for a creation of a sustainable political coalition.

The dramatic sequence of events in Indonesia in 1965 and 1966 has been extensively documented and analyzed, both from economic and political vantage points. Politically, the focus has most often been on the events themselves, particularly on the 30th of September affair and a few other crucial events such as the transfer of power to General Suharto, the "Supersemar". The analysis has centred mostly on the main actors, Sukarno, Suharto, a dozen or so other figures, mainly from the military and the PKI, and to a

lesser extent on a few institutions, such as the army, the PKI and the political parties.

It is not the intention here to minimise the importance of such analysis of events and actors. The concern here, however, is with longer term structures and trends, and from this vantage point the exact sequence of events is of less importance than the broad contours of the situation giving rise to these events.

The roots of the crisis that took on such a dramatic manifestation in 1965 to 1966 were, as pointed out earlier, neither unique to Indonesia, nor are they ultimately to be found in the institutions of politics or with the individuals prevailing within them. The roots of the crisis were in the longer term economic structures of the country, the structures of the prevailing colonial enclave production, and of peripheral capitalism which dictated the framework for industrialisation and modernisation of the economy and its increasingly important relations to the world economy.

The economy had failed to grow under Guided Democracy and Guided Economy, and had registered a fall in per capita terms between 1958 and 1965. The total value of exports had also fallen from a peak of US dollars 1 billion in 1956, the year before the nationalisations, down to US dollars 700 million in 1965. Foreign reserves had fallen from over US dollars 300 million in 1960 down to the insignificant sum of US dollars 8 million in early 1966. [1]

Industrial production had fallen sharply and one estimate indicates that only 20 per cent of industrial capacity was being employed in 1965. [2] This extremely low figure was due to lack of imports of machinery, spare parts and raw material, as well as problems of maintenance and management. Inflation had been on the increase for some years and reached 600 per cent per annum at the end of the Old Order. One of the main reasons for this was an enormous budget deficit, which had reached the incredible figure of 174 per cent of government revenue in 1965. [Mas'oed, 1983:62]

Like in Latin America at much the same time, and in the neighbouring Philippines, the crisis in Indonesia in the mid 1960s could only be solved through one of two chief means. One was to open up the economy to foreign capital and technology, the other, more difficult, uncertain and less travelled road was to aim at changing the overall economic and political organisation of society.

The former road was taken in the Philippines, Indonesia and in much of Latin America at a similar time in history. As well as sharing roots, the crises in these countries had a similar outcome, namely right wing, undemocratic regimes committed to depoliticising their societies to facilitate the opening up of these economies to foreign capital, technology and trade.

Although Latin America had progressed much further in industrialisation than Indonesia, or for that matter, the Philippines, its experience is instructive for

the nature of the crisis in Indonesia and for its outcome. Compared to Europe, Latin America was a late industrialiser and much of its political crisis in the 1960s and 1970s can be viewed through problems created by this relative position, in the same way as the Indonesian crisis can only be understood by reference to the position the country had in the world economy.

Alexander Gerschenkron in his writings on industrialisation in Russia had pointed out the effect of late industrialisation on the accumulation of capital for industrialisation and the need for foreign capital rooted in this relative position. [3] In the context of Latin America this link was further established and analyzed by Alfred Hirschman. [4] The problem centres on capital accumulation. In the case of the original industrialising country, England, only a small amount of capital was needed to start the industrialisation process. Capital goods were simple and inexpensive at this initial stage and sufficient funds could be mobilised by individual entrepreneurs, many of whom had access to land capital. Profits from these primitive industries could then be re-invested in improved technology and expansion.

In the case of the late industrialisers, and this category encompasses the entire world outside England, more capital was needed as capital goods had come more complex and expensive. At the same time, demand had been created by foreign production. To enter industrialisation at this stage in a competitive position was therefore less commonly possible for individual entrepreneurs. The industrialisation of England has in this way been

described as *laissez-faire* in comparison to the more forced and planned industrialisation of the other European countries.

This distinction, however, may not be very neat, and in any case analytically not very important, as the industrialisation of almost all late-late industrialisers like Indonesia can be described as "forced" in this terminology. [5] What this points out, however, is the general need for the state, large enterprises and foreign technology at this stage of industrialisation, which may explain to an important extent the different role the state and foreign capital has had in the politics of late-late industrialisers from that of the earlier industrialising countries.

The road taken by most Latin American countries after the collapse of demand for their agricultural produce in the Great Depression, was import substitution industrialisation. This policy shaped to a large extent political conditions in Latin America in the 1950s and into the 1960s. [6]

For the purposes of this discussion a few features of this policy need to be mentioned. One is the uncompetitive nature of the industries created behind trade barriers and through monopolistic positions. Another is the way production tends to increase very fast to start with, while already existing demand for now banned imports is satisfied, but then tends to stagnate once this demand is reached.

The third point, and the politically most immediately relevant, is that in the absence of foreign competition and access to foreign markets, the way to increase demand for local industrial production is not to make industry more competitive and thus take a higher market share or increase exports, but to increase purchasing power of the urbanised customers for the protected industries.

These features along with a bloated bureaucracy peddling import licenses, cheap credit and monopolistic positions to favoured businessmen, created conditions for political mobilisation among the public and for alliances between client capitalists, state bureaucrats and the urban workforce. Such populist alliances, however, and the economic policy behind them, proved unsustainable. [7]

Some of this has parallels in the experience of India with monopolistic and oligopolistic industry and license peddling bureaucracy. The politically most important difference may be that in India landowners, who deliver the rural vote, form a far more important political constituency than urban workers and consumers. This dominant feature of Indian politics may be gradually changing through processes of middle class formation that have certain parallels in Indonesia.

In the Philippines the main difference from Latin America may be seen in the greater power of the landlord class and a weaker bureaucracy, on the one hand, and in a lesser scope for monopolistic positions and oligopolistic capital

in industry, on the other. The latter feature was caused by the access to Philippine markets and industrial investment enjoyed by American companies under special arrangements successfully demanded by the departing colonial power.

In order to move out of the crisis of uncompetitive and stagnant industries, unsustainable industrial wages and rapid inflation, these economies had to be opened up to foreign capital and foreign technology. The conditions required by foreign capital were the opposite of the general characteristics of populism which accompanied the import substitution phase of industrialisation in Latin America, and those prevailing in Indonesia without much industrialisation. These conditions were political stability and low industrial wages. Low wages became necessary because international competitiveness became more important than domestic purchasing power. Political stability was required by foreign companies risking capital and expensive technology. The returns demanded on these foreign investments were directly related to the assumed levels of political stability, as nationalisation, strikes and political upheavals could easily wipe out costly investments. Political demobilisation was essential to meet both conditions, and became the chief common characteristic of authoritarian, industrialising regimes on two different continents.

Out of this came what Peter Evans termed, in the context of Latin America, the "Triple Alliance" of domestic, largely oligopolistic capital, the military and civilian bureaucracy and international capital. [8]

At this stage, a few important parallels with Indonesia may be pointed out. One is that, notwithstanding differences, equally unsustainable economic policies had been followed by regimes appealing to popular support in politicised societies of mass poverty. Another is the creation of large bureaucracies dealing in licenses and concessions valuable to political clients and businessmen. In Indonesia as well as in some of the Latin American countries, this centred on political parties in a system not unlike the "lottizzazione" of post-war Italy, as well as on strong charismatic political figures. A third parallel is the political mobilisation of society, which occurred in Indonesia in the 1950s and early 60s like in several Latin American countries. Likewise the policy of political demobilisation followed after military coups in these countries forms a parallel. Another parallel in crisis outcome was the opening up of the economy to foreign capital, made possible by the political stabilisation. A final parallel is in the alliances created after the military coups between domestic oligopolistic capital, the bureaucracy, the military, and international capital.

Highly important features of domestic capital in Indonesia were, however, qualitatively different from what prevailed in Latin America or in the Philippines. The main difference in this respect, between Indonesia most other countries, including Latin America was the absence of an indigenous bourgeoisie in Indonesia. Domestic capital was mainly represented by the politically weak Chinese minority and by the military, which in turn made the military element in this triple alliance all the more strong. This feature also opened up

possibilities for the formation of a political group within the military, which then turned itself into the foremost component of indigenous capital.

In this respect Indonesia after the mid 1960s may have a much closer comparison to Bangladesh, where indigenous bourgeoisie was hardly in evidence in the 1970s, and modern industry was in its infancy. Control over the state, like in Indonesia, became the chief source of revenue and economic opportunity. The state, in turn, reaped most of its income and much of its strong economic position from controlling inflow of money, in the case of Bangladesh mainly from foreign aid, while oil, gas, wood, foreign aid and foreign lending secured a stream of revenue for state and regime in Indonesia. [9]

The regimes formed in Latin America in the wake of the military overthrow of the populist democracies were termed Bureaucratic Authoritarian Regimes by O'Donnell. [10] This concept has been used by a few scholars in the context of Indonesia. [11] The origins of this concept and theorisation can be traced to a study by Juan Linz of the Francoist regime in Spain. [12] Its development has primarily been in the context of Latin America, but it has influenced studies of several Asian States to varying degrees.

Drawing mostly on O'Donnell, the characteristics of the BA regimes can be most briefly summed up as follows:

1. The regime emerges out a crisis of industrialisation. [O'Donnel, 1973, Hirschman, 1971]
2. Power rests not with an individual dictator, but with the military as an institution, which governs in collaboration with civilian technocrats. [O'Donnel, 1973]
3. Policy making is technocratic in nature, rather than political, and fairly predictable and consensual. [O'Donnel, 1973 and 1979] [¹³]
4. The regime works in alliance with oligopolistic capitalists, who together with the state collaborate with international capital. [O'Donnel, 1973 and 1979]
5. The mass of people is politically demobilised and repressive measures are used to deal with potential opposition. At the same time, the regime cultivates a limited form of pluralism, which it controls through cooptation of individuals and through corporatist structures. [O'Donnel, 1973]

It is of little importance whether the Indonesian experience can, or can not, be neatly classified and labeled according to this criteria. What is of interest is a certain reality that scholars of different societies have tried to conceptualise and analyze in this way. The comparison, even with very different societies, may offer valuable insights, as suggested by the discussion above.

The discussion on the criteria for BA states that follows is based on this interest. It is not an attempt at precise classification on the basis of the concepts and the selection of aspects guiding a regime-type theorisation on bureaucratic authoritarian theories.

Taking this criteria in reverse order, the final distinguishing point, that of a limited form of pluralism through cooptation of individuals and corporatist structures is especially stressed by Dwight King writing on Indonesia. He offers support for the view that such limited pluralism "is the most distinctive feature of bureaucratic authoritarian regimes and research and analysis of this aspect is likely to be most revealing about how the bureaucratic authoritarian pattern of domination is maintained and about emergent sources of political change." [14] Recent events in Latin America have shown the value of this insight. The limited form of pluralism practised, e.g. in Chile and Brazil, characterised these otherwise harsh regimes and was probably not only a crucial aspect of economic management, but also a vital feature when it came to crossing the bridge from military government to electoral democracy.

In Indonesia a somewhat different form of limited pluralism has no less been a characteristic of the otherwise highly authoritarian New Order regime. Cooptation of individuals outside the military has from the start been a hallmark of the regime, which has for instance been reflected in the cabinet where usually well over half of the cabinet ministers have come from civilian ranks. Almost all political and religious organisation in the country has also been tied, mostly informally, to the regime through a system of patronage,

while more freedom of expression has been maintained than in some ostensibly more democratic countries.

It should be noted, however, that the practise of cooptation of individuals and organisations and the use of patronage to placate religious and secular organisations was no less a prominent practise during Guided Democracy. It is worth noting that while Dwight King sees this criterion of limited pluralism as the most important feature for understanding bureaucratic authoritarian regimes, Mochtar Mas'oeed, who has applied the BA model more systematically to Indonesia than any other scholar, does not mention this criterion in his thesis.^[15]

No systematic analysis has been made of this aspect of the New Order but a wealth of descriptive writing suggests the relevance of this point. It has been frequently asserted by scholars and journalists that Indonesia has not only maintained a more free press than the supposedly democratic Singapore, but has generally, notwithstanding some highly important exceptions, shown more flexibility in dealing with milder forms of dissent than a number of Asian and Latin American countries. The exceptions from this, however, are of such gravity as to make the generalisation of a dubious value.

The important point may be that the precise form of a limited pluralism practised can give an important indication with regard to the future development of regime base and its democratic potential. This question will be returned to in the final chapter of the thesis.

The first half of the final distinguishing point, namely the point on political demobilisation, certainly has a descriptive value for Indonesia. Old Order Indonesia was characterised by massive political mobilisation and the thorough depoliticisation of the New Order represented the sharpest break between the two regimes. Much the same could be said of Brazil, Chile and some other Latin American countries, while a similar attempt by the Marcos regime in the Philippines was somewhat less successful in political demobilisation, and an utter failure if only compared to Indonesia. This point will be returned to in a later chapter.

The fourth point of the criteria was on the alliance between the regime, the military and the bureaucracy, domestic oligopolistic capital and international capital, the 'triple alliance' in the terminology of Peter Evans. [Evans, 1979] Again the fit with New Order Indonesia is clear, but the important caveat of the Chinese, as opposed to Pribumi ownership of most of the private domestic capital must be added. In Latin America much of the domestic capital allied with the BA regimes tended to be derived from protected or monopolistic positions in industry.

In Indonesia private capital, only partly derived from privileged positions in the mid 1960s, was, however, far more limited at this time than was the case in Brazil, or even in the Philippines of the early Marcos Presidency. This is one of the points that distinguishes Indonesia from most other countries. A stronger parallel in this respect would be with newly independent Bangladesh

in the 1970s. This lack of capital, and the immense political implications of this will be discussed in subsequent chapters.

Most importantly, however, as already indicated, in distinguishing Indonesia from all other comparable countries is the nature of main capital owning group, the Chinese, as a politically powerless minority. The position of the Chinese minorities in the Philippines, Malaysia and Thailand is in many ways very different from what obtains in Indonesia. In Thailand, the Chinese minority is far more closely integrated with the political elite of the country. In the Philippines this is also true, particularly of the earlier arrivals who form an important part of the political elite as well as being dominant in commerce. In Malaysia the size of the Chinese minority and its active, if subdued, participation in politics makes it a politically different proposition from the Indonesian Chinese minority.

The third criterion for a BA regime, technocratic, ostensibly non-political, and consensual policy making is, again, descriptive for Indonesia under the New Order. One of its slogans, "development, not politics", typifies the ideology of non-ideology put forward by the regime as one of the central features of its search for legitimacy.

The idea of non-political development or "progress" has been used in this fashion by various regimes in Asia and Latin America. Technocrats, usually educated in America, have often been given much leeway in policy making within a political framework laid down by the regime. In Indonesia a band of

technocrats employed by the New Order was termed "the Berkeley Mafia", while a similarly constituted team in Chile was called "the Chicago Boys", both terms referring to the American universities where some of the leading members of these teams received their education. Similar phenomenon was to be found in several other Latin American and Asian countries in the 1960s and 1970s. Policy making during the New Order and the changing position of technocrats will be discussed in a following chapter.

The second criterion, namely the assertion that power does not rest with an individual but with the military as an institution which governs in collaboration with civilian technocrats has not infrequently been taken to be true for Indonesia. Here, it will be argued that power has not rested with the military in Indonesia since the late 1960s but with the Presidency. In his systematic application of BA theories to Indonesia, Mochtar Mas'oeed comes to a similar conclusion in this respect. [16] He argues that the office of the President gained such power during the first years of the New Order as to eventually make it more powerful than the military as an institution. Mas'oeed points mainly to institutional arrangements and budgetary powers in this respect.

An important caveat to this, however, must be added. Few would doubt that the military has remained the party with the final say in Indonesian politics, even if such a final say has not be called on for a long time. Precisely how the military is likely, or indeed able, to influence political transition in Indonesia is a question quite apart from the one on its influence over day to day politics or even its ability to influence the larger issues in the medium term.

The conclusion that the Presidency prevails over the military in Indonesian politics, highly important as it is, therefore gives only a limited indication of the relative role of the two institutions in matters seriously affecting the survival of the political system itself. There, most would suspect, the army as an institution would prevail over any civilian structures, even if those are manned by military men, although, again this may be changing with the rapidly changing configuration of economic power in Indonesia. These points will be returned to in a following chapter.

The first criterion of BA regimes, that they emerge out of crisis of industrialisation is in some ways rather inapt for Indonesia in 1965. There is no doubt that Indonesia was at that time at a very different stage of industrialisation from what was true of Latin America. As pointed out in the discussion on criteria for BA regimes above, however, there are a number of striking similarities between the political crisis, and in some ways also the economic crisis that unfolded in Latin America and parts of Southeast Asia during the 1960s and 1970s. Even more striking is the similarity in outcome of these crises, which further points to the essentially similar roots of the problems.

In Indonesia and in much of Latin America, unsustainable economic policies, characterised by economic nationalism, domestic favouritism and bureaucratic control lead to rapid inflation and deteriorating ability to finance vital imports. Related to these policies was political populism characterised by a large scale

political mobilisation, partly outside well established political parties and largely outside representative structures.

The outcome of the crisis was in Indonesia and in large parts of Latin America was the establishment of military dominated authoritarian regimes that followed a policy of opening the economy to foreign trade, capital and technology, while brutally clamping down on popular political activity. In the Philippines, the access granted to American capital and trade from the foundation of the republic made several aspects of the economic crisis different. The solution to the problems, however, particularly after 1972, was largely similar as those adopted in early New Order Indonesia, 1966-1973 and in much of Latin America, 1964-1978, coupled with the same political characteristics.

What was uppermost in the mind of those taking power in Indonesia in 1965-1966, however, was most probably not the economic crisis, let alone any systematic solutions to it.

It is a matter of conjecture, whether anything that could be termed a political or economic project existed in the mind of Suharto and his entourage during the their first few months or even years of power, but this seems doubtful, beyond the immediate conflicts of army and Jakarta politics, and a wish for a climate for continued private business opportunities.

Their eventual political project, which came to totally transform the Indonesian economy and restructure both the class configuration of society and the political forces thrown up by society, was shaped, on the one hand by externally rooted economic structural imperatives, and on the other, the class configuration of society and the nature of the group that came to dominate politics.

Before looking at the nature of this dominant group and the regime it formed, it is necessary to look briefly at some of the political forces that came into play at the creation of the New Order, and either thwarted its creation or facilitated what transpired.

That the establishment of the New Order was supported by powerful and popular elements in Indonesian society is beyond doubt. It would be misleading, however, to speak of a political coalition coming to power in the wake of Sukarno's downfall. The role of the civilian supporters of the New Order was that of supporters, not partners in government.

The popular forces of students and muslim activists on the streets of Jakarta never gained any direct representation in government. Their views may at times have been represented by individuals, but such persons would have enjoyed power on the basis of a cooption by the military rather than through representation of popular sentiments. That the military was firmly in charge is also beyond doubt. To what extent the military as an institution, however, wielded power is debatable. It will be argued in this chapter that soon after

the establishment of the New Order regime the military ceased to be in power in any meaningful sense, except as an instrument wielded by an identifiable group, and as a final arbiter. In the sense of superimposing its institutional hierarchy on the political system and imposing its will, as defined by the institution itself, as opposed to policy determined by the ruling group, a body of men not answerable to the military hierarchy as such, the military was only briefly in power in Indonesia, if at all.

Initially, however, the military men that came to exercise the greatest power in Indonesia were a heterogenous mix. They owed their positions to three different sources. Some, and initially probably the largest group, owed their power to their rank within the military, or their influence within military institutions. Another group of people came to exercise power through political commitment and involvement beyond what could be expected from their military rank. These were people of ideological commitment to the claimed goals of the New Order. A third group was Suharto's circle of finance and intelligence officers. Members of this informal group had worked with Suharto in a financial or intelligence capacity, often in fact in both capacities, for years during the Old Order. This group of people was to ease all others out of serious contention for power.

Suharto initially assumed control in Jakarta on the first of October 1965 as one of the two or three most senior officers in the capital after the assassination of several of the highest ranking army generals. The first moves against the rebellion of military officers on the 30th of September were

made by General Umar Wirahadikusuma, who could equally well have assumed command of the armed forces. General Umar, later Suharto's Vice-President, is thought to have been relieved that Suharto took the initiative. General Mursjid, a Sukarnoist, and a ranking officer on the army general staff was perhaps the clearest alternative to Suharto, but this would certainly have been opposed by Nasution, the Minister of Defence, and long time leading adversary of Sukarno.

Suharto's initial key to success in establishing command over the army were the long standing rivalries within the army and the mutual suspicion between President Sukarno and Nasution with roots in events briefly mentioned in earlier chapters. Nasution was, of course, the most senior of all officers and many would have expected him to assume control over the military in the wake of the coup attempt. Nasution had come close to staging a coup himself in the early 1950s and he was the chief architect of the prevailing doctrine of military political responsibilities. On the night of October 1st, Nasution had come very close to being assassinated himself and his daughter had been fatally wounded. Because of this and perhaps for other personal reasons, Nasution eliminated himself from the leading role. For Sukarno, an enhanced political role for Nasution was also unacceptable. For Nasution, in turn, a Sukarno stooge such as General Pranoto, at the army command was also unacceptable. He therefor sided with Suharto in opposing Pranoto as successor to the assassinated General Yani and opened the way for Suharto's continued leading role in the army.

In view of what was to follow, it is interesting to note that aside from politics of the day Suharto and Pranoto represented two widely different types of military officers. They had clashed before. Pranoto was for a time Suharto's chief of staff at the Diponegoro command. Pranoto is thought to have opposed some of Suharto's business activities, such as black market trading in cloves, which Suharto apparently organised with one of his long time business associate. After Suharto had been reprimanded for corruption and removed from the Diponegoro command he was succeeded by Pranoto. Pranoto who had a high reputation for honesty abolished Finek, the business division of the military command which had been Suharto's first vehicle for major business dealings. [¹⁷]

Once installed as army commander Suharto was in a position to elevate several of his own people to influential positions, as the assassination of the Generals had left a certain vacuum at the central command. Already on the army general staff was one of Suharto's entourage of business generals and a member of his inner circle, Lt. Gen. Alamsyah Ratu Prawiranegra.

Over the months that followed an intense power struggle took place at various levels. None of the details, carefully documented by Crouch [Crouch, 1978], will be entered into here. For the purposes of this thesis it suffices to discuss briefly at this point some of forces that represented hurdles in the establishment of the New Order regime of President Suharto.

It is perhaps possible and helpful to speak of five types of opposition to the establishment of the regime that came to rule Indonesia. Two of these types consisted of people whose fortunes were tied up with the Old Order. One was President Sukarno and his associates. Sukarno commanded significant support in various quarters, including influential people in the military for some months after the October coup. Another was the PKI and other left wing forces that had been mobilised over the years that preceded. These two forces of potential opposition, the forces of the Old Order, were effectively eliminated, except for pockets within the military, by March 1967, some six months after Suharto's counter coup.

The political basis of the Old Order collapsed with its economy, once the economically powerful military had withdrawn from its coalition of forces, and the well organised and popular PKI had been eliminated by one of the bloodiest massacres in human history. Sukarno's basis for power was this short lived coalition. His real basis of power was politically fragile and essentially weak as it had no firm roots, within Sukarno's control, in a viable economic system.

Unlike in Latin America, Sukarno's populism was not grounded in import substitution industrialisation capable of providing a windfall profit and a temporary increase in worker's purchasing power. His economic base was weak from the start, and such as it was, it was controlled by the military that turned against him. With the elimination of the PKI what was left of his political basis was the PNI, a party with its economic base in a disintegrating

economy and in a world of bureaucratic license peddling, increasingly outside its control.

A third type of opponents to the Suharto regime that were also associated with the Old Order took somewhat longer to deal with, a group of party politicians. These will be returned to later in this chapter. The other two types of opponents, potential or real, only emerged as such after Sukarno and the PKI had been dealt with. These were the people that had fought hardest for the New Order. One was an informal group of military men who came to exercise power far beyond their rank during the purges of Sukarno and PKI elements. These, the so called New Order radicals, were prominent in the purges of Sukarno supporters and some of them enthusiastically organised the elimination of the PKI by massacre. Suharto's purges of the army and the emergence of his own group as a ruling entity will be discussed below.

The fifth type of opposition to the Suharto regime came from another enthusiastic group of New Order supporters, the religious organisations and the student organisations that took to the streets in 1965 and 1966 demanding the overthrow of the Old Order. These will be briefly discussed below in the same instance as the group of party politicians. Both groups tried to gain institutional representation in the New Order structure, but both failed, neither of them commanding sufficient resources or sound material basis for the power politics of the early New Order era.

Before briefly looking at the way in which the Suharto group emerged as the ruling group of Indonesia, and in a more substantive way discussing its evolving basis of power, it is instructive to look at the options and constraints facing the Indonesian military at the onset of the New Order in both an abstract and comparative fashion.

A body of theoretical literature exists, along with numerous studies of individual countries, where the resolution of similar basic dilemmas as faced the Indonesian military is studied. It is not the intention here to engage in a lengthy exposition of either theories or case studies, but only briefly look at essential issues at this juncture in a wider context.

Any military regime will face at least three basic dilemmas. One has to do with the cohesion of the military itself and its ability to superimpose its own command structure on the political system. [¹⁸] In the case of Indonesia this has evolved in an exceedingly complex fashion. On the one hand, the military is to an unusual extent, compared to almost any type of military regime in the world, in command over society through the system of territorial command, the *karyawan* system of military secondment of officers to ministries, utilities and companies. On the other hand, the military as an institution does not command the all important Executive branch of government at the highest level, but, conversely, is under the control of the civilian President.

Another universal dilemma is the attainment of some measure of acceptance from civilians without endangering military control over the regime, or indeed, regime control over the military. This, again, has evolved in a highly complex way in Indonesia, but mostly through a system of patronage and through ideological articulation that has been successful to an unusual extent.

The third general dilemma is the related problem of institutional arrangement through which effective administration and control can be reconciled with efforts at political settlement within society. This, while an ongoing problem with some unique attempts at solutions in Indonesia, has become a matter of increasing urgency with a looming end of the Suharto regime.

The first point about all this is, of course, the fact that military regimes are inherently unstable and normally short lived. Erik Nordlinger, in his influential study of soldiers in politics, pointed out that only very few military regimes survived for anything as long as dozens of civilian regimes in the same parts of the world. [19]

It is interesting to note that most of the long lasting military regimes were dominated by a single strong leader. In most cases, although this is not the conclusion of Nordlinger or most other attempts at classification of military regimes, these regimes, such as that of Suharto in Indonesia, Somoza in Nicaragua or Mobutu in Zaire, the power of the dominant leader has been such as to render the classification "military rule" almost devoid of meaning, except where the military has been the instrument of repressive rule. These

strongmen have ruled through the military, but it seems dubious for analytical purposes to speak of the military as if it ruled.

On the basis of several variables that are crucial to the way such basic dilemmas, as those listed above, are worked out, it is possible to construct a typology of regimes. Although the dilemmas listed are not drawn directly from the studies of Samuel Huntington, but from a synthesis of several different studies, the influential typologies of Huntington may serve to organise the discussion on these dilemmas. [20] Huntington classifies four different types of military regimes, namely "veto regimes", "factional regimes", "guardian regimes" and "breakthrough regimes". The only published comparative study of the Indonesian military specifically located within a framework of such typologies, a paper by Ulf Sundhausen, classifies the New Order regime as a "veto regime". [21]

A veto regime is characterised, according to Clapham and Philip, mainly by five features. [Clapham and Philip, 1985] These are;

1. A high degree of unity within the military.
2. A fairly high degree of differentiation of the military from civil society.
3. A high degree of perceived threat from civil society.

4. A medium to high degree of autonomous political organisation in society prior to military intervention.

5. A most systematic and repressive kind of military rule following intervention.

The reason for the final characteristic is that the military in a veto regime situation is pitted against strongly organised civilian political structures, as happened in Chile and Argentina, and then presumably, according to Sundhausen, in Indonesia.

It will be briefly argued here, that much of Sundhausen's theorisation in this regard is mistaken. With one exception, the qualifying criteria for a veto regime has not been in much evidence in Indonesia or with its military. It will also be argued that typologies of this kind, in spite of their general usage and obvious advantages, are unlikely to be very helpful in understanding the situation that evolved in Indonesia, although a comparative study of the basic dilemmas facing the military in Indonesia and other countries may be profitable, approached in a different fashion.

Regarding the first criterion, the military in Indonesia can hardly be said to have displayed a high degree of unity until after Suharto's assumption of power. The army's record in this respect has already been discussed in the context of the rebellions and rivalries of the 1950s. Only after massive purges in the mid to late 1960s did the military achieve high degree of unity. The

unity of the military was therefor neither responsible for bringing it to power, nor for maintaining a position of military control over the Executive.

The reverse would, in fact, be more true. The coup attempt and the successful counter coup of 1965 was essentially a struggle within the military. [22] The supremacy of the Executive over the military is also acknowledged by Sundhausen who claims that "practically all decision making power, inside and outside the military, rests with one man, the President, regardless of the fact that Suharto has officially retired from military service. There are senior officers who have influence, in that they have the ear of the President and may at times be able to affect policies, but they neither pressurise him nor make decisions independently of the President or against his will." [Sundhausen, 1985] Sundhausen goes on to say that the President picks his own chief executives from inside and outside the military singlehandedly and without much consultation. Among evidence mentioned for this is the selection of the last two armed forces commanders (up to 1985), neither of whom, by prevailing standards guiding military promotion and assignments had been eligible for the post. [Sundhausen, 1985] None of this seems to suggest that the military is actually in power.

The classification of the Indonesian case as one displaying a fairly high degree of differentiation of the military from civil society seems no more true, at least not for the period in question.

In the preceding chapters it has been shown, and this is hardly a matter of much contention, that the Indonesian military was from the start a politically motivated entity, and that the army, or parts of it, continued to be involved in politics from independence onwards. In the late 1950s, as has been shown, the economic interests of the military as an institution, and those of many of its commanders, were hardly likely to construct what Clapham and Philip call "impermeable boundaries between the military and civilian politics", the criteria for military differentiation from civil society. [Clapham & Philip, 1985:6] Such a boundary has, of course, never existed in Indonesia. The military has at most times been centre stage in politics and its economic interests, and that of its commanders, at the core of the economy.

The third criterion, that of a high degree of threat perception from civil society, on the other hand, is certainly true for Indonesia. The fourth criterion, that of high degree of autonomous political organisation is also partly true by the same token. The army did perceive a threat from the PKI and from Muslim organisations, although the latter were its allies in eliminating the former.

It would, however, be misleading to speak of Indonesia in 1965 as characterised by a high degree of autonomous political organisation. Although several political parties continued to operate during Guided Democracy, their autonomy from the state decreased as they became more dependent on state patronage than mass support in the country.

Studies of party politics in Indonesia, particularly for the period after the 1955 elections, suggest a growing isolation of the Jakarta based party elites from popular support, while most were engaged in competition for state patronage.

The PKI with its well organised mass base was at least a partial exception from this. The difference is clear, however, between Indonesia in 1965 and classical cases of military regimes emerging out of a situation characterised by competition between well organised and autonomous mass political parties, such as the case of Chile in 1973, Turkey in 1980 or Argentina in the late 1970s.

This difference may be of some pertinence for understanding why the Suharto regime found it relatively easy to deal with the political parties in the late 1960s and remould the political system. In the case of regimes such as those of Chile and Argentina in the 1970s, the party system they repressed re-emerged almost in tact after years of suppression, and in Turkey much the same forces as had been dominant before emerged under new labels.

With respect to Huntington's categories, it is of interest to note that Indonesia bears more important resemblances to the radical restructuring "breakthrough regimes" than the right wing "veto regimes" it has been classified with. Breakthrough regimes usually result from coups by relatively junior officers, where the military is characterised by relatively low degree of unity, low degree of differentiation from civil society and low degree of autonomous political organisation in society, all of which is arguably a more fitting description of Indonesia in 1965 than the reverse classification of Sundhausen.

The best know of such regimes are those that toppled absolute monarchies in Thailand in 1932, Egypt in 1952 and Libya in the 1960s, and the left wing regimes of Peru in the 1960s and Ethiopia since the mid 1970s.

Indonesia, of course, sits very uneasily in a category of revolutionary regimes that moved against the existing social order, and it is not being suggested here that such resemblances as noted should be the basis for such classification. Their nature is such, however, as to point decisively away from studying Indonesia through the framework of a veto regime.

More promising in this respect, but not at all wholly sufficient, is the category of "factional regimes". Such regimes are often based on racial, religious or ethnic affinity between a section of the military and a group in civil society. A large number of studies on Indonesia have, of course, highlighted the Javanese background and mystical-syncretist religious outlook of Suharto and most of his inner circle. Such regimes are also frequently personalistic in character and the group of leading military officers are often deeply involved in commerce and politics.

Examples of this type of regime include Somoza's Nicaragua, Mobutu's Zaire. Both of these are, or were, very long lasting regimes lead by the richest man in the respective country, a parallel with Indonesia. This model of a personalistic regime of an immensely rich individual, based on selective patronage, religious and ethnic affinity with a powerful group, originating in a factional military characterised by economic involvement of its officers, may

at least have some descriptive value for Indonesia. Such typologies, however, are something of a blind alley for theorisation on the dynamics of the system and prospects for change.

Turning again to the Bureaucratic Authoritarian approach, by comparison, it seems to offer a far more sophisticated theorisation than the military regime typologies of the structure-functionalist ilk. It does, however, fail to do much more than offer a way of arranging a description of the New Order regime.

Neither the origin of the regime, nor its nature can be adequately explained through this approach.

What is, however, possible through such a theorisation, is to identify the main features of the regime, and more specifically, to identify the structures that set the New Order regime apart from the BA regimes of Latin America and Asia. Among these features, specific to Indonesia in this context, are, as should be clear from the preceding discussion, the absence of a domestic indigenous bourgeoisie and the presence of business oriented faction within the military which managed to assume state power through its hold on the increasingly powerful and independent office of the President. Other pertinent features that should also have been made clear in the preceding discussion were the absence of political parties grounded in viable economic structures and presence of regional and religious fault lines in society that the regime could manipulate.

The economic and political structures that sustained the early New Order, however, changed greatly over time. In analyzing these changes the theoretical frameworks discussed in this chapter are, on their own, even less adequate than in providing a more static analysis.

In briefest possible terms, the way proposed here towards a more adequate understanding of these structures and their evolution is threefold.

Firstly a more adequate, if rather abstract, conception of the state from what is most often used in analysis of the Indonesian state is needed. In the theoretical discussion in the earlier part of the thesis various approaches to this were discussed. A way was pointed out there for drawing on both the instrumentalist conception of the state and the more abstract structuralist understanding of it. This discussion will not be repeated here, as it suffices to point to the first chapter, which guides the approach to the state in the subsequent chapters, and in particular the effort at analysis in the final chapters.

At this stage it may be most helpful, simply to point out three elements of this. Firstly that the state needs to be seen as both the site of a struggle between various factions of the dominant classes, and at the same time as the integrating principle, which condenses, reconciles, represents, upholds, and importantly for Indonesia, sometimes structures the overall interests of the classes in dominance.

Secondly, and following from the first, for understanding the evolution of the state and the changing basis of the regime, the separate nature of the two needs to be understood, something that is most often missing in literature on Indonesia. This is a factor almost entirely bypassed by the paradigms specifically discussed in this chapter, but a dimension of great importance with regard to the nature of regime succession within the state.

In briefest terms, the state will be seen as consisting of the permanent institutions of government and the ensemble of class relations rooted in these institutions. These institutions include the institutions of coercion, such as the military and the judiciary, and the institutions of executive and legislative branches of the government, such as the ministries, the President's Office, the cabinet and Parliament. The class relations rooted in these institutions are generated not within the state as such, but in the overall economic organisation of society, which necessitates analysis of class for understanding of the state.

The state responds to imperatives generated by these class relations, and generated from the position of the economy in the wider world economy, as well as, at times, structuring such relations through its own longer term structures, which may partially, and particularly in the shorter term and with regard to specific manifestations, be understood through analysis of culture as well as through economically rooted analysis.

The executive of the state, on the other hand, is the regime, which refers to the individuals occupying the most powerful positions within the state, and may also refer to the overall political and economic strategy jointly followed by these individuals. The state, in a sense, forms a set of constraints and opportunities that face the regime. The state, in this sense, does not dictate the policy of the regime. The structures of the state, on the other hand, and the imperatives generated by them, dictate the outcome of regime policy.

Of importance to the focus of the thesis two further points may be noted at this point. One is that changes in the configuration of dominant classes and economic organisation are likely to prompt changes to the regime. The other point is that such changes to the configuration of power between classes and within the regime may not necessarily bring about similar changes to the nature of the state. It is therefore conceivable, that changing economic realities, altering the balance between groups or classes may prompt the democratisation of the regime, while such a change may not have much effect on the overall undemocratic nature of the state.

This point is linked to the last of the three theoretical points to be made at this conclusion to this chapter. The different economic and political interests of the various factions that make up the dominant classes in Indonesia need to be mapped out. The conflict between these interests, their interplay with the structural imperatives of the state and of the economic system, partly integrated as it is into a wider economic order, provides the dynamic for changes in the basis of the regime. This may facilitate an understanding of

the nature of the likely phenomenon of limited, but increased, pluralism in Indonesian politics.

Notes

1. These figures are taken from the Indonesian Statistical Pocket Books for various years, published by Biro Statistik.
2. This is an estimate used by Mochtar Mas'ood, 1983, *The Indonesian Economy and Political Structure During Early New Order 1966-1971*, Ph.D. thesis, Ohio State University, p. 65.
3. See A. Gerschenkron, 1962, *Economic Backwardness in Historical Perspective*, Cambridge, Mass: Harvard University Press.
4. See A. Hirschman, 1971, *The Political Economy of Import Substitution Industrialisation in Latin America*, Yale University Press.

For a general discussion on the process of Industrialisation in different parts of the world see e.g. Tom Kemp, 1989, *Industrialisation in the Non-Western World*, London: Longman (2nd ed.)

5. For a discussion on these distinctions and their relevance see Christer Gunnarsson, 1985, *Development Theory and Third World Industrialisation*, *Journal of Contemporary Asia*, vol. 15, no. 2.
6. For a discussion on this see e.g. Guillermo O'Donnell, 1977, *Corporatism and the Question of the State*, in J. Malloy, *Authoritarianism and Corporatism in Latin America*, University of Pittsburgh Press.
7. For a discussion on these alliances and populism in Latin America see Guillermo O'Donnell, *Corporatism and the Question of the State*, as above.
8. See Peter Evans, 1979, *Dependent Development, The Alliance of Multinational, State and Local Capital*, Princeton University Press.

9. For a discussion Bangladesh and the way the aid regime became central to the formation of economic and political elites see R. Sobhan, 1982, *The Crisis of External Dependence*,
On this see also, Tushar Kanti Barva, *Political Elite in Bangladesh*, European University Studies, (undated, place of publication not given)

Also on the State in Bangladesh and this connection see Hasanuzzaman Chowdhury, 1985, *State and Mode of Production in Bangladesh*.

10. See G. O'Donnel, 1973, *Modernisation and Bureaucratic Authoritarianism*, *Studies in South American Politics*, Berkeley: University of California Press.
See also O'Donnel, 1977.

11. Among those are Mochtar Mas'oed, 1983, who used the concept extensively in his thesis. While finding the concept useful and O'Donnel's theories generally applicable, Mas'oed points out the strong position of the executive in Indonesia, while BA theories put more emphasis on the military as an institution.

See also Dwight King, 1982, *Indonesia's New Order as a Bureaucratic Polity, a Neo-Patrimonial Regime or a Bureaucratic Authoritarian Regime: What Difference Does it Make ?*, in B. Anderson & A. Kahin, *Interpretation of Indonesian Politics, Thirteen Contributions to the Debate*, Cornell Modern Indonesia Project.

Other examples include:

Arief Budiman, 1987, *The State and Industrialisation in Indonesia*, in Kyong-Dong Kim (ed.), *Dependency Issues in Korean Development*, Seoul: National University Press.

Fachran Bulkin, 1984, *Negara, Masyarakat dan Ekonomi*, Prisma, LP3ES, no. 8.

Also various references from contributors to the *Transnationalisation of the State, Indonesia*, The United Nations University, Tokyo.

12. See Juan Linz, 1970, *An Authoritarian Regime: Spain*, in Allardt & Rokkan (eds.), *Mass Politics, Studies in Political Sociology*, New York: Free Press.

13. O'Donnell, 1979, *Tensions in Bureaucratic Authoritarian State and the Question of Democracy*, in D. Collier (ed.), *The New Authoritarianism in Latin America*, Princeton University Press.

14. Dwight King, 1982

King does not specifically mention any of the "several theorists" supporting his view. On how a bureaucratic authoritarian regime may achieve limited pluralism without a corporatist strategy, King quotes C. H. Moore, 1974, *Authoritarian Politics in Unincorporated Society, The Case of Nasser's Egypt*, *Comparative Politics*, January, 1974.

15. Mochtar Mas'ood, 1983, *The Indonesian Economy and Political Structure During Early New Order 1966-1971*, Ph.d. thesis, Ohio State University. Mas'ood published a book based on this thesis in 1989, *Ekonomi dan Struktur Politik: Orde Baru 1966-1971*, Jakarta: LP3ES.

16. M. Mas'ood, 1983. Mas'ood claims that the New Order regime was led by the army 1966-1971, the period his thesis is mainly concerned with, but since that time, according to Mas'ood, the growing powers of the Presidency have "undermined much of the military institution's authority. [p263]

Mas'ood points to the State Secretariat under General Sudharmono as a "super-bureaucracy", and traces its growth in power mainly to "the progress of the development programme.....where the main actors are foreign investors and state related domestic businessmen..... under the guidance of the state".

17. For a discussion on this incident and also more generally on related issues of trends within the army see an undated paper by Peter Britton, *Military Professionalism in Indonesia; Javanese and Western Military Traditions in Army Ideology*, Department of History, Monash University.

18. Useful studies of military regimes include, Clapham & Phillips (eds.), 1985, *The Political Dilemmas of Military Regimes*, London and Sydney: Croom Helm.

For Southeast Asia, including Indonesia, a useful comparative study is Crouch and Zakaria Ahmad, *Military-Civilian Relations in Southeast Asia*.

19. E. A. Nordlinger, 1977, *Soldiers in Politics, Military Coups and Governments*, Prentice Hall. Nordlinger points out that only 3 out of a 100 military governments had attained the kind of longevity experienced by 25 civilian non-western governments, and that only 10 military regimes, including that of Indonesia, had even met what he called an "exceptionally loose criterion of regime stability".

20. See S. Huntington, 1968, *Political Order in Changing Societies*, Yale University Press.

21. Ulf Sundhausen, 1985, *Slow March into an Uncertain Future*, in Clapham and Philip (eds.), 1985, *The Political Dilemmas of Military Regimes*, London and Sydney: Croom Helm.

22. The Complexities of the September 30 affair will not be discussed here or at a later stage in this thesis. There is, of course, no unanimity among scholars on this point. Strong evidence exists, however, for concluding that the motives of the instigators of the coup attempt, itself a feeble affair, had more to do with internal military concerns than with political ideology or a wish to alter the general course of Indonesian political history. A large body of writing and commentary now exists on this issue, starting with the "Cornell Paper" of Anderson and McVey. A more recent commentary is by W. F. Wertheim, 1979, *Whose Plot, New Light on the "65" Events*, *Journal of Contemporary Asia*, vol. 9, no. 2.

For a concise treatment of the facts and the unanswered questions in this respect see Harold Crouch, 1978.

CHAPTER 8

EARLY NEW ORDER POLITICS 1966-1973

It is, as pointed out before, doubtful that a political project, apart from the immediate and the expedient, existed in the minds of Suharto and his political entourage during the very first years of the New Order. The policy followed, however, amounted to a project of political and economic transformation, with powerful groups and large sections of society ending up as either winners or losers in a restructuring of the economic and political system.

This transformation had at least three more or less distinctive phases. The first phase, approximately from 1966 and into the early 1970s, will be discussed in this chapter and the next. The second phase, lasting from the early 1970s and into the early 1980s will be analyzed in a following chapter, while the third phase, from the early to mid 1980s to the present will be discussed in the two final chapters of the thesis. In this present chapter early New Order politics will be briefly discussed in order to provide the necessary framework for a more focused discussion that follows on the regime that came to power and on its basis in the economy.

Among the winners were those who held power and position in the rural areas. The communist challenge to the rural order was broken. Landowners, better off peasants, middlemen and those enjoying status and power on the basis of property and religion formed an important constituency for the New Order. This highly important dimension to Indonesian politics falls largely outside the limited scope of the thesis and hence, discussion of this will be brief and confined to its immediate impact on the structure of power at the centre.

The fusion of the religious with the social and the political in rural areas means that the regime's Islamic policy and its emasculating of political parties has to be seen in the light of its essential preservation of the rural power structure. Islamic organisations were highly important in bringing Suharto to power and in sustaining him there for the first crucial months. Suharto's ability to move against the political and even religious interests of these organisations without the interests they represented moving massively against his regime has to be seen in the light of the rural power structures that the regime, at the same time, preserved.

At a later stage, this rural power structure was further reinforced, and further integrated as a political power base for the regime through military control at local level and through the vast system of Presidential development patronage, made possible to a large extent by inflow of concessionary funds from abroad, as well as by the rapidly increasing oil revenue.

A second group of beneficiaries was the military. The military was already in charge of much of the modern economy but with the revival of the economy during the early New Order and a vastly improved political position of the military, opportunities for patronage and enhanced economic and social status were abundant for the officer corps, which made vigorous use of these opportunities.

A third group was the Chinese business community which quickly seized new economic opportunities under military patronage. This group will be discussed at various junctures below.

A fourth group was a small band of technocrats brought into government and highly level policy making, and a fifth group formed the higher ranks of the bureaucracy. The technocrats and their position will be discussed in a chapter that follows.

Among the losers, in the short and medium term at least, the landless peasants, of course, formed by far the largest group. Closer to the centre of state power, other losers included many of the party politicians and those with political connections to the old regime, both those ideologically committed to it and those who had cashed in on their connections. Among the latter group were several businessmen of some substance who saw their fortunes disappear or go into a decline and many smaller businessmen who in many cases were unable to establish new contacts and continue profitable trading.

Among the losers were also a number of individuals in the military, both people with leftist or Sukarnoist sentiments, and people of different political persuasions who for one reason or another crossed swords with Suharto and his group. Many of these rose to some power or prominence during the earliest part of the New Order, only to be pushed aside as differences came to the fore.

The list of winners and losers changed to a certain extent with time but for the present it is important to look at these groups for understanding the way in which Suharto was able to establish himself and his ruling group in the face of opposition from within the military and from the political parties. For the most, the genesis of economic and political fortunes, as well as misfortunes, is to be found in the initial configuration of gainers and losers.

To start with, however, it is important to bear in mind that neither the military, nor the civilian politicians admitted to a military take-over of power in 1965 or since. The gradual assumption of power by Suharto was described as a defensive action, where the integrity of the Sukarno Presidency, the armed forces and the constitution was to be protected against an unconstitutional challenge from the left. The civilian politicians did not at this time, nor indeed for some years, effectively accept military supremacy in politics, and the military, except for individual radicals, did not claim anything more than a position to defend the state.

The civilian politicians were willing to go along with the ouster of Sukarno, some with enthusiasm, other less so, and with his temporary replacement, by General Suharto. They were, however, not willing to legitimise a substantially increased political role for the military as an institution. The initial political coalition behind Suharto was basically one against the PKI and not for anything in particular.

The key to Suharto's success in establishing a ruling group is to be found in two phenomena. One was the potential existence of a majority coalition against all clear cut political options. The other was the absence of a viable economic base behind any potential rival forces, while Suharto and his entourage had both the business wherewithal and a position within the state to create a large economic base, dispensing political patronage to potential opponents.

The political options favoured by the New Order constituency ranged from the establishment of an Islamic state, through a western oriented party based democracy with vaguely socialist leanings to a radical right wing political programme hostile to both Islam and liberal democracy. Suharto did not for a long time come down in favour of any political system while he concerned himself with gaining firmer control over the armed forces and the rescue of the economy through opening it up to western capital. The route taken in rescuing the economy, the opening up to foreign capital and re-integration into the world trading system, however, while not initially favoured for any political reason, served to structure political options.

As Suharto consolidated his power base in the military and successfully oversaw the revival of the economy, the political debate at party level became increasingly irrelevant. The talk continued for a long time to be over whether Suharto would form an alliance with the PNI, the NU or with radicals within the military. Meanwhile Suharto's powers grew to the point of making all three options expendable.

Suharto and his supporters, such as Murtopo and the technocrats, such as Widjodjo, who had been brought into economic policy making were all of one voice in asserting the necessity of dealing with the pressing economic problems before longer term political questions could be addressed. [1] While first seen as a response to the desperate economic situation prevailing at the time, this general thinking was later to emerge as a central feature of the ideology of the New Order. [2]

Within the military, the most dangerous potential opposition to Suharto did not come from people who wanted the military to withdraw from politics once order was restored, but from the right wing radicals who wanted to use the army's political position to effect a transition to a new political system. The difference in opinion may be illustrated by the fact that some of the people who wanted the army to restructure the political system in a radical fashion were later, and logically, to be found among those who argued for a less political role for the army in the 1970s and 1980. The policy of this group was for a creation of a new political order, essentially run by civilians, but with

the military as a guarantor of the system, rather than for a perpetuation of a day to day military involvement in politics. [3]

Although generally agreeing on the precedence of the economic over the political this group wanted to follow the destruction of the PKI with a move against the PNI and the NU and to restructure the political system without much delay. The hallmark of the new system was to be the absence of ideology from politics. It was never made very clear, how what amounted to a political system without politics should operate, although this is quite arguably what eventually came into being in Indonesia. The keywords in this respect were "programmes" instead of ideologies, but it was never made clear how the various programmes might diverge without such a divergence being grounded in prohibited ideologies. Some of the radicals called for the formation of a mass based political organisation, while others favoured some sort of an alliance between non-party politicians and the military. [4]

What seems to have been the favoured option among most of the radicals was a forcible elimination of all political parties to be followed with the creation of a new system, probably of only two parties, where political articulation would have been heavily circumscribed by the fixed system and by a commitment to non-ideological politics. Democratisation of society was frequently cited as the *raison d'être* of the New Order, and this was echoed by some of the radicals who favoured this circumscribed political system. [5]

As it turned out, however, the radicals were not in a position to push through their views. Their programmes, such as they were, remain of some interests,

however, for their similarity to what the ruling group was later to impose as a political system in its own good time. There is a striking resemblance, with a two or three important qualifications, between these proposals, rejected by Suharto in the early days of the New Order, and what he was later to create.

The reasons why Suharto rejected the radicals' proposals were probably twofold. On the one hand, the radicals would have become a powerful group in their own right if they had been given a free hand in forming a mass political party, possibly along the lines of Golkar, and on the other, a decisive move against the existing political parties in these early days carried some risks. It seems quite possible that if Suharto had gone along with the formation of a mass party of New Order supporters in these early days, the radicals would have gained a position of political patronage that would have made them a serious countervailing force to Suharto's own ruling group. This would most probably have greatly changed the nature of the regime.

For a while it seemed as if this was to happen. The important army seminar in Bandung in 1966 called for a simplification of the party system and single member constituencies, which was opposed by the parties but supported by most of the radicals. The seminar also called for the victory of the New Order forces in any forthcoming elections, which would presumably have entailed the formation of some political structure. [6]

The political parties had grown some roots in Indonesian society over decades of existence and could have been expected to carry more weight than they came to do. During the 1950s the parties and their network of associated organisations had seemed very powerful representations of allegiances and cleavages in Indonesian society, as can be seen from much scholarly literature from that time. The question of the reality of these ideological streams will be briefly returned to in a chapter on the religious and ideological dimension to Indonesian politics.

When it came to the crunch, however, the parties had little real power against the might of the regime. The most important reason for this was their lack of a base independent of the state. Over the years the political leaders had come to depend more on Presidential favours and bureaucratic position than on a strength derived from mass membership. [7] The leaders of all political parties, with the possible exception of the then defunct PKI, had such a record of opportunism, as to form a guarantee against the formation of an effective and united party based opposition to the regime. [8] None of the parties had a decisive economic base outside the state which made them open to manipulation by whoever controlled the state.

An alliance between the radicals and the party leaders was unlikely, as the radicals opposed the very system the party leaders stood for. Suharto was in the middle and able to deal with both. Most importantly, though, he alone controlled large sources of patronage. Suharto was able to move against both elements and remove opposition within the military and to make the

political parties impotent and dependent entities. The emasculation of the political parties occurred in several stages and at times through complex exercises. For the purposes of the thesis, only the broadest contours of the government strategy in this respect are needed. [9]

The policy was geared towards overcoming two contradictory objectives. On the one hand the regime wanted the major socio-cultural groups that formed constituencies for the various parties to feel represented and included in the political system. This called for the perpetuation of existing parties. The parties, in spite of the alienation of their leadership from their respective constituencies, had grown roots and represented to some extent communal identities. At the same time the regime was resolute in avoiding a return to power of the political parties. The parties had therefore to be continued in a recognisable form while their potential power was minimised. These contradictory objectives were achieved to an acceptable extent through gradual stepping up of government intervention in the internal affairs of the parties.

On the muslim side, the Nahdlatul Ulama, posed only a limited problem. The organisation had before displayed a great capacity for adjusting itself to changing political winds and sources of patronage. NU had been almost continuously involved in cabinets since the days of parliamentary democracy, frequently adjusting its position to come down on the winning side. This phenomenon, which has been frequently attributed to blatant opportunism may have deeper reasons, as the organisation, while also a political party, is

ultimately a moral and social movement concerned with matters outside the political system. [¹⁰] NU's participation in the political system and its lack of a political programme has to be seen in this context.

The fate of Masjumi under Sukarno has already been discussed. The Suharto regime decided not to allow the Masjumi to operate again, probably both because of its role in the rebellions of the 1950s and also because of its representation of a potentially vocal constituency. Instead a new party, Parmusi came into being. Former leaders of Masjumi were banned by the government from holding office in the new party. Such people were nevertheless elected to the leadership which resulted in a drawn out conflict with the regime, ending in government imposition of a new leadership on the party. Similar interference in the internal affairs of the PNI, where the government used both the army and Murtopo's intelligence unit, secured a pro-government leadership in the party.

At the same time the government established Sekber Golkar (Sekretariat Bersama Golongan Karya - The Joint Secretariat of Functional Groups) as a political organisation contesting the 1971 elections. Golkar had come into being in the early 1960s as an umbrella for the various functional groups established by the army in a bid for institutionalised political power and, at the same time, as a countervailing force against the communists in trade unions. (¹¹) More will be said on Golkar at a later stage as the organisation came to be one of the pillars of the New Order patronage system.

The political parties were put out of contention for power through this manipulation, and through the organisation of the DPR and MPR into powerless bodies of government appointees. It remains debatable and immeasurable, to what extent the government was able to secure at the same time, a second objective, namely the feeling among the country's major socio-cultural groups that they were included in the New Order and represented at highest level. Discontent, in any event, was containable.

In dealing with opposition and potential opposition within the military Suharto used carrots more than sticks. His purges of the military took three years to complete and were effectively over by 1969. Several senior figures were sent abroad as ambassadors, such as General Mursjid, who had perhaps been the clearest alternative as an army leader to Suharto in October 1965. Mursjid was made ambassador to the Philippines but later arrested. The commander of the powerful Siliwangi division, General Adjie, was made ambassador to Britain. The commander of the equally prestigious Diponegoro division was transferred to an innocuous post in Jakarta, while General Mokoginta, the inter-regional commander for Sumatra was made ambassador to Egypt. Mokoginta was later to return as one of Suharto's most prominent critic within the military.

Nasution, who was initially to share powers with Suharto was made chairman of the MPR, the supposedly supreme political organ in the country, but as it turned out, a political irrelevance. It has been suggested by Harold Crouch that Nasution's strong stand on corruption, which lead him to reprimand

Suharto and Ibnu Sutowo in the late 1950s, to criticise several other officers, had made many officers reluctant to see Nasution return to real powers. [Crouch, 1978:231-232]

While the highest ranking officers were eased out in this agreeable manner, the lower ranks suffered real hardship from the purges. There are no reliable figures to illustrate the extent and severity of the purges for Indonesia as a whole, but research done in Central Java may give some indication. According to Peter Briton, almost 1900 members of the armed forces were still in detention in Central Java in 1971, while further 2600 had been dishonourably discharged or prematurely pensioned off in 1965-1966. [12]

The navy suffered large scale purges organised by Admiral Sudomo, a member of Suharto's innermost circle and a businessman of some substance. Like in the army, the most important commanders were given comfortable but non-political position, the navy commander Admiral Muljadi was made ambassador to the Soviet Union and the commando corps commander, General Hartono was made ambassador to North Korea, while thousands of the rank and file were imprisoned or dishonourably discharged.

In this way Suharto was able to deal with three separate groups of potential opponents in the military, the left leaning officers, the high ranking officers who enjoyed power bases independent of Suharto, and, later, the right wing radicals in the officer corps, who for a while had enjoyed power beyond what their rank provided.

This last named of these groups carried out much of the purges of the rank and files before being dismissed. This was not a cohesive group, as pointed out before, but a potential threat to Suharto's order nevertheless. It may, in fact, be questionable to speak of a group if this is taken to mean a body aware of its corporate existence. These men hardly formed such a recognisable entity. They, however, shared certain ideals or principles which set them apart from Suharto and his group. Many, but not all, shared a disdain for the corrupt business practises of Suharto's group. Most shared the same sort of disdain for the party politicians, and all shared a vague vision of a New Order characterised by fast economic development, modernisation, political stability and a sustainable, principled, political system. Among the most prominent individuals associated with this informal grouping were Lt. Gen. Sarwo Edhie [13], Lt. Gen. Kemal Idris [14], Gen. Dharsono [15], Adm. Ali Sadikin [16], Lt. Gen. Mohammad Jasin [17] and Gen. Hugeng [18]. All of these were either removed from command or posted far away from Jakarta politics.

Apart from the Java based radicals who had been prominent in overthrowing Sukarno and establishing the New Order, these general sentiments were shared by many of the regional commanders, many of whom enjoyed power bases independent of Suharto and the central army command. Many of these were removed from sensitive command early on. Among these were the military commanders of South-Sulawesi, South Sumatra, West Kalimantan and Aceh

Several of these people, although by no means all, and others of a similar ideological ilk, such as General Sumitro, were deeply involved in business themselves, particularly after falling from power. [¹⁹] Judging from the way several individuals in this general group of Suharto critics drew on their army contacts to expand their private businesses, it would seem dubious to classify them as puritanical ideologues, a simplification sometimes used. Judging from their conduct while enjoying power it would seem even less apt to classify them as a group of democrats fighting for civil liberties. Suharto's own supporters have insisted that the division was over personalities, access to power and spoils.

Although representing a certain alternative to the order that came to prevail it seems very doubtful that these critics would have instituted a more democratic system. In any event they were decisively beaten by Suharto and his group, which had far greater sources of patronage, a position that proved decisive.

By the time Suharto called a session of the MPR to elect a new president in 1968, he was able to dismiss, or recall, the term used for this procedure then and subsequently, MPR members belonging to this group. He had previously sided with the political parties in the DPR against the radical military appointees over the question of elections and electoral system. [Mas'ood, 1983] This parliamentary debate was a long drawn out affair which suited Suharto well as he was consolidating his rule.

When Suharto had himself elected President of Indonesia at a session of the MPR in 1968 he still felt it necessary to engage in a show of strength and blatant manipulation of the process. At the time of the session there was still a widely held hope for an enhanced role for the assembly after the long history of Sukarno's manipulations. Suharto quickly dispelled this. After recalling many of the radical appointees in the MPR he enlarged the assembly by 50 per cent to 900 members. The new appointees were carefully scrutinised by Suharto's own people. [Mas'oed, 1983]

Just before the session several civilian radicals, who had demonstrated against Sukarno and for the creation of the New Order were arrested. More than 30 army battalions were posted in and around the buildings housing the MPR session, and armoured cars were stationed all around the area in an unmistakable show of force. Inside, army officers were reported to have engaged in "coercive tactics" to smother any opposition within the already heavily purged body of appointees. [Mas'oed, 1983]

What this amounted to, along with Suharto's reorganisation of the party system over the years that followed, and his successful centralisation of powers in the Presidency, as discussed in the following chapter, was to make the DPR and the MPR little more than an ideological justification of the President's rule.

The role of the military as an institution in the political process steadily weakened at the same time. A year after being elected President Suharto was able to bring all the armed forces under a single command, thus reducing greatly the potential for opposition to emerge within the services. He was in a position to place officers loyal to himself in most important position within the forces. Sundhausen has pointed out that in this reorganisation "former service commands had been reduced to purely administrative units, with no power base of their own and unable to dictate national or defense policies". [20] This reorganisation effectively transferred all political power in the military to the minister of defence, a position occupied by Suharto himself at the time, and to the commander-in-chief of the armed forces, an appointee of the president.

At the same time Suharto reduced military presence in his cabinet itself, while throughout the bureaucracy, from the ministries down to local government, and throughout the public sector enterprises, military officers were put in charge under the so-called karyawan system. This policy of engaging military officers in civilian duties was not new, and formed a part of the prevailing army ideology of dual function, dwifungsi, and the doctrine of territorial warfare. [21] The scale, however, was different, as thousands of military officers moved into the civilian sphere.

Within the army there was, and still is, a division of opinions on the desirability of the karyawan system as a permanent feature. Nasution and many of the radicals saw the interests of the army better served by vigorous

representation in the MPR and less widespread dispersion of military officers to civilian duties. This standpoint was shared by Suharto's critics within the military in the late 1970s and early 1980s. [Jenkins, 1983]

Suharto and his group saw things differently. They wanted active involvement of military officers at all levels of government and public enterprise and defended their position by pointing to the uniqueness of the army as a national organisation, possessing discipline and legitimacy. [Mas'oed, 1983] Most importantly for the structure of power, the *karyawan* system was a patronage system controlled by Suharto appointees and ultimately by the President himself. Instead of a political role for the army as an institution, through representation in a powerful parliament, as argued for by those who lost out, came a system of individually dispensed patronage, a patron-client system of individual cooptation to the power structure.

The extensive *karyawan* system has given the impression of a direct military rule in Indonesia. The many thousands of military men who work in civilian capacity are placed in such a way as to put military men in control of the whole state apparatus from the President's office down to village level. In his two studies of the military penetration of the higher central bureaucracy in Indonesia, John McDougal concluded that in the 1980s, around 40 per cent of these key positions (163 posts by his estimation in 1986) were occupied by military men. [²²] In 1986 this included the President, 64 per cent of the President's 25 principal aids, 2 of 3 Coordinating Ministers, 3 out of 10 Ministers of State, 38 per cent of the 21 department ministers, 67 per cent of

the Ministry Secretary-Generalships and 65 per cent of the Inspector-Generalships. The figures for 1981 were in most cases similar, with the same overall picture of military control. On the whole, military penetration of the cabinet and bureaucracy seems to have been at its lowest in the early 1970s, although differences between periods have not been very substantial.

The system is even more complete than the figure of 40 per cent of the central higher bureaucracy might suggest. To start with, the politically most sensitive ministries show a much higher military penetration, while the less politically important ministries show lower figures. No less importantly, almost all the ministries where a military man is not the minister have a military Secretary-General and Inspector-General, giving military men an almost total coverage with regard to the highest level in the ministries. Also, as has been already discussed, and will be taken up again in the following chapter, military men were in control of a very large parts of the modern economy during the early New Order.

Apart from the central bureaucracy, and the nationalised industries, military men have dominated the highest regional offices. In the early 1970s, more than 90 per cent of regional governors were military men, and so were 60 per cent of the lower bupati level. [Mas'ood, 1983] Before 1966, only few military men occupied these positions. At the lowest level of government, the village headmen have been to a great extent drawn from the ranks of retired army men.

The view, however, that the military, as an independent institution is in political control through this pervasive system is mistaken, as the system is ultimately controlled by the President through his appointees. The military as such does not possess a cohesive control over the system, nor does it have effective policy guidelines imposed on the individuals taking up appointments. The military does not have a policy on the issues the karyawan officers have to deal with on a ministerial level, but the government does. These individuals take their orders, not from the military, but from the government.

The financial and political rewards for individuals in this system can be considerable. While no one would get rich on army pay alone, karyawan officers have in general been able to make far more money out of their position than from their paypackets. Some positions have been particularly lucrative and these have been reserved for political purposes, while in many cases it has been up to the individual, his business acumen and his morals, how much he makes out of his position.

The karyawan system has in this way created a hierarchy, partly separate from, and parallel to, the military hierarchy itself, where individual officers have been appointed to posts carrying opportunities for enrichment or advancement in different degrees.

In one sense this system resembles a system of one party rule, such as that of the communist countries or the Kuomintang government of Taiwan, more

than a military government. In this case the "party" leadership would be Suharto and his inner group, and the "kommisars" the military officers.

The karyawan strategy was in two ways a key to Suharto's success in imposing his control on Indonesia. On the one hand it enabled him to buy the loyalty of the military and to create within the military the illusion that the military as such was in control.

At the same time, the karyawan system ensured a more responsive and more tightly controlled bureaucracy in the same manner as in communist states where party cadres are put into strategic positions as kommisars. In this way the military worked as an instrument of the regime.

If the military as such, however, had been in charge of the karyawan system, either through appointments or through the pursuit of military policy, the system would have worked in the opposite way for the regime, by creating a mechanism for controlling government. No such thing happened, and at no time has the military sought collectively to influence the regime, either from an external position, nor through its penetration of the central bureaucracy.

Notes

1. For a discussion on the way economic precedence over the political was

presented and discussed see J. W. Schiller, 1978, *The Development Ideology in New Order Indonesia*, MA thesis, Ohio University.

2. For an exposition of the political thinking of Suharto's group in this respect see Ali Murtopo's, 1973, *The Acceleration and Modernisation of 25 Years' Development*, Jakarta: CSIS.

3. For a discussion on the evolution in the thinking of this group during the 1970s and early 1980s see David Jenkins, 1983 *Suharto and His Generals*, Cornell Modern Indonesia Project.

4. For an account of these discussions see Herbert Feith, 1968, *Suharto's Search for Political Format*, Indonesia, no. 6.

5. See e.g. Mochtar Mas'oeed, 1983.

6. For a discussion on this see Ken Ward, 1974, *The 1971 Elections in Indonesia*, Monash Papers on Southeast Asia.

7. See e.g. Rocamora's study of how this occurred in PNI, J. Rocamora, 1970.

8. See e.g. H. Crouch, 1971, for this view. See also Ken Ward, 1974.

9. A concise account of the restructuring of the party system before the 1971 elections is offered by Ken Ward, 1974.

10. See e.g. Benedict R.O.G Anderson, 1977, *Religion and Politics in Indonesia Since Independence*, in *Religion and Social Ethos in Indonesia*, Monash University. (paper given in 1975 at Australia-Indonesia Association and the Centre for Southeast Asian Studies, Monash).

11. The genesis of Golkar has been documented and analyzed by David Reeve, 1985, *Golkar of Indonesia*, Singapore: Oxford University Press.

12. P. Britton, (undated) *Military Professionalism in Indonesia; Javanese and Western Military Traditions in Army Ideology*, Department of History, Monash University.

13. Sarwo Edhie was frequently accused of organising mass killings of leftists with the help of student and muslim elements, as a commander of special forces in 1965 and 1966. Edhie, who was an ideological campaigner against

communism was thought to be untainted by financial corruption. He was later sent to Irian Jaya, then made governor at the Abri Academy, and later made ambassador to North Korea and an inspector at the Foreign Office before surfacing again in Jakarta politics in the late 1980s as a critic of the government and corruption, however, avoiding direct criticism of Suharto. He died shortly after making this limited come-back.

14. Kemal Idris, chief of staff at Kostrad in 1965, succeeded Suharto as commander of this most crucial of all army units. Idris was like Edhie an ideological opponent of communism, and later a critic of Suharto's New Order. He was sent away from Jakarta in 1969 and, like Edhie shortly before, made commander in eastern Indonesia, an obvious demotion, and later an ambassador to Yugoslavia.

15. Dharsono, the commander of the West Java Siliwangi division and one of the chief organisers of the anti-Sukarno campaign of 1965-1966 introduced some of the radicals' plans in his own district by attempting to restructure the political system in West Java. He was made Secretary-General of ASEAN, but dismissed after criticising Suharto and later, after becoming one of the foremost critics of the government, arrested and sentenced to long imprisonment.

16. Ali Sadikin, the Governor of Jakarta was arguably one of the most powerful figures of New Order Indonesia well into the 1970s. He later became one of the most outspoken critics of the Suharto regime, and after Dharsono's arrest, perhaps the main focus of elite opposition groups.

17. Moh. Jasin was commander of the East Java Brawijaya division and later deputy army chief of staff in the early 1970s before becoming an influential critic of the government in the late 1970s.

18. Hugeng was the commander of the national police force until 1971. He then discovered the involvement of Mrs. Suharto in smuggling and other questionable activities. He was removed from office after moving against highly placed smugglers and after allegedly complaining directly to the President of the first lady's extra-legal commercial activities.

19. Sumitro became a wealthy businessman after his removal from army command in 1974, mainly through logging concessions obtained from the government, and mostly managed by others.

Dharsono involved himself with the extensive Siliwangi division enterprises which primarily relied on preferential access to government contracts, particularly from the West Java regional government. Jasin had business connections of long standing, and Sadikin became a wealthy businessman in Jakarta where he initially was able to cash in on contacts. His business interests were later hurt as he was penalised for his political activities.

20. Ulf Sundhausen, 1972, *The Military in Research on Indonesian Politics*, *Journal of Asian Studies*, vol. 31, no. 2.

21. On the formation of army ideology see e.g. Salim Said, *The Political Role of the Indonesian Military: Past Present and Future*, Singapore: ISEAS.

Said's Ph.D. dissertation, 1985, *The Genesis of Power, Civil-Military Relations in Indonesia During the Revolution for Independence*, Ohio State University, is helpful for the origins of this.

For a more concise treatment of the matter see H. Crouch, 1978, and also D. Jenkins, 1983.

22. John A. McDougal, 1986, *Military Penetration of the Indonesian Government: The Higher Central Bureaucracy*, *Indonesia Reports*, no. 14.

His earlier study came out in 1982, *Patterns of Military Control in the Indonesian Higher Central Bureaucracy*, *Indonesia*, no. 33.

Donald K. Emmerson used this earlier data for analysis in his, 1983, *Understanding the New Order: Bureaucratic Pluralism in Indonesia*, *Asian Survey*, vol. 23, no. 11:

CHAPTER 9

THE PRESIDENCY, THE RULING GROUP AND THE PATRONAGE SYSTEM

At the centre of the New Order system of government has been the centralisation of power in the hands of the President. This centralisation has been such that other potential centres of power, such as the military, the bureaucracy, the parliament, Golkar and the political parties have all been virtually neutralised by dependency on the President for power and patronage.

The constitutional basis for this system is to be found in the 1945 constitution which locates paramount powers in the Presidency. This constitution was suspended at the time of negotiated independence and was not in operation during the Parliamentary democracy of the 1950s, but was re-introduced by Sukarno as the basis for his Guided Democracy. The constitution can, of course, be interpreted in different ways and could equally well support a far more democratic system of government, but both Sukarno and Suharto could claim certain legitimacy for authoritarian governments on the basis of this constitution.

The legitimacy of the Suharto Presidency was, however, in considerable doubt at the onset. The transfer of power through Supersemar, the letter signed by Sukarno, under duress, in March 1966, investing General Suharto with wide governmental powers, was questionable to say the least, and was much debated at the time. Suharto's subsequent actions were all based on this dubious instrument. The purges of the MPR, the recall of the radical army representatives and the addition to it of hundreds of Suharto appointees was equally questionable from constitutional and legal standpoint.

Apart from the constitutional violations, the new regime engaged in activities that were questionable, if not directly in breach of the constitution, such as manipulation of the political parties and individual MPR members, through threats and bribes, in the run up to the session that elected Suharto President of Indonesia in 1968. However important, this chain of events, it largely falls outside the limited scope of the thesis.

What is of concern here are the material foundations of the rapidly growing powers of the Presidency in the early New Order, as opposed to its dubious constitutional formulations, or the various manifestations of the accumulation and exercise of this power. This power lies in a system of patronage, as already pointed out. There are three important features of this system which have made it a firm basis for regime power during the New Order.

One is its vast size in comparison to resources in the economy. Another is its centralisation in the President's office. The third is the lack of alternative

sources of capital and patronage in a society dominated by a strong, ubiquitous state, independent of class forces generated outside its own perimeters.

Through building up this system and by exercising a centralised command over it, Suharto was able to bypass and eventually control all alternative centres of power. Before the New Order and in its early days the political parties, the bureaucracy, the military and members of the cabinet all enjoyed access to patronage that was to a certain extent, at least, independent of the Presidency. The Sukarno Presidency while increasingly centralising political power had done so without totally undermining such independent sources of patronage. The military had been running vast corporations and the separate services, as well as the regional commands, enjoyed much independence in this respect. The bureaucracy dealt in licenses, contracting and concessions of various sorts and looked to the parties no less than the President for sponsorship and command.

Instead of going through the established institutions of the military, the bureaucracy and the parties, Suharto bypassed these and came to control them by undermining their independence of the Presidency. This he did by building up vast resources for patronage within the Presidency and by dispensing this patronage through an informal network that did not rely on existing hierarchy in the military, the bureaucracy or in the political system.

For building up these resources and for their dispersion the President relied on his own circle of like minded military officers. The formal establishment of a group of assistants, the SPRI, which bypassed the cabinet and the military hierarchy in policy making and policy implementing, lead to such resentment within and outside the military that Suharto disbanded this organ in 1968.

The group was, however, far from disbanded. Over the months and years that followed, an informal group of perhaps around ten individuals came to exercise such power in Indonesia, as to warrant being termed the ruling group of the country. These men formed the heart of the regime, bypassing the formal cabinet and individual ministers, let alone the representative institutions, the DPR, the MPR and the political parties. Their power derived from their control over the patronage system as well as control over a network of formal and ad-hoc intelligence and security organs that in some cases operated without being answerable to either political or institutional military accountability.

A certain focus on individuals in this group is necessary for an understanding of the nature of the New Order regime. Information on the individuals concerned, however is mostly confined to endnotes to this chapter.

As can be seen from these notes, almost all these men shared Suharto's interest in business, and many had a long background in questionable enterprises, within and outside military finance. Many had a background in intelligence and most had served with Suharto or worked with him in

business. This group was neither representative for the Indonesian military as a whole, nor did it come to power through position in the military hierarchy. It was characterised only by its shared interests in business, the prominence of intelligence men and the close relationship each of the individuals had to Suharto.

Few of the Generals that came to rule Indonesia would have been included in government, if the army had ruled as an institution in the fashion of some Latin American militaries. The military careers of the group members were, with one or two notable exception, less than outstanding. Although Suharto himself was highly placed in the military hierarchy after the murder of six of his most senior colleagues, the group as a whole formed an unlikely junta from a military point of view.

One of its key members, Lt. General Alamsyah Ratu Prawiranegara [¹], a long time business associate, was charged with building up the State Secretariat, which came to be the President's most powerful organ in implementing policy and dispensing patronage. Another, General Yoga Sugama [²], Suharto's intelligence officer, was made head of the central intelligence agency, BAKIN, and various other intelligence bodies. At the same time a smaller group, renamed ASPRI, was formed with three other key Generals from Suharto's inner circle, Lt. Gen Ali Murtopo [³], who throughout his career followed Suharto as an operational intelligence man, Lt. Gen. Sudjono Humardhani [⁴], a long time business partner and spiritual colleague and Lt. Gen. Suryo Wirjohadiputro [⁵], who had worked with Suharto in finance for many years.

Lt. Gen. Sudharmono, [6] another member of this inner circle was given the State Secretariat to manage in the early 1970s, while Admiral Sudomo [7] and General Benny Murdani [8] later became parts of this informal inner group. The tenth member of this informal group of that came to rule Indonesia was Lt. Gen. dr. Ibnu Sutowo [9], head of Pertamina, who arguably was its only indispensable member apart from Suharto himself, as his role in financing the New Order's political operations was central from the very start. In addition, a few trusted individuals with particularly important roles to play, were at various times parts of this innermost circle, such as General Pangabean, the commander-in-chief of the military, and the heads of Bulog, the rice procurement agency, the second greatest source of patronage funds after Pertamina, Lt.Gen. Tirtosudiro and Lt. Gen. Bustanil Arifin. [10]

As pointed out earlier, this group constituted a somewhat unlikely junta from a military point of view, but their role, particularly in the period 1967-1974 was, however, similar to that of an army junta operating both inside and outside the normal channels of government, an entity superimposed on the government and the military hierarchy.

The whole system was based on the same carrot and stick strategy that had served Suharto well in gaining control over the military. On the one hand the authoritarian and highly exclusive system of government was underpinned by threat of military coercion. In spite of divisions within it, the military was committed not to hand over power to civilians and as already discussed, by 1969 Suharto was reasonably firmly in control of the forces.

More importantly for the long term development of Indonesian politics and at the heart of the regime was a rapidly growing system of extra-budgetary revenue which could be channelled to individuals and groups for political ends, and a vast system of commercial operations that relied on government sponsorship through monopoly positions, licenses or subsidised finance.

The largest single operation of this kind was the national oil company that came to be known as Pertamina. The extent of the business dealings under direct control of the ruling group can be gauged from the fact that at the time of the collapse of Pertamina, and this followed years of unprecedented earnings, its debts ran into billions of dollars and were greater than the external government debt. Bulog's turnover was less than that of Pertamina, at least after the increase in the price of oil in 1973, but it was often more directly used for individual patronage and for the enrichment of the ruling group itself.

Both Pertamina and Bulog were effectively outside the control of technocrats in the bureaucracy or individual ministers and reported directly to the President. [11] These two firms formed the largest components of a vast system of business networks where state capital, Chinese capital and foreign capital linked together under the supervision of a few military officers who enormously enriched themselves in the process as well as buying the political loyalty of a large number of colleagues.

Aside from the directly commercial operations of the state the ruling group also commanded vast resources of money from regular state revenue and from irregular contributions. There were at least two other general types of revenue raised and spent outside regular bureaucratic control. One was a system of "non-budgetary" funds raised from additional levies on top of regular taxes. These included a special levy on forestry products, levies on copra and clove and a levy on pilgrims going on the haj to Mecca, as well as the cess tax levied on stronger commodities, such as coffee and rubber. All these funds were earmarked for research, export promotion, rehabilitation of industries and the like, but in reality they were subject to Presidential control and discretion. The magnitude of these funds is a matter of conjecture but will have been considerable. [12]

A second and probably more important source of funding was the payment made by businesses in return for monopoly positions. Such arrangements were made by the President for the import of clove and gold and for logging, flour milling and several other sectors. In many cases the recipients of the monopolies were firms owned in part by the President's family, or by other highly placed generals, and by Chinese businessmen involved in commerce with the President, such as Liem Sieo Liong and Bob Hassan. In some cases politically important military men, outside the innermost circle were rewarded with concessions. Parts of the profit, however, were channelled through the Presidents office to pay for political patronage. [13]

It has been pointed out by Kuntjoro-Jakti [1982] that the immense proportions of these regime resources outside the formal state budget overwhelmed the formal budget and reduced the role of the technocrats to the limited and slower growing sphere of development programmes. Likewise, the control of the technocrats over the financial system through the state banks and through investment regulation failed to reach its goals as it was overwhelmed by the conglomerates, Pertamina, Bulog and the Chinese owned firms collaborating with the ruling group. [Kuntjoro-Jakti, 1982]

This money was directed at political targets in various ways. The political parties benefitted from direct grants and from support in the form of cars, equipment and the covering of the cost of transport, meetings and conferences. Little of this is documented but was widely known in political circles. [¹⁴] Golkar benefitted greatly from these discretionary funds for its election campaigns since 1971. Apart from this, large amounts of resources have been channelled through Golkar to political constituencies, much of these funds coming directly to Golkar from business conglomerates.[¹⁵] Other constituencies included the Muslim community. Before the elections of 1971, and also at subsequent elections, a programme of building mosques and Islamic schools was funded directly from the so called BANPRES (Presidential Assistance) programme.

In addition to all this, the President was able to allocate at his discretion large amounts taken from the regular state budget. These funds were earmarked as "budget item 16" and as the "Presidential tactical fund". [Kuntjoro Jakti,

1982, Mas'ood, 1983] The official reason for these items was the alleged need for the President to be able to intervene in favour of high-priority projects. This, as pointed out by Kuntjoro-Jakti, was a continuation of a practise established by Sukarno with his "Revolutionary Fund".

This money, like the extra-budgetary funds, was entirely at the Presidents discretion and managed by the State Secretariat under Lt. Gen. Sudharmono. The money was mostly used for development projects of various sorts but by being channelled in this way, bureaucratic scrutiny of the projects themselves and the spending was avoided. Project feasibility was left to the discretion of the State Secretariat. According to Kuntjoro-Jakti, in the mid 1970s between 48 per cent and 56 per cent of the total budgetary ceiling of the National Development Budget was allocated under this extraordinary procedure. [Kuntjoro Jakti, 1982]

Yet another instrument of this kind was the INPRES, Presidential Instruction Project, programme. Projects under this programme bypassed Bappenas, the national planning authority, which was the main bastion of the technocrats. The programme was in essence a discretionary support to the regional governments, channelled through various projects at provincial, district or village level. The programme was designed to create a mass constituency at local level for the President, and support for his own men who controlled the projects on the ground. The INPRES programme was greatly expanded after the regime had been challenged by the unrest of 1973-1974.

However important in keeping the regime in power and creating an institutionalised system of patronage and corruption from national to village level, more importantly for the future political landscape of Indonesia was the second leg of the patronage system, the creation of privately owned conglomerates.

Two of the state owned conglomerates, Pertamina and Bulog have already been briefly mentioned. Some of their operations are also briefly discussed in endnotes to this chapter. In addition to these, several large companies were under military control as discussed earlier. In the early New Order, this was supplemented by a unique system of partly private, partly public or military owned entities, often established as charitable foundations. Through state patronage and a fusion of these foundations with Chinese capital and the private capital of a few military businessmen, the structure of the economy and the structure of the dominant classes in the country were transformed.

As discussed earlier, branches of the armed services from national, through divisional and down to local level had involved itself in various business activities prior to the New Order. After 1966 this business involvement greatly increased as most of the important financial operators within the army became members of the new ruling group in the country, commanding almost unlimited access to expanding financial resources in the country. It has been pointed out before that the military had for all its time been forced to raise a

large part of its own budget. Estimates of how much of its expenditure was paid for by the state and how much by fund various fund raising activities vary but widely quoted figures point to a roughly half and half division in this respect in the late 1960s and early 1970s.

A second reason given for military involvement in business was the need to use military "idle capacity" [Crouch, 1978, Kuntjoro-Jakti, 1982]. Under the slogan of "civic mission" the army moved into many business activities where it was supposedly able to use its idle capacity of organisational manpower and equipment.

In addition to the nationalised companies managed by the military since the late 1960s, military men were charged with running a number of companies seized from Sukarno's followers after his downfall. The largest of these, the companies of Yusuf Muda Dalam, who had benefitted from a particularly close relationship with the palace in Sukarno's days, were managed, broken up and distributed by General Soeryo from Suharto's ruling group.

A further source of patronage given to military enterprises and individuals were forestry concessions, previously managed by a state enterprise. These proved to be enormously lucrative and particularly important for paying off and rewarding individuals, as well as for raking off quick profits for the ruling group itself. By controlling these concessions, the ruling group effectively became a landowner of some of the greatest and most profitable forests on earth. In general, the forestry concessions, wether given over to military

companies or to individuals, were exploited by Chinese or foreign companies. The Indonesian owners of the concessions were in most cases paid handsome rents without much direct involvement in forestry, repeating the pattern typified by the Benteng programme in the 1950s and the various license and concession schemes during Sukarno's reign.

In addition to military control over state companies there were also military owned companies and military controlled foundations. The origin of these companies has already been discussed and some of the larger ones have been mentioned. In the late 1960s and early 1970s these companies and foundations were in many cases to grow rapidly before moving into a serious decline in the 1980s. One of the largest of these companies, Tri Usaha Bhakti, which was run by the army central command and the defence ministry included by 1973 29 companies in areas as diverse as forestry, construction, agricultural estates and vehicle assembly. [Kuntjoro-Jakti, 1982, Robison, 1986] TUB, in a tradition established earlier by military linked companies entered into cooperation with several Chinese owned companies, such as those of Liem Sioe Liong and his close associate and founder of the Lippo conglomerate, Mochtar Riady. It has been pointed out by Robison that the low levels of capitalization and lack of investment in TUB companies indicated a greater interest in exhausting inherited capital than in long term accumulation. [Robison, 1986:261] Whatever the intention, TUB saw its best days in its first few years of operation.

Like with the karyawan system, the extensive business involvement of the military is deceptive with regard to the power of the military institution, particularly for the period after the mid 1970s. Not only did the President manage to centralise most of this system under his own control, but the firms themselves went into serious decline after a few good years under the early New Order.

This failure of the military to capitalise in the longer run on the vast business opportunities handed to it from the late 1950s to the early 1970s was decisive in shifting the balance of power out of the military into the hands of Suharto's ruling group. Had the military as an institution, and maybe more importantly given the President's ability to manipulate things at the centre, its various branches, been able to build up viable concerns out of the vast amalgam of companies that passed through its hands, not only economic power, but also more indirectly, legitimate economic concerns, would have been firmly entrenched within the military organisation.

The ownership structure instituted by Suharto, both at the Diponegoro division and later at Kostrad became a wider pattern in early New Order Indonesia. The companies were owned by the military organisation as well as by private individuals who were usually either serving officers or former officers of the division. In the case of the Diponegoro companies, General Gatot Subroto, an ex-commander of the division was among shareholders in shipping companies run by General Humardhani, a member of Suharto's ruling group, on behalf of the military division. Subroto had been credited with saving

Suharto in the late 1950s from being destroyed by a smuggling scandal. It is also worth noting, as indicative of the tight integration of these military business activities into relatively few hands, that Subroto's stepson, the Chinese entrepreneur Bob Hassan, was the main manager of Diponegoro business interests. Hassan later came to dominate the Indonesian timber and forestry industry and through joint venture companies, in many cases linked to the Suharto family, such as Suharto's own tea company, and several of his sons' business ventures, became one of the foremost entrepreneur in the country.

Suharto himself had more important association with the Kostrad group of companies, the Yayasan Dharma Putra and Trikora. Again, the main business contacts of these companies were Bob Hassan and Liem Sieo Liong. These companies were managed by two close allies of Suharto, Lt. Gen. Sofjar and Lt. Gen. Soerjo. For a time these companies generated wealth for Suharto, for some other generals in his ruling group and funds for patronage within the military. Some of these companies were involved in serious scandals in the early 1970s, such as the Suharto family related companies CV Waringin, Bank Ramayana and Coopa Trading, were openly criticised in the press at the time for corruption and irregularities. Like many other military enterprises and military related companies, these seem to have outlived their usefulness, or exhausted their capital, in the mid 1970s, and went into decline. Even larger corruption scandals surrounded Bulog, managed by Lt. Gen. Bustanil Arifin, who is married into the Suharto family, and Pertamina, managed then by Lt. Ibnu Sutowo, as briefly related elsewhere.

Among other large companies were the Siliwangi companies established by General Dharsono and partly owned by him and other officers. Again, these companies went into decline in the mid 1970s. Each of the service branches also ran cooperatives, known respectively as INKOPAD (army), INKOPAL (navy), INKOPAU (air force) and INKOPAK (police) that formed umbrellas for various business activities and procurement. Individual fortunes were also made through these cooperatives.

It is beyond the scope of the thesis to go deep into the structure of these companies and their operations. Additional information on some of the business practises and the linkages these companies had with the ruling group are to be found in endnotes to this chapter on some of the individuals in Suharto's ruling circle, as well as in the final chapter of the thesis. Exhaustive research and analysis is to be found in Robison, [1976, 1986] and in Kuntjoro-Jakti, [1982].

A few points need to be made, however. First, the military, and the army in particular, was handed vast opportunities for building an economic power base. This, as pointed out, was not effectively used. During the crucial first few years of the New Order while Suharto was consolidating his powers, however, the various organs of the military, from the central command down to district level, were very much involved in reaping economic and political benefits from the New Order. During these first few years the military seemed to be gaining great economic powers and consequently, there was only

limited resentment over the financial excesses of the ruling group. Not only were there opportunities for individuals, but also for the institutions, placating those who were deeply concerned with the military as an institution of power.

As the military failed to build on these opportunities its enterprises went into decline after the mid 1970s. These enterprises declined not only in relative terms as the conglomerates of Suharto and his Chinese business allies rose, but also in real term as the inherited capital was eroded and not replaced with investment. By the time this became evident, however, Suharto had long since gained firm control over the military and the political system had been restructured in the fashion that suited him and his group.

Another important point to make at this stage is that the genesis of the present day conglomerates is very much in the military business arrangements instigated by Suharto in the 1950s and widely practised in the late 1960s and in the 1970s. After 1965, of course, there was a vastly increased scope for this with the fusion of military power and state power, and the opening up of the economy to foreign trade.

Several of the largest conglomerates have their roots in Suharto's own business dealings and those of the companies he founded in his days as commander of Diponegoro and later Kostrad. The business empires of Liem Sioe Liong, Mochtar Riady, Bob Hassan and Sofjan Wanandi all have important roots in business alliances with military companies under Suharto's control. Most of the other conglomerates in present day Indonesia have their

roots, either in such dealings in the late 1960s, organised by members of Suharto's ruling group, or in joint ventures with one of the major conglomerates owned by the Suharto family or its closest Chinese business allies. Those that predated this period owe no less to these arrangements, as contacts with military companies and the ruling group became close to being an absolute necessity at the time, and very few of the companies that made no alliance with any of the major business generals at that time were to survive, and hardly any to prosper. It should be pointed out, though, that some of the most prosperous Chinese conglomerates, and a few of the more sizeable Pribumi enterprises of 1990, have come into being after this period. These companies, however, have in almost all cases prospered under the wings of one of the major Chinese or Suharto conglomerates.

The military companies in these alliances, and the participation of individual officers outside the ruling group, became steadily less important during the 1970s and since, while the Chinese owned conglomerates along with the companies of Suharto's family and his closest associates rose to ever greater prominence. In the 1980s, as discussed in the final chapter, this core of conglomerates was joined by a rapidly increasing number of sizeable, mainly Chinese companies, and surrounded by a fast growing class of professional managers and other groups constituting a politically and socially important class of private sector salaried middle class.

Notes

The information on individuals contained in notes 1-10 below is pieced together from diverse sources. Bibliographical data is chiefly taken from H. Bachtiar (1988), *Siapa Dia?* For information on business activities a large number of sources were consulted. These included H. Crouch (1975,1978), R. Robison (1977,1986), I. Chalmers (1989) and magazines such as 1988-1991 issues of *Warta Ekonomi*, *Prospek*, *Tempo* and *Swa Sembada*. In addition, a number of academics and journalists in Indonesia were consulted.

1. Lt. Gen. Alamsjah and Suharto served in Jakarta after both had been transferred to the capital from provincial postings at the same time, in the late 1950s. A shared interest in business dealings brought them quickly together, as well as a certain similarity in circumstances. Alamsjah was, along with Suharto, one of the best known of the military entrepreneurs, and his extensive business interests date back to the 1950s. In 1963, Alamsjah was given responsibility for financial operations at the army central command. Persistent rumour credits the general with financing the initial operations of Suharto and the forces insisting on Sukarno's removal in late 1965 and early 1966. Similar rumours also give credit for this to Lt. Gen. Ibnu Sutowo. The funds are said to have originated from abroad and from smuggling and were to be used in South Sumatra where Alamsyah was serving in intelligence capacity for Sutowo at the end of the regional rebellions, but were instead stashed away. In 1966, Alamsjah became one of Suharto's closest collaborators, and while retaining responsibility for army finance, he became the head of Suharto's personal staff, the SPRI. SPRI was regarded as the real but invisible cabinet where the main policy decisions were taken. Alamsjah's powers peaked early on in the New Order period. He is said to have given Suharto a mistaken advice with regard to possible Japanese aid, which seriously embarrassed the President on his visit to Tokyo. He is also said to have mismanaged important financial operations at this time. In 1970-1971, he was openly accused of large scale corruption in the Indonesian press. In early 1972 he was sent abroad as ambassador to the Netherlands, but returned to politics in the mid 1970s and was elevated to the cabinet in 1978 as the Minister for Religion, at a time when Islamic affairs were causing increased concern. In 1983 Alamsjah was further elevated to the position of Coordinating Minister for People's Welfare. In 1989 Alamsjah managed, through his contacts within Islamic organisation to secure the signature of a large number of leading muslims to a document supporting President Suharto for a sixth term of office, starting in 1993. This letter, published in 1990, was intended to have a snow-balling effect, prompting similar support from various quarters in a fashion established by Murtopo and others in earlier times. Alamsjah's business interests include printing works which have received much government patronage. Among other things, Alamsjah has printed most of the election material for the government in past elections.

2. General Yoga Sugama served in the Japanese imperial army in Manchuria during the war, after education at the Tokyo Military Academy. On his return to Indonesia in the late 1940s, Sugama became one of Suharto's intelligence officers in Central Java. In 1965-1966 he served as Suharto's intelligence

assistant at Kostrad, and after that as the head, or deputy head, of various military intelligence bodies. He was made head of Bakin, the intelligence coordinating body, in 1968, and head of intelligence at army headquarters in 1970. After a short stint as ambassador to the United Nations, Sugama returned to Indonesia after Malari and was made head of Bakin again only days after the riots. For some time he was simultaneously chief of staff at Kopkamtib, the most directly operational arm of the security apparatus. Sugama has held his post as the head of Bakin since 1974, in an extraordinary exception from military convention with regard to tenure of such offices. Sugama claims not to have any private business interests, but has claimed in an interview that his friends have provided well for him. By all account his friends have helped generously. Sugama's son, Bambang, is a businessman, with Japanese connections, and claims in magazine interviews to receive advice, and "push" from his father.

3. Lt. Gen. Ali Murtopo was of a Javanese small town lower priyayi background, like many of the New Order generals. Unlike many of them, he came from a more orthodox Islamic community in the Pasisir area of northern Java, and joined the Hizbullah, the Islamic force sponsored by the Japanese occupiers. His first military exploit of significance was against alleged sympathiser of Darul Islam in his own home area. There he worked in an intelligence capacity for Suharto, as he continued to do for the rest of his life. Murtopo became the deputy chief of the political division of Suharto's Diponegoro command, and increasingly acted as Suharto's chief intelligence coordinator. He followed Suharto to Jakarta where he was engaged in army intelligence. In the Irian Mandala campaign and the Konfrontasi campaign against Malaysia, Murtopo acted as Suharto's chief intelligence man, in the latter case working to subvert Indonesian government policy. During the Malaysia campaign he also organised smuggling operations on a vast scale, which not only made money, but also subverted Indonesian efforts against Malaysia. After Suharto came to power, Murtopo spent some time abroad, particularly in Singapore, Taiwan and Hong Kong, where he raised funds from businessmen interested in investing in the soon to be opened Indonesian economy. He became deputy chief of Bakin, but continued to mount operations outside the formal perimeter of such organisations. Typically, his intelligence unit, Opsus, was both a shady outfit for intelligence operations, particularly aimed at political parties and organisations, and a business concern. Murtopo built alliances with various elements, most notably a group of Chinese businessmen and intellectuals, many of who were catholics. One of the most influential of these was Yusuf Wanandi, alias Liam Bian Kie, who became Murtopo's aid. Murtopo's allies were not only staunchly anti communist, but equally suspicious of political Islam, and many of his operations were designed to thwart Islamic political aspirations. His political operations were crucial both in the run up to Suharto's election as President in 1968, and in the 1971 election campaign when Murtopo became notorious for his liberal use of intimidation, "dirty tricks" and promise of patronage. This reputation grew over the years, and so much so, in fact, that Murtopo was probably often wrongly accused of being behind sinister and unexplained incidents. In 1974 he was one of two main protagonists in a showdown of forces within the government, when he called General Sumitro's bluff by organising street demonstrations in Jakarta, which lead to Sumitro's downfall.

He established with his Chinese allies the Centre of Strategic and International Studies, the CSIS, a well funded think tank of mainly right wing Chinese intellectuals. Murtopo's formal role in government was that of Minister of Information, a post he held until 1983, when his powers had gone into decline. He died shortly after leaving government. His business interests were varied and extensive.

4. Lt. Gen. Sudjono Humardhani was a business partner of Suharto almost from the start as the financial director of the Diponegoro division during Suharto's time of command. Humardhani followed Suharto to Jakarta and continued to work in army finance. He became the director of Tri Usaha Bakti, the largest military business group. He worked closely with Ali Murtopo on political, intelligence and financial matters, both within CSIS, where he was an honorary president, and in Opsus, Murtopo's intelligence and business outfit. Humardhani was closely allied with Japanese capital and facilitated much of the initial Japanese investment in Indonesia. He became a target of student demonstrations, the Malari, in 1974, for his connections to Japanese capital. He had also been openly accused of corruption in the press in 1970-1971. The direct involvement of Humardhani in large business dealings was most importantly in facilitating tri-lateral business alliances between the Japanese, Indonesian Chinese and Pribumi military connected businessmen. In this set-up, Japan provided much of the capital and all of the technology, while the Chinese provided some capital and most of the local management, and the military connected Pribumi businessmen provided licenses and government backed credit. In an incident in 1972, indicative of the configuration of power in Indonesia, Humardhani came into serious conflict with the senior technocrat in the government, the influential Minister of Trade, Dr. Sumitro Djodjohadikusumo. The conflict was over Japanese investment, which Humardhani was in effect representing. He won the day and Sumitro was forced to resign as Minister of Trade. Sumitro was at that time seen as one of the linchpins of the technocratic structure that supposedly guided Indonesia's economic policy and kept foreign confidence in the regime, a fact acknowledged by him being retained in the cabinet in a different capacity, but much reduced authority. Humardhani's close relationship to Suharto was not only cemented by decades of intimate financial dealings, but also through a shared interest in Javanese mysticism. Humardhani was always seen as Suharto's superior in these matters, and even as the President's spiritual guru. In his 1989 biography Suharto felt it necessary to counter this belief by claiming that the relationship had been the other way around, that Humardhani had been the junior partner in their mutual spiritual quest. Humardhani died in 1986.

5. Lt. Gen. Suryo was for a time a director of finance at Suharto's Diponegoro division. He later became the director of Suharto's Kostrad business concern, the Yayasan Dharma Putra, and a financial director of the army central staff. Suryo became a financial adviser to the President in his inner circle of advisers, the SPRI and ASPRI, and remained as such until 1974. His influence, however, quickly waned. This is said to have been because of bad business advice given by him to Suharto in the late 1960s, and through mistakes in running the various business entrusted to him. He

has, however, retained some business clout and has continued to manage Hotel Indonesia.

6. Lt. Gen. Sudharmono who has in later years emerged as Suharto's closest and most powerful collaborator has a background different from that of others in the group. He was neither an intelligence man, nor a notable businessman before 1965, but an army prosecutor. He was made Cabinet Secretary in 1966 and a personal assistant to the President a year later. He became a minister at the State Secretariat in 1973 the State Secretary in 1978, Chairman of Golkar in 1983 and the Vice-President in 1988. Sudharmono whose organisational abilities are almost legendary in Indonesia, emerged in the late 1970s as the central figure in the government patronage system, which he went on to centralise even further during the early 1980s. He is in many ways the odd man out in the President's entourage and enjoys far more trust and following the bureaucracy than in the army. Sudharmono's value to Suharto has primarily been provide an efficient administration of the patronage system, to centralise the system in the Presidency, for building up Golkar as a part of this same system, and to extend the constituency of the ruling group into the civilian bureaucracy. Although Sudharmono himself, and his immediate family are rumoured to have various personal business interests, he is far less tainted by corruption than almost any other member of the ruling group.

7. Adm. Sudomo is the only naval officer to have risen to great political power during the New Order. He received Dutch military training and served what seems to have been an undistinguished career in the navy. He has often been blamed for one of the worst military disasters of the Irian campaign. In the navy he was given responsibility for Inkopal, the navy cooperative. He was soon removed from this position under allegations of serious financial irregularities. He was then sent to the Ministry for Sea Communications, a ministry that was said at the time to offer only the slimmest of pickings and no opportunities for serious self-enrichment. There, however, Sudomo was said to have turned the situation to his advantage and by 1965 he was rumoured to have amassed what was then considered a small fortune. Sudomo had worked with Suharto in the Irian campaign and their business interests are thought to have coincided at times after that. After Suharto's assumption of power, Sudomo was given the task of purging the navy which stood up to Suharto longer than other branches of the military. Over a few years Sudomo dismissed some 1500 officers, and in Jakarta concern was voiced over his enthusiastic approach to his task, as a serious dearth of trained navy officers came apparent. After this, Sudomo was made Chief of Staff at Kopkamtib. There he served as General Sumitro's deputy until the latter's downfall in the wake of Malari. Although the President himself assumed the command of Kopkamtib, Sudomo was put in day to day charge. From 1974 and into the early 1980s Sudomo liberally used his enormous powers as head of Kopkamtib which were further augmented by his appointment as the deputy commander of the armed forces. In 1983 his fortunes went into some decline as he was removed from Kopkamtib and made the Minister of Labour. There he forcefully safeguarded industrial peace and promoted Pancasila. In 1988, when many had expected Sudomo, who is known for extravagant lifestyle, to retire from

politics to nurture his considerable private wealth and extensive business interests, he was made Coordinating Minister for Political and Security Affairs, a potentially very powerful portfolio.

8. Along with his political nemesis, Sudharmono, General Benny Murdani has escaped reputation for serious financial corruption. His background, however, is less of an oddity in the ruling group than Sudharmono's, as he spent much of his military career in intelligence capacity. He took part in the Irian campaign and later served under Suharto in Kostrad, and served with Murtopo in intelligence operations. He later served at Kopkamtib and in intelligence capacity at the Ministry of Defence. He was made deputy head of Bakin, under Yoga Sugama, in 1977 and Chief of Staff at Kopkamtib in 1978, where he served under Sudomo. In 1983 he was made Commander of the Armed Forces and later Commander of Kopkamtib. From 1983 to 1988 he was widely seen as the second most powerful man in the country after Suharto, and so much so, that his status as a non-muslim was seen as the chief obstacle on an otherwise clear route to the Presidency. Murdani, who is known to keep close contact with military men on the ground, is said to have raised with Suharto, in 1987, the issue of the President's family's rapidly expanding business empires, much to Suharto's anger. Murdani's divided loyalties in this respect, to the increasingly critical army and to the President, are thought to have cost him his job in 1988, when he was demoted to be the Minister of Defence, a position Murdani had done much to undermine with his reorganisation of the military. In spite of this, Murdani remained a key player in Indonesian politics, keeping in close contact with a number of senior officers that had been promoted over the years under his wing as Abri commander.

9. Lt. Gen. dr. Ibnu Sutowo was born to a considerably higher social position than most of his peers in the ruling group, as well as being the only one of them with a University education. Sutowo, a medical doctor, became a medical and a staff officer of the republican army in Palembang in Sumatra in 1945. Along with these duties he organised the smuggling of tea, coffee and peppers to Singapore to pay for arms and expenses. This operation continued long after hostilities ceased, and was rumoured to be extremely lucrative, as South Sumatra was at the time perhaps the richest area of the country in terms of exportable resources. Sutowo married into one of the business families of the region and was made the commander of the Sriwijaya division of South Sumatra. After a short commission he was called to Jakarta to take charge of army logistics. He returned briefly to Sumatra in 1958 to talk his troops out of joining the regional rebellion. After this Sutowo was given responsibility for the national oil company, Pertamina, which he gradually built into the largest concern in Indonesia. He was temporarily hurt when he was singled out with Suharto in General Nasution's anti-corruption drive in the late 1950s. Sutowo was said to have been one of the chief culprits in a spectacular smuggling scandal in Tanjung Priok, Jakarta's port. Sutowo and Suharto met in the 1950s but little is known about their dealings until the early 1960s. It has been claimed, however, that they shared business interests in the late 1950s when Suharto's interests included oil products, and shortly afterwards they shared the dubious honour of being singled out as the most corrupt military men of the day. It is beyond doubt

that Sutowo was highly influential in the creation of the New Order regime. Some go as far as claiming that it was Sutowo rather than Suharto who was the initial architect of the New Order. It is said that it was he who persuaded Suharto to move more decisively in 1966 by offering to finance extensive political operations and patronage within the army that was required to consolidate Suharto's rule. The budget of Pertamina came to rival that of the government itself, and a vast network of patronage to individuals, groups, regions, parties and religious groups was created to sustain the New Order regime. Sutowo was given a free hand to run the company in return for providing this extensive patronage and for providing the government with a large part of its operating funds. Sutowo's strong position in this regard became clear already in 1966 when the then minister of mining, Slamet Bratanat, tried to exercise his legitimate authority over the oil company. Suharto responded by removing the company from ministerial control. Sutowo, like Murtopo and Humardhani, made much use of Japanese capital for expansion. The main windfall, however, came with the increase in oil prices in the mid 1970s. The extent of Pertamina's operations at this time can be gauged from the fact that oil accounted for 75 per cent of exports and a similar proportion of government revenue. In spite of this vastly increased income, Pertamina was found to have debts of around US \$ 10 billion in 1976, a figure approaching the entire foreign debt of the government. The Pertamina affair will be discussed briefly in the main body of the text. After being dismissed from Pertamina, Sutowo's political clout sharply decreased but this did not finish him off in business. He has remained one of the richest businessmen in Indonesia and is quite unapologetic for his management of Pertamina, or indeed over his own personal enrichment while in office, a topic he has discussed in magazine interviews where he has boasted of his fortune. His interests include the large Adiguna shipyard, the Hilton hotel in Jakarta and two large adjoining apartment blocks. His son, Ponco, is increasingly active in the Jakarta business world and a member of Golkar's central committee.

10. Lt. Gen. Bustanil Arifin has been a business entrepreneur throughout his military career, almost all of which was spent in logistics. He married into the President's family and has enjoyed close connections to Suharto since before the New Order. Arifin's name has been linked to numerous business dealings, some of highly questionable legality. He was made head of Bulog in 1967, which became one of the largest concerns in Indonesia with its centralised purchasing of rice and logistics operations. Bulog was extensively used as a source of funds for patronage, and, apart from the various government budgetary devices, probably came second only to Pertamina in this respect. Bulog has allegedly been the centre of some of the New Order's most spectacular corruption scandals. Arifin's business dealings and those of his wife, as well as the connection of these to the Suharto and Liem Sioe Liong company empires, is discussed in endnotes to chapter 12 and in the main body of the text of that same chapter.

11. The formal arrangement varied from time to time. Pertamina was initially under the control of the minister for mining and energy but a confrontation between the sitting minister and Sutowo led to Pertamina being removed from ministerial control.

Bulog, on the other hand, was from its inception in 1967 put under direct supervision of the President and was put under control of officers from Kostrad and Murtopo's extra-legal intelligence outfit, Opsus.

12. For a discussion on these funds see D. Kuntjoro Jakti, 1982.

13. On this see Robison, 1977 and 1986.

14. Grants to political parties are mentioned by Kuntjoro Jakti, 1982, and Mass'oe'd, 1983. By all accounts Presidential funding of the political parties has been generally known and widely accepted by party politicians who have continued to rely on discretionary funding from the President and from the military for important part of their operations. Part of this funding for the parties was legalised in 1975.

15. There are no published accounts of this practise, but this claim was made by several academics and journalists interviewed in Indonesia. One informant called this a "political tax" to be paid by Chinese owned conglomerates for maintaining political stability.

CHAPTER 10

STATE AND REGIME IN THE 1970s

In the briefest and highly simplified terms, the structural basis for Suharto's assumption of power, and its exercise over the first few years of the New Order has been found to consist of three interconnected pillars, namely the absence of cohesive class forces at the top of Indonesian society, the pivotal economic role of the military, and the Suharto group's central position within the state patronage system. It was shown that the dominant class in native society did not enjoy ownership of capital at independence. State sponsored attempts at building up an entrepreneurial class met with almost total failure as concessions and capital benefitted a politically connected class of middle men rather than sustainable enterprises. At the same time the relative strength of Chinese capital, and later military controlled capital, grew, while the largely modernist muslim and outer island based class of indigenous entrepreneurs saw its economic and political fortunes dwindle. The reasons for this were quite simple. There was no cohesive class at the heart of the state, exercising influence on the regime for its own class rooted economic and political interests. The state was in the hands of a group of bureaucrats and

politicians who used their positions as benefices and sources of patronage.

This point is of great importance, not only for an understanding of the Old Order but no less for an understanding of the New Order, as the same situation prevailed long after the change of regimes. The state was essentially the same, it had no cohesive class at its heart, but was controlled and exploited by a group of individuals for their own ends.

Following the discussion in the preceding chapter on the composition of Suharto's ruling group and his paramount command over crucial patronage system, this chapter will attempt to show how the military, and other potential sources of power, continued to give way and lose ground to the ruling group during the 1970s.

As in previous chapters, the sequence of the most relevant events and developments will be related as briefly as possible, while an attempt will be made to gain understanding of the basic structures of the evolving regime through focus on their abstract nature.

First, very briefly, the background to the regime's relationship to the military.

It was shown before that as a result of the economic policies followed under the Old Order, culminating in the desperate economic situation prevailing in the mid 1960s, a dominant role in the national economy was gradually accorded to the military which gained an even more dominant political role by

the collapses of Sukarno's Old Order coalition. Even before the aborted Untung coup attempt, the military was in a potentially paramount economic and political position. After the coup attempt, group of individuals within the military, already well versed in questionable business dealings and under the firm leadership of Suharto, was able to assume a dominant role within the military. This was through the somewhat coincidental position of Suharto after the massacre of much of the military high command, coupled with unrivalled access to sources of patronage from state corporations and military companies. Through dominant access to sources of patronage, in a political and economic system lacking alternative currency, Suharto and his small group of business generals were able to further centralise such sources in their own hands. They gained control over the military and later over the institutions of state and over the political parties through extensive use of patronage, financed through the state budget, extra budgetary revenue, state corporations and military companies.

While military men were put in control of the state bureaucracy, the state corporations and the political system, the military institution gradually lost power to the Presidency. This erosion of military power in favour of the Presidency occurred gradually over the 1970s and the 1980s. Along with the vast increase in oil revenue in the early to mid-1970s, this forms the backdrop to the politics of the decade. It has already been related, how Suharto was able vastly to increase the powers of the Presidency through budgetary devices and various other means that gave the President himself vast discretionary powers he could use for patronage. It has also been pointed

out, how the President was able to gain a fairly firm control over the military through the use of patronage, purges and institutional changes. Furthermore, it was shown how the President came to control the state bureaucracy, in the widest sense, through the military karyawan system, while this system accorded no central control to the military itself, but was based on individual co-optation to the scheme and individual reward through sanctioned or tolerated corruption. The power of the President and his entourage was firmly based on the control of patronage. This was not a new phenomenon in Indonesia. As discussed before, the political parties, the bureaucracy, the military and the Presidency had all been deeply involved in the gaining and dispensation of patronage since the days of parliamentary democracy. In this sense, the President and his group managed to exercise control over a system that had previously been shared between political parties, various factions and branches of the military, the bureaucracy and the Presidency.

What was new was the centralisation of the system and the vastly increased liquidity that came as a result of an influx of foreign money, first through aid, later more through the exploitation and export of oil, gas and timber. With the benefit of hindsight it seems that the economic fortunes of the military started to go into a slow and long decline in the early 1970s. Partly this was due to the same factors that had characterised military management of state companies since the late 1950s, namely mismanagement, insufficient investment, corruption and to intensive exploitation of the companies to bolster military funds. The vast economic opportunities of the early New Order that were seized by military companies and by foundations linked to the

military continued to be present, but these were increasingly taken up by Chinese owned conglomerates acting in cahoots with the President and his closest colleagues.

The change was neither rapid nor uniform in the 1970s. Writing on the period up to 1976 and 1978, respectively, Robison and Kuntjoro-Jakti focus mainly on companies with direct military links, such as Tri Usaha Bhakti, the Kostrad Yayasan Dharma Putra and Propelat, state owned companies such as Pertamina and Bulog and on only very few Chinese owned conglomerates, such as the Salim group of Liem Sioe Liong and the Astra group of the Soeryajaya family. [Robison, 1976, Kuntjoro-Jakti, 1982] Judging from observations of those two eminent scholars and others writing on Indonesia in the late 1970s, the decline in the economic fortunes of the military was not evident at that time. In these writings, and other more casual commentary from this period, and even later, the military owned and managed companies are portrayed as the mainstay of the modern economy, a situation that had clearly prevailed in the early 1970s, but probably obtained to a significantly lesser extent by the time the key studies of Kuntjoro-Jakti and Robison became available.

Looking at the history of military involvement in business in Indonesia, it becomes clear that growth in enterprises controlled by the military always came from windfall opportunities and never from investment. The rapid growth in military business groups in the early New Order came from enhanced opportunities for exploiting monopolies and concessions awarded

by the government. The decline in the mid to late 1970s can only be ascribed to a dearth of new opportunities handed to the military, particularly since far more money was circulating in the economic system during the decline of these enterprises, than during their heyday.

What had changed was that economic opportunities were being taken, to a far greater extent than before, by individual military men, particularly by Suharto and his group, rather than by the military linked companies or foundations. At this time the Chinese owned conglomerates that came to dominate Indonesia in the later 1980s were putting down roots and striking deals with the individuals of greatest power in the regime:

This shift was crucial for creating a class of capital owners and managers in civil society, outside the perimeter of state linked enterprises, and eventually outside the perimeter of military influence. While this facilitated the birth of a capitalist class, another change, seemingly in an opposite direction, determined the peculiar shape this class was to take. Whereas in the 1950s and 1960s, individual military commanders were in a position to strike business deals, this no longer obtained in the mid to late 1970s, as the system of economic patronage had been centralised in the early 1970s. Military commanders were therefore not in the same relatively independent position as before and were far more dependent on the centralised patronage structure put in place and administered by Suharto and his small group. This led to an almost total concentration of economic opportunities in the hands of President Suharto and his tiny entourage of financial generals, and

gradually more importantly, his Chinese business allies, as returned to in the final chapter. It seems quite conceivable, that if Suharto had not been able to centralise patronage to the extent he and his ruling group did, the structure of the capital owning and managerial classes would have developed differently, with wide ramifications for Indonesian politics and society.

Suharto's rule was far from being unchallenged at this time. Criticism of corruption was particularly vocal in the early 1970s. Most of the members of Suharto's ruling group were named in the press, at one time or another during the most relaxed period of the New Order as far as censorship was concerned, as being responsible for corruption of various kind. Scandals involving the President's wife were widely discussed in society and sometimes openly among students who were vocal in their criticism of corruption, of the growing gap between social classes and of the increasing penetration of Japanese investment in the economy. Within the military Suharto also faced opposition, in spite of the successful purges of the previous years and the extensive patronage system which was already well in place. The criticism within the military, however, was more directed at the ruling group than at the President himself. The same could, in fact, be said of the open criticism in the press and from the students.

The only showdown that came close to change the configuration of power in the country occurred in January 1974. This incident, the Malari, which has been extensively discussed by several academics, served to strengthen

Suharto's own grip on power, but at the same time, its outcome narrowed the power base of the regime within the military. [1]

This seemingly contradictory outcome proved to be all in Suharto's favour, at least for more than the next ten years, but served to deepen the divide between the Presidency and the institution of the military, a feature of great importance as Suharto's rule draws to an end.

On the political level the incident removed from power in the military General Soemitro, Lt. General Sutopo Juwono and some others, who were of what has been called a "principled" cast of mind in this context, as opposed to the more "pragmatic" members of the ruling group. Soemitro, and others like him, were not exactly champions of civilian democracy or of a puritanical inclination when it came to business involvement of the military, but they were critics of the capriciousness and excesses of the ruling group, and wanted the military to retain ultimate power without superimposing itself through the karywan system and through business involvement on every level of society.

The Soemitro faction formed a very informal alliance with students and intellectuals in the run up to the Malari incident. There was, however, little, if any, commitment to a political alliance on either side. The students and intellectuals, many of whom had marched against Sukarno and helped to usher in the New Order, were utterly disillusioned with the New Order as it had turned out under Suharto and sought in Soemitro a temporary alliance

for a move against the corruption of the ruling group. Soemitro, while not usually seen as one of the New Order radicals, played on similar sentiments.

The main danger for Suharto was a possible widening of this alliance into a larger and even more incongruent group of critics. There were mainly three elements to look for in this respect.

One was the small indigenous middle class of traders and petty manufacturers, who complained, as often before, of Chinese encroachment into their business sectors. Resentment against the Chinese was particularly strong in Bandung, where the indigenous textile industry had been in a decline for a long time, while Chinese firms had increasingly prospered. The resentment of these people was directed at the Chinese rather than at the government and this resulted in anti-Chinese riots at the time.

This element formed a potentially serious challenge to the regime and among the responses to the Malari incident were several policy initiatives designed to enhance the position of indigenous capital at the expense of both Chinese and international capital. Although this is most often seen as the main outcome of Malari, it must be pointed out that the people most concerned, the Pribumi middle classes, had no part in the Malari protest.

More importantly, it will be pointed out later, the initiatives around the time of Malari were made both possible and sensible, from the point of view of the ruling group, by the transformation in the economic fortunes of Indonesia in

the wake of the oil price rises that occurred at much the same time as Malari. The initiatives, however, also served to placate the students, who had protested against the strength of international capital in the Indonesian economy. The initiatives, their links to the structures of the economy, the state and the ruling group, and their outcome will be discussed at a later stage.

A second group were the urban poor who had not seen much improvement in their living standards while conspicuous consumption by the rich had grown very markedly. The students failed to link up with workers or representatives of the urban poor while Ali Murtopo, working through his shadowy intelligence outfits, was able to make use of this group by encouraging demonstrations that served to bring down his main rivals, Soemitro and Juwono.

A third group was organised Islam. There had been numerous grievances between Muslims and the regime in the months and years before and organised Islam was likely to back the indigenous petty bourgeoisie. By placating the indigenous entrepreneurs and drawing them into the patronage system the regime was also likely to placate to some extent possible opposition under the banner of Islam. Any overt Islamic demonstration against the regime, however, would must certainly have resulted in a showdown that would have united the military under Suharto. The position of Islam as a potential political force will be discussed in the chapter that follows.

Suharto had been under a great deal of pressure to reduce the powers of his ruling group, a group without formal powers but partly formalised with the system of Presidential Assistants, the ASPRI. The changes he made after Malari in this respect were cosmetic and of no substance. The Malari incident has commonly been seen as the trigger for important changes in the economic policy, a move away from rapid foreign investment and integration into the emerging global division of labour and towards a more nationalistic economic policy of import substitution, import restrictions, restrictions on foreign ownership and a national industrial strategy. [2]

There are two important points to be made about this connection. The first, as pointed out a little earlier, is that the elements favoured by the policy changes, namely the indigenous entrepreneurs, had not protested against the government or formed an alliance with its critics. Those who protested were mainly students and workers who had no direct stake in this matter.

The second point is that the greatest beneficiaries of the policy changes were not at all the Pribumi entrepreneurs the initiative was ostensibly targeted at, but the emerging conglomerates controlled by Chinese capital and a handful of army generals.

There is no evidence to suggest a surge in Pribumi entrepreneurship or ownership of capital in the 1970s, or indeed well into the 1980s, if a few families connected to Suharto and his group are excluded. Indigenous partners, now required, acted as fronts rather than as real partners to

Chinese and foreign capital. Japanese and Australian studies, as well as a mass of anecdotal evidence points to the continued prevalence of this arrangement. [3] The supposed change away from a rentier state, exploited by whatever group was in control, towards a state with an emerging class of entrepreneurs at its heart may not have been very substantial, unless the handful of entrepreneurs in the President's family and in his immediate entourage are seen as constituting an entrepreneurial class.

The new arrangements made license peddling and monopoly positions no less central to the system. What changed was the scale of profits to be made from these arrangements and this served both to create larger fortunes than previously imaginable, and also to include a somewhat larger group of people. These people, however, were included as clients, not as independent entrepreneurs, a crucial difference with regard to the development of state, class and regime.

The third point is that Malari occurred at exactly the same time as the most important post-war structural change in the Indonesian economy was effected by event external to Indonesia. [4] The policy change would have been quite impossible without a major increase in oil prices at this time. The huge increase in oil revenue in 1973-1974 not only enabled the government to embark on a new strategy, but made such a strategy logical for the ruling group.

It is, of course, conceivable that the government would have embarked on some form of protected industrialisation in the absence of the increased oil revenue. It seems likely, however, that this would have led to an economic outcome not too dissimilar to what occurred during the last years of the Old Order, with the addition of greater external indebtedness, as experienced under comparable circumstances in Latin America, where such industrialisation was carried out without the benefit of windfall foreign earnings.

The political effects of Malari, on the other hand, were very marked. Several newspapers that had been critical of the regime for a long time were closed down and through this, and the imprisonment and intimidation of a number of intellectuals the regime introduced a far harsher political climate than had prevailed for most of the New Order period. A little more will be said about this later in this chapter.

The main significance of the windfall profits from the oil industry were to enable the government to spend vastly increased amount of money without having to tax the public to pay for it. It was pointed out by Mahdavy, in the context of the Persian Gulf states, already before the oil price rises of the 1970s, that oil producing countries could support large-scale public expenditure programmes without taxation and without balance of payments difficulties. Mahdavy also pointed out that since oil revenues were rising faster than the GNP of the oil producing countries, the public sector of these countries was expanding rapidly. This, Mahdavy, claimed, "need not result

in some kind of socialism, but may turn into what can be considered a fortuitous etatisme". [5]

This notion of fortuitous etatism rooted in the economic organisation of society and in a windfall economic profit for the state, independent of society, may be added to Anderson's state-qua-state thesis. With this addition the thesis could offer a more powerful and a far more dynamic analysis of the triumph of the state.

To illustrate the extent on the reliance on oil in the 1970s, it may be pointed out that income tax in Indonesia amounted to something to the order of 2-5 per cent of the total amount raised by oil tax in the years 1974-1985. As will be pointed out later, the fall in oil revenue in the late 1980's was accompanied by a rapid rise in income tax revenue, transforming this ratio to something like 40-50 per cent by 1988. Taken together, oil and development aid accounted for 60-75 per cent of government revenue every year from 1974 to 1984. Since then it has fallen to a close to half of government revenue with various political implications that are discussed in a following chapter. [6]

Based on the windfall profits from oil, the Indonesian state could pursue a policy from 1974 and well into the 1980s that put it in the enviable position of providing expanding services and patronage without the need for taxing society.

The political implications of this are vast and probably grossly underestimated in political literature on Indonesia. Much of political analysis of the country, as pointed out in the first chapter has been implicitly or explicitly focused on the question of government legitimacy. It is most often asserted that cultural peculiarities and ideological articulation accounts for much of the assumed legitimacy of the Indonesian regime. The fact that the government had enormous resources at its disposal to buy loyalty and support without having to place onerous burdens on business or any section of the community, is often overlooked.

Paradoxically, the changes in oil prices served simultaneously to preserve the fundamental structures of the Indonesian state for a long time, while at the same time transforming the economy and eventually the class system in such a way as to eventually alter the nature of the state. This paradox deserves some attention.

As pointed out earlier, since independence, at least, the Indonesian state has never been controlled by cohesive class forces. It is often asserted, and still more often implicitly assumed, that the state in Indonesia has been autonomous of class forces to the extent of leading a life of its own and possessing its own will. This view is not only implicit in most culture based paradigms but has also been explicitly elaborated in the "state-qua-state theory", most convincingly articulated by Ben Anderson, as briefly discussed earlier. [7] Ruth McVeys' observations on the "Beamtenstaat are also noteworthy in this respect. [8] More recently, Jeffrey Winters has criticised

Robison's society-based theorisation of the Indonesian state and has argued for a state-centred approach instead. [Winters, 1988] The theoretical difference in these approaches to the state and their various implications have already been discussed in the first chapters and will not be repeated here.

There is, of course, a very good case for a state-centred approach to the study of the Indonesian state. The state is strong and ubiquitous in Indonesia, while no cohesive class forces can be seen to hold much sway over it. It has already been shown in the first chapter and in subsequent discussion that a class-based approach to the state, at least on its own and in the most established tradition, is not likely to yield a very accurate picture of the state.

The problem with most state-centred approaches is in the most general sense the attribution of an autonomous will and general self-interests to the state as an entity. In the first chapter it was shown that the state may in a sense possess such a will and self-interest in two senses.

Firstly, at the individual level, each official of the state has a stake in its preservation and expansion, particularly in a patrimonial state system where offices are routinely treated as appanages and are appropriated by the officers concerned for their own personal benefit or for the benefit of an institution such as a political party or the military. Secondly, on a structural level, the state as an entity, if it can be treated as such in the same way as

a commercial enterprise, will tend to maintain itself as a going concern by raising revenue and to expand in response to opportunities.

A paradox is often seen to exist between this tendency of the state to maintain itself through taxation and the interests of the dominant class which will in most cases be the class that is most able to pay taxes to the state, and in some cases the only class with significant means to do so.

In Indonesia no such problem arose. As shown a little earlier, the state could expand rapidly throughout the 1970s without resorting to taxation. This problem, on the other hand, has arisen in the 1980s and will be discussed in that context in a following chapter.

For viewing this crucial point, others related to it, and the various paradoxes generated by the change of conditions, an elaboration of some theoretical positions on the foundations developed in the earlier chapters is necessary at this point.

First, a separation between the concept of regime and the concept of state needs to be established. The theoretical basis for this was elaborated in chapter 7. This point is routinely ignored in general literature on the state in most countries, but is of importance in Indonesia, particularly with regard to possible regime change in the near future.

Much of the literature on the Indonesian state has, in fact, been writings on the Indonesian regime and not the state. The same can be said of much theorisation on the state elsewhere. Most of the literature on the "Bureaucratic Authoritarian State" is on regimes rather than on states, this sometimes explicitly so, and sometimes not.

The confusion is understandable as the difference between a state and a regime is not as obvious as it might seem. It is very difficult to establish a cohesive general definition of either concept. Some of these difficulties are discussed in chapter 1, 3 and 7.

In the most basic sense, as indicated in chapters 1 and 7, the concept of state refers to the more or less permanent institutions of government as well as to the power relations at the heart of the economic and political system. It may be a characteristic of a state that certain classes dominate it. A regime, on the other hand, might be characterised by a particular, and changeable, configuration of such power arrangements.

To take a concrete example, one might argue that two of the most basic and intimately related features of the state in the Philippines are the political and economic domination of the landowning class, and the enclave export production system based on landless peasantry. At the same time one might argue that the post-Marcos regime in the Philippines has been a coalition of divergent forces. One of these has sought to radically reform these chief features of the state, while others have sought to preserve the essence of the

state through a diversification of the economy with essentially unaltered relations of power. The former has lost out to the latter. As a consequence it is possible to speak of a change in the Aquino regime over the past few years. The main point is, however, that the Philippine state is essentially unaltered and displays the same basic features as it did under the Marcos regime. The change in the regime has made its composition and policy more representative of the state. The daily realities of power and powerlessness for the vast majority of people, and the position of the state as a framework for these relations, remain unchanged by the comings and goings of governments or even changes to the regime itself.

The problem of separating the state and the regime in Indonesia seems more difficult than in a number of other countries. To take another example from Asia, it seems evident that the state in India is shaped by a competitive alliance between landlords, who form a large majority in Parliament, the bureaucracy and politicians, who are in control of the vast state machinery, and the oligopolistic bourgeoisie, which is of great importance to the state as a class, but on individual level needs to buy favours from the bureaucrats and the politicians, who in turn are in a complex relationship to the landlords who control parliament and politics at local level. The regime of the Congress Party can be viewed in this context. Changing alliances between these three dominant forces will be reflected in regime composition and policy, but the fundamentals of the state stay the same.

In Indonesia there is no such diversity of powerful forces. Little political power is derived from ownership of land or, at least until recently, from private ownership of commercial enterprises. Power firmly rests within the state. Hence, focus has been on the state itself and on the institutions within it, particularly the bureaucracy and the military.

The representative institutions of the state, namely the parliamentary assemblies, have often been bypassed in such analysis, and for a good reason. The formal structures of the state, the supposedly sovereign body of the MPR, and the Parliament, the DPR, as well as the supposedly independent judiciary, have been notoriously lacking in substance and are of very limited interest to long term political analysis, as opposed to a descriptive account of political events.

Neither of the two most powerful institutions of the state in Indonesia, the military and the bureaucracy, however, can be said to have directed state policy in any meaningful sense. It has been shown that contrary to a popular image, the military as an institution has not wielded much power in Indonesia since the end of the 1960s. The bureaucracy has not directed state policy either, and contrary to another popular image, it can be shown, and will be discussed in the final chapter, that state policy has not greatly profited the vast majority of Indonesian bureaucrats who live on very low salaries and form no part of a lucrative patronage network. Even the technocrats operating at cabinet level have been unable to force through basic policy changes which they have been known to strongly advocate.

Examples of this have been given and a more recent history in this respect will be discussed later in this chapter and in the one that follows.

Power is therefor located neither in the formal structures of the state, except for the President's office, nor in the two main pillars of the state, the military and the bureaucracy. The state can not be spoken of as an entity responsible for the general thrust of policies, nor as an instrument in the hands of a social class in Indonesia.

In the simplest possible terms, the Indonesian state can be said to be the complex of institutional arrangements for governing, including the coercive forces of the judiciary and the military, and including the executive and the administrative institutions, as well as the power relations generated by these arrangements, and more fundamentally, the relations of power rooted in the economic organisation of society, which form a framework of opportunities, constraints and imperatives for government.

Viewed in this way, the state changed remarkably little from independence until quite recently. The real break did not come with the political transformation of the mid 1960s. The regime changed but the state did not change in a fundamental way. The state has changed more notably in the 1980s than it did in the turbulent 1960s.

Although the economy was opened up in the mid to late 1960s for foreign investment, this did not change the essential nature of the state. The state

continued to be central to the accumulation process. Access to the state and position within it continued to determine success and failure in economic ventures to a greater degree than any other factor.

The state continued to be, what for a want of a better term might be called a "gatekeeper", controlling and capriciously taxing both access to society in the form of imports, investment and aid, and society's access to the outside in the form of exports, particularly oil, which formed much of the state's revenue. The state also continued to accord only limited freedom to society, preserving its paramount political position through use of its vast funds, use of its monopoly on force and through ideological articulation aimed at legitimising this state of affairs.

The state, however, did not act as an entity in its own interests in all of this. It was directed, controlled and used by Suharto's ruling group. The ruling group acted from within the state structure and exploited the chief features of the Indonesian state, its patrimonial, capricious, authoritarian character, and its "gatekeeper" role, which accorded the ruling group vast funds and patronage, which in turn formed the liquidity within the state and ensured the perpetuation of its function and character.

In this sense the manifold increase in oil revenue in the mid 1970s served not to transform the state, as often assumed and argued, but to perpetuate its established functions and character. Increased liquidity kept it going and enormously increased the scope for political patronage which served both to

enrich the ruling group and to keep it in power. The chief interests of this group were to maintain their control over a state that continued to be source of private wealth for its rulers, and hence to perpetuate the patrimonial, capricious and authoritarian character of the state.

Eventually these vast new sources of wealth served to change the state. This, however, did not come about through a direct alteration of its functions or character, but through development of the class system, a point certain to be missed by a purely state centred approach, and a point of such importance as to make this a fatal flaw in a purely state centred approach.

The development of new class forces at the heart of the state, first through the huge inflow of money, and then, paradoxically, through the changes demanded by the drying up of these easy sources, is finally changing the nature of the state. This paradox will be elaborated in the following chapter.

The implications of this analytical approach are highly important. Through this is it possible to trace and understand, not only the rise to power of the ruling group, its corporate interests and its management of the state, as well as the changing interests of the ruling group, its eventual demise as a group, and the replacement, to a certain extent of these group interests with another set of interest served by the regime, but also the fact that all this occurred within the framework of an essentially unchanged state, while finally leading to a basic change in its structures.

To elaborate a little further on this it may be revealing to draw on an analogy with a hypothetical private company rather than with a state structure. Seen in this way, the Indonesian state would parallel a company taken over by a new institutionalised group of management (the military). The director in effective control (Suharto) would have recruited his own managers (the ruling group) and his advisers (the technocrats, the cabinet). Through control over personnel, the management hierarchy, salaries and benefits the director and his group would have incorporated individuals from the new institutionalised management (the military) but at the same time rendered it powerless as a cohesive institution. The company would have operated without the benefit of a shareholders' meeting (the public) and without the daily pressure of a dominant shareholding institution (the bourgeoisie). The constraints on the director and his management group would, however, have been great. In order to yield profits for his group and funds for securing continued control through patronage of managers and personnel, and through attributing at least minimal profits to the shareholders (the public and particularly potential interests groups or classes) the company would have to expand and remain profitable. To achieve this and to be able to raise funds (from aid, foreign investment and foreign banks) a certain standard of management and accountability would need to be sustained.

Similarly, the regime in Indonesia, operating within the structures of the state needed to raise revenue and to attribute part of this to the public through services, and in the form of patronage to a wide variety of potential

opponents, useful allies, staff and personnel, while it could also engage in greatly enriching its own members.

It is instructive to look at a certain parallel in another Asian country with a similarly undeveloped class structure, namely Bangladesh. The class structure in Bangladesh is different from that of Indonesia with regard to the rural areas. There, landowners are in firm control of local society through various mechanisms that have to do with widespread landlessness among the peasantry, the rural credit system, control over water inputs and the sale of produce. The crucial difference with regard to other countries of the sub-continent is that landlords, powerful on local level in spite of relatively small holdings, do not have power at the political centre to anything like the same extent as prevails in India and Pakistan.

The modern economy and state budget is dominated by foreign aid, to an extent that parallels Indonesia's reliance on oil, gas and aid. Through this and through control over import and export trade and nationalised industries the state is as central in the modern economy as the state in Indonesia in the 1970s. Control over the state has passed between various groups that have in some cases enjoyed remarkably limited power bases.

Once in power, however, such groups inherit the reins of the large patronage system of the state. The group in power need not have any specific relation to the class structure in the country, at least not in the short term. This is because the aid financed state enjoys the same autonomy from forces

generated by the domestic economy as the oil and aid financed Indonesian state, although, paradoxically it is at the centre of the modern economy. The group in power, forming the regime, may or may not try to alter the structures of the state, but it could quite conceivably simply act in a managing role of the externally financed patronage system without enjoying any power base outside whatever it could buy for itself within the state.

In practice, like in Indonesia at the onset of the New Order, those fortuitously in control of strong army units at opportune moments have prevailed. Unlike Indonesia in the 1970s, however, the patronage system in Bangladesh suffers from perennial lack of finance. With windfall oil income of the sort that occurred in Indonesia, it is far from inconceivable that one or other of the narrowly based Bangladeshi regimes might have enjoyed a longer life and an opportunity to create elaborate ideological structures for acquiring and maintaining legitimacy.

In contrast to this, the states and regimes of the Philippines, Pakistan and India may be observed, and such a comparison has to an extent already been made. In simplest terms, the difference in this respect is that in societies with relatively well developed class forces, new regimes tend to reflect either a finer tuning, or realignment of the configuration of power among the dominant classes, usually reflecting some alteration in the overall economic organisation of society.

This class configuration, its basis in the economic organisation and the power relations this generates, while not a part of the state in any formal or institutional sense, shapes its nature to the extent that the state can not be spoken of in any meaningful sense as an entity independent of these structural factors.

Hence, the state can best be seen to consist of both the institutional arrangements for governing and the underlying structural reality that forms a framework of imperatives, power relations and possibilities and constraints on the institutional arrangement, or the reality behind it.

At the same time, as made clear in the first chapter, the state may enjoy considerable autonomy from any one or all the dominant classes, at least in the short run, while the imperatives of the overall structure will determine the outcome, and often the course, of any conflict between the dominant classes or between them and the state.

The change in economic policy in the mid 1970s can probably be far better explained by looking at the imperatives of the state, in this wider sense, and the interests of the ruling group, than through looking at the Malari incident and its immediate protagonists as a creating a watershed in economic policy and political power.

Before looking a little closer at these imperatives it may be instructive to look briefly at the other big crisis of the mid 1970s, the Pertamina affair.

Pertamina, and its forerunner Permina, played a crucial part in the establishment of Suharto's ruling group from the start, and its director, General Ibnu Sutowo has been seen by many as the only indispensable person, apart from Suharto, to the formation of the ruling group and its strategy. [⁹] It has been claimed, for instance, that Sutowo's finance through Permina was crucial to Suharto's decision to move against Sukarno. [¹⁰]

The oil industry gradually came to be dominated by Permina, which previously had not been the most important player. Sutowo was, in effect, given almost total control over Indonesia's by far the most important industry and source of finance. Early on, Sutowo clashed with the minister responsible for oil, and later repeatedly with technocrats and the bureaucracy, but the President ensured Sutowo's almost unlimited control over the industry. After Sutowo's clashes with the minister for mining, Slamet Bratanata, Suharto removed responsibility for the national oil company from the ministry to the President's office.

Monetary and fiscal control by the technocrats was repeatedly thwarted by Pertamina which had grown to such a size after the explosion in earnings from oil that its independence made a mockery of any claim to a cohesive economic policy in the hands of technocrats. This had become so pronounced even before the increase in oil prices that the IMF, the IGGI (the inter-governmental group of aid donors to Indonesia), the World Bank and the US government all attempted to pressure the Indonesian government into

bringing Pertamina under government control. The US temporarily suspended aid to Indonesia over this issue. [11]

The corruption at Pertamina and the way the ruling group blatantly used the company as a source of patronage and private wealth generation was hardly a secret at the time. Newspapers made serious allegations about irregularities at the same time as they were publishing stories of corruption around Suharto's wife and around several key members of the ruling group. Suharto was forced to appoint a committee to inquire into the affairs of Pertamina at a similar time as he was forced to appoint a commission to look in a more general way at corruption in government. Like the commission on corruption in government, referred to earlier, the Pertamina inquiry came up with stinging criticism of corruption, illegalities, irregularities of various sorts and the absence of auditing and comprehensive accounting procedures. Again, like the criticism and recommendations from the investigation into corruption in the government, the results of the Pertamina inquiry were suppressed and not acted on.

Soon the increase in oil prices gave Pertamina such a staggering income, in the context of Indonesia, that the scope for regime patronage to large constituencies in society was vastly widened. The price of Indonesian oil went from US \$ 1.70 per barrel in 1970 to US \$ 12.60 in 1974. Foreign earnings from oil increased from less than US \$ 1 billion to well over US \$ 5 billion from 1972 to 1974. At the same time, foreign investment in the oil industry increased also fivefold to a figure of US \$ 1 billion a year in the mid

1970s. Most of these funds flowed through Pertamina's notoriously leaky financial pipelines. The funds were spent on an array of activities, from the building of mosques, schools, hospitals and football stadia, to the topping up of salaries to various key bureaucrats and military officers. Pertamina also invested in various companies, such as shipping companies, hotels and airlines, and more importantly, poured funds into industrial investment, particularly the Krakatau steel works. Krakataua was probably the largest single undertaking, apart from an ill fated venture into the oil tanker business just before its spectacular collapse. It was later shown that Krakatau was costing three times as much to build as a similar venture in Taiwan, probably reflecting the way such ventures were used for patronage and private enrichment at least as much as bad management or intrinsically higher building costs in Indonesia.

In spite of the windfall profits and manyfold increase in income Pertamina found itself unable to meet its obligations in 1975 and defaulted on short term loans from American banks. The results of the enquiry that followed not only surprised the general public, but probably also Suharto himself. The company was found to have liabilities of US \$ 10 billion, an amount larger than the entire foreign debt of the Indonesian government. The inquiry also revealed a series of illegalities and irregularities as well a limited indication of the vast corruption prevailing in the company during Sutowo's reign. Sutowo, however, was dismissed "with honour", as he turned his attention to a number of companies he had privately acquired during his time as head of Pertamina.

The way Pertamina was run illustrates how and to what extent the ruling group operated outside the formal structures of the state. It has been pointed out before, how a large part of the state budget came under discretionary spending of the President's office. The amounts involved with Pertamina during its heyday were even larger. Taken together, this private financial control of the President and one key member of his ruling group, put a very large part of public spending and Indonesia's foreign earnings outside both bureaucratic and institutionalised political control. In this way, a vast slice, and in many ways the most important part, of the modern economy of Indonesia was in a very real sense handled by the ruling group without bureaucratic or political accountability, which placed this vast operations outside the formal perimeters of the state.

It is instructive to note that Sutowo claimed in newspaper interviews at the time to be engaged in deliberately creating an indigenous business class. Some of the excesses, to the extent they were semi-publicly acknowledged, were excused by the necessity of cutting corners in the all important venture of creating a pribumi entrepreneurial class. It is not clear to what extent other members of the ruling group shared Sutowo's vision in this respect. Most of them were deeply involved with Chinese businessmen in their own business dealings. Apart from involving family and friends, few of the business generals could be seen to be directly engaged in such a venture, although this formed a part of the various plans for an integrated national economy discussed at the time by among others, Lt. Gen. Murtopo and Lt. Gen

Humardhani. Much of such discussion, however, was in the forum these two generals shared with mainly Chinese intellectuals, and where the creation of a "national" economy, meaning the inclusion of Chinese owned conglomerates in places of prominence, took very clear precedence over the Pribumi question.

Indirectly, however, a large number of people were very significantly enriched by the patronage dispensed by the ruling group. Exact numbers are, of course, impossible to arrive at. A very large number of people benefitted to some small extent, or indirectly from the various types of patronage extended for political purposes from a small top to the broad bottom of a pyramid, although such numbers will look small in the context of the population of Indonesia. More significantly for the development of the state and the dominant classes, a few thousand people, military men, bureaucrats and individuals of various other background were very greatly enriched by the patronage dispensed by the ruling group.

These people certainly formed a group of beneficiaries and a potential nucleus for a new class. It is, however, a matter of debate, which will be entered into in the following chapter, whether this group can in any meaningful sense be spoken of as an indigenous bourgeoisie, or as an independent class, or even as a group of any description that would profit analysis of Indonesian politics.

Notes

1. See e.g. Harold Crouch, 1974, *The 15th of January Affair in Indonesia*, Dyason House Papers, 1, 1.

Also A. Gunawan, 1975, *Role of Students in the 15th of January Incident*, *Southeast Asian Affairs* 1975.

2. Robison, 1986, makes this connection clearly, while several scholars less concerned with the particulars of economic policy have taken this connection more or less for granted. Importantly, however, Robison suggests that the laws designed to promote the Pribumi business class were never rigorously implemented.

3. Robison, 1986, who concludes contrary to what is argued here that Malari was a watershed with regard to the creation of Pribumi capital, nevertheless cites studies by Tsurumi and Short from 1977 and 1980, indicating that Indonesian partners at this time were not generally involved in the management of their enterprises, and that their involvement was more "ideological" than real, with the minimal local equity contribution often financed by foreign loans and future profits. pp. 192-194.

4. J. A Winters, 1988, in a review of Robison's book, 1986, very briefly makes some of the points made here. He points out that the groups which supposedly forced policy changes, hardly benefitted from them. He also points out that Robison himself, in his Ph.D. thesis, 1978, claimed that "there seemed little evidence to suggest that either the neo-patrimonial bureaucratic state and elite or the neo-merchant capitalism had been seriously disturbed [by Malari]".

5. Mahdavy, 1970. Richard Tanter uses this same quotation in an unpublished paper prepared for a conference on the State and Civil Society, Monash University, 1988. Tanter was explaining what he sees as the dependence of the Indonesian regime on "external rents".

6. Figures are adapted from World Bank statistics on Indonesia found in its 1988 report.
7. Ben Anderson, 1983, *Old State, New Society: Indonesia's New Order in Comparative Historical Perspective*, *Journal of Asian Studies*, vol. 42, no. 3.
8. R. T. McVey, 1982, *The Beamtenstaat in Indonesia*, in *Cornell's Interpreting Indonesian Politics: Thirteen Contributions*.
9. For more on this and on Lt. Gen. Ibnu Sutowo see endnotes to the immediately preceding chapter.
10. See e.g. Hamish McDonald, 1980, *Suharto's Indonesia*, Fontana Books, Australia. McDonald claims that western intelligence sources indicated that Sutowo may have been the prime mover in this respect and the financier of the operation.
11. For this and a concise treatment of the Pertamina crisis see Hamish McDonald, 1980.

CHAPTER 11

TRANSFORMATION OF STATE, CLASS AND REGIME - THE 1980s

Three events are most often seen as watersheds in the development of the Indonesian state, namely independence, Guided Democracy with nationalisation of foreign enterprises and thirdly, the creation of the New Order. It will be argued here, on the basis of the preceding discussion, that these events, important as they were, did not, in themselves, form watersheds in the development of the Indonesian state.

It has been argued, directly and more often implicitly in this thesis, that independence did not transform the structures of state, class and regime in Indonesia. Without repeating earlier discussion here it may be pointed out that this was mainly because there was no class that could, in a sustainable way, capitalise on independence. Due to the colonial economic organisation and the nature of the priyayi class, as well as political and religious realities at independence, those who came to dominate the state lacked roots in the economic organisation of society and failed to gain such roots in spite of some effort to use the state for these purposes. The most important change

was probably not brought about by independence as such, but by the way fighting for independence was organised. This produced a new political force, the Indonesian which army came into being as a force enjoying much autonomy from the political leadership of the state.

The second watershed event, the onset of Guided Democracy and the subsequent nationalisation of foreign enterprises gave the military a strong economic basis. As much as this was to change political structures, this did not transform the economy. Profits were no longer repatriated, but neither were they re-invested in a productive way. Profits were skimmed of for institutional and private consumption of the military and its personnel. Instead of the development of an indigenously controlled economy came economic collapse. The immediate effect of Guided Democracy, the centralisation of power in the hands of Sukarno, proved to be of a temporary importance as Sukarno failed to create a viable economy, a vital requirement for sustaining his attempts at changing the structures of the state.

The third watershed event was the creation of the New Order regime. Initially this was to a great extent simply backtracking by re-opening the economy to foreign capital. Political changes in the country and economic changes outside, however, made the impact of foreign capital very different from what occurred in colonial and immediately post-independence time. It has been argued above that in spite of this, the Indonesian state was not transformed by these changes. Its long term structures were not immediately altered in any major way, although it would be equally misleading, as argued earlier, to

see the events of the mid 1960s in terms of a triumph of the "old state" over society.

The regime that came to power was different, however, and seeds were sown for a very different class configuration from earlier times. The difference that mattered was not the regime's outlook on politics or its military connection, although this latter factor kept it in power. What produced changes of lasting importance was the connection the new regime had to the economy. The ruling group that came to power was not simply a group of military politicians dealing in favours for support, but a group of military business men. Many of these, however, failed to capitalise greatly on their position through creating sustainable enterprises, but some did, most notably Suharto. The key to the early success was in the way foreign capital was in effect taxed by requirements for domestic partners and political favours, a system not obtaining in colonial times.

Many analysts have looked to the Malari riots of 1974 as the fourth watershed. Economic policy did indeed change at that time in ways highly significant for class formation. As pointed out earlier, however, these changes were not brought about by the Malari incident, but by a transformation of state finances in the wake of a manifold increase in oil income. The increase in oil prices also provided liquidity for the political system, vastly reinforcing the effect of the regime on class development.

The Indonesian economy, however, was still chiefly an extraction economy for much of the New Order period, with oil and gas largely replacing the

plantation economy of colonial times. When oil came to be supplemented, this was by forestry industries that share many economic and political characteristics with plantation and mineral extraction. The state continued to be a rentier state, a toll gate state, generating profits for favoured groups and individuals capitalising on political position.

This changed, slowly at first, accelerated by the oil boom in the mid 1970s, but not strongly, and not with political consequences until in the 1980s. By the early 1980s a transformation of some of the main structures of the Indonesian state was finally under way. At the same time, the regime was also being transformed. These processes, though interconnected, were not the same. To analyze as an entity what has been termed "The New Order State", which usually incorporates, explicitly or implicitly, cultural structures, administrative arrangements, the institutions of the military, the bureaucracy, the Presidency, and the chief brokers of power of the day, is likely to cloud the different dynamics and different imperatives causing, and resulting from, these changes.

The second oil boom, 1979-1980, increased government revenue from oil almost fourfold, in rupiah terms, in three years. [1] Overall foreign earnings from oil and gas leapt by almost 160 per cent in dollar terms between 1978/1979 and 1981/1982, from US \$ bn. 7.4 to US \$ bn. 19.0 . [Robison, 1986:376]

Oil revenue, as a share of government income, rose from 54 per cent in 1978 to 71 per cent in 1981. That year the combined state revenue from all income tax and all taxes on domestic consumption amounted to one eighth of the oil tax, giving the regime virtual financial autonomy from society. [2]

This independence from raising revenue from society gave the regime a continued and rapidly growing scope for its rapacious self-enrichment and capricious ways of governing, characterised by the emergence of the Presidential family as by far the most important private Pribumi element in the economy.

The capriciousness of the vast patronage system and the personalised rule, came under serious criticism from several of the most respected military figures in the country, and as mentioned in the preceding chapter, from various other quarters. In spite of this, and far more importantly for longer term structures of politics, the rapacity of the President and his closest allies, came to be, along with the longer term diminishing of military politico-economic power, responsible for a growing fracture between the regime and the military in the late 1980s.

While the powers of the President were growing, if anything, the importance of the ruling group steadily diminished during the 1980s. Some of its members had already fallen by the wayside in the 1970s. Lt. General Alamsjah, one of the key fixers in the early years, and one of the people most persistently accused of illegalities and corruption had seen his powers decline

early on. He was sent abroad as an ambassador in the early 1970s, and although he returned to the cabinet in 1978 to serve for another ten years in the somewhat unlikely capacities as minister for religion and minister for people's welfare, he was not a key player in the politics of the 1980s. Lt. General Suryo, one of Suharto's closest financial collaborators, likewise, saw his powers wane in the early years, although he continued to manage state assets as well as his own fortune.

More importantly, the chief financier of the New Order regime, and for some years probably its second most powerful member, Lt. General Ibnu Sutowo had left in some ignominy in the mid 1970s, although continuing to operate as one of the richest pribumi businessmen in the country. Two generals who had played important part in the financial operations of the group and its members, but who were politically probably more on the sidelines, Brig. General Sjarnobi Said and Lt. General Achmad Tirtosudiro, also retreated from the centre stage in the 1970s. Said had been a particularly close collaborator of Ibnu Sutowo and shared his downfall at Pertamina. Said continued to manage his own extensive business interests, some of which he owned jointly with Sutowo. As the owner of Krama Yudah, one of the companies dominating the Indonesian car market, he has continued to be among the most important pribumi businessmen in the country. Tirtosudiro, an ASPRI member, who managed Bulog in the early years was thought to be particularly close to the President and to Lt. Gen. Suryo, was sent abroad as an ambassador in 1973 and although he returned to active service in Indonesia in the late 1970s, he no longer played a key role in the regime.

In the mid 1980s, two of Suharto's closest colleagues, Lt. Gen. Sudjono Humardhani and Lt. Gen. Ali Murtopo died, further decimating the already reduced group. Humardhani, Suharto's most long standing military business partner, and allegedly a spiritual adviser, is often credited with facilitating the pattern of business alliances between Japanese capital and Indonesian Chinese capital with well connected pribumis as junior partners fixing licenses and credit and reaping profits out of all proportions to their equity contribution. In pioneering the way for tri-lateral alliances of this sort, Humardhani may have been instrumental in creating a pattern of accumulation that proved very important for the emerging business community in Indonesia. Probably no less important in this respect, and far more important in the overall development of the regime was Ali Murtopo, who had fallen out of favour with the President shortly before his death. Murtopo played a crucial part in establishing the regime and maintaining it in power through various shady intelligence operations. Murtopo had also been highly important in giving framework to the collaboration of foreign and Chinese capital with pribumi military participation. Murtopo had established networks of Chinese intellectuals and businessmen that were important, both in the accumulation process, and in giving intellectual direction and legitimation to the regime.

As the ruling group was not a formal entity, its membership is open to debate. Who exactly, and at what time, could be counted as a member of this group is a matter of conjecture, as the very existence of the group itself is a matter of analytical deduction from fragmented information. The question

of the existence of the group has been discussed before and so has its original membership, and this will not be repeated here.

What is important at this point, however, is that certain developments in the late 1970s and early 1980s, as well as the wastage of the group itself, had made it increasingly uncertain, by the early 1980s, whether it is profitable at all to speak of a ruling group as a separate entity. That power continued to be exercised chiefly by individuals who owed their power to their relationship to the President and other individuals close to him, is, however, beyond doubt. With only four or five people remaining at this very centre of power in the mid 1980s, though, and the President being in a position to play each of them against the others, and seek advice and help outside the group at his own discretion, the concept of a ruling group may not retain much meaning. This question will be returned to later along with the implications of how this is perceived.

If a ruling group could be spoken of in the mid 1980s, however, its membership, at least as old-timers are concerned, would have been fairly clear. What is less clear is what power the group, as a group rather than as a collection of the President's men, wielded over the regime. The group, or its remnants, would, by the mid 1980s, have consisted of the following six people.

The intelligence chief, General Yoga Sugama, who, in an unusual exception from military convention, had been chief of Bakin, the intelligence body, with

one relatively brief interruption, since the early days of the New Order. Sugama, while living comfortably, is the only past or present member of the group that has not engaged significantly in private business dealings, although his family has business interests with Japanese capital. His son, Bambang Yogasugama, emerged in the late 1980s as one of the leading lights of HIPMI, the young businessmen's association, and became its chairman in 1990. His companies are listed as no. 198 on the Warta Ekonomi list of the 200 largest Indonesian companies in 1991.

Admiral Sudomo, a long time trusted friend of the President, who had taken over the daily running of Kopkamtib after Malari and enjoyed vast powers in the late 1970s and early 1980s. Sudomo left Kopkamtib in 1983 and entered the cabinet as a minister for labour, before being elevated again in 1988 to co-ordinate security and political affairs. His powers were thought to have been much reduced after 1983 and he had been expected to start focusing exclusively on his extensive personal business interests, before his re-elevation in 1988. By 1990, however, most observers saw Sudomo as only a marginal player in high politics, in spite of his continually high profile.

Lt. Gen. Bustanil Arifin, a business entrepreneur throughout his military career with a significant family connection to the President. Arifin, who had been associated with various highly questionable business dealings before Suharto's assumption to power was along with Sutowo a chief financier of the regime through his position as the head of Bulog, one of the largest and leakiest of all government enterprises. Spectacular scandals at Bulog notwithstanding,

Arifin continued to enjoy close relations to the President while his political importance was probably declining in the 1980s. Recently, Arifin may have been severely damaged by the extremely expensive Bank Duta scandal that broke in 1990, and cost two Suharto controlled 'yayasans' US \$ 400 million or more, although this loss was apparently covered by two Chinese conglomerates, the Salim and the Prajogo companies. Arifin was forced to step down as the chairman of the board of this bank. Arifin was probably further damaged by another banking scandal that was breaking as this thesis was being completed. This involved the cooperative bank, Bukopin, which Arifin presided over as the head of its advisory board. The bank has been losing large amounts of money in spite of a 350 billion rupiah (US \$ 180 million) deposit from Bulog, held at the bank at an interest rate of 6 per cent, while prevailing market rate is close to 25 per cent. This deposit alone is said to have given Bukopin a profit of around US \$ 16 million, which was not sufficient to cover its losses. The Indonesian Press and the FEER expected Liem Sioe Liong to come to the banks rescue because of his profitable Bogsari flour mill link to Bulog and Bustanil. [e.g. Tempo and FEER, Feb-March, 1991]

Lt. Gen. Sudharmono, not originally a "business general", had been moved in from the sidelines early on to manage the State Secretariat, a position often likened to that of a Prime Minister. Sudharmono was the prime co-ordinator of the patronage system through the budgetary allocations of the President's office, through his control over all government tenders, a much used way of placing business and commissions with favoured parties, and through his

chairmanship of Golkar. By the mid 1980s, Sudharmono was frequently spoken of as the second most powerful man in the country. His business interests, and those of his family were also rumoured to have widened significantly by that time. The strong military opposition to Sudharmono, however, has weakened him politically and made him entirely dependent on the President.

The fifth member, General Benny Murdani, the commander of ABRI, had gradually entered the innermost circle, from a background in intelligence, culminating in his appointment as Panglima ABRI in 1983. Murdani was a protégé of Murtopo and Suharto and quickly assumed powers only rivalled by Sudharmono and Suharto himself. The three increasingly formed a troika, with Suharto in a paramount position and the other two in a mutually competitive positions, with Sudharmono managing the bureaucracy and Murdani the military and security. Their spheres of influence overlapped in Golkar, which became something of a battleground between them in the late 1980s. There Sudharmono increasingly held the sway, at least until 1988 when the military reasserted itself within Golkar by greatly increasing its representation from the regions and by forming a more cohesive block in the DPR/MPR. Many observers were to describe the politics of the mid to late 1980s in the terms of this competitive alliance.

Finally, there was the President, Suharto, who enjoyed seemingly unrivalled powers for a few years in the early and mid 1980s, after a long series of showdowns and difficulties, from the Malari in 1974, the Saiwito affair in 1976,

the lack of unanimity in the run up to his re-election in 1978, and the stinging criticism of several of the most respected military leaders of the country in the late 1970s and the early 1980s. At the same time Suharto's family increased its wealth spectacularly, not the least through highly unpopular and blatantly corrupt import monopolies. Suharto's family business is discussed further in the following chapter.

The extensive discussion in earlier chapters on the usefulness of looking at the Indonesian regime in the late 1960s and for most of the 1970s as lead by a ruling group will not be repeated here. By the early 1980s, the usefulness of this concept is no longer evident. Suharto's position had become even stronger than before and the people closest to power at that time are better understood as aids than as members of a ruling circle. This is best seen in the way that the powerful men of the 1960s and 1970s fell by the wayside, or in other cases, stayed in power clearly at the discretion of the President.

To understand the constraints on the President and the direction of state policy from the late 1970s onwards, it is far more profitable to focus on emerging class forces at the top of society, created by the processes described in previous chapters. This subject will be discussed in greatest detail in the following chapter. The theoretical positions underpinning this have already been extensively discussed in several earlier chapters and will not be repeated here.

Although larger groups and forces were taking over as the chief constraints on executive power and as generators of economic and political dynamics, it is useful, before discussing these emerging forces, to look very briefly at the position of individuals and groups that have been mentioned before as possessing power and influence. In addition to the people termed as the ruling group, there were a few individuals in government that clearly had much influence, while probably not having the same access to the overall policy-making, particularly with regard to security, as the members of the old ruling group. These people included the minister for information, Harmoko, a civilian, who in a typical overlap of interests, managed his own private newspapers while having ministerial responsibility for such things as censorship and licenses to the press. Another was Brig. Gen. Murdiono, who succeeded Sudharmono at the State Secretariat in 1988 and had for some years been close to the President and involved in politics at the highest level. Yet another was Lt. Gen. Soepardjo Roestam, who after spending the early 1970s as an ambassador and the late 1970s as the Governor of Central Java, emerged as a key cabinet minister during the 1980s. Lastly, among military figures in the government machinery were General Rudini, who emerged as a powerful interior minister in 1988, most often seen as an ally of Murdani and with strong links to the officer corps, and Air Vice-Marshal Ginanjar Kartasasmita, an ally of Sudharmono, an enthusiast for national industrial strategy, linked to high finance through his brother, a businessman involved in a US \$ 2 billion bid for a petrochemical project. Among serving military officers, the Panglima ABRI, General Try Sutrisno, a former aid de camp of Suharto, and General Eddy Sudrajat, connected to Murdani and Rudini, were

clearly the most powerful. Sudrajat, who was seen as somewhat independent of the President was made ineffective by illness in 1990. The politically vital Kostrad command was in the hands of the President's brother in law, Maj. Gen. Wismoyo, while the President's son in law, Lt. Gen. Prabowo (Djodjohadikusumo), was moving up military ranks with some speed.

Among the technocrats, drs. Radius Prawiro, was thought to be very close to the President, not the least because of a family connection. His two sons have become business partners to Hutomo, Suharto's youngest son. Dr. Ali Wardhana was until 1988 undoubtedly highly influential in economic policy making. Dr. Johannes Sumarlin and dr. Wijoyo Nitisastro continued to have influence in their various capacities, and dr. Adrianus Moy became increasingly influential in economic affairs during the 1980s. While the technocrats held most of the high positions in economic management, such as the chairmanship of the planning agency, Bappenas, the ministry of finance, the co-ordinating ministry for the economy, the ministry of trade and the governorship of the Central Bank, and as such managed day to day economic policy of the country, there is much evidence to suggest that they had very much less than a free hand in making economic policy. It is useful at this juncture to examine their role.

The political and economic development of Indonesia during the New Order era has frequently been portrayed in terms of growing technocracy. This has most often been alleged in a very general sense rather than in the technically more correct sense of the term. Government policy, particularly in the economic sphere, is then seen to be increasingly shaped by people

guided by their knowledge and expertise, rather than self interests or political ideology. Much commentary on Indonesian economic policy and development has been implicitly or explicitly structured around the opposites of, on the one hand vested interests, not the least those thriving on corruption, ideologies and pre-modern ways of thinking, and on the other hand, rationality as expressed by policy making guided by technical competence.

The transition from the Old Order, characterised by irrational populist economic policy, which led to rapid inflation, external insolvency and economic decline, and to the New Order, characterised as it was by an economic programme designed by western trained economists and meeting with the general approval of the international banks and monetary agencies, was in this way portrayed in terms of modernisation and apolitical technocracy.

The fundamental change in economic policy in the 1980s, to be discussed below, has in a similar fashion, been seen as the triumph of technocratic reason, and often, although more often implicitly than explicitly it has been seen to result from the combined advice of the government's small band of influential technocrats, and their colleagues in the main centres of international financial decision making.

The question of why the regime followed the economic policy it did follow in the 1970s, and why it changed its economic policy in the 1980s is central to

the whole thrust of arguments in this thesis. It is worth looking briefly at the political position of the technocrats in this particular context.

The group of economists, sometimes collectively called the "Berkeley Mafia", and more often simply "the technocrats", was drafted into government service at the onset of the New Order. [3] At a similar time, such teams of economists were hired by military governments in Latin America, such as the one in Brazil in the mid 1960s, and a little later by the Pinochet government in Chile, which recruited a group of economists many of whose members had trained at the University of Chicago. This nucleus of influential economists attracted attention in political analysis of Latin America, no less than in Indonesia, and different views of their function formed parts of various theoretical constructs. The BA theories discussed in an earlier chapter gave much attention to this phenomenon, and so did in a different way some of the constructs of the dependency theories. None of the earlier discussion on the BA theories or on technocrats in that context will be repeated here.

In radical scholarship on Indonesia, particularly early on, and especially in scholarship influenced by the dependency paradigm, the assertion was made that the group of technocrats was dominated by American ideology, deliberately inculcated by American universities and paid for by American capitalist foundations. [4]

The assertion is probably true to the extent that American foundations were interested in seeing their own ideological principles prevail abroad, and they certainly provided scholarships for some of the more influential economists,

and their protégés at American universities. Three of the original group, dr. Wijojo Nitisastro, the dean of the group, dr. Ali Wardhana, probably primus inter pares in the group in the mid 1980s, and dr. Emil Salim were educated at Berkeley, hence the name given to the group, and so were a few of their assistants over the years that followed. Three others had studied in America, dr. Subroto, the oil and energy minister, dr. J.B Sumarlin, the finance and economic affairs minister and dr. Mohammad Sadli, of the investment board and mining ministry, who completed his studies in Indonesia. Two others were trained in Holland, drs. Radius Prawiro, finance minister and drs. Frans Seda. The simple assertion of the dependency school, however, is misleading on at least two important counts.

To start with, the Indonesian economists that rose to prominence with the New Order did not, ideologically, distinguish themselves from any group of mainstream economists to be found the world over. They believed that an overall increase in GNP would eventually eliminate poverty, and that such an increase was made possible by a set of policy principles, supposedly more characterised by their rationality than by any particular view of society. If there was an American conspiracy in this instance, it must either have been successful on a global scale, or, more likely, that it simply ran parallel to a very powerful trend within the subject. None of this, it should be noted, means that the position taken by the economists was intrinsically apolitical.

The mainstream views held by these economists were relatively new to Indonesia, at least as a government policy, and represented a view

incompatible with the politics of the past. This made their views conspicuous and more clearly political in Indonesia than would have been the case in many other countries. Any other basic view than that taken by these economists, would, in the international context, on the other hand, have been more exceptional than the common economic and political premises they shared.

Another point, and more important in this respect, is the fact that government policy in Indonesia for most of the 1970s and for the first half of the 1980s, was not a policy of openness to foreign capital, or to foreign imports, nor was it a policy very conducive to free enterprise at home. It did not serve well any of the interests a western free market policy is supposed to serve. This point, frequently overlooked, has importance beyond the present discussion and will be returned to later.

In the context of the discussion on the technocrats it should be noted that they are thought to have argued consistently for policy changes in this respect. The fact that economic policy moved away from such principles from the early 1970s, and particularly after Malari in 1974, and until the price of oil fell in the early 1980s, goes some way to define the political importance of the technocrats. Their independence from the President is also in much doubt. The technocrats are not staff members at an autonomous institution, such as the Bundesbank in Germany, or of a civil service with a tradition of a distance from political power such as the northern European bureaucracies. Instead the technocrats serve at the discretion of the President, although

within the parameters of their brief they may enjoy professional autonomy. Two of the most important of the technocrats, drs. Radius Prawiro, who was probably their primus inter pares by the late 1980s, and dr. Sumitro Djodjohadikusumo, the founding father of economic studies in Indonesia, are related to the Suharto family by marriage. The latter is businessman of considerable substance, one of the ten or so largest pribumi businessmen in the country according to *Warta Ekonomi*, while the former's family is engaged in business with Suharto's youngest son.

There is also much anecdotal evidence to show that the interests of the ruling group prevailed over policy arguments from the technocrats. In one of the better known examples of this from the early days of the New Order, Lt. Gen. Humardhani clashed with the minister of trade, dr. Sumitro Djodjohadikusumo, who, although highly influential at times, had a position somewhat different from that of the other economists, and is often seen as separate from them. Sumitro, who was particularly influential at this time, and seen by many outside observers as providing a crucial credibility to the government among foreign bankers, was forced to step down as minister of trade, in spite of the damage this did to the government's standing with its foreign lenders. The disagreement was over the question of Japanese investment, which Humardhani effectively represented. The issue was important for Humardhani as well as for Murtopo, Suharto and others, as Japanese investment was essential to a particularly lucrative opportunities for cashing in on political connections, as pointed out earlier. Other examples of the ruling group resisting technocratic pressures for rationalisation include various clashes over

Pertamina, and more recently, the import monopolies connected to the Suharto family and other powerful parties, to be briefly discussed below.

In the early years of the New Order the influence of the technocrats seemed even greater than it has been portrayed to be at most later times. The explanation for this is probably quite simple. There were, quite simply, no other options in 1966-1968 for bringing inflation under control and revitalising economic production than the route taken, the opening up of the economy to inflow of foreign funds. Such an opening would have counted for little, if the economy had not been managed in such a way as to build confidence among those foreign parties that could help with funds and investment. Given these considerations, and the very tight restrictions presented by them and by the desperate state of the economy, the route taken requires no political explanation. [5]

Over the years since the initial success in bringing inflation under control and restoring production and external trading, the government's policy has in important ways been at variance with what western economic thinking and western economic interests would favour. Large parts of the economy have continued to be operated by the state, and although great changes have taken place in the economy with regard to the relative importance of various sectors, the overall picture of state control over key industries and over the financial sector has remained. The oil and gas industry has remained public, so have utilities, large parts of the transport system, important parts of the plantation sectors, various industrial sectors, rice marketing and until recently,

almost the entire banking sector. Apart from this, private investment has been subject to various controls and licences and various sectors of the private economy are either run as monopolies or restricted by marketing or trading arrangements imposed by the government.

This picture of state controlled economy, which lead one economist in the late 1970s' to conclude that the economy was more effectively state controlled under the New Order than it ever was under Sukarno's Guided Economy, is clearly at variance with what could have been expected if western trained technocrats had been influential in forming government policy, let alone with the notion of powerful technocrats as agents of foreign capital. [6] The economic policy, on the other hand, is much in line with what to expect if viewed from the vantage points developed in the preceding chapters.

State intervention in the economy and state management of large enterprises was indispensable from this viewpoint. The patronage system was based on direct control over economic resources through the state and a system of government licences, concessions, monopolies. By far the most important asset in this system was political clout and connections, not a capital base or management expertise. If the economy had been run along the general lines of a rational, predictable and open management of a fairly open and free economy, as suggested by the mainstream economic training of the technocrats, and by the advice of the agencies of the international financial system, few of the pribumi fortunes made in the 1970s and early 1980s would have been made at all, and the Chinese conglomerates would without

doubt have taken a very different shape. To heed the advice of the technocrats and their international colleagues would have been something of a suicide for the ruling group, and their military and Chinese associates. The economic landscape of the country, as far as the structure of ownership is concerned would have been quite different with corresponding political implications.

The role of the technocrats was to manage as efficiently as possible a system constituted by the interests of those in power. The system was managed by expertise, but lead by the interests of the ruling group. The emergence of the technocrats in this capacity was therefor far less remarkable than it has often been made out to be. Provision of such technical advice to the military was also less new than is often assumed.

The economic faculty of the University of Indonesia had been supplying advice and expertise to the military for several years prior to the emergence of a formal team of advisers in 1966, which was later followed by the elevation of much of the main advisory team to the cabinet. After the nationalisation of the Dutch enterprises in the late 1950s, the army instituted a teaching programme in economics, taught by economists from UI, at the staff college in Bandung. This was at the time of Suharto's presence there. Over the years, according to a present member of the faculty, advice was sought by the military and by leading figures in army finance. Once these leading figures of army finance were in government and running various parts of the vast ensemble of state concern, advice was sought on a more formal

and regular basis. [7] The difference between this technical advice on the one hand, and participation in basic policy making affecting the foundations of the system, on the other, is, of course, fundamental.

Economic policy, however, came to be changed. This was not because the technocrats had finally, after twenty years of talking, won the argument, but because of the fundamental changes to the ownership structure in the economy, to be discussed in the following chapter, and more immediately, because the most important source of liquidity in the system, oil, had sharply fallen in price.

The changes were represented by the buzzword "de-regulation", reflecting both the essence of the initiatives and their international character, as de-regulation was a global concept at the time, heralding a reduction in the regulatory role of the state the world over. The fact that this was a global phenomenon should, however, not be pushed to far with regard to Indonesia. The economic and political changes calling for de-regulation in North-America, Britain and much of Europe were not necessarily the same, or were at least not present in the same proportions as what obtained in Indonesia. The de-regulation of the economies of the West may, however, have made such changes more necessary in Indonesia and in other countries with comparable niches in the world economy, but these were neither the direct cause, nor the only dynamics of these changes in Indonesia. This can for instance be seen from the vast differences between Asian countries in adopting de-regulatory measures over the past five or ten years.

The global thrust towards less regulations was, in other words, undoubtedly of some influence, particularly by affecting the competitive position of Indonesian firms and of Indonesia as a home to foreign investment, and possibly more indirectly by strengthening the hand of the owners of Indonesia's rapidly growing foreign debt, who dispensed such advice. The causes, the constraints and the dynamics of the process were very much shaped by domestic realities and considerations, and by the externally determined fall in oil revenue.

Early in the 1980s, if not well before that time, something of a general consensus existed among observers of Indonesia on the need for abolishing certain monopolies in the economy, simplifying investment, particularly foreign investment and for reducing licensing and red tape in general. This, however, would clearly have cut across the interests of large and small rent-seekers in the bureaucracy, military and political circles. An overhaul of this system clearly meant a challenge to the whole rentier system, one of the main structures of the Indonesian state, and the main pillar under the regime.

Economic logic very strongly dictated a sharp break with the capricious and cumbersome system which clearly acted to delay investment, make it more costly, and to increase the price of raw material and machinery imported, and hence to increase the cost of domestic production. In spite of the obvious benefits, the progress towards de-regulation was very slow, reflecting the vital interests at stake.

The collapse in oil revenues in the early 1980s forced the governments hand in this respect. After climbing rapidly between 1978/79 and 1981/82, from US \$ 7.4 bn. to US \$ 19.0 bn., oil revenue fell sharply in the following years, and were eventually halved. As a percentage of government revenue, taxes on oil and gas rose up to a high of 70 per cent in the financial year 1981/82.

As a proportion of total exports, oil and gas accounted for almost 82 per cent that year. This had fallen to 75 per cent in 1984 and to less than 50 per cent in 1988, representing both a large fall in oil earnings and a remarkable growth in non-oil exports. A proportionally smaller, but very substantial fall in tax revenue from oil transformed government finance in the same period, and lead to both increased external borrowing, increased aid receipts from Western governments and Japan, and to an increase in taxation. Although this increase was small in real terms, it was proportionally very high, as it started from a low base. In 1989, only 780.000 individuals, 0.4 per cent of the population. paid income tax, and most businesses successfully avoided heavy tax bills. [⁸] The increase in 1989 and 1990 was, however, politically significant out of proportion to the revenue raised, as the New Order government was for the first time in a significant way resorting to taxation on society to finance its spending.

The ability of the regime to finance both the patronage system and the industrial development taking place under the auspices of the state and Chinese conglomerates using government credit was sharply reduced. This could only be sustained by far higher taxation, which would have been an

entirely different proposition, politically, from the previous financing of this system from taxes on oil exports.

It is in this fact that the key to Indonesia's industrial policy in the 1980s is to be found, and at the same time the key to the process of class formation at the top of Indonesian society. There are, however, two alternative theories, both of which are rejected here, but deserving attention.

One is Robison's claim that the growing capitalist class in Indonesia, including the pribumi business class, had begun to have an interest in the dismantling of the patrimonial state in favour of a more predictable, regularised environment. This is one of the central claims of Robison's influential book. [Robison :1986] This conclusion seems unwarranted. As will be made clear in the chapter that follows, privileged access to the state has continued to be the overwhelmingly important factor in the growth of the largest pribumi enterprises, as well as in the continued expansion of several of the largest Chinese conglomerates. During the five years since Robison published his findings, these conglomerates have expanded dramatically, and mostly through projects that receive *de facto* monopoly or quasi monopoly rights or state concessions. This point will be discussed in much more detail in a different context in the following chapter.

In what could be called mainstream analysis or commentary on Indonesia, another explanation has been the most prominent. This is the notion of technocratic pressures from within and outside Indonesia. With regard to

external pressures, it has been pointed out earlier that Indonesian economic policy since the oil boom of the early 1970s was hardly characterised by compliance with western industrial interests. It has also been pointed out that since this independence was gained by elevated oil revenue, it was eroded by its subsequent fall. This erosion, however, had nothing to do with technocratic arguments for de-regulation, but with the state's ability to finance an alternative policy. The key to understanding de-regulation in Indonesia is certainly not to be found in the course of the twenty year old debate between technocrats and various political figures, although the debate over industrial strategy was central to the de-regulation debate at the time.

Although an industrial strategy has never been devised or carried out to anything like the same extent as in India, or in a very different fashion, Japan, South Korea and Singapore, the notion of such a strategy has been both politically and economically important. The economic argument is not the least based on wishes to emulate the success of some other East Asian economies, and on rejection of the immutability of existing comparative advantage between nations. At an ideological level this finds support in suspicion of foreign dependency and neo-colonialism, and in sentiments of nationalism and calls for Indonesia's entry into the modern world of technology and industry. Several powerful figures have advocated various forms of such a strategy, starting with Murtopo and Humardhani, who worked with Chinese intellectuals concerned with giving Indonesian Chinese capital role in such a strategy, to Sudharmono, Kartasasmita, and most notably, Habibie, whose arguments have revolved around the nationalistic and

technological side of the matter, and been less concerned with giving role to Chinese capital.

The economic argument is as complex as the ideological one is simple. While there has been limited success in altering the division of labour in Indonesia's favour, as for instance in the plywood and rattan industries, where higher value is added to products under the shield of export bans on raw material, made possible by Indonesia's dominant position as supplier, there are also clear example of wastage caused by protection and by emphasis on higher levels of technology that the nature and composition of the economy would seem to call for.

The important political point about this debate, and various strategies devised and followed, has to do with the concentration of ownership of favoured domestic industrial concerns in the hands of the state, the military and the small community of large Chinese and Suharto linked businessmen. Although a cohesive strategy hardly exists, the notion of such a strategy has been used for granting government subsidies, licences and concessions to mainly Chinese and Suharto owned firms that have through this grown into large conglomerates, each spanning several industries, and collectively dominating the Indonesian economy . The notion of strategy has in this way given intellectual and political legitimation to parts of the vast patronage system instituted by Suharto. A nationalistic ideology has in this way been used to conceal and legitimise the rapid rise of conglomerates that few in pribumi society would identify with Indonesian national aspirations. The rise of the

conglomerates would have been unthinkable without state patronage. As pointed out below, most of the largest conglomerates relied on monopolies, concessions and state sponsorship for their growth, while many of the rest grew under the wings of the these favoured companies.

At the same time, foreign companies were increasingly complaining of the cost of the capricious licensing system, and increasingly, with de-regulation elsewhere, they had attractive alternatives. Western governments helped substantially with increased aid, but this also put them into a strong position to demand de-regulation, to benefit foreign investment.

Before relaxing the system, however, Suharto instituted one of his more blatant schemes for what amounted to a private tax on sections of industry. A monopoly on the import of plastics, tin plates and some other raw material for important industries was awarded to companies specifically set up for this purpose. These companies were jointly owned by the Suharto family and Suharto's chief Chinese business cronies with a few others as partners. The monopoly increased the price of plastics and tin plates to Indonesian industry, instead of reducing the price which was the claimed purpose of the scheme. In effect, what amounted to paper companies, collected tax from the relevant industries for the benefit of the Suharto family and a few of its cronies. [9]

These monopolies were more serious for the economy than other such schemes, such as the highly lucrative kretek monopoly shared by Suharto's brother, Probosutejo, and the President's long time business crony, Liem Sioe

Liong, or the more recently installed clove purchasing monopoly in the same industry set up primarily by Suharto's youngest son, Hutomo Putra Mandala, and his partners, Radius Prawiro's sons being among them. [¹⁰]

Instead of only taxing consumers of protected industries, like earlier schemes, the new monopolies incurred extra cost to important, competitive and potentially fast growing industries and thus thwarted their growth. This was particularly serious with regard to industries using plastics, tin plates and certain types of steel as raw materials and lead to widespread criticism within the business community in Indonesia. These monopolies affected materials and goods worth US \$ 1.5 billion in 1985.

The significant cost added to Indonesian industry through these schemes was skimmed off as profits, mainly for the Suharto family, but also for its Chinese cronies, such as Liem Sioe Liong and Bob Hasan, and a few pribumi interests, such as the Bakrie family, and in a later stage, the family of chief technocrat, drs. Radius Prawiro. According to the Asian Wall Street Journal (24.11.86), the tin plate monopoly may have added 60-70 Per cent to the price of tin cans. This monopoly was shared by two "cukongs", Liem and Hasan, and two Suharto family members, Sigit and Sudwikatmono, as well as with a state owned firm. The tin plate monopoly is just one example of 165 import and trading monopolies in effect in the mid 1980s. This number had been reduced to 44 by 1991.

In almost every case, where a lucrative scheme existed for skimming off profits, often through no more effort than the processing of papers, the Suharto family was involved, either through one or more of four Suharto children, Sigit, Bambang, Hutomo and Siti, through one of his two brothers, Sudwikatmono or Probosutedjo, or through people related to Suharto by marriage, such as his son in law, Indra Rukmana, his brother in law, Bernard Ibnu Hardjodjo, or the family of Bulog Chief, Bustanil Arifin. In a later stage, as pointed out before, even the two sons, Yusni and Baktinendra, of chief technocrat, Radius Prawiro, who supposedly, had been at the forefront of fighting against monopolies, became involved with the Suharto family in a lucrative kretek monopoly, which was supported by a US \$ 250 million low interest, state sponsored loan to start up in 1991.

These numerous schemes, increasingly monopolised by the Suharto family, served to further narrow the base of the regime. The Suharto family was by this time clearly by far the largest beneficiary of the system, and while other continued to benefit, the system was increasingly centralised, and increasingly yielding its profits to the very richest players. Several academics and journalists in Indonesia voiced the opinion in interviews for this thesis that these monopolies were a highly important contribution to a process of gradual political alienation of the younger officers from the regime. It has also been alleged that these monopolies were an important issue between General Murdani and President Suharto, leading to the removal of the former from ABRI command. Serious problems in Australian-Indonesian relations in the mid to late 1980s were sparked off by newspaper articles in Australia,

discussing, among other things, these monopolies. Commentators have argued that the curious over-reaction to these articles in Jakarta was not unconnected to this allegedly increasing military criticism of the rapacity of the Suharto family, most nakedly displayed by the import monopolies.

At the same time, the centralisation of the government tendering system in the State Secretariat, made it far more difficult for military commanders in the regions and men in influential positions in the bureaucracy to derive benefice income without the sanction of the State Secretariat under Sudharmono. This, in turn, may explain some of the intense opposition to Sudharmono within the military, clearly displayed at the time of his election to the Vice-Presidency, and apparently frequently and openly voiced to foreign journalists by military men since then.

As the military continued to have a firm grip on security, and the political system blocked any voicing of protest, the most serious challenge to the ruling group was bound to emerge from within the military. Because of the centralisation of promotions, both within the military hierarchy, particularly though after the round of criticism discussed here, and perhaps more importantly at the time, the centralisation of remuneration and service assignments in the karyawan system under the ultimate control of the President, such criticism was also likely to emerge from retired rather than serving officers. The most important criticism that surfaced from the late 1970s to the early 1980s came from a group of highly eminent retired officers.

Much of this was dismissed by the regime as grumbles from men that had lost out in the system.

Behind the criticism were several highly prominent former generals, such as General Nasution, the long time commander of the army, and later defence minister, Lt. Gen. Simatupang, the widely respected former army chief of staff, Lt. Gen. Dharsono, the former Siliwangi commander and a leader of New Order radicals and alter Secretary-General of ASEAN, Lt. Gen. Mokoginta, former inter-regional commander of Sumatra and later director of Tri Usaha Bhakti, Lt. Gen. Jasin, former commander of the East Java Brawijaya division and later army deputy chief of staff Lt. Gen. Kemal Idris, the former commander of Kostrad, and a leader of the New Order Radicals, Adm. Ali Sadikin, the controversial, but popular and formerly highly powerful Governor of Jakarta, Lt. Gen. Sutopo Juwono, who had been head of Bakin in the early 1970s, and Lt. Gen. Charis Suhud, also a formerly high placed intelligence officer, and briefly the deputy head of Kopkamtib. In addition, several highly placed active officers were known to share their critical views of the way the ruling group had managed the army's role in society, and the way corruption and capricious style of government had continued to be the modus operandi of the New Order.

These people, who form a significant slice of the best known and most respected group of military figures in Indonesian history, voiced their criticism in different ways and to different degrees. The history of this protest has

been extensively researched and analyzed by David Jenkins and will not be related here. [11]

Two things, however, are of importance in the present context. One is the content of the debate. Partly this was a re-run of the controversies of the early New Order, but this simplification should not be taken too far, as not only were conditions different, but the actors involved were of a far broader base than the New Order radicals. The concerns expressed by the critics, were, in a sense, also less partisan, notwithstanding the government's counter accusation of sour grapes. The main thrust of the criticism was that the military needed to take a far more principled attitude to its role in society, and to give up some of its control and much of its day to day management of government administration and business concerns through the *karyawan* system which by this time involved 17.000 active officers. The right and duty of the military to retain capacity for being an arbiter in politics and the defender of the constitution, was not, however, questioned.

The more important point, though, is the fact that even this group which came close to being the most impressive line-up of Indonesian leaders imaginable, failed to make a serious challenge to the President or the remnants of a ruling group that had seen its number seriously dwindle, a regime that was almost universally acknowledged to be exceedingly corrupt, and a regime that relied on the coercive powers of a military organisation that was being increasingly marginalised in business and politics.

The reasons for the staying power of the regime, as pointed out with regard to earlier crises, was in the central control of the vast patronage system. Within the military, the karyawan system, criticised by the ex-officers, employed 17.000 military men, a substantial part of the officer corps of an organisation numbering only around 300.000, in occupations that were normally far more lucrative than a military salary. These men were answerable to the regime rather than to the military. The commander of the military was also a Presidential appointee, who in turn controlled promotions within the ranks.

Important as this may have been in explaining the strength of the regime vis a vis the military as an institution, and however prominent this was in day to day politics, longer term developments in the economy and in economic policy were reshaping political divides and the position of the military to the extent of making this debate superficial and relatively unimportant for the political structure of society.

The military was no longer in control of the commanding heights of the economy. The military owned companies, as pointed out before, had gone into serious decline and were by the late 1980s not very important in the fast growing industrial base of the economy. In spite of the size of the state sector, not the least displayed by the size of the karyawan system, the state was also playing a rapidly declining role on the productive side of the economy. State enterprises had generally not grown to anything like the same extent as the private sector, and had in some cases declined in real

terms or ceased trading. The banking sector, along with public utilities were two exceptions from this. Even in the most traditional of military and state activities, privatisation of economic activity had taken place, road construction being one example, where Suharto related companies not only built roads but also operated them through a system of road tolls. By 1991 three of his children operated major enterprises of this kind. While the sharply diminishing economic clout of the military caused a somewhat belated concern in military circles in the late 1980s, and the importance of this should not be underestimated as the 1991 military coup in Thailand over not too dissimilar grievance shows, the military had been much sidelined as an influence over longer term developments in the Indonesian economy, and hence Indonesian politics. Its power rested on its ultimate power of veto, rather than on an ability to greatly influence the fast flowing current of change. This loss of power occurred at the same time as the military kept 17,000 officers in many of the most important positions of the state, which in turn illustrates how deceptive a focus on institutional arrangements and political events can be for understanding longer term developments.

These longer term developments were reshaping the class configuration at the top of society. In the 1970s a number of Indonesian Chinese business men began to form an extremely important, if small in numbers, domestic class of capitalists, and at the same time, a small number of military men, members of the ruling group and a few other well connected officers, formed a pribumi group, intimately linked to Chinese capital. Neither of these elements could exist without foreign capital and technology, and neither element could survive

without the other. This threefold alliance between foreign, Chinese and private military-pribumi capital generated such changes as to gradually alter the very structures of the economy and eventually the state. It is of some interest in this context to bear in mind the theories put forward by Evans and others on the "triple alliance" in Latin America between foreign capital, domestic monopoly capital and state officials, although the comparison should not be taken too far, as discussed in an earlier theoretical chapter. The various theories of the state elaborated earlier, both of the instrumentalist school and of the structuralist kind offer insights into this process. None of the theoretical discussion of the earlier chapters will, however, be repeated here.

The classes that had began to form in the late 1980s, their composition and the emerging politics around them are the subject of the following chapter.

Notes

1. Corporate tax on oil grew from Rp. bn. 2.300 in 1978 to Rp. bn. 8.700 in 1981. Over the same period income tax receipts grew from around Rp. bn. 120 to Rp. bn. 200 and tax on domestic consumption from Rp. bn. 500 to Rp. bn. 890.
2. Figures are adapted from the World Bank report of 1988.
3. For an early discussion on this see David Ransom's article, *The Berkeley Mafia*, in *Ramparts*, 1970.

4. Prime example of this view is Ransom's article, as above. This view is also implicit and occasionally explicit in such writings as *The Showcase state* by Mortimer, as above.
5. This general argument is not new and can be found in such diverse writings as in Ben Anderson's *Old State, New Society*, as above, and in Dawam Rahardjo's introduction to Nurcholis Madjid's, 1987, *Islam, Keindonesian, Kemandirian*.
6. See Bruce Glassburner, 1978, *Political Economy and the Soeharto Regime*, *Bulletin of Indonesian Economic Studies*, vol. 14, no. 3.
7. Interview with Dorojatun Kuntjoro-Jakti, February, 1989.
8. Figures from a Reuters dispatch, February, 1991.
9. The monopolies and the ownership of the companies concerned was extensively investigated by the *Asian Wall Street Journal* which published its findings and a stinging criticism of the rapacity of the Suharto family in this respect in a series of articles in November 1986.
10. Both monopolies have been criticised openly, if not forcefully in Indonesian publications. The former monopoly was discussed by the *Asian Wall Street Journal*, while the newer and even more controversial monopoly was discussed in several articles and news items in the *FEER* 1990-1991.
11. David Jenkins, 1983, *Suharto and His Generals*, Cornell Modern Indonesia Project, Monograph Series.

CHAPTER 12

THE EMERGING CAPITALIST CLASS

The debate over the existence or non-existence of a capitalist class or a bourgeoisie in Indonesia has been a lively one in academic circles for a number of years. Robison, who failed to find any such class in the mid 1970s, found much evidence of its formation in the mid 1980s. His findings failed to impress Jeffrey Winters, who found the term "capitalist crust" a more appropriate label for the handful of capitalists identified by Robison. [1]

According to surveys of the largest companies in Indonesia produced by the business magazine, *Warta Ekonomi*, no pribumi company was to be found among the top ten enterprises in the country in 1989-1991. The list for 1991 shows only 11 pribumi companies among the 60 largest enterprises. Six of the eleven are owned by the Suharto family, one more by a business man related to the family by marriage, and further 2 by Suharto's military cronies. One of the two remaining pribumi company enjoys important business links to the Suharto companies and to the largest Chinese conglomerates. These major enterprises, Chinese and pribumi, will be discussed below, particularly in endnotes to this chapter.

Parallel to the debate about the existence of a capitalist class in Indonesia there has been a much wider discussion on the existence or non-existence of a middle class. There have been far more participants in this debate than in the one on the bourgeoisie, and the debate has been much less theoretical. Neither of these debates has been grounded in comprehensive data, although Robison's research on the capitalist class was impressive and highly useful, if somewhat outdated by now. In the case of the debate on the middle class, little attention has been paid to lessons that may be drawn from theories or from the direct experience of other societies, a statement that holds for much political analysis of Indonesia.

As the debates have run largely on separate tracks, the question of to what extent these two classes are linked with regard to political interests, and to what extent they are separate entities with differing interests, has not received much attention. As most commentators have focused on one or the other of these two classes, there has been a tendency to fuse the two together by extending the arguments about one to the other. In the discussion below, a sharp distinction will be made between what is termed a middle class and what will be called a capitalist class. This current chapter will discuss the capitalist class, while the middle class will be discussed in the following chapter.

With regard to the capitalist class there are four main points of immediate relevance here. One is the nature of capital accumulation in the largest Chinese and pribumi conglomerates. A second point is on the extensive and

intensive linkages between these companies. The third point is on the concentration of ownership in the economy into the hands of a tiny group of people. The fourth point is on the identity of the few pribumi businessmen controlling a handful of businesses that totally dominate the modern pribumi owned part of the economy, and the links of these to the largest Chinese owned conglomerates. These crucial points that determine the political character of the capitalist class in Indonesia can not be adequately put without a great deal of reference to individual companies. Information on the companies will, however, be kept to a minimum. In spite of that, it would be too cumbersome to include this in the main body of the text with the extensive references required. For this reason most of the this information is to be found in endnotes to this chapter.

It should be pointed out, and underlined, that although great deal of effort has been put into collecting this information and cross-checking it, some of it is based on conjecture, a fact necessitated by the chief method of capital accumulation prevailing in Indonesia. The contours, however, should be quite clear, and all the more important of the information should be correct.

It should also be pointed out that the difficulties in collecting this data have been significant, although much information is coming to light at the time of the completion of this thesis. These difficulties make the data less complete and less comprehensive than would have been desirable, although the outlines of private capital accumulation and the composition and nature of the tiny capitalist class in Indonesia should be reasonably clear from this. [2]

The Salim Group of Liem Sioe Liong is by far the largest of the conglomerates with ten times the turnover of the tenth largest company in Indonesia, and at least four times that of the third largest group. [3] Its dominance, along with a few other companies can be surmised from the fact that the Salim group is larger, by turnover, than the combined total of 100 of Indonesia's 200 largest companies. Along with second placed Astra, Salim accounts for as much business as 150 of the 200 largest companies in the country. The group is involved in almost every sector of the economy, but in almost every instance the group has relied on government disposition of monopolies, concessions, contracts and privileged access to licences and credit, except in some cases, for its recent but fast growing overseas operations. The group has been inextricably linked to the Suharto family through family shareholdings, joint monopoly ventures and links to the Suharto yayasans. Of 44 private monopolies in Indonesia, 17 are held by the Salim group, including several of the most profitable and long term monopolies. The group has also spawned some of the other Chinese owned conglomerates and has extensive links throughout the Indonesian business world. The Salim group has been rapidly expanding overseas in the most recent years, particularly in Singapore, where it owns two of the country's largest companies, in Hong Kong, where its main investment vehicle, the First Pacific group, is based, and most recently in Holland, where the group controls a major trading company and is seeking to acquire another major company in Dutch overseas trading.

The Second largest group is the Astra group of the Soeryajaya family. [4] This group has relied on political contacts to a lesser extent than the Salim group, or some of the large conglomerates, although important early contacts with Suharto and in particular, with Sutowo, were instrumental, and probably vital, in its take-off phase. Robison [1977] identified Soeryajaya as one of Sutowo's main "cukongs". Astra also currently holds six monopolies, more than any other private or publicly listed company, apart from Liem's Salim group. Its reputation for a certain detachment from the prevalent New Order business arrangement has probably more to do with its somewhat limited integration with the Jakarta business world than with lack of regime sponsorship. Parts of Astra, however, have now been listed on the Jakarta stock exchange, and both Astra, and Summa, another Soeryajaya company have several joint ventures with other companies, including those of the Suharto family.

Apart from the pre-eminent position of these two largest groups, limited unanimity exists on the exact relative position of the largest enterprises in Indonesia. Several sources, including *Warta Ekonomi*, put the Sinar Mas group of Eka Cipta in third place. According to WE this group is about half the size of Astra and about twice the size of the fourth and fifth placed tobacco companies, Gudang Garam and Djarum. As recently as 1987, Eka Cipta was put far lower on the list by Indonesian and American sources. Eka Cipta has close relationship with the Salim group. It has also important connections to Suharto, including direct stakes owned by two Suharto family

members, as well as some joint ventures. The company had past connections to Murtopo and Humardhani. [5]

Following the two largest tobacco companies, which have a somewhat different position in the corporate world from that of most of the largest conglomerates, comes, according to WE in 1991, the Dharmala group of Suhargo Gondokusomo, a group slightly lower on the 1990 list. Gondokusomo was ranked as number three by Expo in 1984. He is the brother in law of Go Swie Kie, ranked number two by Expo, and as "one of the wealthiest Chinese in Indonesia" by Kunio [1988], but ranked far lower in wealth by Warta Ekonomi. Both men have enjoyed close connections to Bulog and more indirectly to Suharto. The Dharmala group benefits from two separate monopolies. [6]

Two other companies, among the top ten on Warta Ekonomi lists, are those of Mochtar Riady [7] and Bob Hasan [8]. The former is particularly closely connected to the Salim group and the latter is linked to an array of Suharto companies, Hasan being Suharto's oldest cronies along with Liem. Hasan is one of the chief private beneficiaries of a government policy to protect and support the plywood and rattan industries. He has included several members of the Suharto family as stakeholders in his ventures, including three of Suharto's children. According to WE list in 1991, the largest Pribumi company is Bambang Trihatmodjo's Bimantara group, the largest Suharto enterprise, placed 11th among Indonesian companies. This company will be discussed below.

Following Bimantara on the 1991 Warta Ekonomi list are the companies of Prajogo Pangestu. [9] Prajogo has enjoyed a spectacularly rapid success in recent years through rapidly growing Suharto connections, particularly with Siti Rukmana, who has been Prajogo's main sponsor. In two years he has emerged from a relative obscurity and become one of the foremost businessmen in Indonesia with vast industrial projects worth several billion US dollars in the pipelines. Most of these, and probably all the major ones, are joint ventures with the Suharto family, particularly with Siti Rukmana, but also with Bambang's Bimantara and with Sudwikatmono. Prajogo's spectacular rise is a testament to the continued, and even growing, centrality of Suharto connections in the Indonesian business world.

A little further down the list, are the companies of the Wanandi family [10], formerly particularly close to Murtopo and Humardhani, Nursalim's Gajah Tunggal, linked to the Sultan of Yogyakarta group, and its large Sogo store being Bimantara's tenant at Plaza Indonesia, the Raja Garuda Mas company of Sukanto, linked to Sinar Mas, Salim, the companies of Ciputra and more indirectly to Suharto [11]. Ciputra's position, however, is underestimated by this ranking, as he has a number of companies listed on the top 200 list of Indonesian companies.[12] Ciputra was ranked higher by Expo, and his presence in various sectors of the Indonesian economy has been growing in recent years. Ciputra is linked to the army, to the government, to Suharto and to Liem Sioe Liong through joint ventures and management of public companies.

In between these Chinese controlled companies are three Pribumi companies, that of Soedarpo Sastrosatomo [¹³], something of an anomaly in Indonesia, the Humpuss company of Hutomo Mandala Putra, Suharto's third son, and the Bakrie company, the largest of the few surviving Sumatran trading company, connected to Suharto through various joint undertakings. [¹⁴] A little further down the list are three Pribumi companies, the Krama Yudah of Lt. Gen. Sjarnoebi Said, [¹⁵] one of the early business generals and an associate of Sutowo at Pertamina, the Subentra company of Sudwikatmono, to be discussed below, and the Nusamba company, a company jointly owned by Sigit, Suharto's eldest son, and Bob Hassan. Sigit's businesses are discussed below. Still further down the list are four Pribumi companies, that of Ibnu Sutowo [¹⁶], those of Siti Rukmana, Suharto's eldest daughter, to be discussed below, and the Mercur Buana company of Suharto's brother, Probosutedjo, also to be discussed below, and lastly, the companies of the late Sultan Hamengkubuwono of Yogyakarta. [¹⁷]

The Sultan's companies are listed as number 69 in the WE list, having a turnover of less than 2 per cent of the Salim group and less than a seventh of the Bimantara group. Although the Sultan's wealth is probably still sizeable, his companies, or his shareholdings, are not a major presence in the economy. The position of the Sultan, relative to the large Chinese companies, and the Suharto conglomerates, has probably sharply declined in recent years, reflecting a lack of political muscle.

Siti Rukmana's companies are listed as number 49, a position grossly underestimated in the opinion of more than one source in Jakarta in early 1991. These will be discussed below along with other Suharto family companies. All 35 or so companies in the top 60 positions, whose owners have not been specifically mentioned, are Chinese owned, and so is the great majority of the companies that follow lower down the list, as well as, of course, the majority of the top companies already mentioned.

Two further points of interest with regard to this list may be mentioned. One is the position of Tri Usaha Bhakti, the largest of the military companies. It ranks number 95 on the WE list for 1991. Formerly this company figured large in studies on the Indonesian corporate scene and was seen as one of the central companies in the Indonesian business world. The second point is the position of Hasjim Ning as number 100 on the WE list. Ning's company is along with Bakrie Brothers the best known of the Sumatra trading companies mentioned earlier in this thesis. Ning secured a number of automobile franchises in the 1950s and since, such as Chrysler, shared with Sutowo, Ford, shared with Nursalim, Fiat, originally shared with Dasaad, another Sumatran trading company, BMW, later given over to Astra, Hino, later given over to Liem Sioe Liong and Mazda, also given over to Liem Sioe Liong.

These two anecdotal points illustrate how, in succession, two potential pribumi nuclei, the outer island trading houses and the military, were comprehensively eased out of central position in the economy. Instead, as can be seen from

the endnotes to this chapter, the dynamic core of the economy is now formed by the Liem - Suharto partnership, which involves and benefits a score of mainly Chinese owned conglomerates.

This has a greater political significance than any of the hotly debated events or political arrangements of the New Order era. It should be clear, without going into speculation on what might have been, that this economic arrangement, shaping class interests and class formation at the top of society, produces vastly different results from what would have transpired, if either the outer island bourgeoisie had come to dominate the economy, or if the military had maintained its earlier economic position. If the former had been the case, Indonesia's corporate world would have been dominated by outer islanders, many of them with political or religious affiliations of a kind very different from today's captains of industry. If the army had maintained its position, military companies, would be on par with the largest Chinese conglomerates, instead of the Suharto companies. The political results of this, both in short term, and with regard to a possible longer term development towards increased democracy, would, of course, be extremely different from what obtains at present.

Another feature of recent changes in corporate ownership is the relative decline in importance of the yayasans, a peculiar Indonesian business arrangement briefly discussed in an earlier chapter. Apart from the military yayasans, such as Tri Usaha Bhakti and the Siliwangi yayasans, several Suharto controlled yayasans had been mentioned earlier, as these were

central to the political economy of the 1970s. The yayasans are still important in many fields, more so politically than economically, but they seem to have yielded the central position they enjoyed a decade ago. The yayasans figure particularly prominently in political economy studies of the 1970s and still form an essential part of Robison's model in the mid 1980s.

Data is always a problem in studies of Indonesian business, and naturally so as the pattern of accumulation has not followed written regulations or accepted ethical codes to the letter. With the yayasans the problem is far greater than with most of the conglomerates. As a legal entity a yayasan has no members, only a board and assets managed by the board at their discretion. In practice the yayasan is inextricably tied up with its founder, either a person or a formal or informal entity, such as a group of military officers. There is no independent audit, no shareholders meeting, nor even a right for the state to inspect or interfere. There is no specific law governing the yayasans, and their founders' authority is virtually unlimited. Proposed legislation, aimed at giving the courts legal rights to inspect yayasans and at preventing yayasans from making direct payments to their founders, has been held up in the Justice ministry for six years. [FEER 4.10.90]

Suharto himself stated in his 1989 biography that one hundred per cent of the money collected by the yayasans founded by him was spent on social work. Various studies and commentaries have cast doubt on this statement. Robison's studies [1977 and 1986] offer a picture of the Suharto yayasans as core components of the prevailing New Order capital accumulation process,

with Chinese conglomerates, private profit for the President and his cronies, and vast networks of political patronage fused together in these charitable foundations.

The problem of data precludes any firm conclusions on the size, or relative economic importance of the yayasans. It seems, however, reasonably clear from evidence already discussed on the Indonesian corporate scene that the yayasans no longer play the central role that they seem to have played at the time of Robsion's and Kuntjoro-Jakti's [1982] studies in the late 1970s to the mid 1980s. The collective bank deposits of the yayasans in late 1989, however, were impressive at close to US \$ 1 billion. [FEER, 4.10.90]. This substantial sum may overstate the importance of the yayasans in the fast growing industrial economy. A list of some 150 companies controlled by the largest yayasans [WE 29.10.90], although impressive for the scope of activities the yayasans engage in, does not read like a list of successful, modern and expanding companies. With a few exceptions, the yayasan controlled banks are relatively unimportant financial institutions, the most valuable sharholdings seem to be focused on relatively mature industries, and on the list are a number of companies that have failed to grow in recent years. Indicative of this is the previously mentioned point that Tri Usaha Bhakti, the largest army enterprise now ranks as number 95 among Indonesia's company. The only other yayasan among Indonesia's 200 largest companies is the Bhumyamca, owner of the Admiral shipping group.

Several yayasans, however, have stakes in major companies. This is particularly true of the Suharto controlled yayasans. According to Suharto himself, in his 1989 biography, his major yayasans have, collectively, assets of around US \$ 200 million. This figure seems remarkably low. For one thing, Bank Duta, which is 75 per cent owned by three Suharto controlled yayasans recently lost more than US \$ 400 million on foreign exchange speculation, or twice the entire assets of its owners, if Suharto's figure is correct. The Suharto yayasans own shares in several large and profitable companies, particularly companies controlled by Liem Sieo Liong, Bob Hasan, Sudwikatmono and Suharto's children. Among these Liem and Sudwikatmono's Indocement and Hasan and Sigit's Nusamba are probably most important. In addition to the major yayasans mentioned by Suharto in this context there is the Harapan Kita yayasan controlled by his wife, the Kostrad Dharma Putra, reputedly controlled by Suharto and the Kartika Chandra, which owns two Jakarta hotels, usually seen as Suharto investments. Apart from profits from their own companies, Suharto controlled yayasans also receive fees and profit shares from at least two monopolies, the clove import monopoly of Liem and Probosutedjo, the latter being Suharto's half brother, and the Bogsari flour milling monopoly of Liem, Sudwikatmono and Bustanil Arifin's wife, who is a Suharto family member. However impressive the line up of yayasan controlled companies may have been a few years ago, and however large, extensive and profitable the yayasan network may still be, this now pales in comparison to a number of Chinese and Suharto owned conglomerates.

More importantly for future developments, the yayasans do not form a dynamic nucleus, but seem to be used for skimming of profits for private and political use, which is not a recent feature, but the very reason for their relative decline. The sums involved in this process are not particularly impressive either, if Suharto's autobiography is to be believed. He claims there that Dakab, the Suharto controlled, Golkar related yayasan, which has been thought to be Golkar's major source of fund, contributes around US \$ 100 thousand a month to Golkar. (Warta Ekonomi, [29.10.90], in a special report on the yayasans also uses the same figure, around US \$ 100 thousand, but claims this to be the annual rather than the monthly contribution to Golkar.) Such figures, however, should be taken with caution, the yayasans being almost impenetrable by outside scrutiny.

At the same time as the yayasans have through lack of investment failed to keep up with the rapidly expanding Chinese conglomerates, a dynamic partnership to Chinese capital has been provided by Suharto's children, and to a lesser extent by several other family members.

There are at least 9 members of the Suharto family engaged in business on a substantial scale. This is not counting several people who are relatives of the family or are counted as such, like the sons of drs. Prawiro, the members of Minister Habibie's family, who is as close to Suharto as the President's immediate family, or several relatives of Ibu Tien's, Suharto's wife. This is also apart from the President himself, whose main direct links to business are through the yayasans, and excludes his wife, Ibu Tien, whose

reputedly extensive financial dealings in the early New Order years have become less important, at least in relative terms, and seemingly confined to the family yayasans, such as Harapan Kita, and possibly Kartika Chandra. Harapan Kita, though, has continued to be a lively business concern and recently became the partner to Humpuss, the company of Hutomo (Suharto) in toll road construction and operation.

The information on the commercial activities of individual family members is, like the information contained in endnotes to this chapters, pieced together from various written sources, particularly Indonesian magazines, such as Warta Ekonomi, Swa Sembada, Prospek, Tempo and Editor, from the Far Eastern Economic Review and the Asian Wall Street Journal in Hong Kong, from the Strait Times of Singapore, and in a few cases from the study of Kunio [1988], Indonesia Reports of John MacDougal [1987-1990] and from interviews with knowledgeable but nameless sources in Jakarta. Nothing is included, however, on the sole basis of this lastly mentioned type of source.

Beginning with the less important of these 9 people, Bernard Ibnu Hardjodjo, a brother of Ibu Tien was, it seems from earlier studies, one of Suharto's main link with Liem Sioe Liong's business venture in the early 1970s. He now seems far less important in this respect and his operations are of a lesser size than those of several other family members. He has some joint ventures with Bob Hasan, is involved in logging and is partner with Japanese capital in cement production. [Kunio, 1988]

A rather more prominent, but at the same time, politically somewhat distant member of the family is Suharto's half brother, Probosutedjo. Probo who was a high school teacher in Sumatra into his thirties, until he moved into the Jakarta business world at the time of Suharto's assumption of power, recently threatened a law suit against a Yogyakarta Professor and the research institute LP3ES for suggesting that he had grown rich on contacts with Suharto. He has at times been an outspoken critic of government policies, not the least the Suharto controlled monopolies, tax evasion among top business men, and the dominance of Chinese businessmen in the New Order economy. Probosutedjo, however, holds a particularly lucrative joint monopoly with Liem Sioe Liong, the kretek import monopoly. His company, Mercu Buana, seems integrated in Suharto's network of yayasan's, and from Suharto's 1989 biography it can be surmised that this monopoly, and Probo's company, have been among the most important contributors of funds to his yayasans. In his threatened law suit, mentioned above, Probo stated that he received only a 2 per cent commission on clove imports from 1968 to 1986, and called his role in the matter a "mission" for his country. Other ventures include logging operations, plantation business, real estate development and motor vehicle import and assembly (Chevrolet, Bedford, Opel). Probsutedjo has been one of the main figures in Kadin, the Indonesian chamber of commerce which some analysts have looked to as a possible countervailing force to the regime. Relations between Probo and his brother, Suharto, are reputedly cool and most of the formers favoured business positions stem from the earlier half of the New Order period.

A third family member is Christine, Bustanil Arifin's wife, who holds the second largest stake in the Bogasari flour mill, one of the chief cash cows of the Suharto-Liem business arrangements. Their daughter is the principal owner of a company which, along with Perumtel, the state telephone company, holds a monopoly on data transmission through Indonesia's communication satellite. This monopoly was under criticism in the press in early 1991 for exorbitant rates and poor service. The only company licensed to bypass this service is Liem Sioe Liong's Salim group. Bustanil Arifin and his extensive business dealings have been discussed at length in this chapter and in an earlier chapter on the financial generals and none of this will be repeated here, except to reiterate the centrality of the Bulog-Bogasari monopoly arrangement for financing both sides of the Liem-Suharto partnership.

A fourth member of the family is Sudwikatmono, Suharto's foster brother. His business interests are very large and varied. His stakes in Bogasari and in Indocement, two of Liem's largest companies have often been regarded as being held by him on behalf of Suharto. He is the president of Indocement and holds 10 per cent share in the company, according to publicly available records. He is a director of Bogasari, which links together several of the leading business houses with the President's family. His own company, Subentra, ranks as no. 33 on the Warta Ekonomi list for 1991. This company won a government contract in the early 1980s for a large petrochemical factory.

Subentra holds two of the 44 remaining import and trading monopolies, one of these being a monopoly on imports and distribution of motion pictures. This highly controversial monopoly came under fire from American trade negotiators in early 1991 and speculation followed in the Indonesian press that Sudwikatmono would be forced to yield his monopoly position in the industry to avoid American trade retaliation. Another media venture is a television station in Surabaya, Surya Citra Televisi. The station aroused protest last year from muslims for screening western shows they deemed offensive. The station also showed a peculiar lack of sensitivity by broadcasting, during Ramadan, a programme showing preparation of pork dishes. Sudwikatmono was one of the chief beneficiaries of the import and trade monopolies in the 1980s. He was one of the owners of Panca Holdings which the Asian Wall Street Journal (24.11.86) estimated to have netted US \$ 30 million in 1985 for "just processing paper". He was also a joint owner of the steel import monopoly and served as its managing director. Sudwikatmono is a partner in Mindo Petroleum, which owns 65 per cent of the Hong Kong based Permindo Oil Trading, a company that has reaped profits from a monopoly trading in oil on behalf of Pertamina, which owns the remaining share in the company.

Sudwikatmono is also a partner with Liem Sioe Liong and Eka Cipta in the large Bimoli cooking oil conglomerate, which dominates the market for its products. His involvement with Liem is not restricted to the three very large companies mentioned here, and he has further links with Eka Cipta, who is Indonesia's third largest business man and a linchpin in the Suharto-Liem

business arrangement, as well as links with the real estate business of Ciputra, another core member of this business establishment.

Sudwikatmono's enterprises links him directly with at least a third of the 25 most important conglomerates in the country, and this forms some of the more essential interlocking of business interests between the major Chinese conglomerates and the Suharto family.

A fifth family member is Indra Kowara Rukmana, who is married to Suharto's daughter, Siti. He has a key position in two of the fastest growing conglomerates in the country, that of his wife's, and the Bimantara group of Bambang, of which he is the president. Apart from this, Indra has stakes in two oil trading companies that have enjoyed monopoly positions on behalf of Pertamina. One is jointly owned with Bambang, and registered in Indonesia, Samudra Petroleum, and the other with Sudwikatmono, the Hong Kong based Mindo Petroleum, which has a controlling stake in Permindo oil trading company. The former company is also involved in shipping natural gas from Pertamina plants to South Korea.

His wife, Siti Hardjianti Rukmana, the sixth family member in this list, heads the Citra Lamtorogung group, which many believe to be the fastest growing enterprise in the country. The company lists Suharto's other two daughters as shareholders. The Lamtorogung group became prominent and highly controversial with its toll road construction and operation in and around Jakarta. The company built the roads under government license and collects

road toll from their users, the toll being determined by a Presidential decree. Several toll roads are being built or planned by the company. Another monopoly business of the company has been operation of a private, but government sponsored, television station, which was recently granted permission to broadcast advertisement nationwide, a decision that contradicted government policy announced a little earlier. Another obvious favouritism is Siti's long standing 17 per cent stake in Bank Central Asia, the largest private bank in the country, and a major Liem Sioe Liong business vehicle.

Siti's main "cukong", however, is not Liem Sioe Liong, although connections with his companies are important, but Prajogo Pangestu, who has expanded his businesses spectacularly in recent years on government connection, mostly, it seems, provided by Siti. Some of their joint enterprises are mentioned in an endnote to this chapter of Prajogo's companies and will not be repeated here, except to point out again the scale of two of the planned joint ventures, US \$ 5 billion, both involving government awarded licenses. The most recent success of Siti was to win a potentially highly lucrative government contract to provide 350.000 new telephone lines. This contract was won jointly by Bambang's Bimantara and a new company set up by Siti for these purposes. As pointed out by the Asian Wall Street Journal (15.1.1991), Indonesia is regarded as one of the major markets for telecommunications, and these contracts, substantial in their own rights are seen by many as only the start of a massive business. The evident rapaciousness of Siti Rukmana (mbak Tutut) has made her the focus of much

popular criticism of the President and the venal business practises of the late New Order.

A seventh member of the family is Suharto's eldest son, Sigit Hardjojudanto. His initiation into business seems to have been the same as Siti's, a major stake in Bank Central Asia. Sigit, however, has not built up business on the same scale as his sister, Siti, or his two younger brothers, Bambang and Hutomo. He is involved with Hutomo's enterprises as the president of his main company, Humpuss, in which he may hold a significant share. He is also a partner in Nusamba, Bob Hasan's main company, and has interest in private television. Through Nusamba Sigit benefitted from some of the monopolies discussed above. He was also privately involved in the plastics monopoly and served as a director of Panca Holdings. Through Nusamba Sigit has also benefitted from a monopoly on oil sector insurance. Sigit is also involved with BP and two Japanese companies, Mitsui and Sumitomo in the construction of a large polyethelene plant in West Java. Even if Sigit's holdings are extensive and varied, and his connections with Liem and Bob Hasan are important, he does not seem to play anything like as vital or dynamic part in the business establishment as Sudwikatmono or three of his siblings.

Suharto's youngest son, Hutomo Mandala Putra (Tommy), has expanded fast in recent years. Still only 28 years old, Hutomo has built up a company that is placed among Indonesia's 20 largest concerns. Needless to say, his business acumen may not be the chief reason for this spectacular result of a very few years of labour by a man who has been as often in the press for

his free time exploits as for business deals. The company was almost entirely built up through monopolies and concessions. Its rapid expansion in recent years has continued to focus on sectors where government favours determine success or failure.

Hutomo, when in his early or mid twenties, was awarded three lucrative monopolies from Pertamina. Two were for distribution of petrochemicals, produced locally by Pertamina, and one for the export of liquified gas to Taiwan. Profits from this are a matter of conjecture, but FEER [23.8.90] estimated this Pertamina deal to have netted Hutomo's Humpuss company consolidated profits of some US \$ 30 million in mid 1990. More lucrative Pertamina monopolies and trading concessions have followed. One is through the Perta company, which is jointly owned by Hutomo, Bob Hasan and Pertamina. This company exports oil on behalf of Pertamina, and supplies oil to the company by acting as a intermediary with foreign oil companies in Indonesia. The Perta company was a wholly owned subsidiary of Pertamina until Hutomo and Hasan were given half the shares for an undisclosed sum.

Humpuss has also expanded into air transport, a heavily regulated sector where it has won contracts, concessions and licenses. One company, Gatari, operates 25 helicopters, mainly for Pertamina and other oil companies. In 1989 Humpuss acquired from Tri Usaha Bhakti, the army company, its wholly owned subsidiary, Sempati Air. While under army control the company had failed to win license to operate scheduled passenger service and to use jet

aircraft on its routes, the latter being a privilege restricted to Garuda. Shortly after Humpuss bought the company in partnership with Nusamba, the company of Bob Hasan and Sigit (Suharto), both licenses were granted to Sempati. With regard to the use of jet aircraft Sempati leapfrogged over far more established state owned and private carriers. The six jets bought were acquired from Hutomo's Fokker, Guinness Peat Aviation and Rolls Royce Indonesia agencies.

Humpuss, through its partly owned affiliate, is partner with Yayasan Harapan Kita, controlled by Hutomo's mother, in the construction and operation of a major toll road between Merak and Tangerang west of Jakarta. The company will operate the concession for 25 years. The toll is determined by decree from President Suharto, husband and father of the operators. Hutomo, as the leader of a consortium, has recently won another huge construction contract to expand port facilities at Tanjung Priok. The investment required is US \$ 825 million, according to official sources.

Yet another Humpuss venture is in the clove trade, a major agricultural and industrial sector in Indonesia. As pointed out earlier, import of cloves are monopolised by Liem and Probosutedjo, with part of the profits going to Suharto's yayasans. Home growing of cloves is an even larger business involving some 5 million farmers. A highly controversial monopoly on buying cloves from farmers is being instituted, and a firm controlled by Hutomo is to be its operator, with two sons of drs Radius Prawiro among his partners. The official aim is to stabilise prices but the monopoly has been criticised from all

quarters concerned and is generally seen as a blatant scheme for skimming of profits. Estimates of the money involved vary, but the size of the venture can be surmised from official figures, coming from the minister responsible, Arifin Siregar, indicating that the company will be buying cloves as 8000 rps. a kilo, while selling the produce, without adding to its value, for 13.000 rps. Some of the difference is meant to go to a fund for clove farmers, but it seems that the cut taken by the monopoly may amount to a very large share of the money earned by the 5 million farmers that rely on cloves. [FEER, Tempo, Jan-March, 1991] In addition to gaining the monopoly, Hutomo's consortium was given a huge sum from the Bank of Indonesia to finance its stocks. The central bank loan, reported at over US \$ 200 million, and the monopoly itself, is said to have generated much criticism from within the bureaucracy and among military figures in the early months of 1991. [FEER, interviews in Jakarta, Feb.-March, 1991]

Forestry forms yet another area of business for Hutomo. He holds a major forestry concession in Sulawesi and is about to expand into Irian Jaya, where Humpuss has been granted concessions. A final Humpuss venture to be mentioned here, is a planned fertiliser plant at the site of an existing state owned plant, Pupuk Kujang. The plant would be the first private participation in this heavily regulated field, but the state is a major partner in the consortium with Humpuss. Other partners are Hutomo's sister, Siti Rukmana, and Yayasan Dakab, controlled by President Suharto for the benefit of Golkar.

The largest of the Suharto enterprises is Bimantara, controlled by Bambang Trihatmodjo, Suharto's second son. Declared assets of the company were said to exceed US \$ 500 million in 1988. [Prospek 22.12.90] This figure has certainly grown substantially over the three years of break-neck expansion since then, as Bimantara has primarily engaged in protected or monopoly investments. The figure for 1988 is all the more remarkable for the fact that the company was started only seven years earlier, when its founder was in his mid 20s.

Bimantara, the largest pribumi company in Indonesia, is an extremely diversified conglomerate that has, like the other family conglomerates discussed above, expanded chiefly through monopoly positions and government favouritism. Much of its business has already been mentioned in the text or in endnotes on the Chinese conglomerates. Repetition will be avoided here. As can be seen from the discussion above and the notes on the Chinese conglomerates, there are few sectors of the economy where Bimantara has not become involved. As may be surmised from the discussion on the monopolies, it may have been the largest beneficiary of the import and trading monopolies of the 1980s. It currently holds 6 monopolies, on par with Astra and second only to the Salim group, and has continued, at least until recently to enjoy profits from trading monopolies, such as in the oil and gas sector.

Bambang's activities link him to several of the Chinese conglomerates, most notably to the Salim group and to the enterprises of most of the other

Suharto family members, as well as to pribumi groups, such as Bakrie, and a number of smaller pribumi investors. The group has probably more of smaller pribumi companies under its wings than any of the other Suharto conglomerates. Among the more important ventures with Liem is the Batam island project which also includes Timmy Habibie, brother of the minister responsible for Batam. As pointed out earlier, Bambang may be entering a massive enterprise with Prajogo Pangestu in Sumatra, also involving his sister Siti Rukmana.

In addition to what has been said, above and in endnotes, a few recent examples of the companies expansion may be useful. Bimantara has become the largest private Television company, other companies being owned by Siti Rukmana and Sudwikatmono. Bimantara's investment in television in 1990 was US \$ 80 million. [Prospek 22.12.] Bimantara has also entered the toll road business, initially monopolised by Siti Rukmana and later involving Hutomo and Ibu Tien. Bimantara's venture is with the Summa group of the Soeryadjaya family. One of the larger current projects of Bimantara is the expansion of the Indonesian telephone service, earlier mentioned in connection with Siti, the other concessionaire. In this project, as with the Batam project, Timmy Habibie is Bambang's and Siti's partner. Again, the minister responsible is Habibie. When this contract was announced, the President of Perumtel, the state owned telephone company, told the press that Minister Habibie had informed Perumtel of the identity of the winners of this much contested contract. [AWSJ, 15.1.91] This, the paper quoted a

foreign analyst as saying, "reflected the realities of doing business in Indonesia today".

As can be seen from this discussion there are essentially two interlocked groups of people that form what is here termed the capitalist class. One is a group of Chinese owners of large conglomerates, the other a group of pribumis, which mainly consists of members of the President's family. The nature of this capitalist class, or nucleus of a class will be discussed in the conclusions to the thesis.

Notes

1. Jeffrey Winters, 1988, *Indonesia: The Rise of Capital; A Review Essay*, Indonesia, no. 45.

2. A number of sources were consulted for the information contained in the following endnotes. These include several journals and magazines, the most important being: *Warta Ekonomi*, *Swa Sembada*, *Prospek*, *Info Bank*, *Expo*, *Business News*, *Tempo* and *Editor*, all published in Jakarta, and the *Far Eastern Economic Review*, published in Hong Kong. Three newspapers were regularly consulted, *Kompas* of Indonesia, the *Asian Wall Street Journal* of Hong Kong and the *Straits Times* of Singapore. Particularly useful among these were the following: *Warta Ekonomi*, *Prospek* and *Swa Sembada*, which published vast amount of previously unpublished information on the Indonesian corporate world in 1989-1991. Some of this, however, was for obvious reasons in a somewhat coded language and not too explicit on the more sensitive companies, but clear enough for providing leads for further enquiries. The two Hong Kong publications were also very useful. The *Asian Wall Street Journal* published from 1986-1991, a number of news stories on the Indonesian corporate scene, two of which lead to its temporary banning in Indonesia, and a few relevant surveys of the Indonesian economy. The *Far Eastern Economic Review* published a number of relevant items, particularly

1989-1991, not the least items on concessions and licenses awarded by the government, as well as on the identity of owners of companies engaged in major projects. Earlier Expo had published sensitive information of this kind and was banned in 1984, but important, if sometimes seemingly inaccurate information had then already been published. Little use was made of this, however, as better information came to light. The Far Eastern Economic Review also published useful surveys of the Salim group, the Raja Garuda Mas group and the Sinar Mas group in 1990 and 1991, which supplemented the somewhat more guarded surveys of the same kind published in Indonesian magazines. Another useful source was John MacDougal's Indonesia Reports, particularly the Business and Economy Supplement, not the least edition no. 20, from February 1987, largely based on Expo. Some useful points are also contained in endnotes to Kunio's book, Ersatz Capitalism in Southeast Asia, although this is limited and in some cases outdated. Lastly, three major surveys of Indonesian companies have been made for Ph.d. theses, a survey of the Salim Group, the yayasans and other large companies by Robison in the mid 1970s, a survey of the Salim and the Astra groups by Kuntjoro-Jakti in the late 1970s, and a survey of the Astra group and several other groups with interests in the automobile industry by Chalmers in the mid 1980s. The former two are outdated, but important for understanding the genesis of the two largest Chinese owned conglomerates, while Chalmer's study is useful for the companies in the sector surveyed. In addition to written material, several academics, business men and journalists in Jakarta and in were consulted, most of whom would prefer not to be named.

As almost every point of information contained in the following footnotes is based on more than one source, it is not seen as feasible or particularly useful to index the sources for each point made, except when there is only a single source, or if the information is on precise figures or details that have been projected rather than collected from official sources.

3. The Salim Group has been discussed at various junctures in this thesis. None of the discussion on the early links between Liem and Suharto will be repeated here. Its composition, operational methods and its links with the chief power brokers in Indonesia have been analyzed by Robison and by Kuntjoro-Jakti [1982]. The group has, however, expanded greatly, and changed significantly since Robison and Kuntjoro-Jakti published their findings. After Suharto became President, the link between him and Liem was mainly taken care of by the President's brother in law, Ibnu Bernard Hardoyo, who was Liem's partner in ventures where the state granted monopoly rights to Salim companies. Later Suharto's foster brother, Sudwikatmono seems to have largely replaced Hardoyo. Sudwikatmono is Liem's partner in a vast holding company, called Liem Investors. In addition to this, Suharto's children have become Liem's partners in various companies. Sigit and Siti Rukmana own a combined 33 per cent stake in Liem's Bank Central Asia, the largest privately owned bank in Indonesia, with US \$ 4 billion in assets in 1990. Suharto's second son, Bambang, is Liem's partner in the huge Batam island industrial estate, along with the brother of Habibie, the minister responsible for Batam. The brother of Murdani is also involved in one of the major Salim ventures in this region. Suharto companies are partners with Liem in several

monopoly ventures, Liem being the single or joint holder of 17 of the 44 privately held monopolies in Indonesia.

The Salim group has interests in almost every sector of the Indonesian economy. Its chief cash cow in the 1970s was undoubtedly the Bogasari Flour Mill, which has enjoyed virtual monopoly rights on milling wheat in Indonesia. Its sole competitor was eased out of this business in 1980. Bogasari mills wheat and soyabeans for Bulog, the state procurement agency, which has monopoly on imports, purchase and wholesale on various food, including wheat. According to FEER (14.3.91) Bogasari now earns US \$ 116 per tonne of wheat for milling, which according to the same source, based on western estimates, may be US \$.40 above production costs. With monopoly access to one of the larger markets in the world, Bogasari has produced huge profits for Liem, and the Suharto family over the years. The Suharto connection in this instance is fourfold, one is through Sudwikatmono's share in the company. Another is through Lt. Gen. Bustanil Arifin, one of the chief business generals since the late 1960s, the head of Bulog, Bogasari's monopoly customer, and a member of the Suharto family through his wife. Bustanil is responsible for providing Bogasari with most of its business at inflated prices, while his wife, owns 21 per cent of Bogasari, in an almost unusually blatant overlapping of private interests with public office. The third and fourth links are through two yayasans, the Harapan `Kita, controlled by Suharto's wife, and Kostrad's Dharma Putra, a foundation set up by Suharto, who most probably continues to be one of its chief beneficiaries, or controllers. These two foundations have received between 20 and 26 per cent of Bogasari's profits through special stipulation in its charter. Among other large Salim ventures is Indocement Tunggal Praksa, operator of the world's largest cement factory, a company bailed out by the state through a 35 per cent stake bought after the company had incurred severe losses. Sudwikatmono is among its chief shareholders. The company was recently accused, in the Indonesian and Hong Kong press, of failing to pay Pertamina for gas supplies in an orderly fashion. A third venture is Krakataua Steel, which Liem is rumoured to have expanded at the request of the government with little immediate profit. This company is often cited as an example of a supposed two way link between the state and the conglomerates, where the latter are said to shoulder burdens for the purposes of a national industrial strategy. The same has been said of Liem's vast investments in Batam, which are mostly long term investments with limited initial profits, but a huge potential for profits later on. Yet another Liem ventures with Suharto participation were the controversial steel, plastics and tin plate monopolies. These will be briefly discussed below in sections on Suharto companies. Still another profitable monopoly shared with the Suharto family is the clove import monopoly, shared with the President's brother, Probosutedjo. Other large companies of Liem include Waringin Kencana, a company with various links with Suharto yayasans, which was singled out in the early 1970s as deserving special attention in a government investigation into corruption, as mentioned in an earlier chapter. This investigation failed to take place, in spite of open criticism in the press at the time.

Monopoly positions granted by the state has been the dominant feature of Liem's success. Apart from the flour, steel and cement production monopolies, or quasi-monopolies mentioned above, and the profitable imports

monopolies, Liem enjoys monopoly rights in several sectors of the economy, including liquified gas transport, petro-chemical products, chemicals, agricultural produce and processed foods. [WE, 21.1.91]

As discussed at relevant junctures in endnotes below, Liem has formed highly important links with a number of other Chinese conglomerates. His companies can be seen as the linchpin of the extensive and intensive integration of major Indonesian companies, a feature of great political significance, discussed in the main body of the text.

In the past few years Liem has invested heavily abroad, making his companies global in organisation and scale. According to the FEER and the AWJ, Liem now derives between third and a half of his turnover from companies registered abroad. Some of these, however, operate exclusively in Indonesia, including some of his Hong Kong registered companies. In 1990, Liem became the largest landlord in Singapore with acquisition of a controlling stake in Singapore Land. The Salim group now controls two of the ten largest companies in Singapore. The Hong Kong registered First Pacific Company, controlled by Liem, has operations in several countries of Asia, Europe and North America. FEER estimates its assets at well over US \$ 1 billion and claims its companies to number 75 in 24 countries. The First Pacific group has a controlling interest in the Dutch Hagemeyer trading company, which has expanded in recent years to become the largest trading house (handelshuis) in Holland. Hagemeyer has a turnover of almost US \$ 1.5 billion, profits in 1990 of US \$ 150 million, according to the Dutch newspaper NRC Handelsblad, a presence in Holland, America, Indonesia, Malaysia and Singapore, and is seeking (in early 1991) to win control of another major Dutch trading house, the Internatio-Muller group, a company with 12.000 employees. [NRC Handelsblad, 15.5.91]

The American Fortune Magazine ranked Liem as the 32nd richest man in the World in 1990. The FEER estimated his group turnover in 1990 as US \$ 8 billion. Warta Ekonomi suggested a somewhat lower figure of US \$ 6 billion. Pusat Bisnis Indonesia estimated the number of Liem controlled companies at 236. In early 1991, there were persistent rumours in the Indonesian press that Liem's son and heir, Anthony Salim, who now oversees daily operations of the Salim group, would move his domicile, or even his citizenship, to Singapore.

4. The Astra group of the Soeryajaya family is in many ways quite different from the Salim group and most of the other large conglomerates. For one thing, Astra has always relied on manufacturing, which is a more recent trend with most of the other large conglomerates. Astra has also been far less integrated with business ventures of Suharto and the ruling group, and has, in recent years, relied to a lesser extent on political privilege than most of the other top companies. Astra has, however, enjoyed various monopolies and presently holds 6 of the 44 privately held monopolies in Indonesia. These include chemicals, agricultural produce and importation of bulldozers and forklifts. [WE, 21.1.1991] Political contacts were also probably vital for the company's initial growth. In the early days of the New Order Astra was frequently associated with Ibnu Sutowo and some of its business ventures were linked to the Suharto family through Ibu Tien Suharto. Astra received early government contacts, such as in power generating and in supply of trucks, its became early on an attractive partner to Japanese firms, which

must have meant a degree of assumed political clout, and it engaged in joint ventures with Pertamina and Sutowo. The company was shaken by the Pertamina scandal in the mid 1970s, and reorganised in the wake of this. In spite of these roots of the company, Astra has been seen as somewhat detached from the Suharto-Liem arrangement that has been a feature of almost every other sizeable conglomerate. Astra has mainly grown through manufacture and import of motor vehicles and heavy equipment, the latter being an area that became highly profitable as construction and infrastructure development took off in the wake of the oil boom. Astra became the Toyota agent and manufacturer in a joint venture with the government in 1970, the Honda agent a year later and since then it added Daihatsu, Peugeot (in joint venture with Suharto's brother, Probosutedjo), Renault and BMW to its automotive division. Other automotive businesses of Astra include joint ventures with the Wanandi family, which has various links to the New Order generals. In recent years Astra has expanded significantly into computers, agribusiness and banking. It has also expanded overseas, not the least through banking ventures in Germany, based on Summa bank, and more recently in Vietnam where it established the first joint venture bank in the country in 1990, Bank Indovina. The Summa bank is partner to Nahdlatul Ulama in a banking venture in Indonesia. Astra also has a majority stake in Bank Universal. Astra has a major forestry division with 250,000 hectares of forest and investment of US \$ 650 million, but its attempt to establish a vast pulp project with Scott Paper of America was thwarted by international and domestic popular environmental concern in 1989. A far smaller venture, but of interest to this discussion, is a Summa - Bimantara (Bambang Trihatmodjo) license to build and operate a US \$ 100 million toll road from downtown Jakarta to its southern suburbs. Several other schemes of this type had previously been awarded to Suharto's children, in some cases, at least, without a "cukong" participation.

The publicly listed part of the Soeryajaya conglomerate, Astra International reported assets of US \$ 750 million in mid 1990. Sales by this company and companies under its wings were projected at US \$ 2 billion that year. [FEER 27.9.90]

5. The Sinar Mas group of Eka Cipta Wijaya is primarily engaged in agro-industry, although it also has important business in real estate, banking, chemicals and shipping among other things. It is extensively linked to the Salim group and in a lesser way to Suharto companies and indirectly to Murdani and Habibie. Bimoli, Indonesia's largest producer of cooking oil is jointly owned by Sinar Mas and the Salim group, this being the most important of several connections between Eka Cipta and Liem Sioe Liong. Bimoli enjoys around 60 per cent market share of this important product. [WE, 11.2.91] Sinar Mas owns Bank International Indonesia, one of the larger private banks in the country, as well as a controlling interest in Bank Pelita. Sinar Mas shares majority control with the Salim group in a large and fast growing farm venture on Bulan island in the Riau province. This farming venture, Sinar Culindo Perkasa, aims for a 50 per cent share of the pork meat market in Singapore in a few years time, currently supplying up to 15 per cent of all pork eaten in Singapore. [FEER, 18.10.90] Sinar Culindo Perkasa also represents a Sinar Mas link to two important New Order figures. Along with

the Salim group, Harry Murdani, Benny's brother, and Timmy Habibie, brother of Minister Habibie, are partners in this venture.

Sinar Mas is directly linked to Suharto companies through shareholdings in the company by Sudwikatmono and by Hutomo Mandala Putra. The extensive links between Sinar Mas and the Salim group were reportedly under some strain in late 1990. [FEER, 25.10.90.]

6. Suhargo Gondokusomo has primarily built his Dharmala group on trading in agricultural produce. The group has enjoyed close links with Bulog and its boss, Bustanil Arifin, who in turn is directly related to the Suharto family and its enterprises. Gondokusomo is related by marriage to Gow Swie Kie, whose company has enjoyed even stronger links to Bulog, being its exclusive agent for procurement of rice and sugar from abroad. His empire, and that of Gondokusomo was, according to Expo [18.1.84], brought into being by privileged contracts with Bulog. In recent years the Dharmala group has expanded into real estate, construction, banking, insurance and consumer products. The group has also expanded significantly its international operations with assets in several countries.

7. The Lippo group of Mochtar Riyadi has particularly strong links to the Salim group of Liem Sioe Liong. It is strongest in banking, owning the Lippo bank, one of the major private banks, a 20 per cent share of BCA, the largest private bank in the country, jointly owned with Liem and two Suharto children. Riyadi managed BCA on behalf of its main owners for several years. He has stakes in several other banking ventures, such as Bank Umum Asia and a merchant bank in Hong Kong. The Lippo group has expanded into electronics in joint ventures with, among others, the Mitsubishi company of Japan. Riyadi is related to the owners of Panin bank by marriage, and managed that bank for some time. Apart from Liem Sioe Liong, Riady has also worked with Hasyim Ning, one of the three largest pribumi non-Suharto businessmen.

8. Bob Hasan has already been mentioned on several occasions in the main body of the text and in endnotes to a previous chapter. This indicated the very strong and early links he has had with Suharto and his family. None of this will be repeated here.

Bob Hasan's companies include Nusamba, which he owns jointly with Sigit, Suharto's eldest son. This company holds three different monopolies in oil transportation, forestry products and furniture. Hasan has a major presence in Indonesian shipping through three different companies, one of them being the largest shipping company in the country, according to Expo in 1984. The largest of his enterprises, however, are in the forestry industry where he has long enjoyed a preeminent position. His companies, some of them linked to Suharto companies, are engaged in logging, plywood production and in the rattan industry. These have benefitted greatly from government policy aimed at favouring domestic plywood and rattan production. One of reportedly more profitable of Hasan's business is oil marketing for Pertamina through a Hong Kong based company, Perta Oil Marketing, which is jointly owned by Bob Hassan, Hutomo Mandala Putra and Pertamina. This company sells up to 80.000 barrels of oil per day, mainly to China, and supplies some 60.000 barrels a day to Pertamina, mainly bought from foreign oil companies in Indonesia. Another joint venture with Hutomo's Humpuss group is the airliner

Sempati, which was previously owned by the army company TUB, but was granted license to fly jets after Hutomo and Hasan took it over, such a license having been denied to all other airline companies, except Garuda.

9. Prajogo Pangestu is the largest forestry concessionaire in Indonesia. His exploitation rights extend to an area two thirds the size of Holland, some 2.2 million hectares of forest. Pangestu works in partnership on several projects with Suharto's daughter, Siti Hardiyanti Rukmana, and seems to have become a favourite "cukong" of the Suharto family in recent years. The joint ventures with Siti Rukmana include pulp and other forestry industry, as well as petrochemicals and real estate. [WE, 24.4.1990 and 11.2. 1991, and AWSJ, 20.12. 90] Prajogo has also worked on a major project with Bambang's Bimantara group and with Sudwikatmono. His largest projects to date, and the largest industrial projects under way in Indonesia are his proposed petrochemical complex and his pulp and paper complex in Sumatra. These two projects are collectively worth over US \$ 5 billion and rank among the larger industrial projects currently planned in Asia.[AWSJ 20.12.90] In the petrochemical project Prajogo's partner is Bambang's Bimantara group, and in the paper and pulp project the partner is Siti Rukmana's Lamtoro group. The former project had originally been awarded to a consortium led by the Shell oil company. One of its minor partners was to be Bimantara. This was seen by many as a political guarantee for the projects success. The sudden reversal of the government's position may not have been unconnected to a larger role given to Bimantara in Prajogo's successful bid and to a role given to Siti Rukmana's company as well. This incident was covered fairly extensively in the Indonesian and Hong Kong based international press. Apart from this project, Prajogo shares another petrochemical venture with Bimantara, a US \$ 260 million project where Sudwikatmono seems to be a partner too [WE 11.2.91]. Prajogo and Bambang also jointly own a bank, Bank Andromeda. The third partner in this bank is Henri Pribadi, Sudwikatmono's close associate, and former director of one of Liem's largest companies, Indocement.

As can be seen from the above, Prajogo has emerged as one of the main cukongs of the Suharto family and one of the foremost industrialists in Indonesia. His companies are thoroughly integrated with the Suharto family business empire, and Prajogo has emerged as one of the ten or so individuals that form the core of the Suharto-Liem dominated core of the Indonesian economy, This is a recent development, as he was relatively unknown in Indonesia, at least outside the timber industry, only two years ago. [See e.g. AWSJ 20.12.90]

10. The Wanandi family enjoyed particularly close relations with two of the ruling group's generals, Murtopo and Humardhani. This was both through the right wing think tank, the CSIS, which gave intellectual shape to some of the New Order's policies, not least the system of accumulation pioneered by Humardhani and Murtopo, and the role of Chinese capital in a "national industrial strategy", and through ventures with Japanese capital. Following Humardhani's lead, the Wanandis established joint ventures with Japanese capital. One of the Wanandi companies with Japanese connections, the Parkarti group, was jointly owned with Panglaykim, the CSIS economist, and with Humdardhani's son-in-law. Among the largest of the Wanandi companies

are battery factories and component manufacturers for the automotive industry.

11. Sukanto's Raja Garuda Mas originates in Medan. Sukanto has nurtured links with several of the largest Chinese business houses in Indonesia and grown through such contacts. The patrons of his business ventures have included Liem Sioe Liong and Eka Cipta, two of the core companies in the late New Order business arrangements. One of his original patrons was Pertamina in Ibnu Sutowo's days. Lt. Gen. Tjokropranolo, the former Governor of Jakarta and personal aid to Suharto sits on the board of Sukanto's company. Sukanto's plantation ventures have been primarily financed through low-interest World Bank money. (FEER, 11.4.91) These plantations are among the largest in the world.

12. Ciputra, now one of the wealthiest men in Indonesia by most accounts, started as a manager for Pembangunan Jaya, a company owned by the Jakarta regional government. When Ciputra, in 1983, put US \$ 29 million of his own money into Liem Sioe Liong's Krakataua Steel, it was pointed out by Expo (4.1.84) that the total contribution of Pembangunan Jaya to the Jakarta government for the preceding year had been around 1 per cent of Ciputra's new stake in Krakataua Steel. Expo also claimed in the same issue that Ciputra had personally received half of the shares in Hotel Horizon in Ancol for providing its site through Pembangunan Jaya. (According to Expo, half of this stake was intended for Ali Sadikin, then governor, but as he fell out of political favour before the deal was consummated, Ciputra took the half share for himself alone) Pembangunan Jaya did not prosper to anything like the same extent as its manager, Ciputra, and this company, which was at one time among the most important in Indonesia has fallen by the wayside in recent years. Expo accused Ciputra quite openly of corruption. The magazine was banned for this and other similar articles on Indonesia's corporate world. In recent years Ciputra has become the largest real estate dealer and developer in Indonesia. He has primarily focused on Jakarta where his government position and contacts have probably not hurt his business. One of his residential projects there is the large Pondok Indah project. His main partner has been Liem Sioe Liong. Their joint company, Metropolitan Kencana, (Liem's Waringin Kencana, which was accused in the Indonesian Press of extensive corruption in the 1970s, and Ciputra's Metropolitan real estate group, which he built up during his long term of office at Pembangunan Jaya), is the largest realtor in Indonesia. Apart from this company, Ciputra and Liem have several other close business links, including a steel mill (other than Krakataua).

13. Soedarpo Sastrosatomo is a clear and almost singular exception from many of the main features of the Indonesian business world highlighted in these endnotes and at various points in the main body of the text. Soedarpo is a Javanese non-military business man, a priyayi trained for the colonial civil service, who prospered through the Benteng programme in the 1950s. His contacts were good at the time, his brother being a PSI leader, and he himself a former diplomat in New York and Washington, but such contacts did not suffice to build up businesses among other well connected Javanese. Soedarpo went into shipping early on and built up one of the largest shipping



companies in Indonesia. He also has a major stake in a large bank, Bank Niaga, and companies in the computer and pharmaceutical industries.

14. The Bakrie and Brothers company is by far the largest of the surviving Sumatran trading companies mentioned earlier in the thesis. Originally the company traded coffee, rubber, pepper and other agricultural produce in its home province, Lampung. During the Benteng period, the company prospered on various connections in Jakarta and after the nationalisation of the Dutch companies, Bakrie went into steel production and became the largest producer of steel pipes in the country during the New Order. After some difficulties in the early New Order period, Bakrie has expanded fast in recent years, not the least on various links with Suharto companies. One of these was the plastic import monopoly of the mid 1980s. Nirwan Bakrie, son of Achmed the founder of Bakrie and Brothers, was a director of Panca Holdings, along with Bambang, Suharto's son, a company that was set up in Hong Kong to manage the plastics monopoly. This company made US \$ 30 million in one year, according to the AWSJ (25.11.86), for handling paperwork. Nirwan Bakrie is also involved with Bambang in several other projects, including oil trading, and so is Indra Bakrie, his younger brother, a schoolmate of Bambang's. The Bakrie involvement in lucrative oil trading for Pertamina was not restricted to Nirwan's association with Bambang. The Bakries set up a company for these purposes in Hong Kong with Sudwikatmono, Suharto's foster brother. For a while in the mid 1980s, the two Suharto related companies, both with Bakrie involvement competed for this Pertamina business, which was said to produce profits of around US \$ 1 per barrel of oil. The amount of oil involved was over 1 million barrels a month. This competition was later ended with an acceptable compromise, benefitting the Bakries, Bambang, Sudwikatmono and Indra Rukmana, Suharto's son in law. Bakrie and Brother has expanded into various sectors in recent years, such as hotels, petrochemicals and telecommunication.

15. Lt. Gen. Sjarnoebi Said is one of the very few military entrepreneurs to have built a large sustainable business to rival the medium sized Chinese conglomerates. In this he shares a place with his patron, Ibnu Sutowo. Said was an intelligence officer in ABRI and later a staff officer with Gen. Nasution. At the start of the New Order regime he was transferred to Pertamina where he worked under Sutowo. One of his jobs there was to head a division responsible for Pertamina's motor vehicles. This provided him with contacts and position which resulted in him setting up a firm to assemble and distribute Mitsubishi motor cars. Said ran this venture, which became the Krama Yudha group, parallel to his work for Pertamina, until he left at the time of the Pertamina crisis in the mid 1970s. According to Kunio [1988] Said's capital for the Krama Yudah works came "from saving accumulated during the Pertamina period". Sutowo was originally Said's partner in Krama Yudah, but seems to have ended his involvement in the company in 1980. [Chalmers, 1988]

16. Ibnu Sutowo was extensively discussed in endnotes to an earlier chapter. This will not be repeated here. It suffices to add at this point that Sutowo has focused on his hotel and shipping business, which is large enough to make his company no. 45 on WE's list. The Adiguna shipyards, managed by

Sutowo's son, Ponco, a prominent business man in Kadin, Hipmi and Golkar, does not figure among Indonesia's 200 largest companies. Ibnu Sutowo was thought to be the richest pribumi business man in the 1970s, and Ponco was seen only few years ago as potentially a major player in the future. The relative decline of this father and son illustrates how continued access to political privilege provides the lifeblood to Indonesian business.

17. It seems clear that the Sultan's companies have declined sharply in relative terms since the 1970s. Robison [1986] focused on the Sultan group as the major pribumi concern, apart from Suharto's own interests, which had at that time, not taken on the form of large conglomerates.

CHAPTER 13

A NEW MIDDLE CLASS ?

Evidence on a group of people, commonly referred to as the middle class, is scant in Indonesia, largely anecdotal and almost non-existent with regard to several vital questions. This is the group, however, that most observers have looked to as the key element of political development in the country.

The search for a middle class in Indonesia and the political values associated with such groupings in western societies is far from new, contrary to what may be surmised from much recent commentary on the subject. Although the term middle class has not been made much use of in the past, the search for similarly constituted and characterised elements has been a continuing theme since modern social science was first applied to the country. This long standing, and often unfruitful search, alerts to important points with regard to current ventures, one of which will be made here at the outset of this chapter. This is the assertion that none of the main frameworks used for this search could have adequately prepared their user from what has transpired with regard to the middle classes, and still less for analyzing their politics in the 1990s.

It is not necessary to go into the history of this search here. The analytical powers, for longer term developments, of the theoretical frameworks in question has been discussed in a more general context in earlier chapters. It suffices to point out that culturally focused studies, informed by modernisation theories, have generally, either organised their description of society around the Javanese or Indonesian mind, or they have focused on the patrimonial ways of the country.

Neither approach, related as they are, was likely to find much evidence of emerging middle classes. Both have, in fact, offered convincing explanations for the non-existence of middle classes in Indonesia and the value systems associated with them. These frameworks generally offered a static picture of a society where cultural or psychological factors operated within a tradition bound patrimonial polity. The dynamics they look for are changes at the level of an individual, a change of attitude. In their search they focus on events and reactions to events to find evidence of changes or continuity in culturally determined patterns. These events and reactions to them, as pointed out at various times above are, often highly misleading for the nature of the change taking place. While the politics of the country have continued to be characterised by ancient symbolism and while bizarre events have captured much attention, Indonesia has been transformed as an economy and as a polity.

The static pictures drawn in this way may be highly useful for understanding day to day expressions of political conflict, but fail comprehensively to explain

the rapid transformation of the political environment that is currently taking place. This is not, however, to deny some essential insights offered by such frameworks, and in the chapter that follow this one, an attempt will be made to draw on some of this.

It is of much interest to note that to a significant extent, it seems possible to generalise and say that western academics tend to associate an emerging middle class in Indonesia with hopes for democracy and "modernisation", while Indonesian intellectuals tend to view the new middle class in negative terms, seeing it as a group almost alien to the rest of society, a group possessing limited political potential, and chiefly characterised by westernised consumption patterns and foreign lifestyle. [¹] These differences are revealing for the issues at stake, and for the nature of the phenomenon the concept of a middle class is meant to explain, or at least describe.

For western observers, academics included, a middle class is primarily a phenomenon associated with a social transformation away from traditional, patrimonial and arbitrary ways of governing towards modern, rational and institutionalised systems of politics. Thus, the concept of a middle class does not so much indicate specific class interests as a constituency for modernisation and rationality. For this reason, there has been a continuity in western search for modernisation from the focus on westernised intellectuals of earlier times to the present focus on the middle classes. The search is not for a class, as much as for "modernity" in the general sense of rationality in social organisation and institutionalised regulation of politics.

Indonesia provides a rich scenery for a Weberian search for agents of modernity. The priyayi aristocrats, the patrimonial bureaucrats, the complex and fused world of Javanese cosmological perceptions, the military politics of patronage and the prevalence of religious conceptions of society provides a field where even somewhat unpromising potential agents of modernisation and rationality receive attention.

This search for modernity, however, is more implicit than explicit in much commentary on the middle class. The group is seen as a class or an entity that may, or may not be, a bearer of the values western observers are looking for. Those who are "pessimistic" point to the continued prevalence of personalised patronage as the chief means of interest articulation. Those who are "optimists" point to evidence of an emerging secular, meritocratic, urbanised culture. In essence the question revolves around the extent to which a two or three century old European experience is being replicated in Indonesia. What may look to a western observer as an emerging force for pushing Indonesia down a well understood historical pathway, may, to an Indonesian, look like a group that has adopted a foreign lifestyle devoid of political content.

The pitfall in this case is in the conceptualisation of a middle class. For most observers, a middle class is defined by shared consumption patterns rather than by firmly rooted interests. At the same time the class is frequently associated with political values which would set it apart from much of society.

The unstated assumption must be that political values are rooted in patterns of consumption, or in a phenomenon influencing both consumption and political values. The former possibility, as pointed out below, is not likely to be a valid assumption, while the latter is certainly possible as radical change in political values is more likely to be rooted in economic change than in changing tastes for consumption. The link, however, is far from automatic. Economic change that leads to changing patterns of consumption does not necessarily turn all consumers into democrats.

To both westerners and Indonesians, the issue is also one of westernisation, either in terms of a replication of the historical transformation of western political experience, or, to many Indonesians, in the sense of aping an alien and occasionally offensive lifestyle. As pointed out below, the conceptualisation of a class on the basis of consumption patterns may be of little use for political analysis, while the general question of westernisation may not represent the most fundamental issues at stake with regard to middle classes.

Before examining these issues and analyzing the possible political role of an Indonesian middle class, it is useful to estimate the size of the groups now commonly classified as the middle class. Harold Crouch, writing in 1984, estimated that less than 5 per cent of the population belonged to what he termed "well off urban classes". [Crouch: 1984] Crouch based his figures partly on a survey of occupations, which indicated that 6.4 per cent of the workforce was engaged in administrative or clerical jobs, while just under 13

per cent were employed in "sales", and partly on surveys of ownership of consumer durables, which indicated that just over 5 per cent of the population owned a television set, close to 9 per cent was in possession of a motorcycle and just over 2 per cent owned a car. On a similar basis Crouch estimated the size of the middle class in Singapore at 40 per cent and in Malaysia at 25 per cent of the population.

This type of criteria is often used for determining the size of the middle class. Such surveys have been debated in the context of the Philippines, and extensively in the context of India, where middle class membership is most often estimated at a far higher level than Crouch's 5 per cent figure for Indonesia. Recent surveys have indicated that up to 200 million people, or more than 20 per cent of the Indian population may be classified as middle class on the basis of ownership of television sets, scooters and refrigerators, and on the more general criteria measuring the extent to which people procure goods and services through exchange of money.

Mackie, writing in 1986, thought the 5 per cent estimate of Crouch too low. [Mackie, 1986] He finds a figure of 10 per cent too high, not the least because this would indicate a pribumi middle class of around 2.4 million families, as he estimates the Chinese middle class at a minimum of 600,000 families. On this basis, the 5 per cent figure would indicate a pribumi middle class of around 1 million families, or 4.5 million individuals in the early 1980s. In pribumi society, less than 3 per cent would then be classified as middle class. The higher figure, which Mackie finds implausible, would indicate a

pribumi middle class of closer to 7 per cent of indigenous society. Although Mackie does not compute his figures in this way, the pribumi middle class, on this criteria, would be somewhere between the "probably too low" 3 per cent, and the "almost certainly too high" 7 per cent. Compared to most societies in Asia, Europe and America, the Indonesian pribumi middle class is, according to this criteria, a minuscule formation, a conclusion that eyewitness estimates have tended to support, at least until recently. Figures for membership of professional groups, which in western societies is one of the chief components of middle classes, also indicate how small this class may be. Figures quoted by Mackie may be outdated, but are still indicative, 3.500 lawyers, 15.000 doctors and 40.000 engineers in a population of some 160 million in the early 1980s.

However informative these figures on the middle class in Indonesia may be, they are not of much use on their own, and may be ultimately of little use in political analysis unless supplemented with a much clearer understanding of nature of the emerging middle class. For these purposes the middle classes can not be looked at as an analytical entity but have to be examined as a collection of diverse groups, where interests may coincide at some points, and radically diverge at others.

With regard to relations to production, the concept of middle class, if at all analyzed, is usually taken to cover groups in between the ruling class on the one hand and workers and peasants on the other. This reference to ruling classes and lower classes has lost much of its meaning in casual use of the

term, particularly in several industrialised countries, such as Japan, the United States and lately, Singapore, where the entire population apart from relatively small groups of workers are frequently seen as middle class.

In mainstream third world analysis, the term has most often been used to describe a group consisting of such elements as office workers, both private and public, academics, professionals, shopkeepers and even skilled factory workers where such a position is relatively high and rare. The occupational background, though, most often seems unimportant, except as a source of earnings. Marxist scholars have tended to use the concept sparsely, probably not the least because traditional Marxist analysis puts the middle class on the side of the workers and against the bourgeoisie, a contingency that would most often seem at variance with reality.

In the context of Indonesia, it is of much importance in this respect to know the relative sizes of groups earning salaries from the state, groups directly engaged by private conglomerates, or selling services to such companies and groups earning their living from independent small businesses. In addition, the geographic distribution, religious affiliation and racial composition of this group is of vital importance. Little of this, however, is known, except by imprecise conjecture based on an arbitrary criteria of middle class membership.

To remedy this lack of data would require a massive research undertaking that would be well outside the limited scope of this thesis. The questions

raised by the existence and composition of a group referred to as a middle class are, however, vital for understanding the chief concerns of this thesis. Some of these will therefore be discussed in this current chapter and attempts will be made to deduce limited conclusions from this discussion, informed by theories and evidence already presented in earlier chapters.

The first point that needs to be made is on a clear separation between the small class of people discussed in the preceding chapter, and termed there as the emerging capitalist class, and a far larger and more diverse grouping termed the middle class. This separation is not at all clear in all discussion on class in Indonesia. The argument for this separation is obvious, if relations to production, or more generally, occupation, is seen as important. The case for separation is far less clear, if class membership is determined chiefly by such basic consumption or life style patterns as procurement of goods through modern supermarkets and services through exchange of money.

Such categorisation is not only deceptive with regard to politics because of a point raised earlier, that is the difference in political implications of, e.g. a class of independently employed muslim traders in Sumatra, and one of Chinese christian white collar workers in a Jakarta conglomerate, but also because of another more subtle factor. This is the question of identification of interests and loyalties. As immediately evident to a visitor to Indonesian cities, there is now a fast growing army of pribumi, partly modernist muslim, workers in air conditioned offices of private and public firms. In the

increasingly neat, cool and comfortable offices, people with very different salaries rub shoulders. As pointed out by several observers interviewed in Jakarta, and in numerous newspaper and magazine articles, starting with a debate and several feature articles in Kompas in 1986 and again in 1989, something of an identifiable culture, associated with air-conditioned offices, has sprung up. The vital question in this respect, however, remains entirely unanswered, and mostly unasked. This is the question of identification and loyalties of the vast majority of these office workers who return from their daily air-conditioned existence to nights and weekends in the distinctly less advantaged kampungs of the big cities. One ex-patriate employer in Jakarta pointed out that contrary to his experience in most other countries, his office workers in Indonesia stayed in their offices long after finishing work at night. This he presented as evidence of their identification with this particular lifestyle rather than with the waiting kampung. In a more decisive situation, than the question of when to go home, this identification might prove to be different. This, however, is quite unknown and very little evidence exists as a basis for any conjecture of the political identification of a middle class, constituted by elements more related by the way they spend their money than the ways in which they earn it.

This point becomes clearer if one moves away from the air conditioned offices of Jakarta. A fundamental difference in political outlook and interests can be surmised from a point well made in a conference paper by Kenneth Young. [2] Young points out that the majority of those prospering in rural areas "have flourished within authoritarian political structures, and have adapted

their strategies for personal gains to this environment". Young refers to the assumed "forward looking" and "modern" aspirations of the urban middle classes and concludes that their rural counterparts, may be inclined to resist a capitalist transformation of the countryside. The rural middle class may indeed resist attempts at dismantling the politics of patronage and is an unlikely agent of democratisation.

The assumed modern, forward looking and democratic potential of the urban middle class may also prove elusive. Western academic focus in this respect has been on the "problem solvers" of the 1950s, the technocrats of the 1960s and 1970s, the rapidly multiplying professional managers`of the 1980s, their supposedly professional counterparts in the army, the business men looking for a regularised and predictable economic environment instead of past caprice, and the intellectuals writing for Kompas, Tempo and the business magazines. The accelerating movement towards a modern and democratic polity that might be assumed from these writings may, however, have less to do with democracy than modernity.

The development of large middle classes in Latin America did not bring about democratic politics. As pointed out in a discussion earlier in this thesis on authoritarian regimes in Latin America, middle class elements frequently formed the backbone of military dictatorships. These regimes, in their latest, and just possibly their final phase, served the interests of domestic monopolistic capital tied to and relying on large, bureaucratic and interventionist states that both protected domestic capital and facilitated

investment from international capital. In this they enjoyed much support from a middle class composed of officials in overgrown bureaucracies, managerial staff of domestic monopolist conglomerates, privileged professionals and intellectuals and the officer corps of interventionist military forces.

The drawing of a simplistic parallel with Latin America should be avoided, but at the same time the comparison is informative. So is a comparison with other larger and more developed middle classes elsewhere, such as in Thailand, in Pakistan, in Singapore, in Malaysia and in the Philippines. In none of these cases can the middle classes be said to have developed an early inclination for democracy, and in all cases, they have, at times, acquiesced to or even supported, to the extent such things can be ascertained or surmised, moves away from inclusionary politics in favour of the limited pluralism typical of bureaucratic authoritarian regimes. Such limited pluralism protects elites from the dangers of a franchise extended to the lower classes, but allows, at the same time, certain liberties among privileged groups.

In Indonesia, the middle classes, as commonly spoken of, is a collection of such elites. As pointed out, in a different context, by Abdurrahman Wahid, "what constitutes the elite in other countries is seen as the middle class in Indonesia". [3] Wahid further pointed out that the backbone of this class is not formed by entrepreneurial groups but by civil servants, military officers and professionals.

It is in this that the problem lies with regard to the assumed democratic tendencies of the middle class in Indonesia. The class, as it is constituted and defined, has only a limited interest in an open, pluralistic and regularised society, and has much to lose from a rapid development towards an effective universal franchise.

Samuel Huntington, in a much quoted statement, claimed that the historical role of the military was to "open the door to the middle class and close it on the lower class". [4] This statement, made at a time of a growing trend of military dictatorships in Latin America and in Asia, including Indonesia, coupled with a shift towards industrialisation and international trade, has certainly held true in Indonesia. The door was closed on landless peasants and workers at the birth of the New Order, while the door has now opened for a creation of what might be termed a middle class. As argued in this thesis, however, the New Order regime was created not for the benefit of a middle class, but for a group that is turning into a capitalist class.

The middle class has been a byproduct rather than an intended effect, and its political clout, or the lack of it is in line with this incidental creation. Although, as argued before, parallels with European experience of middle class political values and interests are hazardous, and largely misleading, the process of middle class creation in Indonesia is in many ways similar to what happened in Europe. This process in Europe, it should be noted, is an ongoing one. The roots of this process are in the growing complexity of business, production and of society in general. The need for professional

managers in powerful positions, both in private enterprise and in government departments grows in tandem with this complexity. An army of managers, often in a position of real economic and political power, and of professionals vastly outnumbers the owners of firms and members of political elites in exclusionary polities. This process is very clearly under way in Indonesia. It has, so far, however, not lead to a discernable process of middle class political interests articulation, but, as argued before, only to a very limited extension of a carefully managed system of elite inclusion.

This is much in line with the way the more dynamic sections of the middle class seem to be formed. No data exists on this, of course, but from interviews in Jakarta with business men, academics and journalists, a strong impression is formed of a middle class growing and expanding in a process closely related to the way the capitalist class has grown around the Suharto - cukong partnership. Small business men, professional managers at various levels, professionals and academics are in fast increasing numbers securing a comfortable existence under the umbrellas of conglomerates, banks and state institutions. Political contacts at a high level are not needed for this, it suffices to establish contacts at lower reaches of the numerous overlapping hierarchies of patronage. One Indonesian academic explained: "If you have an empty garage and some basic contacts you can set up as a distributor for firms that in turn rely on conglomerate or state business. If you have a university degree, some basic contacts and a computer, you set up as a consultant, usually once or twice removed from the conglomerates, but still dependent on the business they generate, unless of course you use your

computer to turn out something for the development business, and then also, once or twice removed from the real source, which is state controlled".

Outside the big cities there are different hierarchies at work. As explained by Kenneth Young, there are parallel hierarchies in rural area consisting of officers of regional and local governments, village officials, village heads, military officers, police officers, local representatives of ministries and planning agencies, officers of Bulog and functionaries of state banks, cooperatives and irrigation schemes. [⁵]

It is through such interlocking hierarchies, public and private, ultimately controlled by New Order political and economic arrangement, that the middle class, or its most dynamic sectors is growing. This shapes the class and in particular, it shapes its interests, at least in the short term.

Again, the process that is of importance here, is not the way society is becoming middle class, but the way privilege is being gradually extended to a larger elite. The politics of this group may therefore be better understood from the position of privilege and inclusion this group is attaining, than from assumed middle class values of universal franchise and liberty.

With regard to institutions, both Golkar and Kadin have in the past been frequently cited as possible vehicles for middle class, or at least upper middle class aspirations. The nature of the two official political parties, PPP and PDI, as bodies controlled by government intervention without having a channels to

power, like Golkar, removes the two from most political equations. Recently, the formation of ICMI, the Ikatan Cendekiawan Muslim Indonesia, has added a third possible platform for increased pluralism within government tolerated bodies of political articulation.

Within Kadin, criticism of import monopolies emerged in the late 1980s, and while Kadin became generally more assertive and vocal, it seemed to have a blessing from the regime for an enhanced role. A list of figures associated with leadership in Kadin does not give the impression that this is an organisation likely to fight for middle class aspirations. Most of the leadership is distinctly closer to the capitalist class than to the middle class and several prominent figures are directly related to the core of this class, among them such men as Probosutedjo, the President's brother, Ponco Sutowo, son of Ibnu Sutowo, and Bambang Yogasugama, chairman of HIPMI, the young business men's association, son of Yoga Sugama, head of Bakin. Others include people directly related to some of the larger conglomerates.

With regard to Golkar, a similar picture emerges. Golkar has in recent years coopted a number of individuals that might be described as potential agents of pluralism and democracy. Several of the newly adopted individuals, however, are either intellectual apologist for the integralist and non democratic principles of "Pancasila Democracy", such as dr. Alfian, or business men close to the core of New Order economic arrangements, Ponco Sutowo being one example. At the same time, several new military figures have emerged within

Golkar as ABRI has attempted, belatedly, to make up some of the political ground lost over the past few years.

ICMI will be briefly discussed in the chapter that follows, but it is of interest to note here that the 45 member executive board of this religious - intellectual association includes such figures as Minister Habibie, Minister Harmoko, Lt. Gen. Bustanil Arifin, General Rudini, Lt. Gen. Tirtosudiro, Minister Fuad Hassan, Prof. Mukti Ali, Prof. Mubyarto and Prof. Emil Salim, a group that certainly includes intellectuals, and muslims, but would not be noted for its independence from the regime. This is a feature that along with a similar relationship to the oligarchic and monopolistic conglomerates characterises much of the middle class in Indonesia, a powerful countervailing factor against any assumed democratic tendencies of such a class. Like with the capitalist class, the middle class in Indonesia is also racially divided, which is yet another question mark after any assertion on the middle class as class.

The position of the middle classes in this regard, and with respect to democracy will be returned to again in the conclusions that follow the next chapter.

Notes

1. There are numerous examples of this. With regard to western academics, the belief in the modernizing and democratising influence of groups that would normally be brought together under the concept of a middle class, is evident from the early post-independence writings of Feith and later in the works of writers such as Lev, Emmerson, Liddle, Sundhausen and Mackie, as well as being prevalent in a more casual commentary on Indonesia. Among numerous examples of the more negative view held by Indonesian academics, the commentaries of Taufiq Abdullah, Ignas Kleden, Toety Heraty and Sjahrir in a series on the middle class run by Kompas, October 2-9, 1989, can be mentioned. This view is also variously expressed in magazine articles and commentaries by several muslim scholars, such as Amien Rais, Adurrahman Wahid, and Aswab Mahasin, and from commentaries from secular scholars, such as Arief Budiman.
2. See K. Young, 1990, The Extra-urban Dimension, in Tanter and Young (eds.), The Politics of Middle Class Indonesia, Monash Conference Papers on Southeast Asia no. 19, Melbourne: Monash University.
3. Aburrahman Wahid, 1990, Indonesia's Muslim Middle Class, in Tanter and Young (eds.), as above.
4. Samuel Huntington, 1968, Political Order in Changing Societies, Yale University Press.
5. Kenneth Young, 1990, The Extra Urban Dimension, in Tanter and Young (eds.) The Politics of Middle Class Indonesia, Monash Conference Papers on Southeast Asia no. 19.

CHAPTER 14

ISLAM, CLASS AND STATE

For a number of reasons that will become clear in the discussion that follows, muslim elements of the middle class in Indonesia deserve a separate attention. The subject itself, politics of religious identification, falls largely outside the scope of the thesis. The intention of this short chapter is not to discuss the issue in substance, but to put it into the context of the preceding discussion, in the briefest possible way.

Practising muslims, conscious of, on the one hand, the universality of their religion, and on the other, of its specific tenets that set it apart from the syncretised tendencies prevalent in the country, continue to form a large conspicuous minority in Indonesia. This minority has set itself apart from the rest of society in politically important ways. [1]

During colonial times this was expressed in their maintenance of specific religious-cultural identity. This distinct and somewhat separate identity evolved into insistence from orthodox muslims on Islamisation of state and society, a dominant issue in post independence politics. This was articulated through

participation in national politics where Islamic state and Islamic judicial and political system was demanded. The muslim element has, however, never formed a monolithic block, far from it. Divisions within the community have been a major feature characteristic of Indonesian Islam. This division, mainly organised, on the one hand into the East and Central Java based traditionalist, kiyayi lead Nahdatul Ulama, with reasonably well off peasants and small landowners as a main constituency, and on the other hand into Muhammadiyah, the modernist, outer island and West Java based organisation representing, among others, traders and lower middle class groups like school teachers and functionaries. This division was of crucial importance in post independence politics but is now of much lesser relevance for several reasons, which mostly fall outside the scope of this thesis. [2]

The muslim trading class of earlier times was discussed in earlier chapters. This lengthy discussion will not be repeated here but reiteration of some of the main conclusions may be in order. It was pointed out how the development of this class was thwarted by political realities under various regimes, most importantly through three factors, demographic, geographic and historical, that came into play during the Old Order regime. This led to political patronage favouring Java based, politically connected elites, ultimately benefitting in a more substantial and lasting way the closely knit networks of Chinese commerce.

Economic policy that strangled outer island commerce was ultimately rooted in Javanese dominance of electoral politics. The demographic factor behind

this was coupled with a geographic one, the location of exportable resources in the outer islands, with attendant local sentiments. There were also two historical factors that influenced the situation. One was the way Islam had spread in the outer islands without the mediating influence of Javanese culture. The other was the way the war of independence forged an autonomous military organisation.

All of this lead to a political situation, and a chain of events, where muslim elements not only lost economic opportunities but also their political voice. This in turn was an important cause of the class formation that transpired. At the top came a tiny class of capitalists made up of two elements, one of military business men and another from the Chinese commercial networks. Below a middle class is emerging with diverse origins. This class, however, is largely shaped by the nature of the capitalist class. This is reflected in its large state sponsored and large capitalist conglomerate sponsored elements, while the muslim element, and the partly overlapping element of independent traders is far smaller and politically far weaker than what would have been expected from the situation obtaining at independence.

These historical developments can also be seen as responsible for the subdued political nature of the present day muslim middle class. This is not a class fighting for an Islamic state, nor a class that, politically, sets itself apart from the rest of the middle class. The muslim middle class of the present is a group fighting for its inclusion in the exclusionary political system of the New Order, rather than a group with a specific political agenda. A

recent manifestation of such politics is the foundation of ICMI, the Ikatan Cendekiawan Muslim Indonesia. The organisation, which brings together many of the best known muslim intellectuals in Indonesia, as well as several influential figures better known for other things than studies of Islam, was founded under the chairmanship of Minister Habibie, a figure that is involved in the politics and the patronage business at the highest level. The organisation was founded with the same kind of Javanese numerical symbolism as characterises Golkar's functions. The members of its board and committees number 17, 8 and 45, a reference to Indonesia's independence date. More importantly, the composition of its leadership, particularly the position of Habibie, the inclusion in its executive of several cabinet ministers and former New Order politicians, some with limited Islamic credentials, and its endorsement by Suharto points strongly to its purpose, an inclusion of an elite in the New Order system of limited pluralism.

It is of some interest to note that in interviews conducted in Jakarta for this thesis, four present board members of ICMI uniformly stressed democracy as the main point on any Islamic agenda in Indonesia, along with the logical exclusion of the military from politics. Questions on moves towards democracy were mostly met with caution and an emphasis on the need for a longer term, sustainable, programme towards "real" democracy. In all cases the western type of liberal democracy was acknowledged as the ultimate aim, a sharp contradiction of prevailing ideology. Repeated questions on a socio-political agenda revealed nothing that would, in substance, not be automatically included in a manifesto of all social democratic and christian

democratic parties in Europe, and mostly conceptualised in such a way as making it fairly unremarkable in the Indonesian context.

The day to day politics of any such group is outside the scope of this thesis and will not be entered into here. It suffices to point out that the politics of this group are focused on fusion with other middle class elements, which is a radical departure from the earlier politics of Islamic identity.

This fusion has been recently described by Aswab Mahasin, the social scientist who is now a board member of ICMI, as the "priyayisation" of the santri. [3] The santris Mahasin refers to is an influential group modernist "secular" muslims that has rooted itself within the New Order system. He points out that this group prefers political status quo, pleads for harmony and for a peaceful acceptance of the system, while mixing easily with bureaucrats and Chinese financiers. These people adopt middle class lifestyles and middle class symbols, but at the same time, as pointed out by Mahasin, they nurture santri group solidarity.

This is their base which secures them a representative status within the New Order. Their santri background and their work among the santri community is what makes them politically important to the regime and is their basis for an inclusion in the exclusionary New Order system. This inclusion is through cooptation and through a privileged status. This group, like many other components of the middle class, has to be understood as a privileged elite rather than as a middle class in a general western sense of the concept.

The process that is of importance here is, once again, not the same as the well analyzed historical pathway of middle class Europe with its attendant interests in universal franchise or citizenship, liberty, democracy and pluralism. This is not society becoming middle class but a process of gradual inclusion of elite groups and a gradual fusion of elite interests. The politics of elite fusion is a new phenomenon, at least in the form it is now taking. Apart from priyayi - santri fusion, this also partly involves the Chinese middle and capitalist class, both through a fusion of capital and interests, most clearly represented by the already discussed interlinkages around the Suharto family interests, and also through increasingly shared educational background of elite members.

The lack of identifiable political agenda among muslim groups, on the other hand, is not a new phenomena. Although political conflict in Indonesia has frequently been analyzed in terms of the muslim factor and although day to day politics have often revolved around this issue of religion, Islam has not contributed greatly, at least in a positive sense, to what might be termed as the net result of Indonesian politics. Politics, of course, is about power, its distribution and its exercise. It would be difficult to make a case for saying that Islam has had a positive impact on the way power is distributed or exercised in Indonesia. The most fundamental question of Indonesian politics, the issues of mass poverty and of the powerlessness of the vast majority of Indonesians, seems unaffected, even unaddressed by the politics of Islam. The Islamic agenda, in so far it has existed, has more often revolved around

such issues of communal living as inheritance, marriage and procreation, rather than around the issue of who does and who does not enjoy political purchase and economic benefit.

It has been pointed out by Ben Anderson that muslim political articulation in Indonesia, at least that of NU, has taken place within a framework that is different from the one analyzed by political scientists. [4] Anderson pointed to what is in some sense at least a non-political agenda of political activity that is the preservation and extension of a religious way of life. Politics of a very different kind have, of course, surfaced at times under Islamic banners during the New Order, but this has been without much positive consequence.

It should, however, be noted that Islam continues to form a potential forum for political protest, in spite of some well documented problems in achieving political unity and political expression in general. [5] Experience from neighbouring Malaysia has shown how rapidly rising Islamic consciousness can affect politics, although it should be pointed out that many of the causes of this development in Malaysia are not present in Indonesia in quite the same measure, although some may be. [6]

How Islam may provide a non-elite forum is at present more a matter of speculation than analytical deduction. Although past experience in Indonesia and recent developments in Malaysia may offer insights into this process, the development of divisions within the middle class may be the most pertinent

factor to look for. This, however, falls outside the limited scope of this thesis.

A few points on this may be made on this, however. One is the upsurge of orthodox Islam that has been noted over the last several years. This is reflected in attendance at mosques and Quran readings, and in various anecdotal evidence produced by numerous observers. In the late 1970s and into the 1980s there was also much evidence of a growing self confidence among younger muslim scholars, such as the Salman group from Bandung, that looked with certain admiration to Iran and somewhat radical tendencies in the Middle East. During the 1980s, however, political Islam was decimated. The PPP, which had been destroyed as a political force long ago by sustained government intervention, and whose main stand against the government had been on aspects of marriage laws and communal living, was made a secular party in the late 1980s. NU, the largest muslim organisation in the country, and for long an influential political party, withdrew from politics at a similar time. At the same time, the government clamped down on various organisations and "spontaneous" networks (*organisasi tanpa bentuk*). Most dramatically this led to the Tanjung Priok massacre, followed by trials of activists, and the Usroh trials of the mid and late 1980s. [7]

At the same time as Islam was growing as a religion and declining as a political force the circumstances of many of its adherents were changing. In the mid 1970s it seemed as if small town Islam was becoming more firmly rooted and wider in its appeal with small scale commerce among its adherents doing well and elements of the lower middle classes joining up. [8]

This development may have been challenged by another. Although there is little hard evidence on such developments in Indonesia, it seems clear that since the mid 1970s conglomerates and Chinese owned commerce in general has penetrated smaller cities and towns, probably at some disadvantage to modernist muslim traders, and almost certainly so in relative terms. A similar trend may have occurred to some extent with regard to land, although on a smaller and far less concentrated scale. This, however, is not certain to be of much importance and Mackie has shown that concentration of land ownership and increase in landlessness is hardly of the proportions sometimes indicated in casual commentary. [9] The point about such changes that may have been occurring in smaller cities, towns and villages, is the potential of Islam as a forum for articulating interests of the lower middle classes and middle groups that may be loosing out economically. There are examples of related things happening in Indonesian history, such as with Sarekat Islam, and more recently, with the revolt of the disadvantaged bazaar economy of Iran against the Shah and his favoured conglomerates, although simplistic parallels should be avoided here. This, however, once again, alerts to the fact, that divisions rooted in economic interests should be searched for an understanding of the longer term political potential of religion and organisation.

The problem here is with data. Little is known on class formation in general and very little on the religious affiliation of the various groups that make up the middle classes. Much is therefor a matter of conjecture. This problem will not be entered into in this thesis as this largely falls outside its limited

scope, focused as it is on the structures shaping the capitalist class, its relations to the state and the implications of this for democratisation. With regard to the same problem that is the concern of this thesis, if looked at from below, as opposed to its focus on the top, these questions on the middle class in general, and not the least on Islam, are of much pertinence.

Longer term impact on politics must be measured on such criteria as effects on power relations and distribution of economic and political power among groups in society and most of past and present Islamic political articulation in Indonesia has continued to be outside this essence of politics. What may well be the greatest intended impact of political activity under the banner of Islam, the massacre of left leaning, largely landless peasants in 1965-1966, is better understood with reference to the politics of landownership and landlessness than through a religious dichotomy. This and related matters, is indeed the reason for the focus in this thesis on allocation of *resources* rather than ideological politics, political institutions and political events.

Nevertheless, what might be termed as the negative political impact of Islam, is of much consequence. The term negative is not used here to indicate a value judgement, but to effect a *separation* between intended result of political activity and an outcome that is caused by negative reaction to the group or its political presence. The negative impact of Islam in this sense, has been its position, along with liberalism and communism, as one of three relatively clear political or cultural alternatives, each of which has seemed unacceptable

to the majority of politically active Indonesians. The presence of these alternatives, imagined or real in terms of politics as they may be, may have made the military-authoritarian alternative more sustainable.

It is with regard to this that the new trend of elite fusion and politics of elite inclusion are of vital interest. This process is central to the question of democracy but outside the scope of this thesis.

Notes

1. Basic works on this include H. Benda, 1958, *The Crescent and the Rising Sun: Indonesian Islam under Japanese Occupation, 1942-1945*, The Hague: W. van Hoeve, a book of a more general value than the title suggests, B. J. Boland, 1971, *The Struggle of Islam in Modern Indonesia*, The Hague: Martinus Nijhof.

See also W. F. Wertheim, 1980, *Muslims in Indonesia: Majority with a Minority Mentality*, Occasional Paper Series, James Cook University.

2. Among works that explain some of this from various angles are: D. Noer, 1973, *The Modernist Muslim Movement in Indonesia 1900-1942*, Kuala Lumpur: Oxford University Press,

M. Nakamura, 1976, *The Crescent Arises over the Banyan Tree: A Study of the Muhammadiyah Movement in a Central Javanese Town*, Ph.D. thesis, Cornell University,

W.F. Wertheim, 1969, *Indonesian Society in Transition. A Study of Social Change*,

A. Wahid, 1987, *The Nahdlatul Ulama and Islam in Present Day Indonesia*, in Abdullah and Siddique (eds.) *Islam and Society in Southeast Asia*, Singapore: ISEAS.

3. See Aswab Mahasin, 1990, *The Santri Middle Class*, Prisma (English Edition) no. 49.

4. Ben Anderson, 1975, Religion and Social Ethos in Indonesia, a paper given at the joint Australia-Indonesia Association and Centre of Southeast Asia Studies of Monash University annual public lectures series, August 1975.
5. On this see e.g. Sidney Jones, 1984, It Can't Happen Here: A Post Khomeni Look at Indonesian Islam, Asian Survey, vol. 20, no. 3, Liem Soei Liong, 1988, Indonesian Muslims and the State: Accommodation or Revolt, Third World Quarterly, Special Issue on Islam, Ruth McVey, 1983, Faith as the Outsider, Islam in Indonesian Politics, in Piscatori (ed.), Islam in the Political Process, Cambridge University Press.
6. On the causes of Islamic resurgence in Malaysia see e.g Chandra Muzaffar, 1986, Malaysia: Islamic Resurgence and the Question of Development, Sojourn, vol 1. no. 1. For a fuller discussion see Chandra Muzaffar, 1986b, Islamic Resurgence, a Global View, in Abdullah and Siddique (eds.), Islam and Society in Southeast Asia, Singapore: Institute of Southeast Asian Studies.
7. For a discussion on muslim dissent see Liem Sioe Liong, 1987, Indonesia: Muslims on Trial, London: Tapol. Also by Liem is a more general discussion, 1988, Indonesian Muslims and the State: Accommodation or Revolt, Third World Quarterly, special issue on Islam.
8. See Mitsuo Nakamura, 1976, The Crescent Arises Over the Banyan Tree, unpublished Ph.D. thesis, Cornell University.
9. Jaimie Mackie, 1990, Property and Power in Indonesia, in The Politics of Middle Class Indonesia, Tanter and Young (eds.) Monash Conference Papers on Southeast Asia no. 19.

CONCLUSIONS

STATE, CLASS, REGIME AND THE QUESTION OF DEMOCRACY

As stated in the introduction, the general concern behind this thesis is with democracy in Indonesia. Democracy, as indicated in the introduction, is understood here in a most general sense, namely the extent to which individuals enjoy a measure of equality in their influence on the way society is governed. Total equality in this regard is, of course, not the experience of any society, nor is it likely to be. That, however, does not cloud the huge and crucial differences that exist between societies in this respect. However imprecise measurements of democracy are bound to be, the fundamental point remains that few would give Indonesia a very favourable ranking on a scale of societies drawn up with this criteria. Almost every imaginable application of a general criteria of democracy, rooted in a general and traditional understanding of the concept, yields the impression of Indonesia, as a distinctly undemocratic polity.

This is well known, and generally accepted. The reasons for this are less uniformly agreed on. Consequently, the same can be said of impediments

to democratisation. In mainstream analysis of Indonesia these have been identified as being rooted in patrimonial and religious culture. The key to democratisation has therefore been seen to lie in changes in attitudes, chiefly effected through a process of modernisation.

It has been argued above that the roots of authoritarianism are not chiefly to be found in cultural predisposition to this form of government. It has been argued that it is politics of access to economic resources that has determined the forms government has taken. Consequently, it has been argued, the key to democratisation in Indonesia is not to be found in the evolution of culture and attitudes, but in imperatives generated by conflicts over access to economic resources, and in class formation rooted in the outcome of such conflicts.

Above, an attempt has been made to understand this through application of three concepts and attendant theories to recent political history of Indonesia.

For these purposes, it was argued, the state is best defined as being both the site of a struggle between various factions of dominant groups, or classes, and at the same time as the integrating principle, which not only condenses, reconciles and represents the interests of the classes or groups with access to state power, but also at times structures these interests, a point of particular relevance to the state dominated politics and economics of Indonesia. The state was seen to consist of the permanent institutions of

government, such as the institutions of coercion, the military and the judiciary, and the institutions of the executive, such as the ministries, the office of the President and the cabinet, as well as being made up of the ensemble of class relations rooted in these institutions. It was further pointed out that the state responds to imperatives generated by these class relations, and to imperatives generated from the position of the economy in the wider world economy, as well as, at times, structuring such class relations through its own longer term structures, which may partially, at least in the short term, and with regard to specific manifestations, be understood through analysis of culture, as well as through economically rooted analysis.

The position of the state in the economy, it was argued, has been paramount, and this for several reasons. Foremost amongst them have been factors of class formation. At independence there was no class with direct roots in the economic organisation of society strong enough to dominate the state. Unlike in most Asian countries there was no landowning class, nor was there an industrial bourgeoisie, or even a strong class of traders, particularly after demographic, geographic and religious factors combined to put traders on the losing side in a conflict with state spawned classes. Instead the state came to be dominated by politicians who chiefly represented, and fought over, access to economic resources through the state, rather than in productive economy.

The importance of access to the state was further augmented by Indonesia's position in the world economy. The state came to control foreign access to

local economic resources as well as access to Indonesia's consumers, and access of locals to the international economy. Foreign capital, foreign technology and foreign markets were required for development of local resources. It was argued, however, that the Dependency Paradigm, developed in the context of Latin America and occasionally used in analysis of Indonesia, failed to explain both the conditions and dynamics characterising Indonesia's position. During the Old Order, the Indonesian regime attempted to alter Indonesia's position in this respect, resulting in economic collapse, while the New Order regime managed to capitalise on this position and to tax foreign access to Indonesian resources and markets. Through this taxation, which took various forms, such as tax on primary exports and the de facto tax on foreign investment presented by requirements for local partners, a process of private capital accumulation started. This was because the state itself was not the primary beneficiary of the various forms of taxation imposed on exploitation of Indonesia's resources and markets, but favoured individual companies. The identity of these companies was determined by those controlling the state. These people formed the regime.

The executive of the state was represented in the analysis through the second main concept, the regime. This concept was used to refer to the individuals occupying the most powerful positions within the state, while also referring to the overall political and economic strategy jointly followed by these individuals.

It was shown that the state, in this sense, forms a set of constraints and opportunities facing the regime. The state, in this way, does not dictate the policy of the regime, but the state's structures, and the imperatives they generate, may dictate the outcome of regime policy.

The understanding of the state presented here and used throughout the thesis clearly borrows from the structuralist tradition. The inclusion of a separate theory of a regime, on the other hand, makes it possible to draw on the insights of the instrumentalist school of thought. A clear separation of the two, state and regime, opens a new way of looking at the Indonesian state and its links to class formation.

This theoretical separation helps to overcome a crucial problem in studying the Indonesian state, its policies and its links to class formation. The state is clearly something much more than the Sukarno regime or the Suharto regime, or a military regime. The latter, that is the regime, is frequently seen to be constituted by the former, while the reverse is occasionally held to be true. Neither is the case, as argued in the text. The Indonesian state has also clearly not been ruled by a ruling class, nor has it been run for the benefit of such a class. This is immediately evident from the non-existence of such a class. Furthermore, it has gradually come to light, as argued in the thesis, that neither is the military in power in Indonesia, nor has the Indonesian state been used to further its interests in the past several years.

At the same time it is quite clear, as extensively argued in the text, that the Indonesian state is not a cultural construct constituted by ideological preferences, or an entity living its own life for its own benefit. It is the centre of the accumulation process, the centre that allocates access to economic resources, economic privileges and political power. In this it does not move in mystical ways but quite clearly for the benefit of a few individuals.

It is equally clear that the Indonesian state has not been controlled for the benefit of a bourgeoisie class, a non-existent phenomenon in Indonesia, or a landowning class, a politically inactive entity in Indonesia, with a notable exception from the mid 1960s, to the extent that it exists at all. The Indonesian state would seem a construct that primarily lends itself to a purely structuralist treatment.

This, however, is not the case, as shown in the text. The Indonesian state has been run by a regime, at the heart of which has been a ruling group, probably not acutely conscious of its corporate existence, and gradually diminishing in size, but a group that has spawned a tiny capitalist class that is now at the heart of the Indonesian economy.

It was shown in the thesis that the Indonesian state continued to be of essentially the same character, through several assumed watershed events. Without denying the importance of these events, such as the attainment of independence, the onset of Guided Democracy, the assumption of power by the New Order military regime and the Malari riots, it was shown that

structures of state and economy remained largely in tact through these turbulent events.

The real change, as argued in the text, came with the huge increase in oil revenue in the mid 1970s, coinciding with the Malari riots and therefor most often misunderstood as originating in that event. The system of patronage, already in existence for some time, was further centralised in the hands of a ruling group and immensely augmented with new funds. As argued above, this centralisation of the patronage system in the hands of the President and his hand picked entourage served to sideline the military as an institution from political power, while the increased liquidity of the system made possible a form of a national industrial strategy, as well as purchasing political following. This strategy, however feeble in economic impact if compared to several countries of eastern Asia, served as a basis for the creation of several large conglomerates. These were mostly Chinese owned until the 1980s when several companies owned by various members of the Suharto family started to expand with great speed on the back of access to state patronage, monopolies, licenses and concessions.

Another important change came in the 1980s when liquidity in the patronage system was reduced with a fall in oil revenues. This was gradually met with an opening up of the economy, after the Suharto family and a few of its business partners had enjoyed huge income from import, trading and transport monopolies. This opening up of the economy also meant privatisation of economic activity previously in the hands of the state, further

sidelining the large group of military officers which continued to run state corporations. Instead the Chinese and Suharto conglomerates took on new business opportunities, having gained financial strength for larger undertakings. These also reaped benefits from an increase in large scale joint ventures with foreign firms, where political clout determined the identity of the local partner.

The Indonesian economy was transformed during the 1980s. In political terms, a regime constituted by the interests of a rent seeking ruling group of military officers, was replaced by a regime, largely consisting of the same individuals, but now nurturing the interests of an economy dominated by several vast industrial and trading conglomerates. What effected this change was the industrial policy from the mid 1970s, the policy of granting and taxing monopolies, the indirect "privatised" taxation of foreign investment all of which served to spawn the large Chinese conglomerates, and later, the decision of Suharto and a few other well placed generals to invest their rents in companies enjoying state patronage.

The late New Order regime, however, is still based on the same combination of military coercion and political and economic patronage as before. The politics of the late New Order are the same as before, the politics of inclusion in the exclusionary state centred polity.

The origins of this are, of course, in the state centred economic and political life of earlier times. In the earliest phase of the New Order, military rank was

the chief credential for political and economic inclusion, although patronage was extended down through vast hierarchies of civilians. The rank itself was never the main determinant of influence, however. Initially ideological politics played some part in this, but later, and crucially for the shape Indonesia was to take, the group of like minded business oriented generals around Suharto formed a ruling group that used the military as an instrument of coercion without being controlled by it as an institution.

There was, however, the illusion of a military regime. This was not an illusion in the sense that the military used coercion on behalf of the regime. The illusion had to do with three other characteristics of the Indonesian political system. The first was the karyawan system. Thousands of military officers served in positions of influence in the Ministries, in state enterprises and in state institutions of various kinds. This vast system was not, however, ultimately controlled by the military, but by the regime. The karyawan officers served the regime, not the military. Their career, their rewards and the policy they were to follow were all under the control of the regime, not the military institution.

The second was the parallel hierarchy provided by the military to civilian government at regional and local level. This was real enough in terms of coercion, and particularly in earlier times, real in terms of economic opportunities for the military officers involved. The all important financial liquidity of the system, however, was provided by the President's office. Vast sums of money going into rural areas that underpinned the rural patronage

system came from extra-budgetary items controlled by the President and the State Secretariat. The military had no central control over these resources. Increasingly this system was centralised in the State Secretariat, further reducing the financial clout of military commanders in the regions, and creating a rift between the military and the powerful State Secretary.

The third characteristic was existence of the ruling group and its control over the military through its control over sources of patronage. The power of Suharto's entourage of financially minded generals was often cited as an example of the pervasive military control of society. The reverse was true. These men were first and foremost business men, who conveniently controlled a military organisation to protect their regime. The military had no control over any of the individuals in the ruling group, and still less the over the group itself.

For all those reasons, and several more discussed in the text, both conventional regime theories, popular in analysis of Indonesia, and theories of military regimes, a few of which have been applied to Indonesia, fail to illustrate the nature of Indonesia's state and regime and further fail to explain the dynamics of Indonesian politics over the past few decades. It was also argued that the popular Bureaucratic Authoritarian Regime/State theories developed in the context of Latin America did not adequately grasp the crucial position of the regime in Indonesia, its relations to the state, and most importantly, the relations between the regime and class formation in Indonesia. These theories, however, at least in a particular form presented,

alert to the important feature of limited pluralism that is partly shared by Indonesia and several past military regimes in Latin America. This factor is directly related to the politics of inclusion in the exclusionary New Order system, frequently referred to in the latter part of the thesis.

The regime's political channel to the population, Golkar, is a vehicle for such limited inclusion and pluralism. It has continued to be constituted by three elements, the military, the centralised system of patronage and the politics of elite inclusion. The military, having realised belatedly how its economic power and its political clout had been decimated by the economic transformation, and the corresponding change in regime interests, of the 1980s, tried to gain increased control over Golkar in the late 1980s. At the same time Golkar was the scene of the regime's attempts to extend its base through including a few more elite representatives, not the least people with Islamic credentials.

This political system, centred on a one man dominated regime and characterised, on the one hand by ad hoc cooptation of individuals and groups, and on the other by legislative institutions of appointees and a political party where civilian elements vie with the military institution for control, is increasingly ill suited for realities created by the economic and class transformation of the country.

The intention of the regime is still clearly to include new elites but at the same time to close the door on mass political participation. These interests have little to do with the frequently assumed interests of a state in a state versus

society conflict. This is a continuation of politics of access to economic resources. These are the interests of the capitalist class in the making, the owners of private conglomerates with their symbiotic linkages to one another and to the state, still dependent on privilege, monopolies and concessions, and above all, dependent on an economic environment constituted by their own interests rather than those of the general public.

This class is represented by the regime. This is in two ways. One is the instrumentalist way of the regime being dominated by individuals who are also members of this tiny class. The pribumi section of the class is almost entirely made up of people who either are key members of the regime, are family members of such people, or have been members of the regime in the past.

This is also in the structural way that no Indonesian regime would be able to move against the general interests of the conglomerates without causing deep economic crisis. The private conglomerates now control such a huge section of the economy that the economic welfare of Indonesia, at least in the short term that any democratic regime would have to think in, is intimately tied up with their success.

The conglomerates have at the same time formed a second circle of inclusion, side by side with the state. Like the state extends patronage and coopts individuals for economic and political privilege, the conglomerates now collect hundreds of smaller firms under their wings and thousands of the best educated people as managers. This, along with the state is the centre of

middle class formation in Indonesia. For the emerging middle classes, the health of the conglomerates is an essential interest.

The state, under the leadership of the present regime, and the largest conglomerates, form in this way two concentric circles around the President. The interests of those inside these circles is to widen them but certainly not to break them up or to open them up for control by the vast army of outsiders.

There are however some potential divisions within these twin circles of elite inclusion. It is in these divisions that a certain hope for democracy may emerge. These are partly of economic nature and partly with roots in cultural realities.

The former refers to three sources of conflict. One is between the favoured conglomerates and the increasingly frustrated smaller business men who in some cases have prospered under conglomerate patronage but find themselves at much disadvantage in competing for new opportunities, not the least with the rapacious Suharto conglomerates.

Many of the smaller conglomerates may side with smaller business men in this instance, and favour a more predictable and regularised form of government. It seems however, highly unlikely that many capitalists and sizable traders would favour a government constituted by the interests of the

general masses of poor people over a regime they would chiefly criticise for favouring one business section over the other.

Another source of conflict of this type is the rapidly growing need for the regime to tax the capitalist and middle classes. The regime built up its system of patronage, which both sustained it through various crisis and provided basis for private capital accumulation, without taxing Indonesians. As recently as 1989 far less than one million people in Indonesia paid any income tax at all and most of these paid sums distinctly modest in relation to their means. This is now changing. The tax net is being widened and tightened as the need for domestic non-oil revenue rapidly increases. Taxation does not automatically lead to calls for representation but may do so, particularly if taxation is imposed by a state seemingly unfairly favouring competitors of those who pay.

A third possible economic conflict is also with cultural roots. This is the antagonism felt by many pribumis towards Chinese control of the economy. This was met by Suharto in 1990 when he invited the heads of around 30 of the largest conglomerates in the country to his ranch at Tapos to announce on television that ownership of these firms should be shared with cooperatives formed by their workers. Although Suharto's scheme has so far come to almost nothing, the weak and even hazardous position of the Chinese in Indonesia may prompt further attempts at including pribumi middle class in economics and politics.

On the cultural side the Islamic dimension continues to be the one of greatest potential, although Islam has not greatly affected Indonesian politics, except in an unintended and negative way, as pointed out in the preceding chapter. The cultural and racial division of the middle class is of greatest interest here, although, as pointed out, important sections of the elite of muslim middle class has adopted policies of middle class fusion and elite inclusion, while much of the rest of the muslim elite has increasingly followed a policy of greater religious and cultural tolerance.

This is speculative, however, and beyond the scope of this thesis. The emerging middle class, economic, occupational, religious and geographic divisions within it, the interests of its various fractions with regard to the two sides of the capitalist class, to the regime and to the military need to be mapped out through much research that for the most has yet to be undertaken in Indonesia.

BIBLIOGRAPHY

Magazines and newspapers:

- The Asian Wall Street Journal*, Business daily, Hong Kong.
- Asiaweek*, News weekly, Hong Kong.
- Business News*, Business bulletin, Jakarta.
- Editor*, News weekly (Indonesian), Jakarta.
- Expo*, Business bi-weekly (Indonesian), Jakarta. (banned in 1974)
- Far Eastern Economic Review*, News weekly, Hong Kong.
- Info Bank*, Business monthly (Indonesian), Jakarta.
- Kompas*, News daily (Indonesian), Jakarta.
- NRC Handelsblad*, News daily (Dutch), Rotterdam.
- Prospek*, Business monthly (Indonesian), Jakarta.
- The Strait Times*, News daily, Singapore.
- Swa Sembada*, Business monthly (Indonesian), Jakarta.
- Tapol*, Political newsletter, London.
- Tempo*, News weekly (Indonesian), Jakarta.
- Warta Ekonomi*, Business weekly (Indonesian), Jakarta.

Academic Works

Ahmed, Haji Zakaria and Harold Crouch (eds.), 1985, *Military-Civilian Relations in Southeast Asia*, Singapore: Oxford University Press.

Alavi, Hamza, 1972, The State in Post-Colonial Societies, *New Left Review*, no. 74: 59-81.

_____, 1975, India and the Colonial Mode of Production, *Economic and Political Weekly*, India, vol. 10 (35): 1235-1262.

_____, 1982 State and Class under Peripheral Capitalism, in Alavi and Shanin (eds.), *Introduction to the Sociology of Developing Societies*, Macmillan.

_____, 1983, The State in Crisis, Class and State, in H. Gadezi and J. Rashid (eds.) Pakistan, *The Roots of Dictatorship*, London: Zed Press.

Anderson, Benedict R. O'G., 1972, *Java in Time of Revolution, Occupation and Resistance 1944-1946*, Cornell University Press.

_____, 1977, Religion and Politics in Indonesia Since Independence. In *Religion and Social Ethos in Indonesia*, Monash University: (conference papers, 1975 conference, Australia-Indonesia Association and the Centre for Southeast Asian Studies, Monash.)

_____, 1978, The Last Days of Indonesia's Suharto?, *Southeast Asia Chronicle*, no. 63: 2-17.

Anderson, Benedict, R. O'G. and Audrey Kahin (eds.), 1982, *Interpreting Indonesian Politics, Thirteen Contributions to the Debate*, Cornell Modern Indonesia Project, Interim Reports Series no. 62, Ithaca: Southeast Asia Programme, Cornell University.

Anderson, Perry, 1974, *Lineages of the Absolutist State*, London: New Left Books.

Androoij, F. et al (eds.), 1979, *Between People and Statistics: Essays in Modern Indonesian History - Presented to P. Creutzberg*, The Hague: Martinus Nijhof.

Anspach, R., 1969, Indonesia. In Anspach et. al. (eds.), *Underdevelopment and Economic Nationalism in Southeast Asia*, Cornell University Press.

Bachtiar, Harsja, 1988, *Siapa Dia? Perwira Tinggi Tentara Nasional Indonesia: Angkatan Darat* (Who is Who? Officers of the Indonesian Army), Jakarta: Djambatan.

Bardahan, Pranab, 1984, *The Political Economy of Development in India*, Oxford: Basil Blackwell.

Barry, Brian, 1965, *Political Argument*, London: Routledge and Kegan Paul.

Benda, Harry J., 1958, *The Crescent and the Rising Sun*, The Hague and Bandung: W. van Hoeve. (Re-issued, 1983, Dordrecht: Foris)

Boeke, J. H., 1951, *Economics and Economic Policy in Dual Societies*, Haarlem: H. D. T. Willink.

Boland, B. J., 1971, *The Struggle of Islam in Modern Indonesia*, The Hague: Martinus Nijhoff.

Booth, Anne and Peter McCawley (eds.), 1981, *The Indonesian Economy During the Soeharto Era*, Kuala Lumpur: Oxford University Press.

Bourchier, David, 1984, *Dynamics of Dissent in Indonesia: Sawito and the Phantom Coup*, Cornell Modern Indonesia Project Interim Reports Series no. 63, Ithaca: Southeast Asia Program, Cornell University.

Bowen, John R., 1986, On the Political Construction of Tradition, Gotong Royong in Indonesia, *Journal of Asian Studies*, vol. 45 (3): 544-561.

Britton, Peter, 1983, *Military Professionalism in Indonesia; Javanese and Western Military Traditions in Army Ideology to the 1970s*, M.A thesis, Department of History, Monash University.

Bruinessen, Martin van, 1990, Indonesia's Ulama and Politics, *Prisma* (Engl. ed.) no. 49: 52-69.

Budiman, Arief, 1987, Indonesia, in Kyong-Dong Kim (ed.), *Dependency Issues in Korean Development*, Seoul: National University Press.

Bulkin, Fachran, 1984, Negara, Masyarakat dan Ekonomi (State, Society and the Economy), *Prisma* (Indon. ed.), no. 8: 3-17.

Cardoso, Fernando, 1973, Associated-Dependent Development, in A. Stephan (ed.), *Authoritarian Brazil*, New Haven: Yale University Press.

_____, 1979, On the Characterization of Authoritarian Regimes in Latin America, in D. Collier (ed.), *The New Authoritarianism in Latin America*, Princeton University Press.

Cardoso, Fernando and Enzo Faletto, 1979 *Dependency and Development in Latin America*, Berkely: University of California Press. (orig. pub. in Spanish, 1971)

Castles, Lance and Herbert Feith (eds.), 1970, *Indonesian Political Thinking 1945-1965*, Ithaca and London: Cornell University Press.

Chalmers, Ian, 1989, *Economic Nationalism and the Third World State: The Political Economy of the Indonesian Automotive Industry, 1950-1984*, Ph.D. thesis, Australian National University, Canberra.

Chowdhury, Hasanuzzman, 1985, *State and Mode of Production in Bangladesh*, Dhaka: (pub. not given)

Clapham, Christopher, 1985 (ed.), *The Political Dilemmas of Military Regimes*, London and Sydney: Croom Helm.

Collier, David (ed.), 1979, *The New Authoritarianism in Latin America*, Princeton: Princeton University Press.

Creutzberg, P., 1979, (presented to), F. Andreooij et al (eds.), *Between People and Statistics: Essays in Modern Indonesian History - Presented to P.Creutzberg*, The Hague: Martinus Nijhoff.

Crouch, Harold, 1975, Generals and Business in Indonesia, *Pacific Affairs*, vol. 48 (4): 519-40.

_____, 1978, *The Army and Politics of Indonesia*, Ithaca and London: Cornell University Press.

_____, 1979, Patrimonialism and Military Rule in Indonesia, *World Politics*, vol. 31 (4): 571-87

_____, 1984, *Domestic Political Structures and Regional Economic Cooperation*, Singapore: Institute of Southeast Asian Studies.

_____ and H. Zakaria Ahmed (eds.), 1985, *Military-Civilian Relations in Southeast Asia*, Singapore: Oxford University Press.

_____, 1986, The Missing Bourgeoisie: Approaches to Indonesia's New Order. In Chandler and Ricklefs (eds.), *Nineteenth and Twentieth Century Indonesia: Essays in Honor of Prof. J.D. Legge*, Melbourne: Centre of Southeast Asian Studies, Monash University.

Dahl, Robert, 1963, *Modern Political Analysis*, New Jersey: Prentice Hall.

Dharmaputera, Eka, 1982, *Pancasila and the Search for Identity and Modernity in Indonesian Society*, Ph.D. thesis, Boston College.

Dick, Howard, 1985, The Rise of a Middle Class and the Changing Concept of Equity in Indonesia: An Interpretation, *Indonesia*, no. 39: 71-92

Dijk, Cees van, 1981, *Rebellion Under the Banner of Islam: The Darul Islam in Indonesia*, The Hague: Martinus Nijhoff.

Doornbos, Martin, 1989, *The African State in Academic Debate*, The 1989 Dies Natalis Address, Institute of Social Studies, The Hague.

Dunleavy, Patric and Brendan O'Leary (eds.), 1987, *Theories of the State*, London: Macmillan.

Dyson, K., 1980, *The State Tradition in Western Europe*, Oxford: Martin Robertson.

Eldridge, Philip, 1985, The Political Role of Community Action Groups in India and Indonesia, *Alternatives*, vol. 10 (3): 401-34.

_____, 1989, NGOs and the State in Indonesia, *Prisma* (Engl. ed.), no. 47: 34-56.

Elliott, David, 1978, *Thailand, The Origins of Military Rule*, London: Zed Books.

Emmerson, Donald K., 1976, *Indonesia's Elite: Political Culture and Cultural Politics*, Ithaca: Cornell University Press.

_____, 1978, The Bureaucracy in Political Context: Weakness in Strength. In Jackson and Pye (eds.)

_____, 1983, Understanding the New Order: Bureaucratic Pluaralism in Indonesia, *Asian Survey*, vol. 23 (11): 1220-41.

Engels, Friedrich and Karl Marx, 1848, Manifesto of the Communist Party, *Collected Works*, vol. 6, Lawrence & Wishart, vols. 1-43, 1974-1988.

_____, 1878, Anti-Duhring, *Collected Works*, vol. 25, Lawrence & Wishart, vols. 1-43, 1974-1988.

_____, 1894, Origin of the Family, *Collected Works*, Lawrence & Wishart, vols, 1-43, 1974-1988.

Evans, Peter, 1979, *Dependent Development, The Alliance of Multinational, State and Local Capital*, Princeton University Press.

Evans, Peter, Dietrich Rueschmeyer and Theda Skocpol (eds.), 1985, *Bringing the State Back in*, Cambridge: Cambridge University Press.

Faletto, Enzo and Fernando Cardoso, 1979, *Dependency and Development in Latin America*, Berkeley: University of California Press.

Feith, Herbert, 1962, *The Decline of Constitutional Democracy in Indonesia*, Ithaca: Cornell University Press.

_____, 1963, Dynamics of Guided Democracy. In *Indonesia*, Ruth. T. McVey (ed.), New Haven: Human Relations Area Files, Yale University.

_____, 1968, Suharto's Search for Political Format, *Indonesia*, no.6: 88-105

_____, and Lance Castles (eds.), 1970, *Indonesian Political Thinking 1945-1970*, Ithaca and London: Cornell University Press.

_____, 1980, Repressive Developmentalist Regimes in Asia: Old Strengths, New Vulnerabilities, *Prisma*, no. 19: 39-55.

Finer, Samuel, 1976 (2nd ed.), *The Man on Horseback: The Role of the Military in Politics*, Penguin.

Frank, Andre Gunder, 1967, *The Development of Underdevelopment in Latin America; Historical Studies of Chile and Brazil*, New York: Monthly Press.

_____, 1969, *Latin America: Underdevelopment or Revolution*, New York: Monthly Press.

Furnivall, J., 1944, *Netherlands India: A Study in Plural Economy*, Cambridge: Cambridge University Press.

Geertz, Clifford, 1960, *The Religion of Java*, Chicago: The University of Chicago Press.

_____, 1971, *Agricultural Involution: The Process of Ecological Change in Indonesia*, Berkeley, University of California Press.

Gerschenkron, Alexander, 1962, *Economic Backwardness in Historical Perspective*, Cambridge, Mass: Harvard University Press.

Girling, John, 1981a, *Thailand, Society and Politics*, Ithaca: Cornell University Press.

_____, 1981b, *The Bureaucratic Polity in Modernising Societies*, Singapore: Institute of Southeast Asian Studies.

Glassburner, B. (ed.), 1971, *The Economy of Indonesia: Selected Readings*: Ithaca and London: Cornell University Press.

_____, 1978, Indonesia's New Economic Policy and its Sociopolitical Implications. In Jackson and Pye (eds.).

_____, 1978b, Political Economy and the Suharto Regime, *Bulletin of Indonesian Economic Studies*, vol.14 (3): 24-51

Gordon, Alec, 1978, Some Problems of Analysing Class Relations in Indonesia, *Journal of Contemporary Asia*, vol. 8 (2): 210-18.

_____, 1982, Plantations and the Post-Colonial Mode of Production, *Journal of Contemporary Asia*, vol. 12 (2): 168-87.

Geoffrey C. Gunn, 1979, Ideology and the Concept of Government in the New Order Indonesia, *Asian Survey*, vol. 19 (8): 751-69.

Gunnarson, Christer, 1985, Development Theory and Third World Industrialisation, *Journal of Contemporary Asia*, vol. 15 (2): 183-206.

Habibie, B. J., 1986, Industrialisasi, Transformasi, Teknologi dan Pembangunan Bangsa (Industrialisation, Transformation and National Development), *Prisma* (Indon. ed.), vol. 15 (1): 45-53.

Hassan, Muhammad Kamal, 1980, *Muslim Intellectual Responses to New Order Modernization in Indonesia*, Kuala Lumpur: Dewan Bahasa dan Pustaka Kementerian Pelajaran Malaysia.

Hawes, Gary, 1987, *The Philippine State and the Marcos Regime*, The Politics of Export, Ithaca and London: Cornell University Press.

Hewison, Kevin, 1981, The Financial Bourgeoisie in Thailand, *Journal of Contemporary Asia*, vol. 11 (4): 395-412.

_____, 1985, The State and Capitalist Development in Thailand. In Higgot and Robison (eds.).

_____, 1989, *Power and Politics in Thailand: Essays in Political Economy*, Manila: Journal of Contemporary Asia Press.

Higgot, Richard and Richard Robison (eds.), 1985, *Southeast Asia: Essays in the Political Economy of Structural Change*, London, Boston and Melbourne: Routledge & Kegan Paul.

Hill, Hal, 1987, Concentration in Indonesian Manufacturing, *Bulletin of Indonesian Economic Studies*, vol. 23. (2): 71-100.

Hirschman, Alfred, 1971, *The Political Economy of Import Substitution Industrialisation in Latin America*, New Haven: Yale University Press.

Houtart, Francois, 1974, *Religion and Ideology in Sri Lanka*, Louvain University, Belgium.

Huntington, Samuel, 1968, *Political Order in Changing Societies*, New Haven: Yale University Press.

Jackson, Karl, 1978, Bureaucratic Polity: A Theoretical Framework for the Analysis of Power and Communication in Indonesia. In Jackson and Pye (eds.)

Jackson, Karl and Lucian Pye (eds.) 1978, *Political Power and Communications in Indonesia*, Berkeley: University of California Press.

Jenkins, David, 1983, *Suharto and His Generals: Indonesian Military Politics, 1975-1983*. Cornell Modern Indonesia Project Monograph Series no. 64, Ithaca: Cornell University Southeast Asia Program.

Jessop, Bob, 1982, *The Capitalist State*, Oxford: Martin Robertson.

de Jesus, Ed. C. and A. McCoy, 1982, *Philippine Social History, Global Trade and Local Transformations*, Manila: Ateneo de Manila University Press.

Johnson, Dale, 1985 (ed.), *Middle Classes in Dependent Countries*, Beverly Hills: Sage Books.

Jones, Sidney, 1980, It Cant Happen Here: A Post Khomeini Look at Indonesian Islam, *Asian Survey*, vol. 20 (3): 311-23.

_____, 1984, The Contraction and Expansion of the Umat and the Role of the Nahdatul Ulama in Indonesia, *Indonesia*, no. 38: 1-20.

Kahin, Audrey and Ben Anderson (eds.), 1982, *Interpreting Indonesian Politics: Thirteen Contributions to the Debate*, Cornell University Modern Indonesia Project Interim Reports Series no. 62, Ithaca: Southeast Asia Program, Cornell University.

Kemp, Tom, 1983, *Industrialisation in 19th Century Europe*, London: Longman.

_____, 1988, *Industrialisation in the Non-Western World*, London: Longman

King, Dwight, 1982, Indonesia's New Order as a Bureaucratic Polity, a Neo-Patrimonial Regime or a Bureaucratic Authoritarian Regime: What Difference Does it Make?. In B. Anderson and A. Kahin (eds.)

Kuntjoro-Jakti, Dorojatun, 1982, *The Political Economy of Development; The Case of Indonesia under the New Order Government 1966-1978*, Ph.D. thesis, University of California, Berkeley.

- Larkin, J., 1972, *The Pampangans, Colonial Society in a Philippine Province*, Berkeley: University of California Press.
- Lev, Daniel S., 1966, *The Transition to Guided Democracy*, monograph, Cornell University.
- _____, 1985, Colonial Law and the Genesis of the Indonesian State, *Indonesia*, no. 40: 57-74.
- _____, 1990, Intermediate Class and Change in Indonesia: Notes on the Middle Class and Change in Indonesia. In Tanter and Young (eds.).
- Leys, Colin, 1975, The Overdeveloped Post-Colonial State: A Re-evaluation, *Review of African Political Economy*, no. 5: 39-48.
- _____, 1977, Underdevelopment and Dependency: Critical Notes, *Journal of Contemporary Asia*, vol. 7: 92-107.
- Liddle, William, 1973, Evolution from Above: National Leadership and Local Development in Indonesia, *Journal of Asian Studies*, vol. 32 (2): 287-309.
- _____, 1977, Indonesia 1976: Challenges to Suharto's Authority, *Asian Survey*, vol. 17 (2): 95-106.
- _____, 1978a, Participation and Political Parties. In Jackson and Pye (eds.)
- _____, 1978b, Indonesia in 1977: The New Order's Second Parliamentary Election, *Asian Survey*, vol. 18 (2): 175-185.
- _____, 1985, Soeharto's Indonesia: Personal Rule and Political Institutions, *Pacific Affairs*, vol. 58 (1) 68-90.
- _____, 1990, Indonesia is Indonesia, in Tanter and Young (eds.).
- Liem, Soei Liong, 1987, *Indonesia: Muslims on Trial*, London: Tapol.

_____, 1988, Indonesian Muslims and the State: Accomodation or Revolt, *Third World Quarterly*, vol. 10 (2): 869-96.

Linz, Juan, 1970, An Authoritarian Regime: Spain, in Allardt and Rokkan (eds.), *Mass Politics: Studies in Political Sociology*, New York: Free Press.

MacDonald, Hamish, 1980, *Suharto's Indonesia*. Melbourne: Fontana.

MacDougal, John, 1982, Patterns of Military Control in the Indonesian Higher Central Bureaucracy, *Indonesia*, no. 33: 89-121.

_____, 1988, Military Penetration of the Indonesian Government: The Higher Central Bureaucracy, *Indonesia Reports*, no. 14: 2-14.

Mackie, Jamie, 1967, *Problems of the Indonesian Inflation*, Monograph Series no. 42, Ithaca: Cornell University Press, Modern Indonesia Program.

_____, 1984, Property and Power in New Order Indonesia. In Tanter and Young (eds.), 1990

McCoy, Alfred and E. de Jesus, 1982, *Philippine Social History, Global Trade and Local Transformations*, Manila: Ateneo de Manila University Press.

McVey, Ruth T., 1963, *Indonesia*. New Haven: Human Relations Area Files, Yale University.

_____, 1969, The Management of Ideological Conflict in Indonesia, introduction. In Sukarno, *Nationalism, Islam and Marxism*, Cornell University Modern Indonesia Project, Translation Series. Publication no. 48, Ithaca: Cornell University Southeast Asia Program.

_____, 1982 (orig. 1977), The Beamtenstaat in Indonesia, in Anderson and Kahin (eds.).

_____, 1983, Faith as the Outsider, Islam in Indonesian Politics. In James Piscatori (ed.) *Islam in the Political Process*, Cambridge: Cambridge University Press.

Madjid, Nurcholis, 1985, An Islamic Appraisal of the Political Future of Indonesia, *Prisma* (Engl. ed.), no. 35: 11-26.

_____, 1990, Indonesia in the Future: Sophisticated and Devoutly Religious, *Prisma* (Engl. ed.), no. 49: 77-82.

Mahasin, Aswab, 1990, The Santri Middle Class: An Insider's View, in Tanter and Young (eds.).

Marx, Karl, 1843, Critique of Hegel's Philosophy of the State, *Collected Works*, vols. 1-43, Lawrence & Wishart, 1974-1988.

_____, 1850, Class Struggles, *Collected Works*, vol. 10, Lawrence & Wishart, vols. 1-43, 1974-1988.

_____, 1852, The Eighteenth Brumaire of Louis Bonaparte, *Collected Works*, vol. 11, Lawrence & Wishart, vols. 1-43, 1974-1988.

_____, 1871, The Civil War in France, *Collected Works*, vol. 23, Lawrence & Wishart, vols. 1-43, 1974-1988.

_____, and Friedrich Engels, 1848, Manifesto of the Communist Party, *Collected Works*, vol. 6, Lawrence & Wishart, vols. 1-43, 1974-1988.

Mas'oed, Mochtar, 1983, *The Indonesian Economy and Political Structure During Early New Order 1966-1971*, Ph.D thesis, Ohio State University.

Miliband, Ralph, 1969, *The State in Capitalist Society*, London: Weidenfeld & Nicholson.

_____, 1970, The Capitalist State - Reply to Nico Poulantzas, *New Left Review*, no. 59 (Jan.-Feb.): 67-78.

_____, 1973, Analysing the Bourgeois State, Marxism and Social Classes, *New Left Review*, no. 82 (Nov.-Dec.): 83-92.

_____, 1983, *Class Power and State Power*, London: Verso and New Left Books.

Mortimer, Rex, 1973, *Showcase State: The Illusion of Indonesia's Accelerated Modernisation*, Sydney: Angus and Robertson.

_____, 1982, Class, Social Cleavage, and Indonesian Communism. In B. Anderson and A. Kahin (eds.)

Muhaimin, Yayah, 1990, Muslim Traders: Stillborn Bourgeoisie, *Prisma* (Engl. ed.) no. 49: 83-90.

Murtopo, Ali, 1973, *The Acceleration and Modernization of 25 Year's Development*, Jakarta: Yayasan Proklamasi and CSIS.

Muzaffar, Chandra, 1987, Islamic Resurgence: A Global View, in Abdullah and Siddique (eds.) *Islam and Society in Southeast Asia*, Singapore: ISEAS.

Nakamura, Mitsuo, 1976, *The Crescent Arises over the Banyan Tree: A Study of the Muhammadiyah Movement in a Central Javanese Town*, Ph.D. thesis, Cornell University.

Nasution, Abdul Haris, 1956, *Tentara Nasional Indonesia* (The Indonesian Armed Forces), Jakarta: Yayasan Pustaka Militer.

Niel, Robert van, 1960, *The Emergence of the Modern Indonesian Elite*, The Hague: W. van Hoeve. (re-pub. in 1984 by Foris Publications, Dordrecht.)

Noer, Deliar, 1973, *The Modernist Movement in Indonesia 1900-1942*, Kuala Lumpur: Oxford University Press.

Nordlinger, Erik, 1977, *Soldiers in Politics, Military Coups and Governments*, Prentice Hall.

O'Donnel, Guillermo, 1973, *Modernisation and Bureaucratic Authoritarianism: Studies in South American Politics*, Berkeley: University of California Press.

_____, 1977, Corporatism and the Question of the State. In J. Malloy (ed.), *Authoritarianism and Corporatism in Latin America*, University of Pittsburgh Press.

_____, 1979, Tensions in Bureaucratic Authoritarian State and the Question of Democracy. In D. Collier (ed.), *The New Authoritarianism in Latin America*, Princeton University Press.

O'Leary, Brendan and Patric Dunleavy (eds.), 1987, *Theories of the State*, Macmillan.

Ongkokham, 1975, *The Residency of Madiun: Priyayi and Peasants in the 19th Century*, Ph.D thesis, Yale University.

Paauw, D. S., 1963, From Colonial to Guided Economy. In Ruth. T. McVey (ed.).

Palmer, Ingrid, 1978, *The Indonesian Economy Since 1965: A Case Study of Political Economy*, London: Frank Cass.

Parsons, Talcot, 1967, *Sociological Theory and Modern Society*, New York: Free Press.

Pauker, Guy J., 1962, The Role of the Military in Indonesia. In J. J. Johnson, *The Role of the Military in Underdeveloped Countries*, Princeton University Press.

Polak, J. J., *The National Economy of the Netherlands Indies, 1921-1939*, New York: Institute of Pasific Relations.

Poulantzas, Nico, 1969, Capitalism and the State, *New Left Review*, no. 58 (Nov.-Dec.): 67-78.

_____, 1973, *Political Power and Social Classes*, London: New Left Books and Sheen & Ward.

_____, 1975, *Classes in Contemporary Capitalism*, London: New Left Books.

_____, 1976, The Capitalist State, *New Left Review*, no. 95 (Jan.-Feb.): 63-83.

Pranarka, 1985, *Sejarah Perkembangan Pemikiran Tentang Pancasila* (History of the Development of Thinking on Pancasila), Jakarta: CSIS - Yayasan Proklamasi.

Purdy, Susan, 1984, *Legitimacy of Power and Authority in a Plural Society: Pancasila and Civil Religion in Indonesia*, Ph.D. thesis, Columbia University.

Rahardjo, Dawam, 1985, Transnationalisation of the State, *Working Papers of the United Nations Project on the State in Southeast Asia*, Tokyo: United Nations University.

_____, 1991, *Basis Sosial Pemikiran Islam di Indonesia Sejak Orde Baru* (The Social Foundations of Islamic Thinking in Indonesia During the New Order), (unpublished manuscript)

Ransom, David, 1970, The Berkeley Mafia and the Indonesian Massacre, *Ramparts*, no. 9: 28-49.

Reid, Anthony, 1974, *The Indonesian National Revolution, 1954-1950*, Melbourne: Longman.

Reeve, David, 1977, *An Alternative to the Party System in Indonesia: An Historical Evaluation of the Functional Group Concept*, Ph.D. thesis, University of Sydney.

Ricklefs, M. C., 1979, Six Centuries of Islamization in Java. In Levtzion (ed.), *Conversion to Islam*, New York & London: Homes and Meier.

_____, 1981, *A History of Modern Indonesia*, London: Macmillan.

Riggs, Fredrick, 1964, *Administration in Developing Countries: The Theory of Prismatic Society*, Houghton Mifflin.

_____, 1966, *Thailand: The Modernization of a Bureaucratic Polity*, Honolulu: East West Centre Press.

Robison, Richard, 1977, *Capitalism and the Bureaucratic State in Indonesia, 1965-1975*, Ph.D. thesis, University of Sydney.

_____, 1978, Towards a Class Analysis of the Indonesian Military Bureaucratic State, *Indonesia*, no. 25: 17-30.

_____, 1981, Culture, Politics and Economy in the Political History of the New Order, *Indonesia*, no. 31: 1-29.

_____, 1982, The Transformation of the State in Indonesia, *Bulletin of Concerned Asian Scholars*, vol. 14 (1) 48-60.

_____, 1985, Class, Capital and the State in New Order Indonesia. In Higgot and Robison (eds.)

_____, 1986, *Indonesia: the Rise of Capital*, Sydney: Allen & Unwin.

Rocamora, Joel, 1970, *Nationalism in Search of an Ideology, The Indonesian Nationalist Party 1946-1965*, Ph.D. thesis, Cornell University.

Rostow, William, 1963, *The Economics of Take-off into Sustained Growth*, Cambridge: Cambridge University Press.

Said, Salim, 1985a, *The Genesis of Power: Civil-Military Relations in Indonesia During the Revolution for Independence*, Ph.D. thesis, Ohio State University.

_____, 1985b, *The Political Role of The Indonesian Military: Past, Present and Future*, Singapore: Institute of Southeast Asian Studies.

Samson, Allan, 1978, Conceptions of Politics, Power and Ideology in Contemporary Indonesian Islam. In Jackson and Pye (eds.).

Schiller, J. W, 1978, *The Development Ideology in New Order Indonesia*, MA thesis, Ohio University.

Shivji, I., 1976, *Class Struggles in Tanzania*, London: Heineman.

Skocpol, Theda, 1979, *States and Social Revolutions*, Cambridge: Cambridge University Press.

_____ et al (eds.)1985, *Bringing the State Back in*, Cambridge: Cambridge University Press.

Slamet, Ina, 1982, *Cultural Strategies for Survival: The Plight of the Javanese*, Comparative Asian Studies Paper, Rotterdam: Erasmus University Faculty of Social Science.

Sobhan, R, 1982, *The Crisis of External Dependence*, London: Zed Books.

Soepomo, 1970, An Integralist State. In Feith and Castles (eds.), *Indonesian Political Thinking 1945-1970*, Ithaca and London: Cornell University Press: 188-92.

Stauffer, Robert, 1985, The Philippine Political Economy: Dependent State Capitalism in the Corporatist Mode, in Higgot and Robison (eds.),

Sundhausen, Ulf, 1971, *The Political Orientation and Political Involvement of the Indonesian Officer Corps, 1945-1966, The Army Headquarters and the Siliwangi Division*, Ph. D. thesis, Monash University.

_____, 1972, The Military in Research on Indonesian Politics, *Journal of Asian Studies*, vol. 31 (2): 355-65.

_____, 1982, *The Road to Power, Indonesian Military Politics 1945-1967*, Kuala Lumpur: Oxford University Press.

_____, 1985, Slow March into an Uncertain Future, in Clapham and Philips (eds.), *The Political Dilemmas of Military Regimes*, London and Sydney: Croom Helm.

Stepan, Alfred, 1973 (ed.), *Authoritarian Brazil*, New Haven: Yale University Press.

- Sutter, John O., 1959, *Indonesianisasi: Politics in a Changing Economy, 1950-1955*, vols. 1-4, Data Paper no. 36, Ithaca: Department of Far-Eastern Studies, Cornell University.
- Syafi-Maarif, A, 1985, Islam and Constitutionalism, The Indonesian Experience, *Prisma*, (Engl. ed.), no. 35: 83-96.
- Tamara, Natsir, 1986, *Indonesia in the Wake of Islam*, Kuala Lumpur: ISIS.
- _____, 1990, Islam under the New Order: A Political History, *Prisma* (Engl.ed), no. 49: 6-30.
- Tanter, Richard, 1988, The Rentier-Militarist State in Indonesia: Global Preconditions, Paper prepared for the Conference on State and Civil Society in Indonesia, Centre of Southeast Asian Studies, Monash University.
- Tanter, Richard, and Young, Keneth, 1990 (eds.) *The Politics of Middle Class Indonesia*, Monash Conference Papers on Southeast Asia no. 19, Melbourne: Monash University.
- Therborn, Göran, 1978, *What does the Ruling Class do when it Rules*, London: New Left Books.
- Thomas, K., 1973, *Indonesia, the Effects of Past Policies and Suharto's Plans for the Future*, Melbourne: CEDA.
- Tornquist, Olle, 1984, *Dilemmas of Third World Communism: The Destruction of the PKI in Indonesia*, Londond: Zed Books.
- Trimberger, Ellen K., 1978, *Revolution from Above: Military Bureaucrats and Development in Japan, Turkey, Egypt and Peru*, Transaction Books.
- Wahid, Abdurrahman, 1985, The Islamic Masses in the Life of State and Nation, *Prisma*, (Engl. ed.), no. 35: 3-10.
- _____, 1988, The Nahdlatul Ulama and Islam in Present Day Indonesia, in Abdullah and Siddique (eds.), *Islam and Society in Southeast Asia*, Singapore: ISEAS.

_____, 1990, Indonesia's Muslim Middle Class. In Tanter and Young, (eds.) 1990.

Ward, Ken, 1974, *The 1971 Elections in Indonesia*, Clayton: Monash Papers on Southeast Asia.

Wertheim, W. F., 1964, *Indonesian Society in Transition*, The Hague: W. van Hoeve.

_____, 1979, Whose Plot? New Light on the 1965 Events, *Journal of Contemporary Asia*, vol. 9 (2): 197-215.

_____, 1980, *Muslims in Indonesia, Majority with a Minority Mentality*, Occasional Paper Series, James Cook University.

Winters, Jeffrey, 1988, Indonesia: The Rise of Capital: A Review Essey, *Indonesia*, no. 45: 109-28.

Young, Kenneth and Tanter, Richard, 1990 (eds.), *The Politics of Middle Class Indonesia*, Monash Conference Papers on Southeast Asia no. 19, Melbourne: Monash University.

