THE STATE AND ILLEGALITY IN INDONESIA
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EDITED BY

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KITLV Press
Leiden
2011
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Acknowledgements

This volume is the product of an extended and intensive process of collaboration in which many individuals participated. It has its genesis in a panel at the European Association for Southeast Asian Studies (Euroseas) conference in Naples, Italy, on 12-15 September 2007. Several of the papers in that panel were published in a special edition of South East Asia Research in 2008 (Volume 16, Number 2). A second workshop on the State and Illegality in Indonesia brought together some of the Naples authors with a considerably enlarged group of researchers a year later. It was hosted by the Australian National University in Canberra on 22-24 September 2008. Participants presented and debated their draft chapters. We would like to thank the Australia Netherlands Research Collaboration (ANRC) for generously funding this workshop.

Above all, we the editors would like to thank all contributors, who brought their diverse backgrounds to this elusive yet important topic, and did so in a highly collaborative manner. We found it a delight to take part in a series of meetings where participants contributed their ideas so creatively and generously. Afterwards, it was gratifying to work with authors who approached the task of writing and revision with such seriousness. In addition, we would like to thank other participants in the conference panel and workshop who liberally shared their research experiences and insights. They included Najib Azca, Laurens Bakker, Lois Bastide, Michael Buehler, Luky Djani, Andreas Harsono, David Jansen, Barak Kalir, Akhiruddin Mahjuddin, Akiko Morishita, Loren Ryter and Sophie Schuette.

At the Australian National University, Allison Ley and Lyn Ning provided invaluable assistance in organizing the research workshop. Allison Ley also helped to prepare the glossary and bibliography. The index was prepared by Angela Grant. At KITLV Press, we thank Ireen Hoogenboom for careful fine editing, and Kees Waterman for so enthusiastically supporting the project.
through to completion. We also thank two anonymous reviewers appointed by the press.

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Canberra and Leiden

October 2010
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In July 2007, at the height of a government military operation against separatist rebels in the Indonesian province of Aceh, a short but curious article appeared in the local newspaper. It quoted the Aceh military commander, Major General Endang Suwarya, warning members of the public not to be hoodwinked if they received a telephone call from someone claiming to be him and asking for money. Apparently, a group of swindlers had been telephoning rich people in the province, with one first pretending to be Endang’s adjutant. After ascertaining the identity of the person being called, the ‘adjutant’ would hand over the telephone to ‘the commander’ who would then ask for hundreds of millions of rupiah in order to help pay for the military operation. A number of local officials and businesspeople had apparently already fallen for the trick, and transferred large sums to the bank accounts in Jakarta nominated by the swindlers. Endang was angry: ‘For as long as I’ve been serving here, I have never telephoned anyone to borrow or ask for money.’ Yet this was not the first time, nor the last, that confidence tricksters had pretended to be members of the security forces in order to extort money from people in Aceh; on the contrary, there have been repeated reports of individuals pretending to be police officers, army soldiers or agents of the State Intelligence Agency (Badan Intelijen Negara, BIN) for this purpose.

There is, of course, an unspoken irony in such stories. Here we have ordinary civilians engaging in what are apparently acts of pure criminality that do not involve abuse of state office or misuse of state funds, but in order to do so, they find it most convenient to imitate corrupt state officials. Everybody involved apparently takes it for granted that this act of imitation is logical, even crafty. Neither the military officers being imitated, nor the police officers in charge of investigations, nor those being swindled, nor the reporters, ques-

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1 Small parts of this introductory chapter are based on Van Klinken 2008. The authors thank Ian Wilson, Howard Dick, Ross McLeod and Robert Cribb, and the two anonymous reviewers, for their very helpful comments on earlier versions.


3 See for example ‘Rekan tersangka BIN gadungan dipanggil polisi’, Serambi Indonesia 27-6-2007; ‘Coba memeras geuchik, lima BIN gadungan dibekuk di Langsa’, Serambi Indonesia 22-4-2009.
tion the effectiveness of the trick. And little wonder: the swindle is entirely plausible. Everyone in Aceh at the time of the story described above knew that military personnel were involved in all sorts of extortion rackets, as well as engaging in a variety of other ‘off-budget’ fundraising techniques, involving skimming off money from government development budgets, extracting protection payments from large companies, and participating in all manner of legal and semi-legal activities ranging from the marijuana trade to illegal logging. Ordinary soldiers and policemen routinely demanded payments from drivers of vehicles who drove through their checkpoints, or they stole money, household goods, livestock and other valuables from ordinary citizens’ homes and farms when they raided villages in their hunt for separatist rebels. Hence the logic of the swindle: in order to be a criminal, so it seems, it helps if you are first a state official, or at least can pretend to be one. And although such swindles were especially common in Aceh, where the security forces were until recently an overwhelming presence, they also occur throughout Indonesia. National and regional newspapers frequently run stories about extortion scams by ‘fake police’ (polisi gadungan), fake soldiers, fake intelligence agents, fake prosecutors, fake anti-corruption commissioners and many other varieties of fake state officials.4

Empirical and theoretical starting points

The concept of legality is inherent in the modern concept of the state. It is the state that defines what is legal and illegal and invests that distinction with legitimacy. The state also has the power to enforce the law, using violence if necessary, at least in theory if not always in practice. Every state that joins the United Nations subscribes to these ideas. Yet in reality state officials are themselves also not infrequently implicated in illegality of various kinds. This simple observation, which certainly holds true for Indonesia, is the starting point for the explorations in this volume.

Throughout Indonesia, as in many other countries of the world, the involvement of state officials in illegal activity is both ubiquitous and a matter of public knowledge. At the upper level of the state are the major scandals that habitually excite public opinion when evidence comes to light of senior government officials stealing from the public purse, striking shady deals with private entrepreneurs, or fleecing money from them. Very often the logic of illegality in such cases is nakedly self-serving and predatory, summed up by the Supreme Court judge in Tim Lindsey and Simon Butt’s chapter in this

4 See, for example, ‘KPK gadungan ditangkap’, Kompas 18-7-2006, ‘Polisi gadungan ditangkap karena diduga memeras’, Pikiran Rakyat 21-1-2010.
volume whose questions to a supplicant’s lawyer are blunt: ‘Do you have money or not? If you don’t, I’ll make an offer to your adversary.’ As we move down, the same predatory dynamic underpins much official illegality, ranging from the policemen who extort money or sexual favours from suspects if they want to be released without trial, through to the impecunious elementary school teacher who charges the parents of his or her pupils unofficial but obligatory fees. However, as the naked greed of the wealthy senior official gives way to the more modest demands of the lower civil servant, who levies fees only in order to maintain a humble lower middle-class lifestyle, social attitudes toward such behaviour often change, with the demands of the less senior official frequently viewed as reasonable and sometimes even regarded with sympathy. Moreover, as some of the contributions in this volume make clear, illegality by state officials often also serves useful functions for large groups of ordinary citizens, thus not only for those who are cut special deals at the expense of others (such as rival litigants in court cases). As a result, such illegality is often viewed as entirely legitimate by large sectors of society. Consider, for example, the helpful immigration officials in the Riau Islands who sell migrants ‘real but fake’ travel documents cheaply so the latter can move on quickly to Malaysia or Singapore and who, as Michele Ford and Lenore Lyons explain in their chapter, are seen by local people as resisting an unjust and unworkable legal regime imposed on them by Jakarta.

It is when we begin to consider the social approval that such illegal behaviour often evokes that the censorious and normatively charged tone that surrounds much discussion of corruption, defined conventionally as the ‘misuse of public office for private gain’, begins to come under strain. This conventional understanding of corruption is also strained when we find examples of illegality that are ostensibly for ‘public’ purposes, such as a dramatic case in 1999 that involved some of Indonesia’s most senior military officers counterfeiting Rp 19.2 billion (US$2 million) in Rp 50,000 notes in order to buy weapons for pro-integration militia in East Timor. According to one of those charged in the case, this activity was carried out with the approval of officials at Bank Indonesia (BI), so long as ‘the amount printed did not exceed Rp 200 billion. The numbers and series were to be given by BI, the quality of the printing had to be good, and the fake notes were not to circulate outside East Timor.’ As both Ross McLeod and Howard Dick and Jeremy Mulholland make clear in their contributions to this volume, state officials routinely violate their own cumbersome and opaque rules just to ensure the regular functioning of the bureaucracy. To further complicate matters, many state officials are also involved in ‘ordinary’ illegality that occurs in the societal domain and does not involve as its main focus the predation of state resources. Wherever one goes in Indonesia, state

officials are especially likely to be involved in criminal activities that involve a high degree of organization, such as extortion and protection rackets, smuggling, illegal logging, and the narcotics trade, while law enforcement officers enjoy close and murky relations with everyday criminals.

Before we go further, a qualification is in order. We certainly do not believe that illegality is the exclusive preserve of state officials, nor that state officials never take action to uphold legal order. Much illegal activity in Indonesia is carried on entirely by individuals who are not directly connected with the state. Indonesia has its share of robbery by taxi drivers, enslavement of domestic servants by wealthy entrepreneurs, tax dodging by restaurateurs and the full range of mendacity, cruelty, crimes of passion and of desperation that modern societies are capable of generating. Moreover, the state employs a large number of functionaries to police the rules it sets for society. We do not wish to create the impression that state officials never uphold these rules. Many police detectives, prosecutors, judges, jailers, as well as teachers, social workers, and other public moralists do in Indonesia more or less what they do in other countries to control this kind of behaviour. Indonesia is by no means a Hobbesian jungle. According to (somewhat problematic and dated) comparative official statistics (Arthur and Marenin 1995), homicide, rape and robbery rates in Indonesia have historically been among the lowest in the world. But we have chosen not to focus primarily on these state successes in maintaining legal order. The reason is not that we dispute their reality. Rather it is that control of crime is so often overshadowed by other forms of illegal activity in which state functionaries collaborate or are even the directing agents.

Why, then, did we write this book? In the first place, phenomena that so constantly undermine public faith in the state cry out for morally engaged comment and analysis. The popular 1998 reformasi movement that brought down President Suharto’s New Order regime demanded above all an end to illegal practices by state officials, from military human rights abuses to nepotistic investment policies. This movement created as its main rallying cry the condemnation of Corruption, Collusion, Nepotism (Korupsi, Kolusi dan Nepotisme, KKN), a phrase that has remained central to public political discourse to this day. The problem of corruption, which in public perception seems to trump all other forms of illegality, has stimulated a flood of advice to every government since that of Suharto, both from within and outside the country. Yet today corruption and other illegal practices by state officials have proven more resistant to reform than people had hoped. Many new anti-corruption regulations have been created, new institutions built, elections have introduced a measure of accountability for parliamentarians and elected executives, and the much lauded Corruption Eradication Commission (Komisi Pemberantasan Korupsi, KPK) has made spectacular arrests. Yet Indonesia has crept up only slowly on international corruption lists. It has
gone from 2.0 to 2.8 (on a scale of 0 to 10) between 1998 and 2009, according to Transparency International’s corruption perception index (admittedly an index that has been widely criticized for the methods that it uses). According to the World Bank, Indonesia had by 2008 improved to 31% on ‘control of corruption’ from an absolute low of 9% in the chaotic year of 1998, but it has still not quite returned to its late New Order level of 33% measured in 1996. Public opinion surveys in Indonesia itself likewise record alarmingly low levels of trust in public institutions, and a common view that corruption is all-pervasive. Indonesia’s public political domain is still characterized by animated discussion of corruption and the abuse of power by public officials: this alone makes a scholarly treatment of this topic urgent and appropriate.

This ubiquity and resilience of corruption and other illegal practices by state officials points to a second reason why we wrote this book. As many reports have put it, corruption and other forms of state illegality in Indonesia are ‘entrenched’. We argue it is precisely this entrenched character that requires attention. Rather than add to the flood of advice with another survey of the list of things that should be, could be, or had already been done to combat illegal practices, we wanted to do some serious intellectual work on the problem of entrenched illegality. What is state illegality entrenched in and how does it become entrenched? Answering this question involves first studying actual cases of state illegality, and trying to understand them, as far as possible, from the standpoint of the participants. In particular, as will become apparent through this volume, it especially requires studying closely the webs of relationships that run in all directions, both within and beyond the state. Within the state, for example, a senior teacher has to bribe his or her Education Department superior if he or she wants to be appointed school principal (as related in Danang Widoyoko’s chapter). The ‘backing’ (beking or deking) that petty gangsters enjoy from military patrons who help to enforce their protection rackets among Jakarta’s street vendors cross the formal boundary between state and society (see Ian Wilson in this book). Motorcycle thieves, pirates, drug dealers, prostitutes, illegal timber cutters, their clients and financiers, who sometimes appear to operate purely within society, are often protected by state actors. Comparative statistics throw little light on these relationships. Only detailed case studies of the kind included in this book can do that.

A third goal of the volume, therefore, was to see what inquiring into the nature of illegal activities by state officials would tell us about the nature of the state itself. Much discussion of corruption and other forms of illegal behaviour by state officials takes a highly normative view of the state, see-

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ing them as deviations from an ideal bureaucratic machine bound by legal rationality. Even the words we use to describe this sort of behaviour betray these assumptions: misconduct, misuse, misdemeanours and so on. By looking at both the broad patterns and micro processes of state illegality, we wish to describe and understand the state as it is, not as we believe it should be. Taking this approach does not entail abandoning the moral engagement that underpins our work, but is simply necessary for thinking clearly about the state and illegality. Clear thought is especially necessary in circumstances where, as we explain below, there is a large gap between activities that are formally in contravention of state law and hence illegal and those which are the target of social opprobrium and hence illicit. Our observations of actual practices led us to rethink some fundamental ideas about the nature of the state in Indonesia, especially regarding its socially embedded character.

In noting the ubiquity and entrenched character of corruption and state illegality, and its centrality to how the state operates, we are of course not breaking entirely new ground in the study of Indonesian politics and society but instead building on a long tradition of close observation of illegal practices built up during the New Order and before it. Studies by Harold Crouch (1979), Richard Robison (1986) and others on the centrality of corrupt patronage distribution to the functioning of the New Order have become classics in the field. In the late New Order years, a growing focus on the state’s links with criminal groups,\footnote{Especially in the so-called ‘Petrus’, or ‘mysterious shooting’, killings of 1983 (Bourchier 1990, Siegel 1998).} and historical research on the anti-communist pogroms of 1965-1966 (Cribb 1990) opened researchers’ eyes to the illegal violence the state perpetrated. To mention just one other example, in a striking essay written in the aftermath of the collapse of Suharto’s New Order regime, Tim Lindsey (2001:284) wrote of the New Order as a ‘criminal state’ in which ‘the real structures and systems by which the New Order operated were illegal’. We have learned much from these and other prior research efforts, and present this volume as a contribution to an ongoing discussion about the nature of the state and illegality in Indonesia.

Studies of state actors’ entanglement in illegality in Indonesia, and beyond, can be conveniently divided into four broad streams: marketist, culturalist, statist and strategic-relational approaches. The first category is the dominant one in writing on corruption, and has surprisingly little to say about the state except as the field in which corruption takes place; the final three are distinct approaches to the study of the state that imply different emphases and postures regarding the study of illegality by state functionaries. While the boundaries between the approaches are somewhat fuzzy, each has a distinct view on how to explain the sources and motivations of the intermeshing of state and illegality in countries like Indonesia.
The first interpretation, which is dominant in the international scholarly literature on corruption, posits that state officials operate according to a market logic. Illegality by state officials – like all forms of crime – is a consequence of rational choice, in which participants balance the likely benefits of crime against the risk of being apprehended. Individual officials act like rational entrepreneurs seeking to maximize their ‘rents’. There is nothing inherently problematic with the state in this view, except that it is sometimes too weak to enforce its rules on all its members all the time. The Africanist Colin Leys (1965) wrote a pioneering paper articulating this viewpoint. He urged the study of corruption not primarily as a moral problem but as one involving material incentives for officials operating in an impoverished and poorly disciplined state. The political scientist James Scott was another pioneer of this approach with his observation that corruption was a businesslike affair (Scott 1969) (although Scott also emphasized the nature of the regime that dispensed corrupt patronage and thus foreshadowed the statist interpretation).

On the assumption that people act collectively only if it brings them a private return (Olson 1971), neo-liberal economists subsequently developed a theory of rent-seeking behaviour that remains influential. In this view, officials enjoy discretion in the way they collect or spend the large sums of state money that pass through their hands. If their salaries are low, if they are under pressure from all sides to do more than they can realistically achieve, or if hardly anyone looks over their shoulder while they work, so the argument goes, they are likely to collude with the taxpayers or recipients of government funds to cream off some of those funds on the way. Governments that implement regulations, for example, to restrict imports or license businesses, merely create opportunities for corruption that, on balance, cost society more than having no regulation at all (Krueger 1974). The implications were not only that corruption was more costly to society than previously thought, but also that the way to solve the problem was to reduce government intervention in the market, thus reducing the opportunities for state officials to act corruptly. The economist James M. Buchanan won the 1986 Nobel prize for developing these fundamentally anti-state ideas into a field of study known as public policy (Buchanan, Tollison and Tullock 1980). The approach long remained agenda-setting in anti-corruption prescriptions produced by multilateral agencies like the World Bank. By the late 1990s, however, the emphasis was shifting from pushing back government intervention, regulation and discretion to improving government discipline (Rose-Ackerman 1999). The World Bank, USAID, the United Nations Development Program and other international agencies have produced numerous expert ‘good governance’ reports over the last decade advising the Indonesian government how to reform its institutions to improve free market competition, reduce government red tape, protection and subsidies, and strengthen checks and balances. Most of
Indonesia’s governance reforms since the International Monetary Fund inter-
vention in 1997 have been technically informed by this advice. Yet the mar-
ketist approach has been criticized by many authors, including some in this 
book (see in particular the chapter by John McCarthy) on a range of grounds. 
One criticism has been that by locating the motive for corruption and other 
forms of state illegality in individual greed it misses wider contexts. For ex-
ample it closes its eyes to the very embeddedness of such practices in state 
institutions, the often political motivations that guide such behaviour, and 
the social and cultural codes that govern and legitimate it.

The second approach, which we call culturalist, imagines that illegality 
by state officials is rooted not in rational calculation but in a moral order that 
legitimates certain forms of behaviour by officials even when they contravene 
the state’s formal laws. Individuals act not primarily according to calcula-
tions of potential personal benefit balanced against the risk of exposure and 
punishment, but according to a coherent set of moral values. Very often, the 
roots of such a moral order are depicted as lying in the precolonial past. The 
Africanist J.P. Olivier de Sardan (1999) has explained contemporary corrup-
tion with the logic of a ‘moral economy of corruption’, in which tribal chiefs 
expect tribute, private and public affairs are indistinguishable, and ordinary 
folk are not citizens with rights but subjects who must ingratiate themselves 
with the chief to get anything done. Illegality disappears from this literature 
as an inappropriate alien imposition. At most, it persists as a theatrical device 
in discourses aiming to discredit rivals; but everyone understands that such 
talk is hypocritical. Africanists find the culturalist argument so compelling 
because the modern state south of the Sahara is often so weak that it re-
sembles a thin institutional veneer over a society whose roots lie far deeper 
(D.J. Smith 2006). In Indonesia the state is far less dysfunctional than in, say, 
Sierra Leone, yet here too it is much more thinly spread than in a developed 
economy. This is evident from statistics of, for example, civil servants as a 
proportion of the population, or the state budget as a proportion of GDP.9

Scholars studying weak states and resurgent authoritarianism in Southeast 
Asia in the 1960s and 1970s began to describe elite behaviour in terms of a 
return to a precolonial template. Several took an interest in the role of pa-
tronage in providing internal coherence to these states, in the power of the 
patrimonial values behind authoritarian and corrupt bureaucratic practices, 
and in the precolonial origins of both the values and the practices (Resink 
1975; T.M. Smith 1971; Wertheim 1964). Indeed, the Austrian ethnologist 
Robert Heine-Geldern had helped found modern Southeast Asian studies in 
the United States with a 1942 paper on Southeast Asian notions of kingship

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9 Indonesia’s central government tax revenue was 12.8% of GDP in 2001, less than a third of the 38.2% in the 
Netherlands, while 2.0% of the total population worked for the Indonesian government in 1997, less than half 
the 4.6% in the Netherlands in 1995 (Tables 1 and A.4 in UNPAN 2002).
This led Benedict Anderson to write his influential paper on the resurgent influence of allegedly traditional Javanese values of deference on contemporary Indonesian politics, in which he ascribed official corruption to ‘the residual influences of the appanage system [of precolonial times] in contemporary administrative behavior’ (Anderson 1972:48). Harold Crouch, in his analyses of New Order military politics, likewise drew on the idea that precolonial styles of personal rulership had experienced a revival in the postcolonial state. Sharing insights common in Africanist and Asianist circles, he saw the bureaucracy as a highly personalized hierarchy of nepatrimonial relations, in which ‘traditional modes of thought and behavior have often continued to influence the workings of apparently modern institutions’ (H. Crouch 1979:194). The idea of a ‘culture of corruption’ rooted in Java’s feudal traditions remains strong in journalistic circles (Loveard 1999), and above all in Indonesian public discourse. For example, some years ago, the Indonesian historian Djoko Suryo wrote:

Under the Javanese kings the word corruption did not exist. But that doesn’t mean behaviour similar to corruption did not exist. Tribute beyond taxation was one example. That was normal at the time [...] Probably the regents of those days only realized this was wrong after Multatuli in [the novel] Max Havelaar harshly criticized their tribute practices.10

During the late 1970s and 1980s serious doubts began to arise among scholars of Indonesia about such an approach, under the impact of both Marxist-oriented structuralism (see especially Robison 1981) and Edward Said’s powerful critique of Orientalist scholarship, much of which, in Said’s view, presented an ahistorical and essentialized understanding of the East and its culture. For Indonesianists these doubts were expressed in an important book by John Pemberton (1994), which showed that Javanese political culture had not remained static since precolonial times. On the contrary, it was largely constructed out of the interaction between the Javanese courts and the growing Dutch state during the nineteenth century. The manipulation of ‘culture’ continued during the New Order, when the regime invoked themes of Javanese subservience to enforce its authoritarian rule. Pemberton did not intend by this observation to replace the power of culture with that of the state, but rather to contextualize it. Thus, while culturalist explanations for involvement by state officials in illegal behaviour can often be revealing, they need to avoid reifying culture as static and somehow isolated from the behaviours they seek to explain. Rather, the cultural codes governing illegality are best seen as themselves embedded in and constructed out of dynamic

interactions between state and societal actors.

The preceding two interpretations of the state’s entanglement in illegality – the one marketist, the other culturalist – tend to think of the modern state as largely unable to discipline its members. The first sees state actors as primarily acting out of their own material interests, and the second sees them as mainly motivated by a complex of cultural obligations. A third interpretation, sometimes called the statist approach, attributes a great deal of autonomy to the state as a unit. Rather than seeing it as being too weak to prevent illegality, or as confounded by competing moral values, it views the state itself as a predatory institution designed to extract benefits for the people who control it.\textsuperscript{11}

The dominant image of the state in the study of Indonesian and Southeast Asian politics and history is of an alien and sovereign force imposing its will upon society. The injurious effects of a relatively autonomous colonial bureaucratic machine upon an agrarian society became a major theme in Southeast Asian studies, notably at Cornell University under the influence of Oliver Wolters and Benedict Anderson. The model was attractive for many observers for a long time because colonial and independent states that lacked legitimacy and acted violently formed a pattern throughout the region in much of the twentieth century. Anderson took this approach to its apogee in an influential essay that posited something resembling a zero-sum contest between state and society in Indonesia. He described the New Order regime as representing little less than the victory of state over nation (Anderson 1983). This approach, which tends to see the state as a leviathan, undifferentiated and monolithic, gave rise to many revelatory studies of Indonesian politics. It especially helped explain instances of gross violence perpetrated by state officials against citizens (Anderson 2001). But this approach is arguably less useful for explaining the quotidian practices of everyday corruption and petty illegality with which this book is mostly concerned. Borrowing from Robert Cribb, we might also argue that this approach has little to say about the motivations behind state illegality, except to point to ‘personal lust for extraordinary power – and a drive to maintain that power’.\textsuperscript{12}

A fourth approach to the study of the state that has been gaining ground in recent years has sometimes been called ‘strategic-relational’.\textsuperscript{13} In this approach, illegal behaviour by state officials is best understood as a product of competitive strategizing among the heterogeneity of interests and actors that populates the state. While wanting to retain a central place for the state

\textsuperscript{11} We are grateful to Robert Cribb for this formulation.

\textsuperscript{12} Cribb 2009:2. Cribb made this comment in relation to early studies showing participation by Western states in clandestine and illegal activities, such as the heroin trade in Southeast Asia, pointing to the difficulties the insights conferred by such research had in meshing with conventional political science analysis.

in their analysis even in developing countries, the scholars who formulated the strategic-relational approach have preferred to see the state less as an autonomous actor and more as an arena that favours certain kinds of strategic action while obstructing others, and where multiple players compete for influence, make alliances, and expropriate resources. One of the most influential authors in this field, Joel Migdal (2001:15-6), defines the state as ‘a field of power marked by the use and threat of violence and shaped by (1) the image of a coherent, controlling organization in a territory, which is a representation of the people bounded by that territory, and (2) the actual practices of its multiple parts’. Viewing the state as ‘field of power’ is central to this emerging revisionist political science literature. Abandoning the conventional Weberian ideal type of the autonomous, bureaucratic state ‘firing on all cylinders’ (as Migdal 2001:14 put it), it proposes simply studying actual state practices with the eye of the ethnographer, minus the Weberian assumptions. It no longer sees the state as a ‘thing’, but as a relational arena. In this view, the essence of the state is relationships and strategies, developing through time and space, rather than static structures or impersonal rules. The basic argument is to envision the state as a competitive arena and site of strategic struggle for the ultimate rule-making authority. The ‘ideal’ state, meanwhile, should be studied for what it is, namely an ideological construct or, in Migdal’s term, an image, deployed by both state officials and their opponents in society. Another thrust of this thinking is that the homogeneity of the state, and its autonomy from social forces – themes prominent in writing about Indonesia during the New Order – have been greatly exaggerated. Instead, the study of the state is increasingly being reinserted into the study of society, and anthropologists, political scientists and others are becoming more alert to the ways in which state actors seek out and collaborate with societal allies, often to such an extent that the boundary dividing state from society may be blurred almost to the point of erasure, especially at the local level.

A strategic-relational approach helps illuminate the problem of illegality and the state in several ways. It can throw light on the ways in which the socially embedded character of the state shapes and impels certain forms of illegality. An example may be drawn from Gerben Nooteboom’s study in this book of the relationships between police officers and Madurese migrant entrepreneurs, including ones engaged in illegal activity, in East Kalimantan.

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14 The theoretical political science literature on the state is too voluminous to trace here. One of us (Van Klinken) co-authored two introductory chapters tracing its links with writings about the state in Indonesia from the 1950s to the 2000s (both in Van Klinken and Barker 2009). A powerful statement rejecting the concreteness of the state and calling for an ethnographic study of actual state practices in all their fragmentedness is Abrams (1988). Van Klinken owes a debt to Bob Jessop’s ‘strategic-relational’ approach to the study of the state (Jessop 2007). Jessop develops at length a provocative statement by Nicos Poulantzas that ‘the state is a social relation’, by which he meant that we cannot study the state without having a clear grasp of what we mean by society.
Here we see a complex web of relationships in which state actors not only threaten and exploit, but also depend upon, societal actors. As Nooteboom writes ‘The police in Samarinda need to permit a certain level of criminality in order to keep criminality under control.’ Police officers who collaborate with petty criminals while tolerating and profiting from certain forms of illegal behaviour can gain access to criminal networks. They need access to obtain the information, resources and agents they need to act against other forms of illegality they consider more serious. Here engagement by state actors in illegality is not so much a sign of venality or of the overbearing power of the state over society as it is of the state’s dependence on societal actors. Seeing the state as an arena in which competing forces contend for power and resources also provides a political motive for state actors to engage in activity that can be illegal according to the state’s normative rules. An example is drawn from Marcus Mietzner’s chapter on illegal funding practices by political parties. We cannot understand this behaviour simply through a marketist lens, for there must be easier and less risky ways of making quick money than running a public election campaign. Nor will cultural deference to patrons do as an explanation, for frequently the relationships are quite businesslike. And, of course, by disaggregating the state into smaller units that often compete against each other, the strategic-relational approach avoids the statist trap of assuming the state is a single ‘leviathan’.

The authors of this book debated these fundamental issues about the state and illegality at two workshops. We did not seek to reach a common view, but some commonalities did emerge. One of these is a certain theoretical ecumenism. Most of us feel the pull of all four approaches discussed above, and we believe all have made durable contributions to our understanding of the problem of the state and illegality. We are not necessarily trying to burst any paradigms, or to create new ones. There is, as we have indicated, a rich tradition of studying the state and illegality in Indonesia, even if it does not always use the same terminology and nomenclature that we use here. We want to contribute to this growing tradition. Before we explain how we hope to do so in conceptual terms, it is necessary to explore the methods contributors to this book used in their research.

Methodological challenges

Illegality is notoriously difficult to study directly. In most situations, illegal activities are either fully or partly hidden. Individuals involved in illegal behaviour typically have strong interests in concealing that involvement, because
they fear legal sanction, social opprobrium or both. Their individual interests in concealment are typically reinforced by strong collective codes of silence in institutions and networks involved in the illegal behaviour, codes that can be policed socially, by exclusion from the benefits of illegality or by physical violence. Even where participants know that certain forms of behaviour (petty corruption, for example) are highly unlikely to invite juridical punishment, even a small risk is typically enough to discourage them from breaking their habit of silence to discuss their involvement openly with non-participants. Where the illegal activity in question, such as logging in state forests or unofficial border crossing, is locally socially acceptable or legitimate, and takes place more or less in the public eye, participants can be more willing to talk. But even then they are likely to fear that open acknowledgment to a researcher or journalist might invite the unwelcome attention of outside law enforcement officials. Moreover, illegal behaviours are often conducted in a highly coded language that can be next to impossible for non-initiates to penetrate.

In general, secretiveness increases in tandem with both the illicitness and illegality of the behaviour in question, and with the risk and magnitude of punishment. It is easier to research petty corruption than grand corruption, and easier to research, say, the smuggling of contraband where it is everyday and visible (for example, ordinary trade goods on the Thai-Burma border) than where it is highly secretive (for example, the smuggling of narcotics through major airports). Finally, and of particular concern for this book, illegality involving state officials is almost by definition difficult to research because, as already indicated, modern bureaucratic states are based on the principle, or at least the fiction, that they are rule-bound and disciplined organizations. Hence, no matter how ubiquitously state officials engage in corrupt and other illegal practices, they are typically unwilling to acknowledge them publicly.

As a result of this combination of circumstances, directly researching illegality can be both difficult and risky for researchers and those who help them. Investigative journalists and other researchers who have looked into organized crime in some countries have been killed; some Indonesian journalists who have dug too deeply into corruption cases have suffered the same fate. Many others have been subject to non-fatal forms of violence, or threats of it. The more common problem is that of information failure: the frustrating experience of coming up against a blank wall, of knowing that a particular form of illegal behaviour is everywhere around you, but learning that nobody will even acknowledge its existence in anything but the most platitudinous terms. Little wonder, therefore, that so much literature on illegality ends up relying on data produced by law enforcement agencies or on anonymous

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15 For interesting comparative discussions of the practical, ethical and methodological challenges of researching criminality, see Ferrell and Hamm (1998).
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surveys and other forms of arms-length research.

How did the contributors to this volume try to get around these problems? What kinds of methods did we use and what lessons might be drawn from our approaches to benefit scholars studying similar phenomena in different countries and contexts? Answers to these questions begin with three observations.

The first observation is that many of the contributors to this volume did not become interested in the topic of illegality by design. Instead, many of us were drawn into it as a by-product of other research on a highly diverse range of subject matters ranging from party system institutionalization to migrant risk-taking cultures, from armed insurgency to local politics. That so many of us ended up becoming concerned with illegality is itself indicative of the centrality of this phenomenon, especially corruption, in Indonesia’s economic, social and political structures.

But this background also had implications for the methods that many of us used in researching illegality. In most of the cases in this book where the interest in illegality arose as part of a wider research agenda, researchers were able to use the local or sectoral knowledge, expertise and contacts they had built up over long periods to gradually learn more about illegality. Some contributors had spent long periods getting to know informants from particular locations and/or sectors: Madurese brick makers in East Kalimantan (Nootboom), former guerilla fighters in Aceh (Aspinall), political party leaders in Jakarta (Mietzner), senior officials in state security bodies (Honna) and so on. We were, in other words, able to draw on relations of familiarity and trust built up over long periods of fieldwork – sometimes totaling years – to slowly learn more about the illegal behaviours that are the subject of this book. If expressed schematically, we might say that our research typically progressed through phases: first, becoming generally familiar with a topic area, research site and set of actors; next, learning about the ‘public transcript’ (Scott 1985) of legally sanctioned activity concerning that topic; then, gradually picking up second-hand stories and rumours about the shadow world of corruption and illegality; and, finally, being able to discuss under-the-table details of such illegal behaviours directly with participants.

In one respect, therefore, this book is founded on what is typically called an area studies approach. Contributors to the book include persons trained in various disciplines (anthropology, economics, political science, sociology and history), but those of us from outside Indonesia have all spent long periods of training on the language, history, culture and politics of the country, and have spent years acquiring the research skills needed to conduct fieldwork there. The techniques most of the contributors used to research their chapters will be familiar to area specialist scholars with a variety of disciplinary backgrounds: long immersion in field sites, participant observation, semi-structured interviews, intensive utilization of local press reports, and so on.
As one of our contributors, Howard Dick, put it, our research often involved asking the basic question of all fieldwork: ‘What do people do and why do they do it?’ Curiosity about the social, economic and political interactions we witnessed around us prompted us to inquire into illegal practices, but doing so would have been impossible without knowledge of local culture, politics and language. Such knowledge was essential for at least beginning to understand the often subtle signals associated with illegal behaviour and to begin to penetrate the largely hidden world of illegality.

In some respects, therefore, this book may be read as a defence of area studies approaches, or at least as a demonstration of what theoretically informed area studies scholarship can produce. Indeed, we suspect that the skills that area studies training provides are essential for collecting data on, understanding, and theorizing about the sorts of behaviours discussed in this book. This comment applies not only to Indonesia: the inter-penetration of state and illegality discussed in this book is not just an Indonesian phenomenon but is strikingly similar to patterns described by scholars working in diverse settings in Africa, Latin America, Asia, Eastern Europe and the former Soviet states, and in parts of the developed world. The ‘shadow state’ is close to being a universal phenomenon, at least in the developing world (Wilson and Lindsey 2009). New understandings of the state that take into account this reality are almost exclusively products of area studies scholarship. Without the insights that grew from applying our area studies skills, we would still be constrained by highly stylized and abstract notions of the state that bear little resemblance to the state’s actual workings.

A second observation is that, for most of us, conducting fieldwork research on illegal practices also meant adopting a considered approach to our informants, whereby we guaranteed their anonymity and safety and avoided judging them personally for participating in the activities we set out to study. Scholars who have researched similar topics in other places have been required to adopt a similar posture. Giorgio Blundo and Olivier de Sardan (2006:9), for example, in the introduction to their study on the everyday politics of corruption in Africa note that ‘it was important that, as researchers, we refrained as far as possible from all moral condemnation and normative judgement throughout the duration of the study’. This posture derives from practical considerations flowing from the imperative that, if we are to understand it, corruption and state illegality ‘has to be studied from the viewpoint of the participants’ (Olivier de Sardan 1999:25). Research on illegality most often fails because informants seek to maintain secrecy. Both in order to overcome this challenge and for ethical reasons we were required to ensure confidentiality of sources to ensure that none of our informants or the persons close to them were harmed directly or indirectly because they assisted our research. This could at times lead to uncomfortable situations for the researcher. By not
stating disapproval of illegal acts, the informant might assume the researcher approves of them or might even wish to participate. Thus, one of our number (Ian Wilson) was once unexpectedly asked to address a group of about 200 petty gangsters, with police in attendance, to explain why he thought the group was within its rights to demand ‘taxes’ from businesses. Those present assumed that he would be a public advocate on their behalf.16

A third observation about the contributions in this volume is that many of their authors were informed by or made use of what some readers may consider to be a surprisingly large array of material available from public sources, especially from the Indonesian media. Especially since the fall of the Suharto government in 1998 (but even before that), the media have been full of reports about corruption and other impropriety by state officials. Indeed, we might say that exposing corruption has become the major concern of especially the quality print press over the last decade. The pervasiveness of this sort of reporting is itself a product of two contradictory features of illegality (especially corruption) in contemporary Indonesia that have already been remarked upon: its ubiquity, pervasiveness and centrality in virtually all forms of state activity on the one hand, and the social illegitimacy of much of it on the other. This combination of circumstances means, for one thing, that there has been an enormous volume of public reporting on corruption and other illegal behaviour by state officials, even if relatively little of this reporting is deeply investigative, and if there remain many silences and inconsistencies in it. The silences are due in part to what is commonly called the ‘envelope culture’ in the media itself – so named for the most common method for conveying cash payments to journalists. Yet the envelope culture has not silenced some extremely revealing public reports about corruption. The story of involvement by state intelligence officers in mass-scale counterfeiting near the start of this introduction is one of them. Highly detailed stories abound about bribes and commissions paid by aspiring politicians in the regions to legislators or party officials whom they believed would further their ambitions. Almost all the contributors to this book have learned a great deal about their topics from the Indonesian media and we should acknowledge our debt.

Even with the combination of sources, skills and methods elaborated upon above, the contributors to this volume still faced a set of challenges that we suspect are common to researchers on the state and illegality anywhere in the world. These challenges can constrain the approaches that researchers take to their topics and limit the information they acquire. Some of these limitations are evident in this book, perhaps not so much in what it does contain as in what it does not touch upon.

A first limitation concerns sources. It remains very difficult to conduct

16 Our thanks to Ian Wilson for sharing this experience with us.
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research on illegality and the state by obtaining information directly from state officials involved in illegality. Most of the scholars in this book approached their topics from the margins. There were exceptions, but our overall tendency was not to seek or obtain information from state officials involved in illegal activities, but from people who had dealings with them. We spoke with Madurese migrants struggling to establish themselves economically, rather than with the police officers who levy fees on them; with ex-combatants trying to make it in the contracting industry, rather than the government officials they bribe and intimidate; with petty gangsters rather than the police officers with whom they cooperate, and so on. Sometimes we were able to cross-check information from other sources, such as the press and NGO reports. Most respondents naturally show a bias determined by their position in the system of relations in a particular illegal activity, so the ongoing problem is how we can obtain a full picture. Where illegal behaviours are locally legitimate and carried on more or less in full public view, it can be less difficult to access state officials. Thus Michele Ford and Lenore Lyons had greater success in speaking directly with state officials engaged in irregular border crossing in the Riau Islands than did most of the researchers who contributed to this book. By contrast, Ian Wilson chose, for his research on relations between gangsters and police in Jakarta, to interview retired police officers rather than active ones. This technique has also been long used by researchers working on the Indonesian military.

Our preferences are part of a broader pattern. With only a few exceptions, scholars have not been able to observe closely the everyday operations of state officials in such a way as to attain direct insights about their involvement in formally illegal activities. (One notable exception is Joshua Barker, who wrote a PhD dissertation on the police and local security in West Java: Barker 1999a). This is not only because state officials tend to be reticent about such activities, but also because of a wider culture of secrecy in the bureaucracy that makes it difficult to obtain official permission to conduct such research. One participant in the workshop that led up to this volume, but who did not end up contributing a chapter, had achieved the rare feat for a foreign researcher of building close research relationships with police officers in one Indonesian town. He observed that he did not want to make inquiries of them or other informants about police involvement in corruption because he believed that such inquiries would jeopardize his relationships and lead to them cutting off all contact. Another participant (Gerben Nooteboom), whose field research touched directly upon illegal activity by police officers, did not attempt to even make contact with those officers, fearing this would attract unwelcome attention. Many other participants agreed that they deliberately minimized their direct contacts with state officials – especially those from law enforcement and security agencies – because they feared that if their research
interests became known the authorities could take action to interrupt or stop their research, or even have them expelled from the country. As a result of such practical difficulties, in Indonesia as elsewhere, we still have a long way to go in understanding what might be called the internal modalities of state officials’ involvement in illegal activities, especially the norms and moral codes governing that involvement.

A second limitation concerns the range of topics we address in the book. Certain types of activity remain very difficult to research and are hardly touched upon in this book. One contributor, Ian Wilson, remarked that while he found it possible to observe the daily activities of small-scale gangsters running local protection rackets in Jakarta, as soon as his inquiries began to touch upon the activities of much more secretive, violent and wealthy gangs known to be involved in more highly organized criminal activities such as the narcotics trade, he was immediately warned off in a threatening manner. Petty gangsters themselves also warned him he would end up ‘out of his depth’. In his research on contracting activity in post-conflict Aceh, Edward Aspinall found it much easier to obtain information about the activities of relatively poor, low-ranking and unsuccessful ex-combatants than about how their leaders were managing to strike deals with senior government officials. As a result of such difficulties, where high-scale elite corruption or illegality in Indonesia is discussed publicly, the discussion tends to be either highly charged and condemnatory (in the media or advocacy literature) or, in the scholarly literature, rather formal and abstract. Where flesh is put on the bones of such analyses, it is common to rely on a relatively small number of cases that have been exposed by the media or anti-corruption NGOs, or which have been prosecuted. As a result, while we have a relatively clear picture of the ubiquity of corruption in the upper echelons of the state, we often get little more than glimpses of its fine mechanics there or how it is comprehended by the participants. When close studies are made of the lived experiences of corruption and state involvement in illegality (and this book is one of the first concerted efforts to do this for Indonesia), the tendency is to focus on the petty rather than the grand, the everyday rather than the spectacular, the local rather than the national. Thus, this book contains discussions of small-scale street gangsters, but nothing on high-level organized crime; we have a chapter about the important topic of massive illegal border crossing by people, but not about the smuggling of narcotics; we learn about how low-ranking police officers interact with impoverished migrants in Kalimantan, but not how their most senior leaders exchange fees and favours with politicians in Jakarta.

All of this leads to an obvious point: we hope that this book will be a spur for future research efforts to comprehend more fully the relationship of state and illegality in Indonesia. We believe that we have only begun to scratch the
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The surface of many of the most intriguing and perplexing questions in the field. Key among them are those regarding the way state involvement in illegality is understood and legitimated by participants, how it is regulated by them, what systems of norms govern it, and how participants themselves draw the line between tolerated and excessive illegality.

The approach of this book

Most of the authors gathered in this volume are university academics (one is a member of an important Indonesian anti-corruption organization). None are directly engaged in making policy or advising government. This gives us less access to the inner workings of government, but arguably a sharper eye for the unexpected twists and ironies that policy inevitably brings about. The academics all consider themselves social scientists – historians, anthropologists, political scientists, and economists – and at the same time area specialists. No doubt with some of the conceit that comes from enjoying what we do, we feel we have something to contribute that the well-funded multilateral agencies are missing.

The following pages sets out what we consider to be the main messages of this book. The starting point for our project was our agreement that illegal activities by state officials are best understood, not as an aberration external to the normal workings of the state, but as somehow part of its very logic. Others had explored this line of reasoning before us (Heyman 1999), but not for Indonesia. It implied a research agenda of looking for contexts and processes that cut across the state-society divide. Doing that led us to fresh insights, and thence to the thematic chapter division.

The book begins with a set of essays which contextualize the problem of illegality and the state historically and theoretically. Robert Cribb begins by arguing that a central problem in Indonesia is not that law does not matter, but that there is an elaborate ‘system of exemptions’ that means it does not apply to many persons, especially state officials. ‘Indonesia is not a lawless society, but rather one in which law is unevenly implemented’, he writes. Understanding this system, he argues, requires paying attention to three factors – state weakness, the disjuncture between law and popular moral values, and the fragility of a tradition of social contract. Each of these he traces back to the colonial era and the early decades of Indonesian independence when state criminality was necessary to ensure the state’s survival. Next, we have an analysis that contextualizes the current period of pervasive state corruption by looking back to the three decades of President Suharto’s New Order regime (1966-1998). In this period, argues Ross H. McLeod, Suharto constructed a ‘franchise system […] the fundamental purpose of which was to use the coer-
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cive power of government privately to tax the general public and redistribute the revenue to a small elite’. The ‘franchisees’ in the system – virtually all state officials – were allowed to exploit the economic opportunities their positions brought for their own benefit, but they also had to make payments to the ‘franchisor’ to secure their positions in the system. A key to the system’s resilience was the low formal remuneration paid to civil servants, making them permanently dependent on the system of private taxation in which they participated, and in a state of permanent political dependence on their superiors and, ultimately, Suharto himself. Howard Dick and Jeremy Mulholland, viewing the state as a ‘political marketplace’ draw particular attention to the use of slush funds to buy the loyalty of associates, rivals and subordinates within the state. Analysing the chief varieties of such slush funds, they trace the transition from a system under Suharto in which their use was arranged in a hierarchical pattern, to a much more fluid and complex Reformasi pattern of horizontal intra-elite rivalry and competitive party politics. In both periods slush funds play a key role in achieving an ‘elite consensus that moderates intra-elite rivalry and the social divisions that would flow from it’.

The second section of the book consists of a set of closely observed case studies on state illegality in various sectors of Indonesian government. Each one of these studies also raises broader conceptual and analytical issues about the relations between state and illegality. The first two essays in this section both illustrate how local regimes of legality/illegality can come into conflict with those imposed from the centre. The first essay, by John F. McCarthy, looks at the vexed topic of ‘illegal logging’ in Indonesia. He points to a ‘mismatch between legal logic and everyday practices’ in the management of Indonesia’s natural resources. He does this by describing instances in which local people exploit the forest ‘more in keeping with local perceptions of justice than the formal law’, and instances when, following Indonesia’s democratic and decentralizing reforms from the late 1990s, local administrations authorized forestry activities that technically violated existing state laws. Michele Ford and Lenore Lyons illustrate the extent and pervasiveness of the phenomenon of local state illegality as they explore a sprawling but efficient web of migration agents and public servants in the Riau Islands. They cooperate to assist would-be ‘illegal’ migrants to obtain ‘real but fake’ documents that help them to cross the international border to Singapore and Malaysia to find employment. This system of illegality is understood by its participants not as something exploitative or oppressive, but as a helpful response to local needs as well as the needs of migrants, in the face of an alien and unjust migration regime imposed on them by the national government in Jakarta. If Ford and Lyons describe state illegality from the perspective of some of the most marginalized and disempowered people in regional Indonesia – undocumented labour migrants – Marcus Mietzner, by contrast, looks at the
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apex of political power in the regions. He details how aspirants for state office at the local level – candidates in direct elections for local government heads – systematically and flagrantly disregard the legal regime governing campaign finances. They raise money from private donors, to whom they remain indebted after winning office. Gerry van Klinken and Edward Aspinall take up the same theme of the intermeshing of local economic and state power by examining the construction sector, which in Indonesia is the source of income for a hugely politically influential class – contractors – who are dependent upon state largesse for their success. In the Suharto era, relations between state actors and contractors were organized through formal corporatist organizations. Since democratization, contractors have remained tightly bound to the state, but now through complex and informal webs of influence and exchange. The pervasive system of corruption that results has proven resistant to attempts to reform construction and clean up government procurement. J. Danang Widoyoko explores corruption in the education sector. His analysis identifies four levels of corruption, from the Ministry of National Education and the national parliament in Jakarta, down to the principals and teachers at the school level. As with the preceding two chapters, Widoyoko also illustrates the intrinsically political nature of corruption. Everyone, from officials at the Ministry of National Education in the centre down to school principals in the villages, needs extra money. Whether they gain it from the national budget or from fees they illegally levy on students, they use it partly to buy political support and pay off superiors and potential adversaries. The recipients range from obstreperous legislators able to sabotage Ministry policy at the centre, to local bureaucrats able to transfer principals to remote and poor schools. In the last piece in this section, Simon Butt and Tim Lindsey provide a detailed exploration of illegality in the judicial system. Given the central role of the judiciary in upholding legality, this is clearly a crucial case study. Yet the judiciary is itself deeply implicated in illegality in Indonesia. Butt and Lindsey distinguish between ‘internal illegality’ and ‘external illegality’. The former covers illegal actions by judges themselves in the discharge of their judicial functions, typically in the form of deciding cases not on their merits but on the basis of corrupt payments. The latter concerns the judicial endorsement of illegal acts performed by other agents of the state. On the one hand, external illegality may have declined in the post-Suharto period: the judiciary has become more inclined to find that certain actions of state officials are illegal. (Human rights abuses by military officers constitute an important exception.) Internal illegality, on the other hand, is as entrenched and pervasive as ever, with judges fighting hard to resist attempts to impose external accountability mechanisms on them.

Finally, the connection between insecurity and illegality was strong enough that we placed the essays dealing with this problem in a third section of their
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own. The poverty of the good governance approach to the problem of illegality is nowhere more evident than in its inability to sense the extent to which people’s actions are motivated by fear. Conversely, insecurity is central to our political approach to the problem. It is the logical consequence of the internal competition that characterizes the state. Hence, the very marginality and legal tenuousness of many of the business activities engaged in by Madurese migrant entrepreneurs in East Kalimantan is what drives them into the arms of the police as both protectors and exploiters (Nooteboom). The racketeers Ian Wilson describes are not simply entrepreneurs engaged in a benevolent market. They are engaged in a frequently violent struggle for political mastery over territory. Nor does it help to view their activities as evidence that the state is weak. On the contrary, they owe their strength to the superior repressive capacities of their ‘backers’ within the state apparatus. The irony of predatory violence emanating from the state whose most basic function is to keep citizens safe is a most pressing reason to review mainstream views of the state. The failure of the mainstream discourse on the state can have serious practical consequences. This is evident in Jun Honna’s chapter on the international dialogue about transnational crime. The discourse permitted Indonesia’s security agency charged with the ‘war on drugs’ to argue effectively for increased international funding in the name of capacity building, while shielding it from the consequences of the state’s own involvement in drug crimes.

The idea in this book was not to cover every conceivable sector or aspect of illegality, but rather to explore patterns that may be common to many sectors. Readers may object that some key sectors – fisheries, for example – have been neglected. Our book also does not deal at length with certain aspects of illegality that are arguably crucial, among them gendered aspects of illegality, and the role of customary law (adat) as an alternative source of notions of legality. Nor, as already pointed out, did we seek to achieve a uniform view of the correct meaning of the inter-penetration of the state and illegality. Nevertheless, we think that the volume contributes a breadth of discussion that is rarely found in analyses of state illegality and corruption, suggesting new avenues for future research, and pointing toward new ways of thinking about the topic. The following pages abstract from the essays in this collection what we, the editors, think are among the most important insights into the subject of illegality and the state in Indonesia.

The ubiquity and centrality of illegality to the state

If we hope this book will convey one simple message it is this: illegality by state officials is as central to the way that the state operates in Indonesia as are the formal rules and bureaucratic structures that constitute the state on
its surface. It should thus be a central task of scholars to integrate consideration of such illegal practices into the way that we conceive and analyse the Indonesian state. Although, as we have noted, much of the literature on corruption in Indonesia points to its ‘entrenched’ and ‘pervasive’ character, too often the discussion remains trapped in a limiting normative framework that takes either positive law or idealized notions of good governance as their starting points. It thus sees corrupt or illegal activities by state officials as aberrations.\(^\text{17}\) In reality, if there are pockets in state institutions where formal bureaucratic procedures and legal rules are scrupulously observed, it is these pockets that are the aberrations, not the illegal practices that are so ubiquitous. The levying of illegal taxes on students by school principals who need the money to buy protection or promotions from their supervisors; the collusive networks that determine how government construction contracts are awarded, the cooperative arrangements that local police officers systematically build with local gangsters: these practices are not just an aberration or an undermining of the state, they are the state.\(^\text{18}\)

**The political character and functions of illegality**

Another lesson to be derived from this book is that it is essential to understand illegality by state officials through a political, rather than merely a legal, lens. Political structures and arrangements shape the ‘syndromes of corruption’ (Johnston 2005) that are experienced in different countries, and Indonesia is no exception. Of course, involvement by state officials in illegal behaviour frequently involves personal enrichment as one of its goals, but making this mundane observation does not get us very far. More importantly, our contributors also show that such illegality almost invariably occurs as part of collective, patterned, organized and collaborative acts, linked to the competition for political power and access to state resources. Understanding illegality in this way is helped by viewing the state less as a bureaucratic machine and more as a field of power characterized by competition and insecurity. Particular instances of illegality by state officials can almost always be viewed as connected to the distribution of material resources and political opportunities. These goods pass up, down and sideways through and along the patron-client networks and alliances that pervade state institutions and that crisscross the boundary between state and society. Some of the contributions in this volume demonstrate this dynamic clearly. The political problem of purchasing internal cohesion in an insecure system riven with competing fac-

\(^{17}\) As already noted, one important exception is Lindsey 2001; see also Lindsey and Dick 2002.

\(^{18}\) The authors would like to thank Ward Berenschot for this formulation.
tions is central to Ross McLeod’s evocative essay on the ‘Suharto franchise’. In McLeod’s analysis, the New Order strongman encouraged officials to ‘live off the land’ in order to retain their loyalty. Since all of them were guilty of legal transgressions, he could easily threaten to exclude any of them from these perks by waving the rule book. As in a commercial franchise, incumbents were free to use their wits for their own self-advancement, while preserving the trappings of uniformity. In Howard Dick and Jeremy Mulholland’s essay on political slush funds, rivalry between elite factions is again the operative principle, with slush funds providing the fuel that powers that rivalry, but also the resources that buy elite cooperation and social peace. Many of the close local case studies in the book also point to the ubiquity of political motives in illegality: petty gangsters act as muscle in electoral and other political conflicts (Wilson, Nooteboom), small-time contractors are drawn into political networks and fund election campaigns if they want to succeed in the construction field (Mietzner, Van Klinken and Aspinall). Indeed it might be possible to argue that the vast majority of illegality by state officials in Indonesia concerns the construction of political networks, specifically involving the purchase of political protection or access from above, or the purchase of political support or acquiescence from below, or to exclude rivals laterally.

There is of course also an exclusionary element and a class dimension to these bureaucratic politics that we should not lose sight of. Those with power to allocate state resources not only distribute them to buy support from above and below, but in doing so, they inevitably block access to actors who lack such privileged access. Those who are not part of the network find it hard to get jobs, their communities receive school buildings and bridges that crumble before their time, and they resent those who do manage to build privileged access. It is precisely for such reasons that condemnation of corruption remains a powerful rallying cry in Indonesian political life. It explains why local anti-corruption groups try to focus their campaigns on increasing community awareness about the effects of corruption and on opening up channels for them to participate more fully in the political process.

**The benefits of illegality**

Yet awareness of the exclusionary and hierarchical framework that organizes much illegal behaviour by state officials should not blind us to the wider integrative and stabilizing functions that such behaviour may also have. Indeed, one of the revelations that was shared by most participants in the workshops that gave rise to this book was that many of the illegal practices we discussed had aspects that could be described as socially beneficial. Particularly at the lower end of the social ladder, they sometimes seemed essential to the proper
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functioning of the state and provided benefits even to marginal groups. Sometimes those benefits occur in an exploitative context: the petty collusion between police and small-time entrepreneurs in East Kalimantan that Gerben Nooteboom describes costs the latter 5-15% of their turnover; but it also helps them get around many obstacles that would otherwise impede their activities. Police collaboration with criminals also, as Nooteboom argues, allows the police ‘to keep criminality under control’, an outcome that arguably has wider social benefits. Collusive favouritism and networks of illegality can provide working solutions to difficult problems. These include how to facilitate the speedy and convenient exit from Indonesia by would-be migrant workers (Ford and Lyons), or how to ensure that volatile and potentially violent ex-combatants are satisfied with the outcome of a peace process by giving them a stake in the existing system (Van Klinken and Aspinall). Indonesia’s shadow state may be an alternative to a smoothly functioning, Weberian taxation and policing system. Precisely because it is a state that is based on personal contacts and networks rather than impersonal hierarchies and rules, it is also a system that gets lots of things done.

The blurring of the state-society boundary

The next point follows logically from our earlier one about how much illegal activity by state officials takes place in networks that both pervade the state but also cut across the boundary separating formal state institutions from society. If we view the hidden illegal practices of the state as being as central to its functioning as the bureaucratic structures and procedures that appear in the formal sphere – and we do hold this to be so – and if these practices involve alliances, networks and partnerships that cross the state-society divide, then it follows that our conceptual boundary between state and society begins to break down. At the very least, thinking seriously about state involvement in illegality helps us to think of the state as being socially embedded. As Joel Migdal has written, the presence of behaviours like ‘corruption’ and ‘criminality’ by state officials might in fact reflect the influence of alternative moral codes derived from society. This might lead us to re-think our image of the state:

Various parts or fragments of the state have allied with one another, as well as with groups outside, to further their goals. Those practices and alliances have acted to promote a variety of sets of rules, often quite distinct from those set in the state’s own official laws and regulations. These alliances, coalitions, or networks have neutralized the sharp territorial and social boundary that the first portrayal of the state [that is, as a dominant and integrated entity that monopolizes rule-making in a given territory] has acted to establish, as well as the
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sharp demarcation between the state as preeminent rule maker and society as the recipient of those rules. (Migdal 2001:20.)

Certainly, the following pages provide many illustrations of this dynamic at play. In particular, they illustrate just how many state (or at least state-like) functions in Indonesia (for example, the levying of ‘taxes’, the redistribution of material resources, the maintenance of order and suppression of certain forms of criminality) are carried out not simply by state institutions in their formal, bureaucratic mode, but by networks of state and societal actors, in which both sides are engaging in activities that are formally illegal.

The licitness of illegal activities

Another theme that recurs in the chapters that follow therefore concerns the social legitimacy or ‘licitness’ (Abraham and Van Schendel 2005) of much of the illegal behaviour that we discuss. Many of our contributors draw attention to what we have already indicated is one of the striking characteristics of illegal behaviour by state officials: its often brazen openness. As Marcus Mietzner puts it in his chapter on elections: ‘many politicians, entrepreneurs and rent-seekers simply ignore the law and expect that nobody will notice or care’. In some cases, as in those depicted by Mietzner and by Widoyoko, political apathy on the part of citizens accounts for their passive acceptance even of activity that may be disadvantageous to themselves. They are habituated to a system where everybody knows the formally illegal acts in question are unlikely to be punished. In such cases, state illegality may be illicit, or socially disapproved, yet still ubiquitous and open. However, another explanation is provided in chapters by John McCarthy and by Michele Ford and Lenore Lyons. These explore how societal actors and state officials in Indonesia’s regions cooperate to build mutually beneficial local regimes, for example to regulate logging and migration. Both parties view the central government’s rules as intrusive and antagonistic to local needs. Both of these accounts portray the central state as a predatory outsider, a hostile leviathan, that does not understand or connect with the real social world at the grassroots, a world in which low-ranking local state officials are immersed, adopting its rules and seeing its interests as their own. In such accounts we see conflict between local regimes of licitness and state legality, as well as conflict between the state’s commanding heights at the centre and its socially embedded functionaries at the local level. In yet other chapters licitness differs between insiders and outsiders. Simon Butt and Tim Lindsey point to modes of illegal behaviour in and around the judicial organs where insiders apparently adhere to reasonably well-regulated rules and norms, while outsiders, from whom these behaviours are hidden, regard them
disapprovingly and call their practitioners the ‘judicial mafia’. In such cases we may perhaps speak of ‘insider’s licitness’. All of this is to reinforce a point we have already made above, namely, that we hope this book will help to prompt future research into the internal modalities that shape state officials’ involvement in illegal activities and, we might add, how those modalities intersect with broader societal norms concerning the licitness of such activities.

Policy implications

Few of the contributors to this book are deeply engaged in the work of making policies or building institutions designed to combat corruption or other forms of illegal activities by state officials. As students of the deep structures, quotidian practices and social embeddedness of state illegality in Indonesia, it is perhaps not surprising that when we turned to the global discourse of good governance that has now become so dominant in shaping the fight against corruption in the country, the overwhelming instinct of most participants in this project was to stress the difficulties that beset that fight and the ironies that occur when the global good governance discourse is translated into practice. Most good governance anti-corruption strategies aim to depoliticize the state, to reduce the ‘fight’ to a technical operation. Here, cleanliness is to be achieved by separating vested interests from decision-making processes and by empowering oversight and investigatory agencies to enforce the law and police the probity of state officials (see Dick 2002). We feel the pervasiveness of illegality makes this a process fraught with difficulty. Very often the new regulations and institutions simply end up providing new opportunities for predation. No clearer example exists in Indonesia than the decentralization legislation passed in 1999. The legislation was intended to bring government closer to the people and thus make it more accountable, more responsive and, by implication, cleaner. Yet, as is widely known, decentralization also provided manifold new opportunities for local actors to engage in novel forms of predation. A similar example, given in this volume, is reform of school governance in the education sector (Widoyoko). Moving control of funds to the schools simply shifted the locus of corruption to the school level. Reform of government procurement is another case (Van Klinken and Aspinall). By creating a new class of supervisory consultants empowered to ensure that projects proceed on track, it created a new layer of predators in the system. In a slightly different vein, global discourses of good governance and crime prevention, and the funding support they promote, can readily be turned by state actors to their own, often particularistic interests. We see this in Jun Honna’s analysis of how Indonesian security agencies seized upon new international discourses about transnational crime to expand their own authority.
Instead of trying to depoliticize corruption and the fight against it, we argue for accepting that both are political processes. The key to progress – even if it is by necessity very slow progress – will be in making politics accountable to a broader public. This requires greater politicization, not less. As Michael Johnston (2005:3) has argued,

[opposing corruption] is a matter not only of improved public management but of justice. It requires ‘deep democratization’: not just elections but vigorous contention over real issues among people and groups capable of defending themselves politically, and of reaching settlements sustained by their own lasting interests.

Combating corruption and other forms of illegality thus requires what has been called in another context a transition ‘from clientelism to citizenship’ (Fox 1994). Such a transformation – still in many respects a distant dream in Indonesia – would require a new form of socially embedded state: one that is embedded not in webs of clientelism and particularistic dependency, but in a politically engaged citizenry.
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Corruption, competition and cooperation in the construction industry

Building things has been the essence of development in Indonesia, at least since the oil boom began in the mid-1970s. Indeed, the word pembangunan, a central trope of the New Order regime, means both ‘development’ and ‘building’ (Heryanto 1988). But the very large construction industry is plagued by poor standards and corruption. It is widely known that money is routinely skimmed off construction contracts to pay off tendering committees, public works bureaucrats and other officials with influence over the allocation of public construction contracts, reducing the quality of the material and work. Construction contractors are an important part of the politico-business elite, especially in the regions, and it is often their political connections rather than their construction expertise that lands them the most lucrative construction contracts.

The approach in the recent wave of expert reports by multilateral agencies is to view problems of corruption and standards in the industry as public policy issues amenable to improved regulation. Beginning with a set of ‘international best practice’ norms, they develop sophisticated indices showing where Indonesian institutions fall short, and conclude with policy recommendations. But this normative approach lacks explanatory power. The present chapter aims to explain rather than prescribe. It seeks to account for the resilience of corrupt practices by viewing the construction industry ethnographically, namely as a set of social actors who strategize to promote their interests.¹

In the 1980s and 1990s, multilateral agency reports on the sector traced its problems to developmental issues such as a shortage of technical skills, organization, capitalization and legal protection (Kaming et al. 1997; Kirmani 1988; World Bank 1984). Over the last decade, the emphasis has suddenly shifted to the issue of corruption (Kenny 2007; Pranoto 2005). A World Bank study on the public procurement system (mostly construction) argued:

¹ Some work along these lines already exists. Most focus on the informality of construction at the bottom end of the market, for example, Van der Erve 1989; Hermanto et al. 1983; Sannen 1986; Thung Ju Lan 1989.
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‘[T]he public procurement system in Indonesia does not function well. It is not market driven, has been prone to misuse and abuse, and reduces value for money for public funds’ (World Bank 2001:1). Not surprisingly, reform of public procurement has been a major target of post-Suharto reforms.

Part of the sudden shift in emphasis was externally driven. A broad ideological shift took place in Washington after the end of the Cold War. More or less sanguine behavioural analyses influential in the 1960s saw corruption as good or bad depending on context (Leff 1964; Scott 1969). But in the 1990s the language became pathological. World Bank president James Wolfensohn in 1996 spoke of corruption as a ‘cancer’. He and other influential voices in international agencies began to portray corruption as, in the words of another senior World Bank official, ‘a great obstacle to economic and social development’. They depicted corruption as a distortion in the orderly functioning of markets, caused mainly by excessive government interference and regulation, which increased opportunities for public officials to extract resources from market players. In keeping with the neo-liberal mood of the times, corruption was thus seen as something that could be corrected by the right policy settings, including by rolling back the responsibilities of the state in the economy. The ideological shift resonated in Indonesia among liberal-oriented sections of the growing middle classes, which made opposition to corrupt favouritism central to the agenda of the movement that ended Suharto’s New Order regime in 1998. Responding to pressures from both international agencies and large segments of public opinion, post-Suharto governments have introduced anti-corruption measures of varying effectiveness, including in the area of government procurement.

However, since the collapse of the regime in 1998, it has been all too obvious that patterns of corruption and predatory behaviour that grew and consolidated under the New Order have persisted into the new era of democratic and decentralized politics. Neo-patrimonial networks linking politics with business have been both resilient and adaptable, especially at the local level. Observers have noted the important place that the construction sector occupies in the corrupt nexus between business and politics, especially in provincial areas (Clark and Palmer 2008; Sulaiman and Van Klinken 2007). In the regions, construction is often a dominant part of local economies, construction projects are a major focus of collusive and predatory behaviour, and kontraktor (contractors) are often prominent not only in business but also in politics. Provincial and district parliaments are full of contractors who live on building projects they themselves decide on. Contractors are prominent in the campaign teams for directly elected district heads and governors.

Thus Indonesian contractors are now the bad guys in two relatively new agendas: one international, focused on making government procurement more competitive; the other domestic, focused on making government more
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accountable. This chapter will show that they have not been very responsive to either agenda so far. Our question will be: how can we explain this resistance? We do so by combining detailed case study research one of us (Aspinall) has done in the province of Aceh, with broader national and historical research conducted by the other (Van Klinken).

Corruption in the government-funded construction sector is a matter of worldwide concern. In China, for example, one author refers to the sector as a ‘quasi-criminal domain’ in which widespread official corruption leads to shoddy building standards and fatal building collapses (Ding 2001:180). In Japan, corruption in the construction industry is a lynchpin connecting the worlds of business and politics. The country has been described as a construction state (doken kokka) in which ‘money flows through the system guided by the bureaucrats to benefit those who form part of the privileged national grid of politicians, bureaucrats, and business people’ (McCormack 1996). A study of ‘everyday corruption’ in West Africa describes a world of public procurement and construction based on ‘a triangle composed of corrupting contractors, corruptor officers and intermediaries, [giving] rise to real chains of complicities’ (Blundo 2006:260).

Government-funded construction is a site of predation in part because discretionary spending is vulnerable to corruption in every type of economy. It becomes especially vulnerable when there are few other sources of cash for provincial middle classes in an underdeveloped, otherwise agrarian and trade-based economy. In such societies, construction can become a major driver of a corrupted political process. According to business perceptions measured in a 15-country survey by Transparency International, construction is the most corrupt industry, exceeding even the arms industry and oil and gas (Stansbury 2005:36). A large international survey of company-state interactions in 22 transition countries (Business Environment and Enterprise Performance Survey, BEEPS) reported that:

It appears that construction firms in the sample think it is more common to pay bribes in their industry than do firms in other industries, that firms like theirs spend a larger percentage of revenues on bribes, and they bribe more frequently to get licenses, deal with taxes and get contracts. [...] It appears (unsurprisingly) that private construction firms where the state is the largest customer are likely to report particularly high corruption in their industry. These results are highly statistically significant (Kenny 2006:14-5).

Kenny reports a common estimate that 5-20% of construction costs are being lost to bribe payments, with the average reported payoff for a government construction contract being around 7% in a range of transition countries. For government construction work in Indonesia in 2004 this would correspond
to a range of US$0.3-1.4 billion, with the 7% figure equalling US$0.5 billion. Indonesian politicians quote much higher losses than this. Indeed, bribes are not the only problem. A poorly constructed or sited project, for example, may result in economic losses many times greater than the bribes.

The problems in the construction sector have long made it the object of reforms. In Indonesia, as the sector became increasingly linked to the twin problems of corruption and the collusive provincial politics after reformasi, these reforms moved closer to the centre of the Indonesian good governance agenda. The first presidential instruction governing procurement was issued in 1979, and since then there have been improved presidential instructions in 1980 (twice), 1984 (twice), 1988, 1994, 2000, and finally 2003 (Keppres no. 80/2003). The first law on construction was implemented in 1999 (UU no. 18/1999). All the regulations have striven to balance two competing demands: on the one hand, to ensure efficient use of state funds by improving competitiveness, and on the other hand, to ensure social equity and employment creation and to nurture an indigenous, and state-dependent, business class. The former goal led over the years to the gradual professionalization of technical qualification criteria, tendering procedures, contract provisions, and the like. The latter goal led to such protective measures as reserving smaller contracts for ‘weaker’ groups on the grounds that they were indigenous, small-and-medium, or local.

The tension between the free market and the protectionist impulses in the regulatory framework reflects not simply official ‘lack of capacity’ but a political struggle. Big Indonesian and international companies have a comparative advantage in the free market. They support the reforms that promote competitiveness. Smaller provincial operators know they cannot survive without protection, so they argue that the government has a responsibility to protect the weaker players. In their world, profits are not made by lone entrepreneurs fighting for market supremacy, but by well-connected people who know how to build political alliances to keep out rivals. If we want to know more about this political struggle, however, the otherwise highly informative public policy documents only take us so far.

2 Vice President Jusuf Kalla told an Indonesian business conference in 2006 that the introduction of open tendering for public works projects would save the state budget 30-50% a year, though he presumably meant that at least some of this saving would be made by the effects of competition (Gajah Kusumo, ‘Tender terbuka hemat nilai proyek hingga 50%’, Bisnis Indonesia 4-8-2006).

3 A convenient summary of the history of regulation is in footnote 3 of World Bank 2001. Most of the current laws and regulations, as well as more detailed implementing regulations, are available at a website of the Public Works Department (http://www.pu.go.id/bapekin/produk/produk_statuter.html, accessed 8-12-2008). Technical evaluation of the procurement system is in chapter 6 of World Bank 2007.
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Why construction?

We begin by distilling some of the central facts about the construction industry readily available in the multilateral agency reports, which are nothing if not well-stocked with figures. Worldwide, the construction industry contributes about 5% in value-added to the GDP of middle income countries like Indonesia, and capital formation in construction makes up about 10% of GDP. These percentages tend to rise as an economy develops (Kirmani 1988:141). Combined government and private infrastructure investment in Indonesia ran at 5 to 6% of GDP before the 1997 crisis, but fell to below 2% in 2000. Since then it has slowly recovered (World Bank 2007:75), and by 2006 it had reached 7.5% or US$24 billion (Wongso 2007). The building sector employs 4.5 million workers, or almost 5% of the Indonesian workforce. But over 60% of them are unskilled or semi-skilled. The high-tech end of the industry is dominated by oil and gas facilities, highways and other large projects built by private global companies such as Bechtel, Brown and Root, McDermott, and Leighton, as well as by large Indonesian companies such as Trans Bakrie and majority state-owned construction companies like PT Adhi Karya Tbk and PT Wijaya Karya Tbk.

The much more pervasive lower end of the industry is engaged in building infrastructure such as roads, irrigation systems, water supply, local power stations, telecommunication networks, hospitals, clinics, offices, shops, and housing. Collectively, this sector is very large: about one quarter of all construction in Indonesia involves building bridges and roads. A large proportion of this lower end is government-funded. The World Bank (2007:79) estimates that actually expended government infrastructure investment (not counting operation and maintenance) in 2004 amounted to Rp 62 trillion (approximately US$6.8 billion). This amount has increased considerably since then. Decentralization means that over half of this government money is now spent by provincial and especially district governments. According to the 2003 Asia Foundation Rapid Decentralization Appraisal (Satriyo et al. 2003:25-6), local governments spend most of their development funds on building basic facilities in the areas of transportation (24.7% of development budget), housing and settlement (7.46%), regional development and settlement (7.31%), and natural resources and irrigation (3.50%). Little of it is spent on education and culture. It is estimated that 80% of building contractors depend entirely on government work (World Bank 2001:21), and out in the provinces this could be even higher.

The construction sector is of central importance to Indonesia’s economic growth. It is also a major and growing employer. As we will see, however, the peculiar characteristics of the industry make it a regulator’s nightmare.

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Here we focus not on the grand corruption practised by the big few, but on illegality in the dense web of relationships between government officials and building contractors in the provinces.

A history of corporatism

The construction industry in Indonesia inherits a history of massive infrastructure work developed by the Dutch in the late nineteenth and early twentieth centuries. Built with taxes on agriculture, the roads and railways initially had mainly an imperial purpose, but later the emergence of a developmental aim led to the construction of extensive irrigation works. The grand phase of infrastructure development came to an end around 1930 and did not resume for another half century. The worldwide economic depression, the predatory Japanese occupation, the national war of liberation, and the political and economic chaos of the first two decades of independence, left infrastructure in ruins. Furthermore, with independence came democracy. When construction work resumed, the new government had to take account of domestic politics. Previously disadvantaged groups demanded that business wealth be redistributed as a matter of justice. A brief history of the construction industry illustrates a growing conflict between protectionists and free-marketeers.

Unlike the unfailingly apolitical multilateral agency reports, Indonesian construction contractors have written their own history in openly political terms (Gapensi 2004). This history describes how aspiring Indonesian entrants to the building sector relied less on their technical skills than on their political leverage to gain advantage over economically stronger European and ethnic Chinese rivals. When Indonesia became independent there were only a few indigenous contractors. Most were very small, graduates of trade schools in the 1930s. Their best hope was to lobby for government work on the basis of their indigenous, nationalist credentials. In January 1959, city-level associations in the three biggest Javanese cities of Jakarta, Surabaya and Bandung joined together in the All-Indonesia Association of National Construction Implementers (Gabungan Pelaksana Konstruksi Nasional Seluruh Indonesia, Gapensi). Six months later the organization’s first chairperson, Dipokusumo, became Minister of Public Works. It was the end of party politics and the beginning of Guided Democracy. The new minister recognized Gapensi as the sole organization for building contractors, and

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6 Such as Bechtel’s controversial role in the construction of the Freeport mine in Papua (Perlez and Bonner 2005).
7 Mrazek 2002; Ravesteijn and Kop 2008.
8 Pekerjaan Umum, or PU, was successor to the colonial era Civic Public Works, or Burgerlijke Openbare Werken, BOW.
eliminated their Dutch rivals by nationalising all Dutch construction businesses, as part of the broader process of nationalization then underway. By its own rather honest 2004 account, Gapensi was somewhat thuggish especially out in the provinces, but its members now found themselves partnering with experienced engineers in the nationalized companies. However, monopoly access to the government was difficult to achieve in the ramshackle state that was Indonesia in the late Sukarno years. Many non-affiliated local contractors continued to win work from local military commanders, government departments, banks, and other state agencies. Rival groups of contractors emerged, and political shifts favoured now one, now another. By 1961 Djuanda, the powerful coordinating minister in charge of the Economic and Development Council (Dewan Ekonomi dan Pembangunan), himself an engineer, insisted on another umbrella organization for building contractors, Consultative Body for Private National Entrepreneurs (Badan Musyawarah Pengusaha Nasional Swasta, Bamunas) and Gapensi was asked to join that. The Minister for Funds and Forces (!) asked them to help raise ‘revolutionary’ funds for the government by buying shares in development banks. Their reward was juicy construction plums in the newly Indonesian province of Irian Jaya in 1963, and in Jakarta (such as the Asian Games stadium at Senayan and the giant Conefo – Conference of the New Emerging Forces – facility that later became the national parliament house).

From that time on, construction contractors were increasingly integrated into the state via formal corporatist organizations. A key construction industry broker in the militarist corporatism that began to crystallize in the 1960s and 1970s was the indigenous entrepreneur Edi Kowara Adiwinata (1919-1996). He had grown wealthy during the national revolution. Close
connections with the military helped him survive the transition to the New Order. His son Indra Rukmana married Tutut Hardijanti, the daughter of retired general President Suharto, his golfing buddy. He expanded into livestock feed, life insurance, machine parts, Coca Cola bottling, coconut oil processing, rubber plantations, and a steel factory. His family became one of the three wealthiest indigenous entrepreneurial families of the New Order, alongside the Suharto and Djojohadikusumo families. Starting as the Jakarta chapter chairperson of Gapensi in 1959, he served on the national board of all its various incarnations throughout the 1960s and 1970s.

Unfortunately for domestic contractors, the New Order also threatened to reopen the doors to their foreign capitalist rivals. In 1966 a new team of powerful technocrats – Radius Prawiro, Ali Wardhana, and Wijoyo Nitisastro – met the contractors to explain that Indonesia was changing from a ‘national economy’ to a ‘liberal economy’. There would be no more megaprojects for the moment, and ‘foreigners’ would be allowed to compete for construction work. The president dissolved Bamunas in 1967. However, the protectionists had the last laugh. Ten years later, after many organizational permutations, Gapensi emerged stronger than ever. Together with two other associations – one for big construction firms based in Jakarta (Asosiasi Kontraktor Indonesia, AKI), and one for construction consultants (Ikatan Nasional Konsultan Indonesia, Inkindo) – it set up a Joint Secretariat in the office of Public Works Minister Radinal Mochtar in 1977. Five months later it was awarded a big contract to build cheap government housing for soldiers. Edi Kowara had already begun in 1974 to help Gapensi set up an intimate collaboration at provincial level with the Indonesian Chamber of Commerce (Kamar Dagang Indonesia, Kadin). Most Kadin provincial chapters were apparently run by Gapensi people. For 20 years from the mid-1980s, the Gapensi-Kadin link in Jakarta ran through Agus G. Kartasasmita, a Gapensi office-holder from 1983 and its chairperson continually from 1992 to 2008. Kartasasmita had been brought in to the organization by 1950s-era Public Works minister and engineer, Prof. Roosseno Soerjohadikoesoemo, known at the time as ‘Mr Concrete Indonesia’ (Bapak Beton Indonesia). He always held a Kadin deputy chair for construction and real estate (Gapensi 2004:53). The Kartasasmita family grew wealthy under the New Order. Kadin became the only association of Indonesian entrepreneurs to be recognized in law (UU no. 1/1987) and this gave it a strong though not exclusive place in the Indonesian state’s corporatist scheme.

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12 AKI is Asosiasi Kontraktor Indonesia, Indonesian Association of Contractors; Inkindo is Ikatan Nasional Konsultan Indonesia, National Union of Indonesian Consultants.

The 1980s were the golden era for the corporatist construction sector. Flush with oil money, the New Order was firmly in the saddle, and the government’s Five Year Development Plans, called Repelita, were the contractors’ lifeline. In 1986, the Public Works Minister decreed that only members of AKI, Gapensi and Inkindo would be permitted to do construction work for the department. The Interior Minister sent a similarly worded letter to all provincial governors in 1987. Together, the department of public works and the interior ministry, under which were located the regional governments, were the two most lucrative sources of government construction work. These rulings led to a large influx of under-qualified local construction contractors into Gapensi, where they were graded according to their financial and technical capacities. Membership was open to private companies as well as those controlled by state-owned enterprises and cooperatives. It grew steadily – membership stood at 21,000 in 1987, reached 38,000 by 1993, and 41,000 by 2000. The great bulk of membership always consisted of the least qualified small operators (Gapensi 2004:121-44).

We can gain a glimpse of the intertwining of Gapensi, Kadin, Golkar and local government from the provincial executives list that Gapensi published on the internet in 2000. The chairman of Gapensi in Aceh, to take one random example, was Lukman C.M. This man served at the same time as deputy chairman of the provincial chapter of Kadin. He was also on the provincial executive of Golkar as the link with private business. His first deputy chairperson in Gapensi was Armen Desky, who was at the same time a member for Golkar in the newly democratic national parliament (Dewan Perwakilan Rakyat, DPR). Armen Desky cut short his parliamentary career in 2002 when he was elected chief (bupati) in his home district of Southeast Aceh. There he immediately faced controversy over a local airport whose construction, evidently to be paid by the European Union, was delayed. Another example from the Gapensi list is the oil-rich province of Riau. Chairing Gapensi here was the building contractor Rusli Zainal. He was at the same time district chief of Indragiri Hilir. Three years later he was elected governor of Riau. His own party Golkar at first failed to support him in this bitterly fought contest because it had made a deal with the then-governing party PDI-P. But newspapers reported that the outcome improved for Zainal after large

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14 Surat Keputusan Menteri no. 187/KPTS/1986 of 24 April (p.64-5); Surat Edaran Menteri no. 230/766/Bangda of 13 April 1987 (p.69).
amounts of money changed hands.\textsuperscript{18} Sparser electronic news archives for the late New Order period make it difficult to be certain, but our experience leads us to think that, apart from the greater political uncertainties after 1998, the picture was much the same throughout the 1990s. In sum, the construction sector was organized along classic New Order corporatist lines. Corporatism has been defined as ‘a pattern of state-society relations in which the state plays the leading role in structuring and regulating interest groups, organizing them along functional rather than class lines (in order to minimize both collaboration and conflict), and typically granting official recognition to only one representative body in any given sector’ (MacIntyre 1991:1).

International pressure on Indonesia to liberalize the construction sector grew during the New Order. It was exercised through the International Federation of Asian and Western Pacific Contractors’ Associations (IFAWPCA). Edi Kowara himself was big enough to play along and thus earn the chance of working with big international corporations at the top end of the market. In 1969 he initiated the association of large contractors called AKI specifically to join IFAWPCA. But Gapensi’s large number of provincial members were not ready to compete on international terms. AKI agreed with Gapensi that it would confine itself to Jakarta, where its members would compete with international firms for international and domestic work, but it would not form provincial branches. The understanding was that Gapensi members would do the smaller domestic government work, especially in the regions outside Jakarta (Gapensi 2004:56-7).

Bribes were routine in the corporatist system in the provinces. They were known as ‘wild retributions’ (pungutan liar or pungli), but were quite institutionalized. Gapensi members did not like paying them, but they also saw them as a normal part of doing business, and they complained rarely. In 1996, as the New Order was beginning to fray, some did complain. A Gapensi bulletin in East Java reported that pungli amounted to 20-30\% of the value of projects, and in some districts it reached 35\%. The largest amount, up to 10\% of the project value, went to the government project leader (pimpinan proyek or pimpro), which could be the departmental head, the district secretary, or even the mayor or district chief. The pimpro would visit the contractor at home to make sure he got his share. The cashier at the State Treasury Office (Kantor Perbendaharaan Negara, KPN) got an ‘envelope’ as well. Smaller payments went to other relevant officials in the public works department, the offices of the governor, district head or city mayor, and to relevant legislators. Visiting officials needed to have their trips paid and be entertained. Other people called on the contractor to make ‘social contributions’ to various causes.

Towards the end, thank-you gifts were made for the final handover and for a smooth report from the government’s internal audit agency.

For a road construction project of one kilometre, for example, when the supervision team came to visit just before the work was handed over to the owner, the team filled an entire bus, there were up to 30 supervisors. ‘From the section chief up, from the provincial down to the district level, they would all be there. As oriental people how could we refuse to provide accommodation, transport, food,’ he [the Gapensi report author Somingan] said. Pocket money for the supervisors was normally Rp 200,000 per person [at that time US$40], Somingan added. …Far from paying only to be allowed to join the tender, Somingan said, even just to know that there is a project at all, the contractor has to prepare grease money for the individual bureaucrat in the government office owning the project.19

The contractor knew these costs would occur and recouped them by marking up the project cost above market prices as well as by cutting corners on construction materials. We shall see that this system remains essentially unchanged even after the recent reforms.

Reforms

Regulatory reform has picked up pace since 1998, but change on the ground has been less impressive. The multilateral agency reports acknowledge this, as the following paragraphs will show, but they explain it in terms of institutional ‘weakness’. Our own ethnographic work, on the contrary, sees remarkably successful organizational assertiveness rather than failure. An explanation of the resilience to reform must start by recognizing these realities, not by ignoring them. Like the reforms that had come before them, the 2003 Presidential Decree (Keppres no. 80/2003 on ‘Guidelines for the Implementation of Government Procurement of Goods and Services’) sought to enforce more competitive and transparent tendering procedures, while at the same time protecting smaller businesses. It addressed serious deficiencies in the system and promoted international ‘best practice’ principles of procurement: transparency, open and fair competition, economy and efficiency. It came after a period of both public and private pressure by major international agencies for reform to Indonesia’s public procurement (see especially World Bank 2001, 2003:31-9). The World Bank (2003:31) explained its context as follows:

Looking ahead to the emergence of an Asian Free Trade Zone and the implementation of future WTO provisions that would require member states to allow access to government procurement for companies from Indonesia’s trading partners, it well behoves Indonesia to develop a world class public procurement system rather than one that has a poor global reputation for encouraging corruption.

The decree set tight tendering standards for large projects, relaxing them for smaller ones (the cut-off limits have shifted downwards over time). It graded contractors according to their technical and financial capacities, allowing only the larger ones to take on big jobs, while reserving smaller jobs for smaller companies. Tendering committees now also had to be certified.

The implementation of these and other rules is another matter, however. A 2007 UN study measuring Indonesian public procurement practices by a set of OECD ‘benchmarks’ still gave the country poor marks on every indicator. For example Indonesia scored only 33.3% on the ‘functionality of procurement market’ (PCDC 2007). One problem is that the budget process actually stimulates corruption in the government building sector. Budget discussions involve many different departments and legislators, making them so drawn out that, every year, 50% of total capital expenditure is spent in the final quarter (World Bank 2007:98). This results in the routine use of a regulation permitting tenders for certain government contracts to be bypassed under ‘emergency’ conditions. Budget discussions often focus on specific project inputs – parliamentarians taking a particularly close interest – rather than broader program outputs (World Bank 2007:100-1).

Auxiliary institutions also remain ‘weak’. Abuses should be picked up by the various government audit agencies (World Bank 2007:96). But low staffing levels, overlapping responsibilities, and corruption in the auditing bodies themselves mean that little is uncovered. The mess of contradictory regulations in a decentralized environment (World Bank 2001:1, 2007:103) is another reason why reforms are difficult to implement. A unifying National Procurement Office, to be located in the national development agency Bappenas, is still under construction. Administrative oversight is particularly anemic at the provincial and district levels. A World Bank report (2007:126) concluded: ‘Overall, public financial management systems at the sub-national level are weak and risks of corruption are very high’.

In our view, contradictory, overlapping regulatory institutions are the sedimentation of political struggles within the state. On the one hand, the state budget is balanced centrally, so the pressure for reform comes mainly from Jakarta, especially from particular state agencies more committed to economic reform and, from further afield, from the international political economy and the neo-liberal currents and agencies that populate it. Since the 1998 economic crisis and political reformasi, governments in Jakarta have
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more frequently sought the technical advice of multilateral agencies on governance techniques. Local governments, on the other hand, derive nearly all their income from the centre and thus experience pressure to economize and regularize mainly as an external force. Internally, their need for local political support encourages collusive behaviour. In the following section we look at some actual examples of such struggles.

How the system works: the view from Aceh

Here we examine the construction sector from below, not as a set of institutions open to technocratic tinkering but as a set of social actors strategizing to promote their interests. Our field experience and reading of press reports indicate that the post-1998 regulatory reforms have so far had little impact on the informal practices that underpin construction contracting at the grassroots. Outsiders to the system still make the same complaints, reporting familiar types of abusive practices. Particularly out in the provinces, the system represents an informalized version of the New Order corporatist one described above. The corporatist organizations have lost the dominant position they once maintained, but they still act as important venues through which influence and information is traded. More importantly, the informal and collusive practices that underpinned the old corporatist system remain intact. From the individual contractor’s point of view, success is all about the double strategy of building cooperation with allies and keeping out rivals.20

Aceh does not seem like a typical Indonesian province. Its long-running armed separatist revolt, the resulting military operations, and the terrible December 2004 tsunami created a degree of disruption not experienced elsewhere in Indonesia. The combination of a peace accord in 2005, tsunami disaster relief, and regional autonomy brought about an unparalleled flood of reconstruction money. However, the way this money was disbursed to local construction contractors – full of what the World Bank (2001:2) likes to call ‘non-economic influence on public procurement’ – looked much like that in any other province, only more extreme. Many of the former combatants of Free Aceh Movement (Gerakan Aceh Merdeka, GAM) rapidly transformed themselves into construction contractors, showing how easily political influence and coercive muscle power can be leveraged into business success in the sector. Aceh’s construction industry thus turns out to be a rather useful window on that in the rest of Indonesia.

Construction takes up a large part of Aceh’s post-tsunami economy.

20 The analysis of contracting in Aceh is partly derived from Aspinall (2009), and a more detailed discussion of the situation described here may be found in that publication. We thank the journal Indonesia for permission to re-use this material.
According to the head of the Aceh branch of the Institute for the Development of Construction Services (Lembaga Pengembangan Jasa Konstruksi, LPJK), Nova Iriansyah, in 2007 alone the total money circulating in Aceh from the national budget (APBN), regional budgets (APBD) and the post-tsunami Reconstruction and Rehabilitation Agency (BRR) was approximately Rp 30 trillion, of which about Rp 12 trillion (approx US$1.2 billion), or 40%, was allocated to construction activities. Little wonder that the number of players is considerable. According to one experienced Department of Public Works official, there are about 5,000 contractors in Aceh. The website of the LPJK puts the total at 3,800. Construction contracting, however, is a steeply hierarchical world, and less than one percent of Acehnese contractors are in the highest grades and so entitled to bid for the largest contracts. According to the same informant, locals win only 30-40% of the big contracts, with the remainder typically being won by big companies from Jakarta (often state-owned enterprises known as BUMN) or by foreign construction companies cooperating with Indonesian firms. At the lower levels of the scale, contracting is virtually an Acehnese-only affair.

Most of the attention of corruption watchers in the construction industry has focused on the tendering process. But in fact illicit payments are routine at every turn, from conception to completion of a contract, as some lists have shown. In theory the whole process is open and transparent. In reality, it is an open secret in Aceh – as in other parts of Indonesia – that it is shot through with manipulation. The central dynamic is between those bidding for contracts, the contractors, and those offering them. The latter constitute a large network of public officials that includes, at its core, the tendering committee (panitia pelelangan) that assesses the bids and awards the contracts, the bureau heads (kepala dinas) and officials who appoint them and, ultimately, the local government head – the district chief (bupati), mayor or governor – who is at the apex of the system. It also includes budget officials and parliamentarians who can influence local government budgets. Payment of fees and the trading of political influence are virtually ever-present ingredients. At the same time, because of the highly political nature of the contracting world, virtually any actor with political influence is able to claim a stake in it.

The process begins with the budget proposals for construction that go

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21 ‘60 persen dana rekonstruksi Aceh mengalir ke luar’, Serambi 13-4-2007. Of this money, Nova Iriansyah estimated that about 60% ended up leaving Aceh because contracts were won by outside contractors, or because of the need to purchase material and employ consultants and labour from outside the province.
22 Confidential interview, Lhokseumawe, 23-8-2008.
23 http://www.lpjk.org/modules/statistik/badan_usaha/2008/propinsi_golongan.php (accessed 4-4-2009). This is with a breakdown of 3,189 categorized as small, 597 as medium and 14 as large contractors.
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into the draft provincial and district budgets (APBD). It continues through the local parliamentary discussion process, which, as noted above, tends to revolve around individual projects rather than aiming at a broad policy level. Legislators in the Regional People’s Representative Councils (Dewan Perwakilan Rakyat Daerah, DPRD), at both the provincial and district or city (kabupaten/kota) levels, help executive officials set the regional development budget and spending priorities. They have leverage over the executive. Obstreperous legislators can make life difficult for local government heads and kepala dinas: they can alter budget allocations and so block favoured programs, they can delay budgets and other legislation, or launch investigations into government mismanagement. One way the executive tries to buy off legislators is by awarding projects to favoured contractors. Thus, Acehnese legislatures – as in other parts of Indonesia – have attracted large numbers of people with backgrounds as contractors. For example, after the 2004 election, 20 of the 25 newly elected South Aceh DPRD members – 80% – turned out to be contractors.25 One of Aceh’s largest contractors estimated that about 20% of all DPRD members in Aceh have a contracting background; a Department of Public Works staff member said he thought it was more like 60-70%.26

Executive government officials themselves often favour contractors of their own: sometimes they are relatives, more often their political backers and financiers. Such people can be assured a steady stream of construction contracts. Other persons able to stake a claim are from the police and military. During the conflict years in Aceh, it was widely known that the military (TNI, Tentara Nasional Indonesia) extracted massive rents from all manner of legal and illegal business in the province (McCulloch 2005). Since the 2005 peace agreement, the police are now more prominent in business, at least according to the daily gossip in the coffee shops where contractors, government officials and former combatants gather to swap stories and strike deals. Some contractors and government officials interviewed for this research mentioned cases where police were able to claim projects for themselves by launching corruption investigations at a suspect government agency, with the investigations being ended once new projects were directed their way. All players know that it is important to keep on side all actors with the power to punish. (Judges and, especially, prosecutors fall into the same category.)

For every departmental planning and tendering meeting the contractor pays compulsory ‘fees’ and ‘commissions’. There are more players than contracts to go around. In order to keep everyone happy, the government will often break down large projects into smaller ones, in the name of creating employment and protecting small and medium enterprises. Next comes the pre-

26 Confidential interviews, East Aceh and Lhokseumawe, 25 and 28-8-2008.
qualification and qualification for tender participants, which involves payments to the contractors association and the local government department for permits. This results in a lucrative trade in forged business permits (Sertifikat Badan Usaha, SBU). When, at last, it is time to actually award a contract, it is possible to do so without a tender (direct appointment, penunjukan langsung) only for very small contracts, or in the case of an ‘emergency’. Both rules create loopholes for abuse. Large projects are sometimes split up into smaller ones that each fall below the limit. And a common emergency is the looming end of the budget year, when money must be spent quickly, as noted above.

Tendering is a key moment in the process. Tenders are announced publicly in newspapers. The tendering committee (panitia pelelangan), whose members must be properly certified public servants, rank the bidding companies on the basis of price and quality. In practice, collusion is the rule at this tendering stage. Sometimes the strongest participant pays the others to agree on one winner while compensating the losers. For instance, a group of companies might bid for the same project and end on the tendering short list, then all but one will withdraw, with the winner either making payments to the others or striking an agreement that they will take turns in future. In some provinces, the agreement is known as arisan, in reference to a popular neighbourhood social gathering where participants contribute a small sum each week and give a ‘prize’ to an agreed member at every meeting. The losers in the tender are promised ‘withdrawal money’ (uang mundur). The phrase used for this in Aceh is ‘accompanying the bride/groom’ (intat linto: antar pengantin). Another technique to prevent an open tender is for a big player to put forward several of his private companies, their ownership thinly disguised through relatives, as ‘competitors’ in the same tender. These are known as ‘flag companies’ (perusahaan bendera) because they have nothing but their flag – usually not even an office, let alone equipment. They might all put in exactly the same tender and allow the tender committee to decide between them. Another common technique is the lending and borrowing of companies to allow poorly qualified constructors to bid for projects at a higher grade. Most of these techniques comply with the letter of the law. No one complains.

The primary axis of collusion, however, is between the contractors bidding for projects and the government officials in charge of awarding them. Winning contractors routinely pay fees to those on the panitia pelelangan or to their superiors or associates. These fees are often called jatah pimpro (the project leaders’ ‘share’: pimpro, or pimpinan proyek was the term used in the past for the officials in charge of commissioning and overseeing projects). Various anti-corruption NGO activists, businesspeople and junior bureaucrats interviewed in Aceh made estimates of the amount that is usually paid by the winning bidder as jatah pimpro. Most fell in the vicinity of 5-10% of the project cost. Usually this money is paid by the winning company via an intermedi-
ary. Part of that money is ‘deposited higher up’ (*disektor ke atas*), that is, the receiving officials make payments to their superiors, who in turn pass part of it up the chain. Some ends up with the *kepala dinas*, some is passed higher to the regional government head. In exchange for such fees, the officials’ superiors provide those lower down with political support and assist their promotion through the hierarchy.27 Bureaucrats involved directly in awarding contracts can also secure their positions by granting other favours to their superiors, notably by directing contracts to their relatives or associates.

Although it is accepted wisdom in Aceh that direct payment of *jatah pimpro* occurs in most tendering process, few of the informants who were directly involved in deciding on or bidding for tenders and who were interviewed for this research admitted directly that this was how the system works. Instead, they typically described a looser set of exchange relations, using terms like lobbying (*melobi*) and building relations (*membangun relasi*). Big contractors typically said that being able to ‘mix with all kinds of people’, having wide social relations (*pergaulan luas*) and being able to ‘bridge all sides’ are keys to their success. In short, this is a world where to be successful a contractor must invest not only funds, but also considerable time and energy in getting to know all manner of bureaucratic and business players who might one day be useful, and distributing petty and informal favours to them. To the extent that most contractors admit making direct payments to officials, they typically talk about paying for entertainment or travel.

One successful contractor on Aceh’s east coast explained the system in very direct language:

> We don’t give *jatah pimpro*. There’s no rule of that sort. But in reality it’s not so much different. Instead it’s lobbying. It just depends on how clever we are at making promises to him, that’s all. You have to have insiders, people in the tendering committee or among the *kepala dinas*. You approach the people in the committee. As the Batak people say: ‘to know someone is to love him, if you don’t yet know them, you won’t yet love them’. You have to know them. The key is you have to know the character of the people there. For example, if one likes girls on a Saturday night, then we’ll take him to Medan on Saturday night. We’ll take him to a hotel and give him a woman so that tomorrow he’ll love us. If he likes entertainment, we’ll give him entertainment. If another one likes fighting cocks, I’ll go out and buy him a big rooster in a cage and bring it round to his house on a Sunday. If another likes to eat venison, we go and find venison and bring it to him. The key is that we must be able to read the character of other people. He won’t

27 Two bupati interviewed for this research – former separatist fighters with no previous experience in government – explained that they were puzzled early on in their terms when *kepala dinas* began to make unexplained payments to them. They said they refused them. They presumed these monies were derived from project allocations in this way.
ask for it: we need to be able ourselves to know what he likes. That’s the general pattern. And how much does all this cost? Well if the project is 1 billion, then 100 million is pretty reasonable. That’s not a written rule but, yes, it’s about 10%.  

Another big contractor was a little more philosophical:

Actually there’s no such thing as a set fee, say 10% of the contract cost. That’s not how it works. Instead, if they [that is, government officials] have a meeting, then we have to support them, if they want to go to Jakarta, then we support them. The philosophy of the entrepreneur is we have to be close to the government leaders. There must be synergy.

One expression of this synergy is that contractors in Aceh, as in other parts of Indonesia, often play an important role in supporting candidates for executive office in direct election (pilkada) campaigns, often as members of their ‘success teams’ (tim sukses). Contractors fund district head or legislative election campaigns in the expectation of rewards to follow. Samuel Clark and Blair Palmer (2008:27) in their study of Aceh’s 2006 pilkada note the prevalence in tim sukses of ‘contractors and businessmen, people who were already enmeshed in neo-patrimonial networks with government figures, and used to pragmatic deal-making’. The tim sukses members expend their own financial resources in building networks and distributing material incentives down to the village level to build support for their candidate, with the hope ‘that their assistance would be repaid by political or material favors’ (Clark and Palmer 2008:28).

Once a contract is awarded there is no guarantee it will actually be filled by the company that won it. In fact, a well-established system exists in Aceh for ‘borrowing’ companies during the bidding process and the sale of contracts that follows. Sometimes, small contractors will ‘borrow’ a higher grade company to make a bid for a contract for which they would not be qualified to bid directly. At other times, the process is reversed and a well-established contractor with expertise, equipment and capital, but lacking the political access required to win, will purchase a contract that has been won by a better-connected, but less capable, contractor. This happened a lot in Aceh after GAM-affiliated candidates won a series of elections for local government heads from December 2006. Suddenly, with GAM members dominating local governments, former GAM fighters began to win many construction contracts, but they often lacked the capacity to do the work properly. As a result, many of them simply sold these contracts on to others, usually for a fee of about 6 to 15% of the contract value. Once construction work finally starts, regular payments are made to all the officials concerned. Especially important in the system established under
Keppres no. 80/2003, which aims to reduce corruption in government procurement, is the role of supervisory consultants (*konsultan supervisi* or *konsultan pengawas*). These are employed to check on the progress of a project and ensure it is running on time and in accordance with project specifications. The government agency commissioning a project will pay each instalment to the contractor only after receiving positive reports from the *konsultan supervisi*. Such consultants are typically paid 10% of the project cost to perform this task, and in large projects these roles are also awarded by tender. However, according to one local leader of an anti-corruption group, such consultants’ reports are ‘80% lies’, because the consultants receive side-payments from the contractor working the project.

Because so many fees and commissions are pulled out of the project cost at every stage, very few projects are completed well. To pay for all the fees, contractors skimp on material and equipment. Sometimes the project does not need to go any further than the paper stage to make money for those involved. The media regularly expose so-called ‘fictive projects’, which are completed only on paper but paid for with real money.

In sum, despite Keppres no. 80/2003, the world of contracting is still one in which a great variety of actors from the executive government, security and law enforcement agencies, the legislature and business are bound together by tight webs of mutual dependence, exchange of resources and of favours, and of the potential threats they represent to each other. This, in short, is the world of ‘building relations’, *membangun relasi*, where rivalries and competition are suppressed in order to build the wide networks of influence and familiarity that are the key to business success.

That success brings rewards. The system we have described makes the contractors prestigious members of provincial society. One Acehnese observer described their social status perceptively:

Most contractors I know look rich, especially the young ones. They have a nice car, at least a ‘Sabang’ [second-hand luxury car imported through Aceh’s free port Sabang]. Big house. They wear the latest fashion brands. Travelling to Medan or Jakarta, or these days even to Malaysia and Singapore, is nothing out of the ordinary for them. No surprise that many people admire the *kontraktor*. Older contractors adopt a simpler lifestyle, often just wearing an old T-shirt and sandals, even if they travel by plane overseas. Many girls love contractors. Potential mothers-in-law dream of getting a contractor for their daughter. A friend of mine complained because he lost the ‘beautiful flower’ he wanted to a contractor. ‘Capital shortfall!’, he said. Lots of people are proud to introduce themselves as a contractor, the family of a contractor, the friend or even just the neighbour of a contractor.29

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Exclusion and violence in the contracting industry

The discussion in the preceding section suggests that political influence and corruption in the sector are peaceable, cooperative affairs. But competition for contracts produces losers as well as winners. Contractors say their system is based on ‘building relations’, but equally important is the exclusion of rivals, whether by means of gaining and defending privileged access to sources of government contracts, the ‘manipulation of information’ (Blundo 2006:238) (such as by tailoring bids to supposedly confidential information about tenders) or, sometimes, by executive fiat or violent intimidation.

The Aceh situation also illustrates this exclusionary and coercive side of contracting well. After the 2005 peace deal, former GAM combatants flooded into the construction industry, and their particular skills brought them dramatic success. Former GAM fighters did well not because they were skilled as contractors, but because they had privileged political access, especially after their allies won local government elections in December 2006, and because they deployed violence and intimidation against both officials who awarded contracts and rivals who competed with them (see Aspinall 2009 for more details). There have been numerous reports of former fighters threatening violence against officials responsible for awarding tenders, or kidnapping or beating them or rival contractors. GAM actors often violently threatened other contractors in order to force them to withdraw bids from tenders that they themselves were interested in. More importantly, the GAM network continued to control what they call ‘access to the field’ (akses ke lapangan) through much of Aceh, with a network of former fighters present in most villages. These men were willing and able to take action against any economic activities in their villages that were not authorized by local GAM leaders – for example, by attacking or threatening staff, burning or otherwise destroying equipment, or by stealing material. The result is that any construction entrepreneur who wants to carry out work in areas where GAM is strong is required to offer sub-contracting work to local GAM leaders, employ local GAM men, or simply pay fees to the network. As a result of such methods, what on the surface passes as respectable contracting activity by former GAM fighters often involves little more than extortion and stand-over tactics, through which the movement extracts money.

We have less data on violence, extortion and intimidation in other provinces, but exclusion has long been a central dynamic in the contracting industry. During the New Order, exclusion was legislated by the state, which gave Gapensi members a monopoly on government contracts in the provinces. Gapensi used this monopoly to keep out foreign capitalists and ethnic Chinese rivals. Internal discipline was strong because ejection from Gapensi was a career-killer. One of the more important innovations in the 1999 law on construction (UU no. 18/1999) was therefore to break the Gapensi monopoly.
The 1999 law provided for a ‘forum’ for the industry that took over some of the certificatory roles previously assigned to Gapensi, and allowed ‘one or more’ contractors’ associations to be represented on this forum. The forum was the LPJK. Its task is to professionalize the sector through research, training, and (most interestingly) accreditation. Initially LPJK awarded Gapensi the sole right to accredit contractors. But alternative contractors associations began to emerge from late 2000, such as Gapeksindo, Aspekindo, Gabpeknas, and Gapeknas. The new entrants successfully challenged the Gapensi monopoly on certification, and managed to persuade the national parliament to allow every association to certify its own members. The result has been a free-for-all. Increased local authority over construction budgets also meant each new organization had to persuade district and provincial governments it was acceptable to do business with them too. Formal organizational pluralism is now a fact in every province. Nevertheless, by 2003 a new, less formal, corporatism had begun to re-emerge in the form of provincial ‘forums’ of contractors’ associations. And LPJK membership statistics for its members organizations show that Gapensi remains the biggest organization in most provinces. The only exceptions are Southeast Sulawesi and the new province of West Papua, where Gapeksindo dominates.

In the interim, the breakdown of monopoly on information caused severe distress to those who had done well out of the old system. In South Sulawesi, matters came to a head with a murder in the island district of Selayar, near Makassar, on 18 July 2001. The rival association was the Association of National Construction Entrepreneurs (Gabungan Pengusaha Konstruksi Nasional, Gapeknas). One of the Gapeknas board members in Selayar was Chiwang, and its chairman was Chiwang’s brother-in-law Hasrun. Chiwang’s father Alwi Hasan was a Golkar member of the district parliament – a rather typical combination in the construction business. It was the time of year when tenders are called, and the Selayar district chief was about to decide on up to Rp 12 billion (US$1.2 million) worth of projects including road improvements, schools and

31 Gapeksindo is Gabungan Perusahaan Konstruksi Nasional Indonesia, or Indonesian National Association of Construction Companies; Aspekindo is Asosiasi Pengusaha Konstruksi Indonesia, or Indonesian Association of Construction Entrepreneurs; Gabpeknas is Gabungan Perusahaan Kontraktor Nasional, or National Association of Contracting Companies; Gapeknas is Gabungan Perusahaan Kontraktor Nasional Indonesia, or Indonesian National Association of Contractor Companies.
33 For example, Gapeknas demonstratively visited the Yogyakarta local parliament late in 2000 to complain about the Gapensi ‘monopoly’ on gatekeeping construction contracts. Gapeksindo led a protest delegation to the local parliament in Garut, West Java, in mid-2006 to complain about being excluded from tendering for a road project (‘Gapeknas berantas monopoli Gapensi’, Bernas 5-12-2000; ‘Asosiasi perusahaan minta bantuan DPRD’, Pikiran Rakyat 22-6-2006).
mosques. The Selayar branch of Gapensi, led by H. Anwar Ali, had repeatedly warned the district chief not to allow Gapeknas members to tender, since they were not in possession of a business permit. When the district head signaled he was about to do so anyway, the Gapensi chairperson placed an advertisement in the local newspaper threatening to take the district head to court for breaking the rules. Seeing the advertisement, Chiwang, his father and about 20 thugs went to the district Public Works office and threatened to blow it up with molotov cocktails unless they were allowed to tender. They then called by the Gapensi office and issued threats. The next day Chiwang and his father, who was wearing his parliamentary uniform, returned to the Gapensi office armed with knives. A shouting match ensued, followed by a frenzied attack that left Anwar Ali dead with 27 stab wounds to his body. By the end of the day hundreds of men had gathered at their respective Gapensi and Gapeknas offices. They were about equally matched and ready for war. The police took several days to calm the situation, while the district head threatened to stop all project work unless the two sides agreed to lay aside their differences.35

This example of violence in the construction industry is extreme but it is not unique, as the Aceh example also illustrates. In other provinces of Indonesia, rumours of violence and intimidation often swirl around the construction industry, and preman, or small-time thugs, typically play a role in running protecting rackets in the industry and, often, in working construction projects themselves.36 The direct use of violence is only the most obvious form of exclusion in an industry where rivals are more often kept out by the assiduous construction of intimate relationships of mutual benefit between businesspeople and politicians, relationships that yield privileged access to the most business opportunities and which therefore must be jealously guarded.

Conclusions

The neo-liberal fantasy of competition, in which there is a perfect market of entrepreneurial individuals who participate and succeed only according to their technical abilities, cannot be easily enforced in Indonesian provincial towns. There, emerging indigenous middle classes have made getting rich by

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political means into an art form since the national revolution of 1945. The techniques they have developed – some of them are analysed in the present chapter – are part of their wider provincial struggles to seize state funding (known by economists as political transfer rents, see Khan 2000). Achieving political control not only gives them access to state budgets, it also allows them to keep out rivals. At the same time, in order to secure political dominance, they need to redistribute money and business opportunities to supporters, allies and, to varying degrees, potential rivals. In the construction sector they have done this by different means down the years. During the New Order years, state-dominated corporatist organizations were a principal arena through which redistribution took place. Since the collapse of the New Order, a much messier system of ‘building relations’ has evolved, in which contractors and political decision-makers are connected by intricate webs of influence and exchange. In both periods, there was still plenty of competition between rival contractors, but this was never competition in which decisions were made on the basis of ‘rational’ market considerations of efficiency and pricing. Instead, political connections and payments were always the key to success.

The provincial building contractors now must wage a defensive struggle. The technocrats who threatened to open the doors to foreign competition in 1966 have come to haunt them again after the reforms of 1999. In the long run they may prevail. In the meantime, the mess of contradictory regulations in the construction sector reflects slowly shifting trench warfare between provincial interests and stronger players in the centre and overseas, who push their agenda under the cover of anti-corruption regulations. The international pro-market agenda, increasingly being adopted by the government in Jakarta also in relation to the building industry, plays into a long-running social tension between what we may call a provincial intermediate class, consisting of an intermeshed amalgam of private entrepreneurs and public government officials, and metropolitan big business. Metropolitan actors, or at least some of them, are also more interested in satisfying pressures for reform imposed by multilateral agencies that ultimately determine the government’s international credit rating. The larger construction companies based in Jakarta are relatively open to reform because they have superior skills and technology and would be able to compete in more open markets.

The provincial business and political class, by contrast, is interested above all in redistribution along clientelist lines and in buying political stability. It is access to state budgets which determines business success, ensuring that there is no clear boundary between the private world of business and the public world of the government official. In part, this is because provincial actors neither pay nor collect taxes, but only spend them.

The kind of networking provincial business players in Indonesia do, with each other and with government, is typical of smaller entrepreneurs all over
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the world, from India to Italy (Rutten and Upadhya 1997:13-43). Consider, for example, the following scene:

The waiting rooms of town halls are thus crawling with a multitudinous microcosm composed of subcontractors, artisans and canvassers seeking to see the mayor, his assistants or the technicians of urban planning, in the hope of obtaining a small construction contract or an order for supplies. For these small contractors, the simple fact of walking the corridors, reminding the authorities of their existence and ‘showing oneself’ represents the chance of being called one day or, failing that, of meeting big contractors likely to give them a subcon-tract (Blundo 2006:239).

This description is from West Africa, but it is striking how it perfectly captures the atmosphere in government offices in provincial and small-town Indonesia. Visit almost any Indonesian district head’s offices today and you will find a similar diverse mixture of small-time operators, milling around in an atmosphere steeped in ambition, obsequiousness and anxiety. This is the social world of the construction contractor. Across the developing world, construction is a major earner for small-town dwellers who have risen above agriculture and petty trade. Almost everywhere, gaining privileged access to local government is the path to success.

In Indonesia’s building industry, corruption is thus part of a clientelistic system that has been in operation for a long time, and that is woven into the very fabric of social and political life in the regions. The agenda against it has been motivated by a neo-liberal push to reduce government powers. In fact clientelism has some advantages. It keeps wheels turning, ensures a degree of redistribution to small and medium entrepreneurs (albeit at the cost of efficiency), and it thus helps ensure political stability. Unbridled competition without the institutions to underpin it can increase uncertainty and instability by encouraging violent informal enforcement practices, as has happened in China and Russia (Ding 2001; Volkov 2002). It could even undermine existing institutional arrangements for guaranteeing property rights and personal security (Beeson 2001). If the globalizing anti-corruption agenda does prevail, it is by no means certain that Indonesia’s construction industry would look as benign as the agenda’s ideologues portray it. Instead of a better deal for average provincial contractors, it might spell their displacement by big and mainly foreign building companies.

Perhaps a more likely scenario than the wholesale dismantling of the existing clientelistic system, however, is the more familiar one of adaptation. Recent work on clientelism suggests precisely this outcome. Piattoni (2001) observed that democratization in Europe caused a reversal of the bureaucratic professionalization established in the nineteenth century era of modern state
formation. Kitschelt and Wilkinson (2007) write that new forms of clientelism emerge out of the interaction of democratic competitiveness and economic development. Roniger (2004), in a review of recent literature, points out that the post-authoritarian transition in Brazil caused a ‘reclientelization’ of business and politics. In fact, adaptation is the result we have so far seen in Indonesia. Democratic change and attempts to overhaul government procurement have far from eliminated clientelism in the system. The relatively centralized corporatist system for the allocation of construction contracts that developed during the New Order regime has been eroded. A new shell of open bidding for, and competitive assessment of, construction contracts has been put in place. Yet the real world of construction contracting is no less clientelistic (though it is perhaps slightly more chaotic) than that which it replaced.