

Military Business and Local Politics

In Decentralized Indonesia

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## SUMMARY

The existing research and publications on the ongoing process of decentralization in Indonesia in the post-Suharto era focus on the problems of bureaucracy and governance. Therefore, this study aims to broaden the understanding of the Indonesia inability to properly decentralize by providing an alternate approach based on examining societal elites. Other research on Indonesian elites only focuses on business people, youth organizations, local leaders, and political parties. Those researchers argue that the military did not become a significant actor in the wake of the Suharto regime. Such research is inconclusive as it fails to accurately assess the corruptive influence of the local military in providing and often creating, extralegal cartels and undemocratic political institutions. Indonesia has not achieved a high degree of economic and political democratization after the Suharto regime because it is continually hampered by the captive nature of self-interested elites and their crony client networks. Without any genuine willingness to assist in the formation of a truly democratic Indonesia, many local elites continue to selfishly subvert the autonomy granted by the decentralization process to create cartels. Local elite's strategy to gain power is to build a robust patron-client relationship with the old political elite, namely the military. This research found that the military has control over Mandailing Natal and Labuhanbatu Utara.

### Method

There are two approaches to this research; the first part is tracking the elites; the second part is evaluating the economic resources of elites. This study uses elite theory and new clientelism models to explore military business in Mandailing Natal and Labuhanbatu Utara. Furthermore, this research takes a qualitative approach and uses interviews with several elites (national and local) who speaks candidly on how the process of region redistricting led to the formation of Mandailing Natal and Labuhanbatu Utara. To obtain accurate information respondents were chosen from four types of political elites who have power in North Sumatra. Elites were selected from four sectors: business, political parties, youth organizations, and religion.

### Results

In the post-New Order era, the military still has a significant role at the national and local level. Despite many laws and regulations directly attempting to limit military power, no president elected in the reform era has succeeded in dismantling military territorial command office functions at the local level or restraining the military's role in regional redistricting. After the fall of the Suharto regime, the military has many different roles in region redistricting process especially in Mandailing Natal and Labuhanbatu Utara. The military defended the land and businesses at the local level by building variety coalitions to maintain military resources in the area such as military-civilian collaborations, the political party instruments and groups mobilization.

The redistricting of Mandailing Natal was influenced by the military because Mandailing Natal was redistricted in 1998 during the death throes of the Suharto era. Raja Inal Siregar, the then governor of North Sumatra, secretly instructed Pandapotan Nasution initiate the redistricting of Angkola as a separate region from North Sumatra. However, Pandapotan Nasution did not implement the governor's instructions but instead preferred to redistrict Mandailing Natal. However, military hijacked the Pandapotan's efforts in region

redistricting of Mandailing. The military took advantage of the redistricting effort of Pandapotan.

Labuhanbatu Utara redistricted in 2008. Although reformation era has already been ten years, the military still has a significant influence in the regional redistricting. The military role was different if compared to Mandailing. The military built collaboration with civilian or communities to protect military business at local and national level.

What about military business after the fall of Suharto regime? In the Suharto era, the role of the military was expanded to include the ability to own and operate business operations. Currently, the bulk of military businesses is in commercial timber, mining, and palm oil plantations. In 1998, the military went bankrupt and had to sell or lease military land to private companies. It was these lease agreements that paved the way for military business operations in Mandailing and Labuhanbatu Utara.

Meanwhile, redistricting of Labuhanbatu Utara was different from Mandailing. The military, acting as a political power broker, cultivated a network of surrogates who were used to initiate the redistricting of Labuhanbatu Utara. Redistricting of Labuhanbatu Utara was also a military effort to develop the military business. Military leased land owned by the plantation companies, and the military got prominent positions in palm oil plantation companies.

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## Glossary of Indonesian Terms And Acronym

APBD	<i>Anggaran Pendapatan dan Belanja Daerah</i> , Local Budget
BUMN	<i>Badan Usaha Milik Negara</i> , State Enterprises
DAU	<i>Dana Alokasi Umum</i> , Block Grant
DAK	<i>Dana Alokasi Khusus</i> , Special Grant
DPR	<i>Dewan Perwakilan Rakyat</i> , National Parliament
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> , Local Parliament
FKPPI	<i>Forum Komunikasi Putra Putri Purnawiran Indonesia</i> , Youth Organizations for Sons and Daughters of Indonesian Retired Military Officers
Golkar	<i>Partai Golongan Karya</i> , Political Party of Functional Groups
HPH	<i>Hak Pengusahaan Hutan</i> , forest business right
IPK	<i>Ikatan Pemuda Karya</i> , Association of Functional Group Youths
KASAD	<i>Kepala Staff Angkatan Darat</i> , Army Chief of Staff
PAD	<i>Pendapatan Asli Daerah</i> , Local Revenue
Pilkada	<i>Pemilihan Langsung Kepala Daerah</i> , Direct Election
KODAM	<i>Komando Daerah Militer</i> , Military Command
PDIP	<i>Partai Demokrasi Indonesia Perjuangan</i> , Indonesian Democratic Party of Struggle
PP	<i>Pemuda Pancasila</i> , Pancasila Youth
SMM	<i>Sorikmas Mining</i> , Mining Company
TNI	<i>Tentara Nasional Indonesia</i> , Indonesian Military

# Chapter 1

## Introduction

### 1.1. Background

Political decentralization is no longer a new issue in Indonesia; it has been an ongoing process since the independence of Indonesia. In its implementation, however, the decentralization has only been superficial and, as a result, practically led to centralization, in particular during the New Order (*Orde Baru*) era under President Suharto.

Suharto's regime sought to control Indonesia by centralizing power in both political and social spheres. The hegemony created by the New Order system became a profound and severe problem in social and political domains. The central position of the New Order was to concentrate power into the hands of few elite circles. Consequently, this concentration of authority made the state and its apparatuses prone to abuses of power (Randal and Vicky, 2005: 258).

The Suharto regimes inability to provide either transparency or a political system devoid of corruption and abuses of power inflamed the Indonesian people. As a result of this political malfeasance and overall lack of transparency, the authoritarian regime of Suharto ended after series of demonstrations and protests by the Indonesian people in 1998. The establishment of the reform era (*Orde Reformasi*) followed the downfall of the New Order regime in 1998 and was intended to remedy the flaws of governance under the previous administration. Despite whatever intentions the reform era had of providing a more equitable political system, the new government has begun to show institutional similarities to the previous one. The people of the newly formed government had high expectations that

widespread opportunity would be given to non-state actors and that the fledgling government would concentrate on its role as the regulator by arbitrating the disputes among these actors. This expectation has not been fully realized.

The literature demonstrates that the fall of Suharto's authoritarian regime has resulted in changes in the configuration of political power in Indonesia. First, the decentralization of political powers has had an impact on the political dynamics of decentralized regions. These regions are often mismanaged by local strongmen and this lack of subordination at the local level has led significant problems in Jakarta. Robison and Vedi Hadiz argue that this insubordination typically results when local oligarchs misuse the autonomy granted to them through the decentralization processes (Robison and Hadiz, 2004:15).

Actors responsible for the growth of the oligarchy in local areas are often predatory.<sup>1</sup> These actors seek to win political contestation and thereby control the institutions of local governance. Control of local bodies is crucial because those systems supervise the allocation of budgetary resources (Hadiz, 2010: 2). Therefore, when local politicians begin to hold local elections, either through parliament or direct elections, political stability cannot easily be achieved as many local elites will deploy paramilitary organizations to coerce support from voters.

In line with Hadiz, Winters describes the inequality of economic resources as the source of potential power imbalances (Winters, 2011:1). Such shortcomings can be used to tremendous effect in influencing the results of the Indonesian direct election process. Therefore, the fall of the Suharto regime was seen by local elites as the right time to seize

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<sup>1</sup> Alicia's shows that elite captures and predatory relations are factors causing the failure of decentralization in Indonesia. Decentralization did not produce democracy and failed to bring government closer to the people. See Alicia, 2007: 5.

power at the local level, such as Aceh<sup>2</sup> and Medan.<sup>3</sup> The economic incentives that can be gained by using decentralization have provided the impetus for local strongmen to enter politics.

Second, Renton explains that the rift in local security created by the military's withdrawal to their barracks' after the fall of the Suharto regime provided an excellent opportunity for paramilitary organizations to grow (Renton, 1998: 8). The military's violent response to the demonstrations in 1998 in which college students were shot and, in an unrelated incident, mass graves found in Aceh thoroughly tarnished the military's reputation in the transition period that occurred after Suharto's government. Therefore, the military seeks to recover its positive image through professional military development by foregoing its previous role as a tool for political repression. The presence of a more open era has urged the military to conduct internal military reforms. Renton argues that the presence of reformist military figures who are ideologically aligned with the ideals of the reformist government might be capable of bringing change to the military by instilling professionalism into the armed forces.

Meanwhile, Koonings explained that military reform is not only influenced by reformist military figures but also the interests of society on the implementation of decentralization. Decentralization will eliminate the political role of the military (Koonings,

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<sup>2</sup> Local political forces such as the cases in Aceh shows the local strongmen such as timber mafias have a strong influence on the bureaucracy and representative institutions. Through this network effect, the timber mafia ensures that the elected local officials do not threaten their business. This network involves the head of local government, police and military, local officials, and religious leaders. See McCarthy, 2002: 77.

<sup>3</sup> The head of local parliament occupied by youth organization that competes in the elections in Medan. They have good relation with the retired army and police. A mayor is a business person who won primarily through the purchase of votes and threats. See Hadiz, 2010: 126.

2002: 31). A post-military regime would be an opportunity to encourage civilian government control of the military.<sup>4</sup>

Therefore, this thesis argues, first that the process of decentralization will work if supported by robust democratic institutions such as civil society, the legislative branch of the Indonesian government, and by greater public awareness of democracy by the Indonesian people. Kauzya also describes that decentralization was highly prioritized as a policy of great import for the empowerment of people and sustainable democratization (Kauzya, 2001: 8). If decentralization were implemented without the strength of democratic institutions and civil society, local strongmen seeking to use decentralized powers to carve out Suharto era-esque fiefdoms would become stronger (World Bank, 2009: 317).

Second, the role of the military in the post Suharto regime is unyielding and still includes the ability to influence the regional redistricting process. Currently, the anti-reformist pro-Suharto officers within the military are involved in the process of regional redistricting to protect military business despite the fact that Law No.34/2004 concerning the Indonesian National Force (*Tentara Nasional Indonesia/TNI*) has banned military-led industry in Indonesia. These anti-democratic forces working from within the military have still significant effects on the social, political and economic policies of Indonesia by gaining leading roles in public positions and as political party leaders (Widoyoko, 2002: 37). As an organization, the military still retains various prerogatives and privileges such as the ability influencing national security policy, impunity for past human rights abuses, budgetary autonomy in defense sector, and community from open political discussion on highly

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<sup>4</sup> There are two concepts to describe the civilian controls. First, subjective civilian control is an effort to minimize the military power and to maximize the civic groups power. Second, objective civilian control is maximizing military professionals and to show the sharing of political power between the military and the civilian in a conducive to the professional behavior. See Huntington, 1959:80.

confidential military matters in the public domain despite reform attempts to curtail military power by the civilian government (Luckham, 1996: 92).

Moreover, political reforms of the military focus solely on the military and its interactions with society and the economy (Rial, 2004: 21). Despite the recent spate of regulations limiting it, however, pro-Suharto officials acting from within the military are engaging in the process of adapting the institutions they manage to the current political climate of Indonesia. Another critical area of contention is that Suharto-era military connections still, to a large extent, serve as a reliable indicator of political power on the local level.

Third, access to and use of decentralization and the regional redistricting process is a political commodity for local elites and an economic one for the military. To retain the ability to self-fund granted by the Suharto regime, the military uses the process of regional redistricting and decentralization to create provinces staffed by subservient pro-military provincial governments. However, the formation of these pliant pro-military client provinces must be done under the guise of democratization initiated by local actors and not by a naked military take-over of the local civilian government lest the central government take notice. Therefore, the military must make strategic political alliances with local elites if they hope to annex the land needed to establish pro-military fiefdoms. This dissertation will focus on mapping the history and depth of these political alliances in the regions of Mandailing Natal and Labuhanbatu Utara, North Sumatra province.

## **1.2. Research Question**

How the military by using the process of redistricting is influencing the regional politics of Mandailing Natal and Labuhanbatu Utara, province of North Sumatra.

## **1.3. Military and Local Politics in Post Suharto Era**

This dissertation is focused on the roles of local elites, be they members of the clergy, entrepreneurs or some other type of private citizen with social capital, and military in local autonomy of post-authoritarian Indonesia. Regarding this issue, there are two iconic researchers, the first one is Vedi Hadiz who analyzed the local elites and the second one is Marcus Mietzner who investigated the military.

### ***1.3.1. Oligarchy After Suharto***

The fall of the authoritarian regime of the Suharto government has raised the hope of Indonesians to live under an actualized democracy that allows them to engage in politics freely. Democratically empowering governance systems under the new government have given new hope of improving the fate of the countries political and economic future to the people of Indonesia. However, after more than ten years of democratization in Indonesia, long suppressed anti-democratic oligarchs have begun to hijack Indonesian democracy. The seemingly dormant Suharto era social networks have once again started to influence government in Indonesia.

In his reference, Vedi R. Hadiz (2004), *Reorganizing Power in Indonesia: The Politics of Oligarchy in an Age Markets*, described that the central achievement of the Suharto regime was in establishing a patrimonial administrative state political order which subjugated political opponents via a centralized authoritarian state that unilaterally determined the totality

of economic policy. Public authority, under the Suharto regime, was acquired by private and institutional interests as a result of political patronage. Until the beginning of the New Order era, the technocrats were not fully able to dictate the direction of economic development, however, under Suharto's protection, businesses that were formed as the result of a collaboration between politicians and civilian's bureaucrats became the economic backbone of a political-economic oligarchy centered on Suharto and his family (Hadiz, 2004: 42).

After the fall of the New Order regime, the oligarchs were able to adapt to new political conditions and reorganize their powers. Though the political structure has changed, New Order Era oligarchs still maintain careers in the politics to this day by adjusting to the ongoing changes in the Indonesia political system. Nowadays, Suharto oligarchs and cronies use democratic instruments, such as democratization, deregulation, and decentralization, to reorganize their businesses and politics.<sup>5</sup> Vedi Hadiz explains that the political reality in Indonesia is that the old oligarchy of the New Order survived at the national and local levels by exploiting changes in political institutions. This process can be observed from the political dynamics of the period before and after the crisis of 1997-1998.

Hadiz's argument shows that economic power in the New Order era, specifically the oligarchy managing it, can exist after the fall of Suharto. In fact, they remain in control over a significant sector of the economy. This persistence is best exemplified in the person of Liem Sie Liong. During the Suharto era, Lim Sie Liong, with the assistance of the Suharto regime, constructed a cartel to monopolize the Bogasari flour industry. Liem also maintains a sizeable stake in Krakatau Steel and Indocement that was obtained through similarly dubious means

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<sup>5</sup> The same argument explained by Christian Chua. He points out that post-Suharto institutional change aimed at stopping an authoritarian regime. Instruments such as democratization, decentralization, and deregulation are expected to complete the forces of the New Order regime. However, in the end, these three changes can be recovered by the economic power of the New Order to maintain the power of old oligarchy. See Chua, 2009: 201.

(Hadiz, 2004: 203).<sup>6</sup> Suharto's family and cronies also monopolize the forestry industry by selectively doling out licenses and contracts that are virtually unobtainable to citizens without social connections to the Suharto regime. Therefore, general business as well specific sectors of the economy remain dominated by the forces of the old oligarchy. Indeed, if the Suharto era oligarchs were to survive in a post-Suharto Indonesia, they could no longer operate as they had under the New Order regime. They would need to adapt not only the organizational structure of their local institutions but also adapt to the reform governments attempt to dissolve their patronage networks via targeted anti-corruption legislation.

Vedi R. Hadiz (2010), in his book *Localising Power in Post Authoritarian Indonesia: South East Asia Perspective*, points out that the democratization project of implementing decentralization at the municipal level of government has largely failed. However, the failure was not the result of opposition to the project of democratization on behalf of private citizens, but rather a strategic alliance between post-Suharto era oligarchs seeking to avoid legal retribution and a new generation of would-be elites, be they members of the clergy or entrepreneurs (Hadiz, 2010: 19).

Through sheer access to abundant financial reserves which were generally the ill-gotten gains of support the Suharto government and well-established social networks, these Suharto era elites used decentralization, democratization, mass media, political parties, and mobilization of para-military organizations to protect their interests. Thus, despite the best

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<sup>6</sup> Liem Sioe Liong was a successful Chinese businessman with close relations with Suharto. Liem has many companies such as banks (*Bank Central Asia/BCA*), cement (Indocement), flour processing (Bogasari), and food (Indofood). Liem's business success could not be separated from his close relations and patronage with Suharto. The protection given by Soeharto, Liem received preferential treatment of business in Indonesia. It requires rewards, namely in the form of shares and donations to the foundations under Suharto. The relations between Liem's and Soeharto began when Liem supplied the needs of the army under Soeharto's command. It continued when Soeharto became division commander in Semarang in 1956, even growing after Suharto became Indonesia president. See Borsuk and Nancy, 2014:1.

intentions of the Reform government to restore power to the people, the power of the Suharto era oligarchy continues to influence and, in practice, dominate local politics to this day.

In his book, Hadiz examines the distribution of these networks throughout North Sumatra and East Java. Hadiz explained that there are four key factors to understanding the nature of the local political elite in Indonesia after the New Order. First, the New Order's elite networks dominate local politics through purchasing votes and the use of various forms of mobilization, be they political or for intimidation. Second, the remnants of the now-defunct Suharto era bureaucracy continue to wield significant political power despite the Reform governments attempts to dissolve such networks. Third, the increasingly prominent elites are local businessmen who typically gained whatever prominence they have through patronage to the now-defunct Suharto government. Fourth, networks of thugs that have been detached from their chief source of financial backing, namely the Suharto regime, have become mercenary paramilitary organizations that are often commissioned to subvert the electoral process through intimidation (Hadiz,2010:32).

Suharto era oligarchs aim to win political contestation and thus receive a legitimized position within the newly empowered local civilian government. Therefore, when the electoral process begins at the local level, political stability is made impossible by the acts of local oligarchs who often deploy networks of thugs to coerce, through violence or intimidation, the local civilian populace. Further eroding political stability is the grim reality that the party affiliations espoused by Suharto era politicians are not nearly as binding as the social connections that were established under the Suharto regime.

Obtaining political power by manipulating democratic elections has provided an enticing lure for oligarchs given that, after winning elections, those who emerge the victors gain access to discretionary power over local budgets. The oligarchs vying for such positions

often find it necessary to manipulate such contests by “buying” votes as well as simply deploy gangs of armed thugs. Consequently, the amount of financial capital necessary to influence such elections is massive. Being a winner in a local election is costly but essential for local oligarchs to obtain a legitimized public office and all the ensuing discretionary power. Such costs are not easily borne individually, however, and many oligarchs make quid pro quo arrangements with local entrepreneurs, both local and national, in exchange for the necessary financial capital to “buy” votes in the local elections.

The scramble by oligarchs to get public office is followed by the mobilization of coercive forces, such as thugs, the youth, or paramilitary organizations. These coercive organizations who act as a truncheon-for-hire, such as Pancasila youth (*Pemuda Pancasila/PP*), originate as the result of financing from New Order patronage networks. After the New Order collapsed, such paramilitary organizations began to seek their funding by securing the political interests for networks of local oligarchs. In fact, there is a general tendency amongst local political leaders to provide economic assistance to so-called youth organization networks that, despite whatever positive connotation is implied by their name, have been connected to the grooming of thugs. Sometimes, leaders of thug organizations themselves are also involved in local political contestation.

Hadiz's book further explains that the oligarchy is central to understanding and correctly mapping the organizational structure of the New Order. The oligarchy still survives because it can reorganize the autonomy granted to local regions. However, Hadiz did not expound on how the reorganization of power by the oligarchy occurs. Hadiz described that the reorganization of power by oligarchs occurs when oligarchs utilize the change of national institutions and economic capabilities of their own without involving other political forces. This paper will seek to prove that local oligarchs in collaboration with other political elites are

not sufficient to survive the post-Suharto era without being propped up by the Indonesian military.

### ***1.3.2. Military Reform***

Another very influential researcher in Indonesian politics is Marcus Mietzner. Mietzner has a different research focus than Hadiz. Hadiz focuses on the power of oligarchy post-New Order; Mietzner explains the role of the military in the post-Suharto era.

Mietzner (2009) describes the Indonesian military in his book, *Military Politics, Islam and the State in Indonesia: From Turbulent Transition to Democratic Consolidation*. Mietzner argues that the interaction between the government and military is a crucial factor in the successful transition from authoritarian systems to democratic ones. They are two critical metrics that must be evaluated to understanding this transition of power: first, military reform is crucial in the process of reforming not only the military but also the system of government as a whole; second, the civil-military problem is not just about controlling and limiting the military power but also ensuring the reform process does not reduce the general state of security (Mietzner,2009: 19).

According to Mietzner, there are four types of military politics (Mietzner, 2009: 12). The first model is the "Praetorian," whereby the military is a major factor in the implementation of state functions. The second role, dubbed the "Executive," is characterized by legislative and judicial control being influenced by the military either directly or indirectly. The third model, the "Participant-Ruler," takes place when direct military participation in government is occurring, but not when the military has total control of the government. In this model, military forces build alliances or serve the interests of the certain civil elites without necessarily entering politics. Typically, such servitude often results in gain in power by

military organizations as they are often granted the ability to exercise control over security policy. The fourth model is the "Guardian," in which the military does not participate directly but possesses power such that it can assess the performance of the civil administration. Under this model, the military defines themselves as the protector of national interests by maintaining the regional security of the state. Typically, this fourth role is common in countries which have a high amount of political competition and thus the military positions itself as a kind of "Referee." In such countries, the military is seen as a "king-maker." In these states support of the military is crucial in the struggle for power. Such support is typically only ever garnered after a quid pro quo arrangement between highly placed military officials, and prospective governments are reached. Arrangements of this sort can often oblige the military into forming and participating with the government as well as serving the government for specific military purposes. The idea of the military as a "referee" refers to a military function as a neutral mediator in the political conflict, although this is very rare (Mietzner, 2009: 51).

According to Mietzner, Indonesia has experienced all four models since the 1950s. The role of the military in the era of parliamentary democracy was as a guardian whereby the military participated in stopping the democratic system under threat to national integrity. During the Soekarno era (1959-1965), the armed forces acted as participant-rulers who shared power with the President and faced the rise of communist influence. The military intervention of 1965 that was the inception of the Suharto regime was conducted by military exercised control over all state institutions, and in the 1990s the military's roles once again changed to that of participant-rulers. The "Referee" model can be seen from the beginning of the reform that took place for roughly three years following 1999-2001. In this instance, the military positioned itself as a power broker between civilian forces fighting for access to brokering

lucrative licensing rights. After the Yudhoyono era, the military could be said to have lost "veto power," yet the armed forces still received some "privileges," among them: the de facto ability of obtaining impunity from the process of legal investigation, determining the districting of military installations, and the ability to requisition financing without the oversight or approval of elected representatives (Mietzner,2009: 360).

Overall, Mietzner attempted to present in detail the civil-military relations during and after Suharto's New Order regime in 1998. Mietzner described the ups and downs of the relationship between civil and military spheres of society. Mietzner divides the two phases of the transition of civil-military relations. The first phase occurred between 1998-2004, where the efficacy of the military in arbitrating local ethnic conflicts over resources demonstrated that it should retain its "privileges." The second phase, after 2004, saw the consolidation of democracy demonstrated by the strength of government control over the military as a result of stable civilian politics, and, as a result, contributed to a significant decline of conflict in Indonesia. In 2008, the Indonesian military began to depart from its role as the instrument of the stability of the Suharto regime and also as a mediator between local civilian disputes in the early era of transition. Although the military still has political and social privileges, they are no longer a "veto-player" in the consolidation of democracy in Indonesia (Mietzner,2009: 240).

In this study, Meitzner concludes that Indonesia has made significant progress in directing military reform. Further, Indonesia has made bold strides in depriving the military of the ability to influence formal politics. However, there are some limitations in Mietzner's approach. Based on Mietzner's book some things have not been explained aptly, for example, what about the military's role on the local level? Has the military become a kind of referee merely arbitrating political disputes or has it become an actual player in the game? Mietzner

also does not explain the continuity of military-business collaboration at the local level after the New Order. Therefore, this dissertation will attempt to contribute to explaining military roles and its influence on business at the local level in the post-New Order era.

This research argues that in the post-New Order era, the military have to reduce their role in business and politics. Nevertheless, decentralization has led to military reforms being challenging to finalize. In fact, with the change of political and financial power from unitary to regional, the military is ready to reduce its presence at the national level, but it is actively involved in the consolidation of forces in local politics. Most of the territorial functions have been abolished; however, the military's force has not disappeared entirely. Even in some cases, the support of military influence becomes decisive in local politics and direct elections. Therefore, this study will examine what role the military still plays in local politics. Further, this study will also examine the burgeoning role of the military in local politics and the possible incentives associated with this.

#### **1.4. Research Structure**

Decentralization policy No. 22/1999 has led to the emergence of a massive amount regional redistricting in the post New Order era. Therefore, this research aims to explain the redistricting process implemented and the roles of elites in this process. This research will examine the cases of the regional redistricting in Mandailing Natal and Labuhanbatu Utara, North Sumatra Province.

This research describes that the dynamics of decentralization in Indonesia do not strengthen democratic institutions. This study argues that the changes to the political configuration of Indonesian society as a result of the overthrow of the Suharto regime has not

resulted in the strengthening of civil society and democratic institutions, but rather led to the dominance of Indonesian polity by military.

Although the decentralization process was created with the aspiration of restoring power to local communities and eliminating the dangerous consolidation of power held by previous regimes, it is not being used to its intended end. By sedulous formation of political alliances with local elites, the military is capable of totally subverting the decentralization process from that of a pro-democratic instrument of social justice to one of crude fascistic power. The intent of the process was clear; to create self-sustaining local governments where civilian's interests could aggregate and determine policy, local Indonesians would need the power to determine the size of their own provinces, the policies of their communities, and, perhaps most importantly, their own leaders. In regions where the process has been parasitized by the military, the actual realities of the process are grim: civilian control of government is superficial or totally negligible, military-led provincial governments openly engage in predatory rent-seeking activities, and the only chance of economic advancement is as near-chattel in military business.

The contribution of this dissertation is to describe and explain the use of the regional redistricting process as instruments to fragment and divide provinces in Indonesia for the purpose of creating military-managed resource extraction polities. As this process pervades local politics in Indonesia, this dissertation, too, will focus on that domain in an attempt to elucidate and define the workings and relationships of actors on that level.

The military in local politics mentioned above will be further described in the structure of this dissertation. This dissertation is divided into six chapters to discuss these topics in detail. Chapter 1 explains the research background, methodology and concept. The elite's theory, clientelism and rent seeking is highlighted to explore this dissertation. Post-

Suharto regime, the political configuration has changed from political centralization to decentralization. Decentralization continues to have an active impact on the regional redistricting process in Indonesia. This research is motivated by the failure of decentralization to achieve self-determination and democracy at local levels. There are many causes for the failures of decentralization in Indonesia, such as administrative issues, economic and legal disparities. However, this research focuses on the role of political elites in decentralization, especially how these elites co-opt the process of regional redistricting.

Chapter 2 describes the definition and history of decentralization and regional redistricting in Indonesia. This chapter will also explain that there are three causes of the massive amount of regional redistricting taking place after the fall of the Suharto regime; decentralization policy, big budget transfers and the interest of local elites. These interests by the local elites of the regional redistricting process have an impact on the dynamics of the relationship between elites and other actors especially the military.

Chapter 3 explains the character of the military business and politics in Suharto and Post Suharto era. This characteristic is imperative to understanding how the military operates their politics and business network including the role of regional redistricting process. There are three military strategies to influence regional redistricting process namely military-civilian collaboration, political party collaboration, and mobilization groups.

Chapter 4 shows the military roles in the regional redistricting process of Mandailing Natal. This chapter highlighted military-civilian collaboration to redistricting Mandailing Natal and military business in Mandailing Natal related to mining and forest extraction. Chapter 4 also explains the military is not only doing business but also operating rent-seeking in Mandailing Natal.



North Sumatra Province is located on the island of Sumatra and surrounded by Aceh Province, Riau, Malacca and Indonesian Ocean. The capital of North Sumatra Province is Medan<sup>7</sup>. The history of North Sumatra province started when the Dutch government established the *Gouvernement van Sumatra*. The area of the *Gouvernement van Sumatra* covered the entire island of Sumatra and was led by a governor based in Medan. After the independence of Indonesia in 1945, Sumatra island was, in accordance with Law No. 10/1948, divided into three provinces: North Sumatra, Central Sumatra, and South Sumatra.<sup>8</sup>

North Sumatra province is a multicultural region. According to the Indonesian Central Statistics Agency (*Badan Pusat Statistik/BPS*) in 2016 the population of North Sumatra was 13 million people made up of diverse ethnic backgrounds.

Table 1.1. Percentage of Ethnic Groups In North Sumatra Province

No	Ethnic	Percentage
1	Javanese	33.04
2	North Tapanuli/Batak Tobanese	22.03
3	Mandailingnese	9.05
4	Nias	7.01
5	Melayunese	6.00
6	Batak Karonese	5.05
7	Batak Angkolanese	4.01
8	Chinese	2.07
9	Others	2.06

Source: North Sumatra Statistics 2014

<sup>7</sup> According to North Sumatra Statistics, 2014. North Sumatra area of 71,680 km<sup>2</sup> is divided into the eastern coast, the highlands, the west coast and the islands. North Sumatra Province consists of 33 districts/municipalities. North Sumatra province has an area of 71,680 km<sup>2</sup> which is located in a strategic position in the world trade traffic lanes, Malacca Strait. Besides that, North Sumatra is also in the area of regional economic growth of Indonesia, Singapore, Malaysia, and Thailand.

<sup>8</sup> In 1950; Sumatra Province, developed into North Sumatra, Central Sumatra, and South Sumatra provinces. However, in 1956 North Sumatera Province, redistricting into North Sumatra and Aceh. Meanwhile, Central Sumatera Province formed into three provinces, (West Sumatera, Riau, and Jambi) in 1957. In 1958; Riau and Jambi progressed into two provinces, namely Riau and Jambi Provinces. South Sumatera Province also developed into South Sumatera and Lampung in 1959. Further, in 1967 South Sumatera Province redistricting into two provinces, South Sumatera and Bengkulu. Currently, South Sumatera Province also redistricting into two provinces, namely South Sumatera and Bangka Belitung in 2000. (Ministry of Indonesian Home Affairs ,2014).

Table 1.1 explains that Javanese is the most common ethnic groups in North Sumatra province at 33.04% of the overall population this is followed by Tapanuli Utara/ Batak Tobanese which amounted to 22.03%.<sup>9</sup> North Sumatra province is not only known as a multi-ethnic area but also as a place where redistricting is extremely commonplace.

Table 1.2: New Districts in North Sumatra Province

No	District	New District	Year
1	Tapanuli Selatan	Mandailing Natal	1998
		Padang Sidempuan	2001
		Padang Lawas	2007
		Padang Lawas Utara	2007
2	Tapanuli Utara	Toba Samosir	1998
		Humbang Hasundutan	2003
3	Nias	Nias Selatan	2003
		Nias Utara	2008
		Nias Barat	2008
		Gunung Sitoli	2008
4	Toba Samosir	Samosir	2003
5	Dairi	Pakpak barat	2003
6	Deli Serdang	Serdang Bedagai	2003
7	Asahan	Batubara	2007
8	Labuhan Batu	Labuhanbatu Selatan	2008
		Labuhanbatu Utara	2008

Source: Ministry of Indonesian Home Affairs 2014

Table 1.2 shows the new districts in North Sumatra province. In 1998 to 2008 there were 16 new districts in North Sumatra. Mandailing Natal and Labuhanbatu Utara have been selected for case studies because they have a unique social composition, natural resources, and economic activities. Another reason for location determination based on the desire to compare the effect of clientelism at the beginning of the reform and in the contemporary era. This research uses new clientelism methods to explain how the redistricting process is used by local elites in Mandailing Natal and Labuhanbatu Utara.

<sup>9</sup> A large number of Javanese people in Sumatra were due to the flow of forced labor conducted by Netherland colonialism. Further, Suharto regime has contributed to spread Javanese to many regions in Indonesia through the transmigration program. Previously, these Javanese migrants called the term of "Jakon (*Jawa Kontrak/ contract Javanese*)" or "Jadel (*Jawa Deli/ Deli Javanese*)". These words are used to be identic with Javanese who work in the plantation owned by Netherlands colonialism in Deli region (North Sumatra). They were placed in the remote areas, which have the potency of rubber, palm oil, tobacco, and coffee. When their contract period runs out, they did not back to Java island. They choose to survive in North Sumatra until now. See Siyo, 2008:74.

### ***1.5.2. Classical Elite Theory***

#### ***a. Ruling Elite and Violence***

The classical elite theory issued by Pareto, in essence, wants to debate Karl Marx's theory of class division. Marx states that the ruling class is a class that has political power based on ownership of the mode of production. While according to Pareto, the formation of the elite class is not only due to ownership over the means of production, but also the ability to cajole or coerce the masses. Pareto divides the elite class into the ruling elite (governing elite) and the non-ruling elite (non-governing elite). The ruling elite group is composed of individuals that have a political position, and the non-ruling elite groups are not composed of people who have a political position. Pareto believes that every society is ruled by a small group of people who simultaneously occupy both positions of social and political power. Pareto also focused on other features that enabled the elite to rule by examining power and intelligence as significant factors (Pareto, 2009: 16). There are two important factors to become a dominant ruling elite; intrigue and violence. The strategy to preserve the position of the ruling elite by using trickery and violence is common. Sometimes combined with certain myths to manipulate the public to comply with the ruling elite.

Furthermore, Pareto developed a theory named elite circulation. Elite circulation may occur among elite groups who govern themselves or with another groups/individual. According to Pareto, the fall of the elite can occur due to loss of power or reduced use of violence. While at the same time, the ruled class uses violence to change the ruling elite. It means that the ruling elite also has to respond in kind by using violence.

The elite theory of the Pareto has limitations. Pareto divides the concept of social class into two; ruling classes and ruled class based on their political appointments. It means that a person cannot be considered to be a member of the ruling class if he does not have a political

position. Whereas there are people, who do not obtain political positions but can mobilize the masses and thereby wield political power. Furthermore, Pareto insists that using violence to maintain the ruling elite is the norm. However, Pareto did not explain how violence could succeed in maintaining a ruling elite position.

### ***b. Political Control of Ruling Class***

The classical elite theory Mosca wanted to reject was the notion by Marx and Pareto. Mosca explained that the formation of the elite class is not only caused by ownership over the mode of production or superior personal capacity but also that the elite are more organized and maintains communication among themselves in a comprehensive fashion that is not mirrored by the people they rule. Gaetano Mosca developed the concept of examining who is a member of the elite by viewing elite status as interconnected with political power (Mosca, 1939: 287). He persistently refused government classifications, such as monarchy, aristocracy, and democracy. Instead, he explained that there is only one form of governance, namely oligarchy. Mosca divide society into two classes, namely: the ruling class and the ruled class. The ruling class, which are usually fewer, generally hold sway over all political apparatuses and are members of the oligarchy. While the ruled class, although much larger, is regulated and controlled by the ruling class. The distinguishing characteristic of the elite is based on the power to lead and control politics. If the ruling class is losing their political control, there is a possibility that the ruling class will be dropped and replaced by a new one. Mosca advocates that when a new social force arises that the change of ruling class cannot be avoided.

According to Mosca, the dominance of the majority by the minority occurs because the individual quality of people in the minority group is much higher. Mosca examines the elite composition by recognizing the specific role of social forces. Mosca emphasized the

significance of political formula. He believes that in society, the ruling classes try to find a moral and legal basis for their existence.

There are some critical limitations to the elite theory proposed by Mosca. Mosca also divides the class into two ruling classes and ruled class based on the position in politics. However, Mosca did not explain how elite circulation might occur: what factors cause elites to circulate? Mosca did not explain how to organize the elite, even if the elite is organized, does conflict not occur.

### ***c. Iron Law Oligarchy in Modern Democracy***

Robert Michels correlated to the iron law of oligarchy as one of law in human history. Robert Michels (2009) popularized the iron law oligarchy in his book *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy*. Based on his studies, Michels determined that the Social Democratic Party in Germany was oligarchical (Michels, 2009: 19). However, Michels conclusion is slightly paradoxical in that presents a contradiction: how can a membership-based political party be oligarchical? Should not members of political parties that are not directly involved in the process of political contestation be given the opportunity to participate in decisions about the future of the party? In fact, the leaders of the party have controlled the process by recruiting the new party leader. Political leaders tend to have prepared and elected leaders from within their ranks or determined who could provide political continuity to the previous leader. Thus, the elite class engages in secretive dealings to renew itself which results in increasing social distance between party elite and the rank-and-file of mass supporters.

Therefore, modern democratic societies, non-governmental organizations, and political parties cannot escape this cycle of elite circulation. The inescapable nature of this

cycle is why the cycle is referred to as "iron". According to Michels, the majority of people are apathetic, lazy and soulless slaves, and incapable of governing themselves. They are to be considered as tools and when prompted by coercion, slaves. The leaders of society who, having obtained their position by the exploitation of the masses, adroitly use the masses' lack of political sophistication against them. Elites will use whatever manner of coercion is socially acceptable to obtain such positions. If these methods prove successful and an unassailable political position is achieved, they can never be removed from power.

However, Michel's theory is not without limitations. Michel explains that oligarchy is an essential factor in the organization of political parties and the operating of the state. Further, Michel did not explain the impact of the oligarchy on the political system in a country. How elite circulation can occur in the oligarchy system.

#### ***d. Democracy and Ritual Elite Mechanism***

Mills' conception of the formation of social class within a society is based on research conducted in 1972 about leaders in all sectors including political, economic, social, cultural and civic institutions in the United States. Mills found that less than 250 people who occupied the position of executive, legislative and judicial branches of the central government control about 40% of private companies and 50% of universities. About 200 women and men control three television companies and most of the print media company. From this research, it can be outlined that some few people have made significant decisions for all citizens of the United States. Mills identified three classifications of ruling elite. First, the upper stratus of Mill's classification is composed of high ranking bureaucrats and influential political executives, such as presidents and cabinet ministers. The second strata of Mill's classification outlined an elite entrepreneurial class comprised of the owners of big companies. The third

and final tier of Mill's classification of elites targets explicitly high ranking military officers that are seen to wield a different kind of power than other bureaucrats outlined in the first tier.

According to Mills, these elites do not hamper civil liberties. They respect the principles of law and conduct themselves transparently. Their actions cannot be categorized as dictatorial. The power inherent to these positions grants the incumbents power not only in the government but also in the political, financial, educational, social domains. However, Mills argues that despite democratic elections, the ruling elite groups always come from the top-level elites or similarly social well-placed groups. The ruling elite is an elite group in the region, occupying state positions, military cliques and formative economic positions. Why does this happen? It is primarily caused by economic policy and national security that is determined by the whims of top-level elites. Second, the top-level elite has a significant role in the central level; meanwhile, non-elites are almost entirely isolated from the process of governance. Third, the political elites collaborate with industry and the military.

In the United States, the top-level political elites are stationed throughout each branch of the American government ranging from the White House and the Senate to various defense agencies and the Pentagon. These positions grant elites the ability to make binding decisions that are politically legitimate. At the second tier of elite infiltration of governmental institutions are the fringe elites. These fringe elites are elected officials who, though possessing a legitimate position in the government, do not wield any considerable political power. Procedural democracy is used as legitimacy for elites to dominate the government. Elections and democracy is just a ritual before elites circulate in government positions (Mills, 2000: 378).

Therefore, Mills elite theory has limitations. Mills explained that there are groups that make public policy in a country. However, Mills did not describe how the election was merely an elite ritual and the relations among the three types of elites.

#### *e. Elites in Modern Society*

Bottomore describes the elite as a group of people who hold a prominent position in society (Bottomore, 1993: 37). The elite is a group of individuals who have significant roles and give influence to the development and the dynamics of society. However, elites have a different role in the social domain because elites have a significant role in managing and controlling social change. It is certain that the dominant elites will determine the dynamics of society. Elites are needed to control society and hold critical social positions.<sup>10</sup>

Bottomore describes the elite based on two perspectives, namely politics and economics. Based on the political perspective, Bottomore uses Mosca's notion of elites in politics refers to the group that uses political influence to uphold and perpetuate itself. Bottomore also distinguishes a small group of namely political elite, which consists of individuals who significantly use political power in the society. Members of the political elite are comprised of government, high-ranking officials, military leaders, leaders of industry, and in some cases, includes aristocrats and royal families who are politically influential. The political elite consists of groups, which may be involved in various levels of cooperation, competition, or dispute resolution between one another. This elite group must create new social-political institutions which mobilize the communities and actively support the activities of the ruler.

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<sup>10</sup> The same argument with Bottomore, Lipset, and Solari shows that the elite is those who occupy positions in society at the relevant social structures such as high position in the government, military, political, religious and other jobs. See Solari, 1968: 511.

Meanwhile, Bottomore explains the elite from an economic perspective based on Marx's theory. Bottomore also explains that class consolidation requires the centralization of various types of economic, political, and military forces. Bottomore agrees with Marx's view that the formation of classes in society begins with economic power. The emergence of the ruling class called the "bourgeoisie" by Marx, is very important in the modern society. The emergence of this class is also accompanied by other positions in politics, military, and education. The existence of the ruling class allows the society to be more open and provides an opportunity for the public to gain access to education and political rights and so on.

According to Bottomore, the correlation between the political domain and the economy in capitalist society is increasingly complicated compared to the feudal system. Bottomore also stressed that the notion of the ruling class is unclear. The strength of the class with the factor of economic ownership does not necessarily explain the changes of the ruling elite comprehensively.

According to Bottomore's elite theory, there are some limitations. Bottomore divides the community into a ruling class and ruled class. The division of society based on political and economic position. However, Bottomore did not explain how the elite circulation and how the relations among the elites.

#### ***f. Limitations of Classical Elite Theory***

The classical theory of elites provided by Pareto, Mosca, Robert Michels, Mills and Bottomore have many shared limitations. One of these limitations is a general tendency towards overstating the political and societal power of the ruling class. Under these theories, the ruling elite put forth an uphold political and social structures that posses the explicit goal of dominating the masses. These classical elite theories assume that non-elites cannot

mobilize masses and must, therefore, use political subterfuge. These classical elite theories are overly focused on political and economic power, whereas there are still cultural elites, who wield significant power to influence the structure of societies by mobilizing the community.

The classical elite theory also explains that the unequal distribution of power has led to the emergence of a regulating and regulated class. Thus, classical elite theory only upholds the notion that elites exist as a result of unequal distribution of power within society. Classical elite theory rejects the emergence of elites based on cultural and ideological approaches. The limitations of classical elite concepts have been improved by contemporary elites such as Murray Milner.

### ***1.5.3. Contemporary Elite Theory***

#### ***a. Three Types of Elites***

Contemporary elite's theory expresses a more flexible argument.<sup>11</sup> Therefore, Milner defines a more comprehensive elite theory that is more capable of accounting for a more comprehensive notion of eliteness. Milner explains that the fundamental attribute of elites is an ability to obtain and maintain societal power by using three categories of resources (Milner,2015: 15).

According to Milner, the source of power comes from politics, economics, and status. These three sources of power correspond to three different types of elites. First, a political elite is one who capable of using political power to legitimize his actions. Power is used to influence others, and, if the action is considered to be politically legitimate, everyone accepts

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<sup>11</sup> The notion of the elite is aligned with leaders, decision makers, or influential party who has always been a central figure. Although elite often viewed as a unified group, there are some members, especially with other elites, who are often compete and have different interests. These competition and different interests often occur in the process of struggling for power or elite circulation. See Marvick, 1962: 264.

the action. A person can, therefore, become a political elite when he can control the internal order and provide public protection against external threats. Milner provides an example between police and robbers. In this case, the police not only serve to arrest but also define the robber and convince others that this robber is a common enemy and must be arrested. Thus, the accepted function of the police to catch robbers is only accepted by the public because they have agreed to it. The difference between police and robbers is based on legitimacy. The use of legitimate power is associated with defense against external enemies and enforces group norms, which are often manifested in rules and codified in law (Milner, 2015: 30).

Second, an economic elite is a person can control the modes of production. Murray gives an example, in the local community usually occurs pros and cons of the economic model. Therefore, the economic elite is needed to control the modes of production in society.

Third, a cultural elite who derives their social standing from a combination of culture and ideology. Such elites have relatively high status in society because they possess culturally relevant skill or for religious factors. Economic and political elites usually have higher status due to economic and political power. Cultural elites are highly respected, but they are not ideological elites. Ideological elite emerges as a type of cultural elite whose position is formulated from the synthesis of culture and politics. Historically, this status of ideological elites stems from a religious and intellectual elite that plays a vital role in articulating and conveying ideology to society. Ideological elites debate and propose various models of life and things that should be done by many people. Examples of ideological elites are Brahmin priests in India. Milner argues that the political elite and the economic elite use their status to legitimize their actions.

According to Milner's explanation, this dissertation will use Milner's elite theory to explain the role of the military in the post-reform era in Indonesia. This paper will argue that,

based on the three types outlined by Milner that the military can manage and control any source of power. In other words, that the intrinsic structure of military organizations can be used to minimize the legitimacy of all other elites while simultaneously maintaining legitimacy themselves.

### ***b. Characteristics of Elites in Indonesia***

Despite being deposed from power at the national level, Suharto era elites continue to remain an active force in Indonesian politics. Since the beginning of the decentralization era in Post-Suharto regime, there were elites uprising marked by a growing number of elites involved in determining public policy, either at central or local level by various means.

Aspinall and Klinken describe several characteristics of elites in Indonesia. First, elites will keep consolidating their power and dominate organized political activities, including the electoral system. Second, the elite is no longer limited people who supported Suharto and has already begun to expand. Third, elites at the local level tend to manipulate democratic processes by exploiting public resources (Aspinall and Klinken, 2010: 241).

As an attempt to explore the relationships of local elites, this research will divide the notions of eliteness into four separate groups that are present in North Sumatra. The four local political powers include business people, political parties, youth organizations, and informal leaders. The criteria of respondents such as they have to know about the history of regional redistricting in Mandailing Natal and Labuhanbatu Utara.

In the New Order era, the political elite has always used the military to consolidate political power. After the New Order era, the military was no longer allowed to engage in politics. This ban led to the creation of the new social dynamics and the emergence of local

strongmen. In other words, the configuration of new elites is a dynamic of local strongmen and military at the local level.

However, the military in the post-New Order era still wants to persevere their existence at the local level. Therefore, the most significant question for the military is how to ensure their existence at the local level? The author will use Milner's theory of political elites to elucidate an answer to this question. The military has been struggling to maintain their existence at the local level after the fall of the Suharto regime. The military has had to evolve in order to survive in the post-Suharto era to maintain the flow of resources necessary to maintain relevance as a power broker. As a result, a new trend has emerged between the military and elites in local decentralized areas: clientelism.

#### ***1.5.4. Clientelism Analysis***

##### ***a. Old Clientelism and Exploitative Relations***

Clientelism illustrates the distribution of benefits to individuals or groups defined in return for economic and political support. According to Scott, clientelism relationship originated from the exchanges of goods or services from one party to another one. The essential purpose of clientelism is the provision of underlying social security and protection.

For those who receive the goods or services are obliged to return. If the value of products or services received is high, the cost to be returned is also significant. As the result of the quid pro quo nature of such arrangements, a legal framework is needed to ensure reciprocity. Furthermore, if the value of the exchange is unbalanced, the impact on patron-client relationship becomes unfair and exploitative. According to Scott, in the process of patron-client relationship will tend to hierarchy and dominative. In fact, the patron-client relationship is accepted as a certainty to be inherited by the next generation.

James Scott describes that clientelism emerged due to the control of economic resources. Resources are necessary for patrons to manage and control by specific groups in society. As dispensing such resources can be quite costly, the patron is very active to request or require the client to provide services, either in material or labor, for the patron. The client gains access to resources that are controlled by the patron. The predatory nature of this relationship creates a situation where the client group is unable to develop their interest's independent of the assistance of patrons (Scott, 1972: 91).

Scott's explanation of the patron-client relationship has limitations. The writer will argue that Scott's model does not explain how the pattern of clientelism operates in democratic political context. Further, the limitations of client theory proposed by Scott have been answered by a new model of clientelism created by Jonathan Hopkin.

### ***b. New Clientelism and Market Exchange***

New clientelism is an economic or market exchange model, in which clients seek to maximize profits (Hopkin, 2006: 9). Jonathan Hopkin shows that clientelism is the relationship between patron and client where patrons provide access to clients and create a pattern of reciprocity by engaging in mutually beneficial business arrangements. Hopkin's categorizes patron-client relationships as either reciprocal or unequal. Reciprocal patron-client relationships are ones in which the patron and client proceed in a series of voluntary mutually beneficial transactions. For example, a patron might grant the client resources and protection in exchange for loyalty and services. Second, in the case of unequal patron-client relationships, the patron is replete with resources while the client transforms the relationship becomes a vertical pattern or superiority to one another in relation (Hopkin, 2006: 11).

This new model of clientelism also explains that the relations between patron and client emphasize economic benefits. However, there are some differences between this model of clientelism and the traditional one. First, the relationship is not hierarchical as it usually is in conventional notions of hierarchy. This departure from conventional practices of patronage means that the relationship between client and patron is based more specifically on economic interests. There still exists an imbalance between patrons and clients, however, this is typically predicated on the basis that patrons have control over the resources that the client needs. However, the client is not dependent on the patron for security or safety. Second, as a result of non-hierarchical relationships present in neo-clientelism, clients are capable of taking a more mercenary approach to choosing their patrons. Consequently, a kind of patron marketplace has formed and, as is the case in every market, there are winners and losers. In line with Hopkin, Luis Roniger explains that new clientelism is the action on the principle of taking and giving the benefit and supports each other (Roniger, 2011: 353).

This dissertation will use the model of neo-clientelism proposed by Hopkin to examine how the military interacts with local businesses in the decentralized rural areas of Indonesia. This model of clientelism elucidates the interaction between the Indonesian military and local business by demonstrating that self-serving military officials broker power to local industry leaders to create an indebted entrepreneurial class. In an attempt to determine the local elites who have close relations with the military, the author is mapping the local elites in Mandailing Natal and Labuhanbatu Utara by using this model of clientelism. The first of two benefits of this new model is that it can detect and recognize the critical impact of oligarchs and how the social circles create and influence the power dynamics of politics. Mariella Szwarcberg explains that clientelism can reveal facts that are not visible to the public

through a historical analysis of the politics (political career), access and distribution of resources (Szwarcberg, 2009: 39).

Second, clientelism is typically a private agreement between two or more parties; thus, the chains of obligation and supply that this relationship implies is not often readily observable to the public. Therefore, clientelism includes politics of persuasion and intimidation. This type of political network should not be disclosed to the public because it will damage the reputation of political actors. Furthermore, mapping the clientelism and patronage networks is vital methodology to get information about the relations between local elites and military.

#### ***1.5.5. Rent Seeking Concept***

McCourt described that clientelism elite relations tends to lead the practice of rent-seeking (McCourt,2007: 218). In line with McCourt, Grindle explained that rent-seeking is the act of elites who control the economic and political resources for individual or group interests through the manipulation of public policy (Grindle, 1989: 33). Grindle also explained that bureaucrats, military officials, and political elites typically instantiate rent-seeking measures to ensure marginalization of the groups they preside over (Grindle, 1989: 6).

Michael Ross expounds on Grindle's notion of rent-seeking by classifying the military as organization engaged in rent-seeking practices. The process of rent-seeking, argues Ross, can be divided into three separate distinct practices: rent creation, rent extraction, and rent seizing. The first of such processes, rent creation, involves the creation of some form of arbitrary taxation. Rent extraction, as the name clearly implies, is the logical follow through of the previous process and commonly manifests as some form of litigation or threat that occurs when the newly created toll is not paid. This process, though legal, is only intended to

legal pretext and a faint air of legitimacy for the third and final process: rent seizing. If financial restitution is not made through the rent seeking process, the seizure of rent by military or state actors is a likely consequence (Ross,2015: 4).

Lambsdorf, in line with Ross, believed that the process of rent-seeking tends to be controlled by policy makers and government (Lambsdorf, 2002: 99). Lambsdorf further argued that this process enables the creation of monopolistic control over commodities that can be doled out to political allies. This control can occur in the form of legal protections, government concessions, and the issuance of special permits granting the right to use specific resources.

The question is how the rent-seeking in Indonesia. Rent seeking has been a common feature of Indonesian politics since the beginning of the Suharto era. Since then, the Indonesian military, aided by pawns embedded in the central government, have wielded enormous power to organize and control the social and political facets of Indonesian society and guarantee the proliferation pro-military legislation. Foreexample, Government Regulation No.6/1974 mandated that civil servants and members of the military were prohibited from engaging in private business. However, the military was not barred from engaging in business through foundations and cooperatives. At that time, the foundation law that regulates this type of business did not exist. Consequently, foundations became a major revenue channel for the military. President Suharto further attempted to protect and ensconce military business with the issuance of several policies, such as Presidential Instruction No. 1/1986 that provided for the management of palm oil to the Yamabri foundation (*Yayasan Markas Besar ABRI/Yamabri*). Other regulations, such as Government Regulation No.5/1976 on the Supersemar foundation (*Yayasan Supersemar*) and Presidential Decree No.90/1995 on Dana Sejahtera Mandiri foundation (*Yayasan Dana Sejahtera Mandiri*), were intended to regulate

the amount of money that could be allocated from the budget toward paying civilian salaries. Furthermore, profits from all foundations and cooperatives in Indonesia were mandated to subsidize up to 25 percent of the military budget. Aditjondro confirms that 79 of the 528 presidential instructions issued from 1993 to 1998 were misappropriated to support military business (Aditjondro, 2006: 41).

After Suharto regime ended in 1998, the first agenda to be fulfilled by the Habibie administration was the attempted implementation of democratic system that was more transparent, participatory, and accountable than Indonesia had previously known. Therefore, President Habibie implemented a decentralization system characterized by the establishment of Law No.22/1999 on Local Government. According to Law No. 22/1999 on local government is a legal entity that has a particular boundary. The regional redistricting based on the local people aspirations.

However, the fall of the Suharto government only further honed the Indonesian militaries desire to retain its autonomy. This desire for autonomy, coupled with the military's long-standing access to pliant political figures, enabled the Indonesian military to place itself at the center of patronage network. The spokes of this network are established businesses that seek legal protections that may effectively confer a monopoly and military-abetted entrepreneurs hoping to create unique legal sanctions for a new economic enterprise. However, as is noted by Olson, such a network can only be made possible by a rent-seeking bureaucracy on central and local levels that work together to form coalitions with other elites (Olson, 1982: 12). Olson also notes that the strong relationship between rent seekers and policymakers created a coalition named the distribution coalition (Olson, 1982: 32).

The distribution coalition divvies the misappropriated wealth of citizens between the corrupt politicians, business owners, and military officials who manage it. This organization continues to remain afloat in spite of the foundering of the Suharto regime.

## **Chapter 2**

### **Decentralization and Dynamics of Elites**

#### **2.1. Decentralization**

##### *2.1.1. Defining of Decentralization*

###### *a. Administrative Context: Transfer of The Authority*

There are two types of decentralization: bureaucratic and political. There are many definitions of decentralization that focus on regulatory elements such as those done by Rondinelli and the World Bank. Rondinelli stated that decentralization occurs when authority is transferred from central government to a local one (Rondinelli, 1983: 13). However, the World Bank defines the process of administrative decentralization by the transferring of responsibility, authority, and accountability for specific or general management functions to lower levels within an organization, system, or program (World Bank, 1999: 10).

In line with Rondinelli and World Bank, Litvack and Bird also explain that decentralization is a transfer of authority and responsibility from a central public sector to a secondary sector (Litvack and Bird, 1999: 2). In a similar argument, Crook and Manor argue that decentralization is the transfer of powers from central government to lower levels in a political administration of a territorial hierarchy (Crook and Manor, 1998: 22). A further definition is noted by Turner and Hulme who explain that a transfer of authority to perform a service for the public from an individual or an agency in central government to some other person or organization that is 'closer' to the public constitutes a form of an administrative decentralization (Turner and Hulme, 1997: 152).

The common factor amongst the aforementioned definitions of decentralization is that they focus on the process on the administrative strata of society. Decentralization, as a process,

is characterized by the transfer of responsibility, authority and accountability to lower level in an organization, system, or program. However, the overall effects of decentralization are not solely explained by an analysis of the transfer of authority from central to local government. The process of decentralization should, too, be understood as a political instrument within a country. This dissertation argues that decentralization must be viewed from a political perspective to fully understand how this process alters and shapes the institutions of society.

### ***b. Political Context: Elite Negotiation***

Definitions of decentralization should not focus solely on administrative dimensions, but also the political ones especially if they pertain to the formation of elites. Hill shows that, as a result of decentralization, new local elites are vying for political power (Hill, 2014: 63). Meanwhile, O'Donnell and Schmitter describe that decentralization is more complicated than Hill believed. O'Donnell and Schmitter explain that post-authoritarian regimes transition to a democracy as a result of negotiation between the incumbent<sup>12</sup> and moderate elite<sup>13</sup> or intern (O'Donnell and Schmitter, 1986: 15). In line with O'Donnell, Choi also describes that decentralization post-New Order era is about competition between the old elite and the new elite (Choi, 2011: 104).<sup>14</sup> Therefore, decentralization occurs as the result of political bargains struck by local elites.

The experience of decentralization in Indonesia has shown that incumbent elites still want to play a role in the process of decentralization and local politics (Nordholt and Klinken, 2007). This process, argue Nordholt and Klinken, explains as to how new elites are created

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<sup>12</sup> Incumbent elite is the elite who have power in the New Order era such as the military and Golkar party. See Crouch, 2010: 115.

<sup>13</sup> Moderate elite is critical elite or political activists who have resistance against military domination. See Honna, 2005: 156.

<sup>14</sup> Local elites in Indonesia is very complex and diverse. Mostly from the elites of New Order are to get the position and benefit from the implementation of decentralization.

and, further, explains the methods and incentives that elites have to maintain or obtain power (Nordholt and Klinken, 2007: 116). Local elites attempt to control and maintain power in local politics by supporting regional redistricting (*Pemekaran Daerah*)<sup>15</sup> or trying to become an elected official in local government (Nordholt and Klinken, 2007: 56). In line with Nordholt and Klinken, Gordon and Landa describe how local elites are not only aiming to dominate local politics but also control the distribution and access to natural resources (Gordon and Landa, 2009: 148).

Definitions of decentralization that are focused on political perspectives will be able to explain the dynamics of local politics more comprehensively than purely administrative ones. Thus, decentralization through regional redistricting can be more easily understood as an instrument of local political interests rather than a transference of authority.

### ***2.1.2. History of Decentralization in Indonesia: An Overview***

Historically, decentralization started in the Dutch colonial era in 1903. During this era, better known as *decentralisatie wet* of 1903 (Kaho, 1991: 105), occurred the first recorded decentralization law in Indonesia (formerly known as the Netherlands Indies). *Decentralisatie wet*, the decentralization law of 1903, made it possible for the formation of a local government or province (*gewest*) that had its own financial system. However, the *decentralisatie wet* of 1903 was a misnomer. Though named otherwise, the law itself primarily concerned itself with the creation of a centralized governmental system.

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<sup>15</sup> Regional redistricting (*pemekaran*) is the process of establishing a new district. See Makagansa, 2008: 17.

The *decentralisatie wet* 1903 aimed to optimize the efficiency of government by placing strict controls on Batavia.<sup>16</sup> The law also outlined the process of a centralized bureaucracy recruitment pattern that would prove useful in creating center-oriented bureaucratic leadership for governance. Given the inability of bureaucrats at that time to adequately influence policy outside of Batavia, bureaucrats indoctrinated under this pattern would be driven to optimize the interests of the central government in Batavia rather than focus on the management of local interests. And thus, as a result of narrow policy focus, the function of local government was more as an implementer of policies from the central-focused Batavian bureaucrats than as local policymakers themselves. The Governor-General strictly limited local policies by creating a hierarchical system to subordinate local governments. Further tightening this grip, the bureaucrats in Batavia had direct control over all local governments. Regional councils did not possess the legal capacity to appoint local leaders.

As a result, the legitimacy of local government leaders was fragile. This weakness tends to generate authoritarian leadership patterns that fail to create democratic systems or represent the political interests of the governed. They did not put themselves in a parallel position with society but in a patron position with the local community positioned as a client and an object. In other words, decentralization has implemented to maximize the economic benefits for colonialist.

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<sup>16</sup> Batavia is the name given by the *Vereenigde Oostindische Compagnie (VOC)* to its trade colony that currently grows into Jakarta. The VOC was a Dutch trading partnership that monopolizes trade activities in Asia. Batavia was founded in a port area called Jayakarta, which was taken over by the VOC from the Sultanate of Banten (*Kesultanan Banten*). Before Banten, this port was known as Kalapa or Sunda Kelapa. This port was the trading points of the Kingdom of Sunda (*Kerajaan Sunda*). From this port city, the VOC controls its trade and power throughout the territory of Indonesia. The name Batavia was used from 1621 to 1942 when the Dutch fell into the hands of the Japanese Army (*Dai Nippon*). As part of Japanese propaganda to attract people's sympathy Batavia name changed to Jakarta. See Balk, 2007: 76.

Furthermore, the proclamation of the independence of the Republic of Indonesia by Sukarno and Hatta on August 17<sup>th</sup>, 1945 in Jakarta was a new era for the establishment of an independent and sovereign Indonesia. As an independent and sovereign country, Indonesia established a system of government. Therefore, the 1945 Constitution (*Undang Undang Dasar/UUD 1945*) was legalized on August 18<sup>th</sup>, 1945. In the beginning era of Indonesia's independence, the central government issued several laws pertaining to the management of local government, namely Law No. 1/1945, Law No. 22/1948, Law No. 1/1957, Presidential Decree No. 6/1959, Law No. 18/1965 and Law No. 5/1974 in New Order era.

***a. Law No. 1/1945***

Article 18 of the 1945 Constitution mandated that the division of the Indonesian territory should consist of provincial and municipal levels. Therefore, on August 19<sup>th</sup> of 1945, the Republic of Indonesia divided into eight provinces each of which was to be headed by a governor, namely: West Java (Soetardjo Karrohadikusumo), Central Java (RP Soeroso), East Java (RMTA Soeryo), Sumatera (Teuku Muhammad Hasan), Borneo (Prince Muhammad Nur), Sulawesi (dr. GSSJ Ratu Langie), Sunda Kecil (I Gusti Ketut Pudja), and Maluku (J. Latuharhary) (Kahin, 2003, p.140).

Furthermore, the 1945 Constitution also mandated that before the formation of an official legislature, president and the national committee had the authority to manage the government. Therefore, the central of Indonesian national committee (*Komite Nasional Indonesia Pusat/KNIP*) was developed to assist the president in the administration of the state.

On October 16<sup>th</sup>, 1945, the central Indonesian national committee conducted its first meeting by changing the function from an advising council to the executive branch to a fully functioning legislature. Sutan Syahrir was appointed to be a chairman of the central

Indonesian national committee. Hatta issued a Vice of President Decree No. X concerning the granting of legislative authority to the central Indonesian national committee to formulate the objectives of the state in national level.<sup>17</sup>

After the State of the Republic of Indonesia was divided into eight provinces, the implementation of regional governance was established by Law No.1/1945 on the Regional National Committee of Indonesia (*Komite Nasional Daerah/KND*) on November 23<sup>rd</sup>, 1945.<sup>18</sup> This law was the first formal policy on decentralization in Indonesia.

However, the explanation of Law No.1/1945 on the status of the national committee was not accompanied by the issuance of advisory guidelines for municipal governments. Therefore, as an effort to improve Law No.1/1945, the government issued Law No. 22/1948 proscribing jurisdictions for provinces and districts.

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<sup>17</sup> Central of Indonesian national committee also proposes two important concepts; the formation of political parties and parliamentary cabinet. First, the proposal of political parties was approved by issuing Government Decree on the recommendation of the formation of political parties. Second, President has an authority according to the 1945 Constitution. However, since November 14<sup>th</sup>, 1945 Indonesia government used the parliamentary cabinet system with the first Prime Minister, Sutan Syahrir). Consideration Sutan Syahrir and central Indonesian national committee members suggested the formation of a parliamentary cabinet was to defend Indonesia's independence. At the same time was a strategy of political struggle to gain international recognition of Indonesia's independence. It caused the Dutch did not want to cooperate with Sukarno. Sutan Sjahrir replaced President Soekarno as a head of the government. President Soekarno appointed Sutan Syahrir as prime minister On November 14<sup>th</sup>, 1945. The inauguration of Sutan Syahrir as prime minister was the first parliamentary government system in Indonesia. Syahrir Cabinet since 1945-1946. After the Syahrir Cabinet had fallen was replaced by the Amir Syarifuddin Cabinet (1947). The end of the Amir Syarifuddin Cabinet then the cabinet system returned to the Presidential Cabinet led by Vice President Hatta. A year later, the Dutch attacked the capital of Yogyakarta, and The Dutch captured Hatta. As a result, the President gave a mandate to Syafruddin Prawiranegara to replace Hatta and formed a government cabinet in West Sumatra (1948-1949)

<sup>18</sup> Law No. 1/1945 contains about first, this law did not implement to Surakarta and Yogyakarta. Second, National Committee of Regions was the regional representative body of society (local parliament), led by the regional head and had the task of managing the region. Third, local government provided the expense for parliament. Fourth, the old chairman of the National Committee of Regions was appointed as vice-chairman of parliament. Fifth, the executive body was chosen by five members, along with regional head who run the day-to-day administration. Law No.1/1945 also established the existence of three types of autonomous regions, namely; the residency; the district and city. See Kaho, 1991: 34.

***b. Law No.22/1948***

Law No.22/1948 established two separate forms of decentralization for autonomous regions and special autonomous regions, as well as the three-province autonomous region levels, namely provincial, municipalities, and village. Under Law No. 22/1948 on regional administration, it was mentioned that submission of government affairs to local government had gained the attention of government. The background reason for the issuance of Law No. 22/1948 was to decentralize the use of power of local governments by ensuring there was no dualism in the official use of their legally defined powers.

However, there were some limitations with Law No. 22/1948. First, this law only regulates the government of autonomous regions, not the regional administration or residency (*Karesidenan*).<sup>19</sup> Based on law No. 22/1948, the State of Indonesia was organized into three levels: provinces headed by governors, districts headed by regents, and villages who were entitled to regulate and manage themselves. All these areas were legally defined as autonomous regions. Whereas even though the municipalities had a legislature, but it was not an autonomous region.

Second, Law No. 22/1948 only regulates the principles of decentralization and co-administration. However, there were no provisions for deconcentration. At that time, there were two types of local government namely local government based on autonomy rights and assistance functions. The difference was in the process such as full and non-full submission. Full submission means the task entirely to the local government and has authorized for the

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<sup>19</sup> The residency was an administrative division of a province in the Netherlands-Indies until the 1950s. A residency (*regentschappen*) consists of several *afdeeling* (districts). However, not all provinces in Indonesia have residency. Only on the island of Java, Sumatra, Kalimantan, Bali, Lombok, and Sulawesi. Usually, these areas have a large population. The word residency comes from the Dutch *Residentie*. A resident heads a residency, originally from the Dutch Resident. Above the resident was the governor-general, who ruled on behalf of the King and Queen of the Netherlands. Since the crisis in the 1950s, there was no residency but the district.

administration. While non-full submission means that the local government task was limited to the procedure, but the central government still determines policy.

Third, the chief officer in the local government was also the leader of the local committee. The dominant role of the regional head affects the role of the national regional committee as the legislative function, did not work. The relations between local government and the regional national committee were not harmonious. Therefore, in July 1948, the central government established Law No. 22/1948, to regulate the principalities of local government by creating a division of power. Implementation of local government in Law No. 22/1948 had been collegial in areas where the regional national committee was led by the head of local government, but also decided by local Parliament no longer decided the problem of government.

Furthermore, the implementation of Law No. 22/1948 has not been maximized because the political conditions of Indonesia were, at that time, focused on the struggle for independence from Dutch occupation. The Indonesian political system changed when the Dutch conducted military aggression in 1948.<sup>20</sup> The United Nations participated in resolving the conflict through a Dutch-Indonesian Roundtable Conference (*Konferensi Meja Bundar/KMB*) in Den Haag, 1949. The roundtable conference resulted in the Dutch unconditionally surrendering Indonesian sovereignty to the Republic of Federation of Indonesia (*Republik Indonesia Serikat/RIS*) and, further, recognized that the Republic of the United States of Indonesia was as an independent and sovereign state. Named the Republic of Federation of Indonesia, this newly formed republic consisted of seven states namely the Republic of Indonesia (*Negara Republik Indonesia*), East Indonesia (*Negara Indonesia*

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<sup>20</sup> As a consequence of the Dutch military aggression had an impact on the amendment of the 1945 Constitution to become the 1950 Constitution of the Republic of Indonesia. The unitary state based on the 1950 Constitution still runs the Parliamentary system.

*Timur*), Pasundan (*Negara Pasundan*), East Java (*Negara Jawa Timur*), East Sumatra (*Negara Sumatra Timur*), South Sumatra (*Negara Sumatra Selatan*) and Madura (*Negara Madura*).

The idea of returning to the unitary state of the Indonesian Republic (*Negara Kesatuan Republik Indonesia/NKRI*) was initiated by the State of East Indonesia and the State of East Sumatra. In 1950 a triangle conference was held by the Republic of Federation of Indonesia between the state of East Indonesia and the state of East Sumatra. Concluding the summit, the two states gave their mandate to the prime minister of the unitary state of the Indonesian republic, Hatta, to the establishment a unitary state with the Indonesian government.

The agreement between the Republic of Federation of Indonesia (*Republik Indonesia Serikat/RIS*) and the Republic of Indonesia to establish a unitary state was successful in May 1950. Furthermore, the Joint Committee of the unitary state of the Indonesian Republic and the Republic of Indonesia was put in charge of drafting the Constitution of the Unitary State which was completed in May 1950.

On August 17<sup>th</sup>, 1950, coinciding with the moment of independence, President Sukarno signed the draft Constitution which became known as the Provisional Constitution of the Republic of Indonesia 1950 (*Undang Undang Dasar Sementara/UUDS 1950*).

Based on the Provisional Constitution of the Republic of Indonesia 1950 (*Undang Undang Dasar Sementara/UUDS 1950*), the unitary state of the Indonesian republic was officially dissolved and re-formed as Unitary State of the Republic of Indonesia.<sup>21</sup>

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<sup>21</sup> During this period, there were many cabinet changes caused by the unstable political situation. There were seven cabinets at that time. Natsir (1950-1951), Sukiman Suwirjo (1951-1952), Wilopo (1952-1953), Ali Sastroamidjojo (1953-1955), Burhanuddin Harahap (1955-1956), Ali Sastroamidjojo (1956-1957), Djuanda (1957-1959). Because of frequent cabinet changes and tends to affect political instability, President Sukarno issued a presidential decree on 5 July 1959. The contents of the presidential decree were back to the enactment of the 1945 Constitution, dissolution of the Constituent Assembly and legislative formation.

In 1950 there was a change to the 1945 Constitution with UUDS 1950 and the dissolution of the Republic of Federation of Indonesia (*Republik Indonesia Serikat/RIS*) into the Unitary State of the Republic of Indonesia (*Negara Kesatuan Republik Indonesia/NKRI*). During this period, there were two government regulations, namely Law No. 22/1948 that was applied in the former regions of the Republic of Indonesia and Law No.44/1950 on East Indonesia Regional Government in the Eastern Indonesia areas (Sunda Kecil, Sulawesi, and Maluku). Therefore, in order to comply with the Provisional Constitution of the Republic of Indonesia 1950, the government considered it necessary to publish the law of decentralization namely Law no. 1/1957.

***c. Law No. 1/1957***

The government issued Law No.1/1957 about the local government. This issuance was due to significant changes in the political system of Indonesia. The changes of Indonesian political system were characterized by several factors, such as the creation of multi-party systems, the recognition of freedom of all ideological groups to create political parties and parliamentary systems. Based on these changes, the government must reorganize that the law of the local government through Law No.1/1957. This law was the legal by product of the national legislature that was elected in 1955.

Law No.1/1957 used a new term in the local government system: *swatantra*.<sup>22</sup> *Swatantra*, as defined by this law, was legally recognized municipality which had the same degree of formally recognized autonomy in its governance of local affairs. However, there were fundamental changes to Law No.1/1957 such as the local government head elected

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<sup>22</sup> Swatantra comes from Sanskrit language, which means region. During this period, it was also known three levels of local government. Swatantra levels 1 is province, level II is district/municipality, level III is subdistrict.

directly by the people, and the position was not to be a representative of the central government but also given the authority to the local parliament.

The enactment of Law No.1/1957 was good enough, but unfortunately, the central government had not seriously considered the ramifications of implementing the law and, as a result, the law failed to configure the power that it was intended to deliver correctly. The result was the emergence of various conflicts in the system of government.

#### ***d. Presidential Decree No.6/1959 and No. 5/ 1960***

After the re-enactment of the 1945 Constitution with the Presidential Decree of July 5<sup>th</sup>, 1959, the democratic system became a guided democracy (*demokrasi terpimpin*). This reclassification had a direct impact on the implementation of Law No. 1/1957. Presidential Decree No. 6/1959 aimed at relinquishing centralized powers absorbed from the provinces. Sukarno assumed that regional autonomy would threaten the unity of the Indonesian republic. Therefore, Sukarno devised the concept of guided democracy. However, Presidential Decree No. 6/1959 did not regulate the authority of the national parliament. Therefore, President Sukarno issued Presidential Decree No. 5/1960 on local parliament (*DPRD-Gotong Royong/DPRGR*).

The enforcement of these two Presidential Decrees has changed the relations between central and local government from decentralization to centralization. Presidential Decree No. 6/1959 caused a significant reaction among political parties because their power to implement regional autonomy was reduced.<sup>23</sup> This decree was perceived by political parties as a step back in the implementation of regional autonomy in Indonesia. It undermined the ability of

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<sup>23</sup> Presidential Decree No. 6/1959 governed the duties and the functions of the local government head. The local government head has an obligation to report to the president, not to parliament (*Dewan Perwakilan Rakyat Gotong Royong/DPRGR*). The DPRGR and local government head had a function to create the local regulations. That presidential decree was still attentive to three level of local government, such as regional level regional level II, regional level III, and I. See Gaffar, 2002: 103.

local governments to regular their functions and subordinated their functions. Consequently, several changes occurred. Primarily, the people could no longer directly elect regional heads of government. Instead, the local parliament was forced to submit a list of prospective candidates to the President. However, the central government retained the power to a regional head even if that candidate had not been nominated by the local government.

Another result of Presidential Decree No. 6/1959 that the head of local government was no longer accountable to their constituency, but, instead, accountable directly to the central government. Further altering the previously established order, local government heads were granted the power to suspend or veto any decision made by the local government. Finally, the position of the head of local government was a delegate of the central government.

The implementation of the Presidential Decree No.6/1959 and the Presidential Decree No.5/1960 has shown that the reins of authority were firmly in the palm of the central government, in stark contrast to Law No. 1/1957 in which power was granted to local governments.

#### ***e. Law No.18/1965***

The People's Consultative Assembly of the Republic of Indonesia (*Majelis Permusyawaratan Rakyat Sementara/MPRS*) mandated to establish a law on the Principles of Regional Government by the guided democracy within the framework of the Unitary State of the Republic of Indonesia on 3 December 1960. Law No.18/1965 was covering Law No. 22/1948, Law No. 1/1957, Presidential Decree No. 6/1959, Presidential Decree No. 2/1960 and Presidential Decree No. 5/1960.

To follow up the People's Consultative Assembly mandates, President Sukarno issued Presidential Decree No. 54/1961 to establish the State Committee for Decentralization and

Regional Autonomy with the task of giving a proposal to the government on the subject of governance arrangements.

The State Committee drafted a bill according to the guidelines established in the Principles of Regional Government that finally could be approved by local parliament (*Dewan Perwakilan Rakyat Gotong Royong/DPRGR*) and stipulated by President Sukarno on September 1<sup>st</sup>, 1965.

Law No.18/1965 on the Principles of Regional Government was to replace Law No.1/1957. The conceptual reference adopted in this Law was the concept of guided democracy within the framework of the Unitary State of the Republic of Indonesia.

Furthermore, Law No. 18/1965 on the local government articulated how autonomy was to manifest for local areas, cities, and municipalities, and for sub-districts. This law was established for some purposes, first to adopt the developments based on the constitution 1945. Second, laws were to be implemented in accordance with the democratic principles of the unity state of the Republic of Indonesia. An essential feature of Law No.18/1965 was that the heads of regional governance which were executing day-to-day administration were to be solely responsible to the president. Although Law No.18/1965 was enacted, it had never been executed. Another interesting point; the leader of parliament was accountable to the regional head. An act of parliament could not dismiss the regional head. This Law was a perversion of the principle of popular sovereignty. Regional government executives possessed immense power and were not directly accountable to the people they wielded power over. This condition described almost no democracy in the region. The central government did not respect, and indeed was incentivized, to subvert and under the autonomy of local governance. Law No. 18/1965 entirely adopted Presidential Decree No. 6/1959 and Presidential Decree No. 5/1960 which was very centralistic.

*f. Law. No.5/1974*

Law No. 5/1974 was implemented under the New Order regime. The law lasted until the fall of Suharto regime until it was repealed during the post-Suharto legal reforms in Indonesia. Suharto had enacted Law No.5/1974 on regulating the power of regional administrations. The Law No.5/1974 also contained reforms targeting legal policies that tended to create political centralization. The implementation of deconcentration was more prominent than decentralization. The change apparent in the centralization of local government supported the strengthening of executives at the regional level as a delegate of the central government, followed by the appropriate authority to control regional and local politics.<sup>24</sup> In other words, the implementation of decentralization before the reform era was pseudo decentralization.

Law No.5/1974 granted power to the local government to regulate its own and laws and manage a budget. This law, in tandem with the deconcentration statement, made centralization apparent in the change of local government structure by supporting and strengthening the position of the regional executive as a tool of central government.

However, decentralization after the collapse of the Suharto regime focused on regional redistricting. The process of redistricting enables local elites to fragment otherwise large communities to gain a political position in the newly created district and thus controlling the resources within it.

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<sup>24</sup> The implementation of Law No.5/1974 based on 3 (three) basic principles, namely decentralization, deconcentration, and assistance function. These three basic principles govern the relation between central and regional government. However, the three basic principles did not work in harmony. It caused the higher and dominant implementation of deconcentration that reflects the centrality of government by withdrawing regional affairs into the central government. During the New Order era, the local government's dependence on the central government grew larger. Therefore, the implementation of Law No. 5/1974 was inconsistent.

## **2.2. The Regional Redistricting Big Bang in Post-Suharto Indonesia**

Regional redistricting is the process of establishing a new district (Makagansa, 2008: 17). The term of regional redistricting is used to replace the term of regional forming. The terms, though seemingly similar, are not synonymous with one another.

Law No. 32/2004 defines the process of regional redistricting as either the establishment of new regions from the merging of several regions into one new area or the redistricting of one region into two or more new areas. The purpose of this process is to improve public services and to accelerate the realization of public welfare in the region.

Region redistricting in Indonesia's history began in 1950. In 1950 the number of the provinces was increased from eight to eleven.<sup>25</sup> The fall of the Suharto regime triggered a massive increase in the usage of political redistricting as many local political actors saw the dissolution of the previous system as an economic opportunity. There are three causes to explain the massive uptick in the amount of region redistricting: decentralization laws, large budget transfers, and elite interest.

### ***2.2.1. Decentralization Law in Reform Era***

Law No.22/1999, whose purpose was to assist in the process of regulating local autonomy, replaced previous governmental regulation No.5/1974. Law No.22/1999 was more assertive and infused with the essence of independence as it fostered personal freedoms and dispersion of long-held centralized power. The initial proposals for regional redistricting were received euphorically and were accompanied by the rise of the post-Suharto era reform movement in Indonesia. The process of regional redistricting in the reform era is bottom-up

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<sup>25</sup> The region redistricting in 1950 such as Sumtera Province, redistricting into three provinces, namely North Sumatra, Central Sumatra, and South Sumatra. Central Java Province, redistricting into two provinces, namely: Central Java and Yogyakarta. At that time, the total of districts/municipalities around 81 districts, however in 2016, Indonesia has 516 districts/municipalities.

and dominated by local political interests rather than top-down administrative decrees. These regulations and political situations give a tremendous opportunity for regional redistricting to occur (Pratikno, 2008: 5).

The enactment of Law No. 22/1999 on Regional Government and Governmental Regulation, No.129/2000 on Procedures for the Establishment, Removal, and Local incorporation become momentum for regions in proposing regional redistricting. A provision of Article 5, paragraph (1) of Law No. 22 /1999 explains that municipal jurisdictions are to be formed concerning their economic capability, regional potential, socio-cultural factors, socio-political makeup, population density, land mass, and other considerations which facilitate regional autonomy. The provisions of Article 6 paragraph (1) and (2) of Law No. 22/1999 on Regional Government stated that a region could be removed or merged with other regions, and autonomous regions can be redistricted into more than one region if it is deemed for regional development. The regulations ease the formation of new regions.<sup>26</sup>

Designed to assist in the creation of regional autonomy, Law No. 22/1999 helped to foster community empowerment by grating local municipal governments the power to pass socially responsive legislation for their regional constituencies. This Law was intended to bridge the gap between voters and legislators at Regional level II<sup>27</sup> or, as it is referred to in common parlance, the regency, and cities. The autonomy cultivated by the adoption of Law No. 22/1999 was tangible and responsive.

Autonomous regions had the authority to form and to implement policies according to the initiatives and aspirations of their constituencies and policymakers. While, the area which

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<sup>26</sup> The objective of region redistricting described in Government Regulation No. 129/2000 on requirements of expansion, establishment and criteria, abolition, and local incorporation. Chapter II Article 2 of the Law stated that the aim of that establishment, expansion, elimination, and local incorporation is to improve the social welfare through improving services to the public, accelerating the growth of democratic life, implementation of regional economic development, management of local potentials, the security, and harmonious relations between central and local government.

<sup>27</sup> Regiona Level II is referred to the regency, and cities. Meanwhile, Regional Level I referred to Province level.

has been called Regional Level I, changed to provinces with the position as an autonomous region that once administration area, namely the working area of governor in carrying out the functions of the central authority. Meanwhile, the area that has been called Regional Level II, changed to municipalities and also has local autonomy. Therefore, districts were no longer to serve as deconcentration and administrative function.<sup>28</sup>

Furthermore, Law No. 22/1999 on Regional Government became the necessary precursor of the phenomenon of regional redistricting (*Pemekaran Daerah*). 54 years ago, there were only 319 regions in Indonesia. However, after just ten short years of post-Suharto governmental policies, the local redistricting process has resulted in the formation of seven new provinces, 164 new regencies, and 34 new cities. The commonality of this process has resulted in the creation of 204 new distinct districts which accounts for the formation of more than 20 new districts a year since 2012. In 2014, Indonesia had 34 provinces, 508 districts/municipalities, and 34 provinces; in 2016 the number had ballooned to 516 districts. The numbers of provinces and districts/municipalities in Indonesia is increasing.

Law No.22/1999 enhanced with the enactment of Law No.32/2004 to explain the direct election for local government head. Law No. 32/2004 was an effort to improve decentralization.<sup>29</sup> Law No. 32/2004 explained that there were changes of structure and position of state agencies as well as the charging mechanism of People's Consultative Assembly (*Majelis Permusyawaratan Rakyat/MPR*), National Parliament (*Dewan Perwakilan Rakyat/DPR*), Regional Representative Council (*Dewan Perwakilan Daerah/DPD*), and

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<sup>28</sup> Deconcentration is a delegation of central government authority to local or provincial governments. The authority is only limited to the administrative authority, while the political authority is still the authority of the central government.

<sup>29</sup> Based on Law No. 32/2004 on Local Government describes that the aim of the regional redistricting is to improve the public services. The local facility can be an expansion from one area into two regions or more. Law No. 32/2004 on Regional Government that the region redistricting is basically to improve public services to accelerate the realization of public welfare.

Indonesian people can directly appoint candidates for the position of president and vice president. Law No. 32/2004 described that the parliament did not have the authority to elect the head of local government.

Law No. 22/1999 in tandem with Law No.32/2004 created a set of advisory guidelines for the process of regional redistricting that stated that this process was to be used to improve social welfare, democratic life, economic development, and accelerate the formation of harmonious relations between central and local government.<sup>30</sup> Such legislation was intended to cultivate local autonomy by reinstalling the dignity and political sovereignty of local communities that had been absorbed by the central government under previous administrations. As the result of such laws, local governments were granted the authority to govern itself guided by the innovation, creativity and active participation of their constituencies (Ramsted, 2009: 77). The process of resource distribution was also altered as the result of such policies. Previously, the central government dominated the system of allocation and distribution of public goods, but, after the implementation and realization of these laws, the allocation and distribution function began to be determined by the districts/municipalities themselves.

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<sup>30</sup> In the case of Indonesia, there are significant problems with the central and local government relations. Central government considers that local governments “unable,” while the local government considers the central government “unwilling”. Decentralization is not just about organizing countries but explaining how central and local government relations that are built and implemented. The relations between central and local government topic always discussed. It caused lead to conflicts of interest between the two units of government. The central government’s efforts try to control the local government’s affairs. To maintain the unity and integrity of the country is one reason the central government to dominate the conduct of local government. The dominance of the central government has resulted in the relations between central and local governments are not in harmony. See Dwiyanto, 2003: 19.

### ***2.2.2 Budgetary Transfers***

The substantial budget transfers that radiate from central government to local government cause an increasing amount of dependency in redistricted regions (Ratnawati, 2010: 114). Budget transfers from central government namely block grant (*Dana Alokasi Umum/DAU*), Special Grant (*Dana Alokasi Khusus/DAK*) and special autonomy grant (*Dana Otonomi Khusus/Dana Otsus*). Law No.33/2004 offers the legal basis for such transfers from central government is an equalization factor of fiscal capacity and distribution function of government finance. The national budget is thus allocated to bring economic equality to budgetary expenditures in the framework of the implementation of decentralization (Halim, 2002: 160). The purpose of such redistribution is to address the fiscal imbalance between the central government and local governments because of inequality of resources that exists between districts.

However, the new region could not develop the economic sector even tends to be poor.<sup>31</sup> As a result of the redistricting process, there is a tendency for redistricted areas to be less economically stable than they were before they had undergone redistricting. Such instability occurs as the result of the former region retaining access to a majority claim in whatever natural resource that region possessed. Further, private investment in the new autonomous region is relatively small so that the past five years are not many changes are significant enough to support the local economy. Finally, the economic growth in newly formed autonomous regions remains relatively stagnant as the central government is unlikely to correctly commit the necessary financial resources to optimize growth (UNDP, 2007: 12).

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<sup>31</sup> Several factors cause the high number of poverty in the new districts. First, commonly, the poverty region is in the remote area with limited natural resources and agriculture. Second, supporting infrastructures, such as roads, schools, and economic infrastructures, are very limited, and the location new districts far from the capital regency and even many new districts are a remote location, both in the mountains and coastal regions. It resulted in limited access for poorer groups to improve their lives, including economic capital, agriculture, and finance. Third, from the social side, the poor have a relatively low level of education because of the limited ability to gain access to education. As a result, it is tough to reduce the level of poverty in a short period (UNDP, 2007).

Therefore, economic development at the local level is dependent on budgetary transfers from the central government (Kimura, 2011: 217).

Fledgling regions are thus highly dependant on budget transfers of liquid capital from the central government (Prakoso, 2004: 2). Though the general tendency is towards anemic transfers that fail to correctly vitalize regional economies, regions such as Papua, Aceh, and Nusa Tenggara Barat have been the beneficiaries of overly generous transfers.<sup>32</sup> In those cases, it can be easily seen that the regions became highly dependent on central government budget transfer.

Table 2.1: Block Grant, Special Grant, Special Autonomy Grant of Papua

<b>Year</b>	<b>Block Grant</b>	<b>Special Grant</b>	<b>Special Autonomy Grant</b>	<b>Total (Rupiah)</b>
2002	345,530,000	1,382,300,000	1,038,000,000,000	1,039,727,830,000
2003	395,160,000	1,557,823,000	1,539,560,000,000	1,541,512,983,000
2004	369,930,000	1,642,617,000	1,642,617,943,000	1,644,630,490,000
2005	418,863,000	2,654,660,000	2,775,312,000,000	2,778,385,523,000
2006	810,236,000	2,369,750,000	3,913,218,000,000	3,916,397,986,000
2007	876,295,000	2,750,000,000	3,274,230,000,000	4,153,275,000,000
2008	1,002,431,000	2,750,000,000	3,590,100,000,000	3,593,852,431,000
2009	1,058,228,000	2,746,630,000	2,609,796,089,000	2,613,600,947,000
2010	1,058,228,000	2,950,000,000	3,609,796,089,000	3,613,804,317,000
2011	1,148,740,000	2,950,000,000	3,494,865,000,000	3,498,963,740,000
2012	1,569,782,000	1,061,910,000	4,736,663,000,000	4,739,294,692,000
2013	1,889,268,000	1,338,970,000	4,703,044,000,000	4,706,272,238,000
2014	1,991,202,000	1,205,056,000	6,777,070,560,000	6,780,266,818,000
2015	2,277,932,000	4,603,035,000	7,636,074,840,000	7,642,955,807,000
2016	2,502,449,000	5,034,466,000	7,822,617,819,000	7,830,154,734,000
2017	2,570,118,000	5,242,997,000	8,241,316,931,000	8,249,130,046,000
<b>Total</b>	<b>20,284,392,000</b>	<b>42,240,214,000</b>	<b>67,404,282,271,000</b>	<b>67,466,806,877,000</b>

Source: Ministry of Finance Republic Indonesia 2002-2017 (*in Rupiah*)

Table 2.1 demonstrates a high volume of budgetary transfers from the central government to local governments. In 2011, these dispensations ranged from 1 trillion (100 million USD) to 3 trillion rupiahs on average (300 million USD).<sup>33</sup> In 2009, this particular

<sup>32</sup> Aceh and Papua are included as special autonomous regions so that the region gets a special autonomy budget. Meanwhile, Nusa Tenggara Barat is a regular autonomy area and does not get a special autonomy budget. These three areas to explain the level of regional dependence on budget transfers from the central government.

<sup>33</sup> This research uses the average exchange rate of Indonesian Banks; 1 USD is equal to 10,000 rupiahs.

autonomy budget decreased in comparison to the previous year because the block grant (*Dana Alokasi Umum/DAU*) to Papua has increased. Meanwhile, the special grant increased dramatically from 1.2 trillion (100 million USD) in 2013 to 4.6 trillion (400 million USD) in 2014. So far, in 2017, the central government has given 67 trillion rupiahs (6.7 billion USD) to the provincial government of Papua.

What accounts for these vast discrepancies in the allocation of public monies? It is crucial to compare between local revenue of Papua with budget transferred from the central government. It is imperative to know how dependent Papua is on budget transfers from the central government.

Table 2.2. Comparison between Local Revenue and Budget Transfer from Central Government to Papua Province

<b>Year</b>	<b>Local Revenue</b>	<b>Budget Transfer from Central Government</b>
2002	5,644,400,000	1,039,727,830,000
2003	9,512,400,000	1,541,512,983,000
2004	154,175,000,000	1,644,630,490,000
2005	198,626,000,000	2,778,385,523,000
2006	214,585,000,000	3,916,397,986,000
2007	212,159,000,000	4,153,275,000,000
2008	311,983,000,000	3,593,852,431,000
2009	345,398,000,000	2,613,600,947,000
2010	357,801,000,000	3,613,804,317,000
2011	304,175,000,000	3,498,963,740,000
2012	403,561,000,000	4,739,294,692,000
2013	407,694,000,000	4,706,272,238,000
2014	944,929,691,000	6,780,266,818,000
2015	912,908,312,000	7,642,955,807,000
2016	1,097,662,000,000	7,830,154,734,000
2017	1,308,280,585,000	8,249,130,046,000
<b>Total</b>	<b>7,189,094,388,000</b>	<b>67,466,806,877,000</b>

Source: Ministry of Finance Republic Indonesia 2002-2017 (*In Rupiah*)

The table 2.2 shows that the local revenue of Papua from 2002 to 2017 amounted to 7 trillion rupiahs (700 million USD). Meanwhile, the total budget was transferred from the central government was as much as 67 trillion rupiahs (6.7 billion USD). It was clear from the

dearth of local revenue in Papua that this region is highly dependent on the system of budgetary transfers. The vast discrepancies between funds levied as local revenue and financial assistance made available through the budgetary transfer program is not endemic to Papua. Such discrepancies also occur in Aceh.

Table 2.3: Block Grant, Special Grant and Special Budget of Aceh Province

<b>Years</b>	<b>Block Grant</b>	<b>Special Grant</b>	<b>Special Autonomy Grant</b>	<b>Total</b>
2007	487,934,000,000	6,053,000,000	650,000,000,000	1,143,987,000,000
2008	557,327,160,000	3,540,300,000	3,590,142,898,000	4,151,010,358,000
2009	509,686,000,000	4,818,900,000	4,728,282,000,000	5,242,786,900,000
2010	621,431,000,000	3,035,600,000	4,849,806,000,000	5,474,272,600,000
2011	716,646,000,000	5,061,100,000	4,540,356,000,000	5,262,063,100,000
2012	911,081,000,000	5,041,400,000	5,938,285,000,000	6,854,407,400,000
2013	1,092,446,000,000	7,514,900,000	6,667,902,000,000	7,767,862,900,000
2014	1,201,612,787,000	7,295,379,000	7,286,775,575,000	8,495,683,741,000
2015	1,237,894,986,000	7,086,605,000	8,080,416,260,000	9,325,397,851,000
2016	1,263,870,989,000	15,225,000,000	8,814,135,936,000	10,093,231,925,000
2017	1,930,152,204,000	15,608,360,000	8,303,621,791,000	10,249,382,355,000
<b>Total</b>	<b>10,530,082,126,000</b>	<b>80,280,544,000</b>	<b>63,449,723,460,000</b>	<b>74,060,086,130,000</b>

Source: Ministry of Finance 2007-2017 (*in Rupiah*)

Table 2.3 shows that the total budget from the central government to Aceh in 2007-2017 was 74 trillion rupiahs (7.4 billion USD). In 2017, the majority of financial assistance proffered from the central government to the province of Aceh is as a result of special grant, 80 trillion rupiahs (8 billion USD) and special autonomy grant transfers to the sum of 63 trillion rupiahs (6.3 billion USD).

Table 2.4: Comparison Between Local Revenue and Budget Transfer from Central Government to Aceh Province

<b>Years</b>	<b>Local Revenue (PAD)</b>	<b>Budget Transfer from Central Government</b>
2007	563,106,000,000	1,143,987,000,000
2008	795,710,000,000	4,151,010,358,000
2009	795,872,000,000	5,242,786,900,000
2010	795,487,000,000	5,474,272,600,000
2011	797,284,000,000	5,262,063,100,000
2012	804,285,000,000	6,854,407,400,000
2013	902,780,000,000	7,767,862,900,000

2014	1,731,130,839,000	8,495,683,741,000
2015	1,972,049,032,000	9,325,397,851,000
2016	2,057,481,533,000	10,093,231,925,000
2017	2,227,055,653,000	10,249,382,355,000
<b>Total</b>	<b>13,442,241,057,000</b>	<b>74,060,086,130,000</b>

Source: Ministry of Finance 2007-2017 (*in Rupiah*)

Table 2.4 explains that in 2007-2017, the budget transfers from the central government to Aceh amounted to 74 trillion rupiahs (7.4 billion USD). Meanwhile, local revenue of Aceh amounted to 13 trillion rupiahs (1.3 billion USD). In other words, more than 80% of the total budget was dispensed through transfers by the central government. Concordantly, (*Pendapatan Asli Daerah/PAD*) Aceh is financially dependent on budgetary transfers from the central government.

Aceh and Papua are paragon recipients of the special autonomy budget. What of provinces that do not have access funding, such as Nusa Tenggara Barat (*NTB*)?

Table 2.5: Block Grant, Special Grant and Special Budget of Nusa Tenggara Barat Province

<b>Years</b>	<b>Block Grant</b>	<b>Special Grant</b>	<b>Total (Rupiah)</b>
2002	193,800,000,000	85,000,000,000	278,800,000,000
2003	223,950,000,000	85,000,000,000	308,950,000,000
2004	231,537,000,000	85,000,000,000	316,537,000,000
2005	249,890,000,000	85,000,000,000	334,890,000,000
2006	404,145,000,000	85,000,000,000	489,145,000,000
2007	447,658,000,000	85,000,000,000	532,658,000,000
2008	511,286,000,000	37,215,000,000	548,501,000,000
2009	608,612,000,000	48,024,000,000	656,636,000,000
2010	602,389,000,000	48,024,000,000	650,413,000,000
2011	646,671,000,000	75,250,000,000	721,921,000,000
2012	809,618,000,000	53,326,000,000	862,944,000,000
2013	859,353,000,000	57,408,000,000	916,761,000,000
2014	980,390,340,000	54,663,430,000	1,035,053,770,000
2015	1,088,633,717,000	214,257,150,000	1,302,890,867,000
2016	1,117,691,709,000	255,454,120,000	1,373,145,829,000
2017	1,496,972,549,000	346,617,004,000	1,843,589,553,000
<b>Total</b>	<b>10,472,597,315,000</b>	<b>1,700,238,704,000</b>	<b>12,172,836,019,000</b>

Source: Ministry of Finance 2002-2017, (*in Rupiah*)

Table 2.5 demonstrates that the transfer of budget from the central government, 12 trillion rupiahs (1.2 billion USD). Now let us compare the local revenue of Nusa Tenggara Barat and Budget transfer from the central government.

Table 2.6: Comparison between Local Revenue and Budget Transfer from Central Government to Nusa Tenggara Barat Province

<b>Years</b>	<b>Local Revenue (PAD)</b>	<b>Budget Transfer from Central Government</b>
2002	8,224,900,000	278,800,000,000
2003	11,464,600,000	308,950,000,000
2004	14,079,200,000	316,537,000,000
2005	15,343,500,000	334,890,000,000
2006	23,780,500,000	489,145,000,000
2007	31,161,600,000	532,658,000,000
2008	34,974,800,000	548,501,000,000
2009	46,821,000,000	656,636,000,000
2010	52,918,200,000	650,413,000,000
2011	70,988,900,000	721,921,000,000
2012	72,146,700,000	862,944,000,000
2013	80,246,900,000	916,761,000,000
2014	111,506,039,000	1,035,053,770,000
2015	137,266,156,000	1,302,890,867,000
2016	138,451,781,000	1,373,145,829,000
2017	150,161,133,000	1,843,589,553,000
<b>Total</b>	<b>999,535,909,000</b>	<b>12,172,836,019,000</b>

Source: Ministry of Finance 2002-2017, (*in Rupiah*)

Table 2.6 explains that gross local revenue of Nusa Tenggara Barat province amounted to 1 trillion rupiahs (1 million USD). Meanwhile, the transfer budget from the central government amounted 12 trillion rupiahs (1.2 billion USD). As the result of such massive transfers, approximately 90% of Nusa Tenggara Barat's financing comes directly from central government coffers.

Budget transfers from the central government to Aceh, Papua and Nusa Tenggara Barat have had an impact on regional redistricting in these areas (Sriningsih, 2009: 34). In post-Suharto era Aceh, 13 districts/municipalities were established: Simeulue (1999), Nagan Raya (2002), Aceh Jaya (2002), Aceh Singkil (1999), Aceh Barat Daya (2002), Bener Meriah

(2003), Gayo Lues (2002), Aceh Tamiang (2002), Langsa (2001), Lhokseumawe (2001), Bireuen (1999), Subulussalam (2007), Pidie Jaya (2007). Another example of this process of territorial division is apparent in the case of Papua. This region was known as West Irian Province since 1969. However, in 1973, the province of West Irian was redesignated as “Irian Jaya” during the Suharto era. In 2001, this process occurred once again when the name of Irian Jaya was changed to Papua province. In 2003, Papua was divided into two provinces: Eastern Papua and Western Papua. Changes akin to those of Papua also occurred in Nusa Tenggara Barat resulting in the creation of Bima in 2002, Barat Sumbawa in 2003, and Lombok Timur 2008.

Furthermore, the new districts and provinces are dependent on budget transfers from central government. Wijayanto Samirin explains that province’s local budget dependent on the central government transfers, 54%, meanwhile local revenue from province only 32% (Samirin, 2012: 8).<sup>34</sup> In other words, significant budget transfers from the central government have supported the massive of regional redistricting.

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<sup>34</sup> Based on the local budget used to pay the salaries of civil servants (43%), subsidy (14%) and the development program only 19%.

### ***2.2.3 Political Elite Interest***

The transition to democracy in 1999 further widened the possibility of accumulation power of political elites.<sup>35</sup> Regional redistricting is not only a local affair but also involves political elites ranging from local strongmen in regional districts to wealthy bureaucrats residing in Jakarta (Nordholt and Klinken, 2007: 93). One of the primary drivers of the redistricting process in regions where there is a shortage of commodities are political elites desiring to use the budgetary transfer program to subsidize their penniless provinces. Requiring a corona of legitimacy such elites often resort to providing a self-deterministic argument based on ethnic dimensions for the formation of the new province. These arguments are often grounded in historical truth and take into consideration the custom, languages, and practices of the local people. Consequently, well-intentioned members of parliament who may not be familiar with the actual impetus for redistricting encourage such efforts (Holtzappel, 2009, p. xxiii). Despite the grim reality that 60% to 70% of the new districts have failed to improve the economic welfare of citizens in local regions, there is still considerable pressure for further regional redistricting by local elites (ISEAS, 2015: 3).<sup>36</sup>

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<sup>35</sup> Emmette describes that the enemy of democracy is not only concentration of power in an elite circle but also the roles of administrators are significant as an agency function for elite. See Emmette, 1969: 21.

<sup>36</sup> There was the tragedy of democracy and decentralization in North Sumatra, called the tragedy of PROTAP (Pro Tapanuli Province). It began with the demonstration of Tapanuli society to the local parliament (DPRD) and the goal was validating the formation of Tapanuli province. However, Parliament did not authorize the establishment of the Tapanuli province because of incomplete requirements. Demonstrations occurred in front of the Parliament building. Ultimately, the demonstran forced their way into the parliament building, caught and hit the head of parliament of North Sumatera, Azis Angkat. Azis Angkat died in that tragedy. See Wirsing, 2007: 17.

## 2.3. The Dynamics of Elites

### 2.3.1. *Local Strongmen*

The democratic transition in 1999 followed by the ongoing attempts at decentralization through regional redistricting has strengthened the accumulation of power of local strongmen.<sup>37</sup>

According to Sidel, these conditions are the same as the conditions in the Philippines and Thailand (Sidel, 1999: 26).<sup>38</sup> Sidel also explains that the open political competition at the local level has opened opportunities for the accumulation of power in the hands of the local mafia, the network, and clans.

Democratic reforms strictly confining the role of the military to national security and not, as is often the case under authoritative regimes, a local police force have enabled the revivification of local strongmen. Migdal explains that local strongmen, as leaders in the community, are relatively autonomous. When the ability of the state to control is weak, the strongmen build their power at the local level. Migdal expressed that local strongmen can be successful because they control the key positions in the region. By establishing criminal networks and organizations, they subvert the local laws to gain control over the allocation of regional resources.

There are two arguments to explain the success of local strongmen by Migdal (Migdal, 1998: 13). First, local strongmen have developed a community to support an autonomous organization. The organization is owned by local strongmen. Second, local strongmen exert

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<sup>37</sup> Post-Soeharto local politics is marked by the revival of the political entity of the past as well as the increasingly dominant role of local strongmen in the local political-economic interactions. The interview with Hasrul Hanif (a local political researcher of UGM), 2014.

<sup>38</sup> Chao Pao is a popular term for describing local bossism in Thailand. Chao Pao has responsibility for managing the political transaction to local bossism can be dominant in parliament. Chao Pao uses violence and money politics to the people of Thailand to make them choose the parliamentary candidates from local bossism. The same thing happened in the Philippines, where local bossism has an important role in the process of decentralization in the Philippines. Sidel explains that ruling families tend to create political dynasties to control the local political process and the implementation of decentralization.

social control over the distribution of economic resources to local communities. This condition embodies the relations of patron-client.

Research conducted by Hadiz (2004) and also Demos National Survey (2005) indicated that local strongmen have an essential role in the local political process. They adapt to and manipulate the instruments of democracy that exists to maintain their dominance of economic, political, and cultural spheres of society. To ensure their interests, these elites mobilize the resources of economic and non-economic, including social networks, knowledge, and information.

In line with Hadiz, Gurr also describes the democratization of the regional governments as a tactic widely used by local strongmen to gain power by exploiting ethnic sentiments through political machinery (Gurr, 1970: 22). Demonstrations of public violence done by the paramilitary in Jakarta, the Jagoan in Betawi, the Jawara in Banten, the Blater in Madura, the Pecalang in Bali, etc. The practice of strongmen and the local bosses embracing and exercising power through the ethnicization of politics has also been adopted by political parties (Masaaki, 2008: 110).

Savirani also emphasizes the role of the local strongmen in local politics. Savirani describes strongmen in Indonesia, such as the businesspeople, bureaucrats, youth organization, political party and traditional leaders (clerics) (Savirani, 2004: 44). This paper will examine the local politics of North Sumatra to illustrate the operations of local strongmen and how they influence local politics. This research was conducted in Mandailing Natal and Labuhanbatu Utara.

There are several local strongmen who have a significant influence on local politics in North Sumatra province. First, the function of the bureaucracy is to operate and realize the objectives of public service in a dispassionate and disinterested manner. However, despite its

intended function, the actual nature of bureaucracy is to retain and perpetuate the power of the bureaucratic institutions. Bureaucrats are controlled by a patron at the local level (Klinken, 2007: 50). The political patron wields power over bureaucrats because of their ability to promote bureaucrats to a higher position. Ironically, networks of patron-client relations among bureaucrats and politicians characterize the bureaucracy, especially in North Sumatera. Internal conflicts amongst bureaucrats and politicians are typically competitions to win the favor of patrons. They compete for transfers and promotions, bidding of government projects, and influential positions. Corruption, conflict of interests, nepotism, and double standards practices are common practices among bureaucrats and politicians.

Second, youth organizations are widespread in North Sumatra.<sup>39</sup> Hadiz shows that youth organization is increasing in the post-authoritarian era (Hadiz,2010:20). There are several youth organizations in North Sumatra, Indonesia, for example, Pancasila Youth (*Pemuda Pancasila/ PP*),<sup>40</sup> Association of Functional Group Youths (*Ikatan Pemuda Karya/IPK*), Youth Organizations for Sons and Daughters of Indonesian Retired Military Officers (*Forum Komunikasi Putra Putri Purnawiran Indonesia/FKPPI*) and others. Pancasila Youth has a long history and deep affiliations with both the New Order and the Suharto regime. Most of these organizations already existed and operated to strong-arm the local populace at the behest of authoritarian regimes. During the Suharto era, youths were mobilized as plain-clothes surrogates by the military to confront pro-communist actors and, in

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<sup>39</sup> Youth organization is non-formal institutions that grow and exist in the community such as Pancasila Youth (*Pemuda Pancasila /PP*) and Association of Functional Group Youths (*Ikatan Pemuda Karya /IPK*).

<sup>40</sup> Pemuda Pancasila was born October 1959. Pemuda Pancasila is Indonesian paramilitary organization and very close to the New Order and military. Pemuda Pancasila founded by Association of Supporters of Indonesian Independence (*Ikatan Pendukung Kemerdekaan Indonesia/IPKI*). IPKI is a political instrument of the military leaders who are still active in the military at that time. A. Yani and A.H. Nasution as a founding fathers. They cannot directly active in politics, because the law prohibits the military actively engaged in practical politics. IPKI created to protect the country from the influence of the Communist Party of Indonesia (*Partai Komunis Indonesia/PKI*), which is the communist ideology. Every movement PKI always controlled and overshadowed by IPKI. When PKI set up an organization Pemuda Rakyat, then the IPKI formed PP on October 28, 1959. See Ryter, 1998:54.

the ensuing melee, escalate the rivalry between the Indonesian people and the Communist Party of Indonesia (*Partai Komunis Indonesia/PKI*). Other New Order-era youth organizations include the Youth Organizations for Sons and Daughters of Indonesian Retired Military Officers (*Forum Komunikasi Putra Putri Purnawiran Indonesia/FKPPI*).<sup>41</sup> Currently, Pancasila Youth (PP) has a strong rival in the Association of Functional Group Youths (*Ikatan Pemuda Karya/IPK*).<sup>42</sup> The Association of Functional Group Youths (*Ikatan Pemuda Karya/IPK*) is widely believed to dominate the illegal gambling industry in the city of North Sumatra. It is no doubt that North Sumatra has clearly the presence of youth organization in post-authoritarian Indonesia. These paramilitary youth groups act as a kind of private army with their camouflage uniforms that can be mobilized on behalf of the rich, powerful, ruthless people. As patronage networks under authoritarian networks dried up, however, such groups have been forced to seek new avenues to survive. One such avenue is to provide political parties with a well-oiled apparatus of violence, especially during election periods. This collaboration between local politicians and youth organizations has metastasized to every local district of Indonesia. In the era following the Suharto regime, these so-called “youth organizations” seek their financing by defending the interests of local oligarchical political networks. Later, it became standard practice for local political leaders to support these thug’s networks. In some cases, the head of such thug organizations is also involved in the local political contests.

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<sup>41</sup> In the late 1980s and early 1990s, emerging national youth groups and supporters of Golkar is Communications forum for sons and daughters of Indonesian retired military officers (*Forum Komunikasi Putra Putri Purnawiran Indonesia/FKPPI*). FKPPPI is a group of children of retired Armed Forces, which in the New Order led by the son of the New Order, Suharto, namely Bambang Trihatmodjo. FKPPPI activities do not much differ from the other youth organizations such as PP and IPK.

<sup>42</sup> Association of Functional Group Youths (*Ikatan Pemuda Karya/IPK*) was established in Medan North Sumatra on August 28, 1969 by its founder Olo Panggabean. IPK is a continuation of the Central Labor Organization Pancasila (*Sentral Organisasi Buruh Pancasila /SOB Pancasila*) in 1954. IPK was established also as a result of a split in the organization Pemuda Pancasila. Hadiz explained that the IPK dominate the illegal gambling business in Medan. See Hadiz, 2010:23.

Third, business people in North Sumatra have an enormous power to influence society. After 1998, many business people entered politics through parliament or even became head of local government as mayors. It is certain that business people will become increasingly involved in contests over local politics out of necessity to protect their interests. They are well-known North Sumatra cases of this personified in business person and politicians such as Yopie Batubara elected in 2004 as a member of the Regional Representatives Council (*Dewan Perwakilan Daerah/DPD*) representing North Sumatra, and Abdullah as a mayor in Medan in 2009 (Hadiz, 2010: 113).

Fourth, traditional leaders (clerics) are those who have social standing and are respected in their community. Local community leaders are typically individuals who have a relatively high amount of social standing in the more extensive social networks of their region. This position lends gravitas to the advice offered by such leaders and can sway the community in taking action or making decisions. The primary difference between formal and traditional leaders is that a traditional leader does not hold a position or formal authority. However, the traditional leader can influence the success of an official leader.

Fifth, a political party will be most influential in provinces when one party dominates the provincial government. Collusion between political parties and provincial parliaments can lead to the rapid realization of new districts even without significant local support by the citizenry. In most districts, however, the machinery of local political parties also benefits from the support of party allies in the local bureaucracy and assembly. The orientation of such machinery is hierarchical because the local officials are linked to political parties at higher levels of the Indonesian state. The candidates of political parties often seek electoral support through personalized offers of vote buying and patronage. Even if they distribute these payments without the assistance of grassroots political support, then the political party will

look for other candidates who have more significant financial resources. Furthermore, a political party can help some candidates to distribute vote payments through their affiliated youth wings. Some political parties are becoming involved in the efforts to mobilize voters, so it is essential to discuss the ascendance of political party machines. Because of decades of nearly uninterrupted control over the governor's office, The Party of Functional Groups (*Partai Golongan Karya/Golkar*) is the party with the most influence in the provincial bureaucracy of North Sumatra. The Golkar have successfully established such a machine in North Sumatra and have subsequently obtained control of the governor's office. Gubernatorial power over the provincial bureaucracy confers access to patronage and allows the Golkar party to appoint loyalists to strategic positions, especially in new districts.

### ***2.3.2. Military***

The military role in politics and business has already been described by Huntington. Huntington divides the military within the framework of civil-military relations into two types, namely, professional and praetorian military. Huntington provides elaboration on the growth of military professionalism that has three key features. The first feature is the military profession that requires specialized knowledge and skills. The second, a military has a social responsibility and fundamental duty to the state. The third is the corporate character that spawned feeling of spirit of the corps (Huntington, 1959: 7).

These characteristics of a professional military would change the objectives of the military which would become the basis for military and state relations. This rationalization on behalf of the military creates the recognition of the nation-state as the highest form of political organization. The core of the military mind is an ideology, which contains the recognition of professional military against the civilian government supremacy. As military intervention is

not within the modus operandi of a professional military, Huntington considered any signs of military intervention in politics to be endemic of political decay and regarded as a setback towards a praetorian society (Huntington, 1968: 18).

The praetorian military is a military that arises as a result of dissatisfaction with the civilian leadership. Sustained dissatisfaction typically foments a rebellion of the civilian government by the military. Perlmutter explains that praetorian governance often arises in nations during a transition era or ideologically fragmented society. During such a period, the military typically tries to improve its perceived legitimacy by changing the constitution and taking control of state functions. However, the resulting political instability coupled with casting-down of elected political officials leads to a negative view of the professionalism of the military by the civilian populace (Perlmutter, 1977: 297).

Several years after Huntington's publication, Morris Janowitz (1964) published his most important work *The Professional Soldier*, which had a significant impact on the study of the military. The book provides an understanding of several conceptual models for systemic political control by armed forces. Janowitz's central thesis is that the institution of the military must continuously be adapting the socio-political conditions present in society (Janowitz, 1964: 83). In other words, facing the complex and constant changes, the military must find a way to perform a series of adaptations.

Janowitz argues that the changes in a social and political system will result in the military attempting to adapt to the new climate. In general, it appears that the end of the cold war and technological advances, as well as socio-cultural evolution, has led to the decreasing use of mass armies. Militaries no longer engage in pitched battles but instead participate in maintaining peace in areas of conflict, combating international terrorism, and providing security to humanitarian missions in various parts of the world. In this new socio-political

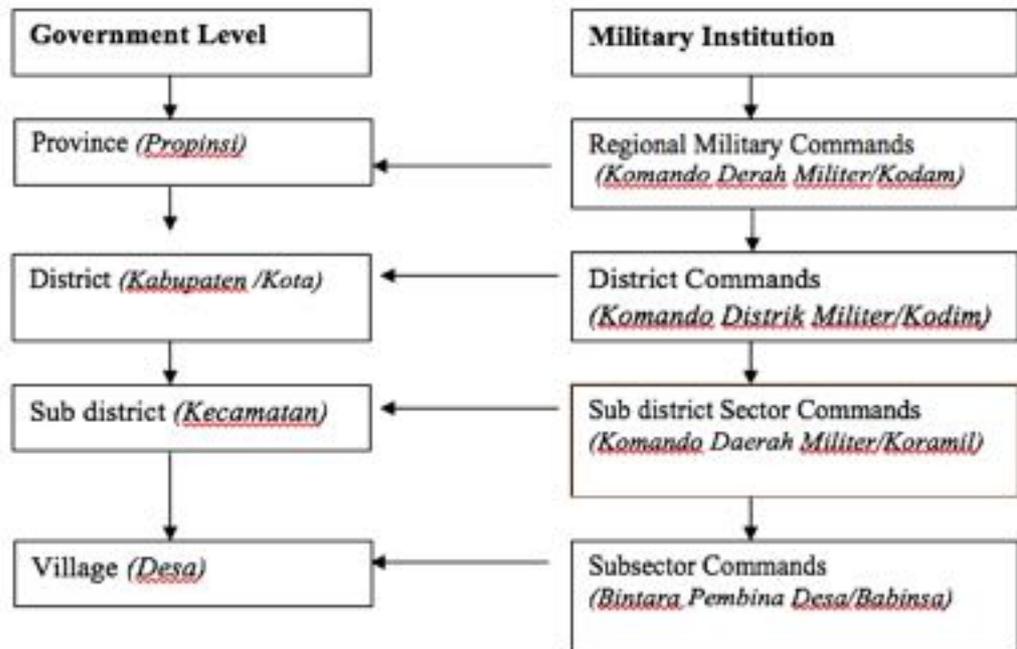
constellation, the military is required to have a rapid reaction capability. Janowitz terms the capability as constabulary forces, the kind of professional force with a smaller number who can move nimbly and quickly. The noticeable changes in that new environment are in the institutional structure and the military function.

In line with Janowitz, Caforio mentioned there are at least five variables which significantly influence the structure of a military organization. Five variables such as the level of economic development, technological advances, the changes in socio-cultural, the geopolitical environment and the organization's mission (Caforio,2006: 28). These environmental influences have forced many militaries to adapt its military organization with new social and political system.

Furthermore, based on the military concepts of Huntington and Janowitz shows that the construction of the military in Indonesia is dynamic. Military strategy in politics and business in Post Suharto era has changed compared to the military in the Suharto era. However, the military still has the same character to maintain the existence of politics and business in Indonesia at the national and local levels.

In the era of Suharto (1966-1998), the role of the military was enormous. Dual function (*dwifungsi*) doctrine has given the military power to control security and social politics. In the name of maintaining political and economic stability, the military silenced the people's right to express opinions, violations of human rights, and prevent people's political participation that was inconsistent with the interests of the authoritarian regime of Suharto. The military also established territorial commands institutions to maintain the authoritarian regime of Suharto as a shadow government to oversee the performance of local government.

Fig. 2.1. Structure of Local Government and Military Institution



Source: Nugraha, 2010

The figure 2.1 shows that the military built the Regional Military Commands (*Komando Daerah Militer/Kodam*) to control the provincial government, District Commands (*Komando Distrik Militer/Kodim*) to supervise the district, Subdistrict Sector Commands (*Komando Daerah Militer/Koramil*) to monitor the sub-district, and subsector Commands (*Bintara Pembina Desa/Babinsa*) to oversee the village level.

The military territorial command system created by the authoritarian regime of Suharto to control local government and local people. The military in Suharto era was called a praetorian, in which the military was powerful in controlling the system of government and local society. Then how is the military post-Suharto regime?

Post-Suharto era, the military adapted to the changing socio-political system in Indonesia. The military's adaptation is to conduct internal military reforms. However, military reform never really occurred. There are three important factors to prove that the military is not serious to reform internally. First, since the reformation era in 1998, the Indonesian people

demanded immediate military reform. As a military effort to respond to the aspirations of society, the military published a new military paradigm. The important point of the new military paradigm was to assert that the military position does not always in a central position and also the change of military approach to influences people from directly to indirectly. However, the new military paradigm still insists that the military is not yet willing to leave the political arena. The military still wants to influence the politics indirectly. Therefore, the military still exists as a member of parliament and they have a direct opportunity to control the political process in Indonesia.

Second, according to Law No. 34/2004, the Indonesian military should go back to barracks and reduce or eliminate military politics and liquidate military businesses. Despite the passing of this law, however, the military still exists in both realms. Even, in presidential election 2009, there were three presidential and vice presidential candidates from the military namely Susilo Bambang Yudhoyono, Wiranto, and Prabowo Subianto.

Third, after Suharto regime, Indonesian people's aspiration for military reform is to abolish the territorial command at the local level. Maintaining the territorial command is contrary to the effort to create a professional military. However, from the fall of the Suharto regime until now, territorial command at the local level still exists. Military argues that a function of territorial command still needed to carry out the duty of defense and security of the State. In the New Order era, the territorial command function has created political stability and security, as well as improving the process of modernization.

There are several reasons to explain why it is difficult to eliminate military's involvement in Indonesian politics. First, the existence of historical factors in Indonesia. The military is part of the socio-political forces that have had a role in the independence of Indonesia. Harold Crouch describes the military of Indonesia as being involved in the struggle

for independence since 1945-1965 (Crouch, 1986: 312). After the transition of power in 1945, the military officially accepted the preeminence of civilian authority. Since then, the military elite has assumed that the military's role in politics would not be needed. The role of the military in the Old Order and the New Order is not only part of national defense but also as an actor in the social, economic and political systems of Indonesia.

Second, the military as a national savior could maintain political stability by securing the process of economic development. In other words, only the military is considered capable of preserving the national ideology, when the civilian political elite is not able to do so. In actuality, this is never the case. Military forces that have access to socio-political control present an enormous potential problem in Indonesian politics. In the Suharto era, the military was an instrument to control social life, politics, and economy at all possible tiers of society. As the result of having had authoritarian governments, the Indonesian military has, over the course of many years, managed to absorb a significant amount of socio-political power. Consequently, any attempt made by civilian actors to reduce the disproportionate amount of influence they wield will inevitably fail.

Third, Suharto's authoritarian regime led to the formation of a hybrid regime that was an amalgam of authoritarian control mechanisms of the fourth estate coupled with faux-democratic elections.<sup>43</sup> Indonesia was undemocratic at that time because of the violence against freedom of the press and human rights. However, simultaneously, Indonesia had direct elections. According to Menocal, there are some characteristics of hybrid regimes in Indonesia such as public does not believe the state's political institutions like political parties and legislative (Menocal,2008:29).

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<sup>43</sup> Hybrid regime is a semi-democratic system of governance. See Gagne, 2012: 17.

Fourth, the military is capable of maintaining its internal cohesion across multiple political contexts as the result of military camaraderie and inherently hierarchical nature of the organization. Moreover, there is a tradition in Indonesia that military retirees who are involved in practical politics are still active in pro-military social networks that act as a voting bloc.

However, after the New Order era, the military has lost the patronage of the Suharto administration. As such, the military must adapt to the new social and political system through military-civilian collaboration. This paper and the accompanying research will focus on the role of military business as a means of establishing military businesses in local governments. Before the author explains military business and local politics, we should understand the characteristics of the military in Indonesia in Suharto and Post Suharto era. The characteristics are significant to explain how the military operates their business network (Woo, 2011: 64).

## Chapter 3

### Military Business in Indonesia

#### 3.1. Military Business in Suharto Era

##### *3.1.1. Characterizing of Military*

###### *a. Praetorian*

The history of Indonesian military institutions cannot be separated from the existence of military business itself, primarily as a consequence of the guerrilla resistance to Dutch colonial powers in 1945. Although legislation that sought to include the military budget a piece of the overall national budget was enacted; the military did not reduce their participation in local business. The military continues to self-fund by maintaining the dual roles of the national security force and provider of services.

Since the beginning of Indonesian independence, the military has developed the self-perception that it possesses the authority to control the state. This conception is bolstered by their ability to conceal their expenses from the central government. Further, because the military is not directly subordinate to the central government, the military is not directly accountable to the central government.

Almos Perlmutter defines “praetorian” as a type of military government that sanctions the right to use force against civilian governments if the military deems such force legitimate and in the best interests of the civilian populace (Perlmutter, 2013: 276). A praetorian state is thus a country where military intervention in government dominates the executive body. Under praetorian government, the states political processes are run for and by the benefit of the military. The military must often alter the constitution, centralize political power, and

expand its scope within society to accumulate such power. Interventionism by the military controls the state and depose democratically elected civilian governments resulting in an increase in negative attitudes towards the military by the civilian populace.

According to Jenkins, the military under the Suharto regime could be classified as “praetorian.” During this period, the Indonesian military-dominated politics by stifling political opposition with violence. In the New Order era, the military was essential for Suharto to maintain his power within the state. Praetorian characteristics manifested themselves during the Suharto regime in three ways: depoliticization, the creation of a “floating mass” of voters with no political affiliations to anyone except Golkar, and the use of the military to strong-arm municipal and regional governments (Jenkins, 2010: 29)

First, the New Order government and the Indonesian military (*Angkatan Bersenjata Republik Indonesia/ABRI*) relied heavily on the process of depoliticization to introduce notions of militaristic hierarchy to the Indonesian bureaucracy (Gaffar, 2005: 131). The New Order government had three instruments of political power: the military, the Golkar party, and the bureaucracy. These three political institutions are the primary policy drivers that formulate various political and economic policies and thereby have broad influence on Indonesian society. The bureaucracy occupies a strategic position by regulating political policy and providing a framework for evaluating and implementing policy. Under the Soeharto government, the concept of bureaucracy was expanded to include the operational hierarchy of military organizations. Civil servants were pressed into an organization called the Corps of Indonesian Civil Servants (*Korps Pegawai Republik Indonesia/ KORPRI*) stipulated under Presidential Decree No.82/1971. The Corps of Indonesian Civil Servants as the only organization to collect and nurture all civil servants of the Republic of Indonesia. The strategy of corporatism aims to control and mobilize civil servants. Single organization for civil

servants will be more easily controlled and directed to support Golkar in every election in the New Order era. Policy directives, such as loyalty programs that targeted public and private employees, served to hone the bureaucracy into a semi-military organization. These policy directives limited the political expression of the civilian populace by adding damaging social and political consequences to anyone who failed to support the Golkar party. A formal decree from the Corps of Indonesian Civil Servants congress of 1973 and 1975 solidified the organization's political commitment to the Golkar party.

This open declaration proves that the *modus-operandi* of the bureaucracy is to maintain the existence and the political primacy of the Golkar in perpetuity. The hiring of additional civil servants and thus the expansion of the bureaucracy is aimed at ensuring that Golkar always get a majority vote in the election because civil servants are required to vote Golkar lest they be fired.

Second, the term “floating mass” is a unique political feature of Suharto era politics in Indonesia.<sup>44</sup> The term describes a spate of Suharto era policies that specifically targeted non-Golkar voters with intimidation and social repercussions. Individuals who possessed a political affiliation with any organization other than the Golkar party dubbed fanatics by the state. So-called fanatics faced social and economic consequences coupled with physical

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<sup>44</sup> During the New Order period, there were 3 political parties, first, the unity development party (*Partai Persatuan Pembangunan/PPP*). PPP was established on January 5<sup>th</sup>, 1973. PPP is a combination of four major Islamic parties, namely the Nadhlatul Ulama Party (*Partai Nadhatul Ulama/NU*), the Indonesian Muslim Party (*Partai Muslim Indonesia/Parmusi*), the Islamic Sarekat Party of Indonesia (*Partai Sarikat Islam Indonesia/PSII*) and the Islamic Party (*Partai Islam/Perti*). Second, Golkar (*Golongan Karya/Golkar*). Golkar formed at the end of President Sukarno era in 1964 by the Army. At that time Golkar was established to rival the Indonesian Communist Party (*Partai Komunis Indonesia/PKI*). Golkar has grown into a vast and massive political party. Golkar became a new political force in Indonesia. At that time, it could be said that Soeharto was the main force behind Golkar, in addition to bureaucracy and military. It evidenced that Golkar has always been the winner of a single majority in elections and parliaments from 1971, 1977, 1982, 1987, 1992, and 1997. Third, the Indonesian Democratic Party (*Partai Demokrasi Indonesia/PDI*). PDI was a political party during the New Order period. PDI was established on January 10<sup>th</sup>, 1973. PDI was a combination of these five political parties initially centralized in the areas of East Java and Central Java. The five political parties are Indonesian National Party (*Partai Nasional Indonesia/PNI*), Indonesian Christian Party (*Partai Kristen Indonesia/Parkindo*), Catholic Party (*Partai Katolik*), League of Supporters of Indonesian Independence (*Ikatan Pendukung Kemerdekaan Indonesia/IPKI*), and Murba (*Partai Murba*).

intimidation and death threats (Agnew, 2006: 342). Non-Golkar parties were allowed to exist at the district level; however, they were not allowed to maintain branches at the municipal level. The purpose of the strategy was to encourage the compartmentalization of political party ideology for non-Golkar voters.

Third, the praetorian tendencies of the military were revealed through the manner in which they controlled state institutions. The New Order elites, who themselves tended to be high-ranking military officials or similarly placed bureaucrats, strengthened their power by controlling the legislative and judicial arms of government (Fatah, 2000: 187). Consequently, the military emerged as a dominant force of political, economic, and social facets of Indonesian society. According to Masoed, the military control of the government was assisted by oligopolistic business people to enact repressive measures to stymie the acquisition of political power by non-Golkar parties (Masoed, 1989: 12). A similar argument is offered by Dwight Y. King who also considered Indonesia an authoritarian regime. According to King, supreme political authority in Indonesia rests in the military as an institution, because it presides over a consultative policy position that enables it to maintain a central role in the greater bureaucratic structure of Indonesia (King, 1998: 23). Schmitter also offered a model to describe the emergence of state corporatism in authoritarian governments (O'Donnell and Schmitter, 1986: 15).<sup>45</sup>

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<sup>45</sup> According to Schmitter, corporatism is a system of interest representation in which the forming units arranged in the limited and singular organizations. This system requires the members of the regime do not compete against each other. Organized hierarchically and every political process should be recognized or authorized by the state. They give monopoly right to crony members for their interest in its respective fields in exchange for a willingness to support some key figures in the selection of their leaders. The state corporatism is also a segmented political strategy because the State requires lower class organizations (such as trade unions) to be passive; meanwhile, the state allows dominant upper-class interests and business privatizations. In other words, the representation of the lower-class interests is limited, while the representation of the upper-class interests is allowed. For example, the rejection of the lower-class aspirations and at the same time allowing the state to benefit the upper-class effects emerges of state corporatism.

### ***b. Patron-Client System***

Under the conventional understanding of patron-client relationships, a patron is typically someone who possesses power, status, authority, and influence. Meanwhile, the client is defined by their subordination to a patron to obtain services or goods. In traditional models of patronism, such relationships are understood to be hierarchical, however, in modern time, this is not necessarily the case.

Based on research done by Barker and Klinken (2009), Benedict Anderson (2010) argues that character of the Indonesian military under the Suharto era was that of a patron-client system. The military was not only working under the instruction of Suharto but also as an essential instrument to maintain the political and economic stability of his regime.

Centralizing policies undertaken by the Suharto government resulted in political power accruing at the upper echelons of the Indonesian government while simultaneously attenuating local governments of any power. This deprivation of political power and economic resources resulted in a dire need for local governments to make concessions and political alliances with the national Golkar government. As a result, political recruitment occurred by subordinating municipal governments as clients to the patron Golkar central government. This resulted in economic resources and government positions being doled out by the Golkar party and the military (Djafar, 2005: 157).

As a result of this system, there was a lot of public officer recruitment based on political patronage rather than on meritocratic characteristics like expertise or leadership. Many incumbents received resistance from the public because they did not have the skills and capabilities to manage their patronage-assigned political stations correctly. These patronage appointments led to increases in the instances of corruption, collusion, and nepotism inside of political and bureaucratic institutions. In the Suharto era, many military retirees received

public positions such as the head of state enterprises, cabinet ministers, as heads of local government, and others. The backlash to these corrupt appointments resulted in the Golkar party and military using violence and intimidation to quell civilian unrest (Croissant, 2011: 14). The Golkar party began to obfuscate the appointment of public officials to avoid civil unrest. In unison, these forces served to isolate the average Indonesian from public policy and ensure that a small group of Jakarta's elites held the reigns of political power. However, even though the formulation of public policy in Indonesia no longer involved the community; the implementation of such policy still required the involvement of the people. The necessary civic participation resulted in many government policies receiving resistance from the local people because it did not coincide with the aspirations of the civilian populace.

### ***3.1.2. Military Business Model***

#### ***a. Land Grabbing***

Land grabbing by the military began in the 1950s during the tumultuous transitional period after the independence of Indonesia in 1945. According to research conducted by Wiratraman, military-run land grabbing was divided into three periods; the 1950-1958 period of the independence revolution, the 1958-1965 guided democracy (*demokrasi terpimpin*), and the 1965-1976 period during the beginning of the New Order era (Wiratraman,2001: 6).

First, the period of 1950-1958 was the beginning of the land grabbing by the military. Some of such acquisitions were made voluntarily, such as when farmers gave land to the military as a place of rest or to use as training grounds. The willingness of the farmers to relinquish their personal property illustrates the kindred sentiments that existed between the people and the military in the spirit of maintaining the Indonesian independence. The people

not only handed over land and houses but also provided food to the military who were fighting against the Dutch colonialist forces.

Second, the behaviour of the military between 1958-1965 demonstrates a turn towards aggressively intervening in politics and economics at the central and regional levels. To combat the increasing growth of the communist movement, the military used force to seize control over many of the previously Dutch colonial extraction enterprises. After these company were nationalized, the military continued its role in the management of the newly-reformed companies. Under Sukarno's guided democracy system during this period, the military seized control the lands, plantations, and mining operations. At the time, Sukarno depended on the military to maintain the security of the state and to achieve foreign policy objectives. Meanwhile, the military also depended on the presidency of Sukarno to legitimize and support the military's role in forceful appropriation of land and businesses. The land grabs that occurred during this period prove that the military wants to gain economic advantages. The land grabs in 1958 by the military was made possible because the guided democracy political system had provided support to the military for the occupation of land, plantations, corporations, and other economic activities.<sup>46</sup>

Third, the rate of forceful territorial acquisition by the military from the people increased between 1965 and 1976 under the Suharto administration. The period of 1965-1976 was marked by the tragedy of The Thirtieth of September Movement 1965 (*Gerakan 30 September 1965*). In an attempt to resolve the political turmoil created by this event, the military established Command for Restoring Security and Order (*Komando Pemulihan Keamanan dan Ketertiban/Kopkamtib*) in 1966. Furthermore, the military also formed the Intelligence Coordinating Agency (*Badan Koordinasi Intelijen/Bakin*) to act as a security

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<sup>46</sup> Land grabbing in this period such as Sukorejo (Sidorajo district, east java) by Army, Grati (Pasuruan district) and Bentar (Probolinggo district) cases by the navy, Ponggok (Blitar district), Karangdiyeng (Mojokerto district) cases by air force. See Wiratraman, 2004: 12.

organization within the military whose main task was to monitor military affairs and identify any potential communist sympathizers in local and national government.

Following the communist tragedy of 1965, the military, fearing that such an event could occur again, began a vicious and bloody anti-communist inquisition that led to the deaths of millions of Indonesians. The military claims that many farmers were part of the members of the communist party.<sup>47</sup> Many farmers who are members of the Front of Indonesian Farmers (*Barisan Tani Indonesia/BTI*), which itself was sub-organization of the Indonesian Communist Party (*Partai Komunis Indonesia/PKI*) and farmers without any communist affiliations were detained, tortured, or killed under the pretext of being communist sympathizers. Furthermore, the military seized all available holdings and assets of anyone accused of aiding the communist party. In actuality, this practice of land seizure was used to enrich local military officials. When farmers left their land, the military took over the land for development reasons and needs of the military to obtain better welfare facilities, such as the development of a plantation company (Wiratraman, 2004: 8). The military, as a result of its land acquisitions, had a large presence in local areas that easily enabled it quickly conduct anti-communist operations and identify potential communist threats.<sup>48</sup>

Land grabs of civilian estates by security organizations both national and local occurred in many parts of Indonesia and involved the army (*Angkatan Darat/AD*), air force (*Angkatan Udara/AU*), navy (*Angkatan Laut/AL*), and police.

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<sup>47</sup> Three categories were created to assess the likelihood of a communist threat. Category A was reserved for individuals believed to be directly involved in the The Thirtieth of September Movement 1965 (*Gerakan 30 September 1965*). Category B subsisted of individuals accused of being active in aiding or in another way abetting the Communist Party. Finally, Category C members consisted of individuals with ties to the mass organization under communist party.

<sup>48</sup> Land grabbing in 1657-1976 such as Ngrangkah Sepawon (Kediri district), Pandanwangi (Lumajang district) cases by army, Banongan (Situbondo district), Blanguan (Situbondo district) cases by navy. See Wiratraman, 2004: 13.

### ***b. State Owned Enterprises (Badan Usaha Milik Negara/BUMN)***

The establishment of state-owned enterprises through 1957 to 1959 was a response to the large-scale nationalization of the Dutch companies.<sup>49</sup> The state-owned enterprises that are controlled primarily by army officers have become one of the leading actors in the Indonesian economy. State-owned companies under military operation have two primary functions. First, state-owned enterprise serves as a facilitator for private capital accumulation by high ranking military officials. Second, state-owned companies act as a source of funding for the military. There were some generals of the army in essential positions in State Owned Enterprises (*Badan Usaha Milik Negara/BUMN*) such as Ibnu Sutowo in National Oil Company (*Perusahaan Tambang Milik Negara/Pertamina*),<sup>50</sup> Abdul D. Mangundiharjo (police), Dadad Kustina (army), and A.A. Nasution as a commissioner in Telecommunication company (*Perusahaan Telekomunikasi/ PT. Telkom*).<sup>51</sup> Radius Prawiro (army) in Indonesian Bank (*Bank Indonesia/BI*),<sup>52</sup> Sarwono Warnopuspito (army), Togi M. Hutagaol (army) as a

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<sup>49</sup> President Sukarno, seeking to decolonize Indonesia, formally placed nationalized Dutch companies under the supervision of Indonesia military officers. This nationalization effort continued with the taking over of British and US firms by the government in the mid-1960s. The control over these businesses was again granted to the military. These strategies were intended to solve the severe budget shortfalls of the military by supplementing their revenue with the profitable institutions of the previous colonial power. Consequently, the military had also become heavily involved in the management of state-owned enterprises. The management of National Oil Company (*Perusahaan Tambang Milik Negara/Pertamina*), a giant oil company, and the National Logistics Agency (*Badan Urusan Logistik/Bulog*) also fell under the control of military leadership during the 1960s. Profits from these businesses which were fundamentally non-military were requisitioned by the military and used to fund the salaries of soldiers and the purchase equipment and arms. See Crouch, 1986: 43.

<sup>50</sup> The first drilling of oil wells in Indonesia by the Dutch in 1871 in Cirebon (West Java). When Indonesia became independent, the Dutch company was nationalized into a state-owned Indonesian company. Pertamina is an oil and gas company owned by the Government of Indonesia and established since December 10, 1957 under the name Pertamina. In 1968 renamed Pertamina to date.

<sup>51</sup> In 1882, the Dutch government established a postal service and telegraph company. Communications services were also consolidated by the Dutch Government into Telegraph Telefoon and Postal companies (PTT). After Indonesian independence, in 1961, PTT was changed to State Enterprise Post and Telecommunication. In 1965, Postal and telecommunication companies were divided into two companies, namely Postal and Telecommunication Companies. In 1974, the Telecommunications company was renamed to Public Telecommunication Company which operates national and international telecommunications services.

<sup>52</sup> The origin of Indonesian Bank (*Bank Indonesia/BI*) was the *De Javasche Bank* (DJB) established in 1828. The Indonesian government in 1951 nationalized DJB. Furthermore, on July 1<sup>st</sup>, 1953, the Government of Indonesia enacted the Law of Indonesian Bank and stated that Indonesia already has a central bank called Indonesian Bank (*Bank Indonesia/BI*).

commissioner in Indonesian State Bank (*Bank Negara Indonesia/BNI*),<sup>53</sup> and General Ahmad Tirtosudiro (army) in the Bureau of Logistics (*Badan Urusan Logistik/Bulog*)<sup>54</sup> (Samego, 1998: 24).

State-owned enterprise operated within several economic sectors at the beginning of the New Order (Crouch, 1986: 312). In 1957, the Army Chief of Staff (*Kepala Staf Angkatan Darat/KASAD*) Mayor General AH. Nasution instructed Colonel Ibnu Sutowo to take over an abandoned oil field in Sumatra province. This oil company, named Permina (*Perusahaan Tambang Milik Negara/ Pertamina*), would later become an indispensable financial asset for the military. Permina came to a high degree of profitability under the Sukarno era after foreign investment by a Japanese business group. After 1966, The military took control over Permina and merged it with two other Indonesian oil companies and changed the companies to “Pertamina”. At the beginning of New Order, this oil company was progressing rapidly and diversified into non-oil sectors, until profitability decreased in the mid-1970s. The profits achieved by Pertamina in the early years of the New Order were mainly used to fulfill the financial desires of the military and its leaders. Although it is theoretically a government-owned company, in practically Pertamina is a private company controlled by the military (Crouch, 1986: 318).

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<sup>53</sup> Indonesian State Bank (*Bank Negara Indonesia/BNI*) was established on July 5<sup>th</sup>, 1946. BNI became the first state-owned bank after Indonesian independence

<sup>54</sup> Bureau of Logistics (*Badan Urusan Logistik/Bulog*) formed in 1967 aims to secure the provision of food in order to support the existence of the New Order Government. in 1969, Bulog's main task was to stabilize rice prices and support the development of multi commodity food commodities. in 1993, Bulog has the responsibility of coordinating food development and improving the quality of food nutrition.

*c. Foundations and Cooperatives (Yayasan dan Koperasi)*

In the Indonesian militaries role as a manager of industry, the primary objective is to improve the welfare of soldiers. The inception of this objective began when Suharto became the commander of the army and created the legal framework for units in the military to fund through military-led business ventures. This self-funding operation was known as "*Operasi Karya*." Operationally, this policy directive provided the military command with the right to legally establish enterprises such as cooperatives and private corporations engaged in construction or trading activities (Infobank, 1992:15).

The chief general of the Suharto regime, Wirahadikusumah, established the Kartika Eka Paksi Foundation (*Yayasan Kartika Eka Paksi/YKEP*) in 1972. This step followed by another military institution, such as the Navy built Bhumyamca Foundation; the air force created Adi Upaya Foundation; and the police established Brata Bhakti Foundation, which all aimed to improve soldier's welfare. Each military institution also has the central cooperative at the national level. For examples Center Cooperative of Army (*Induk Koperasi Angkatan Darat/Inkopad*), Center Cooperative of Navy (*Induk Koperasi Angkatan Laut/Inkopal*), Center Cooperative of Air Force (*Induk Koperasi Angkatan Udara/Inkopau*) and Center Cooperative of Police (*Induk Koperasi Polisi/Inkoppol*).

District Military Command also established the following regional cooperatives: Army (*Primer Koperasi Angkatan Darat/Primkopad*), Primary Cooperative of Navy (*Primer Koperasi Angkatan Laut/Primkopal*), Primary Cooperative of Air Force (*Primer Koperasi Angkatan Udara/Primkopau*), and Primary Cooperative of Police (*Primer Koperasi Polisi/Primkoppol*) (Infobank, 1992). Though high-ranking state positions in state-run companies are primarily staffed by military officers, there is still a considerable necessity for such corporations to form affiliations with local and international business people.

The military operates their commercial operations by taking advantage of their dominant position in the formulation of developing policies, managing the bureaucracy, and making government decisions. These serve as the legalization of their involvement in economic enterprises. Further, by using the well-connected channels provided to them, some military officers manage to expand the scope of the business they manage. These channels confer a significant advantage to state-run military business over private citizens and entrepreneurs.

Another advantage of controlling the bureaucracy comes in facilitating the creation of arrangements between business and private corporations. Chinese-Indonesians corporations are favored partners for the leasing of military land because they possess the requisite capital to quickly develop commercial business activities such as logging, mining and palm oil plantations.

### *c.1. Army Business*

In the New Order era, the overall revenue generated by the Army's financing foundation vastly exceeds that of all other branches of the armed forces. The primary cause for this financial discrepancy is due to the Army's abundant access and ownership over vast swathes of public land. Also, there are several private companies and public companies under the network of the Army's Kartika Eka Paksi Foundation.

Table 3.1. Companies Under Kartika Eka Paksi Foundation

<b>No.</b>	<b>Company Name</b>	<b>Type of Business</b>
1.	PT. Tris Usaha Bhakti	Fuel, Coal
2.	PT. Truba Gatra Perkasa	Pulp & Paper, steel
3.	PT. Truba Jurong Engineering	Construction
4.	PT. Truba Sadaya Industri	Coal
5.	PT. Sakai Sakti	Manufacturing

6.	PT. Asuransi Cigna Indonesia	Insurance
7.	PT. Kayan River Indah	Timber, Plywood
8.	PT. Aerokarto Indonesia	Aerial Surveying and Mapping
9.	PT. Lukita Wahana Sari	Trading
10.	PT. Kultujaya Tri Usaha	Trading
11.	PT. Meranti Indah Sakti	Plywood
12.	PT. Meranti Sakti Indonesia	Plywood
13.	PT. Muna Mulia Djaya Bhakti	Trading
14.	PT. Cilegon Fabriators	Steel
15.	PT. Pondok Indah Padang Golf	Golf
16.	PT. Panca Usaha Palopo	Plywood
17.	PT. Sumber Mas Indonesia	Timber
18.	PT. Sinkron Indonesia Lestari	Mining
19.	PT. Sumber Mas Timber	Mining, Timber
20.	PT. Kayan River Timber Product	Timber
21.	PT. Privat Development Finance	Finance
22.	PT. International Timber Corporation	Timber
23.	PT. Bank Artha Graha	Banking
24.	PT. Danayasa Arta	Property
25.	PT. Sempati Air	Air Transport

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Source: Indonesia Corruption Watch, 2002

Table 3.1 explains the companies under the umbrella of the Kartika Eka Paksi Foundation. The foundation currently provides 13,700 units of cheap housing to soldiers for the cost of about 20 million USD. Also, this foundation also provides scholarships to talented children of soldiers and military retirees to pursue higher education and increase the overall economic standing of their family. From the 25 companies operating under the Kartika Eka Paksi Foundation, the most prominent companies are Artha Graha Bank and Sempati.

The total assets of the 25 companies under the Kartika Eka Paksi Foundation amount to 126 billion rupiahs (13 million USD). Individually, the Bank Artha Graha holds 311 billion rupiahs (30 million USD) in assets, Sempati, an airline company, holds 12 Boeing 747s valued at 1.3 trillion rupiahs (130 million USD) among other assets, while other companies

under this umbrella foundation hold assets worth between 25 to 100 billion rupiahs (2.5 to 10 million USD). Sempati has been able to generate at least 10 billion rupiahs per year for the army. The total wealth of Artha Graha Bank is 4.48 trillion rupiahs (448 million USD) with 37.3 billion rupiahs (3.7 million USD) of overall profit being used to subsidize the army. Meanwhile, the annual profitability of Sempati is estimated at 1 trillion rupiahs (100 million USD). 23 other assorted companies operating under the Eka foundation generate an annual 36.2 billion rupiahs (3.6 million USD) (Infobank, 1992: 16).

### *c.2. Navy Business*

The Navy is also heavily involved in economic activity through companies integrated into the Bhumyamca Foundation.

Table 3.2. Companies Under Bhumyamca Foundation

<b>No</b>	<b>Company Name</b>	<b>Type of Bussiness</b>
1.	PT. Admiral Line	Services
2.	PT. Yala Trada	Trading
3.	PT. Bhumyamca sekawan	Property
4.	PT. Yala Ladang Kurnia	Plantation
5.	PT. KGA	Plantation
6.	PT. Bank Bahari	Banking
7.	PT. Dok Koja Bahari	Services
8.	PT. ATMI	Electronics
9.	PT. Halmahera Kay	Timber
10.	PT. Bhumyamca Film	Film
11.	PT. Yala Persada Angkasa	Construction
12.	PT. Samudera Guna Maritim Utama	Construction
13.	PT. Yala Gada	Services
14.	PT. Yala Laut	Transportation
15.	PT. Yala Gitatama	Services

Source: Indonesia Corruption Watch, 2002

Table 3.2 describes the companies under the Bhumyamca Foundation. This foundation was established in 1964 and currently has no less than 15 companies under it. The scope of its operations encompasses commercial estates (rental of the building), export-import operations, cocoa plantations, electronic and maritime telecommunications, banking, shipping, and diving services. The foundation is already 28 years old, and its assets are currently estimated at around 200 billion rupiahs (20 million USD). Further, the Bhumyamca Foundation has also established two orphanages to accommodate children of Navy soldiers whose parents died. The school is now providing for about 100 orphans. The foundation also provides scholarships to academically apt children of Navy soldiers. The organization has also established a chain of schools named Hang Tuah which operates explicitly on naval bases. These schools accommodate about 22,000 students in almost in 130 locations. Out of the 15 companies operating under the Bhumyamca Foundation, the most prominent one is Bahari Bank withholds assets totaling 167 billion rupiahs (16 million USD) (Infobank, 1992: 20).

### *c.3. Air Force Business*

The involvement of the military in economic affairs under the Air Force is also staggering. The following is an accounting of companies managed by the Air Force-owned Adi Upaya Foundation.

Table 3.3. Companies Under Adi upaya Foundation

<b>No</b>	<b>Company Name</b>	<b>Type of Bussiness</b>
1.	PT. Chandra Dirgantara	Airplanes Spare Parts
2.	PT. Upaya Guna Dirgantara,	Container
3.	PT. Kresna Puri Dirgantara	Services
4.	PT. Dirgantara Husada	Chemical
5.	PT. Padang Golf Halim	Sport
6.	PT. Persa Purna Wira	Services
7.	PT. Surya Dirgantara	Services

8.	PT. Purna Wira Sarana	Services
9.	PT. Angkasa Puri	Hotel, construction
10.	PT. Angkasa Wana	Timber
11.	PT. Bank Angkasa	Banking
12.	PT. Aero Karto Indonesia	Remote sensing
13.	PT. Konstruksi Dirgantara	Construction
14.	PT. Dirgantara Air Service,	Services
15.	PT. Jasa Angkasa Semesta	Services, construction
16.	PT. Media Rona Dirgantara	Magazine
17.	PT. Green Delta	Timber
18.	PT. Cargo Dirgantara.	Services

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Source: Indonesia Corruption Watch, 2002

Table 3.3 shows the companies under the Adi Upaya Foundation. The diverse portfolio of the Adi Upaya Foundation includes 18 firms engaged in container services, airlines, aerial mapping, and education. Though the company operates many businesses, the golf course is favored by the foundation. Also, the Bank of Angkasa which is also an Adi Upaya foundation subsidiary also functions the management of the personal pension system for Air Force retirees. In the banking sector, this foundation has several partners who are conducting joint ventures in the private sector with assets totaling 166 billion rupiahs (17 million USD).

#### ***c.4. Police Business***

As a branch of the military at that time, police involvement in business is also quite prominent. The following are the companies under the police-run Brata Bhakti Foundation.

Table 3.4 Companies Under Brata Bhakti Foundation

No	Companies	Type of Business
1.	PT. Tansa Trisna	Trading, Timber, chemistry
2.	PT. Bhara Induk	Forest Business Right (HPH)
3.	PT. Bhara Union	HPH and Trading
4.	PT. Braja Tara	Transportation
5.	PT. Braja Tama	HPH, Trading, Hotel
6.	PT. Bhakti Bhayangkara	Insurance
7.	PT. Sapta Pursa Mandiri	Insurance
8.	PT. Bank Yudha Bhakti	Banking
9.	PT. Surya Satria	Wood

Source: Indonesia Corruption Watch, 2002

Table 3.4 shows the nine companies under the Brata Bhakti Foundation. One company named PT. Braja Tama is a subsidiary that runs a plantation business that spans 2,600 hectares of land in South Sukabumi. The foundation also owns the Bimantara Building on Kebon Sirih Street in Jakarta. The bulk of subsidiary dividends came in the form of interest on deposits, loan repayments, property rentals, and donations. In 1991, the dividends paid in capital amounted to 2.6 billion rupiahs (Infobank, 1992: 21). The overall results obtained by the company are usually used to improve the Brata Bhakti Foundation by developing human resources and research and development efforts. The most famous one is welfare group that includes a training academy, an official residence for police officers, a program that creates scholarships for gifted students of police officers, and orphanage related programs. In the field of research and development efforts, this foundation establishes companies that manage security firms and supplies their security tools. The foundations business portfolio also includes a 200-hectare shrimp farm. The wealth of the Yuda Bhakti Bank, another Brata Bhakti Foundation subsidiary, is estimated at 167 billion rupiahs (17 million USD) (Infobank, 1992: 22).

## **3.2 Military Business in Post-Suharto Regime**

### ***3.2.1. Collaboration: The Character of Military***

In the post-Suharto era, the military must be able to adapt and collaborate with a more democratic government. Collaboration means that the military will cooperate with the government, but the government should not interfere with military business. The collaboration can be explained through the dynamics of military relations with the regime.

#### ***a. Habibie: Military-Civilian Negotiation***

The Habibie period led to the most significant development of military reform in Indonesia. The era of President Habibie became quite a crucial turning point in the history of civil-military relations. In this period, the government reversed its previous policy positions on the legitimacy of so-called “military business.” For example, the new government enacted a series of new laws intended to create radical transformation in the political system by enabling voters to participate in direct elections with freedom of assembly and press. The political Reformation era fostered by President Habibie sought to reform the military by steadily disengaging the military from politics. However, such a task could not be accomplished quickly given that the military maintained much of its pre-Suharto era institutional power in the national, regional, and local levels of politics (Henry, 2005: 150).

After Suharto's fall, the military fell under the direction of General Wiranto. Wiranto had an excellent opportunity to stage a coup, however, President Habibie provided Wiranto with the flexibility to reform the military internally and thus avoided a conflict of powers. The President, on the one hand, required the military to suppress political dissidents who were dissatisfied economic inflation. On the contrary, the military needed the full backing of the president to maintain its private political interests (Mietzner, 2006: 29). The relationship

between the military and the Habibie administration was mutually beneficial for the self-reform of the state. Habibie needed the military to support his administration, and the military kept Habibie in a position of power to central their legitimacy and suppress those who wish to derail government's reform policy. Further, the military also needed Habibie as the President because he had the authority to determine who will become a senior military official.

Habibie also has the constitutional power to divide resources to the military and the military also has the legal power to plan for particular political agendas. So that mutually beneficial cooperation resulted in a condition where the military had the authority to formulate and reform itself. In return, the military promised not to intervene in government affairs. This alliance lasted until the end of 1998. The closeness between Habibie and Wiranto showed when Habibie asked Wiranto to assist Akbar Tanjung as general chairperson of Golkar party. Although Wiranto did not agree, he ultimately used his influence to support Akbar Tanjung.

The military reform that president Habibie strived for was the withdrawal of the military in regulating the civilian bureaucracy and holding of parliamentary positions. The expulsion of the military from positions in the civilian government occurred as a compromise for increased regional command in smallest municipalities of Indonesian society.<sup>55</sup> The military territorial command system consists of an extensive network covering areas ranging subdistricts, districts, provinces, and the center.

In fact, the practice of territorial control resulted in guerrilla warfare in the era of independence and was institutionalized in the 1950s. The military territorial command can control social functions and access financial resources outside the budget provided by the

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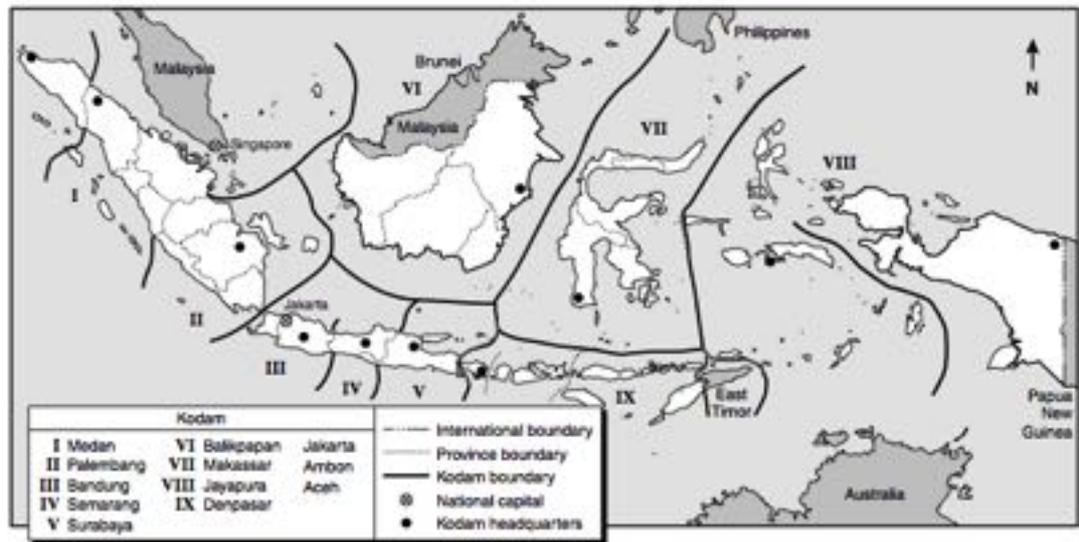
<sup>55</sup> Local conflicts broke out between 1999- 2001, especially in Ambon, Aceh, and Sulawesi. In this case, the military role became necessary to stabilize the situation when the police force was still unable to handle large-scale communal conflicts. Therefore, it makes hard to criticize the military, which during the time tried to expand their territorial command.

local government. As a consequence of this system, the military can operate autonomously from the state budget and the financial control of civilian governments. This autonomy is the continuation of Suharto era policies that used the local military offices as tools to control political dissidents. As no president has been able to reform such policies successfully, they continue until today.

Social criticism against former active military has convinced the military to reform itself. However, observers prematurely declared that military power had been reduced. Such judgments underestimate the fundamental character and nature of the military that has maintained its power through a structured social network that makes the military capable of self-funding.

The military initially expected to endorse presidential candidate BJ. Habibie, but eventually switched its support to Wahid as the result of concessions made by Wahid to the military. Then president-elect, Abdurrahman Wahid, conspired with the formal leader of the Indonesian military, Wiranto, to concede political power to the military in favor of the military's support in the coming election. According to Mietzner, that structural reforms that occurred as the result of these concessions helped the military to overturn the previous political reforms made to the Habibie government. Further, these concessions were legally formalized in the decentralization law of 1999 that enabled the transfer of political and financial authority from the central government to the local governments that were disproportionately controlled by local military actors.

Fig.3.1 Military – Territorial Commands Area



Source : National Security Research Division (Haseman, 2002)

Figure 3.1 shows the distribution of military bases across Indonesia. The military jurisdiction is not confined solely to the provincial level, but also to the smallest municipalities, such as villages. This condition certainly benefits the military not only in maintaining security and controlling the countryside. The military territorial command consists of 12 *Kodams* (provincial military divisions), 43 *Korems* (district level military divisions), 289 *Kodims* (One District Level), 3,390 *Koramil* (sub-district) and 50,000 *Babinsa* (village level) (Haseman, 2002: 18).

***b. Abdurrahman Wahid: Failure of Military Reform***

In 1999, the Golkar Party suffered defeat in the election, which leads to the subsequent resignation of Habibie from the presidency. As a result, the military sought to make compromises with other political parties and thereby ensure a favorable position should a non-Golkar party obtain the position of president. Consequently, before the presidential election in the parliament, the military changed the direction of its backing from the incumbent Golkar party to Abdurrahman Wahid, known as Gus Dur. This shift in loyalties

can be explained by a back-channel deal between Wiranto and Wahid to increase the military's presence in parliament in return for political support.

Wiranto gave instructions to military members of the National Parliament (*Dewan Perwakilan Rakyat/DPR-RI*) to cast votes for Abdurrahman Wahid. The Abdurrahman Wahid conflict began when Wiranto did not get the position of vice president. Instead, Megawati was appointed to the position of Vice President of the Abdurrahman Wahid administration as opposed to Wiranto. Abdurrahman Wahid maintained a policy position that disallowed any standing military officers from becoming ranking political officials.

Abdurrahman Wahid, much like Habibie before him, sought to reform the military by further decentralizing its power. In one such policy, Wahid created a standing police force by removing domestic security roles from the military. This division was formally added to the law by MPR Decree No. VI/MPR/2000 and MPR Decree No. VII/MPR/2000 on the Role of Military and Police. Accordingly, it is promulgated in Law No. 2/2002 on the Indonesian National Police and Law No. 3/2002 on National Defence (Mietzner, 2006: 220).

The Law on National Defence has been discussed since the era of President Abdurrahman Wahid and Mahfud as Minister of Defense (Haramain, 2004: 212). At that time, Abdurrahman Wahid wanted to reform the military by positioning the military under the Ministry of Defence. In other words, the military must be under the command of the civil servant operating as the minister of defense. However, generations of structured and institutionalized military power could not be undone by the formulation of a single law. Mahfud explained the original wording of Article 18 paragraph 4 stated that the military was responsible to the minister of defense, however on the day Article 18 was discussed in parliament the wording had been changed to indicate that the military was solely accountable to the president (Mahfud, 2007: 88).

Another one of Wahid's policies aimed at reducing the primacy of the Indonesia Army in politics was to appoint a navy commander as the head of joint forces. In addition to changing the head of joint forces, President Abdurrahman Wahid appointed Susilo Bambang Yudhoyono, Wiranto, and Agum Gumelar as ministers of non-military divisions of government. It was Abdurrahman's strategy to discontinue the military career of Susilo Bambang Yudhoyono, Wiranto, and Gumelar by placing them in non-military positions. Further, President Wahid introduced Mahfud as the first ever defense minister from a civilian background. Abdurrahman Wahid's policy was regarded as the most radical military reform supporting civilian supremacy over the military.

Furthermore, Abdurrahman Wahid learned that Wiranto was the most significant obstacle to military reform. Therefore, Abdurrahman Wahid tried to pass legislation and use his presidential discretion powers to eradicate Wiranto's patronage networks in the armed forces. As part of his plan to eliminate political dissidents in the military, Abdurrahman Wahid asked Matori Abdul Jalil, the Chairperson of the National Awakening Party (*Partai Kebangkitan Bangsa/PKB*), to search for suitable military officers to replace Wiranto supporters. This means that there were listed generals to cooperate with the president. Based on the records, General Agus Wirahadikusumah who was not satisfied with Wiranto's reformation model was a part of a small circle of military officers who sought Suharto era military patronage networks. President Abdurrahman Wahid dismissed Wiranto from the cabinet because of human rights violations in East Timor. After that, as Abdurrahman Wahid was inaugurating Agus Wirahadikusumah as chief of army strategic command (*Komando Strategis Angkatan Darat/Kostrad*) replacing Lt.Gen. Jaja Suparman who was formal support of Wiranto. After his inauguration, Agus Wirahadikusumah endeavored to create a new faction within the military dedicated to ensuring political reform by ensuring the military was

subordinate to the civilian government. The faction attempted to break the dominance of military academy alumni between 1970 and 1971. However, the most powerful Generals were from the Academy alumni of 1973. Some of them did not follow the group of Agus Wirahadikusumah, for example, Susilo Bambang Yudhoyono and Ryamizad Ryacudu.

Agus Wirahadikusumah was granted the position of the head of army staff under the presidency of Abdurrahman Wahid. The conservative faction within the army was threatened by the new round of military reform manifested in the appointment of Academy alumni from 1973. There are four factions within the military organization; Prabowo, Wiranto, Susilo Bambang Yudhoyono, and Ryamizard. Mietzner explains that most of the conservative army officers refused Agus Wirahadikusumah's radical reform agenda. Abdurrahman Wahid and Agus Wirahadikusumah rejected the slow implementation of military reform offered by the Susilo Bambang Yudhoyono and Ryamizard faction of the army in favor of more radical rapid reform (Mietzner,2006: 213). As the parliament also sided with the more conservative Susilo Bambang Yudhoyono and Ryamizard faction of the military that favored progressive reform, a significant rift between the presidency and the parliament and military began to form.

On February 2001, Parliament tried to impeach the current presidential incumbent Wahid with trumped up charges of corruption. In response, the parliaments call for his impeachment, Wahid issued a decree to disincorporate parliament and declared a state of national emergency. However, at that time, Hendriartono Sutarto, the Army Chief of Staff, signaled that the military would not comply with the orders of the president and, therefore, the impeachment would occur. In so declaring a state of emergency, President Abdurrahman Wahid inadvertently gave the military an opportunity to demonstrate their support for democratic processes and appear legitimate to civilian populace. Subsequently, the military

refused to decree a state of emergency and Wahid was impeached. Finally, Wahid's attempt at military reform and fundamentally internally restructuring the military failed because he did not correctly account for the ties between the parliament and the conservative faction of the military.

### *c. Megawati: Military Consolidation*

Megawati's government began the military consolidation period in 2001-2004. Under her leadership, Megawati sought to harmonize relations between civilian political institutions and military institutions. Megawati embraced the military by appointing some senior officers to be cabinet ministries, such as Susilo Bambang Yudhoyono and Hari Sabarno. Continuing a tradition that has been constructed by President Wahid, Megawati also appointed a Ministry of Defense from the civilian populous named Matori Abdul Djalil. Megawati restored General Sutarto as Military Commander. Meanwhile, Ryamizard Ryacudu appointed as chief of staff of the army.

Under the Megawati administration, ethnic conflicts that manifested as separatist movements erupted in Sampang Madura, Sambas Kalimantan, Maluku, North Maluku, Sulawesi. The military advised the Megawati administration to increase their annual budgetary spending in defense lest such uprisings go unsolved. As the current minister of defense, Matory Abdul Djalil, was terminally ill the military was allowed to bypass regulatory channels and speak directly to the president and parliament. The absence of a minister of defense enabled the military to break Indonesian parliamentary customs and speak directly to the parliament. As a result, the military was given a direct channel to air their economic grievances to parliament under the guise of security concerns.

After the Bali bombing in 2002, Ryamizad Ryacudu stated that it is time for the government to expand its intelligence network. Megawati and parliament agreed with the Ryamizad's proposal especially after the Australian embassy bombing in 2004. A rash of terrorism coupled with ethnic conflicts enabled the exact political circumstances for the military to regain national and political prominence.

***d. Susilo Bambang Yudhoyono: Military Revitalization***

Under the presidency of Susilo Bambang Yudhoyono, the government had minimal difficulty implementing military reforms as Susilo himself was an ex-general. In the first year of his leadership, Yudhoyono focused on exercising control over the military. Yudhoyono attempted to isolate leaders of the conservative military faction who could jeopardize his leadership as they had done to Wahid (Mietzner, 2006: 299). Yudhoyono revoked the nomination for General Ryamizad Ryacudu as a supreme military commander of joint armed forces, because of ideological disagreements over the rate at which reform should occur within the Indonesian military. During his time, as chief of staff of the army, Ryamizad was known to be resistant to military reform.

In the 2004 election, Yudhoyono did present a military reform platform. After his successful nomination to the presidency, Yudhoyono publishes guidelines stipulating the limitations of the military in the democratic process and financing. Yudhoyono was successfully embraced by many officers who later became part of a faction that agreed on how to solve the political unrest in Aceh that emerged under the Megawati administration. Yudhoyono and his supporters in the military used their power to marginalize the Ryamizad conservative military faction.

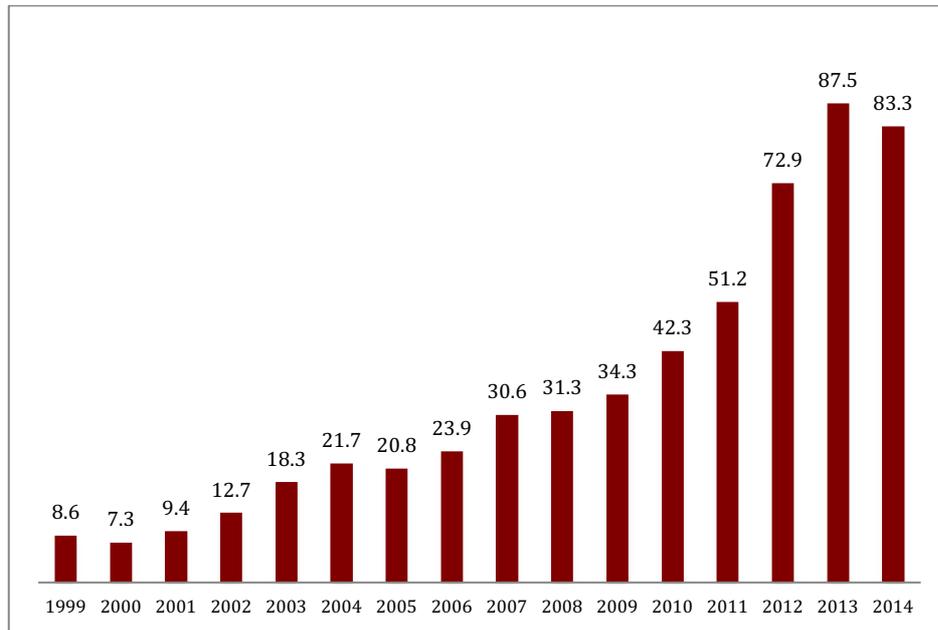
Under the Megawati administration, then chief-of-staff of the army General Ryamizard advocated for military action against separatists in Aceh; such policies, however, were not supported under the Yudhyono administration (*Gerakan Aceh Merdeka/GAM*).<sup>56</sup> Rather than continue to encourage the military to engage in repressive operations against civilian populations as it had done under the Suharto regime, President Yudhyono directed the military to focus on reducing their impact in politics and encouraged them to engage in professional development. To conclude, Yudhyono attenuated the influence of the conservative military generals by channeling their efforts into developing a sense of military professionalism and mitigate the historically thuggish tendencies of their institution. Though gradual reform of military occurred, it could not eliminate the territorial command system.

Yudhyono was able to invite other officers to enter the progressive reform faction. Further, he managed to resolve the problem of Aceh by a willingness to negotiate separately without the threat of military force. Although the Yudhyono administration was capable of encouraging some positive reforms in the military, the administration also spent significantly more on military expenses than previous other administrations.

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<sup>56</sup> Free Aceh Movement (*Gerakan Aceh Merdeka/GAM*) is a separatist organization that has been established in Aceh since 1976. The aim of developing GAM is that Aceh can be separated from the Unitary Republic of Indonesia, and create their state by the name of Nanggroe Aceh Darussalam. Free Aceh Movement, also known as the Aceh Sumatra National Liberation Front (ASNLF). At first, the movement consists of a group of intellectuals who feel disappointed by the model of development in Aceh. A Hasan Tiro idea is widespread after the New Order government to explore the wealth of natural gas and oil in the North Aceh since the early 1970s. Another cause of the occurrence of the separatist movement GAM in Aceh was strengthened by support coming from leaders of Darul Islam (DI) in Aceh that has not been solved completely in the era of the old order. Figures DI / TII has failed rebellion in Aceh and felt that their support of the GAM would be able to help Aceh gain his freedom. See Schulze, 2004: 6.

Fig. 3.2. Military Budget

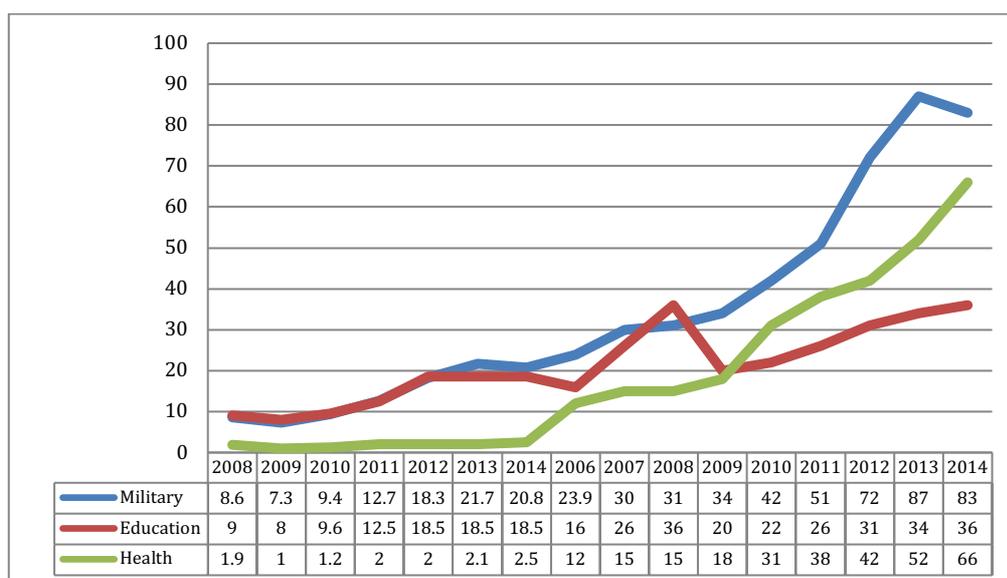


Source: SIPRI Milex Data, 2014 (in million USD)

Figure 3.2 demonstrates the military budget increases every year especially in the era of President Yudhoyono (2004 – 2014). The military budget reaches record heights going as high as 21.7 million USD in 2004 to 31.3 million USD in 2008. The budget was not used to modernize military equipment and instead went to paying soldiers salaries. Furthermore, a portion of this funding was allocated to early detection and monitoring of the danger of terrorist attacks.

Enormous military budgets began from 2009 (34.3 million USD) to 2013 (87.5 million USD). The percentage of overall government spending on the military budget became bigger than that of the healthcare and education budget.

Fig.3.3. Comparison of National Budget For Education, Health, Military



Source : Ministry of Indonesian Finance, 2014 (in million USD)

Figure 3.3 shows that the military budget is increasing. The military budget became more significant than education and health in 2008-2014. For example, the military budget in 2013 amounted to 87 million USD, while education budget was only 34 million USD and the healthcare budget amounted to 52 million USD. The military received preferential treatment under the Yudhyono administrator then had occurred under previous administrations.<sup>57</sup>

Although Yudhyono discouraged the military from playing a role in politics, he was incapable of curtailing the growth of central government spending in the military. Limiting military businesses in the Yudhyono era was superficial and did not reduce the prevalence of military business in local governments. Although he published laws restricting the military from engaging in political and economic activities, such laws were not strictly enforced (Rial, 2004: 21).

<sup>57</sup> The National Budget 2013 is not clear enough to improve the professionalism and welfare of military personnel. Military budget for security in Aceh, Papua and West Papua was bigger rather than special autonomy budget of these provinces such as Aceh (600 million USD), Papua (400 million USD), and West Papua (100 million USD) (Kontras Report, 2013)

Furthermore, in the Yudhoyono era, the government issued many policies to provide flexibility to the military to provide national security. For example, Presidential Instruction No. 2/2013 on handling security problems explains when the military should commit an act of violence for security. General Moeldoko (former Commander of the Indonesian National Armed Forces) said that the unit commanders of the army should not hesitate to use a violent act to prevent conflicts in the society.<sup>58</sup>

#### ***e. Joko Widodo: Power Sharing***

Joko Widodo came from a civilian background. Therefore, the President Joko Widodo should be able to neutralize the power of the military. Military factions are very influential in the guidance and implementation of military politics. Except for the Prabowo faction of the military, Joko Widodo engages in power sharing between all other military factions. For example, Widodo granted power to Sutiyoso a member of the Wiranto faction, Luhut Panjaitan from the Ryamizard faction, and Moeldoko from the Susilo Bambang Yudhoyono faction.

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<sup>58</sup> There are several issues about Presidential Instruction No. 2/2013. First, there is no regulation on the implementation mechanism of the handling of the violence. Mainly related to the involvement of military since the absence of rules. Presidential Instruction is not only related to potential violations of human rights but also related to the utilization of human resources of military and the use of military budget for the deployment of troops. Also, it is not explained further in this Presidential Instruction about the flow of command and responsibility if in the execution of the handling the conflict. It happens a violation of the law and human rights by the military. Second, Presidential Instruction stated that Coordinating Minister for Political, Legal, and Security Affairs (*Menteri Kordinator Politik, Hukum dan Keamanan/Menkopolhukam*) as the Chairman of the Integrated Team at the national level to formulate an integrated national plan of action and coordinating, directing, controlling and supervising the implementation of handling of security problems in the country. However, it can be questioned whether Coordinating Minister for Political, Legal, and Security Affairs have the authority or the President gives the authority to coordinate with the military commander to mobilize the military power to deal with security problems in the country. Third, military Commander is responsible to the President related to the use of military force connected with the deployment. Clarity of authority is important since in this Presidential Instruction also regulated the authority of the Governors, Regents, and Mayors as the Chairman of the Local Level Integrated Team to coordinate the handling of security problems in their region. See Kontras report, 2013: 3.

The relations between military and government demonstrate that, in the post-authoritarian era, the political collaboration between the military and the government successfully maintained the existence of the military privileges. The military has various prerogatives and privilege, such as a big budget and the impunity of being prosecuted.

The existence of Suharto era military networks is maintained and cannot be quickly dissolved because the military had made many political and economic preparations. The military has made many preparations to deal with the changing political climate in Indonesia. One example of such preparations is the publication of the military white book in 1998. In that book, the military develops an interpretation concept of democracy, political roles and security enforcement under a democratic government. The new military paradigm has been published as a document entitled *The Military of the XXI Century: Redefinition, Reposition, and Re-actualization the Role of Military in National Life*.<sup>59</sup> This document contains a new military paradigm that facilitates an understanding of militaries role in the state after the Suharto regime. In fact, this new military paradigm has not changed any significant position of the military, the culture and role of the military in the Indonesian political system after the New Order has remained the same.

Law No.34/2004 is expected to be the legal basis for the military to decrease their roles in politics and economics. However, Law No. 34/2004 and Presidential Instruction No. 2/2013 becomes the necessary capital for the military to take security precautions in any field. Law No. 34/2004 and Presidential Instruction No. 2/2013 becomes the military instrument to influence society through violence. According to report of Commission for the Disappeared and Victims of Violence (*Komisi untuk Orang Hilang dan Korban Tindak Kekerasan/*

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<sup>59</sup> Four new paradigms of the military provide an overview of civil-military relations in Indonesia. First, the military did not eliminate the involvement in politics of the nation. Second, the content of the paradigm also shows that the military position as a major political force in the post-New Order. Third, the paradigm changed the tradition from "occupying into influence" and "affecting directly into indirect." Fourth, the new paradigm of the military not explicitly stated that the dual function doctrine is abolished.

*Kontras*), these rules prove that the post-New Order government, particularly in the era of Yudhoyono, is the government that emphasizes the military power to maintain regional security and stability through violence. Decentralization and regional autonomy are framed within the context of military security. Therefore, Law No. 34/ 2004 and Presidential Instruction No. 2/2013 is an instrument for the military to influence the local government and the society (*Kontras*, 2013: 4).

Meanwhile, the process of democratic consolidation in Indonesia is always filled with political and economic uncertainty, so that the preconditions for the military to involve itself in politics still exist.

### ***3.2.2 The Changes of Military Business and Regional Redistricting***

Military business bankruptcy occurred in 1998 because the profits of sizeable military business dropped drastically as a result of the Asian economic crisis. It is estimated that only one-third of the military companies survived the crisis. Overall, the purchasing power of the military reportedly decreased by 30 percent from 1997 to 1998 (*Infobank*, 1992). Profit from big timber companies also sharply declined from 30 million USD in 1996 to approximately 19 million USD in 1998 (*Infobank*, 1992). In 2000, a financial audit of all the militaries financial support foundations revealed that the most significant foundation of the army suffered a net loss of 8.3 billion rupiahs.

Furthermore, the reform era is the period where legislation has forced the military to abandon its previous business holdings in private companies and state-run enterprises. The Law No.34/2004 on military finance required that the government abolish military business no later than five years after the end 2004. In fact, it showed that only private companies operating under military finance foundations were closed. The enactment of Law No.34 /2004

on military finance aimed at establishing a professional military that was solely state-funded. However, the Susilo Bambang Yudhoyono administration did not seem to undertake any severe measures in carrying out the mandate of Law No.34/2004 Article 76 (1), which required military businesses to be transferred to the state no later than 2009. The Presidential Decree No. 7/2008 on the National Team of Military Business Diversion (*Tim Nasional Pengalihan Aktivitas Bisnis Tentara /TNPAB*) was approved in April 2008 nearly four years since the Law No. 34/2004 passed (one year before the deadline of 2009).

During this time, the transference of military business to the central government has been run by the military business verification team since 2005 and followed by the supervision team of military business transformation (*Tim Supervisi Transformasi Bisnis Militer/TSTB*). However, they did not have the authority to give recommendations to the President about the takeover of military businesses. Consequently, the President created Governmental Decree No. 7/2008 which provides a legal framework to create a committee to oversee the transference of military companies to the government. This committee was only authorized to make recommendations to the President. The Department of Defense argued that the take over mandate did not require carrying out explicitly. It was quite an obvious interpretation.

The government specifically mandated that transference committee not overburdened itself by taking on too many transfers at once. This cautious attitude was manifested by not providing direct authority to National Team of Military Business Diversion (*Tim Nasional Pengalihan Aktivitas Bisnis Tentara /TNPAB*). The inventory data of military business units owned by supervision team of team of military business transformation (*Tim Supervisi Transformasi Bisnis Militer/TSTB*). mentions that 25 foundations own 916 businesses and

1,071 cooperatives having 604 enterprises within the military.<sup>60</sup> Out of total book value of 195 billion rupiahs (19 million USD) that belong to the military, 470 billion rupiahs (47 million USD) belonged to the Army; 412 billion rupiahs (41 million USD) belong to the Navy and 35 billion rupiahs (3.5 million USD) to the Air Force. Lex and Pramodhawardani estimate that the gross revenue of formal military businesses reaches 44-145 million USD (Lex and Pramodhawardani, 2007: 25). However, only the military truly knows the actual data about how much revenue accrued as the result of military business. Similarly, only the military knows the complete information about military companies and assets.

Due to the economic crisis in 1998 and Law No.34/2004 which prohibits the military to do business has had an impact on military business losses. The military closed profitable businesses in the forestry and timber industry. The military also reorganized the structure of some other businesses. The financial crisis also led to the consolidation of some military foundations.

Therefore, the fall of Suharto regime had affected the military budget strongly. Military businesses went bankrupt. They eventually sought other financial sources at the local level. Therefore, the military still plays a role in local politics including regional redistricting to obscure its finances for the central government (Human Right Watch, 2006). Because it remains one of the more lucrative avenues to obtain financing from the central government, the military maintains control over the local redistricting process. Military officials are

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<sup>60</sup> Suharto's policy after being officially inaugurated as Indonesia's president in 1967 was a focus on agriculture and cooperatives. Suharto's main program was to improve the economy where at that time inflation reached 650% and foreign debt of 2.5 billion USD. Therefore, the government formed a Cabinet consisting of economists, universities and the military. The New Order government believed that the Indonesian economy should be based on a cooperative system. Cooperative development was the responsibility of the Government and the people of Indonesia to make it happen. Therefore, many cooperatives grow in all areas of business and even into rural areas. The same conditions also occur in military business. Suharto's efforts to improve military welfare through cooperative as part of the military business.

worried that if the military does not oversee the regional redistricting, then other local political elites will take over the role of the military at the local level.

### **3.3. Types of Military Roles in Regional Redistricting**

Based on the development of military reform after Suharto, it can be seen that the military has gradually evolved into its role in Indonesian politics. In the New Order era that military has formed a symbiotic relationship with civilian elites. Civilian elites need protection or security from the military, on the and the military needs civilian leaders as an agent to maintain their political influence. This symbiosis creates different types of military-civilian relations.

Decentralization has produced new local political elites. In addition to the increase of the local political elite, the military is still involved in local politics. Military involvement in local politics aims to protect military business at the local level (Linblad, 2009: 50). The military was granted authority over land in the Suharto era. After Suharto regime, the militaries ownership of land significantly affects the political and economic dimensions of the military, such as when the military defends land for businesses at the local level (Mietzner, 2011: 9). Besides, land grabbing in the name of national interest, the military legitimizes its ownership of land through security concerns (Vatikotis, 1993: 178). Therefore, the military had to make many collaborations to maintain military resources at the local level. These collaborations come in three types: military-civilian collaboration, political party instruments and group mobilization.

### ***3.3.1. Military-Civilian Collaboration***

Stepan describes that military-civilian interaction should be seen in three ways. First, the military-civilian interactions play a role in shaping or "controlling" of various social movements and community organizations. Second, military-civilian relations are the competition between civil and military to get political power in society. Third, the military-civilian interactions focused on the acquisition of government (Stepan, 1988: 3).

In this case, military-civilian collaboration is another word for relations where the military has always cooperated with civilians who have a very close relationship with the military or New Order regime. The military would select people or social groups to collaborate with the military (Kingsbury, 2003: 129). Post-Suharto regime, a military needs a political broker, typically a civilian, because the military's role in politics has formally decreased (Mietzner, 2011: 9).<sup>61</sup>

Military-civilian collaboration has been to assist in maintaining military businesses. In general, researchers from Indonesian Institute of Science (*Lembaga Ilmu Pengetahuan Indonesia/LIPI*) classify military business into three main categories formal, informal and illegal business (LIPI, 2008: 13). The military's formal business is the business that involves the military as an institution, for example, foundations and commodity boards. Informal military business does not include the military as an institution, but rather through the retired individuals or members of the military such as Kelompok Usaha Nugra Santana (Lt. Gen. Ret. Ibnu Sutowo),<sup>62</sup> Kelompok Usaha Krama Yudha<sup>63</sup> (Brigadier General Said Sjarnoebi), etc.

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<sup>61</sup> Post military regime would be a great opportunity to encourage civilian control the military. Unfortunately, it will depend on the capacity to manage the civil defense sector, which also depends on upon the political leadership, institutional resources, and civil defense expert community. Decentralization post-Suharto era has risen of the local political elite. Therefore, the military must adapt and collaborate with civilians to engage military politics at the local level.

<sup>62</sup> Business group Nugra Santana is a company engaged in the field of stock exchanges, property and building investment

<sup>63</sup> Krama Yudha is a company engaged in Motors and Manufacturing

The illegal business, is usually as a kind of protection service provided by members of the military and also illegal business practices which typically violate the law. Such illegal businesses include the narcotics trade and gambling operations (McCullough, 2000: 117).<sup>64</sup>

The presences of decentralization policies are affecting political and military businesses at the local level. In the decentralization era, the logic of the military role in local politics is similar to its role under the Suharto regime – the difference being the method (Honna, 2006: 75). The similarity is based on the importance of local resources in supporting local military command. The difference being that active military officers are no longer able to hold official administrative positions. Nonetheless, in daily routines, each local head of state still needs military assistance.

### ***3.3.2. Political Party Instruments***

Political parties can influence national and local politics. A political party collaboration will be stronger if parliament and the local bureaucracy support the political party. When political parties are dominating the regional government, the political parties will be able to control resources and local politics easily. Political party instruments are necessary for candidates to be regional leaders because political parties need to be able to mobilize voters and thus win elections. Golkar is the most active and most influential political party in Indonesia (Tomsa, 2008: 4). For example, Golkar has successfully built a party machine that affects the bureaucratic system in North Sumatra.

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<sup>64</sup> The illegal business also occurs in the kind of donation requests or extra security payment when there is conflict. In the areas prone to conflict, this business will improve both military budget and business turnover of military suppliers. Using the three kinds of military business, it is not possible to do analysis separately. The military themselves do not distinguish whether the business manager is the active, the retired, or the military family. The military also does not to identify the "elements" or the official policy of the institution. For example, in illegal logging backed by the military member, it is difficult for the police or the law enforcer to investigate. The third form of the business is not separate from one another. There is a link between the three types of military business, although it was never recognized directly.

Whenever there is an election, Golkar Party forces enter remote villages in North Sumatra, in particular, Tapanuli Selatan to mobilize voters through bribes or coercion. Several factors have led to the high levels influence of Golkar party in North Sumatra. First, the public believes that the Golkar party has built the area. This notion has conditioned voters in the region to feel a sense of indebtedness towards the Golkar party and some portion of the population continues to vote Golkar reflexively.

Second, a significant portion of the Golkar voting base is the result of the historic levels of power enjoyed by the Golkar party under the Suharto regime. Community leaders had close relations with government at that time. Subsequently, they often influence every village because community leaders are the “kings” of local politics. Local people should respect and comply with community leaders (Evans, 2003: 58).

### ***3.3.3. Groups Mobilization***

Groups mobilization is a military strategy to collect and harmonize groups at the local level (Tans, 2012: 4). It aims to ease military movement to organize a local group. Under the New Order regime, local politics was controlled by three powers: The Golkar party, the military, and the local bureaucrats. One method of control was the way that “development budget” were doled out by the central government. The Golkar party and bureaucrats took care in making sure that the budget flows to their groups, and the military was in charge securing approved infrastructure projects (Honna, 2006: 75). Under the Suharto regime, this kind of operation was standard practice in local economics and political dynamics, so the process of pure habituation has made this difficult to dissolve at the local level. Furthermore, after the fall of Suharto, military commanders were given the right to support their units by allying with local elites.

Usually, each local government head depends on the two-power sources of the previous regime: the bureaucracy and the military (Sundhaussen, 1982: 120). Local business elites were also needed by the military to act assistants in dealing with labor and land. However, after the fall of Suharto, the bureaucratic elites were fragmented, and the military was becoming a single solid base of power, for example, the increasing role of the military in council for local government officials (*Musyawaharah Pimpinan Daerah/Muspida*). This local forum provided areas where the military maintains their business at the local level.

The military has compensated for their loss of national power with even more significant amounts of control over local jurisdictions. One of the critical military strategies to maintain influence at the local level is to mobilize civilian groups during election cycles and to demonstrate support for redistricting. McCarthy explains that military uses civilian mobilization across many different groups to maintain its political influence, such groups can be ethnic groups or local elites.<sup>65</sup> The military cooperates with local communities to conduct illegal logging and mining operations (McCarthy, 2007: 102). This means that military can quickly adapt to the current Indonesian political system because it acts independently of any external regulation.

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<sup>65</sup> Timber mafia composed of the rentier who has received the logging concessions in New Order era. For example, one mafia in Southeast Aceh has a good relationship with forestry staff (*perhutani*) and those who work for national parks, military, local officials, judicial officials and religious leaders. See Mccarthy, 2007: 102.

## Chapter 4

### Mandailing Natal : Military-Civilian Collaboration

#### 4.1. Military and Regional Redistricting

##### *4.1.1. Local Strongman in Initiating New District*

The regional redistricting of Mandailing Natal in accordance with Law No. 12/1998 resulted in the creation of the first new district in Indonesia after the fall of the Suharto regime. Before the redistricting of Mandailing Natal, it was a part of the district of Tapanuli Selatan.<sup>66</sup> The local government documents filed to begin the redistricting process of Mandailing Natal claimed that there are historical and ethnic factors to justify the creation of the new district. However, in contradiction to the reasons proffered by filing, the author found that the main reason for the regional redistricting of the Mandailing Natal is as a consequence of political negotiations held between the military and local strongman.

First, the historical context of Tapanuli Selatan explains different views about *huria*.<sup>67</sup> The regions that comprise Tapanuli Selatan districts such as Angkola, Padang Lawas, Mandailing and Natal have different arguments about their historic structure. The region of Mandailing and Natal are unwilling to be unified under one structure of the Batak Tobanese. Meanwhile, the region of Angkola-Sipirok and the Padang Lawas agreed to be under one structure with the Bataknese people. The region of Mandailing and Natal assumed that they

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<sup>66</sup> Total population of Mandailing Natal is 410. 931. The community consists of ethnic Mandailingnese (80%), Malaynese (7%), and Javanese (6%). Most of the area is forest Mandailing Natal (62.15%). Mandailing Natal community works in agriculture (42.59%), trade (17.75%), other services (15.03%). Mandailing Natal consists of 8 districts with 273 villages. In 2003, the number of district Mandailing increased to 17 districts and 322 villages (BPS Mandailing, 2014).

<sup>67</sup> *Huria* means region in Bataknese traditional language.

didn't have any relations with the Batak people since a long time ago (before the Dutch came to Indonesia).

The difference of religion in the huria of Mandailing and Natal become one of the reasons for both hurias to reject the idea of them as part of Batak Tobanese structure. This factor has been the foundation of any relationship in political life and bureaucracy in the governance of Mandailing Natal. The reasons are explained in the historical context, that the oldest clans are the one who can be a leader in the area. Meanwhile, the clan who do not want to be governed had to move to another area and create a new village.

Secondly, the factor of ethnicity explains the reason why the region of Mandailing and Natal are not considering themselves as Bataknese. In contrast, a region of Angkola-Sipirok and Padang Lawas considered themselves as Bataknese, although Islam is the majority in these four regions. Based on the differences of socio-cultural, the region of Mandailing and Natal consider that they are ethnically different from Angkola-Sipirok and Padang Lawas. These ethnic differences led to racial politics that identifies them as an individual class or ethnic group. The ethnic differences increasingly escalate the conflict of interest in the aspects of leadership, succession, and control of territory. Through these interests have resulted in the idea of regional redistricting in 1998. Based on the perspective of ethnic politics, ethnic differences can be the motivation to build a community.

Thirdly, the geographic location is essential for the reason of the region redistricting. The remotely located from administrative capital of Tapanuli Selatan resulted in difficulties for local people of Mandailing Natal to access public services.

Table 4.1. Number of General Hospital by Districts/Municipalities 2001

No	Disctricts/Municipalities	General Hospital			
		National Numbers	Bed Capacities	Private Numbers	Bed Capacities
1.	Nias	1	105	-	-
2.	Mandailing Natal	1	50	-	-
3.	Tapanuli Selatan	2	180	1	35
4.	Tapanuli Tengah	-	-	-	-
5.	Tapanuli Utara	2	275	-	-
6.	Toba Samosir	2	300	1	150
7.	Labuhan Batu	1	124	6	380
8.	Asahan	1	115	4	246
9.	Simalungun	1	30	2	145
10.	Dairi	1	64	1	20
11.	Karo	1	90	4	140
12.	Deli Serdang	2	56	12	516
13.	Langkat	3	90	1	45
14.	Sibolga	1	62	1	23
15.	Tanjung Balai	1	79	1	22
16.	Pematang Siantar	2	220	5	54
17.	Tebing Tinggi	1	90	3	162
18.	Medan	6	1187	39	3455
19.	Binjai	1	71	2	-
20.	Padang Sidempuan	-	-	-	-
<b>Total</b>		<b>30</b>	<b>3,188</b>	<b>141</b>	<b>5,850</b>

Source: North Sumatra Statistics 2001

The table 4.1 describes that the number of the hospitals is insufficient in Mandailing Natal. Before redistricting, the local people of Mandailing Natal had to go to Tapanuli Selatan to get health care though although it is very far from Tapanuli Selatan. Therefore, it's difficult for the people of Mandailing Natal to access the health facilities.

Furthermore, it has also led to the underdevelopment of periphery areas compared to the central areas (the administrative capital). These difficulties of accessing public services and underdevelopment have been the reason for demanding a regional redistricting.

However, the budget limitation of governments of North Sumatra province and Tapanuli Selatan district has inhibited the implementation of infrastructure and community development. The limitations of local budgets could not afford to build the infrastructure in

all sub-districts of Tapanuli Selatan. The infrastructure development budget focused on the capital city of Tapanuli Selatan, namely Padang Sidempuan.

In other words, the distance between regions in Tapanuli Selatan is one of the reasons for the region redistricting. For example, the distance between Tapanuli Selatan to Batahan (sub-district of Mandailing) is 132 km. Tapanuli Selatan to Muara Batang Gadis (sub-district of Mandailing) is 127 km. The mountainous terrain of Tapanuli Selatan exacerbates this condition (North Sumatera Statistics, 2007).

Fourth, this research found that the military elites played the primary role in region redistricting. In other words, the elements of historical context, ethnic, and wide location only issues or propaganda of the elites to seek support from local society. These are crucial to justify the activities of the redistricting of Mandailing Natal. Therefore, the regional redistricting of Mandailing Natal had more to do with elite-level politics than historical or ethnic grievances.

The most influential actors in redistricting process of Mandailing Natal are Pandapotan Nasution, a National Parliament member (*Dewan Perwakilan Rakyat Republik Indonesia/DPR-RI*) and Raja Inal Siregar (Governor of North Sumatra Province). The interviews with Pandapotan Nasution, the local strongman in Mandailing describes there were no relations between regional redistricting of Mandailing Natal with historical background, ethnicity politics, and the size of the area. These reasons were crafted to legitimize regional redistricting of Mandailing Natal. The idea to redistrict Angkola Sipirok, Tapanuli Selatan district was put forth in 1992 under Raja Inal Siregar's instruction. He was the governor of

North Sumatra and the former territorial military commander (*Panglima Daerah Militer/Pangdam*) of the Siliwangi division in Bandung.<sup>68</sup>

Fig.4.1. Map of Angkola Sipirok, Tapanuli Selatan



Source: Wikipedia.org

Figure 4.1 is a map of Angkola Sipirok, Tapanuli Selatan district, North Sumatra province. Before the regional redistricting in 1998, Mandailing Natal, Padang Lawas, Padang Lawas Utara, Padang Sidempuan were subdistricts of Tapanuli Selatan. Figure 4.1 also shows that before the regional redistricting, Tapanuli Selatan was vast.

The regional redistricting of Tapanuli Selatan began from the instruction of the governor, Raja Inal Siregar to Pandapotan Nasution. Raja Inal's instructions addressed to

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<sup>68</sup> Ensiklopedia Tokoh Indonesia, (2005). Apart from being the 13<sup>th</sup> governor of North Sumatra, Raja Inal Siregar was an accomplished military man. He was born in Medan, North Sumatra, 5 March 1938, and died in the same city on 5 September 2005 at the age of 67 years. He ruled as Governor from 1988 to 1998. After no longer had served as governor, he became a member of Council of North Sumatra. His military career began in Ampah Village, Central Kalimantan province. He has various military positions, including as commander of Company (Danki) Battalion B Purwokerto (1965-1967), Head of Operations Kowanda Ujung Pandang (1967-197), Deputy Assistant I / Regional Military Intelligence II/ Bukit Barisan (1975-1978), Assistant I / Regional Military Intelligence I / Iskandar Muda (1978-1982). Assistant I / Regional Military Intelligence IV / Siliwangi (1982-1983), Chief of Staff Military District Command II / BB (1983-1984), military commander XIII / Merdeka in Manado (1984-1985), Commander III / Siliwangi in Bandung (1985-1988).

Pandapotan Nasution, a member of National Parliament (*Dewan Perwakilan Rakyat/DPR*) which has functions of politics and government, including the issue of regional redistricting. Raja Inal gives instructions because, at that time, Pandapotan Nasution was a member of the National Parliament (1992-1999) Commission II, which has the task of redistricting region. Raja Inal assumes that Pandapotan understood about the plan to redistricting region. Another reason, Pandapotan was the only member of National Parliament who comes from Tapanuli Selatan.

Fig. 4.2. Pandapotan Nasution and Raja Inal Siregar



Source: Photo Collection of Nasution, P. 2014

Figure 4.2 describes an excerpt from a conversation that occurred between Pandapotan Nasution and the governor of North Sumatra, Raja Inal Siregar. Based on Pandapotan's explanation at the time, the governor just intended to propose that Angkola Sipirok is redistricted. The governor, hoping to distinguish himself in the eyes of history, wished to create his legacy in the region by making it independent. However, it was not possible to propose only one region to be redistricted to the Ministry of Home Affairs. The Director-General of Public Administration and Local Autonomy (*Dirjen Pemerintahan Umum dan*

*Otonomi Daerah/PUOD*) explains that if the governor wanted to propose that a region redistricting, at least two areas proposed to the central government to be evaluated. Second, to avoid the demands and demonstrations of the local people, all sub-districts of Tapanuli Selatan were proposed to the central government to be redistricted as Tapanuli Selatan consists of four sub-districts, Angkola Sipirok, Mandailing Natal, Padang Lawas, and Padang Sidempuan. Therefore, the governor did not only propose to establish the Angkola Sipirok region but also to establish the regions of Mandailing Natal, Padang Lawas, and Padang Sidempuan.

Furthermore, the chairperson of the Tapanuli Selatan district local parliament (*Dewan Perwakilan Rakyat Daerah Kabupaten/DPRD-Kabupaten*), Mr. Hidayat Nasution, supported the regional redistricting of North Sumatra. The decision of the Local Parliament of Tapanuli Selatan District No. 15/KPTS/1992 explained that the Tapanuli Selatan should be divided into four new districts: Angkola Sipirok, Padang Lawas, Mandailing Natal, and Padang Sidempuan. After that, Provincial Parliament (*Dewan Perwakilan Rakyat Provinsi/DPRD Provinsi*) and Governor of North Sumatra sent the Decision No.136/8580 dated April 13, 1992, on the approval of redistricting of Tapanuli Selatan region to the Minister of Home Affairs to be discussed at the national level (Nasution, 2014: 52).

Furthermore, Pandapotan Nasution certainly did not agree of the regional redistricting of Angkola Sipirok as a hidden agenda of Raja Inal Siregar. Based on governor's instruction, Pandapotan Nasution concluded that if Angkola Sipirok were successfully separated from Tapanuli Selatan, then another region would not be redistricted.

In October 1992, Pandapotan Nasution lobbied a member of the National Parliament of North Sumatra province, Atar Sibero. Sibero, a former Director General of Public Administration and Local Autonomy (*Pemerintahan Umum dan Otonomi Daerah/PUOD*)

and former Director General of Regional Development, was then the minister of home affairs. Pandapotan interactions with Sibero informed him of important things to be prepared for the regional redistricting (Nasution, 2014: 56).

The local military assumed that the regional redistricting initiated by Pandapotan would threaten the sustainability of military business in Mandailing. Therefore, inhibiting the redistricting of Mandailing is a part of a strategy of Raja Inal Siregar is belonging to the military. Raja Inal hampered regional redistricting to prove the existence or military power at the local level.

After three years without result, the first step toward the regional redistricting of Mandailing Natal occurred in 1995. Sumitro Maskun, then the Director General of Public Administration and Local Autonomy, happened to be Pandapotan Nasution's good friend from when he served in the Training Agency of the Department of Home Affairs (*Badan Pendidikan dan Pelatihan/DIKLAT*). Maskun, acting on behalf of Pandapotan, eventually was able to persuade the Minister of Home Affairs, Yogie S. Memed, to give top priority to the redistricting of Angkola Sipirok, Mandailing Natal, Padang Lawas, and Padang Sidempuan by sending a survey team of Department of Home Affairs to these regions.

After receiving the confirmed schedule of a visit from the survey team to Tapanuli Selatan district, Pandapotan Nasution prepared a strategy to welcome the Survey Team. Pandapotan Nasution contacted the Subdistrict Heads (*Camat*) and the community leaders to prepare for welcoming the Survey Team.

The first step was to manipulate the appearance of Mandailing Natal district to look better. The important process is to determine the location of regent's official residence, office, and then to put up the sign of regent's official residence. Additionally, Pandapotan Nasution instructed the local leaders that if the Survey Team of the Department of Home Affairs asked

about the plans of regent's official residence and local Parliament's office, they must say that Lidang Street is the location for the government office.<sup>69</sup> The sub-district head must say that the land had been procured and become the property of the local government. However, in fact, the land was still under private ownership. Therefore, they planned to convert a school to the local government office temporarily and let students have a holiday during the survey team's visit. It was ordered to write that the building is for the planned regent office.

Fig. 4.3. Survey Team to Mandailing Natal



Source: Photo Collection of Nasution, P. 2014

Figure 4.3 shows the survey team from Jakarta visited Mandailing Natal in December 1995. The Survey Team consists of the Chairman of Commission II of the National Parliament, Major General Hari Sabarno from the Indonesian military, H. Darussamin from United Development Party (*Partai Persatuan Pembangunan/PPP*), and Subagyo from Indonesian Democracy Party (*Partai Demokrasi Indonesia/PDI*). The first visit was to Angkola Sipirok, the hometown of North Sumatra governor, Raja Inal Siregar. However, there was no preparation in Angkola Sipirok. The sub-district heads in Angkola

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<sup>69</sup> Lidang Street is one of the main streets in Mandailing Natal. In this location, there are vast areas of land that have not been used. However, as efforts to prepare to welcome a survey team from the central government, the land is considered as belonging to the local government. Whereas, in fact the land is privately owned

Sipirok could not show the plans of regent's official residence, regent's office, and local parliament office. After visiting Angkola Sipirok, the team visited Mandailing Natal region.

As expected, Mandailing Natal was well prepared to welcome the Survey Team compared to Angkola Sipirok region. The team had a party with local communities that featured traditional music and food. The sub-district heads and the community leaders prepared everything as instructed by Pandapotan Nasution. Furthermore, all requirements for regional redistricting including documents necessary for regional redistricting and the plan of regent's official residence, office, and local parliament building had been prepared completely. The teams were not going to visit another area such as Padang Lawas and Padang Sidempuan because the location is too far and the conditions were not conducive to the survey.

The survey team concluded that the region of Angkola Sipirok could not be redistricted because it failed to meet the requirements. Largely due to the forewarning of Padapotan, the region of Mandailing Natal was found to be a potential candidate. The failure of regional redistricting for Angkola Sipirok disappointed Raja Inal. The primary obstacle came from the governor, Raja Inal, and Indonesian military faction who did not agree with the regional redistricting of Mandailing Natal. In other words, it caused the team did not allow redistricting Angkola Sipirok; the redistricting of Mandailing Natal also became difficult. It proves that the military has the political power to allow or not the regional redistricting despite Mandailing Natal more potential than Angkola Sipirok.

Two years later, in 1997, Pandapotan Nasution tried again to realize his plan and began a seminar on Mandailing Natal redistricting. Pandapotan Nasution invited the Chairman of the Central Board of Mandailing community (*Himpunan Keluarga*

*Mandailing/HIKMA*),<sup>70</sup> HM Fauzi Lubis and Nasution's Family (*Ikatan Keluarga Nasution/IKANAS*),<sup>71</sup> H. Syamsi B. Nasution for the seminar to go smoothly. The seminar became increasingly important by encouraging a national leader, General A.H Nasution, and Mrs. Nelly Adam Malik who acted as the keynote speaker at the seminar.<sup>72</sup> Another keynote speaker for Mandailing Natal redistricting discussion is Dr. Muslimin Nasution, Deputy for Economic Affairs of Indonesian Ministry of National Development Planning (*Badan Perencanaan Pembangunan Nasional/Bappenas*), Dr. Lufti Ibrahim Nasution (Deputy Minister of Agrarian), Hamidy Harahap (Secretary of Adam Malik Foundation), and Dr. Sayuti Hasibuan, (Director of National Research Institute). The discussion eventually resulted in a decision to monitor and to encourage the acceleration of Mandailing Natal redistricting and to lobby various parties involved in the redistricting of Mandailing Natal. The important point of that discussion is the remarks from General AH Nasution:

"...The successors must maintain the spirit of struggle since the first owned by the sons and the daughters of Mandailing Natal in the order it does not disappear. I hope that we are all obliged to continue that spirit of struggle to remain active in the current and the future generation. Thus, the struggle which is full of obstacles can be overcome." (Nasution, 2014: 57)

The short speech of General A.H. Nasution has influenced the decision of Indonesian military to approve the redistricting of Mandailing Natal. The statement of General A.H Nasution affects not only the Indonesian army but also Raja Inal Siregar. In other words, Raja Inal Siregar started considering the redistricting plan of Mandailing Natal.

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<sup>70</sup> Hikma is the organization based on mandailing region. This organization aims to unite people of Mandailing who have various clans like Nasution, Lubis, etc. Hikma was formed in 1986. Founders of Hikma are from various backgrounds such as traditional leaders, religious, community and scholars.

<sup>71</sup> Organisation of Nasution Family (*Ikatan Keluarga Nasution/IKANAS*) is the organization based on ethnicity especially Nasution. Nasution is one of the Batak clan who settled in Mandailing Natal. The purpose of IKANAS is to maintain the unity of members in an effort to contribute to the community, state and nation. This organization serves as a forum for communication and development potential nasution family in developing the family, social, and civic.

<sup>72</sup> Seminar held in July 1997. The theme of the seminar was the formation of Mandailing natal districts, between the opportunities and challenges. The seminary attended by local and national leaders from Mandailing Natal such as General A.H. Nasution and Mrs. Nelly Adam Malik. At the seminar, community leaders expressed their response that the regional redistricting of Mandailing Natal is important for the progress of society.

However, the redistricting process of Mandailing Natal had not yet succeeded. In 1997, Pandapotan Nasution was re-elected as Member of Parliament from 1997 to 2002. It was an opportunity for Pandapotan Nasution to fight for the redistricting of Mandailing Natal. His struggle became successful during the upheaval of political reform in 1998. Finally, President Suharto signed the draft of law for redistricting of Mandailing Natal on May 1998 before President Suharto fell on May 21<sup>st</sup>, 1998 (Nasution,2014: 62).

Under the bill, Pandapotan Nasution urged that regional redistricting of Mandailing Natal be realized and validated. However, on June 25<sup>th</sup>, 1998, the Minister of Home Affairs, Syarwan Hamid, issued a letter addressed to the National Parliament about delaying the discussion of the draft of the regional redistricting plan. Pandapotan Nasution was disappointed. However, the spirit of the redistricting of Mandailing Natal continued to endure even after the most recent delay. In July 1998, Pandapaton Nasution submitted a question to Syarwan Hamid, Minister of Home Affairs, whether a letter from the Ministry of Home Affairs may cancel the mandate of the President of Republic of Indonesia Number R.05/PU/V/1998 to the National Parliament (Nasution,2014: 64). The cancellation of regional redistricting of Mandailing Natal caused by in 1998 the national political situation was not stable. The focus of the central government is to maintain the stability and national security. The central government assumes that if the regional redistricting implemented will affect the disintegration. However, Pandapotan Nasution argued that the reform era is the right time for the central government to make changes to the national political system, from centralized to a decentralized.

Therefore, Pandapotan's question persuaded Syarwan Hamid as a minister of home affairs to give more attention to the discussion on the Draft Law of redistricting of Mandailing Natal. Furthermore, the meeting of the National Parliament on October 19<sup>th</sup>, 1998, was

organized and attended by almost all members of the parliament to listen to the final opinion of the factions and government about regional redistricting of Mandailing Natal. After listening to the last opinion of the faction, the chairperson of the National Parliament, Hari Sabarno finally passed Law No. 12/1998 on The Establishment of Mandailing Natal district. Furthermore, President Habibie signed the Law No. 12/1998 on November 23<sup>rd</sup>, 1998.

#### ***4.1.2. Military Control of the New District***

The regional redistricting of Mandailing Natal had been successful, and the next concern is how to develop the new district. Pandapotan Nasution explains that the development of a new area needed someone who understands the character of the community and its local potential. On the other hand, the military has taken over or hijacked the efforts of Pandapotan Nasution to redistricting Mandailing.

After the redistricting of Mandailing Natal, Pandapotan Nasution would not be the first regent or head of local government in Mandailing Natal. The first regent of Mandailing Natal was Amru Daulay.<sup>73</sup> Pandapotan Nasution explains that the military has taken over the redistricting process. He thought that the military had utilized his working for the regional redistricting of Mandailing Natal. After the redistricting of Mandailing Natal, there were many public figures and head of the subdistrict that support him to be the first regent in Mandailing Natal.

In 1998, it was not only Suharto who stepped down, but also Raja Inal Siregar who had finished his tenure. Siregar successor was a Major General of Military (Ret) Haji Tengku

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<sup>73</sup> Amru Daulay started his career as a civil servant in 1972 and had significant positions in the district/city of North Sumatra. In 1984, he was the regional secretary in Binjai district. After that, he moved to the North Sumatra provincial government, as Administrative Assistant for Governor's Office in 1996-1997, before finally being promoted to the position of provincial secretary. At that time, Raja Inal Siregar was the governor of North Sumatra. See Ensiklopedia Tokoh Indonesia (2012).

Rizal Nurdin.<sup>74</sup> Tengku Rizal Nurdin inducted Amru Daulay as the first regent in Mandailing Natal. Even though, there were many local elites of Mandailing Natal, who support Pandapotan Nasution to become the first regent.

Based on an interview with Rozak local politics researcher explains there are several reasons why Amru Daulay was chosen to be the first regent of Mandailing Natal such as military business protection in Mandailing Natal.

Firstly, Raja Inal Siregar's disappointment towards Pandapotan Nasution. The disappointment was due to Pandapotan did not support the redistricting of Angkola Sipirok, but rather more supporting Mandailing Natal redistricting.

Second, Amru Daulay is a civilian who has close relations with the military, Governor Raja Inal Siregar, and Tengku Rizal Nurdin. The leader of a civilian was important because at that time people were still in the euphoria of democratic freedoms. In other words, the public was dissatisfied with the military rule following Suharto's New Order regime.

Third, the military in Tapanuli Selatan and Mandailing Natal are very famous for their timber business. At that time, the military collaborates with some timber companies to conduct illegal logging, such as the illegal operations of PT. Mujur Timber. Adelin Lis family owns this company. Lis brother is a successful businessperson in North Sumatra. Their business network focused on the field of forestry, plantation, fishery, and hospitality. Acan Lis, Lis brother's father, had founded the company in 1950. Adelin Lis's Company became more successful after 1998 than before (Tempo, 2006: 27). Amru Daulay was a person who

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<sup>74</sup> Tengku Rizal Nurdin was born in Bukittinggi, West Sumatra, on February 21<sup>st</sup>, 1948. He was passed away in Medan, North Sumatra, September 5<sup>th</sup>, 2005, at the age of 57 years. He was the 14<sup>th</sup> governor of North Sumatra, served from 1998 until died on Sept. 5<sup>th</sup>, 2005. He was still on duty on his second period (2003-2008). Before being appointed as the governor, he was the territorial commander of Division I Bukit Barisan in 1997. Nurdin was selected as governor of North Sumatra on June 15<sup>th</sup>, 1998. He holds the position as North Sumatra governor for the second period on March 24, 2003, and should end on June 15<sup>th</sup>, 2008. See Ensiklopedia Tokoh Indonesia (2012).

protects the military to carry out illegal logging business. Amru Daulay has a close relationship with PT. Mujur Timber.

The military has a significant effort to protect their business in Mandailing Natal. Therefore, the local government head must from the elite who has close relations with the military. Amru Daulay elected as the first regent in Mandailing Natal and proves that the military has the power to control the local political system. The significant roles in control local politics because Mandailing is a source of military business. Therefore, the military will support the regent who has close relations with the military. It caused the military client principle will support and protect their business in Mandailing Natal. It condition explained by Johansson, which stated that the military would give authority to the person who can protect military business (Johansson, 2014: 4). Timber, mining, and protected areas prove that military has the power to control business in Mandailing Natal.

## **4.2. Military Business**

### ***4.2.1. Forest Extraction***

Indonesian government was controlled by the military in the Suharto era (Honna, 2003:117). The military was an important instrument of the Suharto regime to maintain his power in Indonesia. The involvement of the military in the economic field caused by two factors, namely the role of dual function of military and the limitations of the national budget. First, the doctrine of dual function of military explains that the military not only as a defense and security forces but also plays a role in the socio-economic and political issue. The doctrine was an idea by General Abdul Haris Nasution on the concept of "*The Middle Way*" (*Jalan Tengah*). Suharto further strengthened A.H Nasution's concept of dual-function military doctrine. In the doctrine of dual function, it is stated that the military function for

defense-security and social politics. A broad explanation of dual functional causes the military have a broad political role such as getting a position in parliament, bureaucrats, government and engaging in various businesses. Because of the large military involvement in various sectors of society, the military is called multi-function. The military also controls even economic activity in Indonesia. Dual function of the military was legalized in Law No. 20/1982 on Defense and State Security, especially article 28.<sup>75</sup> Second, national budget is unable to provide sufficient funds for the military. National budget was only able to cover 50% of the military's needs. Even Secretary of Defense in 2000, Juwono Sudarsono, said that the budget provided by the government was only able to close 25% of the total budget required for the military (ICG Asia Report, 2001:29).

Due to limited national budget, the military started to do business. Military business during the New Order period was divided into three categories: military businesses in state enterprises (*Badan Usaha Milik Negara/BUMN*), cooperatives and foundations. First, State enterprises (*Badan Usaha Milik Negara/BUMN*). State enterprises that emerged and developed derived from Dutch companies nationalized in 1957-1958. Most of these companies were under military control. The state enterprises have two main functions. First, the state enterprise is a tool or facilitator for the accumulation of private capital. Second, state enterprises are a source of funds for the state. Some examples of state enterprises are Pertamina on energy resources sector, Telkom on infrastructure sector, National Bank (*Bank Negara Indonesia/BNI 46*) on banking, Krakatau Steel in the manufacturing sector and logistics (*Badan Urusan Logistik/Bulog*) on basic commodities (Robison, 2009). In the field

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<sup>75</sup> Law No. 20/1982 on Defense and State Security, especially article 28; (1) The military as a social force has the responsibility of maintaining the security of the nation and improving the welfare of all Indonesian people. (2) The military is directed to actively improve and strengthen national resilience by participating in decision-making on state and governance issues, democratizing of Pancasila and constitutional based on the 1945 Constitution in all national development activities.

of state enterprises, military involvement in the economic level is intended to ensure the flow of funds to the military treasury without causing economic chaos.

Second, cooperatives (*Koperasi*). government regulation (*Peraturan Pemerintah/PP*) No. 6/1974 has limited the activities of civil servants in private businesses including the military. However, the military was given concessions by the Suharto to obtain other sources of funds through cooperatives. Business units of the cooperative follow military territorial structure. For example, at the central level (*Markas Besar/Mabes*), the military established the Army Cooperative Center (*Induk Koperasi Angkatan Darat/Inkopad*). At the regional or province level established the Army Cooperative Center (*Pusat Koperasi Angkatan Darat/Puskopad*), in each district/city established Primary Cooperative Army (*Primer Koperasi Angkatan Darat/Primkopad*).

Third, the Foundation (*Yayasan*). Foundations set up by the military aim to prosper its members because the amount of state budget is not enough. The legal entity of the foundation to anticipate the rules military prohibits for doing business. In the beginning, the army did business through PT. Tri Usaha Bakti (*Truba*) established in 1968. However, after the enactment government regulation No. 6/1974 then state officials, including the military, were banned from engaging in business. Therefore, the Army Chief of Staff (*Kepala Staf Angkatan Darat/KASAD*), General Umar Wirahadikusumah established Kartika Eka Paksi Foundation (*Yayasan Kartika Eka Paksi/YKEP*) in 1972 and PT. Truba into one-unit Business under YKEP. In general, the purpose of creating foundations within the military is to improve the welfare of soldiers. The budget is needed so that the foundation establishes a business unit to realize that goal. And it turns out that the business units under the foundation are getting bigger.

There are several foundations owned by the military, first Kartika Eka Paksi Foundation (*Yayasan Kartika Eka Paksi/YKEP*) owned by the army. The foundation was founded in 1972. The foundation has 25 companies and various categories of companies such as building construction, housing, factories, services, and mining. Several private companies under the network of the army's Kartika Eka Paksi Foundation are PT. Asuransi Cigna Indonesia, PT. Kayan River Indah Timber Plywood, PT. Aerokarto Indonesia, PT. Lukita Wahana Sari, PT. Bank Artha Graha, PT. Danayasa Artha, PT. Sempati Air (Indonesia Corruption Watch, 2002: 45).

Second, Adi Upaya Foundation owned by Air Force. Foundation has 18 companies in many categories such as building construction companies, housing, airlines, airline-related companies, and pharmaceutical companies. Several companies under Air Force's "Adi Upaya Foundation" network are PT. Chandra Dirgantara (Spare Parts of Aircraft), PT. Surya Dirgantara, PT. Bank Angkasa (Banking) (Indonesia Corruption Watch, 2002). Third, Bhumyamca Foundation owned by Navy. The foundation was founded in 1964 and has 15 companies. Several under the Navy's "Bhumyamca Foundation" are PT. Yala Persada Angkasa (Construction), PT. Bank Bahari (Banking), and PT. Yala Trade (Trading) (Indonesia Corruption Watch, 2002). Fourth, Brata Bhakti Foundation. The police own this foundation. Several companies under the National Police's Brata Bhakti network are PT. Bhara Induk (forestry and Garment), PT. Bhara Union (General Trading and forestry), PT. Sapta Pirsamandiri (insurance) (Indonesia Corruption Watch, 2002: 46).

Brata Bhakti Foundation has control of forest business right in Indonesia, especially in Mandailing Natal. Therefore, this chapter will explain the economic resources of the military in Mandailing Natal especially the role of the Brata Bhakti foundation in the forest extraction.

However, before explaining the forest extraction in Mandailing, the history of the forest in Indonesia will be explained first.

The history of forest ownership status in Indonesia has a long process. Before Indonesian independence, the Dutch colonial state had private property rights of land. The lands owned by the Dutch colonial state was categorized as state land. In the 1870s, the Dutch colonial government enacted agrarian laws that declared state ownership of land. It affected the increasing of Dutch commercial plantations, such as coffee plantations, tobacco, tea, etc. In other words, land that has no evidence of ownership becomes a state land, including indigenous peoples' lands. All the customary land fell into the property of the Dutch colonial state so that the Dutch government could use it for the benefit of their colonialism.

After independence, the Indonesian government under President Sukarno promulgated Law No. 5/1960 on the basic agrarian Law (*Undang Undang Pokok Agraria/UUPA*) to regulate the use and ownership of all types of land such as agricultural land, forests, plantations, and mining. Basic agrarian law rejects the concept of state property rights of land. It means, the agrarian law did not entitle the state to own the land, but only grants the right to control the land.

According to basic agrarian Law No. 5/1960, state control means the state has a right to organize and manage the land, not the right to own land. The concept of basic agrarian Law was influenced by the concept of customary law, which did not recognize absolute individual property rights and only recognized communal rights.

Six years after the basic agrarian Law No.5/1960 was enacted, a military government under General Suharto replaced the government of President Sukarno. To accelerate Indonesia's economic development, Suharto expanded the role of the state from a "holder of

power" to "owner" of the land. The government calls these lands a State Land meaning to be used freely by the state, especially for the interests of development.

In 1967 the Suharto government enacted Law No. 5/1967 on Basic Provisions on Forestry (*UU Pokok Kehutanan*). This Law uses the term "State Forests" for the area that cannot be proven the ownership. Also, the Law also incorporates customary forestland belonging to customary law communities.

In 1970, Suharto government issued Government Regulation No. 21/1970 on forest business rights. According to Government Regulation, the state may grant concessions to state-owned enterprises, private companies, and joint-venture companies (art. 9). Under this Government Regulation, the Suharto provides extensive protection to forest business rights holders, including protection from possible conflicts arising from indigenous peoples who control public forests.<sup>76</sup>

Law No.5/1967 and Government Regulation No.21/1970 have an impact on changing the status of forest ownership in Indonesia including in Mandailing Natal. Indigenous peoples of Mandailing Natal claim that customary forest was taken over by the Suharto government without any explanation and compensation. Some indigenous peoples who are overtaken by customary forest are villagers living in Panyabungan, Kota Nopan, Batang Natal, Siabu, Hutabargot, Naga Juang, and Sorik Merapi.<sup>77</sup>

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<sup>76</sup> Government Regulation no. 21/1970 article 6 explains that the state abolished the community's customary rights over the forest being carried out by the forest business rights holder concessionaire.

<sup>77</sup> The total land area of Ulayat of Desa Hutanamale Sorikmarapi which is recognized by the Dutch colonial government of 3.500 ha, namely: Banggua bordering with Hutatinggi Village, Angin Barat, Pastap Julu, Palangka Gading and Haranapan. The document of Ulayat Land recognition by the Dutch Government is held by public figures as well as additional documents of Banggua submission through public purchases in 1912 and in Dutch language. See Hanif, Konflik Lahan Mandailing Natal.2012

Fig. 4.4. Map of Customary Forest in Mandailing Natal



Source: Wikipedia.org

The circled area in figure 4.4 represents the area of customary forest in Mandailing Natal, and Suharto took over into the state-owned forest. Furthermore, forest management is granted to forest business rights owners. A Forest business right is a license to utilize production of forest including cutting, transporting, planting, maintaining, processing and marketing products.

Since the enactment of Law No.5/1967, concerning Basic Provisions of Forestry and began to explore the potential of forestry by giving forest business right to the company. Forestry Law No. 5/1967, explained that the state dominates all the forests of the Republic of Indonesia. The state has the authority to control and regulate the forest management. Based on

Government Regulation No. 21/1970 describes the forest business rights issued by the Minister of Agriculture by President Suharto's permission. Companies that get forest business rights are companies owned by military or private companies with close relations with Suharto. However, Suharto prioritized the army-owned companies like the companies under the Brata Bhakti Foundation.<sup>78</sup>

According to data from the Association of Indonesian Forest Concessionaires (*Asosiasi Pengusaha Hutan Indonesia/APHI*) in 2002, the forest area managed 211.096 ha concession that covers several regions in Indonesia. The following table is a complete list of companies belonging to Brata Bhakti Foundation in the forest extraction.

Table 4.2. Forest Business Location

No.	Companies	Provinces	Size of area
1	PT. Bhara Induk	Riau	59,565 ha
2.	PT. Brata Jaya Utama	Kalimantan Timur	60,000 ha
3.	PT. Bhara Induk Maluku	Maluku	71,831 ha
4.	PT. Bhara Union	Sumatera Barat	33,700 ha
5.	PT. Bhara Induk Sumut	Sumatera Utara	60,000 ha

Source: Asosiasi Pengusaha Hutan Indonesia, 2002

The table 4.2 describes the Brata Bhakti Foundation has control over the forest management. It is due to forest management is one of the economic resources of the military. One forest company funded by the military, PT. Bhara Induk operates in Mandailing Natal region. As an effort to expand forest exploration in Mandailing Natal, PT. Bhara Induk is

<sup>78</sup> In general, the companies which obtain the forest business right (*Hak Pengusahaan Hutan/HPH*) are the companies owned by the military foundations. Law No.5/1967 is the legalization of land grabbing by the military. See Davidson and Henley, 2007: 11.

establishing cooperation with the private company to participate in the exploration of forests in Mandailing Natal.<sup>79</sup>

Based on the data from Department of Forest of Mandailing Natal, the forest area is 662,071 hectares, and the military owns 52% of forest in Mandailing Natal (*Leuser Lestari Foundation/Yayasan Leuser Lestari*).<sup>80</sup>

There are two military strategies to gain economic resources in Mandailing Natal. First, commercialize of forest business right for the private companies. According to Government Regulation No.21/1970, the state may grant concessions to state-owned enterprises, private companies, and joint-venture companies. The forestry minister only gives forest business rights by presidential approval. Brata Bhakti Foundation serves as a broker to assist other private companies in getting forest business rights. Usually, companies that get forest business rights are companies under military foundations or private companies that have close relations with Suharto regime. The company must pay 600 million rupiahs (60,000 USD) for obtaining concessions to the military (Widoyoko, 2002: 53).

Furthermore, some private companies receive forest business rights in Mandailing Natal such as PT. Aek Girl Timber, PT. Inanta Timber, PT. Keang Nam, PT. Gruti, and PT. Teluk Nauli. The company's data can be seen in the following table.

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<sup>79</sup> In the New Order era, military foundations and government controlled forestry companies. However, they do not have the expertise and knowledge of forestry. Therefore, they seek partners to exploit the forest or sell logging concessions to private companies. This is due to forest exploration requires big capital. For example, companies need operating capital of about 6 million USD to manage approximately 50.000 hectares, (Kompas, August 30, 1999).

<sup>80</sup> It caused New Order era has issued of Forestry Law No.5/1967 and Government Regulation No.21/1970 on granting concessions. The companies which obtain the forest business right (*Hak Pengusahaan Hutan/HPH*) owned by the military foundations. Logging concessions used by military to earn big profits. See Gunawan, 2004: 116.

Table. 4.3. List of Timber Companies

<b>Company</b>	<b>Forest Business Right</b>	<b>Size of Area</b>
PT. Aek Gadis Timber	FA/N/093/XII/1977	114,277
PT. Inanta Timber	FA/N/027/VI/1975	30,000
PT. Keang Nam	FA/N/027/VI/1975	40,000
PT. Gruti	FA/N/039/IX/1972	40,000
PT. Mujur Timber	FA/N/046/X/1972	30,000
PT. Bhara Induk	FA/J/016/VI/1969	60,000
PT. Teluk Nauli	FA/N/040/VII/1976	30,000

Source: Forest Watch Indonesia (FWI), 2013

Table 4.3 shows the private companies of timber in Mandailing Natal. All these companies under the control of PT. Bhara Induk (Brata Bhakti Foundation) belong to the military. Brig. Pol. Ret. Oentoro Wirjawan and Kol. Pol. Rival Adnin led timber exploration of Mandailing (Widoyoko, 2002: 87). The forest area approximately 344,277 ha is a source of military business in Mandailing Natal. Therefore, the military tries to keep the business at the local level and influential in the local politics. The following table map is the location of forest extraction in Mandailing Natal.

Table 4.4. Location of Forest Extraction in Mandailing Natal

<b>No</b>	<b>Sub-districts</b>	<b>Villages</b>
1	Kota Nopan	Sibanggor Julu Hutabaringin Angin Barat Pagar Gunung
2	Panyabungan	Panyabungan
3	Hutabargot	Hutabargot Julu Hutabargot Nauli
4	Sorik Marapi	
5	Nagajuang	
6	Batang Natal	Desa Tarlola Aek Nangali
7	Siabu	Wilayah Hutagodang Muda

Source: summarized from the research of Bitra Konsorsium, 2005

Table 4.4 describes that location of forest extraction in Mandailing Natal. PT. Bhara Induk began with a forestry business concession granted land area of 60,000 hectares in 1975. The permit is valid for 20-years. It means that the expiry of permit license of PT. Bhara Induk in January 1995. PT. Bhara Induk filed the extension of the concession license to the Forestry Department Office of North Sumatra province. The letter immediately proceeded to the governor and eventually forwarded to the Minister by providing some outstanding notes.

PT. Bhara Induk has only concession license, while the operations undertaken by private companies such as PT Mujur Timber, PT. Aek Gadis Timber, PT. Inanta Timber, PT. Gruti and PT. Keang Nam. These companies have violated operating permit by the environmental destruction of 300,000 hectares in Mandailing Natal (Jakarta Post, 2002).

Ministry of Agriculture argues that the performance of PT. Bhara Induk unprofessional. Even in some cases that were raised in the local mass media, it appears that the management of PT Bhara Induk tends to use manipulative ways and destructive. In 1989/1990, PT Bhara Induk submitted a fictitious report. PT. Bhara Induk reported only able to produce an annual average of 40,000 cubic meters, but in fact, total harvest reached 82,804 cubic meters. Forest extraction by PT. Bhara Induk and other companies also included in the category of illegal logging. Illegal logging due to higher profits and also supported by weak of law implementation. Based on Presidential Decree No. 5/2001 illegal logging is logging in forest areas without authorized. Illegal logging is logging without proper permission and in violation of regulations such as logging more than the quota that has been set in the permit.<sup>81</sup>

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<sup>81</sup> Based on some of the above opinion, it can be concluded that illegal logging is an activity that consists of harvesting, transporting, processing and shipping timber carried by unlawfully and in violation of laws and regulations either through personal or business entity.

The illegal logging in Mandailing Natal forest area involves many parties.<sup>82</sup> The collaboration of illegal logging between Timber Company and the military foundation has caused State losses. For example, PT. Mujur Timber defrauded 2.25 trillion rupiahs (225 million USD) meanwhile PT. Keang Nam cheats the government 2.02 trillion rupiahs (202 million USD) (Tempo, 2006). Based on the amount of the stolen wood in the protected forest area of 16 thousand hectares, assuming the production is 50 cubic meters of wood per hectare. The range of price is about 500 USD (4.5 million rupiahs) per cubic meter (Tempo, 2006).

Second, protection services for the private companies include transport of timber. Human Right Watch (2006) explains that the military gets profits from the transporting the timber.<sup>83</sup> The military involvement in the transport of timber is to maintain the security of shipments from local public disturbances. There is an interesting case where the timber shipping has led to conflicts between residents, Sibanggor Jae and Hutanamale village (from the same region, Puncak Sorik Marapi Subdistrict). Military existence scared local people who always forbade the timber truck to go through their village.

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<sup>82</sup> The timber company encourages the illegal timber business carried out by the other parties to meet the local wood supply. Illegal logging is one of the military's strategies to get additional budget. These activities include off budget economic. Indonesia Corruption Watch (ICW) asserts that off budget is very difficult to get the financial statements.

<sup>83</sup> The military was involved in the process of transporting logs from the timber source to the sawmill. Based on information that the company paid for 300 USD per month for the rental fee to the military. Military existence scared local people who always forbade the timber truck to go through their village. The residents refuse the timber truck through the village because of destruction the village road.

Fig. 4.5. Route of Timber Truck



Source: Wikipedia.org

Figure 4.5 shows the route of the timber truck from Hutnamale (Puncak Sorik Marapi subdistrict) to Panyabungan. However, local people of Sibanggor Jae refuse the timber truck through the village because of destruction of the village road. The logging activities in Sibanggor Jae were only a small scale for household needs. There were no logging activities in the community because Sibanggor Jae village no longer has a forest. Meanwhile, the illegal logging activities area was in the upstream of the river namely Hutnamale village in the valley of Sorikmarapi.

The residents of Sibanggor Jae did not approve the illegal logging activities of the people from Hutanamale. They knew that the timber was not from the forest of Sibanggor Jae village. However, they came to feel the effects of the illegal logging such as the decreasing of water for the needs of the community and also the road damage as a result of the truck carrying wood crossing their village. They argued that although the deforestation was outside of the Sibanggor Jae village area, it affected their water resources. They also believe that the illegal logging would destroy agriculture directly or indirectly.

One of the efforts, which have been done to reduce deforestation, was stopping the illegal timber, that passed through their village. In 2000, the village decision was published to end each truck carrying illegal timber through Sibanggor Jae towards Panyabungan. The local people did it because of the trucks bringing illegal logging from the area of Hutanamale-Sibanggor. They always pass to Panyabungan although there is an inspection of forest products by the department of forestry in Panyabungan Selatan. Therefore, the local people of Sibanggor Jae take the initiative to hold the wood before it reached Panyabungan.

Based on the village decision, the villagers detained four trucks carrying timber from Hutanamale. The business people choose the route of Hutanamale-Sibanggor Jae-Panyabungan Selatan and Panyabungan because the distance is closer than the other way. In 2000, four trucks carrying timber were escorted by the military. They tried to negotiate with the village head to pass the truck with a bid of 500.000 rupiahs (50 USD) for every truck, which moves, but the village head of Sibanggor Jae rejected. The residents took the timber and then used it for the benefit of the community.

According to an informant, the military terrorized and threatened the village head for refusing the timber trucks passing through the village. The rejection showed by the residents of Sibanggor Jae has made the relations of the local people of Sibanggor Jae and Hutanamale

less harmonious. The pros and cons of illegal logging had caused conflicts between local people.

The military role did not only serve to maintain the security of timber shipments but also keep the company from the local community disruption. It caused conflicts between timber companies and local communities to often occur.<sup>84</sup> The unclear boundaries between forest business rights location and local people's land are the one of the conflict reason. Even more, in 2000 President Abdurrahman Wahid stated that 40% of the state enterprises land should be returned to the community (Kompas, 2000). The statement has triggers local communities throughout Indonesia to attempt to take over the land. That conditions certainly leads to the conflict involving the military and the dispute between the company and the community also increasing. The conflict involved the military in providing security that in turn led to deaths or injuries.

#### ***4.2.2. Gold Mining Exploration***

Indonesia's economic crisis in 1997 also affected the revenue loss of military foundations and companies under the foundation. For example, Kartika Eka Paksi Foundation owned by the Army suffered a loss of income of 8 billion rupiahs (800,000 USD) in 1997 to 2000. The decline in foundation revenue reached 30 percent from 1997 to 2000. Timber companies under the Brata Bhakti Foundation also suffered revenue losses of 30 million USD in 1997 to 19 million USD in 1998 (Human Right Watch, 2006).

Ahead of the collapse of the New Order regime, the government has approved many contracts in mining sectors. Based on Presidential Decree No.53/Pres/1998, the government

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<sup>84</sup> The local communities were not satisfied with the PT. Keang Nam. Society concerned that the existence of PT. Keang Nam in their territory did not give a positive contribution to improving standards of living. People often heard promises from the company, but in fact, it never realized. For example, developing a radio network, forming business groups or cooperatives, and others. However, it manages to make people upset and then escalated into a conflict between the villagers and the PT. Keang Nam.

has approved 72 contracts of work (*Kontrak Karya/KK*) in the field of general mining in the context of foreign investment. One of the mining companies that have the permission is Sorikmas Mining Company (*PT. Sorikmas Mining/PT.SMM*) with an area of 210,600 hectares in the district of Mandailing Natal. This permit is valid for a 30-years production period and can be renewed (Forest Watch Indonesia, 2013). PT. Sorikmas Mining is the first gold mining company in Nandailing Natal. PT. Sorikmas Mining also has the most extensive mining exploration area in Mandailing Natal. The following is a map of the mining location of PT. Sorikmas Mining by sub-district in Mandailing Natal.

Fig. 4.6. Mining Location of PT. Sorikmas Mining



Source: Wikipedia.org

The circle of figure 4.6 is the location of gold mining in Mandailing Natal. Based on the map shows that PT. Sorikmas Mining has a large gold mining area. Therefore, this research focused on PT. Sorikmas Mining because it has not only a vast gold mining area but also vulnerable conflicts with local communities. PT. Sorikmas Mining is a foreign investment company whose shareholders are Aberfoyle Pungkut Investment Pty, Ltd (75%) and PT. Antam (25%) (Medan Bisnis, 2012).

PT. Sorikmas Mining is the holder of a contract of work with the exploration dated February 18, 1998. Land exploration of PT. Sorikmas Mining managed by Brata Bhakti Foundation, PT. Bhara Induk, which has the Forest Management Rights. Furthermore, PT. Bhara Induk as one of the military companies diverts management to PT. Antam, which is also owned by the Military. The total area of the contract is 66,200 Ha. The contract of PT. Sorikmas Mining at two locations: the first at Tarutung located in Kotanopan district, Muara Sipongi, and Ulu Pungkut with an area of 24.300 Ha and the second at Sihayo located in Siabu district, Bukit Malintang, and Panyabungan with an area of 41,900 ha (Tempo, 2006).

The Mining activities in Mandailing Natal initiated by PT. Antam and PT. Aberfoyle Pungkut Pte.Ltd, which holds the Preliminary Investigation Permit (*Surat Ijin Penyelidikan Pendahuluan/SIPP*) No. 96/2012/DJP/K/1997 to work in the area of 201.700 Ha in Tapanuli Selatan District, North Sumatra Province.<sup>85</sup> The Director-General for Forest Inventory and Land Use approved the preliminary studies with license No. 826/A/VII-4/1997. After that, it followed by the letter No. 804/A/VIII-4/1998 from the Planning Agency Department of Forestry and plantation, which gave a permit for a preliminary exploration in the region mentioned in PT. Sorikmas Mining work contract (Tempo, 2006). One of the PT. Sorikmas

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<sup>85</sup> The contracts of work permit of PT. SMM issued after first carried out the preliminary investigation based on Preliminary Investigation Permit (*Surat Ijin Penyelidikan Pendahuluan/SIPP*) to work in the area of contract applications No. KW.96PK0042 and has granted by the Minister of Energy and Mineral Resources on March 26, 1997.

Mining employee explains the military had a significant influence on PT. Sorikmas Mining. The military elite that was very influential is Silalahi. He is a military man from North Sumatra and the military leaders at the national level. Silalahi becomes the most important person in the success of the operations of PT. Sorikmas Mining because he is an indigenous people of North Sumatra.<sup>86</sup>

Furthermore, the work contract with the exploration stage of PT. Sorikmas Mining ended in October 2004. However, the company has successfully extended operation twice until October 2006. Foreign companies from Australia, namely Maxidrill, carry out this exploration stage. This company also employs local people from two villages to transport logistics and to dig the drilling locations in the vicinity of exploration. Two villages become the barns of unskilled workers. The company always uses members of the community in a significant number for drilling. There are about 150 people, and they get a salary of 4-6 million rupiahs (400 USD). The exploration has been carried out in Sihayo location.

The military took benefit of providing security service to PT. Sorikmas Mining.<sup>87</sup> PT. Sorikmas Mining must pay for protection to the military. The role of the military to maintain the security of PT. Sorikmas Mining is important. The military involvement is to prevent demonstrations and destruction by local people against PT. Sorikmas Mining and gold exploration location. The mining conflict in Mandailing Natal started in 2006. There are many cases to explain the conflict between PT. Sorikmas Mining and local people such as Ulu

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<sup>86</sup> Major General TB Silalahi was a graduate of the National Military Academy (AMN) in 1961. His last position in the military is a Head of military Staff (*Kepala Staf Angkatan Darat/KASAD*) in 1988. He was the Minister for Administrative Reform (1993-1998) in the Suharto era. Later he became chairman of the consultative council (*Dewan Pertimbangan Presiden/Wantimpres*) of President Susilo Bambang Yudhoyono. In the era of Susilo Bambang Yudhoyono, TB Silalahi as commissioner positions in various state-owned enterprises (*Badan Usaha Milik Negara/BUMN*) such as PT. Artha Graha and PT. Antam. PT. Antam is one of the owners of shares in of PT. Sorikmas Mining.

<sup>87</sup> Difficult to find the amount of fees are paid by PT. Sorikmas to the military. However, based on data from other mining companies that the company pays approximately 247.000 USD per year to the military for protection services. See Perlez and Bonner, 2005: 22.

Pungkut. The local people of Ulu Pungkut district agree in the form of a statement of all elements of society in Ulu Pungkut district concerning the existence of mining company of PT. Sorikmas Mining. There were 13 villages in Ulu Pungkut district rejected mining activities of PT. Sorikmas Mining in 2011. Those 13 communities asked the Indonesian government to review immediately and cancel the contract of PT. Sorikmas Mining in some regions. The rejections are expressed by burning some companies' assets engaged in gold mining. One local people were shot dead by military personnel.

Furthermore, in 2010, hundreds of local people of Naga Juang district, Mandailing Natal, burn the base camp of PT. Sorikmas Mining. The demonstration was faced by the military and consequently four people killed in the gunfire. Throughout the information collected in the field, the burning was done by the residents of various villages in Naga Juang district as an attempt to seize Bukit Sambung area from PT. Sorikmas Mining. Local people want the government to exclude Bukit Sambung from the contract of PT Sorikmas Mining and make their mining area. This hilly region of Sambung contains gold.

In 2013, the case of military violence in the conflict occurred again in Panyabungan. 200 military men were visiting the location of local people's mining and committed violence (Detik News, 2013). The battle between PT. Sorikmas Mining and local people still exist.<sup>88</sup> The rejection of society against the mining company is shown through banners posted in several villages.

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<sup>88</sup> The use of violent and intimidation approaches still the options for the military in handling agrarian conflict. Presiden Instruction No. 2/2013 as the basic of Law for the military to do violence to the local people such as reclaiming actions. The Presidential Instruction No. 2/2013 on handling security problems explains that military may commit acts of violence for the purpose of national security. Even General Moeldoko (former Commander of the Indonesian National Armed Forces) says that the commander unit of the military should not hesitate to act to prevent the developing conflicts in the society.

Fig. 4.7. Banner “Stop Mining for Company”



Source: Fieldwork 2014

Figure 4.7 is the local community protest banners against the mining company. The banner reads, “stop the mining for the company” (*stop tambang untuk perusahaan*). Meanwhile, many local people support the existence of mining company. It is due to the fact that the local community can explore the gold around mining company such as PT. Sorikmas Mining. Even the public conducts gold exploration in the location of PT. Sorikmas Mining illegally.

### **4.3. Military and Rent Seeking Activities**

#### ***4.3.1. Military Protects Illegal Miners***

After its regional redistricting in 1998, Mandailing Natal passed regulations governing mining operations in the region. Local mining, if properly regulated, would have significantly bolstered local budgets. However, despite the benefits associated with implementing regulations, the local government of Mandailing Natal has not yet issued any local regulations on the management of mines. The absence of these rules has been a source of conflict in local communities. Local NGO, Lira asserted that collaboration between local government and

military accounts for the dearth of local regulations in the Mandailing Natal (Lira Report,2017).<sup>89</sup>

Some residents and local elites have reported that many local people conduct illegal gold mining operations in Mandailing Natal. However, Mr. Edi Tambunan, a military officer, explained that the mining activities in Mandailing cannot in any legal sense be considered against the law for the simple reason that there are no regulations regarding mining practices in the region. Currently, if miners want to conduct mining operations safely and without any interruption; they must pay protection money to the military. According to the informant, the lack of regulations encourages prospective miners to prospect unexplored areas in search of precious metals. The problem arises from the fact that if there is a local regulation on mining, then society will have considered these illegal mining operations as a kind of thievery and those involved will be subject to criminal penalties.

The figure below is one of the locations of illegal gold mining at the site of the PT. Sorikmas Mining.

Fig. 4.8. Illegal Gold Mining Location



Source: Mandailing Natal, Fieldwork 2014

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<sup>89</sup> Lira (*Lumbung Informasi Rakyat*) is a Local NGO in North Sumatra

Figure 4.8 shows the locations of illegal mining that is supported by the military. Illegal gold mining activities have the support and supervision of the military. Therefore, if any person or organization disrupt the illegal mining process, the military will act harshly to protect illegal mining (Metrotabagsel, 2017). Based on fieldwork, local people must pay between 10 million rupiahs (1000 USD) to 50 million rupiahs (5000 USD) per month, and sometimes even more, to the military for protection.

The impact of the emerging group of supporters and opponent's gold mining is a protracted conflict. Besides, the military also collects money from the local people who conduct mining around the area PT. Sorikmas Mining. Military support the local people to explore gold mining to reduce military conflict with local people. The military did it as a strategy to remove the conflict from the military to the society into the community by the community.

#### ***4.3.2. Politicization of Grants for Military Training Ground***

The grants budget (*Hibah*) is part of the local Budget.<sup>90</sup> Many parties need grants and also many interests that can be accommodated such as the community welfare and political interests. Provision of grants by local governments are prone to abuse, especially in the run-up to the direct election for the head of local government. As use of the grant budget is a discretionary power of the incumbent of local office, many incumbents disproportionately allot themselves funding to finance their reelection campaign. A review of the Corruption Eradication Commission (*Komisi Pemberantasan Korupsi/KPK*) found that grant is commonly misallocated in this fashion. The Corruption Eradication Commission also found a

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<sup>90</sup> According to regulation of the Indonesian Minister of Home Affairs No. 32/2011 explain grant (*hibah*) is the giving of money/goods or services from local government to the central government or other local government, local companies, community and community organizations that have been determined its purpose, voluntary and non-binding

tendency of grant budgets to increase in the run-up to a direct election of local government heads during electoral cycles in 2011 to 2015. Also, many corruption cases are caused by the misuse of grants budgets. The Corruption Eradication Commission showed nominal grants in the local budget was an increase from 2013 until 2015. In 2013 amounting to 15 trillion rupiahs (1.5 billion USD), 2014 amounted to 37 trillion rupiahs (3.7 billion USD), and 2015 amounted to 49 trillion rupiahs (4.9 billion USD). Local budget data from electoral cycles in 2011 to 2015 indicates that in regional head elections shows that there has been an increase in the overall share of the grant budget as a percentage of local budget expenditures. This rise in volume also occurred one year before the election. Grants budget reached 37.07 percent of the local budget (KPK report,2015).

The politicization of grants has occurred in Mandailing Natal. Military rent-seeking activities through politicization of grant with local governments of Mandailing Natal to realize the location of training ground for the military. The military built a 46,000-hectare training ground in the Siabu sub-district of Mandailing Natal. The local government policy of Mandailing Natal has granted land to the military for the purpose of training since 2015. At that time, Mandailing Natal will organize a direct election. Dahlan Nasution as a local government head (Bupati) participated as a candidate for the second period 2016-2020. After Dahlan Nasution has been re-elected as local government head (Bupati), the plan to build the location of the training ground for military continued (Medinas News, 2016).

Fig. 4.9. Military Training Ground



Source: Wikipedia.org

Figure 4.9 shows the map of the location of the military training ground. The location of military training ground covering the subdistrict of Siabu, Bukit Malintang, Naga Juang, Hutabargot and Panyabungan Utara. There are three issues related to military land grants; first, the process of granting land is not in accordance with the regulations. Based on Government Regulation No.2/2012 on Grants, explained that Grants from the local government could be budgeted if the local government has fulfilled all the basic needs and public services for local people. Meanwhile, the local people of Mandailing is still living in poverty. Human Development Index statistics (HDI) in Mandailing Natal from 2016 show that the province is the lowest position among 32 of 33 districts in North Sumatra. The number of impoverished

people in Mandailing Natal increased from 9.28% in 2014 to 10.13% to 2015. Data from 2016 indicate that the number has risen to 11.13% (Mandailing News,2017)

Second, the allocation of 46,000 hectares of training ground for the military was not transparent. The contentious distribution of this land was opposed by a surprised civilian population who argued that the lands should be used for agriculture and mining. Despite civilian pleas, however, the government believed the land should instead be resold back to the government.

Third, the military training site had no strategic value and was primarily zoned in its current location because of the land's proximity to a local gold mine. As a conflict between the local populace with PT. Sorikmas Mining, a local gold mining company, is still unresolved, the military base was positioned to act as a protective buffer between the civilian populace and the company. Additionally, PT. Sorikmas Mining contends that the local populace is engaged in illegal gold mining. However, as mining regulations have yet to be implemented in the region, the civilian populace contends that mining is their right. Hidayat Nasution, a local social, political observer, explained that the determination of the location of training ground for the military is a strategy to protect PT. Sorikmas Mining from the disturbance of illegal mining operations. Meaning that when the location of the new military training base has been completed, local people engaged in mining operations in the area will likely be approached by military forces asking them to desist.

#### **4.4. Conclusion**

Region redistricting of Mandailing Natal was still influenced by the military because Mandailing redistricting happened during Soeharto era and the transition from an authoritarian regime to the reform era. Regional redistricting of Mandailing Natal began from Raja Inal Siregar's instruction (former governor of North Sumatra) to Pandapotan Nasution. Pandapotan was an executor of instructions from the governor instruction. However, Pandapotan did not implement governor's instruction. Otherwise, Pandapotan prefers to redistrict the Mandailing Natal. Under Suharto era, the military got high privileges in business such as timber, mining, and plantations. However, in 1998, the military went bankrupt and had to sell or lease their land to private companies. One of the companies that hired military land was PT. Keang Nam in Mandailing Natal. The regional redistricting of the area is one of the military's strategies to maintain and to develop their business.

The military dominated the redistricting attempt of Mandailing Natal since 1998. It was the early period of transition from the military regime to the reform era. In the case of redistricting of Mandailing Natal, the military must play an important role in controlling the process of regional redistricting of Mandailing Natal. The military must ensure that the regional redistricting of Mandailing Natal did not interfere with military business in the region. The military creates a coalition with local elite such as Pandapotan Nasution and Amru Daulay in Mandailing Natal. After the redistricting, the problem in Mandailing was becoming even more sophisticated in many areas such as illegal logging and gold mining issues. However, behind these problems, the military is the actor who gets the more benefit from the conflicts. Firstly, they got financial benefit from maintaining the security of timbers and mining companies, and secondly, they managed to keep a positive image for military in the society through mobilizing the masses in illegal logging and illegal mining activities.

The other important argument is the military not only runs the business in Mandailing Natal but also operates rent-seeking to increase funding for local military organizations and leaders. The military's strategy is to control local mining regulations because, in the absence of a local regulation governing mining, the military can easily extort illegal miners for money. Another rent-seeking strategy of the military is the politicization of local government land grants to serve as a 46,000-hectares military training ground. The grant process was conducted in private so that the local people remained unaware of the process. When the local government abruptly gave information to the local community that the community land would be used as the location of the military training ground, the civilian populace was astonished. Also, the location of military training ground overlaps completely with the mining location of PT. Sorikmas Mining and illegal miners of local communities.

## Chapter 5

### Labuhanbatu Utara: Military-Civilian Collaboration, Political Party Instruments and Groups Mobilization

#### 5.1. Military and Regional Redistricting

##### 5.1.1. Military and Political Broker Collaboration

The process of regional redistricting in Indonesia is a political tool manipulated by political actors and local strongmen to enrich themselves. The results of several studies conducted on examining the process of regional redistricting prove that redistricting in Indonesia is initiated by local strongmen at the local level and assisted by political parties, youth organization, and traditional leaders (Farida, 2010: 215). The same condition also occurred in Labuhanbatu Utara, North Sumatra province. There are many emerging new districts in North Sumatra such as Labuhanbatu Utara.

Fig.5.1. Map of Labuhanbatu Utara, Labuhan Batu and Labuhanbatu Selatan, North Sumatra Province



Source: Wikipedia.org

Fig. 5.1 shows the map of Labuhanbatu Utara. Previously, Labuhanbatu Utara was a part of Labuhan Batu district. In 2008, Labuhan Batu divided into three new areas: Labuhanbatu Utara,<sup>91</sup> Labuhanbatu Selatan,<sup>92</sup> and Labuhan Batu (the central region).<sup>93</sup>

The process of redistricting of Labuhanbatu Utara started in 2000 and, at that time, Milwan was the Regent of Labuhan Batu.<sup>94</sup> The military supported Milwan since 1998 because of Milwan's career as Deputy Chief of Bukit Barisan Military Command (*Komando Daerah Militer/Kodam Bukit Barisan*) until he retired in 2000 and after that as a regent in Labuhan Batu.

Regional redistricting of Labuhan Batu is connected to the fall of the Suharto regime, especially the impact on military business at the local level. Insistence on regional redistricting in Indonesia is inevitable (Bunte, Marco, and Ufen, 2009. p. 105). Sooner or later the demand for regional redistricting will occur in Labuhan Batu. Hence, the military must control the redistricting process and maintain the military business at the local level (Nordholt and Klinken, 2007: 18).

The beginning of the fall of the Suharto regime resulted in a change of military strategy in local politics. The military requires collaboration with civilians, such as elected political officials using their power to act as power brokers to maintain military business. These political power brokers have a significant role in the redistricting process in Indonesia because they have access to vast social networks. After the Suharto regime, the role of these

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<sup>91</sup> Labuhanbatu Utara consists of eight sub-districts: Kualuh Hulu, Kualuh Hilir, South Kualuh, Kualuh Leidong, Aek Natas, Na IX-X, and Merbau. Total population is 335.459. The ethnicity in Labuhanbatu Utara is more plural namely Javanese (48.43%), Malay (19.81%), Tapanuli Selatan (18.85%), Tapanuli Utara (10.18%), others (02,73 %) (BPS Labuhanbatu Utara, 2014).

<sup>92</sup> Labuhanbatu Selatan domiciled in Kotapinang with the capital Kotapinang, consists of five sub-districts: Kotapinang, Silangkitang, Torgamba, Sei Kanan, and Kampung Rakyat.

<sup>93</sup> Labuhan Batu with the capital Rantau prapat consists of nine sub-districts, namely: Panai Hulu, Rantau Utara, Bilah Hulu, Pangkatan, Panai Tengah, Bilah Hilir, and Panai Hilir, Bilah Barat, Rantau Selatan.

<sup>94</sup> Milwan is a military retiree who became a regent in 2000 through in the indirect election.

brokers became crucial. One of the essential functions of these brokers is to act in tandem with other elites to facilitate lobbying that acts as the first step in the redistricting process.

Access to social networks is a significant factor in mapping the strength of the local elite. The capability to maintain and mobilize social networks was one of the critical powers of political brokers to actualize the redistricting of Labuhanbatu Utara. In this case, political brokers who understood the local elites and the characteristics of the local community were vital in supporting the military-backed process of redistricting Labuhanbatu Utara. Therefore, political brokers are continually searching for elites who have a significant influence in the local community as this will facilitate their work of political brokers.<sup>95</sup> Political brokers can govern the distribution of resources in this manner.<sup>96</sup>

In 2000, Milwan, acting as the regent of Labuhan Batu, could not directly petition the government to begin the redistricting process that resulted in the creation of Labuhanbatu Utara. Milwan needed a civilian operative with significant influence in the local community. Kharuddin Syah, Milwan's chosen executor, was then the Chairperson of a Youth Organizations for Sons and Daughters of Indonesian Retired Military Officers (*Forum Komunikasi Putra Putri Purnawiran Indonesia/FKPPI*) of Labuhan Batu. To keep the regional redistricting in order, Milwan specifically directed Syah to ensure military business and assets remained in the possession the military during the redistricting process. Based on the interview with an informant, local elites obtained by the author, the informant explained that military forces are directing and supporting Kharuddin Syah to redistrict Labuhanbatu Utara. The military requires surrogates such as Syah because military support for the

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<sup>95</sup> The political broker has a better connection with other elites. Political broker function is important in social and political structure. A political agent facilitates certain actions of individuals who are within the structure. A political broker can improve the efficiency of society by facilitating and coordinating work. Political broker has an important role in society that has the character of patron-client. Brokers have a duty to build bridges between patron and client. See Burt, 2005: 4.

<sup>96</sup> Political broker has a strategy to influence the public. Brokers are also able to organize the distribution of politics among the elites. See Stroke, 2013: 199.

redistricting is legally prohibited. Kharuddin Syah is the "*anak main*" or right hand of Milwan's military-backed plot to create a new district.

Furthermore, Kharuddin Syah consolidated political power within the local Golkar party with the assistance of Milwan who is also, in addition to his roles as a mayor and former Lt. General, the chairperson of the Golkar Party of Labuhan Batu. At Milwan's insistence, Rambe from the local Golkar party was asked to take a leading position in Syah's effort to begin the process of redistricting in Labuhan Batu. Local elites affiliated to Syah, such as the head of the Association of Functional Group Youths (*Ikatan Pemuda Karya/IPK*) and a palm oil businessperson, were also mobilized to assist Syah. These affiliated individuals explained that Kharuddin Syah often invited them to discuss the redistricting plan for Labuhanbatu Utara.

Fahmi, a political observer of Labuhan Batu and researcher of local Indonesian politics, noted that Kharuddin Syah plans to ensure that creation of a new district by manipulating the local populace into supporting his policies. The substance of this manipulation is to use propaganda to convince the local populace to support the efficacy of redistricting through lobbying and other political demonstrations.

An interview with Hasrul, a local political elite, confirmed that Syah actively engage in the process of redistricting in Labuhanbatu Utara. The role of Syah as a political broker in the process of redistricting in Labuhanbatu Utara was to mediate and build bridges with various local and political elites. Mediation of the local political elite is complicated. Cristopolus and Ingold (2011) explain that there are three strategies for political brokers to engage in mediation with elites: socialization of concept, building the political interest and redistribution of local resources.

### *a. Socialization of Redistricting Concept*

Disseminating ideas to the local people of Labuhan Batu of redistricting Labuhan Batu into three separate districts was the strategy enacted by Syah to fulfill Milwan's request. The results of the interviews with local elites show that this strategy was not successful amongst the local elites of Labuhan Batu. Based on the interview with local elites in Labuhan Batu, business people, the leaders of youth organizations, the clergy, and political parties had different ideas about regional redistricting and the concept of welfare.

Syah conducts socialization or regional redistricting campaigns to other local elites through the welfare concept. The geographical proximity to the provincial capital of Labuhan Batu Utara affects the quality of public services such as health, infrastructure, and education. Therefore, the Syah convinced that all the elites and local people want to prosper. The solution to realize the welfare of the elites and local communities were to support the regional redistricting and the creation of a closer provincial capital. The regional redistricting of the Labuhanbatu Utara was the only solution to improve the economic life of local communities and elites. Local elites such as palm oil business people, clerics, youth organization will gain substantial economic benefits if regional redistricting could be realized. The palm oil business people will be able to expand their plantations and, as a result, employ more workers; thus the alleged benefits of redistricting would lead to economic development that could be enjoyed by the entire community.

Business people argue that welfare occurs as a benefit from selling palm oil. Clerics view welfare as a condition of society where the people of Labuhan Batu are free to worship, and mutual respect is shared among peoples. Youth organization defines welfare as a way to earn benefits from illegal business. Political parties, on the other hand, define welfare as the

set of conditions that enable political parties to gain social support and to strengthen their power in Labuhanbatu Utara.

However, local elites were still unsure that the regional redistricting would have an impact on the welfare of the people. Therefore, the idea of building the belief system and disseminating the idea that redistricting will affect growth and prosperity failed. The only political party who believed that regional redistricting would affect social welfare growth was the Golkar party who, at this point, was already under Syah. This failure encouraged Syah to modulate his to convincing the local elites to support him.

#### ***b. Building Political Interest***

Kharuddin Syah used the political interests to bring up the issue of regional redistricting. This approach was expected to be the right strategy to reach an agreement on regional redistricting in Labuhanbatu Utara. If Labuhanbatu Utara was redistricted, opportunities for political parties gain power in the parliament would open up. Thus, only political parties saw a benefit in the redistricting of Labuhanbatu Utara. Traditional leaders, business people, and the leaders of youth organizations rejected this approach as they assumed that only political parties would benefit from the creation of a new parliament. Based on field research, the author found that, after this second strategy failed, Syah used a new strategy: the redistribution of local resources.

#### ***c. Redistribution of Local Resources***

Syah distributed resources to local elites based on their sectors. Further, Syah invited four local political elites in Labuhanbatu Utara to carry facilitate these transfers. If the regional redistricting of Labuhanbatu Utara were to be realized, argued Syah, then the local

political elites would need to get advantages as well. Traditional leaders (clerics) would gain benefit from the management of pilgrimage (Hajj) and will be in charge of any religious activities. Mr. Fredy as the head of Association of Functional Group Youths (*Ikatan Pemuda Karya/IPK*) was appointed as the treasurer of Golkar Party. Meanwhile, palm oil business people were given eased regulations on land development of the palm oil business and easier access to land acquisition. After having been given resources and exclusive privileges, the local elites agreed to support Syah in redistricting Labuhan Batu.

### ***5.1.2. Political Party Instruments***

In the author's opinion, discussion of local strongmen has been unnecessary until the fall of the New Order regime. Now, local elites could not work without developing a consensus amongst other local powerful political actors. Local elites in the reform era need to establish mutually beneficial relationships with other elites if they hope to wield significant power for an extended period. The collaboration of local elites occurred in the regional redistricting of Labuhanbatu Utara. Since the regional redistricting was based on political issues, Kharuddin Syah was more active in establishing communications with the Golkar party to add political legitimacy to his cause.

The Golkar party's role in the regional redistricting of Labuhanbatu Utara was important. Mr. Rambe, as the actor of the redistricting of Labuhanbatu Utara from Golkar party, earnestly supported the issue of redistricting of Labuhanbatu Utara. In his responses in an interview with the author, Rambe argued that it is scientifically and academically to the advantages of Labuhanbatu Utara to engage in the process of redistricting. In a further interview with Kharuddin Syah, Syah expressed that redistricting is addressing genuine democratic aspirations of the local community and various NGOs and higher education

institutions as well as community leaders. Furthermore, based on academic research by Golkar party, Syah argued that the plan for the redistricting of Labuhanbatu was worthy of support in its success. The survey conducted by the Golkar party also highlighted other potential gains of redistricting Labuhanbatu Utara. At that time, the local parliament members of Labuhanbatu which dominated by Golkar party and other political parties.

Table 5.1 Members of Labuhan Batu Parliament Period 1999-2004

<b>No</b>	<b>Names</b>	<b>Political Party/Military</b>	<b>Electoral Region</b>
1	Rasyid Hasibuan	Golkar	Torgamba
2.	Amir Munthe	Golkar	Kualuh Hulu
3.	Raja Amrul	Golkar	Marbau
4.	Syamsudin Harahap	Golkar	NA IX-X
5.	Nawawi Rambe	Golkar	Bilah Barat
6.	Sudarwanto	Golkar	Rantau Selatan
7.	Parinsal Siregar	Golkar	Rantau Selatan
8.	Harun	Golkar	Rantau Selatan
9.	Rizal Sani	Golkar	Rantau Utara
10.	Nasrian Yunus	Golkar	Panai Tengah
11.	Dahlan Hasibuan	Golkar	Kampung Rakyat
12.	Yusli Panggabean	PDIP	Kualuh Hilir
13.	Zulkifli Lubis	PDIP	Kualuh Hulu
14.	Kamil Pane	PDIP	Kualuh Hulu
15.	Nasib	PDIP	Kampung Rakyat
16.	Riduan Siregar	PDIP	Kota Pinang
17.	Daslan Simanjuntak	PDIP	Pangkalan
18.	Sujarwo	PDIP	Billah Hilir
19.	Kaslan Nasution	PDIP	Bilah Hulu
20.	Syamsir Ray	PDIP	Marbau
21.	Lukman Hasibuan	PDIP	Bilah Hilir
22.	Sugiarto	PDIP	Silangkitang
23.	Suratmin	PDIP	Bilah Hulu
24.	Rumlan	PDIP	Kampung Rakyat
25.	Abdul Malik	PDIP	Rantau Selatan
26.	Fathulmach Efendi	PPP	Rantau Utara
27.	Roni Harahap	PPP	Aek Natas
28.	Redho Yaman	PPP	Merbau
29.	Ismail Aritonang	PPP	NA IX-X
30.	Syafaruddin	PPP	Kualuh Hulu
31.	Khairul Bhakti	PPP	Sei Kanan
32.	Muniruddin	PPP	Panai Hilir
33.	Syahmatnoor	PAN	Sei Kanan
34.	Thamrin Ritonga	PAN	Sei Kanan
35.	Aminuddin Ritonga	PAN	Rantau Utara
36.	Jangga Mora Siregar	PKB	Rantai Utara

37.	Adnan Daulay	PBB	Kualuh Hulu
38.	Suwito	PCD	Rantau Selatan
39.	RE Matondang	PKP	Rantau Utara
40.	Walden Hutagalung	PDKB	Rantau Utara
41.	Kapt.Inf. Pedoman Ginting	Military	-
42.	Mayor Irwansyah	Military	-
43.	Let.Robinson	Military	-
44.	Kapt.T. Sembiring	Military	-
45.	Kapt.Inf. Alamsyah	Military	-

Source: Local Parliament (DPRD) Labuhanbatu Utara Document<sup>97</sup>

Table 5.1 shows the election result of Labuhan Batu in 1999. At that time, The Indonesian Democratic Party of Struggle (*Partai Demokrasi Indonesia Perjuangan/PDIP*) was the winning party in Labuhan Batu with 14 representatives, and the Golkar party had 11 representatives. The issue of the region redistricting was a prominent issue because it was supported by the Golkar party and the military (five representatives). The issue of the region redistricting was the theme of a campaign for a candidate who will become members of local parliament in 2004, especially from the Golkar party. This issue dramatically affects the amount of public support for the Golkar party. In the election in 2004, Golkar was the winning party, and region redistricting became the main agenda.

Table 5.2 Members of Labuhan Batu Parliament period 2004-2009

No	Names	Political Party	Electoral Region
1	Parinsal Siregar	Golkar	Labuhan Batu 1
2.	Rizal Soni	Golkar	(Kampung Rakyat,
3.	Sudarwanto	Golkar	Bilah Hulu,
4.	Abdul Roni	PPP	Pangkalan, Rantau
5.	Amarullah Nasution	PDIP	Selatan, Rantau Utara)
6.	Bedi Djubaidi	PBR	Kualuh Hulu
7.	Chairuddin	Demokrat	Marbau
8.	Dumanggor Siregar	PDIP	NA IX-X
9.	Irwansyah Ritonga	PPP	
10.	Puji Hartoyo	PKS	
11.	Rensus Panjaitan	PNBK	

<sup>97</sup> The Party of Functional Group (*Partai Golongan Karya/Golkar*), The Indonesian Democratic Party of Struggle (*Partai Demokrasi Indonesia Perjuangan/PDIP*), United Development Party (*Partai Persatuan Pembangunan/PPP*), The National Mandate Party (*Partai Amanat Nasional/PAN*), The Crescent Star Party (*Partai Bulan Bintang*), Then National Awakening Party (*Partai Kebangkitan Bangsa/PKB*), Justice and Unity Party (*Partai Keadilan dan Persatuan/PKP*), Party of Peace (*Partai Cinta Damai*), Love The Nation Democratic Party (*Partai Demokrasi Kasih Bangsa/PDKB*)

12.	Sarifuddin Tandjung	PBB	
13.	A. Hidayat Ritonga	PAN	Labuhan Batu 2
14.	Hefrin Harahap	Golkar	(Torgamba, Sungai
15.	Kasmah	PBR	Kanan, Kota Pinang,
16.	Khairil Anwar	Golkar	Silangkitang)
17.	Syahrir	Pelopop	
18.	Panggar Nasution	Demokrat	
19.	Pangonal Harahap	PDIP	
20.	Rasyid Hasibuan	Golkar	
21.	Yafri Marpaung	PPP	
22.	Zainal Harahap	PDIP	
23.	Aliwansyah	PPDI	Labuhan Batu 3
24.	Bindu Napitupulu	Demokrat	(Marbau, Aek Kuo,
25.	Dakhlan Bukhori	PDIP	Aek Natas, Bilah
26.	Khairul Ahmad	PBR	Barat, NA IX-X)
27.	Kharuddin Syah	PBR	
28.	Sri Munaswati	Golkar	
29.	Syarifah Lubis	Golkar	
30.	Zainal Bahri Munthe	PPP	
31.	Amiruddin Manurung	PDIP	Labuhan Batu 4
32.	Ellya Rossa Siregara	Golkar	(Panai Hilir, Panai
33.	Fathulmah Effendy	PPP	Tengah, Panai Hulu,
34.	Ramhadi	Demokrat	Bilah Hilir)
35.	Rudi Hartono	PBR	
36.	Syaiful Usdek	PDIP	
37.	Zulham Irianto	PAN	
38.	Ahmad Husin Situmorang	PBR	Labuhan Batu 5
39.	Ali Tambunan	Golkar	(Kualuh Hulu, Kualuh
40.	Bindu Siahaan	Golkar	Selatan, Kualuh Hilir,
41.	Jahotman Sinaga	PBB	Kualuh Leidong)
42.	Mervin Silitonga	PDIP	
43.	Nasyruddin Daulay	PBB	
44.	Redho Yaman	PPP	
45.	Supeno Hariadi	Demokrat	

Source: Local Parliament (DPRD) Labuhanbatu Utara Document<sup>98</sup>

Table 5.2 shows the members of Labuhan Batu Parliament period 2004-2009. The political party expressed their full support for the redistricting of Labuhan Batu district. However, political parties only focused on highlighting the technical and normative aspects. The discussion of regional redistricting of Labuhanbatu Utara is not complete if the local community did not support the issue of regional redistricting. These political parties did not seem to support the redistricting from grass root level by rolling the issue of redistricting among community organizations and socio-political organizations.

<sup>98</sup> Democratic Party (*Partai Demokrat/PD*), The Reform Star Party (*Partai Bintang Reformasi/PBR*), The Crescent Star Party (*Partai Bulan Bintang/PBB*), The Prosperous Justice Party (*Partai Keadilan Sejahtera/PKS*), The Indonesian National Populist Fortress Party (*Partai Nasional Banteng Kerakyatan/PNBK*)

Government regulation No.129/2000 described that regions nominated for redistricting must be supported by local communities and organizations. Therefore, political parties, especially the Golkar party, needed to form many local community organizations to support the redistricting of Labuhanbatu Utara. Unfortunately, the organizations of society are artificial because administrators and members of the community organizations are members of local parliament (1999/2004 and 2004/2009) and other local elites.

### ***5.1.3. Mobilizing Groups of Local Community Organization***

Ratnawati explains that the establishment of new districts is always preceded by the formation of community groups at the direction local elites (Ratnawati, 2010: 16). The same argument with Ratnawati, Mietzner explanations that the regional redistricting issue initiated by community organizations proves that these organizations have institutional structures and a broad base of support (Mietzner, 2014: 42). Typically, the structure of such community organizations mirrors the political parties that they are founded by. The similarities between the institutional structures of community organizations and political parties can be easily seen. The actors in these local community organizations are also often members of or employed by local political parties. Therefore, these players can efficiently manage the redistricting issue up to the level of policymakers in local parliament because these actors have good relations with those legislators who came from the political parties. Indeed, in the issue of redistricting, political parties that are present at local levels also have representation in the National Parliament. This makes the process of redistricting part of the national agenda and further adds additional layers of potential corruption to the integrity of the process. Furthermore, this paper will discuss how the roles of community organizations endeavored to redistrict Labuhanbatu Utara.

After the initiation of the redistricting of Labuhan Batu, local community organizations voiced support of the process by submitting a letter of support to the local parliament (*Dewan Perwakilan Rakyat Daerah/DPRD*) of Labuhan Batu. The leaders of these communities, religious organizations, political parties, and youth organization, students, and businesspeople signed these letters of support. The sheer volume of letters demonstrated the strong desire of the people of Labuhan Batu to realize the redistricting. In addition to writing letters of support, lobbying was utilized by community organizations. These lobbying efforts targeted member of local parliament (*Dewan Perwakilan Rakyat Daerah/DPRD*) and attempted to convince them to support the redistricting effort.

Since 2000, the scenario of regional redistricting in Labuhanbatu Utara has begun by the approach from local elites. Based on interviews with local strongmen, they explain that if the region redistricting were based solely on the support of local political parties, it would be hard to get support from central government. Therefore, local elites made alliances with business people, the heads of youth organizations, elected members of local parliament, and traditional leaders (clerics) to collaborate in the creation of new local community organizations.

Fahmi, a social researcher in Labuhanbatu Utara, argues that regional redistricting of Labuhanbatu Utara did not involve the participation of local communities. The redistricting was the result of local elite's manufactured support. However, if the regional redistricting of Labuhanbatu Utara were made only by the aspirations of the elites, then regional redistricting would be challenging to realize. However, the committees of the new community organizations came from the local elite groups arranged by the Syah's directives.

Syah was engaged in direct communication with individuals who operates community organizations. The strategy of building artificial local community organizations aimed to

legitimize the process of region redistricting of Labuhanbatu Utara on the false aspirations of the local community.<sup>99</sup> Therefore, Syah and the Golkar party formed many community organizations to support regional redistricting efforts in Labuhanbatu Utara. These organizations were artificial because the administrators and members of these organizations were members of local parliament (1999/2004 and 2004/2009) and other local elites. The strategy of using artificial surrogate organizations to falsely represent the political aspirations of the civilian populace was used by those community organizations. By sending letters of support delivered directly to local parliament, these communities attempted to give the presence of a strong desire of the people of Labuhanbatu Utara to realize redistricting. The table below describes the organizations that support the redistricting of Labuhanbatu Utara.

Table 5.3. Local Community Organizations Propose the Regional Redistricting

<p>1. Formation Committee of Kualuh Marbau District (<i>Panitia Pembentukan Kabupaten Kualuh Marbau</i>).</p>	<p>This community group founded from the aspiration of the people in Marbau sub-district and some other sub-district adjacent to it. Based on the sequence of incoming letters to the Parliament, this was the first aspiration of the people who wanted Labuhan Batu redistricting. These community organizations only wanted Labuhan Batu to be redistricting into two districts, namely the district of Labuhan Batu Induk and the district of Kualuh Marbau.</p>
<p>2. Communication Forum of Political Parties of Kota Pinang sub-district (<i>Forum Komunikasi Partai Politik Kecamatan Kota Pinang/FKPP</i>)</p>	<p>This community organization founded on behalf of all political parties in Kota Pinang sub-district. In this case, all political parties in Kota Pinang are fully supporting the redistricting of Labuhan Batu into three districts. This community organization's consideration based on general conditions in Labuhan Batu such as territory, population, the potential of region and community. Labuhan Batu district was very feasible for a</p>

<sup>99</sup> The discussion of regional redistricting of Labuhanbatu Utara is not complete if the local community did not support the issue of regional redistricting. It has been described in government regulations No.129/2000 that the proposed region redistricting must be proved with the support of the local community.

	redistricting so as to improve the welfare through the acceleration of development. Besides, from the normative aspects (of the law), the redistricting Labuhan Batu District is in conformity with the Law No. 22/1999 on Local Government and Government Regulation No. 129/2000 on the Guidelines for Regional Redistricting.
3. Supporting Communities for the redistricting of Labuhan Batu District from Kualuh Hulu sub-district, Kualuh Hilir, South Kualuh, Aek Natas, NA IX-X ( <i>Masyarakat Pendukung Pemekaran Labuhan Batu Kecamatan Kualuh Hulu, Kualuh Hilir, Kualuh Selatan, Aek Natas, NA IX-X</i> ).	The aspirations of these communities involve a person from five sub-districts who was incorporated in a group called Supporting Communities for the Redistricting of Labuhan Batu District. The contents strongly reflect the great desire of all the people in the five sub-districts that asks for the redistricting of Labuhan Batu district. Community leaders, youth leaders, and religious figures in five sub-districts represent this community aspiration.
4. Supporting communities for the redistricting of Labuhan Batu – Kualuh Hulu subdistrict ( <i>Masyarakat Pendukung Pemekaran Labuhan Batu - Kecamatan Kualuh Hulu/TMPPL</i> ).	This community organization founded on behalf of the people in the Kualuh Hulu sub-district. Their aspiration involves the support from the entire community, such as the support of five largest political parties in 1999 and the support from the others such as school/college students, employees, farmers, merchants, scholars, and NGOs that existed in the Kualuh Hulu sub-district. These society organizations urged the Government and Legislator of Labuhan Batu (DPRD) to convene Parliament plenary immediately for the approval of Labuhan Batu redistricting.
5. Supporting team for the redistricting of Labuhan Batu ( <i>Masyarakat Pendukung Pemekaran Labuhan Batu kecamatan Kualuh Selatan/TPPL</i> )	The aspirations of these community organizations were a form of support from the political parties and society in the South Kualuh sub-district. The composition of its member involved, among others, local political party officials, scholars, businesspeople and community leaders in the South Kualuh sub-district.
6. Supporting team for the redistricting of Labuhanbatu-Aek Natas subdistrict ( <i>Masyarakat Pendukung Pemekaran Labuhanbatu Kecamatan Aek Natas/TPPL-Aek Natas</i> ).	These community organizations delivered the public aspirations from the sub-district of Aek Natas, and their letter contained support statement for the redistricting of Labuhan Batu derived from the elements of public figures, religious leaders, political parties and youth civil society organizations in Aek Natas sub-district.

<p>7. Workers organization of the establishment of Labuhan Batu District (<i>Badan Pekerja Pembentukan Kabupaten Labuhan Batu</i>).</p>	<p>The worker's agency of Labuhan Batu district has a purpose to be the forum for assessing and accommodating coastal communities aspirations wherever they are, as an effort for the establishment of Labuhan Batu district. Then, board meetings are held by the agency of workers directly with community leaders, scholars, intellectuals, businesspeople and students from Labuhan Batu region. They conducted a feasibility study on the establishment of new regions from Labuhan Batu district. Through the results of the survey, it was known that the region was feasible to be expanded from Labuhan Batu district (main region). This organization wanted a new district namely Labuhan Batu Utara district which is a division of the Labuhan Batu District.</p>
<p>8. Social supporting team for the redistricting of Labuhan Batu Kualuh Hilir subdistrict (<i>Masyarakat Pendukung Pemekaran Labuhan Batu kecamatan Kualuh Hilir</i>).</p>	<p>This organization wanted the parliament and local government to hold a plenary session as soon as possible on the proposed redistricting of Labuhan Batu District while the member of this community organization involves all levels of society in Kualuh Hilir subdistrict. It was intended to show that the issue of this redistricting comes from many people's aspirations.</p>
<p>9. The Committee of the Redistricting of Labuhan Batu District 8 subdistrict (<i>Komite Pemekaran Kabupaten Labuhan Batu/KPKL 8 Kecamatan; Kualuh Hulu, Kualuh Selatan, Aek Natas, NA IX-X, Aek Kuo, Merbau, Kualuh Hilir, Kualuh Leidong</i>).</p>	<p>This community organization formed by the Labuhan Batu societies who concerned with the realization of the redistricting of Labuhan Batu District. In its letter of support, it was stated that the desire of the redistricting of Labuhan Batu derived from the aspirations of the people without any influence of someone else or third parties and or political elements. Thus, the obvious issue of the redistricting is a common problem that comes from the community.</p>
<p>10. NGO Community Yayasan Abdi Masyarakat of South Kualuh sub-district/Kualuh Hulu (<i>LSM Yayasan Abdi Masyarakat Kecamatan Kualuh Selatan/ Kualuh Hulu</i>).</p>	<p>The organization sent many letters supporting the redistricting to local Parliament. This NGO is the only one that used NGO identity, while the rest used community organization in their name. Another NGOs, who located in each sub-district, expressed their support toward the redistricting of Labuhan Batu in each sub-district. Through their letters, all of these NGOs fully expressed their support for the redistricting of Labuhan Batu into three</p>

	districts and demanded that the Government to realize the establishment the Labuhanbatu Utara and Labuhan Batu Selatan which has long been coveted by the people.
<i>11. The redistricting committee of Labuhan Batu Selatan (Komite Pemekaran Labuhanbatu Selatan).</i>	This organization explains that these society organizations carried out the aspirations of the people residing in the area of redistricting in Labuhan Batu District, namely Labuhanbatu Selatan, which consists of five sub-districts. In their letter of support, this community organization said that the redistricting of Labuhan Batu was legal and in conformity based on the results of research conducted by the redistricting team. In this letter of support, it is explained that all the local people in the new region of the Labuhanbatu Selatan support the redistricting of Labuhan Batu District. Community leaders in each sub-district defend this letter, so it is apparent that the issue of redistricting came from the aspirations of the people.

Source: Document of Local Parliament (DPRD) Labuhanbatu Utara

Table 5.3 shows the names of local community organizations that support the regional redistricting of Labuhanbatu Utara. The aspirations of those community organizations demonstrate that local actors use the issue of regional redistricting for political interest. These actors are local political elites in the community who deliver regional redistricting of Labuhanbatu Utara issue to the Parliament and local government. These community organizations formed by local elites are an excellent strategy to achieve the regional redistricting of Labuhanbatu Utara. Some prominent ruling party members are involved as the leaders of these community organizations.

Table 5.4. Political Party and Local Elites in Community Organization

<b>Organization</b>	<b>Name</b>	<b>Political Party/Elites</b>
1. Formation Committee of Kualuh Marbau District ( <i>Panitia Pembentukan Kabupaten Kualuh Marbau</i> )	Raja Amrul ( <i>chairman</i> )	Golkar
2. Communication Forum of Political Parties of Kota Pinang sub-district ( <i>Forum Komunikasi Partai Politik Kecamatan Kota Pinang/FKPP</i> )	Fredy ( <i>Chairman</i> ) Tampubolon Ratna Dewi	Youth Organization PKP PDIP
3. Supporting Communities for the redistricting of Labuhan Batu District from Kualuh Hulu sub-district, Kualuh Hilir, South Kualuh, Aek Natas, NA IX-X ( <i>Masyarakat Pendukung Pemekaran Labuhan Batu Kecamatan Kualuh Hulu, Kualuh Hilir, Kualuh Selatan, Aek Natas, NA IX-X</i> )	Rambe K ( <i>Chairman</i> ) Saleh Bandit Ranto Simangunsong Kharuddin Syah Mayor. Irwansyah	Golkar Traditional Leader Businesspeople Businesspeople PBR Military/Golkar
4. Supporting communities for the redistricting of Labuhan Batu – Kualuh Hulu subdistrict ( <i>Masyarakat Pendukung Pemekaran Labuhanbatu - Kecamatan Kualuh Hulu/TMPPL</i> ).	Dewi Syukur ( <i>Chairman</i> ) Bram Tarigan	Golkar Businesspeople
5. Supporting team for the redistricting of Labuhan Batu ( <i>Masyarakat Pendukung Pemekaran Labuhanbatu kecamatan Kualuh Selatan/TPPL</i> ).	Arifin Hasibuan ( <i>Chairman</i> ) Ayun Sitorus	Youth Organizaton Traditional Leader
6. Supporting team for the redistricting of Labuhanbatu-Aek Natas subdistrict ( <i>Masyarakat Pendukung Pemekaran Labuhanbatu Kecamatan Aek Natas/TPPL-Aek Natas</i> )	Abu Hanifah Tanjung Enry Pohan ( <i>Chairman</i> )	Traditional Leader Youth Organization
7. Workers organization of the establishment of Labuhan Batu District ( <i>Badan Pekerja Pembentukan Kabupaten Labuhan Batu</i> ).	Ikhyar Hasibuan ( <i>Chairman</i> ) Ahmad Fauzi	Demokrat Traditional Leader

8. Social supporting team for the redistricting of Labuhan Batu Kualuh Hilir subdistrict ( <i>Masyarakat Pendukung Pemekaran Labuhan Batu kecamatan Kualuh Hilir</i> )	Kharuddin Syah ( <i>Chairman</i> ) Timbul Hasibuan HM Jhoni	PBR Youth Organization Military/ traditional Leader
9. Redistricting Committee of Labuhan Batu District, 8 subdistrict ( <i>Komite Pemekaran Kabupaten Labuhan Batu/KPKL 8 Kecamatan; Kualuh Hulu, Kualuh Selatan, Aek Natas, NA IX-X, Aek Kuo, Merbau, Kualuh Hilir, Kualuh Leidong</i> ).	Wahab D. ( <i>Chairman</i> ) Ismail Tanjung Junaidi Ritonga Mahmud Sipahutar Syamsudin Harahap Ngatmin Sansuwito Rustam Nasution Ranto Simangunsong Indra Simatupang Zapar Pohan M. Yunus Fajar Bangun Armayadi Muniruddin Muklis Hasibuan R.E. Matondang Yusli Panggabean Parinsal Siregar Sudarwanto Kharuddin Syah Kaslan Nasution Fatulmach Effendi Syahmat Noor Jangga Mora Amir Munthe Walden Hutagalung Suwito Supeno Hariadi Abdul Malik Rambe Suratmin Nasib Ismail Aritonang Ahmad Effendy Rambe K Kamil Pane Abdul Syahnan Aslan Sitompul Ismail Tanjung Rizal Hutapea Alvi Harahap Junaidi Ritonga K.H. Nikmat Burhanuddin Ruslan Nasution	Demokrat Golkar Golkar Traditional Leader Golkar PDIP Traditional Leader Businesspeople Businesspeople Youth Organization PAN PKP Traditional Leader PPP Traditional Leader PKP PDIP Golkar Golkar Golkar PBR PDIP PPP PAN PKB Golkar PDKB PCD Demokrat PDIP PDIP PDIP PPP Youth Organization Golkar PDIP PBB Golkar Golkar Golkar PAN Golkar PKS Golkar PPP

	Usuluddin Ritonga	Golkar
	Khusairi	Traditional Leader
	Syafuruddin	PBR
	Bahren Ritonga	PBR
	Darwis	PPP
	Enry Pohan	Youth Organization
	Khalifah Syamsuddin	Traditional Leader
	Ngatmin Sansuwito	PDIP
	Zulkifli Tanjung	PBR
	Syamsuddin Harahap	Golkar
	Syarunal Rasyid	Golkar
	Hefrin Harahap	Golkar
	Mahyudin Sitorus	Golkar
	Parlindungan Nasution	Golkar
	Dedy Ritonga	Golkar
	Rahmadi	Golkar
	Bahren	Youth Organization
	Brig.Jend. Jafar Siregar	Military/Golkar
10. NGO Community Yayasan Abdi Masyarakat of South Kualuh sub-district/Kualuh Hulu ( <i>LSM Yayasan Abdi Masyarakat Kecamatan Kualuh Selatan/Kualuh Hulu</i> )	Ismail Tanjung ( <i>Chairman</i> ) Rizal Hutapea	Golkar Golkar
11. The redistricting committee of Labuhan Batu Selatan district ( <i>Komite Pemekeraan Labuhanbatu Selatan</i> )	Rustam Nasution Yunus Miran Suseno Hadi Ramlan Lubis ( <i>Chairman</i> ) Hayalan Fata Hunnur Ritonga Abdul Rahman Tanjug Abdul Wahab Siregar Ali Arifin Tanjung Kasmi Jamrin Ritonga	Traditional Leader PAN Golkar Traditional Leader Golkar PAN Youth Organization Traditional Leader Pelopor Businesspeople Golkar

Source: Document of Local Parliament (DPRD) Labuhanbatu Utara

Table 5.4 explains that community organizations manifest as the will of local elites, such as members of local parliament, business people, and heads of youth organizations. The strategy of local community organization is aimed at legitimizing the regional redistricting of Labuhanbatu Utara based on the aspirations of the society. However, the redistricting of Labuhanbatu Utara was the political design of Syah in collaboration with other local elites.

Syah's capacity to establish alliances with local elites was magnificent. The four local elites such as businesspeople, youth organization, traditional leaders, and political parties had an excellent relationship with Syah despite being initially opposed to his proposal.

Based on interviews with Mr. Fredy (as the head of youth organization), Mr. Rambe (as National Parliament member) and Mr. Bandit (as palm oil businessman), they explained that they only have to follow the instructions of Kharuddin Syah as a consolidation of political power. The same thing also happened to the traditional leader (clerics), Mr. Saleh, as a cleric in Labuhanbatu Utara. He is often invited by Kharuddin Syah to discuss regional redistricting and its benefits.

In other words, the entangling series of political alliances constructed by Syah is key to mapping out the support base of the pro-redistrict Labuhan Batu movement. By mapping these elites and forming strategic coalitions, Syah was capable of achieving the requisite degree of political and social influence to realize the redistricting of Labuhanbatu Utara. By understanding the local elites and the characteristics of the community of Labuhanbatu Utara, Syah was able to find the significant elites to influence society thereby facilitate his plan.

Based on the expectations of various community organizations, Syah tailored his arguments to address and offer support for those groups individually. After having forged alliances with these organizations, Syah deployed them to petition the local parliament and the local government and begin the process of redistricting in Labuhan Batu. These community organizations formed by local elites were part of a grand strategy developed Syah and Milwan to achieve the goal of regional redistricting of Labuhanbatu Utara.

Based on the results of field research, these society organizations attracted attention from the decision makers in the local parliament of Labuhan Batu through mass action, demonstrations, and lobbying to influence policymakers. This mass action took place at the

head office of the parliament building in Labuhan Batu and at the office of the Milwan who was at that time the regent of Labuhan Batu. During the protests, they submitted signed the petition from all elements of society, which fully supported the redistricting of Labuhan Batu. Finally, Labuhanbatu Utara has successfully created a new district based on Law No. 23/2008.

## **5.2. Military Business**

### ***5.2.1. Protection of Palm Oil Plantations***

Labuhanbatu Utara is one of the centers of the palm oil plantations in North Sumatra province.<sup>100</sup> Palm oil plantations were initially developed by the Dutch as part of their colonial occupation of Indonesia. These plantations were requisitioned from Dutch corporations by the Indonesian government at the beginning of Indonesian independence in 1945.<sup>101</sup> Amid the chaos of the decolonization process, many Indonesian palm oil farmers sought to reclaim the land they had worked under the occupation of the Dutch. However, this reclamation of land did not last long as the Indonesian government under the Sukarno regime also sought to gain control of the lucrative palm oil industry by nationalizing the former Dutch palm oil plantations resulting in land disputes.

These land disputes were finally settled through agrarian law (*Undang-Undang Pokok Agraria /UUPA*) and agrarian law reform that occurred from 1960 to 1965. This spate of new laws and the accompanying reforms created a dispute resolution process through state

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<sup>100</sup> Palm oil production in 2009 amounted to 819.363 tons. The largest location of palm oil in several districts such as Aek Natas (22.97%), Kualuh Hulu (17.08%) and Aek Kuo (16.19%) (Statistics of Labuhanbatu Utara, 2014). The most important production from Labuhanbatu Utara is palm oil (86%) and rubber (11%). The area of palm oil is 146.980 hectares and covering a land area of 53.88 ha of rubber 72.06% of local people are working on the palm oil plantation. Therefore, a high economic potential of palm oil has encouraged local elites for regional redistricting of Labuhanbatu Utara.

<sup>101</sup> After the independence of Indonesia in 1945, some laws were issued to strengthen the state control over land. The Indonesian Constitution explained that, "the land, water, and natural resources controlled by the State and used for the greatest prosperity of the people." As a result, about 70% of Indonesian regions were classified as State forests, and an indigenous person right to the land has to ignore. Law on Mining of 1945 reinforced the State control by authorizing the State to organize, classify, utilize, preserve, and protect natural resources for the benefit of the society, including deciding to regulate the legal relationship between society and natural resources.

intervention. Along with that, there was some land legislation that also emerged, such as the law of profit sharing (*Undang-Undang Pokok Bagi Hasil*) and regulation of land registration (*Peraturan Pendaftaran Tanah*). The land legislation law was the result of a conflicting interest between the government and citizens in local levels. However, before the land reform or agrarian reform could be fully implemented, Indonesia entered an era of developmentalism. The passion, the vision, and the paradigm of the national model for change stood in contrast with the interests and the ideas of these laws.

The land dispute in the era of developmentalism in Indonesia was inseparable from the agricultural policy under the developmental models. The most significant grievance held by Indonesian farmers who, at that time, constituted 80% of the Indonesian economy was that the agrarian law reforms of the central government only dealt with the transfer of ownership between Dutch corporations to the Indonesian government. These sentiments were directly manifested into law as the result of the Basic Agrarian Law that was passed in 1960 that stated that the customary land rights of Indonesian citizens that existed before Dutch colonization were no longer recognized as legitimate (Nazir, 2012: 841).

Basic Agrarian Law No.55/1960 was the first law to introduce the concept of land. The legal basis of this legislation was the provisions of Article 33 of the 1945 Constitution that stated, “the State controls the earth and the water of natural resources contained therein and used for the greatest for the welfare of the people.” Agrarian Law No. 5/1960 has a responsive character although it was published during the guided democracy of the Sukarno era. Basic Agrarian Law was formed based on the foundation of Indonesian customary law. Agrarian Law No. 5/1960 regulates the basic principles of national agrarian law in the regulation of property rights, tenure rights, building tenure, use rights, land acquisition for

development for public interest, control of the foreign property, land registration, and mortgage rights.

Furthermore, in the development of land law in Indonesia, there had always been a conflict between the rights to control the country and customary rights. According to the lawmakers of the Basic Agrarian Law, notions of customary rights that pertained to the ownership of private property were illegitimate; the proper notion of customary rights, argued the lawmakers, was to recognize the primacy of the Indonesian central government in controlling Indonesian soil. However, the differences in perceptions about the right to control between the people and the lawmakers have caused prolonged ongoing conflicts that persist to this day. The conflicts caused the Basic Agrarian Law of 1960 did recognize not only the existence of communal land society but also strengthen the principles of the great powers which the state could use to acquire land for public purposes against the wishes of the previous owners. In 1961, Law No. 20/1960 on the revocation rights of the lands and objects was implemented. This law gave authority to the president to repeal land rights of private citizens and redistribute it for foreign investment and to facilitate the process of industrialization throughout the country by the construction of manufactories.

Under Basic Agrarian Law, land concessions issued in the colonial era could be extended by up to 20 years before expiring. After completing a 20-year term, companies were permitted to use the land for up to 35 years. These permits tended to be granted to companies for agrarian cultivation (*Hak Guna Usaha/HGU*). Attempting to supplement the Basic Agrarian Law, the government passed Presidential Instruction No. 9/1973 which enabled the government to take over communally held land further and use it for the cultivation of lucrative cash crops, such as palm oil, and not for more practical purposes like providing for the sustenance of local communities. In 1974, the form of its legal entity became National

palm oil plantation companies (*Perusahaan Perkebunan Nusantara/PTPN*).<sup>102</sup> The issue of palm oil plantations in Labuhanbatu Utara is not only related to Dutch colonial law but also the historical land conflicts of Indonesia. The conflict began when the community lands of Labuhanbatu Utara were taken over by the state and used to build a plantation for the National Palm Oil Company. The following figure is a map of the location of community land taken over by the state.

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<sup>102</sup> In 1958, the Indonesian government took over their palm oil plantations to make it a state-owned enterprise and merged it into the National Palm Oil Company (*Perusahaan Perkebunan Negara/PPN*). In 1968, PPN was restructured into several unitaries of PPN. PTPN is a military business that built in the New Order era. Mayjen TNI (Purn) Ade Picaulima was a person who has a responsibility in palm oil plantation.



Table 5.5. National Palm Oil Companies

No.	Name of Company	Planted Area (Ha)			Total	Production (Tons)
		Not Yet Productive	Productive	Unproductive		
1.	PTPN III Membang Muda	459.41	1,667.80	-	2,127.21	30,117.17
2.	PTPN III Labuhanhaji	439.63	1,211.91	-	1,651.54	24,204.00
3.	PTPN III Merbau Selatan	-	143.01	-	143.01	3,345.67
4.	PTPN IV Berangir	2,321.00	1,598.00	614.00	4,533.00	33,762.00
<b>Total</b>		<b>3,220.04</b>	<b>4,620.72</b>	<b>614.00</b>	<b>8,454.76</b>	<b>91,428.84</b>

Source: Labuhanbatu Utara Statistics 2013

Table 5.5 describes the national palm oil companies operating in Labuhanbatu Utara. The government has reshaped the strategy for state-owned enterprise in the plantation subsector through combining the companies based on cultivation area and streamlining the organizational structure.

Land disputes between local people and the National palm oil plantation companies (*Perusahaan Perkebunan Nusantara/PTPN*) is an ongoing issue.<sup>103</sup> These conflicts of farmland became even more complicated when the National Palm Oil Company (*Perusahaan Perkebunan Nusantara/PTPN*), rented the land to the private companies. The following table is the list of private palm oil companies in Labuhanbatu Utara.

Table 5.6. Private Palm Oil Companies

No.	Name of Company	Planted Area (Ha)			Total	Production (Tons)
		Not Yet Productive	Productive	Unproductive		
1.	PT. Hasil Aneka Maju- Pangkalunang	-	516.63	-	516.63	10,622.25
2.	PT. Sawita Leidong Jaya- Air Hitam	381.39	269.30	216,39	867.39	6,371.20
3.	PT. GDLP,	1,590.24	4,573.36	-	6,163.60	84,207.00

<sup>103</sup> North Sumatra is not only a prime location of private enterprise, but also the location of the oil palm plantation as PTPN I, PTPN II, PTPN III and PTPN IV. The Commissioner of PTPN III is Heri Sebayang and including the inner circle of Susilo Bambang Yudhoyono. Heri had known Susilo Bambang Yudhoyono since become commander 072 / Pamungkas in Yogya, under military command IV / Diponegoro. See Aditjondro, 2011:4.

4.	Sukaramai Baru PT. Sri Perlak- Leidong Barat	-	908.00	-	908.00	20,800.00
5.	PT. MP Leidong West, - Kanopan Ulu	-	3,122.05	1,724.62	4,846.67	61,627.00
6.	PT. Sirata-rata, Simonis	205.00	175.00	100.00	480.00	3,075.00
7.	PT. Citra Sawit Indah	165.00	130.00		295.00	2,750.00
8.	PT. Era Sawit Sejati- Ujung Padang	-	462.43		462.43	10,658.75
9.	PT. Andalas Inti Estate-Aek Kuo	125.00	1,972.00		2,097.00	46,700.00
10.	PT. Merbau Jaya Indah Raya- A. Korsik	-	3,000.00		3,000.00	70,200.00
11.	PT. Smart Tbk- Padang Halaban	504.00	6,714.00		7,218.00	162,359.00
12.	PT. Torganda- Tahuan Ganda	-	7,950.00		7,950.00	182,800.00
13.	PT. Binangan Karya-Kp. Pajak	-	385.69		385.69	9,240.00
14.	PT. Jaya Selamat Abadi	243.43	235.16	35.18	513.77	5,640.00
15.	PT. Umada- Pernantian	-	1,704.03	-	1,704.03	35,260.00
16.	PT. Smart Tbk- Pernantian	710.50	1,541.74	94.03	2,346.27	29,525.90
17.	PT. Smart Tbk- Adipati Blunkut	599.31	1,803.90	86.79	2,490.00	35,694.75
18.	PT. Serba Huta Jaya-Siparepare	-	2,501.67	1,880.07	4,381.74	52,329.00
19.	PT. Blunkut	-	700.00	-	7000.00	14,750.00
20.	PT. Milano-Merbau	-	907.20	-	907.20	22,000.00
21.	PT. Asda-Buru Selatan	19.00	558.05	-	577.05	10,109.89
22.	PT. Siringo ringo	-	-	-	-	-
23.	PT. SMA-Aek Nabara	-	-	-	-	-
24.	PT. Indo Sepadan Jaya-Tj. Selamat-	-	-	-	-	-
25.	PT. Nagali Semangat Jaya	-	1,000.00	-	1,000.00	20,917.53
<b>Total</b>		<b>4,542.87</b>	<b>41,095.21</b>	<b>4,137.08</b>	<b>49,774.16</b>	<b>1,008,336.26</b>

Source : Labuhanbatu Utara Statistics, 2013

Table 5.6 shows the private oil companies. It is not just National palm oil plantation companies (*Perusahaan Perkebunan Nusantara/PTPN*) who possessed palm oil plantations in Labuhanbatu Utara but also private companies leasing land from the PTPN. Palm oil companies in the table above are private palm oil companies operating in Labuhanbatu Utara.

However, military officers are often granted essential positions within palm oil companies, for example, Lieutenant General Sutedjo as Commissioner of PT. SMART.<sup>104</sup>

The relationship between palm oil companies and local people are conflictual. The problem is the people who own the land do not have an official letter of land ownership because before Dutch colonization land rights were customary and hereditary and not formally recognized in a legal framework. In some cases, the ownership of land was based only on a letter issued by traditional leaders, sub-district heads, or village heads. Private companies attempted to take over privately-held land by abusing the central governments perceived illegitimacy of traditional forms of land ownership. This strategy typically involved private companies renting the land of local people for a period of 20 to 30-year period and, then, during the rental period, creating false title documents to give the central government the impression that the companies were the original landowners. Another common a mechanism of expropriation of land employed by private companies to persuade reluctant landowners who hesitant to rent out their land was intimidation and violence.<sup>105</sup>

Conflicts between local people and companies that must be resolved through military intervention have been commonplace in Indonesia since the beginning of decolonization. The military's continued involvement in forcefully arbitrating peace between these two factions has resulted in the creation of sizeable private security industry in Indonesia. Operating in a

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<sup>104</sup> PT SMART Company profile.

<sup>105</sup> In handling agrarian conflict, the use of violent and intimidation approaches still the options for the military. In 2011, the KPA notes that there are 163 agrarian conflicts throughout Indonesia. It increased if compared to 2010 (106 conflicts). From the victims' side, there were 22 farmers/local people who killed in the conflict areas and agrarian conflicts. The conflicts involving more than 69.975 families while the total conflict area reaches 472.048,44 ha. From the 163 cases happened, 97 cases occurred in the plantation sector (60%), 36 cases in the forestry sector (22%), 21 cases related to infrastructure (13%), 8 cases in the mining sector (4%) and 1 case occurs in the ponds/coastal (1%). The agrarian conflict incident was getting bigger in 2012. There were 198 conflicts happened in a year, 90 cases occur in the plantation sector (45%), 60 cases in the infrastructure development sector (30%), 21 cases in the mining sector (11%), 20 cases in the forestry sector (4%), 5 cases in the agricultural sector and ponds/coastal (3%); and 2 cases in the maritime sector and coastal areas (1%). It was recorded that, there were 156 farmers who have arrested, 55 people were injured and persecuted, 25 farmers were shot and three people died in the agrarian conflicts. See Konsorsium Pembaharuan Agraria, 2012: 8.

private security capacity has given the military an additional revenue stream. One example of the military's transition from a strategic international security force to a private security operation is evidenced in the case of the Padang Halaban palm oil plantation.

Padang Halaban, a village in Aek Kuo subdistrict, Labuhanbatu Utara next to 3,000 hectares PT Smart palm oil plantations has been the site of ongoing conflicts between military security forces and local people since 1966. 1966 was a watershed year for civilian-military land battles throughout Indonesia. During that period, president Suharto issued a new land policy aimed at recognizing private land ownership in local regions through the issuance of Occupied Land Registration Identity certificates (*Kartu Tanda Pendaftaran Pendudukan Tanah/KTPPT*). These certificates could be obtained by any civilian capable of demonstrating property rights via locally issued government documents. However, after handing over all local legal titles demonstrating ownership, civilians applying for Land Registration Identity Certificates were never actually granted permits from the central government that demonstrated their land ownership. This ploy by the Suharto regime aimed to expropriate civilians from their legal land ownership titles and thereby expose them to forceful expulsion off their land by military security forces.

In 1969, after the collection traditional land ownership titles, the people of Padang Halaban were evicted from the area with the accusation of being members of the Indonesian Communist Party (*Partai Komunis Indonesia/PKI*). The plantation business people who were assisted by the military and supported by the Government of Labuhan Batu at the time began to intimidate and accuse local people of being members of the Front of Indonesian Farmers (*Barisan Tani Indonesia/BTI*) which is the under the bow of the Indonesian Communist Party (*Partai Komunis Indonesia/PKI*). Therefore, local people were forced to abandon their lands, and they possessed no legal documents that could dissuade military forces from expelling

them (Sawit Watch, 2012). From 1969 to 1970 the eviction process occurred. Many residents were expelled or reported dead.

In an interview with Surya, a resident of Padang Halaban, he explained that there were 200 residents kidnapped during that time. Based on the further information, the people who were kidnapped were executed by the *Komando Aksi* division of military special forces. The eviction process also left deep trauma for the witnesses and the victims' families who saw the shocking incident as they must have seen their parents, siblings, friends or even their surrounding communities being intimidated, tortured, and even killed brutally in front of them. Many of the children who lost their parents are orphaned and without any financial means to formally re-enter society.

The horrific actions in the Padang Halaban plantations have spurred local people into armed rebellion against military forces. In 1970, the dispute that would lead to the armed rebellion began with arbitration by the local people to PT. Smart calling for the return the land that the Suharto had taken. However, by 1975 the futility of such arbitration was evident, and the local people were left with only one choice: violence. After the fall of the Suharto regime, the struggle began once again through political actions assisted by non-governmental organizations and legal protections granted by the Union of the Association of Indonesian law (*Persatuan Perhimpunan Hukum Indonesia/PPHI*). After conducting several protests in front of the local government's offices at both at district and provincial level, the Governor Rizal Nurdin of North Sumatra province was convinced in 1999 to decree that profit sharing between the farmers and the plantation companies would occur. At first glance, this decision seemed promising for the people, but in fact, it failed to assuage the cause of the civilian unrest: the violent expropriation of land. The government still fundamentally recognized PT. Smart as the rightful landowners of 3000 hectares of stolen land.

After the fall of the Suharto regime, the military retained ownership of land and natural resources that had been confiscated from farmers under the Suharto regime. Law No. 34/2004 authorized the military to manage land and natural resources that can be prepared and empowered in the framework of national defense both regarding the aspects of the preparation, maintenance, and usage to be implemented to support the interests of national defense. This further empowers the military to engage in any business operation that it deems suitable.

### ***5.2.2. Military as Labor Recruiting Agent***

Palm production plantation and affiliated industries comprise 70% of the overall land mass in Labuhanbatu Utara. The ubiquity of palm oil companies has resulted in an extreme demand for workers. However, despite the incredible demand for workers, obtaining a job on one of these plantations is quite difficult as prospective workers must deal directly with the military which operates as a kind of recruitment network. Budi, a plantation worker, currently working in Labuhanbatu Utara, explained to the author that to obtain his current job he had to pay a fee equivalent to about 1,500 US dollars. The military's operations as a recruitment network for the palm oil plantation industry serves to diversify the local business further. Consequently, this barrier to entry artificially creates a high amount of unemployment in Labuhanbatu Utara - currently 7.23% in 2012.

It is abundantly clear to the civilian population of Labuhanbatu Utara that if they want to work, they must contact a military recruiter. These recruiters often demand fees up to 15 million rupiahs (1500 USD) to assist civilians in acquiring jobs. This condition is exacerbated by the low levels of public education in Labuhanbatu Utara which serves make laborer jobs at palm oil plantations attractive for the local populace.

Table 5.7. Education of Employed and Unemployed

Type of Main Activity	Elementary School	Junior High School	Senior High School	Total
Employed	66,322	36,244	34,616	137,182
Unemployed	3,795	2,410	4,480	10,685

Source: Labuhanbatu Utara Statistics 2013

Table 5.7 shows that the education level of the employed and unemployed people of Labuhanbatu Utara is shallow. The majority of the people in Labuhanbatu Utara have only an elementary school education. Low educational conditions have an impact on the choice of occupations. In Labuhanbatu Utara, generally, elementary school graduates only work as laborers at palm oil plantation. The choice of work to become a worker in palm oil plantation is the only possible job option.

When other jobs could not deliver maximum benefit for them, many local people contacted the military to work in the palm oil fields even though there is a steep entrance fee for even basic laborer positions.

Table 5.8. Percentage of Employed Based on Industry (Job)

Type of Main Industri	2011	2012
Palm oil Plantation	55.7	65.1
Manufacturing	5.9	6.3
Hotels, restaurant, (service)	38.3	28.4

Source: Labuhanbatu Utara Statistics 2013

Table 5.8 shows that the percentage of workers in palm oil companies is increasing. Workers in service sectors moved to work in the palm oil companies even though they have to pay for the chance. This raises an important question: how do prospective palm oil plantation workers raise the capital necessary to pay a military recruiter? Typically, these individuals borrowed money from a moneylender (*rentenir*) with a high-interest rate usually

between 15% to 25%. Local people call the moneylenders by the name of caterpillars (*Ulat Bulu*). By the time the principal of the debt is paid, the accrued interest is often quite high. Kohlul, a moneylender in Labuhanbatu Utara working for an underground brokerage gave the author an interview and explained that *Ulat Bulu* is heavily connected to the military.

### **5.3. Military and Rent Seeking Activities**

#### **5.3.1. Military Participates in Determination of Local Regulation**

The relations between local government and military are symbiotic mutualism. In other words, the local governments are resources for the military and vice versa. In the Suharto era, the efforts to preserve this mutually beneficial relationship were maintained harmoniously, although the centralized political approaches occasionally jeopardize these relationships. However, these relations cut off the advantage for local government and encourage intervention by the military to take control of business activities. The local government acted as a bridge to the business activities but still maintained control of the military. The dual functions of the military served to perpetuate the social and political activities of the local government, including economic activities.

The momentum of Suharto's fall became an opportunity for local governments to play a role as a partner in business with the military. The regional autonomy gained by the financial decentralization of the central government became the foundation for an alliance between the local government and the military. Despite the demands by the elected civilian government for the military to become a professional army, the military continued to conduct business operations and act a security force for private corporations. Even after the enactment of No. 34/2004 explicitly prohibiting the military from engaging in business activities,

military business continued to thrive by convincing local governments to hide military business activity.

The relationship between the military and the local government does not produce friction because local governments are shielded from direct oversight by autonomy laws. This inability for the central government to directly control the expenditure of money by local governments has resulted in a significant amount of discretionary power that can be used to shield the military business from the scrutiny of the central government. In exchange for protection and security, local governments give privileges to the military, including *carte blanche* in business activities. Mutually beneficial relations between the military and local governments have had an impact on the military's role in the formation of local regulations and the expenditure of the local budget in places such as Labuhanbatu Utara.

Military involved in the determination of local regulations (*Peraturan Daerah/Perda*) in Labuhanbatu Utara district. In a conversation, the researcher with a high-ranking official placed in the local governments, the discussions on the formulation of local regulation are not only done by the Parliament with the regent/mayor but also with the military present. The official further confirmed that the discussions of local regulations are usually arranged in Bukit Barisan Military Command center in North Sumatra Province. Such negotiations, they said, are usually focused on the security of palm oil plantations, mines, and logging operations.

Based on military perception on local autonomy it can be inferred that many local government officials do not understand the meaning and purpose of local autonomy (Haryanto, 2009: 39). These officials tend to perceive local autonomy along purely ethnic dimensions. This perspective, in the eyes of local military officials, could potentially lead to

divisive domestic politics if allowed to accumulate. Therefore, the military participates in the determination of local regulations as what it internally perceives to be a moderating force.<sup>106</sup>

Therefore, the relationship between the local government and the military is mutually beneficial.<sup>107</sup> The military should be able to collaborate with local governments. At the same time, the local government needs protection in the local level. Therefore, local government give privileges to the military including the sanctioning of business activities. Economic and political bartering by the military is common. Therefore, when the military has opportunities with a security approach, cooperation with local government can be realized and mutually beneficial. The military has the ease of licensing business operations, while the local government through other regional companies gets part of the business being operated by the military.

Before 2008, Labuhanbatu Utara was part of Labuhan Batu. Based on Law No.23/2008, Labuhanbatu Utara became a new district. When Labuhanbatu Utara was a part of Labuhanbatu district, there was a local regulation, which managed the palm oil plantations namely Local Regulation No. 10/2008 on the Plantation Business Licensing. In an interview with the author and a military official named Mr. Edi Tambunan, he explained that there is no local regulation in the newly redistricted area Labuhanbatu Utara to manage palm oil plantations. The lack of regulation stems from the reality that if their local government were to create such a regulation, it could potentially divide military land holdings. Although the

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<sup>106</sup> Conflicts that arise in response to regional redistricting are often the result of dissatisfaction of the community and local political elites in the post-regional redistricting. Therefore, the military assumes that they should be involved in safeguarding regional security through military involvement in the establishment of local regulations

<sup>107</sup> Based on an interview with Mr. Hari Pane, the local elite of Labuhan Batu Utara confirmed that the local government as the highest authority in the region has the authority to implement various taxes related to business activities in the region.

role of the military is not explicitly stipulated by local regulations, their role is crucial in the field, for example, they act as security forces for the palm oil industry.<sup>108</sup>

### ***5.3.2. Military Intervention for Local Budget Allocation***

Portions of the local budget allocated to military programs. This process was elucidated to the author in the interview with Mr. Tambunan, a military official's member who explained that it was given 400 million rupiahs (40,000 USD) per month to the military in Labuhanbatu Utara to support Military Operations Other Than War (*Operasi Militer Selain Perang/OMSP*). The budget of Military Operations Other Than War focus was to prevent wars, resolve conflicts, promote peace, and support the civilian government in overcoming the crisis in the country. The military operations other than war include the effort, enforcement, and peacebuilding, also involves the supervision of weapon trading/exchange.<sup>109</sup>

The Military Operations Other Than War (*Operasi Militer Selain Perang/OMSP*) discourages the use of violence, and instead gives priority to the provision of humanitarian assistance and disaster relief.<sup>110</sup> Under this program, military forces synergize with other institutions and organizations, particularly those which are related to diplomacy, economics,

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<sup>108</sup> The same condition happened in Mandailing Natal that mining regulation was absent. Some residents and local elites explain that many people do illegal gold mining in Mandailing Natal. However, based on interviews with the major informants explained that the mining activities in Mandailing couldn't be assumed as illegal. It caused there were no local regulations to manage the mining activities. The miners have to pay 50 million rupiahs per month to the military to conduct mining safely without any interruption. According to the informant, they keep expecting that there is no mining regulation so that people are free to explore the gold mining. The problem is, if there is local regulation on mining, the society will be considered thieves and will be exposed to criminal penalties.

<sup>109</sup> The military not only obtain off budget from military operations other than war but also corporate social responsibility (CSR) budget from palm oil companies. In Labuhanbatu Utara, the corporate social responsibility funded from the oil palm plantation company has been paid to the military. The interview explained that the corporation's oil Plantations provided CSR funds amounting to 200 million rupiahs (20.000 USD) per year to the military.

<sup>110</sup> The greater of military authorities in policy making in a variety of non-military field will contribute bigger military-political power. The variety of roles is usually in conjunction with social activities in the areas of health, education, and disaster management. The more widespread this role will make the greater of the military-political power. The role of non-military is also usually wrapped in the discourse of national development or resilience of the nation. See Alagappa, 2001: 32.

and government. The activities of military organizations acting under this program assist the civilian populous in coping with losses due to natural disasters, refugee, and humanitarian assistance, to help the search and rescue in an accident, assist the government in securing shipping and aviation against piracy pirates and smugglers, and others.

In 2015, Labuhanbatu Utara district also provided 2 billion rupiahs (200,000 USD) for the military to build roads (Analisa,2015). Military service workers paved roads from Pardomuan Nauli village to Parsoburan Tobasa district constructing a 3-kilometer length of the road.<sup>111</sup> Meanwhile, based on the Presidential Decree No. 54/2010 on the Procurement of Goods and Services for Government Projects, development projects with a total value over 200 million rupiahs (20,000 USD) have to go through a bidding process. Although, a 2-billion-rupiahs road construction project was given to the military.

Wiratraman, a researcher of Law at Airlangga University, Indonesia, explained that providing the military budget from a portion of the local budget is illegal. Military Law No.34/2004 specifically states that the military budget is to be derived solely from the national budget (Wiratraman, 2015: 11). The National Budget Expense Report from 2013 showed that the budget for the national security increased from 28.3 trillion rupiahs (283 million USD) in 2007 to 36.5 trillion rupiahs (365 million USD) in 2013. This increase in overall military spending was justified by a desire of the military to construct new installations and bases. Furthermore, these quantities will also be allocated to early detection and monitoring of dangerous terrorist attacks. Based on an interview with Mr. Hari Pane, confirmed that the role of the military in the Labuhanbatu Utara is compelling because the regent, Syah, of Labuhanbatu Utara is part of the military although he never served directly in

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<sup>111</sup> Based on the survey, in general the cost of paving the road per meter is 150,000 rupiahs (15 USD). If paved road along the 3 kilometers, then the required cost of about 45 million rupiahs (4000 USD). While, the budget provided by the local government of Labuhanbatu Utara was 2 billion rupiahs (200,000 USD).

the military. Therefore, before any policymaker wishes to implement a new policy in the region, they must consult with the military.<sup>112</sup> Social programs in Labuhanbatu Utara always involve the military to implement the program. Such as the military socialized family planning programs to the local people about health and two children is enough in one family. The military built public toilets facilities for the community and also, the military serves farmers to increase agricultural productivity to realize food security in Labuhanbatu Utara. The implementation of the Labuhanbatu Utara programs involving the military funded by local budgets.

#### **5.4. Conclusion**

The regional redistricting that occurred in Mandailing Natal and Labuhanbatu Utara was the result of different methods of abusing the redistricting process but were ultimately conducted by the same actor: the military. Post New Order, the military became a political power at the local level. The political turmoil created by the transition from an authoritarian regime to democracy created the perfect cover the military to insulate its businesses through the guise of redistricting. In 2008, Labuhanbatu Utara was also redistricted by the military. Ten years after the reform era began, the military still has an enormous influence in local political affairs. However, the political climate at that time did not afford the military cover for manipulating the redistricting process.

The regional redistricting of Labuhanbatu Utara began from the instructions of Milwan to Kharuddin Syah. Milwan, who was a retired military officer, was head of the local government of Labuhan Batu in 2000. After the fall of Suharto regime, the local people in Labuhan Batu demanded the central government to begin regional redistricting. However, the

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<sup>112</sup> Discussion of local regulations are not only held in the offices of government but also in the headquarters of the military regional command (*Komando Daerah Militer/Kodam*) of Bukit Barisan, the main command of fostering and operating the Army in the province of North Sumatera.

process of redistricting could potentially lead to disruption of economic activity as well as a bevy of other potential domestic disputes if left unsupervised by any governmental organization. In the case of Labuhanbatu Utara's case, the military involved itself with the process to ensure that the fault lines of the districting coincided with maximizing military interests.

Milwan gave instructions to Syah to be actively involved in the process of regional redistricting of Labuhanbatu Utara. At Milwan's behest, Syah acted as a political broker to mobilize local elites and local communities. Also operating in accordance to Milwan's requests, the local military began forming stronger ties to Syah's political party. Finally, Syah created a local community organizations staffed exclusively by Syah's supporters to give the impression that the regional redistricting of the Labuhanbatu Utara was widely supported. Community organizations manifest as local elites, such as members of local parliament, business people, and heads of youth organizations. The strategy of local community organization is aimed at legitimizing the regional redistricting of Labuhanbatu Utara based on the aspirations of the society. However, the redistricting of Labuhanbatu Utara was the political design of Syah in collaboration with other local elites.

After the regional redistricting of Labuhanbatu Utara was successful to realized, the military will remain military business at the local level. This newly created district offered the military many avenues to expand this business: palm oil plantations, labor recruiting agents, determination of local regulations, and abuse of the local budget. The military leased the land to the plantation companies in exchange for money and prominent positions in the palm oil plantation companies. As a result, the conflict between the military and local people is enormous in Labuhanbatu Utara. However, the military tried to change their strategy by becoming offering job recruitment to the lucrative palm oil industry. If local Labuhanbatu

Utaraians wanted to work in the palm oil plantations, they would have to pay steep entrance fees to the military. Furthermore, the local budget of Labuhanbatu Utara was allocated to funding many military programs. The local government of Labuhanbatu Utara further granted 400 million rupiahs (40,000 USD) per month to the military in Labuhanbatu Utara to support Military Operations Other Than War. Despite the apparent fact that under Military Law No.34/2004, the military budget was to derive from the national budget eliminating the need to engage extra-national security business ventures.

Military activities in Labuhanbatu Utara are categorized as rent-seeking activities. the military collaborated with local governments to gain economic benefits. The military directly influences the drafting of local regulations in Labuhanbatu Utara. Military has influenced the use of local budget allocations for military purposes. Whereas the military gets the budget from the central government.

## **Chapter 6**

### **Conclusion**

#### **6.1. After The Fall of Suharto Regime, Military Still Has Important Role in Regional Redistricting Process.**

Chapter 2 highlighted there are three causes of the massive amount of regional redistricting taking place after the fall of the Suharto regime: decentralization policy, big budget transfers and the interest of local elites such as military. This dissertation focus on military as the significant factor of the regional redistricting process in Indonesia. The transition to democracy in 1999 resulted in the creation of laws that further lessened the possibility for the accumulation of power by military officials by preventing them from holding political office. This, in turn, has resulted in the transition by the military from direct wielders of power to power brokers. The military uses its financial resources to support local politicians in political contests. Once elected, these political puppets petition the central government for regional redistricting to not only gain access to budgetary transfers but to protect their patron military interests. They use all the instruments of institutional changes, such as regional redistricting, political parties and networks to protect their economic assets. This determines the totality of local politics.

## **6.2 Military Use the Instruments of Institutional Changes, such as Regional Redistricting to Protect Their Business Even Though Law No.34/2004 Has Banned the Military from Involvement in Politics and Business.**

Post-New Order, the military has adapted to the institutional changes of Indonesia's democratic political system. The military collaborated with local elites and outsourcing the operations to the civilian or brokers. Military became an invisible power broker.

The military politics and business persist, even though Law No.34/2004 has banned the military from involvement in politics and business. Besides, the military also receives high-ranking positions in government's cabinets and as political party leaders. The military is still greatly affecting the social, political and economic dimensions of Indonesia.

Law No.34/2004 is the legal basis for the military to decrease their roles in politics and economics. The military is still actively involved in politics and business. However, the military has developed their concept of democracy, political roles and security enforcement within the new military paradigm. The new military paradigm has been published a document entitled *The Military of the XXI Century: Redefinition, Reposition, and Re-actualization the Role of Military in National Life*. This document contains a new military paradigm that outlines an understanding of national life and the state after Suharto regime.

The new paradigm of the military in a socio-political function is "the military does not always have to be ahead; no longer occupying but affecting; no longer directly affect but indirectly; and share the role with other actors of the nation in making important decisions of state and government." This new paradigm replaces the old military paradigm of the full authority of state and political functions. These four new ideological directives of the military provide an overview of civil-military relations in Indonesia i.e.; first, the military was not removed from politics. Second, the content of the paradigm exposes the ideology dictating the

military's position as a major political force in the post-New Order era. Third, the paradigm changed the tradition from directly controlling politics into indirectly manipulating politics. Fourth, the new paradigm of the military does not explicitly state that the dual function doctrine is abolished. Consequently, this "new" military paradigm reflects the reality that the military has not significantly changed in position on culture and its role in the Indonesian political system after the New Order. The new military paradigm self-justifies the military into engaging in another round of post-Suharto era policies.

The failure to reduce the military's presence in politics and business can be evidenced in the era of President Susilo Bambang Yudhoyono. Law No.34/2004 passed by President Susilo Bambang Yudhoyono on the military has required the central government to abolish military business no later than five years after the end of 2004. However, the lack of progress demonstrates that the law was ineffective at its intended goal. President Susilo Bambang Yudhoyono was incapable of achieving effective reform despite attempting to redefine the parameters of the military through legislation. As a result, deadlines to fully transfer to the state all military business was deferred until 2009. The Presidential Decree No. 7/2008 on National Team Transfer of Military Business Activity (*Tim Nasional Pengalihan Aktifitas Bisnis TNI/TNPAB*) was approved in 2008, one year before the deadline in 2009. During this time, the arrangement of military business was overseen by the Supervision Team of Military Business Transformation (*Tim Supervisi Transformasi Bisnis/TSTB*). However, Governmental Decree No. 7/2008 did not provide absolute authority to take over the military businesses and only authorized the commission to make recommendations to the President.

The inventory data of military business units by the Supervision Team of Military Business Transformation (*Tim Supervisi Transformasi Bisnis/TSTB*). *TSTB* mentions that military holds 25 foundations that owning 916 businesses and 1,071 commodity boards

having 604 enterprises (Lex, 2007). However, the actual revenue of military business is only known by the military itself. The framework of the take-over of military businesses compiled by the Supervision Team of Military Business Transformation (*TSTB*) unintentionally provided spaces for the foundations and commodity boards to go unnoticed as military enterprises and therefore evade auditing. The interpretation of Law No. 34/2004 which prohibits members of the military doing business is still being debated. As a result, there is a gap for the military to do business through Law No.25 /1992 on commodity boards and Law No.16/ 2001 on Foundations.

Therefore, the military business from New Order era is highly prevalent in the reform era. Failure to take over military businesses proves that the military business still exists and that the government has no power to restrict or regulate the militaries ongoing business. Indeed, in post-new order era, the military still enjoys much of its Suharto era power regardless of the fact that the Suharto is over.

After the New Order era, the military was able to survive legislation aimed at reducing their role by forming political alliances by subverting pro-democratic legislation. By using the process of regional redistricting, the military has been able to adapt to the current political climate by carving out redistricted strongholds in places such as Mandailing Natal and Labuhanbatu Utara. To effectively manipulate the process of redistricting, the military has three key strategies aimed at deceiving the political government into supporting pro-military political actors: military-civilian collaborations, political party instruments and group mobilization.

### **6.3. Military Collaborated with Civilians to Redistricting of Mandailing Natal.**

The redistricting of Mandailing Natal was heavily influenced by the military; this demonstrated that, despite the change of government, the military's power had not waned. Based on instructions handed down by Raja Inal Siregar, a military commander and the governor of North Sumatra, to the civilian, Pandapotan Nasution, the region of Angkola was to be created. Pandapotan, acting as an executor of instructions by Raja Inal Siregar, intentionally and covertly subverted the redistricting of Angkola in favor of creating the district of Mandailing Natal. Pandapotan had unknowingly created the model of regional redistricting misuse that would be taken up by the military. Mandailing Natal, the first redistricted area in Indonesia after Suharto regime, was finally created, however, Pandapotan Nasution was removed from the process in favor of a pro-military mayor who would support the continued military exploitation of the region. After the redistricting of Mandailing Natal, Pandapotan Nasution failed to be the first head of local government in Mandailing Natal. The first regent of Mandailing Natal was Amru Daulay. Amru Daulay is a civilian who has close relations with the military, Governor Raja Inal Siregar. Furthermore, military businesses in Mandailing was forested extraction and mines exploration. The military has benefited greatly from the forest and mining business.

### **6.4. The Military Used Military-Civilian Collaboration, Political Parties and Mass Mobilization of Local Community Organization in Regional Redistricting of Labuhanbatu Utara.**

Chapter 5 highlighted how military intervention in the process of regional redistricting also co-opted democratizing forces in Labuhanbatu Utara. The military used this model of collaboration with civilian actors in regional redistricting of Labuhanbatu Utara in 2008.

Milwan, a Major General, acting as the regent of Labuhan Batu could not be directly involved in the process of regional redistricting. Instead, Milwan recruited Kharuddin Syah's to act as an executor of Milwan's will and begin the process of creating a new district in Labuhan Batu. Syah, acting as chairperson of the Youth Organizations for Sons and Daughters of Indonesian Retired Military Officers (*Forum Komunikasi Putra Putri Purnawiran Indonesia/FKPPI*) in Labuhan Batu, began creating a local political party and new local community organizations to act as a front to legitimize the creation of Labuhanbatu Utara.

Furthermore, the local community organizations and the newly created political party that were created by Syah were essential for ensuring the success of the redistricting of Labuhanbatu Utara. Ten years after the fall of the Suharto regime, the military not only collaborated with civilians but also in the creation of political party as a tool for the region redistricting like the one that occurred in Labuhanbatu Utara. The Golkar political party machine was used as a partner for the military to facilitate the redistricting of Labuhanbatu Utara. Since the redistricting was a political issue, the Golkar Party was highly active in establishing communications with Kharuddin Syah as a political broker. Group mobilization also had a significant role in the redistricting of Labuhanbatu Utara. However, the local community was only artificial. The strategy of building artificial local community organizations aimed to legitimize the redistricting of Labuhanbatu Utara by giving the central government the false appearance of aspirations by the local community. The reality was, however, that the local community was manufactured by the Golkar party and the military to support the redistricting of Labuhanbatu Utara.

Furthermore, the redistricting of Labuhanbatu Utara is one of the military's strategies to create an audit haven from the central government to ensure the military's control of military businesses, such as palm oil plantations.

### **6.5. Military Operates Rent Seeking at Local Level**

At the local level, Mandailing Natal and Labuhanbatu Utara show that the military not only runs a business but also collaborated with local governments in operating rent-seeking in the local level. In the case of Mandailing Natal, the military ensures that there are no local regulations governing mining. Therefore, the military can take money from illegal miners to obtain profit. Illegal miners give money to the military for protection. As the location of military training ground covers the mining location of PT. Sorikmas Mining and illegal miners of local communities, the civilian populace believes that the new 46,000 hectares military training ground is a military-led effort to protect PT. Sorikmas Mining from illegal miners in local communities.

A very similar take-over also occurred in Labuhanbatu Utara. The military not only conducts business but also operates rent-seeking through the control of local regulations on palm oil. The regional redistricting of Labuhanbatu Utara occurred in 2008. However, a regulation governing the management of palm oil palm in Labuhanbatu Utara still does not exist. Therefore, the military can take economic advantage from the absence of local regulations on oil palm. Further, the military was involved in determining the allocation of regional budgets for military purposes. The local budget allocates about 400 million rupiahs (40,000 USD) to support the military. Also, the military provided infrastructure development projects in Labuhanbatu Utara. In actuality, building transportation infrastructure is not the task of the military but the task of local government.

## **6.6. Challenges of Decentralization: Unconsolidated Democracy.**

Decentralization is defined as the process of transfer of responsibility, authority and accountability to local government from the central government. The decentralization aims to improve the social welfare, democratic life, and economic development of local constituents. However, this research shows that decentralization is a competitive arena for political elites to control economic resources. This research demonstrates that the effects and implementation of decentralization have not been effective in their intended goal. Four factors hinder the implementation of decentralization, namely the legacy of an authoritarian regime, the weakness of new political elites and an unconsolidated democracy. First, the bureaucracy, the military, and Golkar party, which were the political elites of the Suharto regime, still have a substantial role. Even the political forces of the New Order still dominate in the current reform era. Suharto era political forces, especially the military, have succeeded in consolidating institutional reforms to adapt in the democratic era.

Second, the number of political parties in the reform era is growing rapidly, however, these parties have failed to produce a better political system or alternative figures that can be carried together to become central or regional leaders. If there is a new political figure, the figure is most likely the recommendation of a New Order political actor who has likely made secret deals with the military. The small number of new political actors are due to the lack of political resources, such as money, networks, and internal party consolidation issues. As a result, the old actors successfully win political contests and elections. The consolidation of local elites who want to get closer to the government service system, or to increase public participation have made decentralization a process of providing a new arena for the power consolidation of local elites. In fact, these local elites tend to be predatory and

hijack institutional reform aimed at improving the livelihood of this constituencies and instead enrich themselves and their supporters.

Third, after the authoritarian regime collapsed, there should have been a consolidation by political elites to support the burgeoning democracy in Indonesia. Under this consolidation, decentralization would have been used as a process to create strong democratic institutions, such as civil society, legislative and public awareness of democracy. Consolidation of democracy can be interpreted as the process of merging several elements of society to facilitate political democratization jointly. Democratic institutions in Indonesia did not work at maximum capacity as efforts to build a democratic life and increase public servants in Indonesia were hampered by self-interested Suharto era networks. International transparency data explains that in the reform era, democratic institutions in Indonesia are included in a list of corrupt institutions namely Indonesia's national and local parliaments, bureaucracy, police, and political parties (International Transparency, 2017). Consolidation of democracy is necessary to build a strong democratic political system after the collapse of an authoritarian regime. After the authoritarian regime, the political situation was uncertain and in chaos; civil fragmentation and people's frustration grew at the inability of the government to formulate new effective procedures that bring disparate groups together.

Consolidation of democracy in Indonesia tends to fail. This failure is primarily caused by the inability of the new political system to uproot the previous political system's oligarchy. In Indonesia, the current political elite have not demonstrated a commitment to building a strong democracy. Consolidation of democracy by the elite is interpreted as a political compromise of the power they already hold rather than as a transformative power to fundamentally alter Indonesian society for the better. This political phenomenon can be readily observed in the legislative and presidential election process. Although the president is

directly appointed by the people, the roles of elites and political parties are significant. Consolidation of democracy does not occur because elites abuse the system to ensure their self-perpetuation.

Fourth, the intervention of the military. The political realities in Indonesia since the Sukarno era through to the current reform era is that no political actor has been able to decrease the role of military politics in the national political configuration. The military is still able to take on a political role to gain greater power in the name of maintaining the stability of state in defense and security. The presidential nomination of a Suharto era military stalwart in the 2004 elections could be an indication that the military has not reformed itself yet.<sup>113</sup>

After the fall of the Suharto regime, many regions demanded the implementation of extensive decentralization through the massive of regional redistricting. However, decentralization is an opportunity for the military to maintain their business and control politics at the local level through conducting of the regional redistricting process. If the military does not actively oversee the regional redistricting process, there is a vast opportunity for local elites to take over the role of the military at the local level. Therefore, the military is still able to maintain their power at the local level although the Suharto regime has fallen. The military strategy to maintain their existence at the local level by adapting to the new socio-political system and collaborate with the local elites. Military collaboration with local elites to dominate local economic resources will have an impact on the weakening of the political institutions, and democracy at the local level.

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<sup>113</sup> Five presidential and vice-presidential candidates in the 2004; Hamzah Haz (civilian)-Agum Gumelar (military), Amien Rais (civilian)-Siswono Yudohusodo (civilian), Megawati Soekarnoputri (civilian)-Hasyim Muzadi (civilian), Wiranto (military)-Salahuddin Wahid (civilian) and Soesilo Bambang Yudhoyono (military)-Yusuf Kalla (civilian)

The weakness of political institutions, the bureaucracy, political parties, law enforcement, are the reason that local elites dan military can so easily hijack democracy. When this happens, democracies will not support consolidation, and Indonesia will never become a real democracy and thus continue to remain a failed state. If decentralization is implemented without the strength of democratic institutions and civil society, the local elites and military will use democratizing forces to become stronger (World Bank, 2009: 317). The existence of independent local political elites ended with the fall of the New Order regime. Now, elites cannot work without colluding and collaborating with other like-minded individuals. In other words, they cannot function without other actors in local politics. The presence of inhibiting factors as already discussed and the strength of local predators have made decentralizing state functions impossible. Decentralization as an effort to improve the quality of community life in the local regions has become an arena for the political elites and the military to control economic resources.

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