

THE POLITICS OF INCOME DISTRIBUTION IN INDONESIA

by Brewster Grace

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Introduction

Since Independence in 1949, Indonesia has been through a number of traumatic economic and political crises. The fifth largest populated nation in the world has seen inflation soar to 600 percent, has had perhaps 200,000 Indonesians (mostly Javanese and Balinese) killed in an anticommunist purge in 1965 and 1966, lives with a per capita income of \$90, and currently sustains a foreign debt of over \$10 billion.

Yet the nation survives economically, due largely to its vast natural wealth and, for the past ten years, has maintained political stability under the authoritarian rule of President Suharto.

Suharto's success, however, has recently come under serious question. Riots in Jakarta in 1974, and the heavy debts of Pertamina, the national oil company, point to major problems of distribution and management of the nation's wealth. The following attempts to describe a number of these interrelated issues with which the Suharto regime must soon deal if it is to sustain the same measure of stability without increasing resort to repression.

Poverty

Poverty in Indonesia is overwhelming. It is estimated that of the nation's 130 million people, nearly 80 million, or close to two-thirds of all Indonesians, live below a level of poverty defined by a minimum standard for basic food intake. It is further estimated that fully 22 percent are without sufficient work or income to secure even half these nutritional needs.

Most of the poor live in Java; an island with 65 percent of the entire population, it contains only 6

percent of the nation's land mass. Population densities on Java average 600 persons per square kilometer. In relatively productive areas, with good irrigation and fertile soils, densities run as high as 2,000 persons per square kilometer. However, since such densities are only supportable as long as food and work satisfy the needs of the population, poverty in Indonesia can generally be defined by the unavailability of these two basic necessities.

Over two-thirds of Indonesians work in agriculture—most of them engaged in extremely small-scale production or as laborers on larger but still tiny farms. In either instance their livelihood almost never rises above subsistence. The limitations of the physical environment keep both their expectations and their consumption levels low.

The average size farm in Java is roughly half an acre. Many farmers, of course, own less, and a third of Java's farmers own no land at all or, at best, a minute garden plot around a tiny house. Thus, the poorest in Java will sell labor to those in the village who do have land. In return, the laborer traditionally receives a share of the harvest. This so-called "*bawon*" system has met traditional cultivation needs, the demands of village communality, and the work and food requirements of poor farmers.

The practice of sharing represented by the *bawon*—what Clifford Geertz calls "shared poverty"—goes to the root of Javanese ethics. The basic principles of village communality dictate that the wealthier farmer gives some source of livelihood to poorer farmers, regardless of profit margins, and the labor-intensive nature of traditional rice cultivation has allowed more and more people, as

population pressures and food needs increase, to join in harvests. Shared poverty through shared harvesting has sustained the growing number of poor in Java for centuries.

These traditional provisions for Java's rural poor have been affected recently by a number of demographic and economic changes. First, in some instances or areas, population growth may have reached Malthusian limits beyond which shared poverty practices cannot go. Over the past decade efforts to relieve this pressure through relocation of people—or so-called transmigration—to the less densely populated outer islands have, for financial and environmental reasons, achieved only marginal success to date. Second, in spite of rapid rates of population increase, theoretically land can absorb new labor and provide more income if productivity is increased. But in those areas of Java where productivity is increasing, there are indications that the technical and economic changes which have increased the yields have decreased the demand for labor.

In the 1960s, fertilizers and access to credit for farmers' surplus production, and market orientation brought them closer to a new economic framework exclusive of communal obligation and village welfare. Given new considerations of profit and loss, the value of increased production for markets may have taken precedence over the value of traditional obligations.

The importance of these economic calculations has only begun to be apparent within the last few years, as Indonesians are experiencing the full impact of the Green Revolution and its high-yield varieties of rice. Government schemes to introduce the new seeds, provide credits, and create marketing opportunities seem to support the emerging landlord and commercial incentives while reducing the sense of obligation to village welfare. Some of Java's poor are beginning to lose traditional harvesting opportunities to village landowners who sell an entire rice crop before harvest to a middleman. The new owner of the crop is capable not only of marketing production to the landlord's advantage, but can also harvest the crop using hired professional work teams at much lower costs than occurred in the traditional production sharing methods. Thus commercial production is tending to replace traditional, labor intensive production.

Ironically, Java's rural poor may become a casualty of modern economics: while increased productivity makes more food available to the growing number of poor, reduced demand for labor decreases their opportunity to earn the wherewithal to obtain a share of the new bounties.

Migration from rural areas to more urban areas and to the major cities has become substantial as large numbers of Indonesia's poor are seeking work outside agriculture. Much of this migration is seasonal—farmers looking for jobs during dry, nonfarming periods—but it also reflects the saturation of employment in the traditional sector and the painfully slow growth of alternative work opportunity.

While under- as well as unemployment is common in the countryside, absolute unemployment in urban areas is statistically low—only 4 percent, according to Indonesian government sources. But much low-income urban employment, such as pedicab driving, cigarette butt collecting, street vending, etc., produces little remuneration for extremely long hours.

With virtually no cash income, people fashion makeshift shelters in crowded squatter settlements and along canal banks. Such deprived living conditions are possibly more prevalent in Indonesia than anywhere else in Southeast Asia. The situation in Jakarta, Indonesia's capital and largest city, has become so desperate, in fact, that the city administration has banned migration. Unless persons can prove employment, entry to Jakarta is forbidden and those residing in the city illegally are forcibly removed.

Underemployment—similar to shared poverty in villages—is widely apparent in urban areas. Obviously, the continued expulsion of unemployed rural migrants does nothing to resolve this poverty; only the creation of new jobs can—both in rural and urban areas. At present, Indonesia needs 10 million new jobs, mostly in Java, and approximately 1.2 million additional jobs annually to absorb increments in the labor force. There are few indications that the number of jobs is increasing at anything like the required rate. It may be, in fact, that the number of jobs available to the unskilled or landless laborer turned migrant is actually decreasing with the use of more capital intensive production methods.

The Middle Class

Indonesia's middle class has essentially three foundations—Muslim traders, Chinese entrepreneurs, and bureaucrats—all created from different historical situations.

Its first foundation was built by Arab traders who as early as the fourteenth century brought not only trade but Islam. Over the centuries, as the religion spread from Java's and Sumatra's coastal ports to inland areas, its adherents formed relatively coherent social and economic institutions. Thus an important portion of trade and an even more important portion of landed wealth became identified with Muslim institutions and interests. In rural areas, these interests have tended to support orthodox religions and conservative political movements, while urban Muslim businessmen have tended toward reform, modernization, and more liberal politics.

Over the past few centuries, the early Muslim traders were progressively overshadowed by Chinese entrepreneurs, who had been encouraged by the Dutch to settle in Indonesia to develop colonial trade and commerce. The Chinese were enormously successful in capturing the bulk of domestic commercial activity, becoming the virtual *sine qua non* to the entire economy. Since Indonesia gained independence, however, Chinese fortunes have variously waxed and waned as nationalist political pressures have been brought to bear on the economic activity they control.

It is impossible to estimate the size and shape of the Chinese middle class, but certainly its economic importance is greatly disproportionate to the number. The Institute for the Promotion of National Unity estimates that in 1971, of a total population of 121 million Indonesians, there were 1.4 million Chinese with Indonesian citizenship and close to 1.2 million still with foreign citizenship. How many of these have incomes above a subsistence level is hard to determine.

Besides Muslim and Chinese businessmen, bureaucrats have recently come to constitute an important part of the middle class. The Dutch had created a small indigenous bureaucracy, essentially from the former nobility, which remained subservient to Dutch interests. With independence, however, bureaucrats, including the military, became

responsible for the administration of a proliferating array of nationalized state activities. By 1975 there were approximately 1.4 million civil servants.

While the bureaucrats' salaries would barely qualify them to be in the middle class, their aspirations do. Some still have links to the traditional nobility, having evolved from the colonial court bureaucracy to the contemporary government service. Most entered the civil service after independence when it became the key niche for high school graduates without any prospects for employment in the private economy. This quick expansion of the bureaucracies and government spending deflated the value of money and thus of salaries. Today, the bureaucracy is composed of underpaid, often disillusioned, and frequently inefficient individuals who commonly engage in corruption to make ends meet.

Middle class wealth historically has been built by these three groups. Excepting the Chinese community, however, education and skills have been limited and many indigenous Indonesians have consequently been unable to compete with Chinese. No matter how "modern" the Muslim businessman may be, such basic economic skills as accountancy have not been widely acquired. Thus, given open competition for middle class incomes, Chinese have invariably come out ahead. Perhaps the only indigenous group with the potential to so compete would be the increasingly skilled corps of military officers. They, however, are more often cooperating with Chinese enterprises than establishing their own competitive ventures.

The Rich

Historically, before the arrival of Dutch corporations and the Chinese, the rich upper class consisted only of traditional princes and sultans. They were a small elite with wealth based on revenues from peasants. Today, however, they are much more traditional than wealthy, as a result of the Dutch regime's profound alterations of the rural economy. They have been allowed to maintain all of their appurtenances: courts (or memories of courts), patronage of the arts, and loyalty from their traditional clients. Today the aristocracy still exists, albeit crippled economically, more as a symbol of the nation's past than as part of the administration of its present wealth.

Under the Dutch, the former feudal wealth was rechanneled and transformed into substantial profits mainly to Dutch companies. Domination of domestic trade passed almost completely into Chinese hands. How much of this wealth supported a wealthy elite in the Dutch East Indies or was repatriated from the colony is unclear. With independence, however, it made little difference as nationalization of foreign-controlled assets became a central economic objective of the Sukarno era. In a sense, Indonesia's new leaders subjected the Chinese and the Dutch to a fate similar to that which they had dealt to the traditional princes and sultans. Under Sukarno's rule, Chinese capital fled and Dutch assets, mainly plantations and other properties, were seized. To replace them a few favored Indonesian traders became wealthy in a vastly reduced international trade while top bureaucrats and military officers were given the barely marketable plums of mining and plantation facilities.

Since Sukarno, however, new sources of wealth and high incomes are increasingly visible in Indonesia. Under Suharto, who has tried to make the economy both stable and dynamic after years of economic mismanagement, private capital has been given a free hand and investment has been encouraged. Foreign business started returning by 1967; and with its executives came refurbished suburbs and plush hotels as Jakarta attempted to upgrade itself accordingly. In perhaps five years what had been a financial backwater, if not a basket case, had become a fast-moving international market and marketer.

Suharto not only tried to encourage international interest in Indonesia's potential wealth, but he also made an effort to stimulate local capital investment. The problem was that most of the local capital had fled under Sukarno for fear of nationalization. Suharto encouraged this money to return by cancelling back tax liabilities. The Chinese responded and have once again become the engineers of domestic investment: the Chinese elite has been resurrected with substantial income from such basic industries as food processing and textiles, as well as such services to international interests as hotels, airlines, and trade in luxury goods. In doing this, the Chinese became partners both with foreign capital and the new military rulers (and their wives)

to secure government cooperation for their ventures. Thus, many of the military rulers are also earning fortunes in business. While the precise details of the personal fortunes of the generals who have thus profited are not known, their conspicuous consumption, along with that of the Chinese, symbolized by new homes and Mercedes, is widely noted by poor Indonesians.

Another source of personal wealth under Suharto came from refurbished state enterprises—especially the national oil company Pertamina. Depoliticized and allowed to function on market bases, they were turned into highly profitable endeavors. Ibnu Sutowo, the dynamic president of Pertamina, became the most important single figure in the nation's economy. The company's control over Indonesian oil, its greatest marketable asset, allowed for diversification into such enterprises as tanker fleets, airlines, hotels, rice plantations, and a steel mill. Sutowo was, by 1974, chairman of the 184th largest corporation in the world.

And finally, enormous incomes have been gained—and much wealth lost to the state—through corruption. It is rampant among the bureaucratic and commercial elite as among junior officials, although its scope is impossible to measure, and one might make assessments based on discussions with knowledgeable Indonesians and occasional press and government reports. Recently, for example, a few officials of the East Kalimantan Logistics Board were charged with having sold privately \$2.4 million worth of rice. Even more incredible (and it is hoped exaggerated!) is the current prosecution of a leading Muslim educator accused of having stolen about \$100 million from the Religious Affairs Ministry.

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The distribution of wealth in Indonesia today is extremely uneven. With the new economic policies of Suharto it may be getting worse. Even if agricultural incomes are improving slightly, and more Muslims are being brought into the economy, the disproportionate gains by a few Chinese businessmen and military and civilian officials raises serious questions about the nation's continued stability. The disparity between rich and poor has become, consequently, the fundamental political problem of Indonesia today.

The Politics of Distribution

The key elements of Indonesia presenting political problems are the rapid rise of a post-Sukarno economic elite, the unequal development of the rural economy, the continued failure to create enough jobs outside agriculture, and the continued failure of indigenous, largely Muslim, businessmen to acquire new economic skills and thus capitalize on opportunities. It is argued that to a certain extent such disparities, and the resulting frustrations, may have been inevitable given Suharto's efforts to stimulate the post-Sukarno economy. Yet income disparities in the urban areas have become so great that resentment erupted first in minor rioting in Bandung in August 1973 and then in major riots in Jakarta in January 1974. Subsequently, political restrictions have limited the opportunities for similar public expressions of discontent.

In the aftermath of the political frenzy and economic chaos of Sukarno's era, the quiet, seemingly well-considered, and downplayed economics and politics of Suharto were deemed heaven sent. To achieve recovery, however, Suharto, the military, and his economic planners had to implement rigorous and relatively austere economic and political policies. The rioting must be considered in the light of these policies and their impact on Indonesian society.

First, the new government had to balance the budget to reduce the soaring inflation of the first half of the 1960s. Following a period when budgets had been used to finance unproductive symbols of national unity, expensive military equipment, and a sprawling bureaucracy with large numbers of sycophants and vast corruption, a tight budget was needed and desired. To implement it seemed to require the degree of political authority that only a Suharto, backed by disciplined military authority, could provide. The task of harnessing the bureaucracy to make it an effective instrument of development was enormous.

With the budget under tight wraps, however, money for development had to be borrowed or acquired from private sources, foreign or local. To attract foreign capital, natural resources were the first assets offered. Multinational companies responded by investing heavily in petroleum, timber,

minerals, and some plantation agriculture. In a substantial reversal of Sukarno's nationalist economic policies, under which many of these resources were state enterprises, badly managed either by government ministries or military commands, Suharto returned some production of natural resources to private ownership (e.g., rubber plantations) and encouraged exploration and exploitation under existing production-sharing agreements between private firms and government corporations (e.g., petroleum). Productivity and government revenues increased dramatically.

To promote industrial development, Suharto's foreign and domestic investment policies offered such standard incentives as tax holidays and off-shore production, while Indonesia represented, in the eyes of some investors, cheap labor and, for others, markets for expensive machinery. Capital was invested largely in textile production and packaging and assembly of light consumer goods, and factories began springing up around major urban areas. Much of the local capital was, in fact, the repatriation of Chinese money which had fled Indonesia during the Sukarno era.

The military has played an important role in facilitating both foreign and local investment. Important military officers (and their wives) seized investment opportunities, sometimes openly, although it often resulted in public controversy. On other occasions they gave only their names or facilitated investment procedures which secured them directorships or partnerships with little or no equity in Chinese-owned enterprises. Thus the Chinese have worked closely with the military, and also with foreign investors, to finance the rehabilitation and new growth of Indonesian industries.

As a result of these policies the country reduced inflation from 600 percent in 1965 to 15 percent within a few years while achieving a real GNP growth of 8 percent by 1973.

In a closely related move, Suharto brought Indonesia back into the fold of the International Monetary Fund (IMF), World Bank, and Western economic aid. Whereas Sukarno had largely severed these relationships, Suharto's government collaborated with the Intergovernmental Group on Indonesia (consisting of 13 industrialized creditor nations) to renegotiate Sukarno's foreign debt of

\$2.7 billion. It also received important aid to finance public development programs in food, family planning, transmigration, and general rehabilitation of infrastructure. The result has been a commitment of substantial funds from governments which Sukarno had repudiated and harassed, substantial progress in infrastructural development, some progress in increasing production of food, less in reducing population growth, but hardly any in transmigration. Downtown business Jakarta has had a face lift, suburban industrial estates have begun to appear, and rural dams, irrigation schemes, good roads, and electric power are increasing continually.

These three economic achievements—stabilization, promotion of investment, and the financing of public development programs—have occurred within the context of relative political stability brought about by Suharto's military government. But in order to carry out the policies from which these achievements result, and to secure his own power, Suharto has engaged in both authoritarian rule and subtle politics.

Authoritarian rule has been and, to a lesser extent, continues to be highlighted by the incarceration without trial of former communists and members of communist front organizations who were captured rather than killed in the 1965-66 bloodbath. The government is slowly releasing those it considers least dangerous, bringing a few to trial, but keeping those still deemed dangerous in remote self-sufficient prison communities.

Suharto has also reshaped political parties. While a few radical and other parties have been banned, the rest—Christian, Muslim, and secular—have been grouped into two parties: religious and developmental. A third, Golkar, is the government party and has become Suharto's power base. It commands the vote of the civil service, various social and cultural groups, and the military. With the last having granted to them one-third of the seats in parliament, Golkar does not have to win too many votes to secure a parliamentary majority.

In a more overtly authoritarian move, the Suharto government has prohibited all forms of political organization in villages, insisting that farmers should work to grow more food and spend

no time in unproductive political activity. They have become, in the political jargon of Indonesia, the "floating mass." Obviously fearful of former times when the communists organized the poorer farmers, Suharto has neutralized opposition influence in villages while enhancing his government's—and therefore Golkar's—influence through village development programs.

The third, quite subtle, element in Suharto's power has been ability to sustain consensus among military and civilian leaders—at least up to January 1974. Assuming that coups and countercoups are as much a threat to stability as are revolutions, leaders of regional commands, powerful central commands, and colonels and generals with popular appeal, have to be kept content and obedient. To encourage their cooperation with civilian planners and administrators requires a sharing of perquisites as well as participation and agreement in policy-making councils by all senior military officers. Some contention has surfaced from time to time but generally important personages have been kept more or less content while those too far out of line have been moved aside without creating a critical level of dissension.

These politics along with economic policies may have contained and even resolved some of the legacies of economic chaos and political frenzy of the Sukarno era. Overall, economic and political stabilization is a success. But the problems of maldistribution of economic benefits and political power persist and awareness of the inequities seems to be intensifying in certain quarters. The Jakarta riots in 1974, for example, were in large measure an expression of perceived injustice over the way foreign and domestic private investment has brought high incomes to some Chinese and military officers and their wives, while leaving out the "indigenous" businessmen—a key element of the middle class. The appearance of discrimination is confirmed by statistics, for in that year alone, 95 percent of all investment credits went to "non-indigenous" businesses. The "indigenous" businesses are owned predominantly by Muslims, who have traditionally lost in the competition with Chinese. More recently many Muslims have also felt the keen political competition of Golkar and the Suharto government when their most important party was banned and others forced to amalgamate. Orthodox Muslims, who consider Islam to be

Indonesia's religious destiny (approximately 60 percent of Indonesians are Muslims), may have been seen in their collaboration with the military in the crushing of the Communist Party in 1965 and 1966 an era of Muslim political ascendancy. This has clearly not happened; and Muslims and "indigenous" businessmen (many of whom perceive themselves to be both) have rankled under their exclusion from the new wealth and power.

Urban poor have also sensed injustice, although traditions of "shared poverty" (rather than the competition with Chinese experienced by the Muslim middle class) may take some of the edge off their hostility. Such sentiments are hard to describe precisely. There is accumulating evidence, however, that urban employment—especially in small industries where investment tends to be capital intensive—is not absorbing the expanding work force. In textiles, for example, it is thought that the new mills in West Java have forced some traditional batik cottage industries out of business, and displaced more workers than they have created jobs. The passions of such unemployment may have been responsible for the Bandung anti-Chinese rioting in 1973. Most of the new textile mills in West Java are located in and around Bandung.

The Jakarta riots were more serious. There the grievances of the indigenous businessmen combined with the hardships of the urban poor to give the two groups a sense of common cause with students protesting Japanese Premier Tanaka's visit to Indonesia. Crowds of poor and youth ransacked and looted Chinese establishments. Most notably, the rioters destroyed small Chinese shops in the new Senen shopping complex in western Jakarta, which had been built on old market grounds formerly occupied by small "indigenous" traders. According to one report, these traders had not been able to afford the rents in the new shopping complex. The rioters also attacked many shops selling Japanese goods—clearly suggesting in the minds of the rioters a link between foreign Japanese and "nonindigenous" Chinese interests.

Who rioted is clear: the poor and marginally middle class Jakarta youth, whose grievances against Chinese were strong. Who organized the riots is less clear. Suharto's lieutenants claim former Masjumi and Socialist Party elements were behind the rioters, while foreign observers claim

factions within the military (including Suharto's own lieutenants) played important roles. But who led the riots is less important than the reasons they occurred. The original student protest focused on the influence and control foreign interests—especially Japanese—had over Indonesian resources and production. The riots were the protests of low and middle income groups against the economic advantages enjoyed by the Chinese and the military.

Frustrations similar to those provoking the Jakarta riots are not so openly evident among the poor in rural Java. There are a number of possible reasons for this. First, agriculture has been given highest priority in Indonesian public development programs since 1966 and much has been accomplished. Rice production has increased nearly 50 percent in seven years and a substantial number of farmers have clearly gained.

Second, poor Javanese may feel subdued by a number of forces. The army is present throughout rural areas and within earshot of any disturbance. And, assuming there were grievances, they would be felt by the poorest peasants who tend to be only nominally Muslim, being attuned instead to traditional Javanese animism. They often have clear memories of Muslim and army collaboration in the bloodbath and destruction of the Communist Party, which had been given substantial support by poor farmers in the late 1950s and early 1960s.

Third, the vast discrepancy of wealth seen in urban areas is not apparent in rural Java. Most people are poor while the rest are only barely comfortable. There are no rich to flaunt "vulgar" affluence.

At best, parts of rural Java can be optimistic. At worst, grievances can simmer. If conditions deteriorate it will not be a result of food shortages per se but in reaction to decreasing employment opportunity. There are real prospects that commercial rice production along current lines will ultimately have this impact. Some reports from the recent agro-economic survey show substantial reductions in labor requirements where the new high yield varieties are being grown.¹ The 30 percent who are

1. See Collier, *et al.*, "Agricultural Technology and Institutional Change in Java." (New York: Agricultural Development Council, 1975).

landless will inevitably suffer if present trends continue.

Conclusions

In both rural and urban areas, therefore, creation of more low-income jobs for persons with little education and few skills and more opportunities for indigenous businessmen are of critical importance. Substantial changes, particularly in investment policies, may be necessary to bring this about.

First, as the recent collapse of Pertamina demonstrates, major Indonesian enterprises have ventured too rapidly and far too deeply into high-technology, capital-intensive projects. The enormous debt of over \$6 billion incurred by Pertamina is in the most important sense a direct loss for Indonesia's un- and underemployed, large numbers of whom would have benefited greatly if a similar amount had been invested in local level, labor-intensive projects.

Second, and related to the Pertamina tragedy is the corruption and maladministration. Development financing does not reach enough projects with employment benefits, either because the bureaucracy does not function in implementation, fails to stress such projects in the first place, or, along the lines of the East Kalimantan Logistics Board, simply siphons off resources. National confidence is shaken by these experiences.

Third, the enormous new incomes of the current political and economic elite need to be held to more modest proportions. While these may have been an unavoidable by-product of Suharto's policies for economic stabilization, they are becoming increasingly intolerable given the obviously widening gap between rich and poor in the cities and the increase in the number of landless and unemployed in the countryside.

Effective taxation could remove some of the disparity, but that too requires an improvement in the administration of tax collection, which at present is no better than any other civil service sectors. The problem is exacerbated by the fact that much of the wealth, including high personal incomes, is earned through Pertamina or non-Indonesian enterprises and businessmen. Not only are many of the individuals thus hard to tax, but there is always the risk that increased taxation will reduce investment incentives.

The rural and urban poor share their poverty and will increasingly expect the wealthy elite to share their wealth. Similarly, indigenous businessmen likewise expect to acquire their share. Neglect of this accumulating and collective sense of injustice will pose a growing threat to the economic and political stability of the Suharto government.

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## NOTES ON THE DISCUSSION, JANUARY 13, 1977

by Brewster Grace

While recognizing the nation's enormous size and the complexity of its economic, social and political problems, the Study Group identified and discussed four major issues in contemporary Indonesia:

1. Changes in relationships between Java and the outer islands of the archipelago;
2. The "Green Revolution" and agricultural growth in the specific context of Java;
3. The evolution of political trends over the past two decades and their implications for contemporary Indonesian politics; and
4. Indonesia's current foreign debt.

Revolt against Jakarta rule by outer island groups has marked much of Indonesian history since independence. While the specific causes of all rebellions have had in common the desires of groups on Sumatra, Sulawesi, and others to protect their substantial natural and economic resources against Jakarta's attempts to tap them to meet Java's enormous economic welfare needs. The Study Group considered whether this was an important and recurring theme in the politics of distribution in Indonesia.

At one time, perhaps less than a decade ago, regional inequality might well have been an important issue. But the group believed that the Suharto government had minimized centrifugal resistance. Loyalties to Jakarta have decidedly increased. In part, this may have resulted from a substantial migration from "outer" to "inner" by some specific groups. Many elite from Sumatra are now in Jakarta, along with many more poor working as servants in Jakarta homes. Of greater importance, however, is the vastly expanded control the Indonesian army has of outer islands through its command structures. One member of the group called this control repressive and argued that this accounted for much of the apparent decline in rebellion.

The second issue, the Green Revolution and general economic growth, gave rise to substantial debate. First, it was argued that the evidence in the paper regarding the impact of new harvesting and marketing techniques arising from the adoption of new high yielding varieties of seeds did not adequately support the contention that these new techniques were costing the Indonesian sharecroppers their jobs. In defense of the argument, the author cited the works of William Collier, an agricultural economist who has published widely on the issue. These articles give substantial data indicating serious labor displacement. Collier's analyses, in turn, were criticized by another member for not having gone far enough, failing to note that power prerogatives in villages give political elites control of much village land. For them not to seize and control the opportunities of the Green Revolution would mean a loss of their well established economic advantages. So even beyond the problem of jobs and new varieties of rice lies the prospect of disproportionate benefit by village elites.

The types existing among several key groups over the past two decades were considered to be of equal political importance to the effects of the Green Revolution.

This led directly to a discussion of the nature of power relationships among several key groups during the past two decades, and here the group found itself more in accord. Three basic political forces were identified: traditional or only nominally Muslim Javanese, the military, and organized Muslim social and political groups. The first were the losers to the latter two in the 1965 bloodbath. Since then the Muslims have been consistently outflanked by the military, as argued in the paper. It was noted that today, while the military dominates most national and even much regional and local politics, Suharto—the key political power—is increasingly isolated from the military. Ali Mutopo, the creator of Golkar and top aide to Suharto, was credited with having made himself and his political organization the only basis of Suharto's power. This removes Suharto from political collaboration

with the main social forces in the country: rural villagers—as inert as they may be—and Muslims. This is not only a trend toward authoritarian rule, but also portends more political instability.

One member of the Study Group, who had lived in Indonesia in the 1950s, observed that Indonesia had not changed very much, although much had “happened.” The problems remain essentially the same: Muslim dissatisfaction, the dual economy, and so on. Perhaps the military in the 1950s could not have been expected to become so powerful. Our view of Indonesia, however, has changed. We know more about the country, its culture and values, and this, combined with continued failure to resolve its most basic problems, gives less reason for optimism.

Optimism or the lack of it, in a sense, became a focal point for the final discussion on Indonesia’s

international credibility. It was noted that one should not be overly optimistic about rapid economic growth because most wealth to be generated within the next few years is already claimed by foreign creditors. This point was contested, however, by the argument that “If you owe your banker one thousand dollars, you are in his power; but, if you owe him one million, he is in yours.” The point was well taken; but not to the extent that there was complete agreement that Indonesia had the power to indefinitely reschedule and restructure its debts. While the international banking community was not entirely comfortable with the size of the debt, it was argued that Indonesia was not over its head. Rather, there was some optimism that the stiffer terms imposed by Indonesia’s creditors and the Ibnu Sutowo-Pertamina debacle were eliciting a greater willingness and ability on the part of the Suharto government to resecure its loans and to meet repayments.

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