THE MAKING OF THE INDONESIAN MULTIPARTY SYSTEM:
A CARTELIZED PARTY SYSTEM AND ITS ORIGIN

DISSERTATION

Presented in Partial Fulfillment of the Requirements

for the Degree Doctor of Philosophy in the

Graduate School of The Ohio State University

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2008

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ABSTRACT

This study explores the phenomenon of party interaction in a new democracy. It seeks to provide a systematic understanding of the nature of the Indonesian party system created since 1999.

It is widely accepted that a free election with more than one participant is a primary indication of a competitive party system. This study goes beyond the electoral arena to see whether political parties still maintain a degree of competition after the election. The premise of the study is that political parties may exhibit a different pattern of interaction in another arena. Competitiveness may disappear once the parties leave the hurly-burly of the election and enter a new arena of interaction. To capture this possibility, party interaction is examined in three arenas: electoral, governmental, and legislative.

The key concept of the study, cartelization, is adapted from Katz and Mair's concept of cartel party. In their original application, Katz and Mair use this concept to describe the emergence of a new type of political party. This study argues that the concept of cartel should be applied not at the individual but at the system level to capture the nature of party interaction. Cartelization is thus understood as a collective decision made by parties to give up their ideological and programmatic differences. It is the opposite of competition.

The primary finding of the study is that party competition ended after the election, and was followed by the creation of a cartel. The origin of the cartelized party system was the parties' collective dependence on rent-seeking to meet their financial needs. This, in turn, created a situation in which parties' political and economic fates were tied together as a collectivity. Their survival as individual parties is thus defined by their ability to maintain the existence of the cartel.

This study offers a new context in which to evaluate the importance of electoral competitiveness for understanding the nature of party systems. It gives us a more complex framework in which to assess their contribution to the development of new democracies. It does this by applying Katz and Mair's concept of cartelization at the system level, not at the party level as they do. Finally, it goes beyond Katz and Mair by specifying the source of cartelization in the state's non-budgetary funds, which encourage political parties to perform illegal rent-seeking activities because these funds are not intended for financing the parties.

Dedicated to:

Susanti Kusumasari (wife),
Marsa Harisa Daniswara (daughter),
Hafid Sasayuda Ambardi (son)

ACKNOWLEDGMENTS

This dissertation is the culmination of a three-year effort to write a research design, to collect and systematize data, and finally to compose an intelligible and hopefully convincing argument and to weave evidence into that argument. Numerous individuals were involved in these processes. I want to express my gratitude to those who helped me most:

friendships for which I will always be grateful. Their homes and their families were my homes and families while I was doing my fieldwork. Rizal Mallarangeng also set up an office for me in the Freedom Institute and arranged some financial assistance for my research.

- Journalists: For the sake of confidentiality, not all of them can be mentioned here. Two must be singled out, however, because they opened critical gates to my sources: Karaniya Dharmasaputra and Prasidono "Inod" Listiaji.

- Several individuals who directly or indirectly helped me to finish this dissertation. Professor Mohtar Mas'oed, Dean of the College of Social and Political Sciences, Gadjah Mada University, Yogyakarta, who has always expected me to come back to Gadjah Mada and his faculty; Yohanes Sulaiman for his friendship in Columbus; Agus Sudibyo who helped me with the process of collecting documents in Jakarta, and Djayadi Hanan who helped me in the last stages of completing my data analysis; to all of them, my deepest thanks.

- The Jakarta circle: Hamid Basyaib, Jeffrie Geovanie, Luthfi Assyaukanie, Ahmad Sahal, Ulil Abshar Abdalla, Nong Darul Mahmadan and Sarah "Aci" should be mentioned for their hospitality during my Jakarta fieldwork. They stimulated my thoughts and helped me to relax whenmy fieldwork began to wear me down. Included in this circle are Freedom Institute personnel who embraced me in their office.

- My extended family in Batu, Malang, East Java, from whom I found more encouragement. My parents, Hari S. Singgih and Sutjiati, my brothers Himawan Bayu (he won the sibling race by completing his Ph.D. earlier than me) who

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CHAPTER 1

INTRODUCTION

This is a study about party systems, not about individual parties. More
specifically, this study investigates the phenomenon of competition and cooperation
among parties in Indonesia since the installment of a democratic regime in 1999.

1.1. Research Question

The idea of this study came from three empirical observations. First, Indonesian
party politics has shown a simultaneous appearance of party competition and cooperation.
Around the founding election of 1999, one can easily show that electoral politics
demonstrated a seemingly genuine competition among political parties. All political
parties enjoyed freedom to assert their ideological color; and voters were no longer
intimidated in choosing the party of their choice. Ideological emphases became the norm
of electoral politics in an effort to secure votes. Each party identified itself as either an
Islamic party or secular party. Nonetheless, when it came to the process of forming the
government, political competition seemed to cease. Ideological differences between
parties appeared to be a non-factor in the process of government formation. Under the
name of *Persatuan Nasional*, or National Unity, the cabinet was collectively composed of
all parties in Parliament embracing the Islamic and secular parties.

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A second observation on the 2004 elections provided a similar pattern. Political parties from various political persuasions intensely competed in the legislative and presidential elections. When the elections ended, the political parties seemed to throw away their competitiveness, and largely ignore the election results, to form an all-inclusive government. Under a similar name, the Cabinet of Unity of Indonesia, the Islamic and secular parties joined the cabinet. Party ideology, again, appeared to become a non-factor in the cabinet formation, and oppositional parties were absent from the political stage.

A sub-story, as my third observation, added to the peculiarity of the Indonesian party system. Entering the 2004 election, two Islamic parties, PPP and PBB, had moved further to the right. They became more conservative, showed a higher degree of Islamism, and promoted the adoption of *syariah* or Islamic law for the constitution. They separated themselves from the pack. As a result, the ideological distance between the Islamic and the secular parties had increasingly widened. In spite of this fact, the secular parties embraced them in the coalition for presidential election, accommodated them in the cabinet, and embraced them in a parliamentary caucus as if there was no ideological disconformity between the Islamic and secular parties.

These three observations led to the questions raised in this study: Why did the parties perform contradictory behavior? What was the nature of the party system that they produced? Was it more characterized by party competition or collusion?

I argue in this study that Indonesian political parties have established a cartelized party system since the re-installment of democracy in 1999. My findings show that the cartelized party system entailed five distinguishing features: (1) the vanishing role of

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party ideology in determining party coalitional behavior, (2) promiscuity in making coalition, (3) the absence of oppositional parties, (4) the minimal effect of the election results, and (5) the strong tendency of the parties to act as a single group. These five features, particularly the fifth, escape from the features that commonly define a competitive party system.

What caused cartelization? I also argue in this study that the parties' need to maintain their collective survival led them to establish a cartel. Their survival accordingly was defined by their collective need to secure their financial sources that mainly come from the government. At this point, I specify on the type of party financial sources. It was **not** the government money that was officially allocated for the political parties. But it was the government money that the parties obtained through rent-seeking activities. It was made possible by the political parties only if they had an access to governmental and parliamentary positions. In particular, cabinet positions and parliamentary leadership at the commission level were utterly important for the parties.

Once the parties became involved in this type of rent activities, they locked their fate together as a group. Their political and economic fates were tied together and their survival depended on the maintenance of the cartel. In this situation, the parties saw the cabinet and parliamentary positions primarily as a gate to perform rent activities, not for advancing parties' ideological and programmatic interests.

1.2. Significance of the Study

The importance of the issue of party competition or cartelization is evident. A competitive party system, many contend, is a crucial task for new democracies to

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establish. The reasons are manifold. One is that meaningful political competition in new democracies can only be achieved through the presence of a well-structured party system (Bielasiak, 1997). Another argues that a better democratic process in a lot of ways depends on a well functioning party system (Kitschelt et al, 1999). Still another is that the stability of democracy is partially – if not largely – determined by the kind of party system a democratic polity has (Duverger, 1954, Powell 1981, Lijphart 1994). In brief, the nature of a new party system will define the quality and the prospect of democratic consolidation.

At the theoretical level, this study offers a different approach to assess the degree of party system competitiveness (or the absence of party competition) by dividing the arena of party competition. The standard account of party competition in a party system usually sees party competition in a single arena only, that is, the electoral arena (e.g. Sartori, 1976, Katz and Mair 1995 and 1996, Mainwaring and Scully, 1995). It is assumed that there is always an electoral connection across political arenas (i.e. legislative and governmental in addition to electoral), and political parties maintain a degree of competition between arenas. This study finds that party competition can emerge in one arena and cease in the other. Instead of maintaining the competition, this study finds that the parties established a cartelized party system.

In addition, this study also introduces a contextual element in the discussion of the politics of party finance. The fact that the role of the government in the economy is high, and the fact that Indonesia is marked by rampant corruption, should be treated as an important element in discussing the models of party finance (see, among others, Hopkin,

www.manaraa.com

2004; Clift and Fisher, 2004). It could weigh which model of party finance should be applied in a country with similar characteristics to Indonesia.

Equally important are the political consequences of having a cartelized party system. Many political scientists emphasize the virtues of party competition for democracy. Grzymala Busse (2007), for example, demonstrates how robust party competition shapes political institutions in post-communist Europe. More specifically, she shows that party competition can prevent political parties from exploiting state resources. It can drastically reduce the opportunities for political parties to collude and seek rents by collectively colonizing the state.[1] The cause is robust competition, which produces a credible opposition. The opposition in turn performs a monitoring function through which the incumbent parties are continually checked by each other in case they commit unlawful activities. In a cartelized party system, since party competition is replaced by collusion and opposition is absent, we cannot expect that oversight or monitoring will take place within such a system.

Dan Slater (2004) proposes a rather similar argument: that Indonesian democracy suffers from what he calls an accountability trap. This trap is in place because political parties fail to establish checks and balances at the governmental level. He argues that, instead of preserving competition, after the election of 1999, the Indonesian political parties formed a cartel that thwarted the emergence of opposition. Without the presence of opposition in Parliament, there was no horizontal accountability between Parliament

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[1] It could take various forms which may include reconstructing or building new state institutions, crafting new legal and regulatory frameworks for market and democratic competition, and politicizing privatization and distribution of state assets (see pp. 2-3). All these can be carried out by parties "to ensure their own survival – the long-term ability to contest elections and enter office" (2). Party collusion then can become a strategic choice for parties to reap state resources.

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and the government. In fact, he argues, the party cartel was able to capture the economic rents attached to the ministries through its control of the cabinet.

A challenge to the cartel came with the adoption of direct presidential elections and the emergence of PKS. The newly elected president, Yudhoyono, in Slater's analysis could begin a new phase of democratic development because he could promote vertical accountability by being responsible to the public who voted for him.[2] The success of PKS in winning voters who bolted from the five major parties – which constituted the cartel – in the legislative election of 2004 represented a challenge to the cartel. This opened the possibility for horizontal accountability among central government institutions.

I disagree with many aspects of Slater's argument.[3] However, both Slater and Busse show us the importance of the issue of party competition as it relates to cartelization. Since this issue is at the heart of democratic theory, studies of party competition can also offer ideas for improving democratic performance.

1. 3. Theoretical Framework

In this section, I develop an analytical framework that helped my work in identifying the arenas of party competition, the content and source of party competition, the characteristics of party competition and cartelization, and finally the cause of cartelization. This section starts with a discussion of Sartori's account (1976) of party

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[2] At this point Slater argues that there is a second accountability trap that the direct presidential election possibly would not automatically produce vertical accountability. He argues that the informal network of elite is still pervasive and this network could potentially thwart the democratic development (see pp. 89-92)
[3] First, while using the concept of party cartel, Slater does not clarify whether cartel is a unit (party) or system property. Second, he uses plural form of cartels. It is not clear in his article as to the number of party cartels in Indonesia. Third, the way he defines cartel is not clear, and the criteria for determining which parties are in the cartel and which are out. PK, for example, joined the cabinet after the 1999 election; so that we may interpret that PK was a member of the cartel. However, he sees PKS (a new name for PK) as the challenger of the cartel after the 2004 elections. If PKS formed a different cartel, it is not clear, who the members of the cartel were. I will discuss all these issues in the chapters that follow.

system, its weaknesses and its merits, and its applicability for assessing the nature of the Indonesian party system. I also discuss in this section the work of Lipset and Rokkan (1967) that helped me to identify the source of party competition. Along the way, we discuss the conceptualization of Katz and Mair on party competition. Katz and Mair's piece, with some adaptation, provides a useful view of the phenomenon of cartelization. This section cites the works of de Swaan (1973) and Riker (1962) that provide models of coalition behavior. These two works help me to identify the electoral connection across the arenas of party competition. And lastly, I talk about the issue of party finance by reading the work of Hopkin (2004), Pierre and Svasand (2004), and Clift and Fisher (2004). My discussion of course is not limited to these works, but these works are the main pieces that constitute my theoretical framework.

1.3.1. Sartori's model of party systems

In this study, following Sartori, a party system is defined as "[a] system of interactions resulting from inter-party competition." (Sartori 1976: 44). The notion of system of interactions refers to inter-party relationships that exhibit a degree of regularity in which political parties act and react to each other in patterned ways at different levels of the political arena. How do we identify the patterns of interaction between parties?

In answering this question, Sartori develops his own typology of party systems and offers two principal criteria by which he classifies party systems. First is the number of relevant parties; second, the ideological distance between them. In regard to counting the number of relevant parties, he proposes two filtering concepts: the coalition potential and blackmail potential. Regardless of size, Sartori argues, a party has coalition potential

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whenever it "finds itself in a position to determine over time, and at some point in time at least one of the possible governmental majorities." (p. 122). And a party has blackmail potential when it has intimidation power such that "its existence, or appearance, affects the tactics of party competition and particularly when it alters the direction of the competition." (p. 123). Any party that matches these criteria must be counted in.

Based on these counting rules, Sartori classifies party systems into four types: one-party, two-party, moderate pluralism (3-5 parties), and extreme pluralism (more than 5 parties). Believing that the numerical criterion is insufficient for detecting all significant features of a party system, Sartori moves further by employing his second criterion of ideological distance. All the numerical categories (with the exception of the one-party system) can then be broken down into having a low or high level of ideological distance. By combining these two criteria – the numerical and ideological distance – Sartori devises seven possible categories of party system as can be seen in the figure below:

Number of relevant Parties	Level of ideological distance	
	Low	High
1	One-party	Not applicable
2	Two-party	Two-party polarized
3-5	Moderate pluralism	Limited but polarized pluralism
> 5	Extreme pluralism	Polarized pluralism

Source: Sartori (1976: 124-26, 288-89)

Figure 1.1: Sartori's Typology of Party Systems

In many ways, Sartori's typology has improved the traditional classification that revolves around the distinction between two-party and multi-party systems.[4] In addition to the refinement of the counting rules, his typology has another merit: it enables him to capture systemic properties of a party system since it is concerned with patterns of competition and with interactions between parties (Mair 1996).

Above all, in Sartori's typology, the multi-party system is no longer seen as a single category. The universe of multi-party systems is further specified into moderate and extreme pluralism, and accordingly each is divided into polarized and non-polarized party system. Thus, we can have four types of multi-party system as can be seen in the figure below:

		Ideological distance	
		Low	High
Number of parties	3-5	Moderate Pluralism	Limited but polarized pluralism
	>5	Extreme Pluralism	Polarized pluralism

Source: Sartori (1976: pp. 124-26, 288-89)

Figure 1.2: Sartori's Typology of Multiparty Systems

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[4] Historically, the traditional approach of party system classification can be traced back to Duverger's famous dichotomy of two-party and multi-party system. Since Duverger left the counting rules unspecified, a number of scholars have since offered refinements on the counting rules. Blondel (1968), for example, proposes a more operationalized counting rule for party system classification (see also Rokkan 1968). He looks at the sum of votes acquired by the two largest parties in a series of elections. A two-party system exists in a given country when the two largest parties collect 90 percent or more votes from the elections. When the two largest parties garner between 75 to 80 percent of the total votes, then it belongs to the three-party system category. A genuine multi-party system is present when the two largest parties could only reap 66 percent or fewer votes. In a similar vein, Lakso and Tagapeera (1979) also contribute to the refinement of the counting rules. They provide a mathematical formula for counting the effective number of parties in a given country. First, they square a party's share of seats in the parliament, then add all of the squares (the sum of squares each party has), and finally divide 1.00 by the sum of the squares. This formula, in my opinion, is more useful for large-n studies. This study deals with one case only.

This breakdown is definitely useful because it has more discriminating power; and it sensitizes us to recognize subtle differences that may exist among multi-party systems. In other words, those multi-party systems that are usually lumped together under a single category of multi-party system can now be meaningfully classified into different classes or types with distinguishable attributes. For our purpose, i.e. identifying the nature of the Indonesian party system, they can be readily used for classifying the Indonesian party system into one of those multi-party categories. However, it is not sufficient for answering our questions since Sartori's categorization is applied to a system level.

Sartori's typology assumes that there is only a single political arena of competition. Thus it overlooks a possible distinction between the electoral arena and legislative arena, let alone the governmental arena. These three might have different dynamics. The underlying logic of Sartori's argument is that electoral results will determine parties' actions in the legislative arena. To put it in a different way, Sartori assumes that party behavior in the two arenas is likely to be consistent over time. Suppose that there is one party that has ideology A with which it tries to attract voters in elections. As this party wins the election and acquires some seats in the legislature, it is likely that it will carry along its ideological stance and the interests of voters it represents in the legislature. In case this party needs to make a coalition, it will group together with other parties that have similar ideology. Otherwise they would take a risk of losing their electoral supporters. This logic is well captured by Mayhew, who says, "… incentives in the first electoral arena shape the behavior in the second legislative arena. Parliamentary parties are thus seen as a consequence of the need to fight and win election. … [P]arties in the legislatures develop largely as a consequence of the functional value of parties at

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election time." (Mayhew as reformulated by Bowler in Bowler 2000: 158). So it could be true that political parties in the real world would act consistently at different levels of political arenas.

Now when we talk about real world cases, however, it is empirically possible a party system may exhibit different types of party interaction. The electoral connection could be absent; once the election ends, the parties totally exhibit different types of interaction. At this point, we can adapt Sartori's conceptualization and apply it at the sub-system level. More specifically, we can use Sartori's concept of ideological distance for describing party interaction in different arenas of competition. Thus, it is possible that political parties show ideological polarization in one arena but then collude in other arenas. It is also possible to question whether parties maintain a degree of competition across arenas. And definitely, there is a possibility that ideological distance between parties vanishes and competition ceases, once the election is completed

1.3.2. Dividing the Arena of Party Competition: A Justification

The idea that parties may behave differently in different political arenas is not new. Robert Dahl, in *Patterns of Opposition* (1966), has identified multiple arenas (sites) of political competition: elections, parliament, bureaucracy, local governments, and so on. In one system, elections might be the decisive site; but in another, the parliament site could be the most decisive of all. Still, in other systems bureaucrats might be the key player in party politics; thus bureaucracy could be the most decisive site. In brief, different party systems may have different decisive sites.

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The question is: How is it possible that parties change their behavior in different arenas of competition? For Dahl, it is not merely a theoretical question but an empirical fact. Robert Dahl's work in fact was an effort at theorizing patterns of parties' interactions found in ten Western democracies in the period that spans the Second World War until the mid 1960s. The United States and Britain, for example, in Dahl's view, exhibit different types of party interactions in the legislative arena. Both are a two-party system but British parties are strictly competitive in electoral and legislative arenas while the US parties are strictly competitive in the electoral arena but to some extent cooperative in the legislative (p. 338). Thus, as a matter of fact, the type of competition arenas could change party conduct.

Contemporary studies on this issue also confirm Dahl's thesis. Muller and Strom (1999), for example, describe the dilemma persistently faced by political parties in making decisions that involve goal conflicts. For the sake of maintaining electoral support achieved in an election, a party might sacrifice its other goals of advancing policy choice or of holding office. This dilemma arises when the party needs coalitional partners to form a government but the potential partners with similar ideology are not available for winning the right of forming a government. The dilemma can also take the form of choosing between sticking with a policy commitment and holding office. The first choice could lead to the loss of the second, and vice versa. In these dilemmatic situations, a party possibly changes its behavior for attaining one goal over another.[5]

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[5] These dilemmas are analyzed at length in Muller and Strom's edited volume of Policy, Office, or Votes, New York: Cambridge University Press (1999). In this volume, various authors contribute their individual case studies that provide empirical evidence of how party leaders (and political parties thereof) could perform changing behavior.

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These works suggest two points. First, it is obvious that there are multiple arenas for party interaction. Second, Muller and Strom indirectly point out that there are different structures of incentives between arenas. In brief, Muller and Strom provide a justification for dividing the field of party interaction in different arenas. But, what arenas? While Dahl enumerates numerous political arenas, Muller and Strom indirectly point to two significant arenas, which are electoral and governmental arenas. In this study, I divide the arenas into three: the electoral, the governmental, and the legislative arenas. One of the reasons is practical. Limiting the arenas to three is much more manageable. The other, since 1999 in Indonesia legislative and executive branches have become the decisive sites of policy-making, replacing the presidential palace and bureaucracy as the most important political sites.

1. 3.3. Competition and Cartelization

As we have made a justification for dividing the arena of party competition, we now need to clarify what we mean by competition and cartelization. With a belief that political parties could potentially change their behavior across the arenas, our next question is of course: What constitutes competition? And what characterizes cartelization? How do we distinguish one from the other and how do we identify these phenomena empirically?

Sartori discusses the term competitive and noncompetitive party systems along a continuum. "A system is noncompetitive," he defines, "if, and only if, it does not permit contested elections. What matters is, of course, the real, not the legal ruling. Whatever the legal ruling, competition ends, and noncompetition begins, whenever contestants and

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opponents are deprived of equal rights, impeded, menaced, frightened, and eventually punished for daring to speak up." (Sartori 1976: 217-18). Differently put, competition begins when a free election is held; and it ends whenever the principles of free election are violated.

This Schumpeterian definition is not sufficient for our purpose of identifying the nature of party interaction in the different arenas. It solely deals with electoral politics. If a contested election is the only criterion for recognizing whether a party system is competitive, we would lose insight on the nature of party interactions at other levels. If we rely on this type of definition, we will not be able to meaningfully distinguish competition from cartelization. As far as whether elections are freely held, we can readily argue that the party system under investigation is competitive. But we cannot argue a priori whether in other arenas – i.e. parliament and governmental – party competition does continuously really take place.

Different from Sartori who emphasizes the term competition, Katz and Mair put much emphasis on the concept of cartelization. The term cartel party (and the cartelization thereof) is used for describing a recent phenomenon of party development in the post-industrial societies in Western Europe. Put in historical sequence, the cartel type of party is seen as the most recent stage of party organizational development into which the old types of Western European parties have been transformed (Katz and Mair 1994, 1995, 1996, and 2002). The oldest type is the elite or cadre party that existed in the 19th century. As the mass suffrage provision was introduced across Western Europe in the late 19th century, elite parties were slowly replaced by mass parties. The emergence of the catch-all party type in Western Europe since the 1970s (Kircheimer 1966); or electoral-

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professional parties (Panebianco 1988) has eclipsed mass parties. And starting in the

early 1990s, the cartel party type has come onto the political stage, bringing along its

distinguishable characteristics.

Katz and Mair identify multiple differences between these types of party,

involving, among others, the goals of politics and the basis of inter-party competition.

> "In the period of dominance of the elite party, political goals and conflicts largely revolved around the distribution of privileges and the parties competed on the basis of ascribed status of their adherents. As the mass party developed, the key opposition in politics began to revolve around the question of social reform (or opposition to social reform) and the parties competed in terms of their representative capacity. With the emergence of the catch-all party, the goals of politics remained largely purposive, but came to revolve around questions of social amelioration rather than wholesale reform, with parties competing less on the basis of their representative capacities and rather more on the basis of their effectiveness in policy making. Finally, with the emergence of the cartel party, comes a period in which the goals of politics, at least for now, become more self-referential, with politics becoming a profession in itself – a skilled profession to be sure, and one in which the limited inter-party competition that does ensue takes place on the basis of competing claims to efficient and effective management." (Katz and Mair, 1995: 19; cf. Montero and Gunther, 2002: 3-8; Puhle, 2002: 59-60).

While providing many more distinctive characteristics of the cartel party,[6] Katz

and Mair also point out that the phenomenon of cartelization can be simultaneously found

at the system level (1995: 17; 1996: 27). Highly relevant to the goal of our study of the

development of the party system, we need to underline Katz and Mair's characterization

of the nature of party competition in a cartelized party system. During the predominantly

elite party era, party competition in the electoral arena was effectively managed and

controlled. The extension of suffrage that gave impetus to the emergence of the mass

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[6]Other characteristics of cartel parties include level of distribution of politically relevant sources, party channels of communication, nature of party work and party campaigning, et cetera. (see Katz and Mair 1995: 18).

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party, according to Katz and Mair, had changed the nature of party competition. "The new style of electoral competition," quoting Katz and Mair, "could best, if not always most typically, be seen in the attempts by the mass parties to segment the electorate into a series of exclusive constituencies, and in what Lipset and Rokkan (1967: 51) refer to as the attempts 'to narrow the support market'." (p. 19). The nature of party competition subsequently changed with the emergence of catch-all parties where parties' electoral strategies became more competitive and the issue of competition revolved around the question of policy effectiveness. Then again, according to Katz and Mair, the emergence of cartel parties has made electoral competition contained and managed. In a specific situation, parties could even be tempted not to compete.[7]

Despite their efforts to contrast competition strategies, Katz and Mair's conceptions of competition and cartelization are also bound to electoral politics. The possibility of whether party competition would cease at another level cannot be detected. This problem can be tackled by seeing party competition as a form of conflict of interest (Storm 1989; cf. Bartolini 2002). In this view, one party basically participates in an election to articulate an interest or a set of interests that correspond with interests of relevant groups within the society. Party competition begins when different parties fight for different interests and it ends when those different parties give up interest as their cause of competition. In this way, competition can be contrasted with cooperation or cartelization, a more specific form of cooperation. Thus, party competition can be defined

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[7] Katz and Mair, 1995: 18-20. An example cited by Katz and Mair for the specific situation is when the Italian major parties shared a patronage. This sometimes included the Communists, "who ostensibly were in opposition." (p. 20).

as a situation where parties assert their differences in order to articulate the interest they try to represent. The differences could take ideological or policy form.

On the other hand, cartelization may be seen as the opposite of competition, which can be defined as a situation where political parties give up their ideological and programmatic differences for something else. And this situation becomes possible, according to Katz and Mair, because all major parties share the same interest, that is, to maintain their collective survival (1995: 5). The ideological demarcations between parties become blurred and cease to be a determinant of party behavior. As a consequence, political oppositions are no longer identifiable. Instead of representing diverse interests of the society, in a cartelized party system major political parties, if not all, tend to serve their own interests as a relatively autonomous group. As stated by Katz and Mair, a cartelized party system is also marked by the divorce between party leaders and their principals (party activists and voters) and marginalization of political challengers (Mair and Katz 1995; see also, Kitschelt 2000, and Yishai 2001).

Formulated in this way – party competition defined as how different parties articulate diverse interests within the society and party cartelization as how political parties represent their own interest – it enables us to assess whether or not the Indonesian party system was heavily marked by competition or cartelization. Furthermore, we can also put the concept of competition as proposed by Sartori as well as cartelization as provided by Katz and Mair in a single framework: competitive party system on one end and cartelized party system on the other. The distinction between moderate/extreme pluralism and limited-but-polarized/polarized pluralism is basically about the extent and the direction of ideological differences between parties. If one ideology represents a

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certain type of interest or a set of interests in the society, polarized ideologies reflect opposing interests in the society where parties move toward opposing directions. On the other hand, a cartelized party system is ultimately indicated by the blurring – or vanishing – of ideological stances between parties in which parties are more concerned with their own interest as a group and are less concerned with representing diverse interests within the society.

By framing competition and cartelization in terms of interest representation, we will also be able to identify patterns of party interaction in different arenas with a high degree of consistency. This means that when we assess how far the existing political parties maximize or minimize ideological and programmatic differences in the electoral, parliamentary, and governmental arenas; we see the changing party behavior.

1.3.4. Content of Party Competition: Two Approaches

We have so far discussed the concept of competition and cartelization, and talked about the diverse interests within a society. We have simply assumed that there are diverse interests but we have yet identified what they are – the interests that define the content of party competition.

Two existing approaches may help us to clarify the answer: the political sociology and the tabula rasa approaches (see Bielasiak 1997; Kitschelt et al 1999). The first approach, as developed by Lipset and Rokkan (1967), believes that the formation of party systems and political parties can be best understood through a sociological lens by looking at the dynamics of underlying social cleavages and political strains or conflicts they produce. The foundation of the Western European party systems, according to Lipset

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and Rokkan, was built on cleavages produced by two great revolutions that swept Western Europe and the communist revolution that occurred in Russia. The first revolution, the national revolution, began in the 18th century in France, produced conflicts between the centralizing force of national culture and the resistance of local cultures as well as conflict between the standardizing tendency of nation state and the resistance of the church. The second revolution, the industrial revolution, started in 19th century England, created strains between the landed class versus the emerging entrepreneur class as well as employers versus workers. After the communist revolution took place in 1917 in Russia – with its dividing impact on worker movements – the structure of cleavages across Europe has frozen since (at least as claimed by Lipset and Rokkan). Political opposition and party competition in this way are seen as an extension of conflicts of interests between social groups within the society.

The core of Lipset and Rokkan's argument is that the nature of contemporary party systems is predetermined since the social bases of political opposition have long been there. This is to say that the emergence of social or political cleavages predates the emergence of parties and party systems.

The second approach, well known as the *tabula rasa* approach, is the opposite of the sociological approach. While the sociological approach talks about substance of political oppositions, the *tabula rasa* approach talks about process. By emphasizing process, this approach holds that voters and politicians do not always know what their interests are. Through a learning process, politicians and voters over time try to formulate and accordingly articulate their interests. While the *tabula rasa* approach emphasizes the newness of the party system, the sociological approach emphasizes continuity. While the

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sociological approach focuses on general patterns of party systems, the *tabula rasa* approach concentrates on the uniqueness of the evolutionary process of party system development in new democracies. In brief, quoting Bielasiak, "The basic concern of the process argument is not the delineation of party ideologies, voters' positioning on issues, or social cleavages at any point in time, but the developmental pattern that shapes the political life …" (Bielasiak 1997: 27). This approach is succinctly summarized by Kitschelt as follows:

> "…the process of party formation and party system structuring in post-socialist countries is slow, because it begins from a zero point: Societal actors do not know what economic and social interests to articulate, nor do they understand what those who compete in electoral arena to become politicians are promising to their voters. Conversely, politicians have little clue how to put together appealing party programs and to target identifiable voter blocs in order to build electoral coalitions on which government majorities can be based." (Kitschelt, 1995: 3).

The problem with the *tabula rasa* approach is that it ignores the historical antecedents that may partly shape the party system. This is to argue that politicians basically do not act in a political or historical vacuum. The merits of this approach, however, can not be overlooked because it accommodates the active role of political actors in shaping the party system. Also, this approach is less mechanistic. It believes that actors' political preferences are not always clear from the beginning. Their behaviors, quoting Bielsiak, "are not only voluntary and rational, but are often *ad hoc* responses to crises in the economy and society or to political challenges from other actors." (Bielasiak, 1997: 27). Therefore, this approach to a large extent provides a more real picture of party politics – in particular, party politics in new democracies – which is marked by political messiness.

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As for the sociological approach, it gives a very strong emphasis to the structural process. It may be good for emphasizing similarities of the content of political opposition across cases. At the same time, however, it overlooks possible differences and uniqueness of a given party system. That a party system in one country may have a distinct evolutionary process is overlooked. Above all, the role of political actors in the process of party system formation is marginalized. On this issue, Lipset and Rokkan were well aware that the translation of cleavages into political parties is not an automatic process. Thus they recognize possible influences of non structural factors on the process of party system formation. A full criticism is given by Sartori on Lipset and Rokkan's thesis. He states,

> "The problem [of Lipset and Rokkan's thesis] is not only that 'cleavages do not translate into party oppositions as a matter of course.' The problem is also that some cleavages are not translated at all. Furthermore, the importance of the notion of translation lies in the implication that translation calls for translators, thereby focusing on translation handling and/or mishandling."

Considering that each of these approaches has its own weaknesses and merits, it is more fruitful if we combine these two for explaining the possible variation of content of party competition. While the first approach supplies us with an idea that the process of party system formation does not occur in a social, political or historical vacuum, the second approach leads us to focus on the dynamics of party system formation and the importance of actors in the formative process. One way of connecting the two logics of the approaches is to insert the role of political parties in the formation of the party system. And it is my contention that it is parties that play a dominant role in the process and political actions that shape party systems.

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By focusing on the actions and choices made by parties, we can treat cleavages as "raw material" with which the parties may strategically build their image and compose the content of their electoral campaigns to connect with the existing cleavages (Sartori 1976, Przeworski and Sprague 1989, Zielinski 2002). Their choices of campaign issues would activate a particular cleavage that eventually would promise a voting bloc during elections. An elaborate campaign issue, and how it is formulated in connection with a cleavage-based interest, constitutes party ideology and program.

Party competition then manifests itself in the form of the contestation of the collective interests in the electoral arena. Furthermore, a competitive party system must demonstrate that there is an electoral connection: first, party ideologies and programs spelled out during the campaign must color the party's coalition behavior in the governmental and legislative arenas; and second, the election results are supposedly have some impact on party behavior in the arenas. Framed this way, we can see whether a degree of competition can be identified across the arenas. Otherwise, party competition ends after the election.

At this point, we can utilize the two theories of coalition formation that exactly capture what we mean by the electoral connection. The ideologically-connected coalition, proposed by de Swaan (1973), emphasizes the importance of party ideology in the process of forming a coalition. Acquiring governmental power is not party politicians' end goal but an instrument for advancing ideological interests and implementing ideologically-based policies. Since the type of policies becomes the main driver of coalitional behavior, ideological affinity is the main criterion for the formation of a coalition. What matters most is that the coalition endeavors to create an ideologically

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compact government (Gallagher, Laver, Mair 1995: 305).[8] Stated differently, party ideology and programs that were previously marketed by a party in its electoral campaign must become the basis of selecting coalition partners in forming the government, making policies, and passing legislations. This is when the electoral connection manifests itself in the governmental and legislative arenas. In this type of connection, political parties function as the transmission belt that connects the society with the government.

The electoral connection can take another form. It can be found when a party's decision in selecting coalition partners is determined by the size of a party's votes or seats in the parliament. Known as the minimal winning coalition model (Riker, 1962), this model proposes that it is the principle of size that determines the coalition formation. Participants in the coalition will seek partners that can form a winning coalition. They stop seeking more partners when the threshold of winning is already achieved.

The emergence of either type of coalition will demonstrate whether the electoral connection (thereby party competition) is sustained across the arenas. These two types of coalition define who the "ins" are and who the "outs" are in terms of winning governmental power. The ins represent the winner and the outs represent the loser – a very basic feature of competition. The outs would become oppositional parties that are outside the government and become an oppositional bloc in the parliament.

By the same token, we can say that party competition ceases when the electoral connection does not materialize. This means that both the ideologically-connected

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[8] The theory of minority government coalition (Strom 1990) may be seen as a variant within this approach. Since there are parties that simply concern themselves with certain type of policies, being part of a government is not always desirable. As long as the parties in legislative branch see that the minority government is able to formulate and implement the policy that is in line with their ideological stance or policy options, they do not feel the urgency of being in the government. The real war is in the legislative committees where the parties can exercise a high degree of control over the government policies (see Strom, 1990; see also Laver and Schofield, 1990: 70-71).

coalition and the minimal winning coalition fail to form in the process of government formation and do not show up in the legislative arena. Instead, in both arenas parties establish an "oversized" coalition that embraces all parties. The formation of this type of coalition itself signifies several distinct characteristics of a non-competitive party system. First, party ideology becomes a non-factor in determining party behavior. Second, in making coalitions, parties are promiscuous. Third, oppositional parties cannot be identified. Fourth, the election result has a minimal effect or even no effect at all in shaping party behavior after the election. All these features amount to a cartelized party system with the addition of one crucial feature: the parties have a tendency to act as a group.

The five dimensions of party competition and cartelization then can be summarized as follows:

Dimension	Competitive Party System	Cartelized Party System
• Party ideology & programs	Important factors in determining party behavior [a]	Unimportant factors in determining party behavior [b]
• Coalitional behavior	Tending to create ideological or programmatic-based coalitions	Promiscuous in making coalition [b]
• Political oppositions	Exist with relatively clear demarcations [a]	Non existent [b]
• Effects of winning and losing elections on government formation	Consequential	Inconsequential [b]
• Method of dealing with policy issues	Carried out by parties individually	Carried out by parties as a group

[a] Adapted from Sartori
[b] Adapted from Katz and Mair's characterization of cartel parties (1995, 1996)

Figure 1.3: Dimensions of Party Behavior in Competitive versus Cartelized Party Systems

The five dimensions as described above are treated as identifiers of party interaction – of whether parties exhibit competition or cartelization. And they should give us a clear focus on party interaction. So, the phenomenon of cartelization is sought at the system level – not at the party level as Katz and Mair suggest.

The notion of "oversized" coalition and all characteristics listed above to some extent overlap with the defining features of the concociational model of democracy. As

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outlined by Lijphart (1977), the concociational model entails four characteristics. "The first and foremost important element," according to Lijphart (p. 25), "is government by grand coalition of the political leaders of all segments of the plural society."[9] Thus, the oversized coalition formed in a cartelized party system resembles the grand coalition in Lijphart's model. The other basic features of consocitionalism include the mutual veto that functions as a protective mechanism of the minority interests, the proportionality principle as the standard of political representation,[10] and "a high degree of autonomy for each segment to run its internal affairs."

While there could be overlapping characteristics, typical decision making in the Indonesian case did not match the characterization of the consociational model. Protecting the minority rights was not the prime cause for the decisions made at the cabinet and parliamentary levels. We found nowhere in governmental and parliamentary arenas the implementation of mutual veto as the mechanism for protecting the minorities. In addition, the autonomy to run internal affairs was not honored as expected in the consociational model. So, I argue that the cartelized party system (the cabinets and Parliaments thereof) is different from the party system that is based on consociational model.

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[9] There are at least two empirical models of grand coalition at the government level: the executive team as exemplified by Switzerland and Austria and the shifting cabinet coalition as found in Netherlands and Belgium (Lijphart, pp. 31-36). The Indonesian cabinets, as we shall see, did not resemble either one.
[10] This principle is also used for assigning civil service appointment and allocating public funds (see p 25; see also, Lijphart, 1968; cf. Lijphart, 1996; Dierikx, 1978, Bohn, 1980, and Dix, 1980). For criticism on this model, see Thomassen and van Deth, 1989; Daalder, 1989; Muller, 1993; Kieve, 1981; and Church, 1989.

1.3.5. Source of Cartelization

Cartelization, to follow Katz and Mair's thesis, manifests from a situation where political parties have been increasingly dependent on the state in terms of meeting their financial needs. This is because, still from Katz and Mair, membership dues as the principal source of party finance have been in steep decline. This changing financial resource base then has brought parties together to inch closer to the state while moving away from the society. And their collective reliance on state subsidies through state subvention (public finance of party) eventually defines parties' collective survival which leads to the emergence of a cartel.

While Katz and Mair's thesis sound logical, it is contested. Public financing of parties does not necessarily bring a negative impact. In fact, the introduction of state funding or subsidies in many countries is meant to enable parties to perform their political intermediary functions (Pierre and Svasand, 1992). The public financing of parties, some argue, is seen as a better solution for meeting parties' financial needs so that conflict of interest within parties can be avoided (Losche as cited by Fisher and Eisenstadt, 2004: 620). Private donations, following this line of argument, could only create party dependence on particular interest groups. In short, the effect of state finance on party behavior is far from conclusive as claimed by Katz and Mair.

This study goes beyond Katz and Mair's thesis. While borrowing their idea that emphasizes the importance of the state as the parties' financial source, I argue that it is not the state subsidy that matters. It is the state funds that are illegally accrued by parties that matters. Therefore, in this study, I divide state funds into two categories: budgetary and non-budgetary. The budgetary funds are legal; it is state subsidies for political

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parties; it is similar to what is generally known as public finance of party. The second category, the non-budgetary funds, is a mixture of legal and illegal funds. The funds could be extracted from various sources and put in ministerial bank accounts, departmental or ministry accounts, the bank accounts of directors of state-owned enterprises, or high-ranking state officials' accounts. These funds are for many things not for financing political parties. Thus, when the funds flow into political parties, they can be considered illegal. Two Indonesian-specific contexts provide the reasons why this type of source and funds are important.

First, it has to do with the role of government in the economy. It is known that the government's involvement in the economy has been very high. The degree of government involvement in the economy corresponds to the amount of public money that circulates among governmental posts. And the amount of public money that flows in and out is huge in proportion to the parties' financial needs. The fact that the government owns more than one hundred enterprises can provide a little clue for estimating how much the public money is (*Danareksa*, 2006). And these state-owned enterprises (SOEs) are under the authority of a particular ministry but other relevant ministries have the right to involve in the decision making in those SOEs. Thus, the governmental posts become attractive for parties to carry out rent activities. In other words, the governmental posts promise material incentives from which political parties could squeeze out money.

Second, it has to do with the regulation on party finance. The law that regulates party financial activities contains multiple loopholes from which political parties could take advantage. This is not unique; political parties in developed countries also take advantage of loopholes found in the party financial regulation (Fisher and Eisenstadt,

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2004). However, the problem of corruption in Indonesia is severe. Even the punishments for parties that violate the law are barely enforced. Thus, the fact that the law has too many loopholes, and the fact that law enforcement is weak, is not sufficient to deter parties from carrying out rent activities.

Now that we see the importance of having political access to the state funds, we need to specify how the access can be won and maintained. In this study, we divide the type of access into two: cabinet or ministerial posts and the parliamentary post. That the minister inherently has the access is already obvious. What about the parliamentary posts?

It is the types of parliamentary political power that enable Parliament to perform rent activities. These include the legislating, budgeting, supervising, and "bashing" power that make Parliament so powerful. By using these powers, Parliament can engage in partnership with the government (i.e. the ministers in the cabinet) and in a game of rent activities. Leadership positions at the parliamentary and commission level then become important for parties to secure their access to the non-budgetary funds.

The emergence and the maintenance of the cartel begins with the parties' need to secure their access to the non-budgetary funds. At this point, there are two possibilities. First, the parties can do it individually; and second collectively. However, since the parties engage in similar rent activities – which are illegal – they are tied together in a similar situation. They share political and economic fate as a group. Once a member of a group discloses a particular illegal rent activity, it potentially creates a political implosion. For this reason, the cartel must be maintained collectively. Accordingly, their need to preserve their collective survival defines the nature of the party system that they

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produce, which is a cartelized party system. Ideology and party programs thus become secondary.

1.4. Research Method

Among the available methods of collecting data, this study utilized a combination of methods that rely heavily on written documents and in-depth interviews. Although each method could be the sole source of data, I chose to adopt these two methods because they could complement one another.

Since this study intended to trace party behavior and interaction that changed across arenas and time, chronological data was essential. For this need, I used primary sources such as newspapers and magazines that regularly reported what the parties did from time to time. This was the best strategy that I could think of in collecting this type of data. There are governmental or party documents that can provide daily accounts of parties' activities. I relied more on *Kompas* daily and *Tempo* weekly magazine than on other newspapers and magazines. I preferred to use these two sources of data because they are known as credible sources of information. In addition, I had a practical reason for choosing *Kompas* and *Tempo*. To both, I had an electronic access for all editions that they have published since 1988 – ten years before the new democratic era began in Indonesia.

There were specific documentary materials that I used extensively for tracing party interaction in Parliament: the proceedings of parliamentary sessions. This was very valuable for describing party exchanges when deliberating various legislative drafts that

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eventually became laws. By using these documents, I could confidently present evidence to buttress my claims.

For describing party ideologies and programs, I utilized parties' statutes, documents, and official campaign plans. In combination with data that I drew from newspapers and magazines, I was able to use these documents to devise an ideological map for all relevant parties. Definitely, basic data such as election results, composition of the cabinets and parliaments were necessary. They were publicly available in the official websites of the General Election Commission or KPU (www.kpu.or.id) and Parliament website (www.dpr.go.id).

A special note should be made about party financial data. I obtained most of the parties' financial reports in hard copy (not available in electronic version) from KPU. However, as we shall see in Chapter 6, these reports did not provide a complete picture of parties' revenue and spending. So it became a problem when I tried to present evidence that could fully reveal the real amount of parties' financial need. What I could do is to give a rough estimation of parties' real revenue and spending based on interviews with multiple sources. Many of my interviewees simply laughed when I asked them about how to obtain written documents that show the flow of money within parties. They said that it was impossible to find such documents because a bigger portion of parties' financial transaction was in the form of cash.[11] More importantly, the existence of such documents would only harm their interests. From my personal experience, I also learned that money that circulated within parties were in cash. When I attended a national convention of a

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[11] Confidential interviews with two businessmen (April 12 and April 27, 2007), a vice treasurer of a major party (April 23, 2007), an ex-Secretary General of a medium sized party (April 23, 2007). Their answers to my question on party finance are similar to the stories that I drew form many informal conversations with Indonesian journalists that I had during my field research in Indonesia from October 2004 to April 2005.

major party, I saw how an enormous amount of cash in suitcases was used for buying votes in the convention. It told me one thing: parties' revenue as officially recorded in the reports submitted to KPU was way too little to describe their real revenue. Thus, on collecting parties' financial data that I used in this study, I utilized multiple sources to come to a rough estimation of parties' revenue and spending.

I also used the second method of in-depth interview for acquiring a better understanding and interpreting parties' choices. On many parts of the argument, I describe how the parties (or party leaders) came to a decision. To understand the reasons behind the decision can better be obtained through interview. On this, I made a deliberate effort in selecting the interviews. Since it was about party decisions, I chose interviewees who were involved in the decisions. They were those who were in the party leadership structure from chairs at the top to vice general secretaries at the lowest level.

In writing and presenting my argument and evidence, I chose to use mainly a narrative style. This was because my research object was party interactions. It could be more easily described and argued in a narrative style.

1.5. Structure of the Analysis

This study is about party system that focuses on the phenomenon of party interaction. It comes with a conclusion that the Indonesian political parties have established a cartelized party system.

My analysis begins with a description of cleavage formation in Indonesia. Chapter Two provides a historical overview of how two cleavages formed during the colonial era and how these cleavages supplied the content of party competition during the first

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democratic era in the 1950s. The religious and regional cleavages had become prominent as the parties devised cleavage-based appeals to garner votes. This historical account also chronicles the emergence of class cleavage that began to form in the 1970s when Indonesia was under the New Order authoritarian regime. This chapter is meant to provide a foundation for subsequent analysis of the content of party competition in the second democratic era that started in 1999.

Chapter Three discusses factors that could become obstacles to the process of cleavage translation. It focuses on the most immediate factor that directly affects the process: the rules of the game. This chapter shows how the Regional Autonomy Laws had solved the national-regional tension when the law accommodated the regional interests and forced the national government to give up a bigger portion of its power to regional governments. It set a limit to political parties in using regional issues in the election. In general, however, the rules of the game had created a level playing field for competing parties; and they did not prevent the parties from politicizing the existing cleavages for advancing their interest of winning the election.

Chapter Four presents the main finding of the study which is to show how a cartelized party system emerged after the 1999 election. Analytically, this chapter is divided into several sections. It starts with the identification of the content of party competition. This chapter shows that party competition revolved around the religious issues and the parties had activated the religious-secular cleavage. Then it shows how the party competition stopped after the election and the electoral connection ended when the cabinet formation took place. It is also presented in this chapter how the parties had a tendency to act as a group which reflects the distinct nature of cartelization.

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Chapter Five provides evidence of how the cartelized party system was maintained. There seemed to be a new dynamic where some parties tried to establish an opposition but at the end, they failed. Instead of developing a competitive party system, the parties fell back on the cartelized party system. Chapter Six explains why the Indonesian political parties failed to create a competitive party system. Their collective dependence on state funds which have been extracted through rent activities was the reason for why they have maintained the cartel.

CHAPTER 2

CLEAVAGES, COLLECTIVE INTERESTS, AND POLITICAL PARTIES:
A HISTORICAL OVERVIEW

In this chapter, I will describe the process of cleavage formation in Indonesia. This historical overview covers the period from the colonial era to the New Order era in which each era gave rise to different cleavages. The goal of this chapter is to see how the structure of the cleavages could significantly affect the structure of party competition.

The importance of the cleavages for parties cannot be overstated if they want to become a relevant force in a society. Social cleavages represent the existing collective interests within the society. A political party may build connection with a particular cleavage by promoting a particular collective interest inherently attached to that cleavage. By doing so, it would have the potential to garner a voting bloc that is crucial in political competition (Lipset and Rokkan, 1967). Of course, the party system is not necessarily the exact mirror image of the cleavage structure. There is a possibility that all of the cleavages would transform into political opposition. But it could be that political parties would emphasize one particular cleavage and the party competition eventually would revolve around that cleavage only (Sartori, 1976). Regardless of the number of the oppositions, an understanding of the formation and structure of cleavage will certainly help us to a better view of the content and the direction of party competition in a system.

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This chapter is divided into two main sections: the formation of the religious and regional cleavages during the colonial era and the formation of class cleavage during the New Order period. In the first section, we will also see how the parties in the 1950s – after Indonesia gained its independence – made use of cleavage-based appeals to win the election. In the second section, we will see how all the cleavages were politically muted by the New Order government. Entering the new democratic era, when all political restrictions for parties were lifted, the existing cleavages could find proper channels to eventually define the content of party competition.

2.1. Formation of Two Cleavages

Three of four social cleavages as outlined by Lipset and Rokkan formed in Indonesia in different periods. The regional and religious cleavages formed during the colonial era, while the class cleavage emerged during the New Order period.

How did the regional and religious cleavages come into being? The central-regional cleavage could emerge only when one condition is met: that there is a relatively clear territorial boundary ruled by a central government. We may add that the formation of these cleavages generally takes a long period of time. That Indonesia gained its independence only as recently as 1945 did not warrant that the cleavages started to form in the 1950s. The origin of the cleavages, therefore, must be pursued in the history of Dutch colonialism.

The critical juncture that defined the "Indonesian territory" occurred in the late 19th century which was marked by the emergence of the Dutch colonial state (Lindblad, 2002a: 93). After consolidating its power on Java island at the end of the Java war (1825-

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1830), the Dutch colonial government began to spread its control over the archipelago. Definitely, it was a long process; but gradually after they went through various local wars the Dutch were able to maintain their political grip that tied together the archipelago. "By about 1910," Ricklefs concludes, "most of the regions which now comprise the Republic of Indonesia were brought under Dutch rule" (Ricklefs, 2001: 171).

The unification of the archipelago under colonial rule comprised two elements: administrative and economic. As far as the administrative was concerned, the colonial government was succeeding. When it came to economic integration, however, it failed (Dick, 2002: 106). Java for most of colonial economic history was what Howard Dick (1990) calls "the main rice bowl" of the colony. Partly, its fertile soil that made Java Island more productive in producing various agricultural crops set Java apart from the rest. Moreover, the irrigation system in Java was relatively well developed; the first railroad construction was built in this place that facilitated economic development despite the appropriation of most economic surplus to the Netherlands. Along with these, the majority of trade investments flowed in Java. In brief, it was the imbalanced development in terms of the economy between Java and outside Java that eventually gave rise to the central-regional cleavages.[12]

The religious-secular cleavage began to form in the early 20th century during the germination of nationalism in the colony. If we take as our guide the emergence of various nationalist movements in the colony, then the establishment of *Budi Utomo*[13]

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[12] The central-regional cleavages sometimes involved ethnic factor as well. Some regions such as Aceh had strong ethnic identity that set them apart from other ethnic groups. For a deep discussion on ethnic-defined cleavages, see Bertrand, 2004.

[13] Literally, it means the beautiful endeavor but its connotation also "carried the meanings of superior intellect, character, or culture" (Ricklefs, 2001: 208).

(BU) in 1908 or Association of Muslim Traders (SDI) in 1911 marked the formation of the cleavages (Ricklefs, 2001). The first was a Java-based organization that aimed to uphold a Javanese ideal which was secular in nature; the second was a Muslim traders' association with the goal of defending Muslims' economic interests. We may pick the founding of Muhammadiyah (1912) and Nahdlatul Ulama (the Awakemning of Traditional Religious Scholars) or NU (1926) – both were religious organizations with huge number of followers – as the critical juncture that shaped the religious-secular cleavages. However, the defining moment possibly should not be attached to the establishment of particular organizations.

This is not to argue that those organizations were not important. They were, but it was the friction between the leaders and followers of the religious and nationalist movements that defined the emergence of the cleavages. Ward (1970), for example, points out that during the struggle for independence the "Islamic community made the greatest contribution to the struggle against the Dutch, which implies a comparison not with the tiny 8-9% of non-Muslims in Indonesia, but with, for instance, the secularist parties such as the PNI (Nationalist Party)." (p. 4). This division proved to be long-lasting. As described earlier, at the time of the declaration of independence, both camps were involved in a hot debate in formulating the ideology for the would-be new state.

These cleavages during the 1950s were not equally mobilized by political parties. On the one hand, the central-regional cleavages were relatively muted before the election of 1955, but became salient after the election (we will further discuss this issue in the next section). On the other hand, the religious-secular cleavages were fully mobilized by the Islamic parties and nationalist parties.

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While these two cleavages had formed at the society level, the third cleavage, class cleavage, did not really develop. The fact was that a massive industrialization never occurred during the colonial era. While the PKI was established in 1924 and began to amass followers, it never had a strong base of industrial workers to build the party on. During the parliamentary era, there was no significant change in regards to the degree of industrialization. Within this less developed industrial structure, class oppositions were deterred from being one of the major driving forces of party politics; and it was largely because, quoting Robison, " … the pre-capitalist structures of social class and political power had been eroded by the money economy, commodity production and the colonial state without being replaced by well-defined or organized classes of landlords, wage laborers or capitalists." (1986: 37). As a result, the class oppositions were not well developed.

2.2. Party Politics in the 1950s: Multiple Political Oppositions

Following independence, dozens of political parties were established by various Indonesian political leaders following a decree made by the vice president of the newly independent state, Mohammad Hatta. Issued in November 1945, the decree urged the political leaders to form political parties. The stated aim of the decree was "to provide direct representation to all significant groups in Indonesian society, much as under a proportional representation voting system." (Feith, 1962: 123). The decree itself basically was a response to the public expectation at that time that the new state would soon bring about prosperity and democracy. An election was thus seen by the public as a panacea for all economic and social problems inherited from Dutch colonialism.

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All ideological colors were embraced by political parties established between October 1945, when the plan for the general election was announced by the acting government, and September 1955, when the actual election was held. Various government compendia on political parties, published between 1951 and 1955, usually categorized these parties into three main ideological families: nationalist, religious, and Marxist.[14] These ideologies were embodied in three parties that were considered major parties at that time: the Indonesian Nationalist Party (PNI), the Consultative Council of Indonesian Muslims or Masjumi as an Islamic party, and the Indonesian Communist Party (PKI). And these three major parties appeared to represent the three cleavages previously described.

The PNI was founded on January 7, 1946. It was a successor party of the old PNI which was established by one of the Indonesian founding fathers, Sukarno, in July 1927 during the colonial era. Led by Mangunsarkoro, this party upheld Sukarno's philosophy of Indonesian nationalism which uniquely meant defending the interest of the majority of Indonesian people of lower strata. In the domestic political lexicon, these people were known as *marhaen*. It was unique because the *marhaen* had a class flavor but it was not mainly defined by class but more by cultural or social boundaries (Hanna, 1956: 5-6). They may have included lower-ranking civil servants, traditional and small traders, peasants, laborers, petty bourgeoisie, and artisans – those who usually occupied lower strata of any social and economic pyramid. With this type of demographic target, PNI

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[14] See, for example, "*Kepartaian di Indonesia*" or *The Indonesian Party System* which was published in 1951. This classification seems to follow one made by Sukarno when he published his essay in 1927 (see Sukarno 1970: 37-62; also the introduction by McVey, pp. 1-34). For a comparison, see Feith and Castles (1970) who categorize party ideological tendencies into five: communism, democratic socialism, religious, Javanese traditionalism, and radical nationalism. In Feith and Castles' categorization, the Javanese culture is seen more as an influential factor that affected the parties' ideological outlook. They do not treat the Javanese as a unified group that could be represented by a single party.

competed with other nationalist parties with similar targets to win followers. Among these less popular parties, one is worth mentioning: the Party of Greater Indonesia (Parindra). Like PNI, this party was mostly a Javanese-based party in terms of cultural and territorial orientations.

While PNI was secular in nature, Masjumi (founded on November 7 1945) was explicitly a religious party. More precisely, it was an Islamic party. This Masjumi (*Madjelis Sjuro Muslimin Indonesia* or the Consultative Council of Indonesian Muslims) was a rejuvenated Masjumi that had been created during the Japanese occupation by the Japanese occupational government to win Indonesian Muslim support for the war. Organizationally, this party was more like a confederation that commanded a large chunk of the Islamic community. Its goal was to establish a legal state based upon Islamic teachings.[15] In this camp, Masjumi had to compete for Muslims' allegiance with other Islamic parties such as Perti (the Islamic Educational Movement) and PSII (the Indonesian Islamic Union) which split from Masjumi in 1947. Most notable among these Islamic parties was the NU, already referred to, which left Masjumi in 1952 – an event that has had a long lasting impact on the configuration of Islamic politics. This split also revealed a fact that within the Islamic community itself there were sub-cleavages between modernist and traditionalist Muslims.

Yet religious parties did not exclusively belong to the Islamic community. Both Catholics and Protestants had their own parties: *Partai Katolik Indonesia* (Indonesian Catholic Party) and *Parkindo* (Indonesian Christian-Protestant Party). Even though these two religious groups were numerically small, they were remarkably important since their

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[15] The Masjumi's political manifestos, 1945 article 2; 1954 article 3.

existence coincided with regional cleavages. Most Catholics and Protestants were located in the outer islands, particularly in the eastern part of Indonesia.

The PKI or the Indonesian Communist Party on the other side attempted to reflect class politics. This party (established in 1924)[16], from the beginning, seemed to draw a fine line that distinguished itself from its counterparts that made use of the vertical division in society. Horizontally, PKI was trying to build its social base on workers. During the fourth party congress organized after the war, January 11-13, 1947 in Surakarta, the PKI, like communist parties in other countries, reaffirmed its pledge to defend the interests of this class (Hindley: 1964). Not only did this party systematically organize workers and peasants under its command but it was also known for its radicalism in terms of organizing strikes – even rebellions – in expressing its political demands. The PKI nonetheless was not the only party that occupied the left side of the ideological space. The Indonesian Socialist Party (PSI) and the Proletarian Party (Murba) were two other leftist parties that stood out as small parties but had intimidating effects on party politics in the 1950s as shown by their continual involvement in forming governments.[17]

If those ideological postures and parties' stated goals are an indication, we apparently see that Indonesia had experienced at least two forms of political opposition.

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[16] This was the year when the name of PKI was firstly used. It was a transformation of the Indies Social Democratic Association or ISDV that was established in 1914 by Hendrik Sneevliet in Surabaya as part of the international communist network. Its membership was limited to the Dutch until it was taken over by Semaun in 1919. For a detailed process of the communist transformational organization and indigenization, see Ricklefs, 2001: pp. 216-20).

[17] PSI was established by intellectual leftists under the leadership of Sjahrir. Contrary to general image of socialist parties that pursue massive membership, this party was known as being elitist with more concern for developing socialistic ideas and policies that fitted the Indonesian needs. This party held more cabinet positions than Masjumi in various governments established between 1945 and 1955 (Finch and Lev, 1965; Noor 1987).

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The first two major parties tried to mobilize their followers along the vertical line of social groupings; they dissected the society into cultural and religious divisions. The third party, the PKI, epitomized class politics attempting the mobilization of horizontal cleavages which was based on class division. If lesser known regional parties were counted in, the political picture became more complicated because national-regional oppositions came into play as well.[18] The existence of these multiple political oppositions seemed to fit very well with Lipset and Rokkan's scheme of the patterns of political opposition in the Western European party systems. Thus, comparatively speaking, It seemed that the Indonesian party system was similar to the European party systems albeit in an early stage.

2.2.1. The Campaigns and Issue Positions

For the first five-year period, most political parties – if not all – were mostly occupied with the single agenda of defending the newly established nation-state. This partly explains why the election was frequently postponed. In the meantime, the working parliament was formed in which members of Parliament were appointed by the president based on the estimated strength each party had. So the PNI gained the biggest share, and followed by Masjumi, NU (after 1952), and the PKI. It was these four major parties that determined the composition and the rise and fall of 15 cabinets formed before the election.[19]

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[18] For a complete list of regional parties, see Feith, 1956: 20-21.

[19] Between 1949 and 1956, there were 23 cabinets that were led alternately by Masjumi and PNI. Before the election of 1955, the PSI played a significant role in terms of the number of portfolios this party had (see Susan Finch and Daniel Lev, 1965).

As the electoral law guiding the election was finalized and enacted by the government in 1953,[20] all the political parties began to spell out their political visions or issue positions. Three immediate problems facing the new state seemed to be utterly important for political parties – problems that subsequently defined the pattern of interaction among parties (Feith 1957: 10-17). First, it was about whether or not the new state should be based on the secular principle. Second, it was about how the new state should handle the pressing economic and social problems as the old economic arrangement under the Dutch colonial rule came to a halt. Third, we may add, it was political oppositions that were rooted in the issue of regionalism: how to find a proper channel for expressing regional interests and to regulate potential conflicts between "national" and regional interests.

At the core of the religious-secular divide was the desire of Islamic parties to create an Islamic state.[21] This first issue basically was a carry-over from the colonial period when Islamic and nationalist leaders sat together in the PPKI (the Preparatory Committee for Indonesian Independence), under the auspices of the Japanese colonial government, to draft a constitution for the soon-to-be Indonesia. Led by Sukarno, the nationalist camp challenged the idea of an Islamic state and wanted the new state to be secular.

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[20] Some key points of the Law No. 7/1953 included type of election (legislative and *Konstituante* or Constituent Assembly), the electoral formula chosen (PR system applied at the national and local level to gain highest proportionality), the criteria of eligibility for party and independent candidates, and the military's neutrality (eligible to elect and to be elected). See, KPU: *Pemilu Dalam Angka dan Fakta, Tahun 1955-1999*.

[21] The Masjumi's political manifesto did not directly mention an Islamic state as its goal. But it did mention that Islamic teachings must be practiced at the state and the society level. For its opponents this implied that the use of state for implementing Islamic *syari'a* equaled the idea of Islamic state. In fact, Isa Anshory, Masjumi's loudest voice at the regional level, said that Masjumi did want to establish an Islamic state (see Hanna, 1956).

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During the campaign period, the choice between an Islamic and secular state had virtually divided most political parties into two blocs, featuring PNI and Masjumi at the center of the stage. In January 1953, Sukarno brought up this issue in his speech in Jakarta attacking Masjumi for relishing the idea of an Islamic state. For Sukarno and PNI, Masjumi simply did not uphold a previous consensus that the secular form of the Indonesian state was final, as one day after the declaration of independence all political forces had agreed to have the constitution of 1945 as the fundamental doctrine that provided both the ideological basis for and the basic form of the new state. For Masjumi, on the other, the constitution itself was only a temporary one. By implication, the secular ideology – namely the Pancasila – and the form of the state were still open for debate and could be modified. In fact, the coming election was designed to elect both the parliamentary members and the members of the Constituent Assembly.[22] The latter was a body that would be assigned to draft a more comprehensive, permanent constitution.

Other Islamic parties shared similar ideas with Masjumi on this issue. They included NU, Perti and PSII. On the other side of this ideological spectrum, PNI was supported by another major party, the PKI. Masjumi on many occasions harshly attacked the PKI as a party of unbelievers and clearly refused to cooperate with the PKI in any form. For this reason, Masjumi regretted that Sukarno and the PNI were soft on the party of unbelievers. The religious-secular opposition, many agreed, was the defining feature of party politics of the 1950s.

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[22] For further discussion on this issue see Ma'arif (1985). One important note, Masjumi and other Islamic parties in Constituent Assembly sessions reiterated the need for Indonesia to replace the state ideology of Pancasila with Islam. They argued that the majority of Indonesians were Muslims; so it was logical that Indonesia should have adopted the idea of Islamic state. Thus the sessions fundamentally corroborated the nationalists' accusation made during the election.

The second, less prominent – but by no means less important – issue was the economic issue: how to build or rebuild the country's economy. If the religious issue gave us a relatively clear picture of party positions, the economic issue did not bring each party into a clear-cut position. As several observers put it, all Indonesian parties were socialist and nationalist (Kahin, 1952; Glassburner, 1971). The political and economic contexts of the day were crucially important for fully comprehending this statement.

The fact was that Indonesia had experienced economic retrogression during the 1950's. The manufacturing sector, for example, was in a static condition or even was declining in terms of its share in the total GDP (Booth, 1992: 70-72). The government debt, deficit in balance of payments, the decrease of foreign reserves, the low level of GDP output, and the high rate of unemployment (Glassburner, 1972; Booth, 1998: 47-72, Dick, 2002) all contributed to the worsening economic situation.

All parties recognized these problems and saw that colonialism was the ultimate source of them.[23] And the type of capitalism that was introduced and maintained by the Dutch during the colonial era was one that brought economic benefits to too few people and transferred the majority of economic surplus made in "the Indies" to the Netherlands. Capitalism then was easily associated with colonialism – a perception that forced all parties to be critical in regards to any ideas related to a market economy. In this period, therefore, socialism, for most parties, was seen as morally and strategically superior to other ideologies. At the same time, this perception drove parties into having strong

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[23] When confronted with the issue of colonialism, differences among the parties were usually less important; all tended to be united. "During the first two decades of the [twentieth] century," said Benda and McVey, "the ideological cleavages between reformist Muslims, liberals, socialists and communists were less pronounced than radicalism and anticolonialism which united them" (Benda and McVey 1969, p. xv).

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nationalistic and socialistic tendencies when it came to discussing ways of rebuilding the economy.

A further exploration of this issue, however, can give us a different picture. In fact, the parties did maintain different stances on various economic issues. On whether the country should have embraced market principles – and to what degree – different parties had their own position. On the extent of the government's role in jumpstarting the economy, there were positional differences among the parties as well.

The PKI predictably occupied the very left position. It stressed state ownership and was decidedly anti-foreign capitalists. The PNI was less radical. While it very cautiously accepted market principles, it wanted to promote cooperatives as the main actor in the country's economy. Its rhetoric was filled with a strong nationalistic flavor but not decidedly anti-capitalist (see Feith, 1952: 160-4). Different from the PKI and PNI, a wing of Masjumi was "sympathetic to private capital provided it was in Indonesian hands' (Robison, 1986: 37). It basically meant at that time Muslim traders. But like other parties, Masjumi was cautious toward the market economy. Picking the catch-word of the day, Masjumi was in opposition to "free-fight" liberalism. In short, if arrayed from left to right we may put the PKI on the extreme left and Masjumi on the right,[24] while the PNI

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[24] It must be noted that putting Masjumi on the right side of the left-right continuum does not really capture its real stances on various economic issues. In fact, inside the Masjumi itself there were plural views held by different Masjumi proponents. However, Sjafrudin Prawiranegara, the leading economist of Masjumi, in his annual report of 1953 made it clear in his assessment of the country's economy that Indonesia needed to accommodate foreign capital in order to stop the falling economic production. He pointed out that there was a strong resentment among the Indonesian political elite toward foreign capital and criticized that it would not help increase the economic production. In his own words, he said, "… [to enable] production to proceed more smoothly, it is essential to educate the public thoroughly to the fact that foreign capital … [should] be treated as well as possible to obtain the highest possible output from them (Prawiranegara in Feith and Castles 1970: 388-9). When this report was publicized, Prawirangara was the head of the Java Bank (the central bank) and was Masjumi's representative in the cabinet. This view may be seen as actual Masjumi's position in regard to the role of foreign capital in the Indonesian economy.

was in between. We may not have a perfect picture of issue positioning of all these parties, but this picture is sufficient for our purpose of describing the major pattern of parties' positions in terms of economic issues.

The central-regional issue too defined the interaction among parties during the campaign period. This issue was less prominent in party politics than the other two issues. But it by no means could be overlooked. Regional interests did exist and they found their expressions through two channels – either through the establishment of local/regional political parties or national parties that picked up regional issues. Dozens of local/regional parties sprang up in some provinces (Feith 1957: 58-59).

In the campaign, Masjumi, which happened to have its majority of supporters from outside the island of Java – notably in Sumatra – frequently attacked the PNI as the party of the Javanese. This revealed the fact that the imbalanced economic development across the archipelago was a real issue and was exploited by different parties in order to win the election. On the other hand, the PNI saw that the issue of regionalism that was brought up by either major parties or local/regional parties during the campaign could have a disintegrating effect on the new state.

The three issues mentioned above basically were the source of political campaigns among parties as well as the bases for political persuasion used by the parties to attract voters. Revolving around those issues, the competing parties recorded their electoral achievement as follows:

Parties	No. of popular votes	% of total votes	No. seats	% of seats
PNI (nationalist)	8,343,653	22.3	57	22
Masjumi (religious-Islam)	7,903,886	20.9	57	22
NU (Islam)	6,955,141	18.4	45	18
PKI (communist)	6,176,914	16.4	39	15
PSII (Islam)	1,091,160	2.9	8	3
Parkindo (religious-Christian)	1,003,325	2.6	8	3
Partai Katolik (religious-Catholic)	770,740	2.0	6	2
PSI (Socialist)	753,191	2.0	5	2
IPKI (nationalist)	541,306	1.4	4	2
Perti (religious-Islam)	483,014	1.3	4	2
Other parties*)	3,671,969	9.8	24	9
Total	37,785,299	100	257	100

*) Lesser known parties with two seats or less
Source: adapted and modified from Herbert Feith, 1957: 58-59; cf KPU, 1999.

Table 2.1: The Results of the Parliamentary Election of 1955

The election result as described above basically was not surprising. The share of the four major parties was nearly 80%; and the distribution of votes among the major parties was not far from the estimated strength – except for the PSI. At this point, we need to answer our questions: Did the election really confirm the existence of multiple lines of political opposition as indicated by the election results? Is it true that party politics during the 1950s was no more than squabbles among the political elite that was isolated from the public?

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2.2.2. Two Views of Party Politics[25]

Most Indonesianists agree that at one point there was a vibrant party politics during the first democratic era. Parliament and cabinet had become the most important sites of party competition. However, when it comes to assessing the nature of political parties and their relationship with the society, they have different views.

One account says that party politics in that era did not involve the general public. Factors that were believed to be responsible for the elitist tendency of party politics vary. These included a lack of mass communication – a means for reaching the wider population – and parties' lack of experience and organizational capability (King 1982 and 2003). Herbert Feith and Lance Castles succinctly summarize this position: "…Competition between parties was partly competition between systems of ideas …. . The ideological conflict was thus mainly between intellectual groups of urban white-collar people and did not involve large segments of the society." (Feith and Castles, 1970: 6-7, cf. McVey 1969: 1-34).

This type of assessment is in line with Feith's earlier observation about the nature of Indonesian politics in the first decade after the war (1962: 108). First, according to Feith, there was no group outside the government that was powerful enough to challenge the existing government. Second, political power was dispersed among high-ranking government officials and top leaders of political parties only. And third, the number of political elites or, more precisely, those who were involved in the decision making was so

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[25] This section discusses the work of Herb Feith (1962), *The Decline of Constitutional Democracy in Indonesia* and a critique by Harry Benda (1964) on Feith. The main issue explored in these two is the cause of the collapse of the parliamentary democracy in 1950s. Both do not focus on political party as an autonomous actor. But since these have become standard texts for understanding the dynamics of the 1950s' Indonesian politics, their works are worth discussing. In fact, through their works, Feith and Benda imply a particular conception of what political parties were and their role in that period. As we shall see, their view of political parties basically could not fully capture the dynamics of party politics in Indonesia.

small – around 200 to 500. All these conditions led Feith to believe that the basic nature of Indonesian politics during the parliamentary era was ultimately elitist. The political parties were thus merely seen as an epiphenomenon.[26]

If we squarely follow Feith's argument, we would argue that the dynamics of Indonesian parliamentary democracy of the 1950s were basically no more than a politics of individual politicians who were more or less autonomous from structural constraints, or at best, it was merely clique politics.[27] In this view, the political party was seen as either irrelevant or, at best, a network of patron-clients. Consequently, the dynamics of party politics looked isolated from any societal forces and political parties did not perform any intermediary functions between the state and the society in the decision making process.

A fundamental problem with this view is that it puts too much emphasis on individual politicians and their maneuvers within the confines of parliament or cabinet.

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[26] Again, it should be noted that Feith's goal was to explain the collapse of the parliamentary democracy. So political crises that emerged during that period and mechanisms for solving them started and ended within the confines of the elite. Indonesian politics therefore, according to Feith, could be best understood or interpreted by applying an elite model (Feith 1962: 108). So, when interpreting the collapse of the short-lived parliamentary democracy Feith focuses his analysis on the political struggle among elites in obtaining, maintaining, or advancing their power. What marked the collapse was the triumph of what he called the solidarity makers over the problem solvers or the administrators in the struggle for power. The first group, epitomized by Sukarno the president, consisted of politicians whose main concern was to engender nationalism and maintain the élan of revolution for the sake of nation-building. They were less concerned with the actual economic and administrative problems that were bringing the country nearly into collapse. The second group, led by Hatta the vice president, comprised prudent, rational policy makers who, in Feith's view, were capable of solving the pressing economic problems. Hatta himself was an economist by training, graduated from one of the universities in the Netherlands. The logic of the collapse of parliamentary democracy was deceptively simple: the tug of war between the two groups was won by the solidarity makers. And the winner favored a replacement of parliamentary democracy with one with which Indonesians, according to Sukarno, were more familiar: a "guided" democracy. The basic tenet of this system was the idea of an organic state in which all political forces from various political persuasions should work together as a family in solving the country's overarching problems. Parliament and political parties thus were seen as extraneous and must have been buried. Marked with a presidential decree, the parliamentary democracy officially ended in 1959 and Indonesia then moved to a new political era.
[27] It was not a coincidence that Feith used names of prime ministers for describing each cabinet. Even though he mentions the party origins of the prime minister and parties that participated in the coalitional cabinets, the parties were treated no more than a name tag.

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And it gives too little attention to the social bases on which political groupings among the elite were built. Thus, it also fails to see that the political division among the elite was basically a reflection of deeper political divisions in the society, be it cultural, economic or social. This is a major critique launched by Harry Benda on Feith's work.

In Benda's view, the competing two groups that Feith calls the solidarity makers and the administrators must have been first of all defined by their cultural orientation. The administrators or the problem solvers were those, "for greater part, the truly Westernized members of the Indonesian elite or, perhaps more accurately, those in whom Westernization has gone more than skin-deep; they also include, we may add, some conscious Muslims. Many, though certainly not all, of them are *non-Javanese*." (Benda 1982: 17, emphasis added). Accordingly, Benda said, "Opposed to the [administrators], are the solidarity makers … to whom élan, revolution, and ideological incantations are far more important than the rational solution of economic, administrative, and other problems. This group also includes outstanding Westernized leaders (predominantly, though of course not exclusively, *Javanese*) but their attachment to Western values appears far less profound" (p. 17, emphasis added). [28]

Feith's and Benda's views seem to bring us into extreme positions. Feith provides too much room for individual politicians while paying too little attention to

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[28] The interpretation of the decline or collapse of Indonesian parliamentary democracy, for Benda, then must be begun by looking at the tenacity of Javanese culture. Despite colonialism, Javanese culture had survived to be crucial factor in directing the behavior of the Indonesian elite. The replacement of Parliamentary Democracy with the Guided Democracy – of which the latter was the embodiment of the Javanese idea of organic state – was therefore seen as more "natural." This was the preference of the solidarity makers to have an 'indigenous democracy" that they saw as a better fit for Indonesians. When Feith was investigating the causes of the failure of democracy to take hold in Indonesia, and asking the question of why it collapsed, Benda criticized Feith for posing the wrong question. The right question, for Benda, was, "why should it have survived?" The collapse of the Parliamentary Democracy and the coming of the Guided Democracy indicated, in Benda's words, that Indonesia "found a way back to its own moorings." (p. 18).

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wider political and sociological contexts that may have been more influential in determining political outcomes. He seems to be arrested in day-to-day politics by concentrating on elite's maneuvers and to have forgotten the critical role of structural factors that may have limited politicians' choices. He barely touches the issue of social cleavages in his work. On the other extreme, Benda brings us to see seemingly unmovable factors that provide no room for individuals. He does, however, turn our attention to the importance of social cleavages in interpreting Indonesian politics in general and party politics in particular. But he is basically, too, arrested in a historical or cultural determinism that portrays individuals – or agency – as no more than an extension of structural forces.

Basically both views share a similar problem that they do not see political party as an important actor in its own right. Equally important, Feith and Benda fail to square the reality that the three major parties, the PNI, Masjumi, and particularly the PKI had developed organizational arms to reach a wider public – more than Feith[29] and Benda wanted to see. Political parties, in brief, penetrated the society to a degree that Feith and Benda fail to recognize.

Three studies can be mentioned here – the works that can debunk Feith's and Benda's views. The first is by Ann Laura Stoler (1985). This is a study that focuses on the confrontation between capital and labor in plantations located in North Sumatra. Partly historical, this study tries to illuminate the origins of labor protest or conflict that

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[29] To be fair to Feith, he does mention the public and the mass when talking about national politics and discusses it at some length (1962: 108-13). More precisely, in a concentric model, he divides the polity into three layers: the inside circle, the middle circle that consisted of "men of lesser political influence," and the outer circle or the mass with the least political influence. But he ends his discussion at this point without exploring further the sociological connection between the layers or without investigating that within layers there might have been social divisions.

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occurred within the span of time between 1870 and 1979. The changing colonial labor policy from coercion to contractual, the global effects of depression, class relations, and the changing nature of technological application used on plantations were all deemed responsible for igniting the protests. However, it was the organizational aspect of labor movements during the 1950s that is interesting to point to.

While Stoler does not put strong emphasis on the role of SARBUPRI, a communist-affiliated/PKI union in the plantation sector, in orchestrating the protests, she does not overlook the growth of this organization in attracting followers. Its membership among plantation workers reached 100 thousand in the mid 1950s, thanks to its skills in formulating labor issues and siding with the workers. This growth corresponded with ever-increasing membership of SOBSI (another communist party organizational arm for industrial workers) at the national level (pp. 127-8). On many occasions, SARBUPRI had functioned as an intermediary between the PKI and particular segments of the society.[30] Thus, to say the least, political parties in the 1950s did penetrate the society.

The second study was carried out by William Liddle (1970). The study aimed to explore the challenge(s) of national integration of Indonesia after colonialism. Inspired by Geertz (1959 and 1963), Liddle questioned whether traditional ties such as kinship, race, and ethnic would be replaced by new types of loyalty within the confines of a modern polity. In addressing this question, Liddle performed fieldwork in the local district of Simalungun, Sumatra. One of his findings showed that, despite the existence of traditional ties, the majority of the population (more precisely, voters) had developed

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[30] Many observers treated the PKI as exceptional in terms of its capability to organize followers and to build linkages to the society (e.g. Mortimer, 1969). If there are so many exceptions, we may otherwise conclude that the political parties did play deeper role in building their linkages to the society – at least the PKI. The difference was about degree, not about whether the parties truly developed their social bases.

supra-local affiliations which were represented by national parties. The national parties

had succeeded in shifting the population's political orientation from "a highly parochial

to a more national focus." (p. 125). Furthermore, Liddle says,

> "The success of the four national parties [The PNI, PKI, Masjumi, and Parkindo] in obtaining – and to a considerable extent maintaining – local support meant that they had made themselves meaningful to substantial segments of the local population." (pp. 124-5).

Liddle's observations and findings provide a picture of parties in sharp contrast to

that portrayed by Feith and Benda. Not only were the party organizations able to reach

out to partisan voters at the village level, but were also able to implant a new political

horizon to them to be part of national politics.

The third study by Deliar Noor (1987) is more straightforward. Many of the

Islamic parties, he argues, had strong ties or linkages with what Panebianco (1988)

labeled external sponsor – social organizations with mass membership that have a degree

of autonomy. Masjumi, for example, had special Muhammadiyah and Nahdlatul Ulama

as members. The last two were the two biggest religious organizations in Indonesia and

represented modernist and traditionalist Muslims.

In short, these three works show that political parties had deeper linkages with

society and did actively work from their social bases. These works paint to the fact that

the political parties had permeated through the society. And these works altogether

corroborate that all cleavages mentioned in the earlier part of this chapter did exist:

religious-secular cleavages, class cleavages, and national-regional/local cleavages.

2.2.3. Cross-class Strategy: the Case of PKI

In a situation where there were no structural bases for class opposition, and after making a decision to participate in the election, the PKI found itself in a dilemma: should it employ a purely class strategy or cross-class strategy in building mass followers? This dilemma resembled the dilemma that was faced by leftist parties in the Western democracies (Przeworski and Sprague, 1986: 29-56). Once these parties decided to participate in the election to take a path of what they called the "parliamentary road" to socialism[31], they had to amass followers from the working-class. The problem was that the working-class was in fact numerically a minority. The number of workers in the countries under investigation ranged between 19.2 percent (in Sweden) to 36.1 percent (in France) of the total adult population.[32] The logic of election thus dictated a particular electoral strategy for the left parties – as straightforwardly described by Przeworski and Sprague:

> "To be effective in elections – for whatever goals – a party must win votes, and votes are measured in number. Hence the perpetual issue facing the parties that organize workers is whether or not to seek electoral support elsewhere in the society. Leaders of socialist parties must repeatedly decide whether or not to seek electoral success at the cost, or at least the risk, of diluting class lines and consequently diminishing the salience of class as a motive for the political behavior of the working-class themselves." (1988: 3-4).

The situation that the PKI had was even more difficult. The ultimate problem facing the PKI was that the stage of industrialization in Indonesia was too far from being developed. It then posed two different but related challenges for the PKI. First, like its

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[31] Participation in electoral politics took a long time for leftist parties in Western Europe. As described by Przeworski and Sprague in Paper Stones (1988)

[32] Summarized from Przeworski and Sprague (1986), Table 2.2, p. 35.

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counterparts in the Western democracies, the PKI could only mobilize workers who were small in number – much lower than the average number of industrial workers in Europe. According to Booth (1998: 57), the number of Indonesian workers in the large factory sector in the mid 1950s was no more than 263,286. This number could be higher if the category of factory was widened to include small-size factories but still it would not produce a dramatic increase.[33] For electoral purposes, this situation would definitely limit the PKI's strategic choice.

Second, the capitalist class was not yet deeply entrenched. In fact, in the early 1950s, the largest capital instead was still in Dutch and foreign capitalists' hands. Robison did identify who the private domestic capitalist class was. Two components of the private capitalist class during the 1950s included Chinese Indonesians and indigenous entrepreneurs. However, these two groups were economically too weak with too little capital to become either an influential collective actor in themselves or to be a social base from which a political party might have mobilized electoral support. Furthermore, these two groups were frequently in conflict where one saw the other as an economic threat.

The situation, therefore, did not grant the PKI too much room for political maneuverings. In choosing between carrying out a purely class strategy and employing cross-class or cross-group strategy, the PKI chose the latter simply by default. Otherwise the PKI would have suffered from being a marginal party with a very narrow social base and minuscule number of supporters that may have come from workers.

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[33]Aidit, the PKI chairman, estimated that the Indonesian proletariat "consist[ed] of 500,000 workers in modern industry (transport workers, factory-workers, repair-shop workers, mine-workers, etc.). The workers in small industry and the handicrafts in town number[ed] more than 2,000,000. The agricultural and forestry proletariat and other groups of workers [made up] a very large number. All this amount to about 6,000,000, or, together with their families, some 20,000,000, which [was] about 25 percent of he entire population …" (Aidit 1963, quoted from Mortimer1974: 147; see also Hadiz 1997: 48).

The way the PKI solved the dilemma was also reflected at the organizational level when it was developing mass support. In addition to systematically building its party's organizational arm to mobilize workers via SOBSI, the PKI also mobilized peasants, urban intellectuals, women, youth, and even developed networks along ethnic lines (Hindley 1964: 119-217). The decision of widening social bases with the risk of diluting class ideology and of blurring class boundaries was carried out conscientiously. Their leaders were well aware of this unavoidable trade-off.

Chronologically, the PKI first approached the famers. In August 1948, the PKI's politbureau admitted that the party had long neglected the farmers; it intended to embrace the farmers and treat them as an integral part for pursuing the goal of revolution (Hindley 1964: 160). It succeeded in taking complete control of Indonesian Farmer Union (RTI, *Rukun Tani Indonesia*) to be then fused with the original PKI's Peasant Union (BTI, *Barisan Tani Indonesia*).

Another step was made by the PKI in 1950 in its effort to lure urban intellectuals and artisans. For this effort, it established an organization called LEKRA that successfully built organizational reach and leadership in the main islands of Java, Sumatra, Kalimantan and Sulawesi (Hindley, 1964: 184). In the same year, it founded Pemuda Rakyat or the People's Youth that had the special task of incorporating Indonesian youth into PKI's sphere of influence. The cross-class or cross-group strategy went further as the PKI also launched organizations for women (Gerwani, established in 1954), college students (CGMI, 1956), and fishermen (incorporated into BTI in 1957).

The case of the PKI showed then that the adoption of cross-class or cross-group strategy was taken by the PKI's leaders after considering that the size of the working

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class was too small. They sensed that relying solely on the workers would not get them anywhere. To some extent, other parties were facing the same situation, as said by Mortimer, "[I]n the absence of strong class pressures, political parties and mass organizations organized their followings largely along lines of religious and cultural cleavage." (1982: 60). But it was the PKI that had the real trade-off problem since it originally intended to build a working class party and to mobilize the class cleavage.

Several key points can be made here so far. First, political parties in this period were real political actors that had their own dynamics. They had tried to connect themselves to the society by mobilizing various existing social cleavages. Second, unlike the other cleavages, the class cleavage was relatively underdeveloped. This situation eventually posed a problem for political parties – in particular the PKI – in developing their social bases.

2.3. Guided Democracy Interlude

While a lively party politics could easily be detected before and during the election, the macro situation provided a grim picture. The government produced after the election (Ali Sastroamidjojo's second cabinet) did not record any impressive achievements. During the election, public expectation ran high. The elections (counting the regional elections) "were heralded as promising to bring in a new era of political stability, of upbuilding, of a purposeful pursuit of national goals." (Feith, 1962: 462). Instead, the government was deemed incompetent in handling the deteriorating economy, the rising problem of regionalism, and emerging friction in the military.

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The economy was marked by rampant inflation, a large budget deficit, and an undervalued exchange rate that hurt exporters from the outer islands but provided benefits to importers in Java (Glassburner 1971: 89-91). This problem partly led to the regional rebellion that occurred in West Sumatra and North Sulawesi. The origins of the regional rebellion could be sought in the economy as advanced by Glassburner (cf. Schmidt, 1963). But it was only part of the story of the many-faceted tension between the central and regional governments.

The people who lived outside Java were also dissatisfied when the central government appointed many Javanese to fill governmental posts in the regions (Ricklefs, 2001). Further complicating the relationship between the two was the rift that occurred within the military. Nasution, the chief commander of the army, wanted to create a cohesive military; a part of his policy was to eradicate smugglings carried out by regional military commanders. It was carried out by closing down two ports located in North Sumatra and North Sulawesi. When the rebellions were taking place, two political parties, the Masjumi and PSI, joined the march to challenge the central government. This decision put the parties polarized in polarizing positions: those who sided with the rebels and those who did not.

All these chains of events finally brought the Sastroamidjojo government to an end in March 1957, which also meant the end of parliamentary democracy.[34] The

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[34] Interpretation of the collapse of parliamentary democracy and the emergence of Guided Democracy varies. Two interpretations advanced by Feith and Benda have already been presented in a previous section. Feith's interpretation relies on the defeat of the administrators or problem solvers; while Benda emphasizes the importance of Javanese culture and the very thin commitment of the elite to uphold the institutions and the values of democracy. Another interpretation is given by Jamie Mackie. Instead of believing in structural factors as the responsible causes of the demise of democracy, Mackie (1994) proposes a counterfactual analysis by pointing out several crucial events that led to the demise of the democracy: attempted assassination of Sukarno, the rebellion and the decision of Masjumi and PSI to side with the rebels, Hatta's

rebellions themselves, in Lev's description, "had been a great shock to the nation, loosening many of the remaining underpinnings of the old constitutional order and accelerating the search for new pillars of society" (1966: 173). In fact, during a two-year period of transition, there were several attempts made to find the solution. One idea proposed was the restoration of the Sukarno-Hatta duumvirate to foster national unity. But it failed to materialize. There was also another idea circulating among the elite that Indonesia "needed a determined and authoritarian government, perhaps a strong man, capable of molding the nation into politically disciplined and economically viable entity." (Lev, 1966: 174).

Sukarno's idea of Guided Democracy then started to gain currency. At the same time the political parties were discredited for two reasons. They were seen as unable to deliver political stability and effective government; and furthermore, Masjumi's and PSI's decision to support the rebellions made their situation even worse by being perceived as anti-nationalist. To borrow Lev's words, "[they] were too demoralized, disunited, and disoriented to put up an effective defense of the parliamentary system." (Lev, 1966: 174).

In April 1958 Sukarno formed a "cabinet of experts" (rather than a partisan cabinet) and appointed Djuanda, a non-party leader, as the prime minister. In the ensuing month he established the National Council (*Dewan Nasional*) that comprised 41 functional representative groups. The political parties – except Masjumi and the Catholic parties – were included together with youth, women, intellectuals, religious groups, et

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indecisiveness to challenge Sukarno, and the reappointment of Gen. Nasution as the chief commander of the army. If these four events never took place, he argues, the fate of democracy might have been different. An economic origin of the democratic collapse is also given by other observers such as Schmidt (1963) and Glassburner (1971).

cetera. The Djuanda government basically hoped to deter the antiparty sentiment that was dominating the council.

On July 5, 1959, Sukarno issued a presidential decree that completed the ending of the transition toward Guided Democracy.[35] One key point of the decree was to re-adopt the 1945 constitution and abandon the temporary constitution of 1950 and the Constituent Assembly that should have been responsible for writing a new, permanent constitution.

The initiation of Guided Democracy also marked a radical change. The implication of the decree was profound in that it gave back to the president governmental power. It was because the 1945 constitution stipulated that the president was not only the head of the state but also the head of government. With its authoritarian nature, Guided Democracy also witnessed another change: political parties had ceased to be the prime actor in politics and Parliament was no longer the most important site for decision-making.

A new balance of power soon emerged; a balance that revolved around Sukarno. While the other political parties were in decline, the PKI was ascending. Sukarno was in need of an ally that could help him to control the army which was also building its political power. On the one hand, the PKI was at its peak in terms of its success in mobilizing mass followers. In addition to the need of making a strategic choice, Sukarno's left-leaning tendency also made their alliance possible. The emergence of the

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[35] The two-year period between the fall of Sastroamidjojo's cabinet and the issuing of the decree is generally seen as the transitional period toward Guided Democracy. Lev's study focuses only on this period aimed to show how crucial events that occurred in the period could finally lead to the Guided Democracy. The very brief description presented here is meant to provide a political context that can illuminate the fate of political parties in the period – either being the main political actors or marginalized.

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army as a political force, on the other hand, was partly caused by its success in cracking down on the regional rebellions.

For the purpose of this study, what is worth noting from the period of Guided Democracy are two points. First is the marginalization of political parties. Once the political parties were marginalized, so were all the cleavage-related issues. Both the regional and religious issues were relatively muted. The class issue was becoming more salient as the PKI reached its new height. The irony is that there was no changing of a social basis for the PKI. The size of the working class stayed the same; only the PKI succeeded in amassing a large number of following by employing cross-class and cross-group strategies.

Second, related to the first point, economic progress during the period was minimal. The reemergence of Sukarno to power and the ascendancy of the PKI had moved the economic policy to the far left. Beginning in 1958 when the government decided to nationalize all foreign enterprises in the country, Sukarno's government continually maintained an anti-Western approach. As a result, foreign investors stayed away from Indonesia; which eventually put the country's economy in a deeper hole. Inflation was skyrocketing (partly because the government simply printed money to finance its mega projects and its confrontation against Malaysia); the budget deficit was widening and foreign exchange was decreasing. This economic crisis – combined with another political crisis – finally ended Guided Democracy.

2.4. New Order: the Structural Transformation

At the end of Guided Democracy we saw the deteriorating economic situation. As the result of the anti-Western and anti-market policies, the economy was on the brink of collapse. The New Order reversed the approach. The leftward tendency of the Old Order was halted and the dirigist economic strategy was replaced by a more market-friendly strategy. This period witnessed the emergence of economic classes but at the same time these classes were muted politically. How did the class cleavage form? And how did the New Order government deal with them? How did it deal with the old, well-entrenched religious and regional cleavages?

2.4.1. Economic Development and Class Formation

At the initial stage, the liberal, market-friendly economic strategy came with an agenda for restoring the economy (Booth and McCawley, 1981). It covered two themes: the stabilization and the rehabilitation of the economy that were carried out in three years, from 1966 to 1969 (Palmer, 1978). At a later stage, the economic strategy was executed through five-yearly economic plans. These five-yearly plans, known as *Repelita*, aimed at achieving sustainable economic growth in which the ISI (import substitution industrialization) strategy would become the template for industrialization.[36]

The stabilization and rehabilitation programs in practice were designed to solve economic problems inherited from the previous government. The first program was

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[36] The stages of ISI industrialization resembled ones carried out in many Latin American countries that involved the easy and difficult phases. During the easy stage, the industrialization focused on producing light industrial product such as footwear and textiles. During the difficult stage, the focus was on establishing capital goods or engineering industries (see, among others, Skidmore and Smith, 1997: 42-57). The first two Repelita or five-year plans (1969-1979) set a goal of building light industries; while the 3rd and 4th Repelita emphasized building heavy and engineering industries (see, AR Soehoed, 1961).

ultimately meant to combat the skyrocketing inflation by employing a balanced state budget and other monetary measures. The rehabilitation program, on the other hand, included building and rebuilding infrastructure of irrigation, accelerating rice and food production, and improving supplies for other basic necessities for the domestic market by liberalizing trade (Palmer 1978; Bresnan 1993). To finance all the programs, and in need of investment to create economic growth, the government started to turn to foreign creditors.

One of the immediate actions carried out by the government therefore was to rehabilitate its relationship with foreign creditor nations and international financial institutions such as the IMF and the World Bank. In September 1966, in a multilateral meeting held in Tokyo, Sultan Hamengku Buwono IX, the leader of the Indonesian delegation, met with the delegation from the United States, Britain, France, West Germany, Netherlands, and Italy. Also present in the meeting were the representatives of the IMF and the World Bank. As a result, a liberal economic prescription was agreed by both sides. The consortium called the Intergovernmental Group on Indonesia (IGGI) was soon established. And the sole purpose of the consortium was to assist Indonesia's economic development by providing low-interest funds on a yearly basis. In the first year, it was agreed that Indonesia would receive around $167 million; and $772 million in the second and third year. At the same time Indonesia was also able to secure emergency loans from the US and Japan for $8.2 million and $30 million respectively (Bresnan 1993: 70).

The result of these policies was soon felt. The inflation was controlled, prices of goods had become relatively stable, textile production had improved, and rice crops had

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considerably increased as well (Bresnan 1993: 115-134). Furthermore, all the agreed foreign loans had provided the new government an ability to cover its expenditures and gave it room to breathe. In short, the liberal policies had a positive impact on the country's economy.

The switching of economic strategy toward the market economy, however, did not automatically transform the structure of social cleavages. What mattered was the process of industrialization that could give rise to economic classes: the capitalists and the workers.

In accordance with the liberal prescription for the economy, the Indonesian government devised a pair of laws: the Foreign Capital Law of January 1967 and the Domestic Capital Investment Law of June 1968. These were the laws that provided a legal basis for foreign and domestic investors needed for industrialization. And the law proved to be effective as shown by the rate of investment approvals from year to year in the following table:

	November 1970	December 1971	December 1972	December 1973	August 1974
Forestry	381.4	397.4	446.0	495.5	500.5
Agriculture	48.2	67.9	104.5	113.0	123.5
Fisheries	13.4	16.2			
Mining	535.0	541.4	860.5	860.5	861.5
Manufacturing	267.4	383.5	669.8	1045.1	1807.9
Tourism, hotels, real estate	40.8	n.a.	144.4	195.9	408.3
Other	23.4	n.a.	81.5	118.3	70.2
Total	1309.6	1532.5	2306.7	2828.3	3771.9

Source: simplified from Palmer 1978: 110, table 5.3

Table 2.2: Foreign Investment Approvals during 1969-1974 ($ million)

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	December 1968	December 1969	December 1970	June 1972	December 1973	July 1974
Forestry	-	5.1	12.7	71.7	148.1	165.4
Agriculture & Fisheries	1.4	5.5	15.8	53.2	96.5	105.3
Mining	-	-	1.4	18.9	19.2	21.0
Industry	0.6	26.2	59.8	287.5	722.5	847.4
Infrastructure/Construct.		1.3	1.3	2.4	4.0	4.0
Housing/Tourism/Hotel		3.3	7.4	41.5	160.1	161.9
Other		7.6	7.6	29.9	85.7	92.1
Total	2.0	49	106.0	505.1	1236.1	1397.1
US$ equivalent (millions)	4.8	112	155	1214	2972	3359

Source: simplified from Palmer 1978: 111, table 5.4

Table 2.3: Cumulative Domestic Investment Approvals during 1968-1974 (Rupiah billion)

The increasing amount of foreign and domestic investment as shown in the tables above can be used as a proxy for measuring the initial economic success of the New Order's economic strategy. The country's economy started to grow; more importantly, the growth of the industrial sector appeared to be faster than that of other sectors. An assessment made by Hal Hill (2002) says that in that period – and after – the sub-sector of manufacturing industry was growing at a higher rate – about 12 percent every year.

Within the span of 30 years, a structural transformation occurred in Indonesia. In the mid 1960s, the beginning of the New Order period, the agricultural sector contributed 53 % of the total GDP, industry 11%, and manufacturing 8%. In the 1990s the contribution of the agricultural sector had significantly decreased to 19%; and the industrial sector grew to 40% (Hal Hill 2000: 5). The manufacturing sector, counted separately, had contributed 21% of the total GDP (Hal Hill 2000: 5). We may then conclude that the entrepreneur or capitalist class began to form. And if the manufacturing

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sector is believed to produce more typical industrial workers that contribute to the emergence of a working class, then we may argue that the working class had started to form as well.

Richard Robison argues that the formation of a capitalist class in Indonesia took place in the 1970s. "... During the 1950s and 1960s," he says, "one could indeed be forgiven for regarding the emergence of a significant capitalist class as a remote possibility. It took almost two decades after independence for real political and class power to begin to crystallise to the vacuum left by the Dutch. The capitalist revolution in post-colonial Indonesia has become the dominating social and economic force only since the early 1970s" (Robison, 1986: ix). But who are they? What is the nature and origin of the entrepreneur and the working class?

2.4.2. Entrepreneur/Capitalist Class

Robison's study (1986) provides an interesting description of who the capitalist class is. He argues that the capitalist class is not monolithic; and identifies four elements of domestic capital based on its owners: the Chinese Indonesians, the indigenous capitalists, the state, and the military.

Historically, the capitalists in Indonesia are associated with the Chinese Indonesians. During the colonial era, in terms of economy, the Indonesian Chinese benefited from positions as middlemen in trading or financial intermediaries. This helped them develop their economic abilities. Being the commercial middlemen the Indonesian Chinese acquired organizational skills while their involvement in financial-related

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occupations enabled them to take up the banking business.[37] All of these, added with the business network created among them, made them the second dominant economic group in the colonial era. After the war, this group replaced the position of the Europeans who used to control the economy of Indonesia. They gained more domination in the distribution network and had the capital to enliven the economy.

The growth of the Chinese businessmen during the first half of the New Order period was remarkable. In 1988, PDBI (the Indonesian Business Data Center), a private economic think tank, released the result of its two-year research and revealed that the total assets of the 300 largest conglomerates were Rp 48.7 trillion with a total sale of Rp 70 trillion. This figure exceeded the total state budget of 1989/1990 that was Rp 36 trillion (*Editor*, December 9, 1989). Among the top 20 conglomerates included in the list, only four or 20 percent were indigenous.[38]

In the case of state banks' credits, it was no secret that a great amount of governmental credits went to the Chinese as well. Responding to this situation Fahmi Idris, an indigenous entrepreneur, complained that the government (including the state banks) tended to deal with the Chinese entrepreneurs because they were considered more solid, more reliable, and economically more secure than indigenous businessmen (*Warta Ekonomi* May 21 1990).[39]

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[37] The economic success of the overseas Chinese is explained in many ways. Some believe that the psychological factor of being "foreign" in a new environment forced the Chinese to work hard while others rely on cultural factor (Confucianism) as the major cause in explaining the economic success of the overseas Chinese; or structural factors were responsible for the success. (See, K.S. Jomo in Chirot and Reid (Eds.), 1997, pp. 237- 253. See also, George L. Hicks, 1993, pp 137-143).

[38] This figure is summarized from a report series of 100 conglomerate profiles that were published by *Prospek* magazine in 20 editions of publication, starts from December 8, 1990.

[39] Later, during the economic crisis, the press revealed that most state banks' credit were for the Chinese conglomerates. In the case of BRI, for example, 6 out of 10 biggest debtors are Chinese. All of these credits are categorized as non-performing loans (see, *Warta Ekonomi*, December 1 1998).

The economic power of Chinese entrepreneurs was evident but we should not overlook the indigenous group. The emergence of the latter, albeit not as strong as the Chinese, to a large extent was facilitated by the state. The oil boom period, from 1973-1982, represents a phase in the Indonesian economy marked by a tremendous increase in direct state access to resources that could be used to meet the society's investment needs. The oil revenue constituted 40-60 percent of the total government revenues (Winters, 1996). So, during that time the government was also known for its ability to play multiple roles in the economy: as an investor, regulator, player, and consumer as well. Oil revenues were used to finance upstream import substitution and "strategic" government projects (Pangestu, 1990). Through these mechanisms the government allocated its money to the indigenous entrepreneurs.

This period also witnessed the reemergence of the old tension between the Chinese and indigenous entrepreneurs. In a public hearing before Parliament (DPR) in December 1989, Sumarlin, the then Finance Minister, provided an excuse by saying that the growth of conglomeration is needed for maintaining the country's economic growth.[40] On the other hand, the State Budget Commission of Parliament urged the government to make antitrust and antimonopoly laws to keep the conglomerates under control.[41]

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[40] The core idea of new nationalism of Moerdiono, then the Minister of the State Secretariat, is that the businessmen should participate in economic development by investing their money in Indonesia. If they invest their money in foreign countries, as long as it is aimed to strengthen their capability in entering global competition, it's acceptable – according to Moerdiono (*Editor*, No. 48, August 17 1991). This notion was made in 1991 when Moerdiono responded to the growing phenomenon of the Indonesian Chinese investing their money in Singapore and China. In this case, Benny Moerdani, the then Commander of the military, supported Moerdiono as well (*Editor*, No. 47, August 4, 1991).

[41] Later, during the economic crisis, the press revealed that most state banks' credit were for the Chinese conglomerates. In the case of BRI, for example, 6 out of 10 biggest debtors are Chinese. All of these credits are categorized as non-performing loans (see, *Warta Ekonomi*, December 1, 1998).

In addition to this tension, there emerged another "tension" between state and private capital. The state, with all power at its disposal, could dominate the economy. However, in the ensuing years the government's role in the economy decreased and government policy swung back to a more liberal approach.

It began in 1982 when the oil price dropped significantly; the government started to introduce a set of new policies that changed the direction of economic development. This new course gained real momentum as the second blow on oil prices in 1986 hit the country's economy. Most of the policy reforms were aimed to reduce the role of the government sector in the economy and, in turn, to boost the private sector to become an engine of growth (Pangestu, 1990).

The policies themselves encompassed a wide range of issues, starting from banking deregulation (1983), tax reform (1984), tariff and custom reforms (1985), foreign direct investment or FDI (1986), devaluation (1986), a series of deregulations aimed to improve the investment climate (1986-88), and deregulation of the capital market (1986-88). The deregulation in the banking sector in 1983 was made with the hope that domestic resources could be mobilized for substituting oil revenue. Other goals were to promote efficiency and competitiveness of the financial sector. The deregulation itself (known as Pakjun 1983, or June 1 deregulation package of 1983) covered three points: the removal of interest rates formerly controlled by the state banks, the reduction of liquidity credits, and the removal of credit ceilings.

The result of the deregulation was as expected. The removal of interest rate controls led to the immediate increase in interest rates and deposits. Savings and time deposits then increased substantially, credits raised considerably, and assets of private

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banks grew dramatically (Pangestu, 1990; Nasution, 1991). Strengthened by the deregulation of 1986 (removal of the ceiling on bank swap) and followed by the deregulation of October 1988 (Pakto 1988: open up licenses for banks), the structural change in banking sector has happened. The private sector became a real alternative for domestic financial mobilization and played a greater role in investment. A comprehensive picture can be seen in the following figures:

	1968	1974	1978	1982	1988	1990	1991
State Banks	73.7	78.5	81.0	80.0	68.1	52.8	49.8
Private Banks	19.1	8.4	12.3	12.3	26.4	39.2	41.6
Foreign	7.2	13.1	7.7	7.7	5.5	8.0	8.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: IMF, International Financial statistics, Bank Indonesia, Bappepam, and World Bank estimates, as quoted by Mari Pangestu p.113

Table 2.4: Distribution of Banks' Assets

With their enormous capital, the entrepreneur class theoretically could transform itself to become a political force – to be involved in the policy-making process. In many cases, they were able to influence the process for their benefits. But this influence was not carried out through the "normal" political process. Rather, they asserted their power by bending particular or sectoral policies that originally were against their interests (see the next section).

Since the liberalization of the economy, the growth and wealth of the conglomerates have been increasing – in particular for the Chinese. When a major crisis hit Indonesia in 1997, the Central Bank (BI) noted that there was capital outflow from

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Indonesia. It showed an irony that Indonesia was still in need of foreign capital (and the loans from the IMF other financial donors, the Chinese conglomerates put their financial assets in foreign banks. The following table gives some details:

Period	US $Billion
October – December 1997	$ 8.6 billion
January – March 1998	$ 7.1 billion
April – June 1998	$ 1.0 billion
July – September 1998	$ 3.7 billion
T o t a l	$ 20.4 billion

Source: Bank Indonesia, as quoted by *Warta Ekonomi*, January 11, 1999

Table 2.5: Capital Flight October 1997 – September 1998

Whose capital was it? Sofyan Wanandi, known as the spokesperson of the Chinese conglomerates, convincingly said that it is true that the Chinese have placed their money in foreign countries. To him, it is evident that capital flight was caused by the government policy that tends to be anti-conglomerates (*Tempo*, May 23-29 1999).

In conclusion, with the assets and the overarching business empires that they have, the capitalist class has emerged as a real force in the Indonesian economy.

2.4.3. Working Class

The emergence of the working class in Indonesia was parallel with the business class as described above. In the beginning of the New Order period, the size of the working class has grown significantly. It was below half a million in 1954 – with an optimistic estimate; but it multiplied by 8-10 fold at the end of the New Order's first

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decade. The figure was 3.31 million in 1975. And the size of the working class had doubled ever since until it reached 11-12 million in the first decade of 2000. These figures can be seen in the table 2.7 below:

1975	1986	2001	2003	2005
3.37[a]	6.11[a]	12.10[b]	11.50[b]	11.65[b]

[a] estimates by Hal Hill (2000: 171)
[b] National Labor Survey 2001, 2002, 2003, 2004, 2005 – downloaded on February 10, 2007 from: www.bps.go.id/sector/employ/table2.shtml

Table 2.6: Employment in Manufacturing Sector in selected years (in million)

Those figures basically are limited to the number of workers in the manufacturing sector only. They surely will get bigger as we add the number of workers who work in other industrial sectors. But let's keep our counting limited to the manufacturing workers only. Let's say that each worker is a breadwinner of a five-member family (the average size of an Indonesian family). Then we multiply the numeric power of the working class by four; it will result in 44-50 million people. It is true that not all workers have a family. But, still, the size of working class is enormous.

In addition to their size, the political significance of workers relies on the ability of workers to organize and impose solidarity among themselves to defend their collective interest, be it higher wages, guaranteed retirement, avoidance of arbitrary actions, and improvement of working conditions. All these issues have occupied the working class movements since the period of the parliamentary democracy when the PKI aggressively campaigned for their cause.

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The question is, will the workers become a political force in Indonesia? This question requires us to see whether the workers have transformed themselves.

Since the beginning, the New Order government was well aware of the workers' potential to organize. Looking back at the experience of the Old Order, the government was determined to reorganize the workers. SOBSI, the PKI's organizational arm for workers, was crushed, along with its 62 affiliated unions and the PKI itself. Dealing with the increasing number of workers, the government then sought a new institutional arrangement by which it could control and contain the workers. But it took seven years for the government to come up with a corporatist policy applied to the workers (Hadiz, 1997: 59-60).

In 1973, the All-Indonesia Labor Federation (FBSI) was established. This organization became the sole workers' organization representing the interests of workers. The government did not allow non-FBSI organizations to be politically autonomous. Sectoral unions were allowed to exist but at the national level they had to voice their concerns through FBSI.[42] Conflicts that arose between the employers and employees (laborers) were then solved through a closed-door mechanism that promoted deliberative actions or guided consultations facilitated by the government.[43] In practice, it meant a tightly controlled mechanism that did not provide the workers too much room in expressing their labor grievances. To complete its control of the workers, in the 1980s the government formed the Conflict Prevention Executive Center (*Pusat Pelaksana*

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[42] In 1967 the Minister of Manpower warned that the Indonesian people and nation would face a persistent labor problem as long the PKI was not completely destroyed. And the government's Golkar party chairman, General Sukowati, made a similar remark that worker strikes could be infiltrated by PKI remnants. In fact, the labor strikes had been nearly zero during the first five years of the New Order – thanks to the harsh measures by the military (see Hadiz 1997: 56-63).

[43] The doctrine of "harmonious relationship" between the employers and employees was codified in the Labor Law of 1974 which gave a legal basis for the government to intervene in any labor disputes.

Pencegah Konflik) and Labor Assistance Team (*Tim Bantuan Masalah Perburuhan*), both of which monitored labor activities and problems.

This course of actions revealed – or was in parallel with – a new political approach designed by the New Order government for solving political conflicts and regulating the process of interest channeling. The government not only depoliticized the working class, but also tried to do the same to other social groups. In brief, the government developed a corporatist type of interest intermediation through which all societal interests could be accommodated albeit in a very limited and controlled way.

2.4.4. Political Front: Issue of Interest Channeling

On the political front, the government did more. When the new economic strategy was being formulated and gradually executed, so was a new political strategy. The government continuously campaigned for the need of a new political architecture that it would be a better fit for Indonesia. "The core of this strategy," to quote McIntyre (1991: 23), "was to channel political participation away from less controllable institutions, such as the political parties, and into various state-designated representative bodies which were differentiated on a functional basis."

As described above, the FBSI was designated to become the sole labor organization in the country. Other social sectors such as fishermen (HSNI), peasants or farmers (HKTI), lawyers (Peradin), business people (HIPMI and HIPPI), teachers (PGRI), and so on, were also forced to channel their collective interests through a single organization approved by the government in each sector. Membership in these organizations was made semi-compulsory. Believing that mass mobilization was the

source of the problem, the government cut off linkages between these organizations and political parties. Accordingly, all these organizations were pushed to channel their interests through Golkar – the "newly" formed government party.

At the party level, however, the process of restructuring and demobilizing took a longer time. The nine remaining parties – ten if we include Golkar – were still allowed to exist and to compete in the 1971 election. But it was clear that the government would never let them blossom as they had during the parliamentary and – to a lesser extent – the Guided Democracy eras. A relatively complete control of the political parties was achieved in 1974. This time, the remaining parties were forced to fuse into two new parties; one was for the Islamic-leaning parties and the other was for nationalistic and Christian-leaning parties. They respectively acquired new names: Development Unity Party (PPP) for the Islamic parties; and Indonesian Democracy Party (PDI) for the nationalist and Christian parties.

In this year, the government also issued the party and election laws that stipulated that political parties were not allowed to build party branches at the sub-district level. This prohibition, however, did not apply to Golkar. To the benefit of Golkar, the members of the civil service were required to vote for Golkar; and the military most of the time helped Golkar to establish its supremacy. Predictably, Golkar then was always victorious in every election held during the New Order period.

In brief, the nature of the Indonesian political system developed by the Suharto regime, as many observers said, hindered public participation in the policy-making process. Politics was in the hands of an elite that consisted of the military and the

bureaucrats, excluding societal groups from participating. Political parties never meaningfully represented societal interests.

The policy-making process was impenetrable, at least in the sense that it was not mediated through the political parties and Parliament. A micro study conducted in 1986-1987 challenges the standard interpretation of the New Order politics, however. In fact, according to MacIntyre, based on his study, "policy formation in Indonesia is far more complex, and in particular, involves more bargaining and coalition building among both state and societal actors than has been generally recognized (MacIntyre, 1990). Three cases of Joint Spinning Sector Association (SEKBERTAL), Indonesian Textile Industry Federation (FITI), and Pharmaceutical Companies Association (GPF) could turn a restrictive corporatist institution to serve their own purposes, rather than those of the state's political strategists.[44]

Another study conducted by Ian Chalmers (1994) on Indonesia's automotive industry also comes with a similar conclusion that a group of entrepreneurs was able to insert their economic agenda into the state's policy in the automotive sector. A complex interaction between the contending groups in the automotive industry, mainly a group linked to Japanese firms and a group linked to Western automotive companies, involving the state as facilitator, took place during the 1970s and 1980s. The first group consists of Chinese conglomerates while the second group represents the indigenous entrepreneurs. The point of contention was the schedule of implementing the government policy that

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[44] Chinese ownership in the spinning industry was 90% of the total private-owned. In comparison, the private share was 47%, the state share was 26%, and foreign companies owned the rest. As for pharmaceutical industry, only one was indigenously owned. In insurance business, the Chinese and the indigenous' share in ownership was 50% each (see MacIntyre, 1990: 70-71, 153, 208).

requires local content in producing automotive vehicle. The first group wanted immediate implementation and they already invested their money to develop local components while the second group asked the government to cancel the policy. Through fierce lobbying the first group won government support.

In those cases, the Chinese entrepreneurs were able to induce the government to respond to their economic agenda. But, what is important here is that those cases describe the way the New Order's politics worked and accommodated the Chinese interests.

2.5. Summary

This chapter has accomplished its task of describing the formation of the three cleavages: the religious-secular, the national-regional, and the class cleavages. The first two pairs of cleavages had formed during the colonial era. Meanwhile, the class cleavage that features the tension between the capitalist and working classes formed later during the New Order period when the massive industrialization took place.

Electoral politics during the 1950s displayed the parties' efforts in politicizing the cleavages for the sake of winning the election. Thus, we see that the structure of party competition tightly followed the structure of cleavages. The Islamic and secular parties consecutively promoted the collective interests of the corresponding cleavages by debating the need to establish an Islamic or secular state. At the same time, local parties were also founded to represent the regional interests. At the national level, Masjumi represented both the religious and the regional interests. Our historical evidence also shows that a communist party (PKI) had tried to mobilize class cleavage. However, the fact that the class cleavage was absent during the democratic era of the 1950s forced PKI

to employ cross-class and cross-cleavage strategy in order to build mass support. In brief, the party politics in the 1950s had produced a competitive party system that was marked by the presence of multiple political oppositions.

During the New Order period, the class-cleavage had eventually formed so that the structure of social cleavages became more complex – a condition that resembled ones found elsewhere in industrialized countries. However, the authoritarian nature of the New Order government prevented the parties from activating the available cleavages. Thus, the cleavage-based interests did not find proper political channels to present in the political stage. As the New Order came to an end and all political restriction were lifted and the political parties regained their freedom to mobilize all available cleavages. Political parties in the new democratic era then would determine whether they would create a party system marked by single or multiple political oppositions.

CHAPTER 3

SETTING UP RULES OF THE GAME

The connection between social cleavages and political parties (and the party system thereof) is not a simple matter. Lipset and Rokkan (1967), the pioneers of cleavage theory, admit that the translation of cleavages into party oppositions is not "a matter of course." This process may involve an active role for actors of translation, i.e. political parties (Sartori, 1976; Przeworski and Sprague, 1986), and a host of other factors such as the rules of the game, institutional arenas, history of class formation et cetera (Kitschelt, 1994; Zielinski, 2000).

This chapter aims to illuminate the issue of the process of cleavage translation by focusing on the most proximate cause only: the rules of the game that governed party competition around the founding election. The rules of the game – a package of political laws – are particularly important because they potentially set limitations to party strategy in activating and mobilizing the available cleavages for their electoral purposes. Accordingly, the rules of the game, to some extent, determine the nature and the content of party competition.

Thus, this chapter discusses several crucial aspects of the laws within which the rules of the game were spelled out to create a level playing field. It shows how the laws

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defined the possibility of regional interests to be channeled through a political process. A summary will be presented at the end by emphasizing that the regional interests are channeled through legal means.

3.1. Context

Right after the resignation of Suharto on May 23 1998, Habibie, the vice president, became the new president. This process of replacement simply followed the existing procedure that puts the vice president in charge when the president resigns, is unable to perform his tasks, or dies. Thus, constitutionally, Habibie was not required to hold a new election. Article 8 of the constitution stipulated that Habibie could complete the remainder of the outgoing president's term.

Although the process of Habibie's rise was constitutional, the political reality moved in the opposite direction. Borrowing from O'Rourke (2002: 144), "The nation's general mood urged for … [profound political changes]." This was because many saw Habibie's government as merely a continuation of the authoritarian Suharto's New Order. And Habibie had been known as a long-time Suharto protégé and close associate.[45] Pro-democracy advocates and activists – not to mention an enormous number of students that had already piled up in Jakarta's main streets and governmental buildings – called for a

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[45] Habibie was made minister for Research and Technology and chairman of the governmental body for developing the state's strategic industries for twenty years from 1978 to 1998. But his political influence, thanks to Suharto's patronage, went beyond his official position as a minister. When Suharto gave his blessing to Habibie to be the chairman of the Indonesian Muslim Intellectual Association (ICMI), this event not only marked the reemergence of political Islam but also Habibie's starting point for playing a more important role in Indonesian politics. While the establishment of ICMI can be interpreted in different ways (as Suharto's effort to carry out a sort of political redemption for the Islamic community or as political maneuver to build a new power base), Habibie's rise was pivotal in engendering political division within the New Order political elites (in Golkar and the military).

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free and fair election.[46] This situation constituted a strong blow to Habibie's legitimacy as president.

For one, Habibie seemed to have lost control of the ongoing riots and mass protests that started to erupt months earlier before he took office. Since September 1977 when the economic crisis broke out, the number of protest events was progressively increasing. It was only 44 in September 1997, 284 in March 1998, and peaked in May 1998 at 493 (Ali, 2001: 30). Ten days before Habibie started his presidency, a mass riot erupted in Manggarai, Jakarta, to be followed with a series of burnings and lootings in other parts of the capital's outskirts such as Depok, Bekasi, and Tangerang. Mobs had also flattened a major part of a luxurious housing complex where a majority of wealthy Chinese Indonesians resided. This event gave an anti-Chinese flavor to the riots – a problem that has repeatedly taken place in Indonesian social history.

Towards the day of Habibie's inauguration, and for days after, public demands for political changes multiplied. In these days, most protesters had shifted the issue of protest. Economic and social issues that previously dominated the protests were replaced by a demand for political reform.[47] The total participants accumulatively reached more than five millions in May when Habibie was about to be sworn in by MPR or People's Consultative Assembly (hereafter the Assembly). At the time when the mass public seemed united to challenge the government, the oppositional elite started to form as well.

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[46] The last election (neither free nor fair) was held in 1997 through which Golkar, the government's party, swept its rival parties; and the Assembly unanimously elected Suharto to serve for his 7th term.
[47] Denny J. Ali provides quantitative data on the shifting issues of the protests. During three months of March, April and May 1998, political reform was the most dominant issue in protests (2001: 90).

Echoed by the prominent four,[48] Amien Rais, Abdurrahman Wahid, Megawati, and Sultan Hamengku Bowono X, the emerging opposition had emboldened the public demands for democratization.

Contributing to the deteriorating political and economic situation was the break-out of ethnic violence and centrifugal movements that took place across the archipelago. The threat of national disintegration was looming. Mass killing had already happened in Kalimantan; religious conflicts in the Molucca islands; and some provinces voiced demands for an independent state. These voices spread from Aceh, Riau, South Sulawesi, and East-Timor to West Papua.

The turbulent situation definitely did not give Habibie too many choices. Forcing the constitutional argument for buttressing his presidency seemed to be a naïve option. While this option might have given him a formal legitimacy, it would not be effective for calming down, let alone shutting down, the voice of mass oppositions. Alternatively, he could use the military forces for cracking down on mass protests. It was a more viable but in the end not feasible option. One of the reasons was that there was a split within the military itself.[49] Moreover, if there was anything that could be learned from the Trisakti

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[48] The first two had been popularly know as vocal critics of the New Order government. More than this, Rais and Wahid were respectively the head of Muhammadiyah and Nahdlatul Ulama, the two largest Muslim organizations in the country. Megawati was the chairwoman of an extra-parliamentary party, the PDIP, and had been forced in 1996 to give up her leadership in the PDI. As for Hamengku Buwono X, he was a local king who happened to be governor of the Yogyakarta province; he had high respect among the Javanese. Initially they worked independently in establishing opposition. Then the need for a coherent opposition and leadership for the student protesters encouraged them to meet and to establish an agreement (the Ciganjur agreement) that crystallized the unification of opposition. The unified opposition represented two distinct elements of radicalism (the students) and moderation (the four). The presence of these two elements eventually, according to one interpretation, facilitated the creation of a negotiated transition between opposition and the incumbent (see Woodward 2002: 158-162, dissertation).

[49] During the final days of Suharto, there was a publicly recognized rivalry between the commander of the armed forces, Gen. Wiranto, and the head of Kostrad, Lt. Gen. Prabowo – Suharto's son in law. Using his troops, Prabowo allegedly let the riot in Jakarta happen with the aim of showing Wiranto's inability to

incident, the use of military force was not an option either. In this incident, the police and the military forces had shot two students to death in their effort to calm down the student protest.[50] This measure, however, failed to deter the ever-increasing student and mass protests.

When "the military answer" was rejected, the only feasible choice for Habibie was to make political changes, accommodating the public's demands for democratization. This way, he could maintain his hope of winning support from inside and outside. This was what Habibie did.

On the day he was sworn in as president, Habibie promised an accelerated election but without revealing a clear timetable. Only after being convinced by Nurcholis Madjid and Amien Rais, in the month after his inauguration, did Habibie promise to hold it within one year. The problem was that the existing laws that governed political competition were far from perfect. They were deemed to be insufficient to facilitate a fair

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handle the riot, thereby his own chance to replace Wiranto. (For a more detailed description of this event, see Woodward, 2002: 116-121; cf. Aspinal, 2005).

[50] The Trisakti incident could be seen as one of the milestones of the opposition movement. This incident took place one day before Suharto made a diplomatic trip to Egypt on May 13, 1997. It started with a massive protest that involved 6000 students in Trisakti, a private university campus. They wanted to march to Parliament building located two miles from the campus, voicing their demand for Suharto's resignation. As the students flooded the 12-lane street of S. Parman that brought traffic to a halt, the police tried to stop them. After two stands-offs, the students agreed to go back to campus. Just as the potential violent clash began to calm down as the crowd was dissipating, the police started beating the students and firing on them with supposedly rubber bullets. It turned out that either a section of the police force or a group of military in police disguise used real bullets in shootings. Two students were found dead afterward. But this incident failed to deter student and mass protests across Jakarta. The day after the incident, mass riots spilled over the capital. The harsh measures from the police (and the military) proved to be an ineffective method of shutting down the opposition (for a discussion on the interpretations of the Trisakti incident and the military role in the riots, see Rourke, 2002: 97-117). The Trisakti incident and the riot events seemed to reveal that there was no clear coordination between the police and the military in dealing with the mass opposition. It apparently also indicated that there was a broken chain of command within the military. Many suspected that a group within the military moved independently or at least was confused in interpreting the military central command. In this situation, relying on the military to restore social and political order would only lead to further chaos

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and democratic election. Political opposition from various persuasions demanded a new series of laws that could facilitate a free and fair election.

All the existing laws had flaws and were basically designed to buttress the New Order's reign. The Law on Political Parties (No. 3/1985), for example, recognized three political parties only, which were PPP, Golkar, and PDI. No other parties would be allowed to participate in the elections. The government also provided Golkar a benefit of tying the civil servants to Golkar. In other words, all civil servants were required to vote for Golkar only. In addition to this, the civil servants on many occasions were asked to actively campaign for Golkar.

In Law No. 2 on the Structure of Parliament, one of the articles stipulated that there were 100 assigned seats for the military and functional representatives. These two groups were part of and always sided with Golkar in law-making. At the ideological level, the government also forced all the parties to adopt the state ideology of Pancasila and never let them have a real alternative to what the government – via Golkar – said. And this was what made the "oppositional" parties (PPP and PDI) become more similar to Golkar. In Dhakidae's metaphor, Golkar and the political parties were simply like tweedledee and tweedledum (Dhakidae, 1986). The promised election definitely would not be able to squarely address regional grievances. The local/regional interest defenders asked for a fair treatment in terms of distributing national wealth. During the New Order period, most of the regional wealth extracted by the central government from regional economic resources was pooled in Jakarta while only a small fraction of that wealth was returned to the regional governments. This process was buttressed by a law (Law No. 5 / 1974) that – according to them – needed to be revised or rewritten.

Thus, heuristically, the new package of laws had to be able address two pressing problems: how to create democratically-inspired laws for facilitating a fair election and how to accommodate regional grievances.[51]

3.2. Team of Seven

After being sworn in as president by the Assembly, Habibie soon named Syarwan Hamid as the new minister for home affairs. Hamid then assigned and mandated a committee publicly known as the Team of Seven to rewrite the political laws. Headed by Ryas Rasyid, the members of this committee included Ramlan Surbakti, Andi Mallarangeng, Afan Gaffar, Djohermansyah Djohan, Lutthi Mutty, and Anas Urbaningrum. All of these members were academicians except one. The first four (including Ryas Rasyid) held a PhD degree in political science from US universities. Djohan and Mutty were instructors at IIP, a government school for administrators; and Urbaningrum was the leader of HMI, an Islamic student organization. All these members were known as independent experts so that their appointment could boost the Team's competence and political neutrality.

First convened on May 29, 1998, this team was assigned to finish the draft bills within two months. The drafts then would be submitted to the State Secretariat for review before being debated in Parliament, to be then signed by the president. This was the standard procedure of the law-making process.[52]

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[51] In fact, several other agendas or problems simultaneously had to be tackled in time of crisis. Corruption and nepotism, for example, were also seen as important. During the special session of the General Assembly in November 1998, a list of political, economic, and social issues were identified – issues with the new government(s) had to address. We pick only two issues that are highly and directly relevant to the dynamics and development of party system.

[52] Executive and legislative bodies had the right to initiate laws. In practice, however, it was the executive that had most initiatives. In addition to the authoritarian nature of the New Order, the disparity in the

The Team of Seven worked independently. In practice, however, it was not so insular that it was not receptive to ideas and critiques that came from outside. In fact, there were several similar drafts which were proposed by independent think-tanks and semi-governmental bodies and were circulating in public.[53] These various drafts were disseminated, discussed, and debated openly in many seminars and mass media (*Kompas*, July 10, 1998; August 4, 1998).

While it was openly discussed at various public forums, there was a concern regarding the integrity of Parliament. Once the draft was finalized by the Team of Seven to be then submitted to the state secretariat, the draft would be debated in parliament. The problem was that all Parliamentary members were part of the old establishment. They were a product of the 1997 election held during the New Order period. All of them attended the Assembly's five-yearly session in 1997 and enthusiastically and unanimously gave approval for Suharto to serve his 7th term. Under this circumstance, the draft finally was brought into parliament.

3.3. Negotiating Contentious Points

The political laws used for guiding the founding election of 1999 were actually a package consisting of three different but related laws.[54] The first was the law that

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quality of human resources could be the reason why parliament barely took the initiative. From October 1997 – October 1999, for example, there were 74 drafts that were discussed in Parliament; and eight of them were made by Parliament's committees (Suwastuti, 2002).

[53] At least there were four versions of the drafts circulating in public, consecutively proposed by the Ministry of Home Affairs, the semi-state body of LIPI, the National Consortium for Law Reform (KRHN), and a version from the Department of Justice. All these versions were compared with the Team of Seven's version, discussed and debated in many seminars which were open to public and press (*Kompas*, August 8 1998).

[54] In Indonesian language, these three laws were known as Undang-undang No.2/1999 tentang Partai Politik (Law on Political Parties), Undang-undang No. 3/1999 tentang Pemilihan Umum (General

regulated political parties (Law on Political Parties). It covered such themes as the criteria for forming a party, party ideology, party functions, membership, party finance, and penalties. The second was the law that governed the election of representatives to Parliament and local legislatures (Election Law). The themes covered by this law included a formulation of district size and magnitude, the establishment of a separate-independent body responsible for organizing the election, creating a monitoring mechanism, criteria of voter eligibility, criteria of candidacy, penalties for violations, and procedure of announcing election results. The third was the law that dealt with the structure and functions of the Assembly and the national and local parliaments (Law on Structure and Function of the Assembly and Parliaments). This law also covered many themes from the size of the Assembly and parliaments, eligibility, functions, types of committees, structure of leadership, and a chapter on immunity.

With various themes covered by those laws, no doubt there were lots of points of contention. Some of them were substantive, some were not. For the purpose of this study, we will focus on two themes of the debate: how to organize a fair and free election and how the laws affect the process of interest channeling. A free and fair election simply means creating a level playing field on which every single contestant has equal opportunity to win the election. The process of interest channeling, while it could point to the value of fairness, mainly refers to the degree of freedom enjoyed by political parties to activate any cleavages and eventually to channel any corresponding collective interests.

Election), and Undang-undang No. 4/1999 *tentang Susunan dan Kedudukan MPR, DPR, dan DPRD* (the Structure and Function of the Assembly, national and local parliaments).

3.3.1. Military and Civil Servant

These two groups were known as playing a crucial role in helping Golkar to win election after election during the New Order period. The number of the Indonesian military was basically small – around 400 thousand. However, it was not its number that mattered most, but its intimidating presence that made people feel obligated to vote for Golkar. More importantly, in return for not being allowed to vote, the military was compensated with "free seats" in legislatures at every level of governments and in the Assembly. In Parliament, the military secured 75 seats which were about 15% of the total. The norm was that the military group within the legislatures (national and local) would always side with Golkar on any issue.

The draft of the Team of Seven was originally intended to cut the military from Parliament. It was in line with public demands that pushed for zeroing out the military's assigned legislative seats. The military presence in Parliament was seen by the public as unfair because political parties had to work hard for winning every single seat. The military, on the other hand, simply secured the seats without doing anything. However, Habibie and the military insisted that the military had to be accommodated. The final result was the reduced number of seats to become 38 out of the proposed new size of Parliament of 500 seats (the original number of seats for the military was 55 out of the proposed 550 legislative seats). The compromise also included that the military would step out of Parliament and the Assembly after 2004.

Even though this issue was intensely discussed within the government, it was relatively less contentious at the public level since the military did not have wide support from any segments of the society. And political parties in Parliament mainly tried to build

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a new reputation for being "reformist" by distancing themselves from the military.[55] Much more contentious was one article of the draft that would bar any civil servants from being members of political parties or involved in party activities.

The provision of civil servant neutrality was boldly supported by the PPP and the PDI, but strongly rejected by Golkar.[56] The Team of Seven proposed this provision as an effort to create a level playing field by preventing Golkar from using the bureaucracy to garner votes. As mentioned earlier, Golkar took much benefit from a provision of the 1985 electoral law through which all civil servants were required to vote for Golkar. More than this, the overarching structure of the bureaucracy from top to bottom levels of government enabled Golkar to easily mobilize them for its campaign. Attached to this structure were economic and political resources that could be used for helping Golkar to penetrate all social groups within the society. As the provision specified that civil servants were prohibited from becoming Golkar's functionaries, it would be another blow for Golkar.

Unsurprisingly, Golkar took a strong stance against the provision. It was then known that the Chairman of Golkar, Akbar Tanjung, who happened to be the state secretary (a ministerial position), held up the draft from being submitted to Parliament (Team of Seven should have finalized and given the draft to the state secretariat in late

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[55] It must be noted that Parliament that was responsible for passing the new laws was filled with members of the old parties (PPP, Golkar, and PDI) and elected during the authoritarian regime. All these parties – particularly Golkar – were somewhat discredited and seen as the remnants of the New Order. Thus, as we shall see in the next chapter, the three parties tried hard to rebuild their political image as "pro-democracy" because they were seen as part of the New Order regime.

[56] The number of civil servants, as claimed by the leader of the organization (KORPRI, the Indonesian Civil Service Corp) Feisal Tamin, was around 4.1 million. If those who worked for state enterprises were counted in, the figure could reach 5 million (*Kompas*, January 12 1999). When the debate on the provision seemed to be stalled, Tamin put pressure on parliament by saying that the organization would establish its own party. And that party, he argued, could at least secure 30 million votes provided that the civil servants' family members vote for that party (*Kompas*, January 12 1999).

July 1998 but the draft went back and forth from the Team to the state secretariat, from July to September). Only after being forced to submit the draft, did Tanjung send it to Parliament.

The debate was not over, however. Within the government itself, there were different stances. While Tanjung was against, Habibie and Syarwan Hamid agreed with the provision. In one of the legislative sessions, Golkar even tried to pose a threat by asking the draft to be passed through the mechanism of voting (*Kompas*, January 12 1999). Since Golkar held a majority in Parliament, there was a possibility that Golkar would win the most votes. A compromise could only be reached by the opposing forces in Parliament to drop the provision and to agree that the issue of civil servant neutrality would be tackled separately through a government regulation. Another compromise was then made in regard to the regulation. Article 9 of the regulation – known as Government Regulation No. 5/1999 – stipulated that the civil servants who join political parties are released from their duties without pay; but they can activate their status as civil servant within a year after declaring that they are no longer in political parties.

With this government regulation, Golkar did not lose all its bets but at the same time a level playing field could be created. In fact, other political parties could also benefit from the regulation; they could lure civil servants to join them.

3.3.2. Electoral Formula

This was another contentious issue that continuously evolved during the legislative sessions. Initially, the Team of Seven came up with an idea of creating more accountable legislators. This could be fulfilled, they believed, if the "first-past-the post"

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(FPTP) or simple plurality method was adopted. Instead of letting the central party office control the list of candidates, each candidate from various parties had to attend to his or her constituency and directly sink roots at the local level. The simple plurality was not the only method that would be adopted, though; it would be combined with a proportional method of election. So the Team of Seven basically proposed a hybrid electoral system.

In the hybrid system, Indonesia would be divided into 420 districts. All these districts would then produce 420 seats. However, the losers in each district would not totally lose. There would be 75 seats allocated for the losing candidates; and these seats would be distributed to the losing candidates in which candidates with more votes would get higher chances of winning the seats. The 75 seats would be labeled the "party representatives" (*Kompas*, July 21, 1998; August 4, 1998).

Supposedly, the provision of the first-past-the-post system should have won support from Golkar and have been rejected by PPP and PDI. During the New Order's reign, many Golkar officials and their representatives in Parliament were publicly recognized because they made headlines due to their official political positions. And the "ex-officio system" where executive bureaucrats at any governmental bureaucracy were allowed to hold double positions as public or state official and at the same time party official would boost Golkar candidates' popularity among the public/voters. Combined with a candidate-based campaign as suggested by the Team of Seven, the FPTP system would give more electoral advantage to candidates from Golkar. Based on this logic, many critics launched their attacks on this provision (*Kompas*, July 24, 1998).

Thus, predictably, PPP and PDI members refused the idea of FPTP. The provision, they argued, "would only provide benefits for Golkar candidates." (*Kompas*,

July 24, 1998). Interestingly enough, however, many Golkar members in Parliament were not enthusiastic about the FPTP idea. The reason was that their political career in Parliament was the result of top-down approach where loyalty was more important than their acceptability among constituents. (*Tempo*, October 20-26, 1998). The Golkar central office picked them and then placed them on the party lists of candidates to represent particular districts. Therefore, they did not possess any social base at the local level.

The general mood in Parliament was basically for the old system which was a proportional representation system. The final formulation, as written in Chapter I article 7, was that the election be carried out under the proportional representation system.[57]

3.3.3. Minimum Number of Party Branches

The weakness of the PR system is well known. It potentially creates a fragmented multi-party system in which the number of political parties is excessive. The Team of Seven therefore was proposing an alternative to the PR system. It seems, however, that the Team of Seven was not sure about the mechanical effect of the FPTP system. That is, the FPTP could naturally reduce the number of parties. Since there is only one seat competed for in a given district, rational voters will not want to waste their votes by voting for candidates with too little prospect of winning. They will instead choose a candidate or party with the best prospect or second best provided that the number of votes

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[57] There was a side issue regarding the process of candidate selection. Golkar wanted the candidate would be selected at the district level. This method would be different from the old practice that the process of selection was carried out at the provincial level. But PPP and PDI refused and insisted not to change the old procedure. Golkar then attacked their claim for being reformist (*Kompas*, January 11, 1999). Since Golkar was deeply entrenched – thanks to the government bureaucracy – PPP and PDI were worried that Golkar would overwhelmingly dominate the election.

between the first and the second is not that far.[58] The FPTP system, as it is often argued, encourages the emergence of two major parties or a two-party system. But this type of mechanical effect apparently did not occur to the members of the team as shown by the insistence of the team to impose the second criterion for preventing potentially excessive number of parties.

Instead of solely relying on the FPTP system, they came up with another criterion: that in founding a political party a party had to have a minimum number of branches distributed in several provinces and districts. The intention, in its own words, was "to create a moderate pluralism of party system where there should be more than two parties but less than six." (*Kompas*, October 6, 1998). Thus the idea was not to encourage political parties to build a backward linkage to the society. Instead, it was simply for creating a moderate degree of pluralism.

This issue divided the old and new parties in opposite camps. The newly established parties collectively refused the idea of the minimum branches. Their reasons were two-fold. First was a practical one. They argued that the remaining time toward the scheduled election (to be held on June 7, 1999) did not give them adequate time to build a sufficient number of branches as required. Second was about fairness. The old parties, PPP, Golkar party, and PDI, in their view, already possessed multiple party branches in all provinces and many districts. So they could easily meet the proposed criterion.

Despite the criticism of unfairness, the Team of Seven won the battle. As the draft of Election Law No. 4/1999 passed Parliament and was signed by the president on

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[58] This logic does not apply to the founding election because voters would never know which the best and the second best party until the election was completed. But over time, based on the results of the founding election, voters would rationally tend to choose the party with the best or second best prospect.

February 1, 1999, the criterion of the minimum number of party branches was included in the law. Chapter VII on the prerequisites for a party participating in an election provides a more detailed account of the matter. Article 39, point 1, clause (b) says that a party must have executive boards in more than half of all the provinces. Clause (c) furthermore says that among those branches at the provincial level as mentioned in clause (b), political parties must have executive boards in more than half of the districts in corresponding provinces.

This requirement definitely would have a significant impact on the process of sorting out parties which would be allowed to participate in the election. Accordingly, this possibly would affect the process of cleavage translation into political parties. While this requirement, for some people, might be seen or treated merely as an "administrative" criterion, there was a more substantive issue regarding party ideology.

3.3.4. Ideological Issue

This issue was more complex that it appeared when the draft of the laws was being discussed. The relationship between the state ideology of Pancasila and other ideologies was never clearly formulated. During the reign of the New Order, Pancasila was excessively used by the government as a pretext for clamping down on all oppositions. Pancasila, the government reasoned, did not tolerate the extreme right (mainly meaning Islam as an ideology) and extreme left (communism) because both did not fit the Indonesian culture (Robison and Hadiz, 2004). In practice, all dissenting opinions that came from Islamic communities or intellectuals or clerics as well as from

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secular intellectuals or activists were shut out. During the time of democratization, this ideology was badly discredited. Barely did any groups stand for Pancasila.

Soon after the fall of Suharto, the PPP declared itself as an Islamic party – throwing away Pancasila as its ideology as mandated by the old law on political parties (Law No.2/1999). Newly established parties such as the Moon and Star Party (PBB) and Justice Party (PK), to mention a few, also adopted Islam as their party ideology. These parties – with different degrees of assertiveness – had as part of their agenda to implement *syari'a* or Islamic law for or through the state's power.

However, when a consensus was reached during the Assembly's special session (November 10-13 1998) that Indonesia would not become an Islamic state, and Pancasila would remain *the* state's ideology, the relation between Islam as party ideology and Pancasila did not appear to be a problem. Derived from the Assembly's decree, the Law on Political Parties made it clear that all parties were required to cite Pancasila in their statutes as the state's ideology (Chapter II, Article 1, Point 1 (a)).

Nonetheless, what seems to be clear in the Law was slightly confusing in practice. Islamic parties were allowed to have Islam as their ideological foundation which was differentiated from the state ideological foundation of Pancasila. But if the Islamic parties were committed to apply Islamic law through state legislation, it could imply a movement toward an Islamic state which also meant replacing Pancasila with Islam. A standard argument advanced by Islamic party leaders is that if the majority of people and members

of Parliament or local legislatures agree with the implementation of Islamic laws, then it is legitimate, constitutional, and democratic.[59]

Thus, there came a semantic solution in regard to the tension between Islam and Pancasila; between state ideology (domestically formulated in the law as *dasar negara*, basic state doctrine) and party ideology (formulated in the official language of party statutes as *asas partai*, party foundation). While formally accepting the state's ideology, the Islamic parties embraced Islam as their party ideology in the same statute or manifesto. The relationship between the two was left vague, however.

But the semantic solution did not equally apply to communism or Marxism. One article in the Law on the Political Parties states that political parties "are prohibited to adopt, develop, and disseminate communism/Marxism/Leninism and other ideologies that are not in accord with the state ideology of Pancasila." (see Political Parties Law, chapter VII, clause (a)). This provision (when still in draft form) ignited wider participants of the debate. Many religious groups, from moderate to extreme, were against the idea of letting communism back on the political scene. This means that they would refuse to have any parties with a communist ideology participate in the election.

In dealing with this problem, the Team of Seven took a pragmatic route. Allowing parties to reestablish communism would only make the shaky political order even worse. So it would be wiser, according to one member of the Team of Seven, not to force people and the various religious groups to accept communism-based parties.[60] Party ideology

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[59] This argument was repeated by MS Kaban from the PBB, now the Minister of Forestry in my interview with him on January 19, 2005.
[60] Interview with Anas Urbaningrum, January 5, 2005.

then could become one of the lenses used in the process of selecting which parties would be allowed to participate in the election.

3.4. Sorting Out Contestants

Now that the drafts had officially become law, all the criteria for party eligibility had to be implemented: only parties that met the criteria would be permitted to compete in the election.

The process of selecting participants for the election was formally carried out by an independent team called P3PKU (Preparatory Committee for the Commission of Election) that was formed on February 3, 1999 by the Minister of Home Affairs' decree. This team was also popularly known as the Team of Eleven or *Tim Sebelas* that corresponds to the number of the team's members.[61]

The sole task of this team was to verify whether political parties met all the criteria as required by the laws. It would look at all "administrative" requirements only. These include whether the party was already registered in the Department of Justice, met the minimum number of branches as shown by the physical presence of party offices at the provincial and district levels; whether party core officials truly resided in the areas where the party's offices were; the authenticity of party branches' addresses, et cetera. It was said, the team would not go beyond this scope. It would not assess, for example, the ideological content of the parties.

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[61] Those who were in the team were Nurcholish Madjid, Anas Urbaningrum, Andi Mallarangeng, Mulyana W Kusumah, Kastorius Sinaga, Rama Pratama, Adnan Buyung Nasution, Adi Andojo Sutjipto, Eep Saefulloh Fatah, Afan Gaffar, and Miriam Budiardjo.

Its authority was also limited. As explained by Mallarangeng, "we [the team] do not posses the right to determine whether or not a party will be allowed to participate in the election. [It's true that] we will make some recommendations but we are not the decision maker." (*Kompas*, March 4, 1999). The decision would be jointly made by the head of the Organizing Committee of the Election, (LPU, later renamed KPU), Rudini, and the Minister of Home Affairs, Syarwan Hamid.

But the process of selection went beyond administrative matters and it was beyond the Team's control. The certification from the Department of Justice that every party had to obtain posed a problem for some parties. It was where the ideological issue kicked in. Democratic People Party (PRD), a left-leaning party, for instance, had to go back and forth to the Department of Justice due to its ideological choice and particular wordings in their statute. The problem started when the PRD initially refused to put Pancasila in its statute. When pressed by the PRD's negotiators, the official from the Department was ready with a legal argument that the law requires every political party to cite Pancasila as the state ideology in its statute or manifesto.

Sensing that they would not win, the PRD's leaders accommodated the demand. In the next visit, they were told that the PRD's ideological tendency was against Pancasila. They were then asked to drop key words from the statute such as "progressive-revolutionary" – written as the party's method for achieving its socialistic goals. One of the department officials said that the words reminded him of the PKI and added that they were traumatic with the PKI. At the end of the day, however, the PRD was officially accepted by the Department of Justice.[62]

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[62] Personal correspondence with Henry Kuok, November 17-18, 2006.

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In short, the process of selecting parties that took 5 weeks (from February 1 – March 12, 1999) was finalized and the result can be seen in the following table:

	Registration in the Dept. of Justice (February 5-25 1999)	Registration in P3KPU or Tim of Eleven (February 7-27)	Verification Results by Team of Eleven (Feb. 22 – March 3)
Registered	148	106	60
Went through	141	60	48
Failed to pass	7	46	12

Source: Almanak Parpol Indonesia: Pemilu 1999: p. 586, undated

Table 3.1: Number of Parties Registered, Succeeded, and Failed to Participate in the 1999 Election

Looking at the data above, it seems the selection process worked relatively well. Through the administrative selection, the team was able to reduce the number of parties from 141 (those that were already registered in the Department of Justice) to 106 (those that were registered in P3PKU or Team of Eleven). Among these 161 parties, only 60 succeeded in passing the team's corroboration. And the team's field verification rejected 12 parties and produced 48 eligible parties. In a way, the team was successful in significantly reducing the number of parties but it was a far cry from the original intention of the team to have two to six parties only.

It should be noted, that, even though the process of selection was relatively "technical" in nature, it had some political flavor. The Team of Eleven possibly was much more neutral and less political in verifying the political parties than the Department of Justice was. It must be noted too that the PRD and several other class-based parties at the end were allowed to participate in the election with a tailored ideological formulation.

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To some extent, the process of selection would have an impact on the type and content of party competition (further discussed in the next chapter). But a heavier impact on the process of cleavage translation was produced by the law on regional autonomy.

3.5. The Law on Regional Autonomy

As discussed earlier, the context of the democratization was crucial in understanding the process of law-making. Political changes, i.e. democratization, and regional grievances were two demands that Habibie had to address at the beginning of his presidency. For the first demand, an accelerated election was to be held; and the legal framework to create a free and fair election was already prepared. An election, however, was not a real answer for addressing the regional grievances. Thus, the issue of regional grievances had to be handled separately.

The (new) Law on Regional Autonomy basically was a direct answer to the grievances. In an interview with journalists, Syarwan Hamid reiterated that the law was intended to respond to regional demands for more autonomy (*Kompas*, June 27, 1998). In a more specific way, Ryas Rasyid (2003) said that the law was a reply to the provincial governors' demand for a more just distribution of wealth for the provinces that make higher contributions to the national economy; and, according to Nordholt, "to accommodate the anti-Jakarta sentiments in many regions outside Java …" (2004: 37).

At a higher level of decision-making, the Assembly, via the decree No. XV/1998, had mandated that the government provide greater autonomy for regional governments. And based on this decree, Syarwan Hamid as the Minister of Home Affairs assigned the Team of Seven to write a new law that dealt with the issue. The decree – and the law

accordingly – would reshape the relationship between the central and regional and local governments. This was particularly important because, as previously mentioned, the source of grievances, many believed, originated in a legal document which was formulated in 1974 (UU No. 5/1974).

Broken down, the regional grievances basically had two elements: (1) the dominating tendency of the central/national government over the regional/local governments; and (2) unfair distribution of the economic wealth extracted by the central government from the regions, particularly regions outside Java. So the new autonomy law would have two emphases: one mainly political and the other economic. The first dealt with the amount of power transferred from the national/central to regional/local governments; and the second regulated new and fairer ways for distributing economic wealth between the central and regional governments. These two elements were embodied in different bills: the Law on Regional/Local Government (UU No. 22/1999) and the Law on Fiscal Balance between the Central and Regional/Local Governments (UU No. 25/1999).

The contrast between the new and old laws is significant. In terms of transfer of power, the central government had given up all but the power of formulating policy on foreign affairs, security, legal affairs, fiscal, religion, and some other policy areas (see Article 7, Clause 1 of Law No. 22). Formulated this way, the law appears to bring Indonesia closer to a federal type of government. It is true that the phrase "some policy areas" could be used by the central government for grabbing back its power. In fact, this phrase is specified in Clause 2 of the article. It says that the central government maintains its authority in formulating macro developmental policy, fiscal balance, national

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administration and state economic institutions, human resources, technology, and national standardization. But this clause does not substantially negate the power of the regional/local governments.

Another stark contrast can also be found in the Law on Fiscal Balance. A major proportion of incomes (from 80-90%) drawn from various property-related taxes, profits from forestry and fishery and mining businesses are given to the local governments (see Article 6, Clauses 2-5 of Law No. 25). The only exception is oil and gas mining from which the major proportion of profits (70-85%) goes to the central government.

In many ways, the laws marked a radical change in the history of regional autonomy. That the central government finally agreed to scale back its power over the regional governments was unimaginable before. That the government at the end consented to give a much higher portion of local wealth to local government was unprecedented.

What is interesting to note is that the law-making process of the Autonomy Law attracted only a little public attention. Unlike the package of the political laws, heated debates among the legislators on this law did not happen. And the law was passed by Parliament with only small changes from the original draft (Rasyid, 2003). If there was any debate, it was about the choice of whether the transfer of power from the central government should be carried out at the provincial or district level. One camp argued that autonomy would lead to federalism and would be a threat to national integration. The other argued that the unitary type of state had proved to be a failure in distributing economic wealth at the regional level. Rasyid had a good formulation for this: "Any attempts to shift power to provinces would have been read by the conservative unitarians

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as promoting federalism, by extension placing at risk national coherence and integrity." (p.63). As the result revealed, the power was finally delegated to the district level.[63]

It is worth noting as well that, in comparison with the political laws, the autonomy law was much less politicized. The three parliamentary groups in Parliament were all supportive of the draft. In fact, Golkar was the one that had a higher stake in passing the law. It had a specific interest in pushing forward the law with a hope that it would be able to maintain its political bases in the regions outside Java island. This was particularly important for Golkar since it was scorched and being discredited across Java. Thus, Golkar's survival was partly defined by its success in pushing the draft to become law. It seems that the PPP and PDI were concentrating more on the laws that would govern the election. The fact that the implementation of the law would begin in 2001 also made it less compelling to debate.

With all the points discussed above, how do we appraise the consequences of the political laws as well the autonomy laws on the possibly ongoing process of cleavage translation?

3.6. Fair Competition, Truncated Translation?

On the issue of fairness, we can surely argue that the package of political laws was good enough for facilitating a fair election. First, the laws had created a level playing field on which none of the political parties would get any special treatment by the laws.

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[63] The history of regional autonomy can be traced back to the period of the 1950s. There was a plan by the government to give more power and greater autonomy for regional government at the provincial level. But the plan was halted due to the regional rebellion. Any idea for advancing regional autonomy since then has been seen by the central government as too risky a bet. For the history, see among others, Legge, 1961; Nordholt 2003: pp. 36-38.

Unlike the previous laws that restricted political parties other than Golkar to establish branches below the district level, now all political parties were allowed to do just that.

Secondly, none of the political parties would have any privilege to use the bureaucracy or civil servants with their political and economic resources for their own benefit. As a state institution, the bureaucracy was neutral. But at the individual level, members of bureaucracy or civil servants are allowed to voluntarily join political party. Every party was entitled to do this; thus, no special treatment for any political parties. The bureaucracy's neutrality possibly was the team's greatest achievement in terms of facilitating the creation of a fair election.

The role of the military in the election was also done away with. The military no longer provides favorable treatment to a particular party. Furthermore, their presence in parliament would be phased out. Even though it would not be directly related to electoral politics, the military faction in Parliament would no longer influence the voice of any party in the legislative debates.

In addition, there was press freedom that could help facilitate the making of a free and fair election. And, people also enjoyed the freedom to organize themselves.

On the issue of of cleavage translation, however, we may note an interesting point. As described in the previous chapter, multiple cleavages have long been present and ready to be activated in time for the founding election. The religious-secular cleavage has long been entrenched in the society. This cleavage even started to form before independence. The class cleavage was underdeveloped during the parliamentary and Sukarno eras but it began to emerge, form, and develop during the New Order period. As for the central/national-regional/local cleavage, it once became salient in the 1950s but

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was muted during the Soekarno era and the New Order era. This cleavage then reemerged as the New Order came to an end.

Ideally, the rules of the game should not hinder any process of cleavage translation. All types of cleavages should have a chance to find their own political channel. And we have seen so far in this chapter the rules of the game have not gotten in the way of the religious-secular cleavages ability to find a channel through a political party. The same holds true, to some extent, if class cleavages are to be activated. It is true that at some points left-leaning political parties had faced a challenge in the process of acquiring their legal status for participating in the coming election. But at the end of the day those parties were allowed to legally compete.

However, we find a different situation for the national/central-regional/local cleavages. It does not mean that these cleavages were muted. They became salient in the beginning of democratization but then the regional demands were channeled through legal means. Thus, the political demands from the regions would not be processed through or after the election. This is to say that theoretically the law on regional autonomy had diverted the central-regional issue from becoming a crucial point electoral politics. More precisely, the law had reduced the chances that the central-regional cleavages would lead to the formation of regional parties.

Several articles in Law No. 2 on Political Parties did not directly prohibit regional parties from emerging. But they at least discourage them from forming. Article 3, for example, warned that political parties must not pose a threat to national integration. Regional or local parties were generally seen as a threat. Furthermore, Article 11 imposed

a prerequisite that party headquarters must be located in the state capital. This seems to imply that there was an effort to "nationalize" political parties.

In short, the law on regional autonomy partly determined the scope and content of party competition. It defined the range of actions that political parties could strategically choose. In other words, it would determine parties' choices because it set a limit to what party would likely do. The law therefore would heavily affect the process cleavage translation.

3.7. Summary

We have presented in this chapter an overview of the rules of the game that governed the founding election. Several contentious points such as the neutrality of the military and the corps of civil servants, the electoral formula, the minimum number of party branches, and the ideological restriction were solved by the committee responsible for crafting the laws. Summarily put, the laws had created a level playing field for all parties in which parties would receive equal treatment. No parties would be given any favorable treatment by the government – treatments that would potentially distort the result of election.

In respect to interest channeling, however, this chapter has shown evidence that the regional interests were accommodated through a legal means. While it would not necessarily discount the democratic nature of the rules of the game, it potentially limited the possibility for political parties to develop connections with the regional cleavage. It would also reduce parties' opportunities to work out a distinct program relevant to the

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regional interests because the laws had mandated the government to devise policies to respond to the regional demands.

CHAPTER 4

THE ELECTION OF 1999: THE MAKING OF A CARTEL

In Chapter 2, I have described the structure of cleavages that may give rise to a competitive party system. Looking at the structure of cleavages, it was possible that the party competition simultaneously would revolve around the religious, class, and regional cleavages. But it was also possible that the competition would be limited to one cleavage only. In this chapter, I will show that the actual party competition revolved around the religious cleavage only; and argue that party competition ended when the election was completed. The party did perform an ideologically-inspired competition in the electoral arena. But the competition failed to be sustained and oppositional parties were absent when the parties entered government and Parliament. What formed after the election was a cartelized party system.

In proving my claim, I will conduct a two-step "test". If the parties uphold a degree of competition across the political arenas, there will be an electoral connection. This means that party interaction before and during the election will define the type of party interaction after the election. To capture the existence of the electoral connection, I will test the two theories of coalitions: the ideologically-connected coalition (de Swaan, 1973) and the minimal winning coalition (Riker, 1962). My claim will be corroborated

when these two types of coalition fail to materialize in the governmental and legislative arenas. If this is the case, I will perform the second test to examine whether the absence of competition amounts to cartelization. A cartelized party system is marked by the presence of an "oversized" coalition. This feature is accompanied with other features which includes the absence of opposition, the collective abandonment of party ideological commitments and electoral programs, and the formation of a self-referent group which comprises all parties. The parties then develop a tendency to act as a group. This chapter will also show that the emergence of the oversized coalition did not represent a grand coalition as hypothesized by the consociational model either.

In anticipation, my finding shows that party competition did take place before and during the election of 1999. Religion turned out to be the divisive issue that split the parties into Islamic and secular ideological camps. However, as the parties entered the governmental arena, the competition ended. The cabinet featured a combination of the Islamic and secular parties, an inconceivable combination if we look back to their seemingly irreconcilable ideological oppositions prior to the election. In the legislative arena, all parties worked out a series of consensus position in passing legislation – consensus that defied the nature of competition. Lastly, the parties collectively abandoned their electoral programs and eventually made policies that contradicted their electoral promises. It appeared that the government parties as a group made an ideological migration from the left to the right in devising policy. And the very same parties, in Parliament made another collective move to the left, opposing government policy.

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To avoid confusion, it should be clarified here that my argument is presented in several steps. The first section presents an identification of party ideologies. This section aims to show the content and direction of party competition prior to the election. This section provides a basis for my analysis of party interaction after the election. The second section presents an examination of party interaction in the governmental and parliamentary arenas consecutively. The third section is a summary of my argument and findings.

4.1. Political parties: Their Origins, Their Images

There were 48 political parties competing for parliamentary seats in the 1999 election. Covering all individual parties and interactions among them is of course an insurmountable task. Selection is thus needed. To do this, we employ the method used by Sartori as already spelled out in the introductory chapter: only those that have coalition and blackmail potentials are counted in. In practice, these criteria of selection limit our attention to parties that won seats in the parliament. Parties that gained no seats in the parliament would definitely lose their coalition potential. We therefore could leave them out of the analysis.

However, this restrictive strategy will not render a comprehensive picture in regards to covering all the complexities of the relations between parties and social cleavages – especially in the period before and during the election. There were parties that worked hard to mobilize the class cleavage but failed to win sufficient support. Others had organizational capabilities to do so but preferred to be catch-all parties. Still, there were parties that lacked organizational capabilities but were able to secure

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cleavage-based support. Omitting any of these parties altogether from the discussion will reduce our understanding of why the party system formed the way it did. Only with understanding that failure can we identify core issues that defined the content of party competition or cooperation and rightfully characterize the emerging party system. We therefore need to include in our selection parties that tried to represent the class cleavage even though it lost the election. Let us take a look at parties that presumably were politically significant and relevant.

Golkar: A New Direction of Conservativism?

Golkar definitely is worth attention. This was the successor of the government party that dominated the political scene during the New Order period and has survived the two democratic elections since the *reformasi* era began in 1998. What has Golkar stood for? What are the social bases that have underpinned the existence of Golkar in two different political regimes?

The origin of Golkar can be traced back to the period of Guided Democracy. The functional groups that gave rise to Golkar were established by the military during that period for a purpose other than forming a political party. Originally, they were meant to put the increasingly powerful PKI during Sukarno's presidency in check. As it was known, PKI was the most capable party in terms of developing numerous ancillary organizations with militant members. And more than merely organizations on paper, those ancillary organizations were readily available for political mobilization for pressing particular political demands. Thus the establishment of these military-sponsored

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organizations was a logical response from the military that needed to keep the political balance.

After being inactive for three years due to the political upheaval of 1965, under the tutelage of Soeharto and other military generals, the functional groups were reactivated and solidified under the old name of *Sekbe*r Golkar (Joint Secretariat of Functional Groups). These groups were then reorganized into seven basic organizational units called KINO – *Kelompok Induk Organisasi* (Boileau, 1983: 61-64; Suryadinata, 1998: 29-32). It was carried out in 1967 with a vision that this newly political vehicle could win the planned election – a result that would supply some sort of political legitimacy badly needed by Soeharto's administration. After convincingly winning the election of 1971, it carried out another organizational restructuring when the KINOs were simplified into five secretariats. A new benchmark was reached in 1973 when Golkar streamlined its organizational structure into three major components: the military, the bureaucracy, and "Golkar." These highlights are suggestive of how Golkar developed under authoritarianism.

In terms of organization, Golkar had developed an overarching structure that reached deeply into society. At the top, an advisory council was established headed by Soeharto himself whose power could override any organization's decision (Suryadinata, 1992: 57). Down to the bottom, its organizational structure was made parallel with the military and government bureaucracies. With the help of territorial army officers and bureaucrats at the lowest level, Golkar built a hierarchical structure of organization from the national level to the village level (Boileau, 1983: 102). This organizational strategy was exclusively developed by Golkar since the other two parties, PPP and PDI, were not

allowed to use a similar strategy. Thirty years later, this overarching organizational structure proved to be essential for Golkar's survival in the reformation era.

In terms of interest representation, Golkar gave way to the military and the government bureaucracy to have their own political channels within Golkar. Thus it had three political channels which were domestically known as ABG (ABRI or the military, Bureaucracy, and "Golkar") channels. Equally important, the year of 1973 also witnessed another development that Golkar began to reach out to various social groups for widening the number of supporters. It systematically made multiple efforts to reach major social groups such as industrial workers, farmers, and fishermen; and all of them were consecutively organized under FBSI, HKTI, and HNSI.[64] All these organizations became official channels for these class-based groups to Golkar even though they were certainly not meant to reinvigorate the class politics or to build a populist image. Another ancillary organization, KNPI (National Committee for Indonesian Youth), that was specifically designed to incorporate the youth and student activists, was also established. In an earlier period, Golkar also approached the Muslim community by reactivating GUPPI (*Gabungan Usaha Perbaikan Pendidikan Islam*, Joint Efforts for Islamic Education Improvement), an ancillary organization aimed at luring traditional Muslims to support Golkar (Ward, 1974). Much more effort was made by the government through Golkar to contain Islam and integrate Muslim communities into Golkar (Suryadinata, 1998: 90).

Golkar's moves, however, did not stop here. Beginning in the 1980s Golkar reached out to the business class and incorporated it into its organizational structure. By

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[64] *Federasi Buruh Seluruh Indonesia* or Indonesian Labor Federation, *Himpunan Kerukunan Tani Indonesia* or Indonesian Farmers Association, and *Himpunan Nelayan Seluruh Indonesia* or Indonesian Fishermen Association. For further information on this strategy, see Boileau: 1983: 29-32.

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then, Sudharmono, the chairman of Golkar who happened to be Minister of the State Secretariat, nurtured the business development of a group of young, indigenous businessmen.[65] It was made possible because Sudharmono as the minister had the authority to administer all government projects and to distribute them to the newly emerging businessmen. In return, those businessmen gave their support to Golkar either by joining it or by giving financial contributions to Golkar – or both.[66] The connection between Golkar and these businessmen was further maintained through KADIN (Indonesian Chamber of Commerce) – another corporatist organization specifically designed for the businessmen. So, it was not a coincidence when several key players in KADIN became Golkar treasurers.

It is worth noting that another important segment of the business class (the Chinese entrepreneurs) also built a strong relationship with Golkar. Similar to the young, indigenous group of businessmen, this group grew along with the government's patronage. Nonetheless, their involvement as a group with Golkar was less direct. Soeharto himself played a crucial role in channeling them to Golkar through various mechanisms. Among others, Soeharto established several foundations for different purposes; one of them, DAKAB (Eternal Funds for the Functional Group Foundation), was aimed at funding Golkar[67] (*Gatra*, June 27, 1998). Through this foundation then the Chinese entrepreneurs made their financial contributions to Golkar, voluntarily or semi-voluntarily.

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[65] They founded two organizations by which they could collectively maintain their access to the government projects. These entrepreneurs went with HIPMI (Indonesian Young Entrepreneur Association) and HIPPI (Indonesian Indigenous Entrepreneur Association). See Schwarz, 1994: 118-129.

[66] These businessmen were even asked to declare their loyalty to Golkar. Confidential interview with one of the top Golkar leaders, January 10, 2005.

[67] The connection between Soeharto and the Chinese entrepreneurs is described in rather detailed manner in Schwarz, 1994: 125-129.

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By crisscrossing the class and religious cleavages, it is obvious that the government, through Golkar, was trying to push forward a new mode of interest intermediation. In a bigger picture, it immediately became clear too that the government was in the direction of forming a state corporatist model where Golkar was designed to accommodate all collective interests within the society.

With these strategies, Golkar emerged as the continual winner of the six elections conducted during the New Order period. Needless to say, Golkar's wins were achieved unfairly and undemocratically because the competing parties, PPP and PDI, were not given an equal opportunity to develop their organizations and resources. But the history of Golkar can give us a clear picture of what Golkar is. Entering a new frontier of the democratic era, Golkar was still the most capable party in terms of its organizational reach and mobilization. By looking at the diverse social groups that Golkar has embraced, the Golkar organizational model resembled a catch-all party. In fact, Golkar was pragmatic in nature which also fitted with the character of a catch-all party.

Equally importantly, Golkar had a tendency of maintaining a close relationship with the business class. In addition to the fact that Golkar's history informs us about the inclusion of the business class to become a crucial component of Golkar, both also had a mutual interest in maintaining this politico-business relationship. It is true that Golkar also reached out to the working class. But this was carried out with a limited purpose of controlling the once-politicized working class – not mobilizing it. The fact was that the New Order government distinctly developed anti-labor policies. In regards to Islam, it is also true that Golkar tried to connect itself to the Muslim community. However, this was

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carried out for marketing purposes.[68] The New Order government was also known for being obsessed with rooting out political Islam and with maintaining the secular nature of the state. And it appeared to stay that way when Golkar entered the new political arena.

In terms of building a backward linkage with society, however, room was still open for Golkar to emphasize or deemphasize particular social groups within society. In other words, Golkar could reformulate its electoral strategy for the coming election. Inherited from the past, it still had organizational capability to adapt to the new political environment.

PPP: Islamist over Pluralist

The history of PPP (Development Unity Party) is closely related to the history of Golkar in the sense that its underdevelopment was conversely connected to the development of Golkar. While the government purposefully wanted Golkar to be dominant, it intentionally thwarted PPP from growing naturally.

PPP originally resembled the deceased Masjumi in terms of its organizational type. It was more like a federation of parties in which the components that made up PPP were autonomous entities. This federation-like party comprised four parties that survived the 1971 election[69]: NU (the Awakening of Traditional Religious Scholars), Perti (Islamic Education Movement), PSII (Indonesian United Islamic Party), and Parmusi (Indonesian Muslim's Party). These four represented the two major constituents of the Muslim community: the traditionalists and modernists (Noer, 1981). The first two were traditionalist Islam that was accommodative to local culture practices; NU was Java-

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[68] Interview with Ekki Sjachruddin, December 17, 2004.
[69] This election was postponed for five years since Suharto made a promise to hold an election. It seemed that Soeharto wanted to make sure that Sekber Golkar was truly ready to compete with the other parties.

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based, while Perti was a West Sumatran-based party. Neither pursued an agenda of Islamic purification. The second two were modernist in the sense that they perceived Islam as a closed-system that barely tolerated any influence from the outside world. Thus their religious agenda was more or less to purify the practice of Islam.

The idea of fusing these parties into one came earlier from the government. Suharto believed that Indonesia needed a simpler party system, which basically meant the reduction of the number of parties (Dhakidae, 1981). Accordingly, a more manageable system of political representation presumably could be reached as well. So, in January 1971, in front of the leaders of 10 parties that were about to compete in the election, Suharto threw out his thoughts on classifying political parties into three main streams (Samsudin, 1972: 16). Parties with religious tendency were named *golongan spirituil* which literally meant the spiritual group; those with secular tendency were categorized as *golongan nasionalis* or the nationalist group. This categorization completed the functional groups that united under the umbrella of Golkar.

The introduction of the idea itself did not face outright rejection from the parties. In fact, it found positive support from various camps. PNI and IPKI (Union of Independence Supporters) were among the first parties that confirmed their support for the idea. Among religious parties, Parmusi and NU followed suit (Ali and Saimima, 1981). This idea finally found a legal basis as the Assembly produced by the 1971 election released one of its binding decisions that firmly stated that in the next election there would be only three participants (Kaisiepo, 1981): Golkar and two other parties.[70]

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[70] Predictably, Golkar won the majority of seats in the parliament to be then translated into a majority position in the assembly. Precisely, Golkar won 62.8% of the total votes. This fact alone could guarantee

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However, it took a two-year process for the *golongan spirituil* to finally reach an agreement to establish PPP on January 5, 1973.

Within this span of two years, resistance toward the idea emerged and was waged by some elements from PSII and Parmusi. (see Fachry, 231-32). But the government succeeded in indirectly eliminating the "radical" elements among the Islamic parties that resisted the idea of party fusion.[71] Thus on January 5, 1973, PPP was officially established. Adopting the *Ka'bah*, the small cubical shrine in the great mosque of Mecca, as its symbol this party was meant to be *the* representative or political vehicle of the Muslim community. But over time, it became clear that the fusion also meant that the government would never let PPP be a true political competitor to Golkar.

From the beginning, the government systematically began to emasculate PPP through various measures. Any favorable measures for Golkar always pressed unfavorably on PPP (and PDI). The regulation from the Minister of Home Affairs No. 12/1969, for example, prohibited all civil servants in that department to join any political party other than Golkar. This regulation was then expanded to include all civil servants and the military members (Government Regulation No. 6/1970) – a law that in domestic term was known as the principle of "mono-loyalty."

Since 1973 onward, the government continued to enfeeble the political parties by barring them from maintaining or developing their organizational reach below the district level. While Golkar enjoyed freedom to establish cadre-networks at the village level, both parties were never allowed to conduct a similar strategy. Another heavy blow was

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that the idea of party fusion would win major support in the assembly rather easily albeit the possible resistance that came from the rest of the parties.

[71] The process of cooptation was carried out systematically against radical elements within Islamic parties. See, among others, Fachry Ali and Saimima, 1981, and Kaisepo, 1981).

imposed by the government by forcing the PPP (and PDI) to accept the state ideology of Pancasila to become their party ideology in 1985. What was domestically known as the principle of *asas tunggal* (the sole state ideology that must be adopted by all parties and mass organizations) the Islamic identity of PPP had virtually vanished. It was also forced to replace its symbol of the *Ka'bah* with a star that did not exclusively represent the Islamic community or interest.

One important lesson that could be drawn from PPP history is that the effect of the government's measures was to detach PPP from its partisan supporters. At the same time, through Golkar, the government had promoted a more pragmatic approach in dealing with political demands that came from societal sectors. The functional groups criss-crossed the deep-rooted cleavage-based politics – particularly religious and class cleavages.

All the discriminatory measures notwithstanding, the origin and history of PPP had molded the PPP identity as an Islamic party. The public also still perceived it as a party that represented the Muslim community. When it entered the democratic era, PPP was well aware of its image and decided to become a party formally based on Islam.

PDIP: Populism over Conservativism?

Genealogically, this party was the successor of PDI (Indonesian Democratic Party) that was established during the New Order period. Similar to PPP, it was also a result of the forced fusion imposed by the government. If PPP was meant to be the channel for the Islamic community, PDI was intended to channel the interests of secularists and nationalists.

But unlike PPP which had much less ideological difference among its components, PDI was composed of five strange bedfellows. Three of them were secular parties with a strong flavor of populism. They were, as one observer says, leftists who were inspired by Marxism but adapted it for the Indonesian context (Kaisiepo, 1981). These included PNI, IPKI, and Murba. The remaining two were a Protestant party (Parkindo) and a Catholic party (Partai Katolik Indonesia). Based on the government's initial scheme, these two should have been grouped into the *golongan spirituil* and should have become part of that religious group.

However, party leaders from these two parties fiercely opposed to do so. They argued that they could not join and cooperate with ideologically-motivated parties when formulating programs. Instead, it would be easier for them to work with secular, nationalist parties and find a common ground in developing pragmatic party programs (Kaisiepo, 1981). They even made a threat that they would have preferred to dissolve themselves to being forced to join the *golongan spirituil* (Kaisiepo 1981). On January 10, 1973, the fusion was declared and the Protestant and Catholic parties became a part of PDI.

It was not surprising then that the government would impose its control of PDI. In fact, PDI also suffered similar blows as PPP did. In some cases such as the implementation of mono-loyalty for all civil servants, it meant cutting the historical connection between PNI and the civil servants.

Among these diverse groups, there were conflicting interests. They, however, were bound together under the banner of a nationalist ideology within which all shared the idea of establishing and maintaining a secular form of the state. Definitely, promoting

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a secular ideology is not sufficient for uniting all of them. But this secular, nationalist ideology was more utilized for distinguishing them outwardly from other political groupings than for solving potential conflicting interests within the party.

An internal conflict within PDI leadership in early the 1990s changed the fate of PDI, eventually giving rise to the emergence of PDIP (Indonesian Democratic Party – Struggle). It began when PDI under the chairmanship of Suryadi campaigned aggressively during the 1992 election, calling for clean government, presidential term limits, and electoral reforms (O'Rourke, 2002: 7-8). With this strategy, PDI gained a new credibility among the public. A year later, the government engineered Suryadi's ouster in PDI's congress and let Megawati, a daughter of Sukarno, be the chairwoman of PDI. The rise of Megawati in PDI, however, would only boost PDI's popularity. Sensing a more formidable political challenge, the government again engineered the ouster of Megawati, installing – ironically – Suryadi to replace Megawati at the helm of PDI. It was carried out a year before the election was held in 1997. Megawati and her loyal followers then deserted PDI and created a new PDI called PDIP -- Indonesian Democratic Party-Struggle. While the old PDI lost its credibility, PDIP increasingly became popular albeit it was deemed illegal by the government. It started to enjoy its freedom and legality after the fall of Soeharto.

The history of PDI(P) thus produced a specific party image that the party supported populist groups (*wong cilik*). These included urban dwellers in "shanty towns", blue-collar workers, and many types of informal sector people. And Megawati's ouster strengthened another related image of PDIP that it was for those who were being marginalized, economically, socially, and politically.

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With this historical baggage on its back, PDIP entered the 1999 democratic election. Just as PPP did, it found itself in a situation where it had to make a strategic choice among available alternatives. First, it could maintain its historical image through which it could rebuild the shaky backward linkage that connects PDIP with the social groups that had been in support of it before. This way, PDIP would stay in a similar position to be a party of the center-left. Alternatively, PDIP could widen its social basis by incorporating other social groups under its wing by moving either to the far left or even to the right. This choice could be harmful for PDIP if it changed its image as the party of people of lower strata. Thus, we shall see how PDIP made a strategic choice when entering the electoral arena.

PBB and PK: Other Islamist Parties

These two parties were in the same ideological family with PPP: Islam. And with many other Islamic parties, they competed to win the allegiance of Indonesian Muslims. PK and PBB had a slight intersection in that their key figures were active in DDII (Indonesian Islamic Preaching Council).[72] Key PBB figures such as Yusril Ihza Mahendra and Ahmad Sumargono were activists of DDII. Mahendra was known as a Natsir protégé; while the latter was an influential Islamic leader who used to be the chairman of Majumi. Some of PK's founders were also part of the DDII family. Abu Ridho, known as the ideologist of PK, was sent by DDII to study in one of the

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[72] DDII was established in 1967 by Muhammad Natsir and other key figures of Masjumi. It had become the headquarters of ex-Masjumi activists and sympathizers. Due to the political restriction imposed by the government, DDII focused on preaching activities by organizing workshops for young preachers and sending them to various areas as missionaries and as defenders of Islam to prevent Christianization. Combined with other activities in education, DDII was able to impart its political view to its new cadres.

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universities in a middle-eastern country. Another founder of PK, Mutammimul Ula, was active in organizing *tarbiyah* or educational programs – a brainchild of DDII.

So, it was not a coincidence that these two parties made their declaration in the same place, Al-Azhar mosque. This place has been well-known as a bastion of modernist, Muslim activists. But stressing their similarities too much could be misleading because each party has different methods in mobilizing supporters. The way they approach the history of political Islam was also different.

PBB or the Moon and Star Party was declared earlier on July 26, 1998. The embryo of this party can be traced back to the formation of BKUI (Body for Islamic Community Cooperation) on May 12, 1998 in which key figures of DDII were actively involved in the process.[73] In its first national congress, an idea of establishing a political party was thrown out by some participants. At the end of the congress, a working committee was formed and assigned with the single task of establishing a political party – PBB.

The process of PBB formation then indicates two important features of this party. First, the emergence of PBB was tightly related to, if not engineered by, DDII. Thus, it can be seen that PBB was in Masjumi's lineage. Second, the way PBB portrayed itself as the successor of Masjumi eventually defined how it approached its potential supporters. It, to some extent, revitalized Masjumi and by that it tried to connect with Masjumi's sympathizers in various areas.

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[73] BKUI itself was a result of a series of meetings organized by FUI (Islamic Community Forum) since 1989. With an agenda of revitalizing Islam as a political force, FUI through BKUI tried to widen its base by inviting various Islamic organizations to work together under BKUI. Thus, the membership of BKUI was not individuals but various Islamic organizations such as KISDI, Persis, PERTI, Al-Irsyad and many more (*LKiS*, 1999: 56-57).

PK or Justice Party was declared in front of thousands of supporters on August 9, 1998. The social origin of this party was the *tarbiyah* movement. Literally, *tarbiyah* means education but it gains a more specific meaning for PKS which means Islamic-consciousness-raising (Liddle and Mujani, 2007). The emergence of the movement started in the early 1980s and had since formed a loose network across prestigious campuses in Java. ITB (Bandung Institute of Technology), a state-funded college located in Bandung, the capital of West Java, is usually mentioned as the place where the movement started in the 1970s. And Imaduddin Abdulrahim is seen as the pioneer and initial leader of the movement.

By the late 1980s, this movement spread out to many campuses via campus mosques.[74] It also involved itself in student politics by controlling universities' student councils. It subsequently began to have a life of its own. It has developed many educational programs for college students such as Nurul Fikri and Al-Hikmah, established a book publisher and a magazine, founded its own preaching institution, and formed an alternative music group called *nasyid* (Damanik, 2002: 152-82). It is not surprising then, when we look at the origin of this movement, that the majority of *tarbiyah* members and sympathizers were youth, Muslim, and highly educated.

Even though the impetus of this movement was political in the sense that it emerged as a response to the pressure imposed by the New Order government which continually emasculated Islamic parties and mass organizations, the movement did not

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[74] Thanks to DDII which helped to establish and fund the campus mosques, the *tarbiyah* movement found them as convenient posts for organizing its activities in campus. The connection between the tarbiyah movement, DDII, and PK thus can be traced this way. In addition, the DDII also translated and published many Islamic texts that would become ideological inspiration for the tarbiyah movement (see Liddle and Mujani, 2007).

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see itself as a political movement (Damanik, 2002). The activists never thought that it would transform into a political movement, let alone a political party. However, the window of opportunity for becoming a political party was wide open when Suharto stepped down and the New Order government was crippled.

Different from PBB, PK did not put much emphasis on the history of political Islam, i.e. Masjumi. It is understandable since the majority of PK's activists were from the younger generation who grew up during the New Order period and did not experience the "glory" of Masjumi. Instead of connecting itself with the past, PK was more about a new generation of Muslims.

Summarily put, these two parties set different targets within the Islamic community: younger and older generations of Indonesian Muslims.

PKB and PAN: Non-sectarian, Muslim-based Parties

Borrowing Panebianco's term, these two parties are externally-sponsored parties, albeit the involvement of the sponsors was different in types and degrees. The creation of PKB (National Awakening Party) was closely related to the desire of NU's leaders and members to have their own party when they saw that a political opportunity was available thanks to the process of democratization. Meanwhile the creation of PAN (National Mandate Party) was tightly related to the presence of the ex-chairman of Muhammadiyah, Amien Rais. NU and Muhammadiyah were the two largest Islamic organizations with millions of followers, representing traditional and modernist Muslims respectively.

PKB was declared as a party on July 23, 1998. Most of the NU leaders attended the party's declaration in Wahid's house – an event that signified the strong relationship between NU and PKB. In fact, no less than the chairman of NU himself, Abdurrahman Wahid, said that it was NU that supported and established PKB (Djalil, 1999: 9) and only to this party NU gave its blessing. As PKB became the official party of NU, it made use of NU's organizational reach at the provincial, district, and village levels in developing its local branches. Most PKB local officials were NU officials.

PAN was slightly different from PKB in terms of PAN's relationship with Muhammadiyah. Organizationally and officially, it did not have any connection with PAN which was declared on August 23, 1998. The connection between the two was made by Amien Rais who used to be the Muhammadiyah chairman. Muhammadiyah itself preferred not to be involved in ordinary party politics. Rais's successor in Muhammadiyah, Syafii Maarif, reiterated that Muhammadiyah as a religious organization would stay away from politics (Maarif, 2000: 86-94) but it would let its personnel enter politics as individuals. This official statement notwithstanding did not prevent Muhammadiyah activists at the local level to help PAN builds its branches.[75]

But what was more important about these parties is the way they formulated their ideology. Both defined themselves as open, pluralist parties which would accommodate people from different religions. Leaders from these two parties similarly envisioned that religious politics belonged to the past and Indonesian party politics should move to a new

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[75] Interview with Hakam Naja, December 7, 2004. Naja also confirmed that t PAN officials at local branches were filled mostly with Muhammadiyah local activists and they appeared to see Amien Rais as Muhammadiyah leader.

direction – a politics that is more guided by rational causes.[76] Indonesian Muslims, in their views, should have been at peace with the fact that Indonesia is a plural society.

If we look at the formation process of PAN, we see how the idea of an inclusive party was practiced in PAN. It began with the formation of a circle of individuals who were concerned with the country's deteriorating economy and uncertain politics. These prominent figures from different ethnic and religious backgrounds subsequently established MARA (Assembly of the People's Mandate) and made critical public statements criticizing the government's policies in dealing with the country's multi-dimensional crisis. All these figures joined Rais when PAN eventually was transformed into a political party and most of them were accommodated in PAN's leadership structure.

This ideological choice would likely pose problems for the formulation of an electoral strategy that could accommodate the interests of their traditional constituents plus the new constituents the parties hoped to win. Thus, we shall see how these two parties solved the tension of having Muslim-majority constituents but cast themselves as inclusive parties, that is, how the tension played out in the electoral arena.

Class-based Parties

There were five parties that saw themselves as the defenders of the workers, farmers, and all those who were in the lower economic strata of the society and being marginalized: PRD (People's Democratic Party), PPI (Indonesian Worker's Party),

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[76] See Djalil, 1999: 220-28; Rais's statements, interviews, and writings as documented in Nasri, 1999: 48-56).

PSPSI (All Indonesian Worker Solidarity Party), PBN (National Worker Party), and PSP (Worker Solidarity Party).

As their labels suggest, these parties were mainly for the working class. Their statutes[77] even more clearly stated that they represented the working class. As exemplified by PRD, it would actively defend the interest of industrial workers, farmers, and oppressed people. The other parties also had a similar emphasis on the interest of workers. In terms of program, the conventional issues such as the minimum wage, the number of working hours, work safety, pension and other benefits were all listed in their programmatic agendas. Did they really represent the working class and put a real effort to connect their parties to the workers?

All these parties, save PRD, were new. They were founded after the fall of Soeharto. Basically, they did not have any historical record against which we can assess them. However, PRD and PBN had a longer history as a student movement and labor movement.

PRD started in 1994, declared not as a political party but a student movement. It transformed to a party on April 15, 1996. This movement was composed of various student organizations that campaigned for and gave advocacy to industrial workers (PPBI, Center of Indonesian Workers' Stuggle), to democratic movements (SMID, Indonesian Student Solidarity for Democracy), farmers (STN, Union of Indonesian Farmers), and built a network of artists (JAKER, People's Network for Arts and Culture). Its cadres actively pursued many labor cases and farmer land disputes, and frequently staged mass demonstrations. In July 1996, its leader, Budiman Sujatmiko, was arrested

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[77] All statements quoted in this section were drawn from their statutes as compiled in *Partai-Partai Politik Indonesia: Ideologi, Strategi, dan Program* (*Litbang Kompas*, Kompas: 1999), or otherwise indicated.

by the police with an accusation of masterminding the social unrest that followed the take over of PDIP's headquarter by PDI and the military. This event reemphasized the image that was already attached to PRD as being a leftist movement or party.

PNB's chairman, Muhtar Pakpahan, was known as one of the oppositional leaders during the New Order period. He was involved in various mass protests that touched an array of issues from the government abuse of environmental funds to nuclear-based electrical project in Central Java. But he was more known as the leader of SBSI (All Indonesian Labor Union) – the illegal union that was accused of igniting bloody labor protest in Medan, Sumatra, in 1994. He was sentenced to four years under the accusation that he was believed to have masterminded the protest (*Gatra*, March 11, 1995).

These two parties appeared to have a vast network and a real basis among Indonesian workers. The other three, while they claimed that they also represented the working class, were barely known for having real roots among the workers. Altogether, however, these five parties did try to activate the working class cleavage and they consistently tried to employ a purely class strategy in the election.

Among the parties described above, some of them may be categorized as mass parties: PPP, PBB, PK, and PRD. There are several distinguishing characteristics of mass-party type. Ideologically, all the three envision a social transformation that the Indonesian society should go through – i.e. the creation of an Islamic society or socialism. In different degrees, these parties put an effort to disseminate their ideology and penetrate "a number of spheres of social life" (Gunther and Diamond, 2003).

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4.2. The Electoral Arena: Pattern and Direction of Competition

The parties' profile as described above should give us an initial idea of what they are and what they stand for. All cleavages basically could find a channel at the party level. But those descriptions of parties' profiles are of course static in nature. What did they do to win the election? What strategy did they employ to fit their ideological images?

Those parties would certainly engage in various crucial issues with a hope of winning support from various segments within the society. Thus, they must have tackled the three issues that deeply divided the society: religious, class, and regional issues. If the parties took different positions on these issues, we may see the patterns of party interaction and the content of party competition.

4.2.1. Religious Question

Historically, what defined an Islamic party was whether the party had an agenda to establish an Islamic state. Those that were pushing forward the idea of the Islamic state and wanted to apply it were considered Islamic parties and the rest secular. In the past, these opposing positions were epitomized by the party's acceptance or refusal of the Jakarta Charter.

Entering the 1999 election, the picture was slightly different. None of the parties that claimed to be Islamic parties explicitly put on their agenda to establish an Islamic state – at least in the period before the election. Reviving the idea of an Islamic state was not part of the electoral strategy advanced by the Islamic parties. As PPP replaced Pancasila with Islam as its ideology, its chairman, Hamzah Haz, clearly stated in his

campaign that PPP would not aim to create an Islamic state (*Kompas*, May 26, 1999).

Additionally, he said that PPP would let Pancasila remain the state ideology. Meanwhile

PBB, a party that sees itself as *the* inheritor of Masjumi, never promoted the idea of the

Islamic state or the adoption of the Jakarta Charter in its mission and campaigns. Yusril

Ihza Mahendra, the chairman, never directly addressed the issue of Islamic state in his

campaign speeches. Instead, he once made a contrast between PBB and Ikhwanul

Muslimin of Egypt and emphasized that PBB was not a fundamentalist party but was

very different from Ikhwanul Muslimin (*Kompas*, July 31, 1998). When proposing the

idea of amending the constitution, again Mahendra did not address the possibility of PBB

adopting the Jakarta Charter (*Kompas*, May 15, 1999). This was also true for PK. It did

not aspire to the establishment of an Islamic state in Indonesia. Nowhere in its political

documents[78] could one find any agenda of this party to endorse the Jakarta Charter.

Without promoting the idea of having an Islamic state, how did these three

Islamic parties activate the long-dormant Islamic cleavage? How did they relate

themselves to the interest of the Islamic community? And how did they advance their

electoral prospects?

Within the confines of winning the hearts of Indonesian Muslims, the three

Islamic parties appeared to rely on multiple electoral strategies. First, all of them made

use of typical Islamic symbols. PPP reused the cubical, black shrine of the great mosque

in Mecca for its logo. In its fourth congress at the end of November 1998, PPP decided to

reuse that logo when it also returned to its moorings as an Islamic party. (*Kompas*,

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[78] *Piagam Deklarasi Partai Keadilan* (Justice Party Declaration Charter), *Manifesto Politik Partai Keadilan* (Political Manifesto of Justice Party), and *Jati Diri Partai Keadilan* (the Character of Justice Party). All these documents were downloaded from www.keadilan.or.id (before it changed into www.pk-sejahtera.org) and documented by CETRO, undated.

December 7, 1998). PBB's logo was the crescent moon and star that reminded people of Masjumi's symbol. Meanwhile, the PK's logo was a combination of the two, the black cube and, within it, a vertical stripe and a crescent moon on each side of it. These Islamic symbols of course were meant to signal to electors that they were representing the Islamic community.[79]

A second strategy frequently used was a rhetoric that emphasized the identity of the Islamic community (*ummat*) and portrayed it as a political victim of the past.[80] This way, the Islamic parties persuaded the Muslim community to stand behind them to grab their political rights by joining or supporting them. In a way, they were promoting a sort of affirmative-sounding policy for the Islamic community. Alternatively, they looked back in history, emphasizing that Islamic movement leaders were a significant part, if not the most significant, of the independence movement.[81] Some campaigns even drew on the glory of the past, the Islamic civilization at a global level, and underscored Islamic superiority at that time. Either way, their campaigns encouraged Muslims to think about themselves as a distinct group with a unique identity and history.

The third strategy was more substantive. It had to do with how to translate Islamic values or principles into reality. In the past, this project was carried out by introducing *syariah* or Islamic laws into the constitution. This time the Islamic parties did not set the bar that high. What they wanted was to insert Islamic principles into specific laws such as

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[79] A survey limited to people who resided in Jakarta only was organized by *Tempo* in early January 1999. Two factors that helped the respondent to identify whether a party was an Islamic party were the party's logo and its leaders (*Tempo*, January 18-25, 1999).
[80] See "Jati Diri Partai Keadilan,", *ibid*. PPP's statute and profile (*Litbang Kompas*, 1999: 159-171), and PBB (*Litbang Kompas*, 1999: 361-382).
[81] Mahendra's statement was made during the interview with *Kompas*, July 30, 1998. In the same breath he also made his point that when "we [people] talk about Islam we talk about the whole nation because Indonesian Islamic leaders and Muslims fought for the independence. But when people talk about the nation, they overlook the role of Islam." (*Kompas*, July 31, 1998).

civil and criminal laws and banking law. Ahmad Soemargono of PBB, for example, said that the Islamic code on family inheritance should be accommodated in the law and enforced through a specific court (*Kompas*, May 28, 1999). It was even made explicit in its program that PBB would make a persistent effort to translate *syariah* into national laws (*Litbang Kompas*, 1999: 379). PK formulated this effort in an indirect way, stating that the Indonesian Western-based laws have detached them from the history and philosophy of the society (*Litbang Kompas*, 1999: 408). Since PK was an Islamic party, its version of history very likely meant that Indonesian society had gone through the process of Islamization. PPP, not as direct as PBB, also shared a similar idea and effort that it would revitalize Islamic teachings for transforming the society. This program was put under the heading of *hukum dan hak asasi manusia* or laws and human rights (*Litbang Kompas*, 1999: 168).

It is these distinguishing features, particularly the third, which set the Islamic parties apart from the rest. If we put these parties on the continuum of secular-religious, then they should occupy a place that is close to the right end which means the religious pole.

There are two other parties, PKB and PAN, which would not fit our category of Islamic party but can hardly be put in the secular column. Their leaders have thick Islamic credentials. PKB's Abdurrahman Wahid and Matori Abdul Djalil were the leaders of NU, and PAN's Amien Rais used to be the chairman of Muhammadiyah. As mentioned earlier, NU and Muhammadiyah are the largest Muslim organizations in the

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country with millions of followers.[82] However, from the outset PKB and PAN declared

that they were not an Islamic party and their leaders consciously chose to have Pancasila,

not Islam, as their ideology.

It was not an easy choice for PKB. Some elements of NU/PKB wanted to have an

Islamic party. It is understandable because historically and sociologically NU belonged to

the Islamic community and in the 1950s entered politics as an Islamic party. However,

Wahid and Djalil forced their way to form an inclusive, pluralist party of PKB with a

clear commitment to Indonesian nationhood – not to Muslim community. This dilemma,

as experienced by those party decision makers, is succinctly summarized by Yahya

Staquf – then a vice general secretary of PKB:

> "We put our bet on being an inclusive party. In a way, it was not worth it [in
> terms of maintaining PKB's traditional constituents]. When we put all our effort
> in selling the idea of being an inclusive party and tried to socialize it, we had to
> face a lot of resistance from our own community. Some NU *kyais* simply reneged
> from PKB due to that decision. The same thing happened when we were pushing
> forward an initiative to call off the Assembly's decision made in 1967 that banned
> PKI. This tactic backfired."[83]

The effect of the PKB ideological choice was prompt. Some *kyais* subsequently

decided to split from PKB and form their own parties: PNU, PKU, and Partai SUNI.[84] So,

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[82] These two sub-Islamic communities are known for their orthodoxy. NU is known as traditionalist and
Muhammadiyah modernist. One aspect that distinguishes the traditionalists from the modernists is their
adherence to interpretation and teachings of Islam as developed by Islamic scholars over a long period of
time. Another aspect is that they are more flexible than modernists in terms of having more toleration
toward local cultural practices that intersect with religious practices. The modernists typically treat the
Qur'an and Hadith (the prophet's saying and deeds) as the only source of interpreting Islam. In practicing
Islamic teachings, the modernists are not flexible, desiring to purify Islam while refusing to tolerate local
culture practices. (For a more detailed discussion on the distinction between the two, see Liddle and Mujani
2003: pp 4-8).
[83] Interview, January 5, 2005.
[84] PNU, Partai Nahdlatul Ummat or The Awakening of Islamic Community; PKU, Partai Kebangkitan
Ummat, it has the same meaning as PNU – only that Nahdlatul is written in Indonesian word; SUNI,
Solidaritas Uni Nasional Indionesia, or United Solidarity of Indonesian Nation.

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it was not a coincidence that PKB, PNU, and PKU all had similar logos of a globe with nine stars – the basic elements of NU's logo.[85] At the end, PKB preferred to stick with its original choice to be an inclusive party with all possible trade-offs that came with it.

PAN also faced a similar dilemma – at least for Amien Rais, the chairman. A media darling because of his quotable statements, Rais was such a well-known public figure that PPP in early August 1998 offered him to be a member of PPP's council of experts.[86] With strong Islamic credentials,[87] and admittedly a long-time sympathizer of PPP, his acceptance of the position seemed to be a matter of course (*Kompas*, August 15, 1998). In the meantime, however, Rais was deeply involved with a group of prominent figures that was continually observing and responding to the ever-changing political and economic situation. On May 14 1998, with those prominent figures from various political persuasions and religions, he established *Majelis Amanat Rakyat* (MARA), or People's Mandate Assembly, which critically monitored and gave day-to-day assessment of crisis development.

Rais admitted that he was vacillating between accepting PPP's offer and developing MARA – which he at that time could envision to become a new political party (*Kedaulatan Rakyat*, August 15, 1998).

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[85] These three parties succeeded to pass through the process of selection carried out by the Team of Eleven and all participated in the 1999 election. PNU, PKU, and Partai SUNI were led consecutively by Sjukron Ma'mun, Yusuf Hasyim (Wahid's uncle), and Abu Hasan (Wahid's rival in NU congress held in 1989 for the chairmanship position). The tension between the four parties partly was caused by the competition for the top position in PKB. When PKB was declared on July July 28, 1998, Matori Abdul Djalil was chosen as the chairman of the party. He was supported by Wahid, the most influential figure in NU. Wahid reasoned that Djalil fitted the position because he was one of the NU figures with a good track record in politics (Djalil, 1999:5). He continued on that Djalil had gone through ebbs and flows of political Islam. But a segment of *kyais* did not share Wahid's vision as admitted by Djalil himself (Djalil 1995: 17).
[86] PBB also asked Rais to join it. But he said that he did not share PBB's vision of politics (*Forum Keadilan*, September 7, 1998).
[87] He was part of Muhammadiyah leadership in 1985. Then he became an assistant of Indonesian Muslim Intellectual Association from 1991 to 1995. From 1995 to 2000, he was at the helm of Muhammdiyah. These three positions, to mention a few, were sufficient proof for his Islamic credentials.

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On August 23, 1998, PAN was founded and declared in the national stadium in front of hundreds of thousands of supporters. It ended Rais' dilemma when he finally chose to go with MARA that eventually transformed into PAN. In his first political speech as the chairman of PAN, Rais emphasized that PAN was designed to be an inclusive party in which people of different religions and diverse ethnic backgrounds could work together on a common platform. In various campaign stops and interviews, Rais reiterated the inclusiveness of PAN and drew a parallel between PAN and Indonesia, both of which were marked by pluralism (e.g., *Tempo*, January 5-11, 1999).

This claim was corroborated. The structure of the PAN leadership mirrored the ideological choice of PAN as an inclusive party. Prominent figures from various religions and ethnic backgrounds were accommodated in the structure. In an interview, Rais even made a claim that PAN was more inclusive than PKB. "I would say," went Rais' argument, "PAN is not like PKB of which its structure of leadership was dominated by NU *kyais* and officials. In PAN, Muhammadiyah contributes only one third of the leadership. Thus we cannot say that PAN is Muhammadiyah's party." (*Forum Keadilan*, September 7, 1998).

For all his choices, Rais offered multiple reasons. For canceling his plan to join PPP, he said that he did not want to disrupt and block the political career of any former PPP members by taking the offer[88] (*Kompas*, August 15, 1998). For establishing PAN, he was also thinking about making an experiment with a new approach to politics, leaving the practice of "religious politics" in the 1950s behind and trying to introduce a modern,

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[88] PPP leaders told Rais that by becoming a member of the council of experts, Rais could actively participate in the coming PPP congress and could even open up his opportunity to become PPP's chairman. But this idea found resistance from NU and MI elements within PPP (Rais, 1999: 323).

more rational politics. In his words, he was making a "political *ijtihad*" – an Islamic term for a Muslim who is trying to find a new path in dealing with an uncharted terrain. The uncharted terrain for Rais at the time was the situation in which the Islamic community has to live together with other religious communities and to find a common ground among them to solve common, national problems (*Kompas*, August 25, 1998). On occassions, Rais said that he did not want to limit his choice to parties which relied solely on "captive market" of Islamic community or more limitedly the Muhammadiyah community.[89]

Rais' choice came with a price, predictably. Among his colleagues in Muhammadiyah, he found some objection. He said that those who approached Islam legalistically did not agree with what he did. (*Tempo*, January 5-11, 1999). His encounters with people around him also gave him an interesting assessment for PAN's prospects: for one vote of Chinese and two Christians that he could win, he would lose 10 male Muslims and 20 female Muslims. (*Tempo*, January 5-11, 1999). While this assessment did not necessarily square with reality, a segment of Muhammadiyah members and sympathizers would very likely leave Rais.

We have now seen how PKB and PAN defined themselves after they muddled through their ideological choice. We may argue then that these two parties were not Islamic parties. They should not be put in the same category with PPP, PBB, and PK. But their sociological roots in the Islamic community pose a problem as to how to label them. Arskal Salim (1999) categorized them as Islamic parties. Baswedan (2004) calls them

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[89] Rais and Staquf similarly used the term "captive market" for describing the PKB's and PAN constituents which, in their views, would automatically vote for their parties provided that PKB and PAN would have chosen to be an Islamic party.

inclusive-Islam parties. Mujani and Liddle (2005) see them as secular parties. This

conceptual (or semantic) confusion, however, should not pose a problem when we try to

put them in the secular-religious continuum. Both parties can be put at a point that was

closer to the center than the Islamic parties are.

Now we have PDIP and Golkar to assess. They should be less problematic for us

when it comes to identifying their ideological character and putting them in the secular-

religious continuum. Unlike PPP, these two parties did not change their ideology as they

entered the *reformasi* era. They firmly held onto Pancasila which was generally perceived

as a mark of a secular party or at least not of an Islamic party.

Thus, when Golkar was redefining its position, any changes it made during that

process did not touch the religion issue. And it appeared that way at the time when

Golkar did away with its advisory council (*dewan pembina*) in order to make Golkar

independent, free from any patrons.[90] An internal organizational adaptation had to be

executed too as public pressure was mounting for Golkar to cut its ties with the civil

servants and the military and to leave them politically neutral. As if it was not a hard

enough blow, MKGR and Kosgoro deserted Golkar – at least their leaders founded a new

party or joined other parties.[91] As its three major components parted ways, Golkar had to

live with what remained. "What have remained [in Golkar] were two groups, the

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[90] It mainly referred to Soeharto as the head of the advisory council. Due to his political standing, if needed, Soeharto could easily override any decisions made by Golkar formal leaders.
[91] MKGR Party was founded on May 27, one week after Soeharto's resignation. Hayono Isman of Kosgoro joined PKP that was founded on December 15, 1998.

"activist" and the corporate groups," explained Eki Syachrudin, then the head of Golkar's department of election strategy.[92]

It was the activist group that built and maintained its connection with the Islamic network. Golkar's chairman at that time was Akbar Tandjung who used to be the chairman of HMI (Islamic Student Association). Under Tandjung's leadership, many more alumni of HMI joined Golkar. By no means did HMI's alumni dominate Golkar. But Golkar had an Islamic element within it. With this element, Golkar could maintain its good relationship with the Islamic parties through personal ties but not necessarily ideological ties.[93] Within the activist group itself, Syachruddin added, there were also non-Muslim components that could function as a counter balance within Golkar when it deals with religion issues. Above all, Golkar, in Syachrudin's view, was more interested in developing and discussing economic issues than in debating religious issues. This tendency was in line with the fact that many of Golkar's influential members were businessmen.

Thus, when put in the continuum, Golkar should be placed in the same place as PKB and PAN or slightly to their left which is a little closer to the secular end.

As for PDIP, many say, it represents the secular cleavage. In domestic phrasing, the secular cleavage may be known by different names. Borrowing Geertz's term, this

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[92] Interview, December 17, 2004. The activist consisted of various alumni of student organization leaders such as HMI (Islamic Student association), GMNI (National Indonesian Student Movement), PMKRI (Catholic Student Organization), GMKI (Christian Student Movement), et cetera. The corporate group, on the other hand, comprised a variety of business organizations such as HIPMI (Association of Indonesian Young Entrepreneurs) and REI (Association of Real Estate Businesses).

[93] During the New Order Era Golkar also developed organizational arms that were specifically designed for embracing Muslims: MDI (Majelis Dakwah Islamiyah, or Islamic Preaching Assembly), Laskar Ulama (Troops of Religious Teachers), and Pengajian Al Hidayah (Qoranic Recitation forum). These were not of course meant to be ideological but they were part of Golkar's marketing strategy (Syachrudin, interview, December 17, 2004).

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group may be called *abangan* -- a Javanese segment that preserves indigenous religious traditions in their spiritual life. They may practice some elements of Islamic prayers and rituals but are never totally captured by Islam. In other words, they do not take Islam as seriously as they take Javanese tradition. They may also be called nationalist, a more neutral term with much less cultural bias. Or they may simply be called *kaum sekuler* or the secular group, a term that we use here. These various names point to the similar segment or cleavage that opposes Islamic domination socially and politically. As far as political Islam and its dominating tendency is the concern, the group may make an alliance with other minority groups – including religious minorities – to maintain the secular nature of the Indonesian state.

In the past, these groups of people channeled their political aspirations through PNI or PKI (Liddle, 1978). Formulated in a different way, PNI and PKI competed for the allegiance of the secular. PDIP, as previously shown, inherited PNI's political legacy by being the bastion of the secular. This historical image was still there when PDIP was preparing itself to compete for the coming election.

That PDIP embraces the secular was demonstrated in its congress that was held in mid October 1998 in Bali. In this congress, after winning the top position in PDIP, Megawati formed the party's cabinet which was composed of old and new faces. Among the new faces were Major General (ret.) Theo Sjafei (a Christian), Meilono Suwondo (a nationalist), and Shaluhuddin Wahid (NU).[94] For the key position of party secretary general, Alex Litaay (a Christian from eastern Indonesia) was chosen by Megawati. This

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[94] Other prominent names who became PDIP elite were Kwik Kian Gie (a Chinese, Christian), Laksamana Sukardi (banker, nationalist), Mohtar Buchori (a professor, Muslim), and Aberson Sihaloho (Christian). Their backgrounds were either Christian or nationalist except for Buchori.

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composition, in the view of Fachry Ali – a political observer – strengthened the image of PDIP as a secular party.

However, what defined the tension between the secular and the religious (i.e. Islam) was a series of statements and reactive responses that took place outside the congress. On October 14 1998, AM Saefudin, a minister in Habibie's cabinet who happened to be one of PPP's leaders, assessed Megawati's prospects for winning the presidency. When he was being interviewed by journalists after a cabinet meeting in the presidential palace, Saefudin said that Megawati's prospect was dim. It was not really the prospect assessment itself that became controversial but his statement that said Megawati was a Hindu. And he added a rhetorical question, "Do you think Indonesians would willingly choose to have a Hindu president?" (*Tempo*, October 27 - November 3, 1998).

A week later, a series of massive protests spread out of Bali demanding Saefudin to apologize. These protests were soon followed by Megawati's sympathizers in various cities in East and Central Java. Saefudin did offer an apology. But this series of events set the tone of subsequent party competition. PDIP and PPP in the larger picture were moving to opposite directions on this religious-based issue. And it created a polarizing division at the society level as well.

4.2.2. Class Question

The religious issue, as we have already seen, was pivotal in defining and directing party competition. But political parties of course would not engage on one issue only. The arena was relatively open so that political parties, old and new, would have an equal

opportunity to activate the quiescent class cleavage and to channel class interests, if they put an effort into it.

The situation looked favorable for the parties to utilize this issue for electoral purposes. This was because the economic crisis would theoretically boost the political parties to exploit class issues in order to improve their electoral prospects. How did they deal with the issue of economic crisis in their campaigns and programs? In this regard, did positions taken by the political parties reflect class opposition? Formulated differently, did this issue lead the parties to a degree of political competition as the religious issue did?

Ekonomi kerakyatan or people's economy was a key concept used by many parties for describing their economic visions. The concept itself seemed to be left-loaded at first glance but it becomes a little more difficult as we try to pin it down. However, this concept is still useful for us to help recognize parties' positions on the left-right continuum within the Indonesian context, and we shall see how this concept relates to class issues. So we may use this as a starting point for placing the parties on the left-right continuum.

The concept was originally coined by the Assembly during a special session held in November 1998. Through one of its decisions, the Assembly introduced the concept of *demokrasi ekonomi*[95] or economic democracy which later was popularly known as *ekonomi kerakyatan* or people's economy. The basic purpose of the introduction of the concept was to give the government a direction in rebuilding the faltering economy. The core problem that caused the economic crisis, as seen by the Assembly, was the heavy

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[95] TAP MPR or the Assembly's decision No. 16/MPR/1998.

reliance of the country's economy on big businesses which were composed of domestic conglomerates, state-owned enterprises, and multinational corporations (Kwik, 1998). More specifically, the domestic conglomerate was mentioned as the prime target of criticism because its economic domination barely left any room for the people-based economy (*ekonomi rakyat*) to grow. Thus, it looks as if the concept of *ekonomi kerakyatan* was the antithesis of the conglomerate-dominated economy. Let us see how the decision specified what needed to be done to attack the problem.

Article 2 said that the national development strategy should be able to facilitate the creation of a strong and sizable middle-sized business class. This article clearly did not mean anti business or anti privately-owned business. What it specified was the need to create a more balanced composition of private economic actors in terms of business size. It implied that business players were categorized into large, medium, and small scales.[96] Article 4 gave a further specification that the small and medium-sized businesses should be assisted to develop. But this article did not mean to force the big businesses to give up their assets as Article 5 said: while the growth of cooperation, small and middle-sized businesses is encouraged, it should not discount the role of big business and state-owned enterprises in the economy.

So what sounds leftist as the term itself seems to suggest actually was not as radical as it sounds. Neither was it about the abolition of private ownership nor about forcing the nationalization of private enterprises. It is more about the composition of economic players in the national economy. However, Article 6 did mention the need to

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[96] In domestic terms, these three business entities are known as *konglomerat* (conglomerate), *kelompok usaha menengah* (medium), and *usaha kecil* (small). The last two are generally abbreviated as UKM or small and medium businesses.

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eliminate the concentration of land ownership but did not specifically point to the land use and ownership by conglomerates. And Article 11 specifically mentioned the right of the labor class to establish independent organizations and the possibility of unions to participate in company ownership but did not indicate that the union ownership was mandatory.

Thus, the Assembly's decision that consists of 14 articles, we may see it, was slightly tilted to the left. This could be used as a benchmark for placing political parties in the left-right continuum. In fact, the term people's economy had become a useful shortcut for political parties to portray themselves as left-leaning or at least left-sounding. And they used it in their campaigns for luring the enormous number of voters who were experiencing economic hardship during the crisis. In other words, it set the tone of parties' rhetoric of being left-sounding or of molding their populist image. But definitely, there was room for debating what articles 2, 4, and 5 really meant. Suppose that the growth of small and medium-scale of business should be encouraged. Did it mean that the government must devise an affirmative type of policy in all sectors? The decision did not explicitly mention this. Also, as mentioned earlier, union ownership was not explicitly described in Article 11 as mandatory. Political parties then could still have a choice by moving farther to the left, staying in the middle, or moving to the right. How did all those parties position themselves on these issues?

In a seminar which was entitled "Building People's Economy: Parties' Visions and Agendas," conducted in Jakarta in late February 1999, Dawam Rahardjo, one of the PAN leaders, said that there was an urgent need to restructure government policy in regards to helping grow the small and medium-sized businesses. The conglomerates had

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enjoyed too much favorable government treatment for so long a time, he criticized, that the government policy must be altered (*Kompas*, March 1, 1999). He thus implied that developing small and medium-sized businesses should be carried out through political means. Fadel Muhammad of Golkar agreed with Rahardjo's statement. In a newspaper column, written two months before the seminar, Muhammad even stated explicitly that the government must make a preferential policy for the small businesses (*Kompas*, December 3, 1998).[97]

Yusuf Faishal, the head of the economics department of PKB, in the same seminar even made a bolder statement, saying that every province must have a local state-owned enterprise with a task of nurturing small-sized businesses.

A similar vision was also held by PDIP and PPP. Kwik Kian Gie of PDIP described one of the PDIP's programs to empower small businesses by giving them, among others, management training (*Kompas*, February 23, 1998; cf. *Tempo*, October 13-19, 1998). And it was very likely that that program would be a governmental program once PDIP was in the government. PPP was not far from this position. In a debate on parties' programs, Hamzah Haz, the chairman of PPP, said, "What we need to do is to give the small and medium businesses more opportunities to develop. We do not prevent the big business from growing but it has to carry along the small ones." (*Kompas*, May 25, 1999). PK promoted a similar economic view that the government needed to adopt a sort of affirmative policy but did not give further specifications (*Litbang Kompas*, 1999:

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[97] It was an interesting take for Golkar – as represented by Muhammad – that it was moving to the left by promoting the idea of people's economy. As it was known as the government party that enjoyed a lot of economic support from the conglomerates, Golkar seemed to make an ideological leapfrogging. We may see, however, that Golkar's rhetoric was purely an electoral strategy. Before the election, Golkar was harshly criticized by all parties and was seen as the common enemy that many people wrote off as an ongoing party that would end. This fact would likely force Golkar to be left-sounding.

406-07). PBB looked different at first in that it promoted the idea of an Islamic economic system. However, it stopped short in making a coherent blueprint that shows the key features and the feasibility of the system.[98]

In brief, all major parties seemed to have a tendency of defining themselves as leftists. The fact that political parties did not see the business class as a monolithic entity does pose a problem for us in placing the parties on the left-right continuum. However, if our criterion of placing them on the continuum is based on the role of government in the economy we may stick with putting them left of center: all of them wanted the government to facilitate the growth of middle-size business. Does it mean that they were all against the market?

Megawati, the chairwoman of PDIP, during her visit in Singapore in mid March 1999 made a clear statement that she would stick with the market economy if she won the presidency. "A good, competitive business climate would be created," she emphasized, "and I would not apply any control on capital flows [in and out the country]." (*Kompas*, March 16, 1999). Amien Rais of PAN made a similar statement after making a long overseas political journey that he (PAN) would stay with the market system (*Kompas*, March 16, 1999). Golkar, PKB, PPP, PK and PBB were similar; none of these parties would radically thwart the market. So we may conclude that all parties were developing a sort of mixed view in terms of finding a new balance between market and planned economy. They knew that forcing economic redistribution through political means – let

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[98] Both PK and PBB had invested in efforts to formulate an Islamic economic system. Even though the desire to create one has not died for e segment of the party, the recent tendency in PK has been to abandon the idea of creating an Islamic economy (interview with Zulkiflimansyah, February 3, 2005). Meanwhile PBB preferred to the use a piecemeal approach toward an Islamic economic system. It did not have a blueprint of what Islamic economy would be like but maintained what already exist such as *syariah* banks (interview with Kaban, January 21, 2005).

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alone business asset redistribution – would only scare investors away from Indonesia. Megawati and Rais exactly knew this problem and that was why they made overseas trips for relating themselves to the interests of domestic and foreign investors.[99] At the same time, however, party leaders knew that taking a rightist position would not be popular and could harm their electoral prospects. They needed to be portrayed as the defenders of people's interests. Thus, it seems that boosting a "populist image" was the best electoral strategy for them. Did this strategy inspire them to relate themselves to labor interests?

An examination of parties' stances on labor issues gives us an interesting picture. That the emergence of the labor class was evident should have given the parties an incentive to count them in their political calculations. The fact that laborers were one of the victims of the economic crisis should have given parties another incentive to channel labor interests. However, almost no major parties were interested in utilizing labor issues in their campaigns.

Golkar can be our first example. Historically, Golkar was never close to the labor class during its heyday. It only connected itself to the labor class through the government-sanctioned labor organizations. It therefore never became a true alternative for the labor class to channel its interests. And it was unlikely that Golkar would leapfrog ideologically to become a party of the left. An immediate factor that Golkar considered was more pragmatic in nature. Budi Harsono, then the secretary general of Golkar, described a general perception among Golkar leaders on the nature of the labor class by saying, "The labor class during the early time of the crisis was not a significant force; it

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[99] In particular, their trips were intended to persuade Chinese Indonesian businessmen who fled from Indonesia following the 1998 riot. Many of them resided in Singapore and mostly parked their money in Singaporean banks.

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was fragmented, and economically beaten up. Therefore Golkar did not feel the urgency to open special room for labor issues in its campaign."[100] Also, in his view, the general public had less sympathy for labor movements because on many occasions they could be uncontrollable and turn to violence.

PPP did not seriously consider making use of labor issues in its campaign either. According to Tosari Wijaya, one of PPP's leaders, he tried to bring labor issues to the attention of PPP leaders and suggested that PPP's campaign strategy for the 1999 election should have included labor issues. However, he said, "None of [the PPP leaders] were interested in the idea."[101] It is evident that PPP was more comfortable with utilizing religious issues than exploiting class issues.[102]

PDIP, if we look at its history, should have become a party that would relate itself to the labor class. This is the party that inherited PNI's legacy as a party for *wong cilik,* little people, or those who are in the lowest strata of the society. The concept of *wong cilik* is wider than the labor class since it includes self-employed people, artisans, small businesses, farmers, and all economically marginalized people.[103] Industrial workers are definitely part of it. Thus, sociologically PDIP had more reasons for activating class cleavage, particularly the labor class.

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[100] Interview with Budi Harsono, then the secretary general of Golkar, December 20, 2004.

[101] Interview, December 29, 2004. In Tosari's view, laborers can easily be organized and they usually did not mind to make financial contributions for advancing their interests.

[102] A group of conservative ulemas or in Tosari Wijaya's words, the stakeholders of PPP, had a very strong influence in determining PPP's policy. This group often overrode any progressive ideas that came from other components within PPP (Interview with Wijaya, December 29, 2004).

[103] In retrospect, Akhmadi also emphasized that the outlawed PDIP's branches at local level were run by the politically and economically marginalized people. On one side, during the repressive New Order, PDIP's survival relied heavily on these people. On the other side, PDIP later on had to face a problem of maintaining control over those various groups of people. When it needed to rebuild a coherent party leadership and organization, PDIP had to face a problem in dealing with them. Many of them did not have organizational and political experience, and sufficient qualification, to run a modern and coherent party (Interview, January 18, 2005).

The Bali congress, however, witnessed a less than enthusiastic PDIP in promoting labor issues. None of its important political statements made in the congress singled out the need to relate PDIP to labor class interests. Instead, PDIP announced a new composition of the party cabinet, its target for winning the election by grabbing 55% of the votes, promotion of Megawati's presidential candidacy, refusal of having a federal state, and empowering people's economy. But it stopped short in maintaining its image as the defender of the lower class or particularly the labor class (*Tempo*, October 13-19, 1998). If we look at the composition of PDIP, we may even see that PDIP appeared to use a new approach of recruiting new members from the business class, e.g. Arifin Panigoro and Meilono Suwondo. These successful businessmen were included in the structure of the PDIP leadership.[104] So, PDIP intentionally or unintentionally had diluted its image as the lower class political vehicle. It was becoming more like Golkar, a catch-all party which did not have a particular social base.

If these parties did not specifically address the interest of the labor class, who would? There were five political parties – out of 48 – that developed a pure class-based approach. As described earlier, PRD, PPI, PSPSI, PBN, and PSP were all for the working class. More precisely, they explicitly stated that they were representing the labor class in their statutes[105] and campaigns. Thus, these parties must be placed on the very left of the left-right continuum.

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[104] On the surface, it appeared that PDIP tried to widen its social bases by recruiting public figures that came from the middle class such as Laksamana Sukardi (a successful banker), Arifin Panigoro and Meilono Suwondo (successful businessmen) into the top level of leadership structure. But the reason was more practical, much less ideological. These three were publicly well-known; and PDIP needed them to be either a vote getter or a financial contributor. Interview with Heri Akhmadi, January 18, 2005.
[105] See *Litbang Kompas*, 1999: pp. 217-28, 263-72, 333-346, 497-507, and 595-607.

The addition of these parties to the left-right continuum does not significantly alter the bigger picture. All parties placed themselves on the left side on the continuum; and none of them were on the right side of the continuum. What we had then were the parties on the very left and the parties that were slightly on the left of the center. Golkar, a party that was supposed to be on the right, had portrayed itself as a party of the center left in regard to class issues. Its history informs us that the majority of businessmen were close to Golkar but the political situation seemed to force it to use left-sounding rhetoric for the sake of survivability and electoral strategy. In brief, the left-right continuum did not render the meaningful party competition – let alone polarization – that the secular-religious continuum did.

4.2.3. Regional Question

There was a factor that theoretically could discourage political parties to exploit the tension between the national and regional interests for their program or campaigns. The final section of Chapter 3 has shown that the laws on regional autonomy had given unprecedented concessions to regional and local governments in terms of power and wealth distribution. Thus, that section concludes, the regional grievances were addressed through legal means. By implication, political maneuverings for political parties in making use of regional issues would likely be limited.

However, it does not mean that political parties did not have any room to make any maneuvers in regards to activating the regional cleavage. Just as they did to the class issue, they could still make use of the regional issues in their efforts to build or reach their social base or to win votes. Additionally, there was a time-lag between when the

laws on regional autonomy were made and when new political parties were established. Many new political parties were established right after Suharto's resignation in May 1998, while the autonomy laws were officially adopted consecutively on May 4 and 9, 1999.

PAN was quick in responding to the regional grievances. It offered the regions the idea of having a federal form of state. In an interview in August 1998, Amien Rais said that Indonesians as a nation needed to be open to think about the demerits of having the unitary form of the state. The fact that Indonesia has diverse cultures and uneven distribution of natural resources, according to Rais, made the unitary state too centralistic for Indonesia. In fact, it had generated a lot of protests from the regions because of the perceived unfairness of the central government in redistributing the economic wealth. Therefore, he insisted, "We need to consider the pluses and minuses of having either a unitary or a federal form of state." (*Kompas*, August 20, 1998). During its declaration as a party, again, Rais reaffirmed that promoting the idea of federalism was one of PAN's main agendas (*Kompas*, August 24, 1998). In the following months, in various forums of party debates, PAN became the promoter of the idea of federalism.

Thus, by pushing the idea of federalism forward, PAN had placed itself on the very right of the national-regional continuum – as the staunchest defender of regional interests.[106] On the very left, it was PDIP that preferred to stick with the unitary form of the state which was domestically known as NKRI, *Negara Kesatuan Republik Indonesia*,

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[106] The only party that stood farther to the right that PAN did was PRD that refused to participate in the election in East Timor region. Instead, it wanted a referendum was conducted for East Timor. PRD's stance had drawn a protest from the minister of Home Affairs who threatened to file a complaint to General Election Committee asking a penalty for PRD (*Kompas*, April 10, 1999). This party, however, failed to win any seats in Parliament.

or the Unitary Republic of Indonesia. (*Kompas*, May 31, 1999). The contrast between the two became more obvious when it came to finding a political solution for the troubled province of East Timor. Some elements of the East Timorese wanted political independence from Indonesia while others preferred to be part of it. PAN, through its vice general secretary, Santoso, offered special autonomy for East Timor but would let it go if the majority of East Timorese preferred to part ways with Indonesia. In line with its basic view, PAN put the regional interest first even if, as the case of East Timor, it could mean granting East Timor the right to be an independent state. This was in stark contrast with PDIP's position. Theo Sjafei of PDIP argued that East Timor was an integral part of Indonesia. So the furthest choice that East Timor could make was to have autonomy within the framework of the Indonesian unitary state.[107]

Golkar was as firm as PDIP. When PAN put its effort on marketing the idea of federalism, Tandjung the chairman made a strong statement in his meeting with Golkar regional leaders that Golkar refused federalism. He said that Golkar would never accommodate the idea of transforming Indonesia into a federal state. He even said that the chance for Golkar to make a coalition with PAN was nearly zero. It was because PAN offered the idea of federalism in dealing with the regional grievances. (*Kompas*, September 1, 1998).

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[107] These two positions were stated in a public party debate on Options for East Timor (*Kompas*, May 8, 1999). Megawati reiterated in many of her public speeches that PDIP sees East Timor as part of Indonesia, so any option beyond autonomy was not an option (*Kompas*, May 23, 1999).

Other parties, in general, preferred autonomy to federalism as their way of responding to the regional grievances.[108] These included PPP, PBB, PKB, and PK. PBB explicitly refused federalism. PPP and PKB were for autonomy. PK was not different and it even underscored the merits of the unitary state as a source of political stability. Thus, all these parties can be put at a point that is closer to PDIP's position than to PAN's. Looking at these facts, it appeared that the political division pitted PAN against the rest. The question is: what constituted autonomy that makes it different from federalism?

The essence of federalism as advanced by PAN had two elements: the balance of political power between the central and regional/local government and the redistribution of wealth extracted from different regions. In a party debate, Faisal Basri, the secretary general of PAN, pointed out that the government decision-making process was too centralistic, and the central government withheld too much regional income extracted from natural resources with too little return to them (*Kompas*, May 19, 1999).[109] Alfian Dharmawan of PPP in the same forum agreed with Basri that the decision-making was too centralistic and a new arrangement was needed that the regions would have more power in the process. In addition to this, the regions should have obtained higher financial returns from the central government. PK also shared that view and added that Bappenas, National Development Planning Board, should be eliminated.

The autonomy laws specified more clearly the scope of autonomy. They dealt with PAN's two-point concern. They spelled out the limits of the central government's

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[108] The positions of PPP, PBB, PKB, and PK on the issue of federalism are excerpted from their statutes compiled in *Partai Politik Indonesia: Ideologi, Strategi, dan Program*. Jakarta, Litbang Kompas, 1999. In particular, see pp. 170, 371, 421, 406, 407 and 409.

[109] This statement was made during a party debate conducted in May 18, 1999. PAN's statute did not provide more specifications on what PAN meant by federalism. So, Basri's statement was the most detailed definition of federalism that one could get.

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power and a formula for wealth distribution (see Chapter 3). PPP, Golkar and PDI (to be distinguished from PDIP) were the parties that were responsible for formulating crucial points of the laws in Parliament. And when the laws were formally adopted, no parties showed any objections.[110] It definitely accommodated two crucial points as demanded by PAN.

Thus, we see, when we unpack the concepts of autonomy and federalism we do not find any substantial differences between them. What PAN stood for is similar to what the other parties defended for. Therefore, what appeared to be polarizing at first is not what it was. The law also made it more specific that the central government would posses the power of formulating foreign policy and of managing security, fiscal, legal, and religious affairs only (see Article 7, Clause 1 of Law No. 22/1999). With such a limitation, the power of the central government actually resembles the power typically belongs to a federal government. Therefore, it could be said that what happened is the implementation of federalism under the guise of autonomy. But the most important point to note is that the regional issue did not generate a true competition among parties.[111] In other words, as the election was approaching, the differences among political parties – in terms of defending regional interests – were drastically lessening.

We have seen how the parties tried to relate themselves to collective interests within the society and how, from there, the party competition emerged. We have also seen that the three major lines of competition – the religious, class, and regional – did not

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[110] Ample time was available to all political parties if they wanted to criticize the laws. The election was held on June 7, 1999, while the laws passed Parliament in the first two weeks of May.

[111] It is worth noting that Rais (or PAN) was softening his voice in promoting the idea of federalism. Sensing the strong resistance, Rais once asked his competitors not to politicize the debate on federalism. He said that the bottom line of PAN's idea of federalism was to find a fair formula to redistribute the funds extracted from various regions (*Kompas*, October 13, 1998).

equally shape the nature and direction of party competition. The religious issue was the strongest determinant in defining the content and the direction of the competition. It produced a polarizing tendency among the parties more than the class and regional issues did. By employing all of those electoral strategies, what did each party get in the election?

4.2.4. The Election Results

The 1999 election gives us some predictable as well as surprising results. As widely expected, the election produced a multiparty system without any of them becoming dominant. The largest party, PDIP, commanded only one third of the total votes tallied. It was the winner of a plurality but did not gain a majority status. The remaining votes were distributed to 18 parties with at least one parliamentary seat.

Interestingly, the three old parties, PDIP, PPP, and Golkar, were among the top four. And surprisingly, the class-based parties were only able to garner a small number of votes which did not translate into parliamentary seats at all.

Surprises can also be found at the party level. A big surprise was Golkar's electoral performance. Against the predictions of observers as well as opponents, Golkar turned out to be performing well. Not only did it survive a possible implosion and from the continual attacks launched by virtually all other parties, but also it turned out to be the second largest party. Another surprise was PAN. Becoming a pluralist, catch-all party and having a lot of public figures in its leadership structure made observers optimistically believe that this party would become one of the largest parties. The fact is that PAN grabbed only seven percent of the votes. PBB, that attempted a Masjumi revival, barely

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passed the two-percent threshold. Other Islamic parties – save PPP – suffered an electoral

blow worse than PBB. Let us now look at the actual distribution of the votes in the

following table:

Party	Votes	Seats
PDIP	35,689,073	154
Golkar	23,741,749	120
PPP	11,329,905	59
PKB	13,336,982	51
PAN	7,528,956	35
PBB	2,049,708	13
PK	1,436,565	6
PKP	1,065,686	6
PNU	679,179	3
PDKB	550,846	3
PBI	364,291	3
PDI	345,720	2
PP	655,052	1
PDR	427,854	1
PSII	375,920	1
PNI Front Marhaenis	365,176	1
PNI Massa Marhaen	345,629	1
IPKI	328,654	1
PKU	300,064	1
Total	89,097,009	462

Source: KPU (www.kpu.or.id)

Table 4.1: Election 1999: the Distribution of Votes and Seats

The distribution of the votes as shown above was then translated proportionally

into parliamentary seats. The largest remainder method was used for translating the

remaining votes of each party collected nationally from every province. Customarily, as

found in other parliamentary systems, this Parliament should have selected the head of

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the government. The Indonesian constitution, however, specified that the head of the government (president) must be selected by the Assembly which consists of all parliamentary members (500) plus a group of regional delegates[112] (135) and another group of functional representatives (65). Altogether, the Assembly comprised 700 members. The composition of factions in both institutions can be seen below:

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[112] The regional delegates did not form their own faction in the assembly. Instead, each delegate joined a party faction of his or her choice. They were appointed by regional governments but, in practice, the process of appointment was mostly determined by the winning party in each province. As can be seen in the table, each faction in the assembly obtained additional seats albeit less proportionally. The disproportional seat addition was due to the number of provinces won by individual parties. The more provinces a party won the more additional seats it obtained. Golkar, for example, won in more provinces than PDIP did; therefore, it obtained more seats in the assembly (see Table 4.2).

Factions (*Fraksi*)	DPR (Parliament)		MPR (Asembly)	
	Seats	%	Seats	%
PDIP	153	30.6	185	26.9
Golkar	120	24.0	182	26.1
PPP	58	11.8	70	9.7
PKB	51	10.0	57	8.5
Ref. (PAN and PK)	41	8.2	49	6.2
PBB	13	2.6	14	2.1
KKI	13	2.6	13	1.8
PDU	8	1.6	9	1.3
PDKB	5	1.0	5	0.7
TNI/Polri (the military)	38	7.6	38	5.6
Utusan Golongan/Functional Group Delegates			73	10.1
	500	100	695*	100

* According to the Constitution, the Assembly should consist of 700 members; 500 come from Parliament, 135 are from regional delegates, and 65 are functional group delegates. Since the regional delegates are from parties at the regional level, they join those who are from the same party in the DPR. It remains unclear why the number of functional delegates increased to 73. This data is from an NDI publication in 1999. The remaining 5 seats that were intended for delegates from East Timor Province have been empty since the East Timor became an independent state in 1999. The number of seats each party had mostly increased because the regional delegates did not form an independent faction, and individually they joined with parties' faction of their choice. Their choice corresponded but did not necessarily square with the distribution of votes at the local level.
Source: DPR and MPR secretariats as of 2001 (www.dpr.go.id and www.mpr.go.id), NDI, 1999.

Table 4.2: The Distribution of Seats in Parliament (DPR) and Assembly (MPR) (1999 - 2004)

4.3. The Governmental Arena: Competition and Compromise

We now have two sets of data: a map of party ideologies that corresponds to the collective interests they represent and the election results. The question is: would party ideologies and programs spelled out during the campaign predict their behavior in the next arenas? And, would the election result shape party behavior afterwards?

The two logics contained in the questions are well captured by two major theories of coalition forming in the process of government formation: ideologically-connected

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coalition and minimal winning coalition – to repeat what was already discussed in the introductory chapter.

The ideologically-connected coalition theory focuses on the centrality of policy in politicians' minds when they are forming a coalition. Proposed by Abram de Swaan (1973), this theory argues that politicians generally aspire to leave a mark on public policy. The politicians do not place cabinet position as their end goal but merely as an instrument for implementing particular types of policies. Since choosing and maintaining the best policy is the main drive of politicians, ideological affinity becomes the basis of coalition. Therefore, the size of coalition is seen as marginal and the principle of size is definitely not the main criterion of including or excluding any party from the coalition. The electoral connection therefore would manifest itself when party ideological commitment spelled out before and during the election colors its decision in selecting partners in a coalition.

The minimal winning coalition theory offers a different logic. The core argument of the minimal winning coalition revolves around the idea of coalition size on which "participants create coalitions just as large as they believe will ensure winning and no larger" (Riker, 1962: p. 33). This means that the participants are merely concerned with essential votes needed for winning the battle in the legislative arena. When the threshold of winning is already reached, the participants stop seeking more votes or coalition partners. This theory assumes that being in government is valued in and of itself for it provides politicians political as well as material gains. So the ultimate goal of politicians is to secure as many government positions as possible. In brief, policy in this theory is not

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a primary issue and politicians are simply seen as office seekers.[113] The electoral

connection then can be found when a party's decision in forming a coalition is

determined by the number of votes it garnered in the election. The larger the votes the

higher the bargaining position.

Based on these two kinds of logic, and the data that we already have, we can

predict the composition of an ideologically-connected coalition(s) and of a winning

coalition(s) that would form in the governmental arena. Table 4.1 will show the

composition of coalitions as predicted by the theories; and the list of parties/factions

below is to refresh our memory on the names of parties and their ideologies.

PDIP = Indonesian Democratic Party-Struggle: secular, nationalist – largest party
Golkar = Functional Group Party: secular, nationalist – second largest party
PPP = United Development Party: Islamic, mass party – a medium-sized party
PKB = National Awakening party: pluralist, Muslim-based party – a medium sized party
PK = Justice Party: Islamic, mass party – medium-sized party
PAN = National Mandate Party: pluralist, Muslim-based party – a medium-sized party
PBB = Moon and Star Party: Islamic, mass party – a small-sized party
KKI = Unity and Nationhood: a joint faction of secular, small parties
PDU = Islamic Sovereignty: a joint faction of Islamic, small parties

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[113] Other variants of the office-seeking approach include theories that incorporate the importance of policy as a means to simplify the entire bargaining process among parties; policy as a means of attracting electorate; and policy as a means of maintaining the unity of party. Yet all these variants treat policies as instrumental to pursuance of office (see Laver and Schofield 1990: 97-109).

Theories	Presidential Selection	VP selection	Cabinet Formation
Minimal winning coalition*)	a) PDIP + Golkar **(367)**	a) PDIP + Golkar **(367)**	a) PDIP + Golkar **(367)**
	b) PDIP + the three medium-sized parties **(361)**	b) PDIP + the three medium-sized parties **(361)**	b) PDIP + the three medium-sized parties **(361)**
	c) Golkar + the three medium-sized parties **(358)**	c) Golkar + the three medium-sized parties **(358)**	c) Golkar + the three medium-sized parties **(358)**
Ideologically-connected coalition	a) PDIP + Golkar **(367)**	a) PDIP + Golkar **(367)**	a) PDIP + Golkar **(367)**
	b) Golkar + PPP + PKB + PAN/PK + PBB + PDU **(369)**	b) Golkar + PPP + PKB + PAN/PK + PBB + PDU **(369)**	b) Golkar + PPP + PKB + PAN/PK + PBB + PDU **(369)**

Total number of MPR members = 695
Threshold for winning = 348

*) A formula for finding all possible combinations (coalitions) is: $nCr = n!/r! (n-r)!$ where C is the number of possible combinations, n is the number of objects or elements, and r objects from a set of n objects or the number of coalition. However, since a winning coalition must have more than 50% of the total seats, it limits the possible combinations. The second limitation comes from a unique situation where either one of the two largest parties, PDIP or Golkar, would be able to win the presidency only if it embraced the three medium-sized parties (PPP, PKB, and PAN+PK) altogether. Thus, there were only three main players in the arena: PDIP, Golkar, and the medium-sized parties as a single group. Therefore, the number of possible combinations of a winning coalition is $3!/2! = (3 \times 2)/(2 \times 1) = 3$.

The military faction and the functional delegates could potentially play a significant role in the competition but these two suffered from lack of legitimacy since they did not acquire seats through election. Political forces inside and outside the Assembly similarly pressed them to give up their initiative. As for the small-sized parties, they could also increase the number of combinations. However, it would require them to be a solid group which eventually could reduce their prospect of becoming a significant player.

Table 4.3: The Predictions of Ideologically-connected and Minimal Winning Coalitions Theories

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If one of the predictions holds, it would demonstrate that the party competition survives which subsequently refutes my claim of cartelization. Now let us see the actual results in the following table:

	Presidential Selection	VP selection	Cabinet Formation
The actual results*	The winner: (Central Axis) Golkar + PPP + PKB + PAN/PK + PBB + PDU **(373)**	The winner: PDIP + Golkar + PKB + KKI + PDKB **(396)**	The "winner": PDIP + Golkar + PPP + PKB + PAN/PK + PBB **(580)****
	The loser: PDIP + KKI + PDKB **(317)**	The loser: PPP + PAN/PK + PBB + PDU **(284)**	

* The actual results did not reflect the exact sums of parliamentary seats. Some members of Parliament did not follow the party lines. In addition, the military and the functional delegates may have split their votes.

** This number does not include the military seats because I do not treat the military faction in Parliament and Assembly as a political party even though the military held ministerial posts. For the same reason, it does not count the seats of functional delegates either.

Table 4.4: Actual Results of Presidential, Vice-presidential Selections, and Cabinet Formation

As can be seen in table 4.2., the two coalition theories did not fully predict the formation of coalitions on a consistent basis. The first theory, the minimal-winning, failed to square all results. The second, the ideologically-connected, only partially predicted the results, i.e. the emergence of the Central Axis (see the analysis below) during the process of selecting the president, but failed to predict the rest. During the presidential selection, the Central Axis – which comprised Islamic parties – promoted Abdurrahman Wahid as its presidential candidate to replace the incumbent, Habibie, who

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"inherited" the presidency from the outgoing New Order regime. The Central Axis defeated PDIP, which supported Megawati, the PDIP's chairwoman. The Central Axis broke down in the process of selecting the vice president and vanished as the cabinet formation began. The cabinet took a form as an "oversized" coalition. What made the parties changed their coalitional behavior? How did all these processes unfold?

4.3.1. Formation of Three Coalitions

The fact that Golkar emerged as the second largest party created a unique situation. It provided Habibie, the incumbent who used to be the head of Golkar's advisory council, a legitimate chance to extend his presidency in a time when many saw him merely as an interim president who would have soon left his office once the election was completed. But Habibie was willing to serve for another term. In fact, his chances had increased as he found strong support from Islamic parties and many Islamic organizations outside the Assembly.

Habibie could also become the closest proxy for whom the Islamic parties could channel their aspirations. It was because these parties were well aware that individually their chances of winning the presidency with their own candidates were very slim. It is true that Habibie was more known as a capable engineer who happened to be Suharto's protégé. However, since he was chosen to lead the Indonesian Muslim Intellectual Association (ICMI) in the early 1990s, the Islamic community had considered him part of the Islamic community if not one of the Islamic leaders.[114] Outside the Assembly, support

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[114] DDII was always suspected by the New Order government that it would resurrect political Islam. For a long time, DDII preferred to limit its activities by focusing on proselytizing and missionary activities. In the early 1990s, however, Soeharto seemed to renew his relations to the Islamic community – including DDII. Some key figures in DDII started to accept the reconciliatory initiative of Soeharto and develop a

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for Habibie was even deepening when many Muslims developed an anti-Megawati movement as a counter move to an anti Habibie movement organized by nationalist and Megawati supporters. This support definitely put pressure on members of the Assembly.

Organized by dozens of Islamic organizations such as KISDI and FUI,[115] the Islamic forces carried out a series of mass demonstrations to endorse the Habibie candidacy while attacking Megawati's candidacy. The attack took many strands of critique. The Islamic forces used a religious reason for denying a female candidate. Yet this was not the only argument. Megawati and PDIP were also accused of disproportionately promoting legislative candidates who happened to be Christian (O'Rourke 2002: 241). Another argument was that PDIP only won 33 percent of the vote; and this was interpreted that the rest of the people – the remaining 67 percent – did not want her to become president (O'Rourke 2002: 243). Still another, Megawati and PDIP were charged with being infiltrated by communists (van Dijk 2000: 442). This indictment could potentially jeopardize Megawati's prospect of becoming president because there was a public perception that the communists were the culprits of the 1965 political upheaval. And this event had put Islamic forces against the communists in a bloody conflict. Therefore, the charge would only strengthen the anti-Megawati feeling among the public.

On the opposite side, a student organization called Forkot (*Forum Kota*, City Forum) and many other nationalist/secular organizations were fiercely anti-Habibie. For

positive view on Soeharto and the New Order government. Mahendra of DDII, who was one of Natsir's protégés had even been appointed to become one of Soeharto's speechwriters. Support for Habibie from various Islamic organizations basically could be traced to the role played by DDII (Confidential interview with an ex-student leader who used to be close to DDII circle, February 19, 2008).
[115] KISDI stands for Komite Indonesia untuk Solidaritas Dunia Islam or Indonesian Committee for World Muslim Solidarity. It was led by Ahmad Sumargono, a chairman deputy of PBB. FUI, Forum Umat Islam, or Islamic Community Forum – one of the Islamic organizations under DDII's wings.

them, Habibie was no more than a continuation of the old authoritarian regime for Habibie was one of Soeharto's close protégés. These groups regularly staged street demonstrations and tried to occupy the Assembly building. Adding to the tension was the influx of hundreds of thousands of Megawati supporters from outside Jakarta. Anticipating possible political unrest, the police and the military were deployed across Jakarta to prevent further influx of Megawati's supporters which could worsen the situation (van Dijk 2000: 444-457; O'Rourke 2002: 241-245).

The party elites from both camps were no less rigid in their attitudes supporting their candidates. Tarto Sudiro, a deputy of the PDIP general secretary, even posed a threat using the masses, "If Megawati were not elected 'there would be a people power.'" (*Tempo*, June 27 – July 3, 1999). On the other side, Habibie's supporters were ready to challenge the threat by organizing militias.

This situation would definitely impose restrictions on the political parties to make coalitions. Their preferences immediately became limited. A viable coalition between PDIP and Golkar to establish a winning coalition became impossible since the supporters of these two parties were ruthlessly opposing each other. Equally important, PDIP might have had to sacrifice its reputation due to Golkar's past history as the government party of the old authoritarian regime.

Therefore, the PDIP was supposed to look for support from all the parties while leaving out Golkar. Alternatively, PDIP could have drawn support from the military faction and the functional group delegates – each established an independent faction in the Assembly. The problem was that these two Assembly factions had lost their legitimacy because their seats were not won through election. Voices inside and outside

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the Assembly similarly urged that those two factions should not have made any moves that could drastically change the parties' balance of power within the Assembly. This situation left PDIP with one option only: to approach all parties but Golkar. This would have made a minimal winning coalition. This option of course would have put PDIP at odds with PPP but a bridge could be built with a possible help from PKB.

Before and after the election, the chairman of PKB, Matori Abdul Djalil, reiterated that his party would support Megawati for president (O'Rourke 2002: 293). The history of PKB and PDIP was also supportive of the realization of a coalition between the two. It dates back to the period of the 1950s when NU and PNI (the historical origins of PKB and PDIP) were partners in several cabinets during the period of parliamentary democracy (see, Feith 1962:339). In addition, Wahid was widely been known as a "political mentor" of Megawati during the struggling period of the PDIP during New Order era. This possible coalition, however, never materialized for two reasons.

First, PDIP did not put any meaningful effort into building such a coalition. Before the Assembly's session, Rais of PAN made a statement that ethically the election winner should have had the right to lead a winning coalition[116] (*Tempo* June 27 – July 3, 1999). At the same time, he was waiting for Megawati and her party to begin the negotiation process for building a coalition; and PAN would accept to join the coalition, had PDIP invited PAN. The invitation never came from PDIP, however.[117]

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[116] Rais did not force himself to compete for presidential position after realizing that he had a narrow base due to the relatively poor electoral performance of PAN. Other Islamic parties such as PPP and PBB also suffered from a similar problem; they had even narrower bases.

[117] They believed that under the principle of simple majority, PDIP would win the presidency. This belief was strongly held by PDIP leaders as stated by Tarto Sudiro. "According to the Constitution," he said,

Second, PKB eventually withdrew its support for Megawati – a move that profoundly reduced Megawati's prospects. As the situation was progressing, the Islamic parties organized a series of meetings that led to the formation of a new grouping of parties, the so-called "Central Axis." To avoid deadlock and possible physical clash, party leaders came up with the idea of pushing forward a third presidential candidate. Wahid was slowly emerging as a viable alternative since he was acceptable to both sides of the conflict. He had Islamic credentials but was never seen as a political threat to the secularists or nationalists. When the Central Axis was gaining momentum and Wahid's chances were increasing, PKB turned its support to its own leader, Wahid. The defining moment was when the majority of assembly members refused to accept Habibie's accountability speech delivered in the Assembly's early session. By then, Wahid's chances were dramatically increasing. Finally, the Central Axis was able to control the game when Golkar joined it.

We see, then, that the emergence of the Central Axis and the rise of Wahid were the result of a multitude of factors or a chain of events. It was partly ideological as shown by the element that linked them together: Islam. The major components of the Axis were the Islamic parties (PPP, PBB, and PK) and the inclusively Muslim-based parties (PAN and PKB), and Golkar whose leaders had personal ties to Islamic leaders. However, it was also obvious that the emergence of the Central Axis was defined by the conflict situation in which the Axis was forming. In addition, PDIP's inactivity also created an opportunity for PAN and the Islamic parties to engineer a winning coalition. And finally,

"president and vice-president are chosen under the principle of simple majority." (*Tempo*, June 27 – July 3. 1999). From this interpretation he concluded that Megawati had the highest chance to become the elected president since the PDIP was the largest party. In retrospect, Heri Akhmadi of PDIP also confirmed that Sudiro's interpretation was shared by most PDIP leaders (Interview, January 18, 2005).

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we should not ignore the possibility that political and economic spoils inherently attached to presidential position were no less important. Presidential position, after all, was indivisible. By grabbing the presidential position, every member of the Central Axis would have an opportunity to have access to government resources. If we take all these factors into account, we may argue that party ideology was not as crucial as it appeared in determining the formation of the Central Axis – and in defining parties' coalitional behavior in general. The next two cases will give us more evidence.

The fact that the vice-presidential selection was held independently – not in a single package – can reveal whether party ideology truly was a factor in determining party behavior.

The vice-presidential selection was won by Megawati convincingly; she defeated Hamzah Haz of PPP by a 112 vote margin (396 votes for Megawati and 284 for Haz). If the "ideologically-driven" Central Axis was pressing for the Islamic candidate, Haz should have won the vice-presidential vote. In the presidential selection, Wahid won by collecting 373 votes. But this voting bloc drastically dropped to 284 for Haz. This indicated that the Central Axis did not hold anymore. In other words, party ideology, again, was not a strong determinant of parties' behavior as it seemed to be.

That the vice-presidential selection was limited to two candidates was also suspicious. This was actually a result of a series of deliberations held by all parties that eventually led to a grand compromise. Tandjung of Golkar withdrew his candidacy. For this, and his effort to bring Golkar to join the Central Axis, Tandjung obtained the top position of Parliament when he became the speaker/chairman. Another compromise was reached when Wiranto, the military factional leader, also withdrew from the competition.

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For his withdrawal, Wiranto would get a concession to be later appointed as a coordinating minister in the soon-to-be-formed Wahid's cabinet. In addition, the military faction would get two ministerial portfolios (O'Rourke, 2002: 320-21). Thus, we see that the main issue that defined parties' behavior before and during the vice-presidential selection was not ideological. Rather, it was about the distribution of political and – very likely – economic spoils. Once political spoils are divisible, ideology ceases to become a determinant factor.

Further evidence could be drawn from the process of cabinet formation. A glaring fact was the inclusive nature of the cabinet. All parties were accommodated in the process of cabinet formation without exclusion. Thus, the exclusive nature of minimal winning and ideologically connected coalitions did not leave any trace at all. Let us see the following table:

Party	N	%
PDIP	5	15
Golkar	5	15
PPP	2	6
PKB	5	15
PAN	5	13
PBB	1	3
PK	1	3
TNI	5	15
Professionals (non-party)	4	15
Total	33	100

Source: various editions of *Tempo* and *Kompas* published in October-November 1999 and in August-September 2001

Table 4.5: Composition of the President Wahid's Cabinet (before reshuffling)

In the process of cabinet recruitment, Wahid employed what he called the guarantee system (O'Rourke, 2002: 327). This system simply meant that Wahid would appoint his ministers based on guarantees given by parties' leaders. Though not strictly proportional, party strength did affect the number of ministerial positions allocated to that party. Thus, for example, Rais' PAN obtained five positions, the same number of positions that PDIP acquired. Smaller parties such as PBB and PK obtained 1 position each. PPP, a middle-sized party, got two ministerial positions. The two ideologically opposing parties now simultaneously entered the cabinet. The cabinet, which was named the Cabinet of National Unity, as we can see, was not an ideologically composed cabinet. It was not based on a minimal-winning coalition either.

Was the cabinet a product of a consociational process? Apparently not. The demarcation between the majority and the minority were unclear and was left unexplored and undefined. It was not identifiable which parties represented which in terms of majority-minority division. Definitely, the mechanism that supposedly governed the majority-minority relation in a consociational model was not devised either. We will revisit this issue in the last section of this chapter.

4.3.2. Removal of Wahid and the Rise of Megawati

On July 23, 2001, the Assembly nearly unanimously (all factions but PKB) voted to remove Wahid from the presidency. It was a culmination of a six-moth conflict between Parliament and Wahid, the president, after Parliament sent a request to the Assembly to organize a special session for solving the conflict.

The official reasons of the parliamentary group leaders to remove the president varied: alleged corruption, the president's failure to pull Indonesia out of the economic crisis, and his insult to Parliament. These reasons could all be true and can be substantiated (see *Tempo*, April 22 – 29, 2001). However, the unstated reason seems to be more compelling for explaining Wahid's removal: the interests of party politicians were harmed by Wahid's move to reshuffle his cabinet.

It began when Wahid publicly stated in October 2000 that three of his ministers were corrupt. He never substantiated his indictment but later on he fired two of his ministers: Laksamana Sukardi (Minister of Investment and State Enterprise, from PDIP) and Jusuf Kalla (Minister of Trade, from Golkar). The third was Hamzah Haz, the Coordinating Minister of Social Welfare from PPP. Wahid replaced three more ministers with new ones that changed the composition of his cabinet – as can be seen in the following tables:

The First Cabinet (October 1999 – August 2000)			The second Cabinet (August 2000 – June 2001)		
Party	N	%	Party	N	%
PDIP	5	15	PDIP	4	13
Golkar	5	15	Golkar*	4	13
PPP	2	6	PPP	1	3
PKB	5	15	PKB	6	19.5
PAN	5	13	PAN	4	13
PBB	1	3	PBB	1	3
PK	1	3	PK	1	3
TNI	5	15	TNI	4	13
Professionals** (non-party)	4	15	Professionals** (non-party)	6	19.5
Total	33	100	Total	31	100

** They were prominent figures and were chosen based on their expertise, e.g. economists. They did not have party affiliation.

Table 4.6: Composition of Wahid's Cabinets, Before and After Reshuffling

Three major parties that played a crucial role in making Wahid president, as can be seen in the tables above, suffered from reshuffling. PPP lost the position held by Hamzah Haz as the Coordinating Minister of Welfare Affairs; Golkar had to give up the Ministry of Trade and Industry held by Jusuf Kalla; and PDIP lost the Ministry of SOE Affairs which was held by Laksamana Sukardi. Losing one ministerial position would slightly hurt the political standing of political parties. However, cumulatively, the reshuffle shook the balance of power between PKB/Wahid and the rest. PKB now in the new cabinet controlled six ministerial posts; and the three non-affiliated ministers had personal ties with Wahid. More importantly, Wahid's move reduced the parties' access to governmental resources. The replacement of Sukardi with Wahid's protégé, Rozy Munir

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(one of the NU leaders), for example, was seen by many observers as a move to control the financially lucrative state industries (e.g., Liddle 2001).

As a response to Wahid's moves, party leaders via Parliament released consecutive memoranda to warn Wahid to get back on track. The memoranda did not particularly mention the cabinet reshuffling as the rationale of the memoranda but they cited the president's role in two scandalous events: corruption in the State Body for Logistic Affairs and the financial aid received from Brunei. These two scandals were famously in domestic discourse known as Buloggate and Bruneigate. The bottom line was that, according to Parliament, Wahid had failed to meet a basic task of combating corruption as mandated by the Assembly decision made in 1999. The president's unbending attitude and his refusal to take the memoranda seriously finally led Parliament to convene and send a request to the Assembly to organize a special session. The Assembly's special session ended with the removal of Wahid.[118]

As the constitution dictated, Wahid would be replaced by the vice-president, Megawati. The question was: who would become the vice-president? The vice-presidential vote was held in three rounds and, in the last round, Hamzah Haz defeated Akbar Tandjung of Golkar. But it was known that prior to the vote Megawati showed her preference for Hamzah to become her vice-president. And it was known too that Hamzah was ready to work with Megawati (*Adil*, May 16, 2002). Thus, back to our initial issue, the fact that Megawati and Hamzah Haz – thus PDIP and PPP – joined to form a new government obviously debunked the notion that ideology played a role in government

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[118] Another reason for Wahid's removal was the issuance of a presidential decree by Wahid that suspended the assembly and the parliament. This decree forced the assembly to convene earlier (July 23, 2001) than previously scheduled (August 1, 2001). The decree was meant to be the last effort by Wahid to stay in power. But it proved to be ineffective.

formation. Recall the PPP's stance prior to the election that it refused to have a woman to become the Indonesian president. But now the two parties were pairing to lead a new cabinet. The cabinet composition as shown below is another proof that the parties were promiscuous in making their coalition – and it was an oversized coalition.

Party	N	%
PDIP	6	19
Golkar	4	13.5
PPP	3	10
PKB*	1	3
PAN	6	19
PBB	1	3
PK	-	-
TNI	4	13.5
Professionals (non-party)	6	19
Total	31	100

* This was a splinter of the mainstream of PKB who sided with the ousted president.

Source: various editions of *Tempo* and *Kompas* published in October-November 1999 and in August-September 2001

Table 4.7: Composition of Megawati's Cabinet

So far, we have seen how weak the electoral connection was. And how it broke when it came to the process of government formation. In other words, ideology ceased to become a determinant factor once parties left the electoral arena. At the same time, the opposition did not form as the seven parties all joined the cabinet. These facts definitely match the criteria of a cartelized party system. We will now turn to examine parties' behavior in the next arena.

4.4. The Legislative Arena: Four Cases of Law-making

After examining the parties' coalitional behavior in the process of government formation we now need to see parties' behavior in the legislative arena. Our question remains the same: do parties perform a degree of competitive behavior in this arena? Since the major task of Parliament is to legislate, the competitive behavior should be sought – if any – in the process of law-making. This means that on substantive issues of law-making we expect that political parties will spell out their ideological positions.

A generally accepted method for identifying parties' position is through examination of floor voting. Floor voting, Morgensten (2002: 12) state, "is the ultimate indicator of party behavior because it helps to identify a party's policy direction and coherence, policy coalitions, and the willingness of a party to work with the executive." Thus floor voting could also demonstrate what Mayhew (1974) calls the "electoral connection" of party behavior in Parliament. But here exactly lies our problem in examining Indonesian party behavior in Parliament: voting is rarely used in the process of law-making.

Complicating our task is that a legislative proposal is usually initiated by three or more factions.[119] And it does not necessarily consist of factions with similar ideological posture. When a proposal succeeds to pass through *Bamus* or *Baleg*,[120] it will be taken over by a relevant commission or by a special committee. Either one then will work out a

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[119] Alternatively, a legislative proposal or initiative can be made by indivuals but at least is must be supported by 70 parliamentary members. A large faction such as PDIP or Golkar has a chance to make it. Nonetheless, its initiative must go through *Bamus* and *Baleg* (see footnote below) before a committee or commission is allowed to write a law draft. Thus we barely see an individual or party-based initiative.
[120] *Bamus* or the assembly Body (not to be confused with the National Assembly or MPR) and Baleg or the Legislating Body (not to be confused with Parliament as a whole – DPR) are two parliamentary bodies that are responsible to generate a legislative agenda – a list of legislative issues to be tackled by the parliament within five years.

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draft.[121] The thing is that commissions or special committees always comprise multi factions – if not all. Thus, again, it becomes a challenge if we want to identify parties/factions' positions because a draft will always be a cross-faction product. Furthermore, in discussing or debating crucial issues in the draft, a deliberative method is used. What happens next is the adoption of a piecemeal approach to find compromises among warring factions.[122] As a result, a peacemeal approach would not always render a clear-cut ideological stance of any party.

Thus, the only strategy that we can use is to thoroughly look at how the deliberative process unfolds – at how each faction in numerous sessions takes a stance on crucial issues. Practically, we will examine minutiae of legislative sessions and media reports of those sessions. For the legislative session, we need to concentrate only on two distinctive sessions where we will likely find parties' stance: the deliberative session (*rapat pembahasan*) and the faction final notes (*pendapat akhir fraksi*) that are read during the plenary session. The deliberative session may hold numerous meetings but only in first meetings do factions show their stance on crucial issues. As for the faction final notes, they are always read in the final minutes of the plenary session. This is more important to watch because at this time a faction may show its disagreement or refusal of the would-be law. And it is more consequential since this session is customarily covered by the media which means the public would know what the position of any parties is.

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[121] This process is applicable for drafts that are made by the parliament only.

[122] The piecemeal approach, in practice, always starts with problem identification on a draft known as DIM. It can range from punctuation problems to substantive problems that may include hundreds of itemized problems. In the deliberative process, the committee or commission could invite outside expert to give their views on particular issues.

But which legislation product should we pick? Between 2000 and 2004, Parliament produced 142 laws (www.setneg.go.id), so we have to make a selection. Our criterion for selection is that we pick laws that have the highest chance to reflect the channeling of existing collective interests.[123] This means the selected laws must directly touch religious, class and regional interests of various social groups within the society. These laws are the Law on the National Education System (UU *Sisdiknas*), the Law on State-owned Enterprises (UU BUMN) and the Labor Law, and finally the Law on Local/Regional Autonomy and its derivations.

The Law on the National Education System. This was a law that was pivotal in parliamentary politics between 2002 and 2003. It was pivotal because it, to a large extent, defined the interaction among parliamentary factions of different political parties. The parties seemed to become very ideological in the last three months toward the finalization of the draft. They were engaged in an ideological war before reaching a compromise in June 2003. It was the period when religious and regional divides came into play.

The initial drive for this law came from a group of parliamentary members who saw that the old law on education (UU No. 2 / 1989) was not sufficient as a legal basis for meeting new domestic and global challenges. Following the standard procedure, their initiative was then brought to Parliament's consultative body (*Bamus*) to get approval. On May 27, 2002, Parliament was ready with the draft (product of the working committee or *Panitia Kerja*) and it subsequently sent a letter to the government, asking it to assign a

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[123] The selection is somewhat arbitrary. But we can justify our selection by looking at whether a draft drew sufficient public attention as shown in the mass media. There is also a technical reason for our criteria of selection: not all deliberative sessions are available. Some of them are simply untraceable or undocumented.

government representative for the purpose of deliberating on the draft.[124] Despite the efforts made by Parliament to socialize the draft to the public, the government remained passive because it was waiting for the fourth amendment of the constitution to be completed in the first place.

On February 20, 2003, the government came with its own version of the draft.[125] And it was the government version that stirred up a controversy. There was one crucial issue that was embodied in two different articles of the draft: the position of religion in education. Article 3 of the draft stated that the goal of the national education system was to shape pupils to be faithful and pious – and to become good learners with decent moral character. This article at the society level generated deep division, not only between the religious and the secular division but also between Muslims and Christians. In its original words, for a segment of the society, *beriman* (faithful), *bertakwa* (pious), and *berakhlak mulia* (having decent moral character) were seen as typically Islamic vocabulary and, with that, they thought that the draft has an Islamic bias while being against the interest of non Muslim communities. Furthermore, those who were against the draft saw that the draft was a disguise for the Islamists in their effort to establish the long-sought Islamic state (*Kompas*, April 4, 2003).[126]

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[124] The chronological order of events are based on the parliamentary proceeding for the law-making process of the law (*PPRUU Sisdiknas*, General Secretariat of DPR RI, 2003).

[125] The government draft was made after the fourth amendment of the constitution was done. The relevant amendment was a new addition, clause 31, which stipulated that the government has a task of developing science and technology by upholding religious values. Several crucial clauses of the the government's version were developed from this clause, i.e., when formulating the role of religion in education.

[126] It seemed curious that the government's version of the draft which sparked the controversy was made under Megawati's presidency. She was the chairwoman of the PDIP that has been proud of being a secular party and barely developed an Islamic base. As we shall see, the PDIP's parliamentary delegates would staunchly oppose the draft which mirrored the PDIP's policy as a whole. A plausible explanation for this is that the Ministry/Department of Education – from where the law was drafted – was headed by Malik Fajar, an ex-president of Malang-based Muhammadiyah University. The rise of Fajar was endorsed by Amien Rais, then the chairman of PAN, a pluralist party with strong base in Muhammadiyah. It was likely that the

More controversial was Article 13, clause (a). It required all schools to provide pupils with religion classes according to the pupils' religion, along with the appropriate religious teacher. This was domestically known as the religion clause (*pasal agama*). Toward the end of March, 2003, the working committee adopted that crucial clause in its draft.[127] From this time on, the pragmatic nature of the draft transformed into an ideological struggle. The clause had ignited political division in the society even further. At the same time, within Parliament itself the polarization had gotten stronger.

Between March and June 2003, numerous Islamic mass organizations, on one side, had filled the streets and visited the parliamentary building to voice their support for the draft, particularly for the adoption of the religion clause. Well known organizations such as ICMI, Muhammadiyah, and MUI, various Islamic student groups from different universities, and associations of Islamic boarding schools were all behind the religion clause.[128] On the other side, along the religious line, various groups of Christians and Catholics had expressed their resistance, refusing the draft as a whole or battling against the religion clause. The Council of Christian Education (MPK) and National Council of Catholic Education (MNPK), the Conference of Church Trustee (KWI) and many other local Christian and Catholic communities across the archipelago were all against the draft.[129]

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ministry's team worked independently. To a degree, it showed the incoherence of Megawati's policy. We will revisit this issue in Chapter 6.

[127] There were two different accounts on this. First, the original parliament draft did not have the religion clause, but then adopted it. Second account said that both drafts had the religion clause but was put in different numerical orders.

[128] *Koran Tempo*, March 14, 15, and 20, 2003; *Republika*, March 15 and April 4, 2003.

[129] *Kompas*, March 13, 2003; *Suara Pembaruan*, March 13, 2003; *Koran Tempo*, March 14, 2003, *Media Indonesia*, March 19, 2003.

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Definitely, it was the political parties – via their factions in Parliament – that started the debate. By that, they activated deeply-entrenched cleavages in the society. But at the same time, the tension at the society level also brought significant impact on Parliament. During a legislative session held on March 28, 2003, the chair of the working committee, Anwar Arifin, made a statement aimed at the members of the committee, "... So we are sharing a similar pressure. All of us had received a lot of short-text-messages that are representing polarizing views. First is the one that is pushing us to adopt the religion clause, and the second opposing it. I will let you sort out the messages; you may either read or ignore them" (*PPRUU Sisdiknas*, 2003: 2350).

Thus, the division in Parliament also followed the religious line. Islamic factions such as PPP, Ref. (PAN and PK), and PBB were firmly for the religious clause. While on the opposite side, PDIP, KKI, and PDKB were against it. The position taken by each faction was relatively predictable because it was simply in accordance with their general ideological posture. Interestingly, PKB whose claim an open, pluralist party had changed its position. In the beginning, PKB tended to accommodate the interest of non-Muslim constituents who happened to come from Eastern Indonesia. But in the next session, it supported the draft as a whole which meant to agree with the religion clause. Golkar also took an interesting stance. As represented by Anwar Arifin as the chair of the committee, Golkar sided with Islamic or Muslim-based parties on the issue of religion clause.

The polarization did leave room for compromise. As the pressure for dropping the religion clause mounted, the draft lifted the burden for schools to supply religion instructors. Instead, the government, c.q. the Ministries of Religion and Education, would make instructors available to them (*Kompas*, March 28, 2003). And punishment for

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schools' inability to supply the instructors needed was removed from the draft.[130] But the demand for the application of the religion clause only to public schools was rejected (*Kompas*, March 13, 2003; *Media Indonesia*, March 25, 2003)

After several delays, the final draft of the law was brought to the plenary session on June 11, 2003. It was a time when all factions would have the last opportunity to express their opinion on the final draft. All factions endorsed the draft to become a law but one: PDKB.[131] This party preferred to split from its parliamentary faction of PKB when it found that PKB at the end changed its stance by accepting the final draft. As for PDIP, it could accept the draft but asked for another week to explain to its Christian constituents from eastern Indonesia. As claimed by Heri Akhmadi, a member of PDIP, most of the factions agreed to the postponement. However, Muhaimin of PKB, then the chair of the plenary session, argued that the postponement would violate Parliament regulation. As a result, the plenary sesion was convened without the PDIP members' attendance. On this matter, Akhmadi said resentfully, "... that's very unethical. We have accepted the draft but give us some time for making reconciliatory action with public figures who are pro and against the draft." (*Tempo*, June 16-22, 2003). So, it was not that FDIP refused the draft but it merely wanted to delay the plenary session. At the end of the day, the draft officially became a law on July 8, 2003.

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[130] See, *Kompas*, March 28, 2003. The final draft which was adopted to be the law merely specified punishment for schools and colleges issuing unverified certificates, awarding academic degrees without obeying the standard procedure, and plagiarism for academic products (see, Law on Education, clauses 67-71). Strange as it was, the mandatory nature of the religion clause to force schools to provide religion classes and teachers with similar religion as pupils' basically loses its meaning since no punishments were enforced for schools violating the requirement. It seemed that symbolic accommodation for Muslims' demand was more important than the actual implementation of the clause.

[131] The size of PDKB in the parliament was so small that it joined PKB to form PKB faction. But as PKB changed its position toward the final draft of the law, PDKB preferred to part ways with PKB and to refuse the draft. (See, *PPRUU Sisdiknas*, 2003: 2997). In its letter, PDKB used its party letterhead instead of PKB letterhead.

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We have seen that a degree of competitiveness did take place where all parties tried to relate themselves to their social bases. We should not play down the chain of events that demonstrate the resilience of the cleavage. And the parties tried to stick with their ideologies and be loyal to their constituents. But we have also noticed that the largest bastion for Christian communities, PDIP had retreated from its uncompromising ideological stance. But the issue of minority rights – if this process should be seen as a reflection of consociational process – was not solved as predicted by the consociational model. If the government was a representation of a grand coalition, in fact, it did not intervene to legislative process in order to protect the minority. The legislative process did not as well indicate that the minority could run their own internal affairs with an honored autonomy in terms of the educational system.

Laws on SOEs and Labor Affairs. These two laws could potentially be a showcase of class politics. The first law dealt with the role of the state in the economy, while the second with the type of regulation that should govern the labor-employer relationship. Both no doubt could potentially touch the collective, class interest. Any parliamentary debate on any aspects of these issues would very likely activate class cleavage; and conversely, any public controversy would potentially define parties' interaction.

The timing of the SOE law-making was good because the role of government in the economy was being questioned as the economic crisis set in. Thus, the existence of SOEs was also re-evaluated. In fact, the Assembly through its decision No VIII of 2000 had assigned the president to carry out a restructuring program for SOEs (Article 2,

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Clause C). This decision was made when the public saw that the government's role in the economy was excessive. In the process of restructuring the SOEs, the decision specified, the government had to consult with Parliament. Based on the Assembly's decision, then Parliament crafted the Law on National Development (*Propenas*) that provided direction to the government in developing its economic policy for five years (2000-2004). In regard to the fate of SOEs, this law made a further specification that a privatization program could be one of the government's options in reviving the economy. At the operational level, the president issued a presidential decision as guidance for how the privatization program must be executed.[132]

The government's move was swift in planning and executing the privatization program albeit with mixed results. Between 2000 and early 2003, the government, c.q. the Minister of SOEs, had succeeded in selling its share (partial or total) in more than 20 SOEs.[133] But the story was not always about success. Many of the SOEs failed to be privatized because of technical problems or lack of bidders. For instance, out of 24 SOEs that were planned to be privatized in 2001, 15 of them were a carry over from the previous year's plan (*Kompas*, November 12, 2002). Furthermore, criticism of the program was escalating.

The criticism, first, was about the unit value of each government share in each company. Many considered that the unit value was too low. Second, in several cases, observers and parliamentary members criticized the government for making a wrong

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[132] Presidential Decision No 122/2001. It should be noted here that the rationale for the privatization program also included the pressing situation under which the government had to meet a yearly balance budget. To fill the gap between revenue and spending partly forced the government to turn into selling its share in some SOEs.

[133] A list of the SOEs that were privatized can be found in *Kompas*, January 4, 2003.

decision in privatizing Pelindo, a state company that owned and managed various trade ports across the archipelago. The government sold slightly less than 51% of its total share for Rp 2.5 trillion. The critics argued that in five years the profit extracted from that enterprise could accumulatively reach that amount (*Kompas*, November 12, 2002). Third, various SOE labor organizations strongly voiced their disagreement with the privatization program. Then, fourth, the nationalistic sentiment came into play. To make it worse, the Assembly's chairman, then Amien Rais, accused the Ministry of SOE Affairs, Laksamana Sukardi, of being a traitor who sold national treasures for the sake of meeting government's yearly balanced budget (*Kompas*, December 12, 2002).

Riding on these criticisms, Azwir Tara, a member of Commission V, asked the government to halt its privatization program. He reasoned that the government had carelessly and wrongly chosen state companies which needed to be privatized. Parliament itself subsequently demanded the government to draft a law more specifically dealing with SOEs and a privatization program.

By mid February 2003, the government came up with a draft while Parliament established a special committee to work with the government team. A prediction made by a member of the government team was that the deliberative process would drag on for a long time. He argued that the two sides had very different conceptions about the major function of SOEs in the economy (*Kompas*, February 19, 2003). In brief, here are the factions' general comments on the draft:

Party	Position taken
Golkar	The law should be able to facilitate the improvement of SOEs to be more efficient. Privatization is okay.
PDIP	The law should assist SOEs to be efficient in order to be able to meet global challenges.
Ref. (PAN & PK)	The government's privatization program so far appeared to put SOEs up for clearance sale. The money that comes from privatization should not be used for paying the foreign debt. The would-be law must make SOEs more efficient.
PKB	Privatization is fine but should be carried out transparently. The money from privatization should be for development programs.
PBB	Privatization is acceptable.
PDU	How to create efficient SOEs; do not use the money for filling up the budget deficit.
PPP	Undocumented.

Source: PPRUU (minutiae of draft law on SOEs), Book I, Secretariat of Commission V, General Secretariat of the Indonesian Parliament, 2003.

Figure 4.1: Excerpt of Factions' General Comments on the Draft, before Deliberative Session

The factions' initial comments on the government draft – as described above – seemed to send mixed signals. They indicated that SOEs were still needed. Their key words were the need to improve SOEs' performance, not to wholly dissolve them. At the same time, however, they also indicated that the government's privatization program could continue by adopting more prudent execution. One thing was for sure that there was no stark difference in regards to the existence of SOEs and the privatization program. It is interesting to see that it appeared that conflicting views on SOEs did not manifest themselves at the party level. Instead, it manifested itself at the governmental level – between Parliament (c.q. all factions as a group) and the government (c.q. the Minister of SOE Affairs).

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By then, the government was led by Megawati, the chairwoman of PDIP. The law initiative started in the Ministry of SOE Affairs which was at that time led by Laksamana Sukardi, also from PDIP. And PDIP, as described earlier, was the strongest bastion of lower class interests relative to other parties. But now both Megawati and Sukardi, with the draft, were showing that the government policy was being pushed to the right. Strange as it was, this type of policy did not squarely reflect the PDIP's ideological nature of being populist or slightly left to the center. The same thing happened to PDIP in Parliament that also took more or less similar position. It was very curious that PDIP had moved away from the original image it had tried to mold as a party of the center-left.

But did the rest of the factions truly oppose the government's stance? We shall focus on the privatization issue because it was the main rationale of the law. See the fact below:

Party	Positions
Golkar	Agree with the privatization program, stressing the importance of workers' interest.
PDIP	Agree with the privatization program, stressing the importance of workers' interest.
Ref. (PAN and PK)	Agree with the privatization program, stressing transparency and accountability.
PKB	--
PBB	Agree with the privatization program.
PDU	--
PPP	Agree with the privatization program, stressing the transparency and accountability.

Source: PPRUU (minutiae of draft law on SOEs), Book I, Secretariat of Commission V, General Secretariat of the Indonesian Parliament, 2003.

Figure 4.2: Factions' Final Notes After Deliberative Session Was Completed

At the end, during the plenary session, no factions showed their disagreement with the government's privatization program. All the adjectives attached to their approval of the program did not alter their basic position on it. The process of negotiation between the government and the factions, which took less than five months, ran smoothly. Thus we can see that the process simply escaped from the initial prediction. Instead of showing their competitiveness, the factions appeared to share a similar idea of moving slightly to the right and of bridging their ideological differences. Does this mean that all political parties had departed from their general tendency of being leftist or populist? At this point, juxtaposing the drafting process of the SOE Law with the Labor Law will help us to pin down the nature of party interaction in Parliament in regard to the class issue.

Labor and labor-related laws. In a way, the making of the Labor Law can be considered more crucial because it directly affects two different groups with opposing collective interests: labor (employees) versus capitalists (employers). So the likelihood of class-based division among parliamentary factions would be very high due to the conflictual nature of the law. This law-making process would open up a window of opportunity for left-leaning or populist parties to fit their bill or otherwise to reveal their true color as a party of the right.

The length of time (two and a half years) needed for finalizing the draft gives us many windows through which to observe. Within this time span, the draft had changed its title, went through multiple revisions, and confronted continual refusals from both sides -- the unions and the employer's association – before it finally became a law on February 25, 2003.

The initial draft was proposed by the government in January 2001 under the title of Industrial Conflict Resolution.[134] In this draft, the government planned to establish labor courts specifically designed to solve labor disputes which previously were handled by three-party bodies of P4P and P4D.[135] The decision made by the court would definitely be binding while decisions made by P4P and P4D were not. But many labor unions refused to support the draft because their acceptance could mean that the government would have given up its role as the sole labor protector (*Kompas*, July 22, 2002). In other words, in any disputes, workers would be in a head-on confrontation against employers. The fact that labor organizations were so fragmented made the unions less compelled to support the draft.

Six months later, in June 2001, the government – c.q the Minister of Labor and Transmigration Affairs, Al Hilal Hamdi – proposed another draft as a supplement for the previous draft. The new draft of Industrial Worker Protection (RUU PPI), as its title suggested, was meant to give laborers more additional protection for their interest. Soon after, the new minister, Jacob Nuwa Wea, revised the draft and gave it a new title: Dispute Settlement in Industrial Relations (RUU PPHI). This draft, paired with RUU PPI, had become the main agenda of the new minister in disentangling labor problems. The revision and the addition of RUU PPI (to be renamed PPK, *Pembinaan dan Perlindungan Pekerja* or draft on Workers' Counseling and Protection) were indicative that there was a swing to the left. From the beginning of his tenure, Nuwa Wea had a tendency to side

[134] An earlier draft was made during Habibie's presidency. But it never passed through the parliament (*Kompas*, September 22, 2002).

[135] P4P (Panitia Penyelesaian Perselisihan Perburuhan Pusat or the Central Labor Disputes Committee) was a three party body that consisted of employers', workers', and government representatives. This body facilitated a forum for the conflicting parties to solve their disputes through deliberative a mechanism. It was developed by the New Order government based on corporatist principles to accommodate workers' demands but also to impose control over the workers. P4D(s) were similar bodies at the regional level.

with the workers. One of his opinions, for example, said that employers must pay workers when they are on strike (*Kompas*, July 22, 2002)

From September 2001 to July 2002, the minister had tried mightily to sell the drafts with no success. The majority of labor unions and the employer association (APINDO) unwaveringly refused to endorse the draft (*Kompas*, July 17, August 22, and September 24, 2002). The labor unions, on one side, highlighted two articles that, they thought, could harm their interest. First, based on the draft, employers could arbitrarily fire workers without any restriction (*Kompas*, October 22, 2002). Second, if needed, employers could hire contractual workers who would be paid only 80% of the mandatory minimum wage. The problem was that, under the guise of this article, the employers could hire as many contractual workers as they wanted. This eventually would create uncertainty among workers because being a contractual worker meant that they could be laid off any time and would not receive benefits.

APINDO, on the other side, had their own objections. The drafts, for them, were overly biased against their interest. An example cited by APINDO was Article 140 of PPK. It required employers to pay workers' salaries when they are conducting a strike. For APINDO, this article was unfair because the workers should be paid only if they work. Article 157 was also seen as utterly unfair: employers are required to give a past working time compensation and a resignation bonus for workers who voluntarily resign.[136] Consequently, the drafts specified many a punishment for employers for each corresponding violation. The excessive punishments, according to APINDO, would not only scare away employers but also create an unfavorable climate of investment for

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[136] There were many other objections launched by APINDO such as tax, bureaucratic problems, etc (*Kompas*, September 22, 2002)

foreign investors (*Kompas*, July 22 and September 19, 2002). As a further response, each camp proposed its own version of the drafts. Pressure from both camps finally prevented the minister from forcing the draft to become law.

What we can learn is that the seemingly irreconcilable conflict had eventually put the government, the labor unions and the employers in a triangle conflict. In this situation, there comes our question: what was Parliament's position in the debate? More specifically, what was the position of each faction?

It is true that Parliament steadfastly formed a working committee when Nuwa Wea submitted his drafts. The committee would become government's partner in deliberating or debating the drafts. But in reality its voice was nearly unheard and its position on the debate at best was unclear. Similarly, debate at the faction level barely took place. As we have seen, debates on the draft for most of the time were dominated by the government, the unions, and the employer's association. But we should not overlook the importance of Parliament as the gate of the law. Before a draft becomes a law, it must win Parliament's approval.

What basically Parliament did was to facilitate a series of dialogues between conflicting parties. From August to mid September, for example, the commission and the special committee invited both of them to engage in a reconciliatory process. From the dialog, the commission came up with a decision to postpone the adoption of the drafts (*Kompas*, July 17 and September 20, 2002). On October 21, the commission reached an agreement with representatives of the unions. But this time they agreed to create a new draft and the commission would organize a series of informal discussions with the conflicting parties.

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But the new draft basically was built on the existing drafts composed by the government's team. All articles that were already accepted by both sides were adopted under a new title of Law on Labor Affairs (*Undang-undang Ketenagakerjaan*). Again, there was no lively, substantive debate among the factions within the commission and the special committee. For this, Herman Rekso Ageng, a member of the commission, had an excuse, "The deliberative session at the committee level did not take a long time because the nitty-gritty of the draft had been finished by the [conflicting parties with the government]" (*Kompas*, January 24, 2003). Disregarding all objections launched by the unions and APINDO, Parliament passed the law.

What was the nature of the law? The hotly debated articles such as regular pay for workers during a strike, workers' working time compensation and resignation bonus, and various types of punishment for any violation committed by employers turned out to be all incorporated in the law. In other words, the law endorsed most of the unions' demands. Thus, in principle, the law accommodated the interest of workers more than it did for the employers. This also means that Parliament as a whole sided with the workers. The position taken by the factions did not show any difference. None of the factions took their opportunity to express their disagreement or dissenting opinion against the final draft during the plenary session. Stated differently, the factions were flocking to the left on the issue of labor disputes. This means that party competition did not materialize at Parliament level in general and at the commission or faction level in particular.

If we compare the two processes of law-making above – the SOE and Labor Laws – we see a pattern that the parties are inclined to flock to the right or left as a group. When they have an opportunity to express individual party attitudes in the plenary

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session, none of them show any substantive, distinct position. The following case will show us the uncompetitive nature of their interaction.

The Law on Regional Autonomy. This was the law that directly dealt with regional interests. The making of the law definitely would be a process through which regional or local interests would find a channel to be articulated. Any effort made by the national government to expand its authority would likely be contested by regional forces; and vice versa, any attempt made by local interest defenders to claim for higher autonomy would be challenged by the national government. It is in this tension where political parties may have taken their position and placed themselves at one point of the continuum between supporting and opposing local autonomy.

However, as described earlier in Chapter III, the general mood of the public at the time when the Law on Regional Autonomy was made was heavily biased toward the fulfillment of regional/local demands – which meant favoring higher local autonomy. Largely, it put pressure on political parties (i.e. parliamentary factions) to conform their position to the public's view. It is understandable then that all political forces were for local autonomy. We may say, a true party competition in Parliament did not take place. This fact was supported by an assessment made by Ryas Rasyid as the designer of the draft: there was barely any change made in the adoption of the draft to become a law. Thus, we can examine party competitive behavior only when the government or Parliament revises the law.

This opportunity came in 2003. The idea of revising the law did not come from nowhere. While several local forces criticized the law as being deceptive, the

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implementation of the law also sparked a lot of criticism. It was deceptive, according to Rienaldo Rifaddin from East Kalimantan, because the law still excessively gave the central government power to control regional finance (*Kompas*, August 10, 1999). In regard to its implementation, there was no standard of operationalization by which the regional autonomy should be executed. Furthermore, what was happening was that the central government seemed to lose its grip in creating a smooth transition to the intended autonomy (*Kompas*, February 20, 2001). So, each of the regional/local governments interpreted the law arbitrarily. The prime cause of this problem, in Rasyid's view, was that the central government did not immediately devise the operational guidance for the process of transferring power from the central to local governments (*Kompas*, February 20, 2001).

So, the special commission of Parliament revisited several crucial issues. This eventually led Parliament to launch several demands (*Kompas*, September 27, 2004).[137] First, Parliament requested the central government to raise the general allocation fund (DAU) to 27.5% of total government net revenues. Second, the government should raise its budget for local educational and health programs. Third, Parliament also asked the government to raise the proportion of local government share in oil and gas for oil and gas-producing regions. And fourth, cigarette-producing regions should receive a higher share of cigarette taxes. Out of these four demands, the first and the fourth were denied but the other two were accepted with minor modification in the law. In addition to channeling the economic demand, Parliament also inserted a new article in the law that

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[137] A long time lapse between the decision to revise the law and the deliberative process that followed was partly caused by the need to prioritize the amendment of the constitution. To avoid unnecessary "legal conflict" that may have occurred, the government and the parliament agreed to postpone the revision.

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the head of local government would be directly elected.[138] With this mechanism the law introduced a new means of direct accountability. The question is: did the political parties perform a competitively? Did some of them have a tendency to scale back what many considered a case of excessive autonomy?

Parliament gave its approval to the draft in the plenary session which was held on September 29, 2004. This was the time when the factions could show their individual and independent opinion on the draft for the last time. But as reported by *Kompas*, the plenary session went smoothly. All the factions, in their final notes, praised the law as a milestone in the history of regional autonomy (*Kompas*, September 30, 2004). In other words, the expected competitive behavior did not manifest itself in the process of revising the Law on Regional Autonomy.

The tendency of parties to have identical positions on the issue of autonomy can actually be seen in the number of laws that were related to the formation of new municipalities, districts, and provinces. From the year 2000 to 2004, Parliament produced 64 laws that became the legal basis for local government formation. This number equals 42% of the total law products made in that period.[139] Without too much debate, all factions generally agreed to process regional demands to expand the number of new local governments, which eventually would impose additional financial burdens for the central government in re-redistributing the national wealth.

These four cases of law-making should be sufficient to demonstrate the absence of party competition in the legislative arena. What is more, our examination of party

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[138] These four demands revolved around the idea of finding a better method for redistributing economic wealth.
[139] This counting is based on the list of laws produced by the parliament as documented by the State Secretariat at www.setneg.go.id.

interaction in this arena provides further evidence of cartelization. But we need to add one more crucial evidence of cartelization, on the issue of state subsidy to show how far the parties abandoned their electoral programs.

4.5. Ideological Migration: the Issue of State Subsidies

In respect to economic issues, party interaction shows an interesting dynamic as well. This dynamic originated from a situation where the parties had an opportunity to translate their economic visions into practice. In other words, their shared vision on the need to rebuild the country's economy – as represented in the concept of *ekonomi kerakyatan* or people's economy – now had to be converted into a set of economic policies. The choice of economic policy would significantly define the parties' image in public – an image that would go along with them into the electoral arena of 2004.

In principle, we should not have seen any serious quarrel among them because not only did the parties share a similar economic vision but also they were all in the government. But then there was reality.

For a reality check, three legitimate questions need to be answered. First, what did Megawati do for the economy after she replaced Wahid as president? Second, did her policy in fact represent all the parties participating in her cabinet? Third, how did Megawati's policy and parties' response to it define the overall interaction among parties in the 2004 electoral arena? Would it produce a meaningful political division and competition?

As she began her first days in office, Megawati had to confront a real challenge. Within three weeks, her soon-to-be-formed cabinet economic team had to revise the state

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budget (APBN) for the 2001/2002 year. A revision was needed since several assumptions of the budget – i.e. the predicted price of oil and the targeted amount of taxes that would define the amount of government revenue – were not met. More important was the fact that Indonesia was under the IMF restructuring program. This meant that most government economic policies must have won the IMF's approval. For the budget, as cited in the Letter of Intent (LoI) signed by the Indonesian government and the IMF on August 27, 2001, the government would employ a deficit budget (as opposed to a balanced budget) with the goal of recovering the economy.[140] The question was: how to finance the deficit?

The government's choice of course would be either to raise its revenue or to cut its spending. On the revenue side, the government tried to mobilize three different financial sources: the privatization program of many state-owned enterprises (SOEs), the sale of government assets acquired from the banking restructuring program, and the loans from foreign donors (Ika and Samosir, 2002).[141] The facts that the privatization program was not always successful, that the asset sales were mostly under the targeted value, and that the foreign loans could not easily be obtained as before, however, forced the government to combine these steps with other appropriate ways to overcome the deficit.

The government eventually attempted to tinker with manipulating its spending. Theoretically, the government could reduce any of the three main categories of governmental spending: the regular funds (*dana rutin*), the development funds (*dana*

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[140] The deficit was intentionally made by the government which was in line with the IMF's recommendations. With this method, the government, it was hoped, would have relatively sufficient development funds for stimulating the country's economy to get out from the crisis by spending more, among others, on building infrastructures.
[141] These policies were all mentioned in the Letter of Intents (LoI).

pembangunan), and the regional funds (*dana perimbangan*). But manipulating these three types of spending proved to be complicated. Slashing the development funds would severely limit the government's capability to fund various economic programs for stimulating the economy. The regional funds could not be cut without risking a possibly enormous resistance from the regional and local governments. Therefore, the regular funds, so it seemed, would become the relatively easier target for the government to cut.

One important component of the regular funds was government subsides for consumers in three sectors – the subsidies that perpetually drained the government revenue: oil, electricity, and telephone service. Then cutting subsidies for these three sectors could help government reduce the budget deficit. In fact, the IMF from the beginning of its involvement in 1997 included this type of policy in its recommendations to be adopted by the government. Point 4 of the LoI also made it clear that the government would eliminate these subsidies. There were two reasons that buttressed this recommendation. First, in the short run, it could help the government to offset the budget deficit; and second, in the long run, it would help the creation of an undistorted market economy, which was seen by the IMF as a sound policy (*Kompas*, July 29, 2001; January 1, 2003).

So it is obvious that all those government policies were rightist in nature. This should not be surprising because Indonesia was a patient of the IMF and Megawati (and her predecessors since the beginning of democratization had to meet all the IMF's recommendations. Otherwise, it would risk postponement of the IMF loans that could negatively affect the possibility of the Indonesian government getting the needed, bigger loans from the CGI (the Consultative Groups on Indonesia – a consortium of developed

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countries that function as a money lender for Indonesia).[142] What happened to the *ekonomi kerakyatan* or the people's economy then? And what happened to the all leftist or populist-sounding rhetoric made by all parties during the 1999 election campaigns? It is the tensions and debates around this issue that had molded party interaction entering the 2004 election. But let us explore the issue of the government subsidies first.

Since 1978, when the oil subsidy was introduced by the New Order government, the domestic consumers (private and industrial) had enjoyed an artificially cheap oil price.

	1997/98	1998/99	1999/00	2000	2001	2002
Subsidies of the total spending (in percentage)	15.87	20.68	29.94	28.55	23.02	12.09
Subsidy for the oil only (in Rp trillion)	9.8	28.6	40.9	53.6	68.4	30.4

Source: *Litbang Kompas* (2002: 147), rearranged.

Table 4.8: State Subsidies for Oil, Electricity, and Telephone 1997-2002

Part of the subsidy was for bailing out the state's electrical company losses in many consecutive years. The amount of losses was staggering as can be seen below:

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[142] The IMF's LoI specified that the government was not allowed to turn to commercial loans which usually set higher rates of interests (*Kompas*, August 28, 2001). Thus in practice, the government could rely solely on the IMF and CGI.

1977	1998	1999	2000
Rp. 1,7 trillion	- 2.8 trillion	-5.5 trillion	- 4.7 trillion

Table 4.9: PLN's (state-owned electrical company) Losses in 1997-2000

Between 2001 and 2002, the government in fact had gradually reduced the subsidies in those two sectors, electricity and oil.[143] But the gradual measures only brought a spiraling inflationary effect every time the government cut a slice of the subsidies. And the amount of all subsidies remained as high (see Table 4.8 above). These facts subsequently led the government to make a plan to take a drastic measure by simultaneously eliminating the three subsidies all at once. On January 1, 2003, the government announced its decision.

Soon after the announcement, chains of mass protest broke out across the country.[144] The huge magnitude of the protest in turn forced Parliament to bring the government to the table. In the second week of January, Parliament held a consultative meeting with the government to discuss the views of each side on the issue.[145] The

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[143] Between June 2001 and September 2002, the government had raised the oil price eight times as much as Rp. 100 (US$ 0.01) per liter – on average (Dwi Erianto, 2002: 147).

[144] Involved in the protests were various intra-campus organizations, political parties, public interest advocates, non-governmental organizations, prominent political figures susch as the ex-president Abdurrahman Wahid, ex-coordinating minister of political and security affairs Wiranto, and Hariman Siregar – an ex-student leader who organized the 1974 *Malari* or the January 15 Disaster.

[145] At the policy level, the government does not need to have approval from the parliament. However, it does not mean that the government can ignore the parliament completely. In certain circumstances, when the parliament sees the issue/policy as utterly important, it can exercise its function to supervise the government's actions. It can be carried out through holding a consultative meeting (*rapat konsultasi*) with the government, conducting a poll among the MPs (*hak angket*), and organizing an interpellation (*hak interpelasi*). These three could override government decisions – provided that the parliament obtains a majority of support from its members.

government team came to the parliamentary building with a scripted response that the government would merely listen to Parliament's view and bring it to a cabinet meeting for further discussion (*Tempo*, January 20-26, 2003). The scripted response was more like a strategy to reduce tension since the government, according to its plan, would not roll back its decision.

But the meeting ended with a surprise when Agum Gumelar, the Minister of Transportation, decided to deviate from the script. In the middle of the discussion, he suddenly said that the new higher rate for telephone service could be cancelled or revised. He argued that there was only 3.7 percent of Indonesians who used the telephone service which implied that the state subsidy for this service would not take too much of the government budget – relative to the other two subsidies. Even though Gumelar's argument sounded logical and true, it severely undermined the credibility of the government's argument for cutting off the subsidies[146] (*Tempo*, January 20-26, 2003).

The tension did not end at that meeting. In the next round, the government still tried to find a way to convince Parliament that the decision was appropriate and it needed Parliament's support. In response, Parliament formed a multiparty caucus, requesting the government to cancel its decision. The caucus even moved further by threatening to undermine the government's legitimacy if it did not revoke the decision. It is evident that Parliament was representing a populist view on the issue which could be a proxy for the people's economy, while the government was advancing a pro-market policy.

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[146] Around the time when the government announced its decision to cut the subsidies, it also awarded several controversial "release and discharge" letters to some conglomerates who intentionally did not pay their enormous debts to the government. These letters could only strengthen the public resistance against the government for cutting the subsidies (*Tempo*, January 20-26, 2003). So, part the story was the public's feeling of being treated unfairly by the government.

These two facts of course should bring a question to the fore: which party represents which view? Or more specifically, how do we identify parties' stance in this tug-of-war?

The PDIP faction in Parliament was one of the factions that staunchly opposed the government's decision – at least at the beginning. During the consultation, PDIP's faction inexplicably had questioned the government's decision. And together with other factions, PDIP asked for the cancellation of the decision. When most factions solidified their bargaining position by forming a caucus, PDIP also joined the caucus.[147] Furthermore, Roy Janis, the leader of the PDIP faction in Parliament, said that all faction members would stick with the decision to ask the government to cancel the decision. This position was in stark contrast with the position originally held by PDIP. In its anniversary celebration held the previous week on January 10, PDIP was united and made a statement that it would support the government's action. No less than its chairwoman, Megawati the president, said that the government had no choice other than eliminating all state subsidies. It would be an unpopular decision but, "Maintaining subsidies," Megawati argued, "would only spoil the consumers" (*Tempo*, January 20-26, 2003). Which one was the true PDIP?

At last, the rift within PDIP could be solved when the PDIP's central office was able to enforce party discipline.[148] The PDIP faction finally endorsed the government

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[147] The caucus consisted of Marwah Daud Ibrahim, Aryady Ahmad, Fahmi Idris, Sarwoko Soerjohoedojo, and Agung Laksono (Golkar), A.M. Fatwa, Alvin Lie, and Samuel Koto (*Reformasi* Faction), Chatibul Imam Wiranu, Effendi Choiri, Muhaimin Iskandar, and Ali Masykur Musa (PKB), Lukman Prayitno (PPP), and Julius Usman, Meliono Suwondo and Kwik Kian Gie (PDIP), Ahmad Muqowam (PPP). As for PDIP, Haryanto Tasalam, Meilono Suwondo, and Julius Usman joined the caucus (*Tempo*, January 20-26, 2003)
[148] Pramono Anung, the vice general secretary of the party, harshly criticized the PDIP parliamentary faction for making a sudden turn that deviated from the party's guidelines (*Tempo*, January 26 – February

decision. This means that all elements of PDIP which were in the government, in the central office, and in Parliament began to show a coherent attitude. However, the demand for reversing the government decision was snowballing in Parliament which paralleled the demand at the public level. At the end of the day, in this tug-of-war, the government agreed to make a compromise by reducing the amount of price hike for the three commodities. This means that the government would maintain a degree of the state subsidies albeit at a slightly lower level (*Tempo*, January 20-26, 2003). This result certainly does not give us a clear-cut answer for the question of which ones represented the political parties: was it the one in the government or the one in Parliament?

We know that Megawati's government was a multiparty government. Consequently, any policy adopted by the government would reflect the parties' general preference in economic policy unless the government was so incoherent that each department worked in isolation. But there was sufficient proof that the governmental policies were a result of multi-party efforts. In early March 2002, for example, Megawati assigned the vice president, Hamzah Haz, to form an economic team with a single task of devising an economic policy package intended for economic recovery.[149] In turn, Haz picked Laode Kamaludin of Golkar to carry out the task. This process showed that the three major parties – PDIP, Golkar and PPP – worked together in an attempt to solve the economic problem (*Tempo*, March 4-10, 2002). Furthermore, the government's decision on the subsidy elimination was made at the cabinet level which means that it was a

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1, 2003). Their presence in public only exacerbated the mass protests that already hit nearly all major cities.

[149] There was a controversy as to whether the formation of a new economic team was a waste since nearly all major economic decisions were already contained in the LoI. But this team, according its spokesperson, was intended to accelerate what the cabinet economic team was slow in doing (*Tempo*, March 4-10, 2002).

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collective decision that involved all parties in the cabinet. These two events signify that all parties in the cabinet appeared to make a collective "ideological migration", from being "leftist parties" – or at least leftist-sounding parties during the 1999 campaign – to becoming rightist parties with all pro-market policies they adopted.

The parties in Parliament showed an interesting attitude as well. It was the same parliament (hence the same parties) that previously did not show any objection to the government's plan for cutting the subsidies (*Tempo*, January 20-26, 2003), but now opposed the government. It was also the same parliament that in 1999, through the Assembly forum, provided the guideline for the government (i.e. *Propenas* or the National Development Program) – a guideline that recommended the government, among other things, to remove the state subsidies. In other words, the parties in Parliament collectively performed an ideological flip-flop – from being leftist to becoming rightist to return again to being leftist! This event of ideological migration exactly matches our criteria of the cartelized party system: first is the abandonment of electoral program (for all parties in the government), and second the parties act as a group. Again, at this point, we do not see that this was a reflection of the consociational model. The tension did not represent the majority versus minority. We simply are not able to identify which represented which. Either the parties represented both or they did not represent them at all – if the majority and minority had ever existed in this context.

As we now have evidence for buttressing our claim that Indonesians have developed and maintained a cartelized party system, we need to revisit the question that was postponed before: Is the cartelized party system no more than a consociational type of party system?

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This is a legitimate question because the non competitive nature of the cartelized party system overlaps with one of the most important features of consociational democracy: elite cooperation. In defining consociationalism, Lijphart considers that "elite cooperation is the primary distinguishing feature of consociational democracy" (1977: 1). This elite cooperation eventually produces a grand coalition which is, for Liijphart, the first and most important element of consociational democracy (p. 25). The creation of a grand coalition in a consociational system, Lijphart goes on, violates the rules commonly held in a parliamentary system that the cabinet or government normally has "majority support, but not the support of an overwhelming majority."

The oversized coalition as found during cabinet formation is an overwhelming majority where no party is excluded from the coalition. This oversized coalition can be seen as a consociational-style representation of a grand coalition engineered by the Indonesian party elite. I argue, however, that the Indonesian oversized coalition was not a result of a consociational process and that the consociational model can not fully explain the phenomenon of party interaction. Let us see how the consociational argument applies to the Indonesian case.

Lijphart uses the consociational argument to explain the stability of democracies in countries such as the Netherlands, Switzerland, Austria, Belgium, and Luxembourg. These countries, according to Lijphart, were marked by deep social divisions that made them prone to horizontal conflict. Despite social division, however, these countries were able to produce stable democracies.[150] For Lijphart, "the political stability of the consociational democracies must be explained in terms of an additional factor –

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[150] See Lijphart, 1997: 1-5. See also Lorwin, 1971: 1441-44 which proposes his own term of concordant democracy.

cooperation by the leaders of the different groups which transcends the segmental or subcultural cleavages at the mass level" (1977: 16). Since plural societies are prone to horizontal conflict, a zero sum game type of political competition can easily jeopardize democratic stability. In this situation, the creation of a grand coalition can prevent the potential conflict from exploding because each segment of the society is represented in the coalition. Thus, the grand coalition is seen as a deliberate product of elite maneuver to prevent social conflict, and politicians are considered consociational engineers (1977: 223).

If Lijphart's consociational argument holds for the Indonesian case, the situation that gave rise to the emergence of the grand coalition (i.e. the oversized coalition) should be met. This means that the Indonesian social structure should resemble the segmented structure as found in the Netherlands, Switzerland, Austria, Belgium and Luxembourg. The segmented cleavages should manifest themselves at the social and political levels where "… political parties, interests groups, media communication, schools, and voluntary organizations tend to be organized along the lines of segmental cleavages.[151]" Does Indonesian society resemble segmented society? Did the oversized coalitions in the 1999 and 2001 cabinets emerge from a situation where conflict at the mass level was imminent?

The answer to these questions is a resounding no. Indonesian society is a plural society but it is not necessarily segmented. It is true that political parties follow the line of religious cleavage. However, the Islamic community has never solidified into a single segment. In fact, at the political level, the Islamic community does not exclusively

[151] The segmental cleavages, according to Lijphart, "may be of a religious, ideological, linguistic, regional, cultural, racial, or ethnic nature (p. 3).

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channel its interests through the Islamic parties. Many members of the sub-communities such as Nahdlatul Ulama and Muhammadiyah, which constitute a huge proportion of the Islamic community, voted for inclusive parties such as PKB and PAN – as previously shown.

Equally important, other aspects of social life do not follow the religious cleavage line. State-funded schools at every level are not organized along religious, ethnic, or language lines. In addition, major mass media such as *Kompas* and *Tempo* do not belong to any social segment. Indonesian society is clearly plural but equally clearly not segmented. This distinction is important because demographic characteristics do not automatically translate into attitudinal characteristics (Daalder, 1974; Steiner, 1981). In brief, the segmented social structure that serves as the basis of consociational democracy in Lijphart's theory is not present in the Indonesian case. As a result, we cannot use the consociational argument to interpret the oversized coalition.[152]

Another objection can be leveled against the consociational interpretation of Indonesian party politics by examining three other elements of the consociational model. These three, still following Lijphart, include "(1) the mutual veto or 'concurrent majority' rule, which serves as an additional protection of vital minority interests, (2) proportionality as the principal standard of political representation, civil service appointment , and allocation of public funds, and (3) the high degree of autonomy for each segment to run its internal affairs" (p. 25).

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[152] The pressure for preventing mass conflict from occurring during the cabinet formation in 2004 was also absent (see Chapter 5). Thus, there was no reason for the party elite to engineer a consociational-based grand coalition.

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These three elements are not present in our case. The party elite did not devise any mechanism by which minority interests could be protected. Moreover, Lijphart emphasizes that "the consociational structure and procedures to be instituted must be clearly described" (p. 223). Nowhere do we find this mechanism at the governmental and parliamentary levels. In fact, as in the case of the making of the National Education System Law, the tension between Islamic and non-Islamic forces was resolved through normal parliamentary processes. In addition, the minorities were barely identified; they were mentioned but their rights were never seriously discussed by the party elite. In short, the parties never attempted such procedures.

In regard to the next element, the principle of proportionality, admittedly it was applied during cabinet formation (see Table 4.5, 4.6, and 4.7). However, since the parties did not closely represent segmented groups – which do not in fact exist – the principle of proportionality had nothing to do with consociationalism as a cause. Considering all these criticisms, I argue that the consociational model or argument cannot fully capture the phenomenon of party interaction.

It should be clear by now that the oversized coalition was not a grand coalition as conceptualized by Lijphart. The explanation of the emergence of the oversized coalition (as an indicator of a cartelized party system) must be sought somewhere else. I argue that parties' collective financial interest is the prime cause of the cartelization. I will tackle this issue fully in the last chapter.

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4.6. Summary

I argue in this chapter that the Indonesian party system, after the founding election, became cartelized. Party competition ceased once the parties left the election arena.

The basis of electoral competition, as this chapter shows, revolved around the religious issue. The political parties divided themselves into two ideological camps: Islam and secular. They did touch the class and regional issues altogether during the campaign but these issues did not produce significant and meaningful ideological differences among the parties. The concept of people's economy which was shared by all parties showed that they did not really develop distinguishable economic programs. The concept of regional autonomy and federalism that seemingly divided the parties into two different directions turned out to be compatible.

Evidence has been presented in this chapter to buttress our claim that the parties have established a cartelized party system. First, cabinet formation (twice in the period between 1999 and 2004) was marked by an "oversized" coalition. This coalition fit neither the theory of an ideologically-connected coalition nor the theory of a minimal-winning coalition. Thus, it signifies that the political parties did not take ideology as seriously as it should be. The oversized coalition also discounted the importance of the election result. Winning a plurality did not lead PDIP to build a winning coalition even though the probability of it was high. The parties all joined the cabinet which resulted in the absence of opposition.

Our evidence also shows how the parties exchanged concessions in the process of finishing the National Education Law, shared similar views on the issue of privatization

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when making the SOE Law, collectively did not take any stance on the Labor Law, and finally passed numerous laws endorsing the establishment for new regional/local governments without any substantive debate. One might argue that these are normal situations that take place in a competitive party system. I argue, however, that they are better understood as attributes of a cartelized party system. My argument is supported by the crowning evidence that the parties acted in concert and abandoned their programmatic commitment as shown by the phenomenon of collective ideological migration in the case of the state subsidies. They shifted from their populist programmatic commitment to the rightist or market type of commitment in that case.

The extent to which the parties violated their ideological commitments and electoral programs goes beyond what is customarily accepted as the benchmark of competition. At the least, to borrow Klingeman, Hofferbert, and Budge's words, "[The parties should] stand for something. Each party is expected to stand for something that separates it from the competition" (1994: 24). Even by the standard of Kirchheimer (1966) who observed the diminishing role of ideology in determining party behavior, this example of collective ideological migration would go beyond his expectation. This was not a compromise to find a middle ground between two opposing parties or opposing groups of parties, but a wholesale abandonment of ideological commitment and electoral programs by the parties. At this point, my findings from the Indonesian case add an unanticipated element of party interaction to the theory of democratic party system.

CHAPTER 5

THE ELECTION OF 2004: FADING OF OPPOSITION, RETURN OF CARTEL

The focus of this chapter is on party interaction during and after the 2004 election. The argument advanced is similar to the argument in the previous chapter, that is, the political parties have established a cartelized party system. This chapter carries out a similar procedure of examination of party interaction across the arenas and uses the same criteria of examination as well. In addition, it also traces the continuity and change of the party system that has formed since 1999.

This chapter will show that there was a recurrent pattern of party interaction across the arenas. Before the legislative election[153], the parties in each ideological camp, Islam and secular, reaffirmed their seemingly irreconcilable ideologies. The ideological distance between the Islamic parties and the secular parties grew even wider. But, when it came to forming the cabinet and filling up the leadership structure in Parliament, the parties threw away their ideologies. The competitive nature of the electoral arena simply vanished, leaving no trace in the next arenas. The cabinet, again, turned out to be an "oversized" coalition which included parties from the opposing ideological camps, Islam and secular. The selection process of commission chairs in Parliament was also marked

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[153] In 2004, there was an election for the parliament and the regional legislatures, followed by a two-round direct presidential election.

by another oversized coalition. The chairmanship positions were distributed proportionally, leaving no parties outside the coalition. These findings confirm my claim that the cartelization has survived over time.

Like Chapter 4, this chapter it will describe the growing ideological distance of the Islamic and secular parties prior to the election. Then, it will show the return of cartelization. Finally, it ends with a summary of the argument and the findings.

5.1. A Widening Secular-Religious Divide

In the years after the 1999 election, the Islamic and the secular parties made various moves to rearticulate their views on the relationship between religion and state. These moves sooner or later would have strategic implications for them.

Arguably, the 1999 electoral result was the source of the parties' subsequent moves. It is because the election result became the basis for political parties to reassess their political strategy. For the Islamic parties, it appeared that the lingering question was whether they used too much or too little dosage of Islamism in the past election. For the secular parties, a similar question seemed to be relevant too – whether they too rigidly maintained their ideological purity. The newly incoming parties were no exception; they would have to deal with this type of question once they entered the political arena in the 2004 election.

We shall see that there was no extreme case of ideological leapfrogging but two Islamic parties moved further to the right and one of them moved closer to the center. The secular parties, while staying in their original position, had attempted different strategies to widen their reach to segments of the Muslim community without changing

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their basic ideological stance. The question is: how did they reemphasize their ideological choice and how did their moves manifest themselves in the political arena which eventually would define party interaction as well as their political prospects in the 2004 election?

The Assembly's first session in 2000 turned to be the first forum through which the Islamic parties exercised their opportunity to make some adaptation. As described in the previous chapter, the Islamic parties had chosen their electoral strategy during the campaign by not marketing the idea of an Islamic state and not pushing forward the adoption of the Jakarta Charter for the constitution. But now, as the Assembly was responding to political demands from the public by amending the constitution, they again had to make a choice.

As far as religion's role in politics was the concern,[154] the debate revolved around Article 29, Clause 1, which said: "The state shall be based upon belief in the One and Only God." Historically, this clause was the result of a compromise reached between the nationalist/secular forces and the Islamists during the 1945 debate within the Preparation Committee for Indonesian Independence (PPKI). The seven words, "*dengan kewajiban menjalankan syariat Islam bagi pemeluknya*", with the obligation upon Muslims to carry out Islamic law, were dropped from that clause with the consideration that the Muslims must embrace the non-Muslims for the sake of "national unity" as they were all about to establish a new state. During Suharto's New Order, for its politically destabilizing

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[154] There was a range of issues addressed in the process of amending the constitution. Several constitutional clauses that were considered insufficient for buttressing the new-born democracy were debated. These included the reformulation of parliamentary power, the general election, the structure of the cabinet, and many others which were too abstract and only remotely touched the interest of the people. Therefore, these issues did not grab public attention as much as the religious issue did.

effects, this clause, and the Jakarta Charter as a whole, was outlawed (Hosen, 2005). Nonetheless, in 2000, this clause was used by the Islamic parties for resurrecting the long-buried debate on the state philosophical foundation in the newly open political environment.

At the Assembly session August 2000, four alternatives were available for possible amendment of Article 29. These alternatives had been prepared by an Ad-Hoc Committee (PAH I) of the Assembly that had been working since October 1999.[155] The formulation of the four alternatives was as follows:

1. The state shall be based upon belief in the One and Only God.
2. The state shall be based upon belief in the One and Only God with the obligation upon Muslims to carry out Islamic law.
3. The state shall be based upon belief in the One and Only God with the obligation upon the followers of each religion to carry out its teachings.
4. The state shall be based upon belief in the One and Only God, humanitarianism, Indonesian unity, democracy, and social justice.

The first alternative was the original version of the article and was put on the table for those who did not want to make any changes in the article. The second alternative was a version drawn from the Jakarta Charter in exactly the same wording. This version was proposed by the Islamic element of the Committee. The third alternative had a similarity with the second in that it intended to use the state for enforcing the implementation of religious teachings and practices on religious believers. The difference between the two is that the Islamic alternative (the second) had an exclusionary element where the obligation

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[155] PAH I was part of the Assembly's Working Committee that consisted of 45 members from all factions – including the military and the functional delegates. The main task of the Committee was to prepare substantive and administrative agendas for the Assembly's annual session for the following year. For this task, the working committee session had formed three ad hoc committees with different tasks after a special session was held in October 1999. It was the first committee (PAH I) that was more specifically responsible for the preparation of substantive issues to be debated in the annual session. See the Ad-hoc Committee's proceeding, Book II, 3rd Part, the General Secretariat of MPR RI (People's Consultative Assembly), 2000.

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for practicing religious teachings was intended for Muslims only. Meanwhile, in the third version, the obligation would be enforced on all religious believers according to their religion. The fourth was proposed by Christian minority members in the committee.

During the opening of the plenary session, when each faction was given an opportunity to express its view on the issue, PPP and PBB resolutely stated that they were for the second alternative. PK and PKB were for the third alternative; and the rest preferred the first alternative – the original version with no modification. It is worth noting here that this religious issue never had a chance to be fully debated. The multiple sessions held during the convention focused more on discussing and deliberating other issues such as regional government, the executive-legislative relationship, national security, state territory, citizenship, human rights, national flag, language, symbol, and the national anthem. As a result, the debate on Article 29 was postponed until the next annual session.

However, during the final plenary session when factions were given an opportunity to express their opinion, PBB and PBB repeated their stance in a bolder formulation. The PPP faction said,

> "After 55 years of the seven-word elimination from the constitution, we have seen our country has been in disarray and in moral crisis. … PPP believes that if we return to [the Jakarta Charter's version of Article 29] the nation's moral crisis can be recovered. Those seven words would affect the morality of the majority of Indonesians. If this majority could implement its [Islamic] teachings buttressed by the constitution, they would bring positive impacts for the nation." (the Assembly Proceeding, 2000: 166).

In a similar tone, the PBB faction also stood on the same position, underlining the Assembly's neglect of the more important issue of religious life while providing a

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guarantee that Islamic law would only be for Muslims – not for the followers of other religions:

> "… the question is: are the issues of national flag, national language, symbol and national anthem more important than [reformulating] state's role and religion [in public life]? … There are types of Islamic law that cannot be implemented without state enforcement. […] Non-Muslims need not to be worried about this because the Islamic law would be applied to Muslims only." (the Assembly Proceeding, 2000: 124).

PPP's and PBB's final notes were important because they obviously showed a higher dosage of Islamism. Intended or not, their statements and moves meant that they had narrowed down their social base by inching closer toward the legalistically-oriented segment of the Islamic community. As if the statements were not strong enough, both vowed that they would keep pressing the accommodation of the Jakarta Charter version of the article into the constitution whenever they had an opportunity (Basalim, 2005: 236-237).

We see then that PPP and PBB had become increasingly conservative by moving closer to the religious pole on the secular-religious continuum. And they were well aware that the public knew about their moves since the Assembly annual session was widely covered by the media.

There is more to say about PPP's and PBB's strategic moves. When they were trying to bring the Jakarta Charter back to life, various Islamic groups outside the Assembly such as FPI, MMI, DDII, and KAMMI[156] continually delivered their support

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[156] FPI, Front Pembela Islam or Islamic Defender Front, is a hard-line Islamic group which frequently organizes raids during the holy month of Ramadhan, targeting night clubs, liquor parlors, and other establishments that it consideres un-Islamic. Its tactic often resorted to violence. MMI, Indonesian Mujahidin Council is an umbrella organization for Indonesian Islamists. Led by Abubakar Bashir, MMI is

for them (Basalim, 2002: 150-51). These Islamic groupswere known for their radicalism in defending what they perceived as Muslim interests; and two of them, FPI and Mujahidin, did not hesitate to resort to violent means in pursuing their agenda. These groups even staged a series of mass demonstrations outside the Assembly building to raise their voice. These two events spoke volumes and could easily lead anyone to draw an association between the parties and the Islamic organizations that both sides shared a comparable ideological outlook. Stated differently, the two parties had locked themselves to a more conservative or a more legalistically-oriented segment of the Islamic community.

In the next Assembly's annual session of 2001 and 2002, as promised, PPP and PBB made a similar effort to force the adoption of the Jakarta Charter. This effort officially ended in 2002 when all factions within the Assembly were able to reach a consensus to not force the amendment on Article 29.[157]

It is worth noting that PK from the beginning of the debate took a slightly different path by promoting its own proposal of the Madinah Charter. In essence, the second alternative for the amendment represents the core idea of the charter. With the Madinah Charter PK wanted to promote justice among religions because this charter, as this party saw it, provides an equal opportunity for each religion to oblige its followers to practice their religious teaching – not only for Islam or for Muslims (*Kompas*, August 8,

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known for its uncompromising stance for the formalization of Islamic Law in Indonesia. KAMMI, Indonesian Muslim Student Action Group, was established in 1999 with the goal to create an Islamic society. Its membership is limited to students only but its network reached campuses in most provinces.
[157] In an interview, Mahendra, the chairman of PBB, said that PBB was not interested in putting its proposal for a vote. He argued that the "truth" or *syariah* could not be subject to voting (*Kompas*, July 25, 2002). It simply needed to be implemented.

2002).[158] This position appeared to indicate that PK (later it would change its name to PKS) had slightly moved closer to the center on the secular-religious continuum.

The religious issue came to life again in 2003 when Parliament and the government were simultaneously proposing a new law on national education (see Chapter 4, pp. 176-181). We should not repeat the process of how the draft of this law was debated and how it was officially adopted by Parliament in 2003 since it was fully discussed in the previous chapter. It suffices to say that the Islamic parties again brought the religious issue onto the political stage. Only this time they did not play at the constitutional level but at the lower level of specific substantive laws.

It should be evident by now that the religious issue was utterly important for the political parties in defining their identities and their interaction. This is not an overstatement since all political parties had to take a position – pro and contra – in the process of constitutional amendment and in legislation. And at the public level, the religious issue had produced social division as well.

The religious-secular tension also manifested itself at the party level. PAN is a good example for this. Eight months after the election, two major components of PAN, during the party congress in mid February 2000, were engaged in a hot debate about whether PAN should redefine its identity. The Islamic component, which was led by AM Fatwa, wanted PAN to show its Islamic identity. So far, Fatwa argued, PAN's identity was unclear because it could be classified neither as an Islamic nor as a nationalist,

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[158] It was not clear whether the Madinah Charter was more like a unilateral religious edict than a negotiated settlement (See the polemic between Burhani and Wahono, *Kompas*, November 30 and December 14, 2004. Burhani is a lecturer in State Islamic University in Jakarta, while Wahono is the chair of PKS faction in the parkliament). PKS always emphasized the fair and egalitarian nature of the Charter. Granted, the adoption of the Charter would have posed a problem for the Christians because Christianity does not recognize the fusion between state and religion. So PKS's proposal would have been unworkable (Platzdasch, 2001).

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secular party (*Tempo*, February 13-19, 2000). For this purpose, Fatwa continued on, PAN needed to insert two key words of *iman* (faithful) and *takwa* (pious) in PAN's ideological formulation. So, as described earlier, these words are typical Islamic vocabulary and have become a new symbolic identification for Islamic parties.

On the other side, Faisal Basri, the general secretary of the party, along with other nationalist figures, refused Fatwa's idea. For them, PAN had to stay on its original course by maintaining its original status as an open, pluralist party. One year later, in February 2001, Faisal Basri left PAN. He reasoned, "This party [PAN] is moving to the Islamic right and being carried by PAN Muslim leaders who are not acting like Muslims" (*Tempo*, January 22-28, 2001). Another PAN top figure, Amir Sidharta, felt downhearted when seeing Amien Rais, the chairman, attend and give a speech in a massive public meeting[159] by Islamic forces that demanded the government to protect Muslims in the religious conflict in Molucca, a province in eastern Indonesia (*Tempo*, January 22-28, 2001). To him, Rais was becoming biased in favor of Muslims which was not in line with the party's mission of promoting a religiously neutral stance. He and nine other PAN top figures followed Basri's step, at the end.

PAN's internal conflict at first gives an impression that the internal conflict was very ideological. A further examination, however, shows that it was more pragmatic in nature. In the 2000 congress, Fatwa laid out his opinion, arguing that PAN's weak electoral performance was due to its unclear identity for neither being an Islamic nor a secular party (*Tempo*, February 13-19, 2000). This identity vagueness was seen by Fatwa

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[159] It was known as *aksi sejuta ummat* or a march of a million Muslims. Radical and moderate Muslims and Islamic organizations joined together to express their stance on the religious conflict between Muslims and Christians in Molluca.

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as the cause of PAN's poor electoral performance. By showing its Islamic identity, he argued, PAN could win back the heart of Muslim constituents. His assessment was repeated when he explained his move and defended his position as the 11 members of PAN left the party (*Tempo*, February 14-20, 2001).

Other than the two Islamic parties and one secular party as described above, the rest of the parties simply stayed put. PKB did not make any move in either direction. Unlike PAN, PKB did not need to deal with ideological struggle since from the beginning the Islamist element within PKB (or NU in general) had been forced out and eventually formed its own parties. The two major secular parties, PDIP and Golkar, did not make any move either. The election result that placed them as the two largest parties after the 1999 election did not put particular pressure on them to drastically alter their approach in terms of changing their social bases. [160]

In brief, approaching the 2004 legislative election, we have a slightly different picture in regard to the ideological distance among the parties. The moves made by the Islamic parties show that the ideological distance between the Islamic and the secular parties had widened. But at the same time, we see no case of drastic ideological leapfrogging. The moves were contained within each ideological family – either secular or Islam. In other words, their ideological positioning on the secular-religious continuum showed a similar pattern as in the 1999 election.

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[160] PDIP seemed to be figuring out how to widen its social base by approaching a segment of the Islamic community – a moderate segment of the Islamic community which was not legalistically-oriented (*Kompas*, July 19, 2003). This was carried out by visiting Muslim enclaves without changing its basic ideological commitment of being a secular party. Thus, it was merely an instrumental move in order not to isolate itself from the Islamic community. Public perception still perceived PDIP as a secular party.

Of course, the hardening of individual identities and sharpening of differences among parties is not an uncommon phenomenon when an election is approaching in many countries. For the sake of winning the election, all parties need to connect themselves to their main target of supporters or voters. And it could be carried out by giving more emphasis on ideological and programmatic distinctions. After the election, it is normal too that each party would find a way to make compromises once the election does not produce any dominant party. But at this point, we need to emphasize that the parties came to the election with clear ideological boundaries and the ideological distance between them was widening. The party ideological commitment and the ideological distance have been defined by the religious issue. With all their strategic choices, the parties recorded their electoral performance as follows:

Party	Votes	Seats
Golkar	24,480,757	128
PDIP	21,026,629	109
PKB	11,989,564	52
PPP	9,248,764	58
PD	8,455,225	57
PKS	8,325,020	45
PAN	7,303,324	52
PBB	2,970,487	11
PBR	2,764,998	13
PDS	2,414,254	12
Other parties*	9,025541	13
Total	113,462,414	550

* Consists of seven parties with seats between 1 and 5.
Source: www.kpu.or.id

Table 5.1: Legislative Election 2004: Distribution of votes and seats

We now have the legislative election result as shown in the table above. This result, along with parties' ideological postures, should have had an effect on party behavior in the next arena. The party competition that took place during the election to some extent should have been present in the executive and legislative arenas as well – just as what we expected to happen after the 1999 election. It must be noted here that we are not saying that the parties may not make any compromises in those two arenas. Compromise is expected to happen in all systems, particularly when concessions offered by the parties in making deals are minor ones. However, when the deal includes a wholesale ideological capitulation on the part of the participants, it could mean the cessation of competition. Subsequently, the absence of party competition could lead to the establishment of a cartelized party system. We shall see after this how the parties collectively deemphasized ideological differences, promiscuously made coalitions, blur the opposition, made the result of the election much less consequential, and on top of this, acted together as a group for mutual interest. All these amount to what we have tried to show: the maintenance of a cartelized party system.

All the indicators above manifested themselves in the presidential election when ideologically-based coalitions emerged, became diluted, and then were transformed into minimal-winning coalitions. These winning coalitions subsequently coalesced into an "oversized" coalition in the process of cabinet formation where all but one party joined the cabinet. Finally, all parties in Parliament worked out a mechanism of distributing political spoils – in the form of chairmanship positions. The agreement reached by Parliamentary parties simply defied the notion of a competitive party system and amounted to the maintenance of a cartel. Let us see how all these processes unfolded.

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5.2. The Presidential Election: The Beginning and End of Ideology-based Coalitions

Let us start by noting that the president in 2004 was directly elected. The main reason for transforming the parliamentary system into a presidential one was the precedent of the 1999 selection when the party that won the plurality of votes failed to win the presidency through voting in the Assembly. Instead, as we have seen, the rest of the parties formed a coalition that eventually succeeded in nominating a president from a much smaller party to defeat a candidate from the party with the most popular votes. This indirect presidential election had produced uneasiness at the elite level as well as among the public. It was particularly true for PDIP, the party that won the plurality of the 1999 election, whose leaders thought that they were robbed of the fruits of the victory. Many groups in society also expressed their dissatisfaction because they saw that the process of presidential election in the Assembly reflected more elite than voter interests.

In response to all criticism and dissatisfaction, the Assembly amended the constitution in 2001 to accommodate the idea of direct presidential election. This amendment marked the transformation into a presidential system. Two years later, Parliament passed a new Law on Presidential Election, which provides a procedural guideline for the implementation of a presidential election. An important specification is that presidential candidates can only come from political parties which provides zero opportunity for independent candidates. It also set the criterion of eligibility that only parties with a minimal 3% parliamentary seats or 5% of total votes can have their own presidential candidate.[161] Otherwise, individual parties which are not eligible are still

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[161] The Presidential Election Law actually specified that the eligibity criterion is 15% of parliamentary seats or 20% popular votes. However, the transitional provision (*aturan peralihan*) of the law makes an exception for the first presidential election of 2004.

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allowed to have a candidate if they are able to form a coalition to meet the criterion. In addition, procedurally, the presidential election is held in two stages, first round and second round. Only the first and the second largest vote-getters are allowed to compete in the second round.

The criterion of eligibility, along with the 2004 parliamentary election result, forced the majority of parties to join coalitions. Granted, the middle and small-sized parties would have found it hard to win the election if they avoided a coalition. For this political reason, in fact, all parties, including the two largest parties of Golkar and PDIP, established coalitions.

On paper, the likelihood of the two types of coalition, the ideologically-connected coalition and the minimal winning coalition, was as high as in 1999. For the first type, the secular-religious divide then could become a fault line from where the parties would start to identify their ideological affinity and move to either the secular or the religious pole. On one side, the secular parties such as Golkar, PDIP, PDS, PD, PKPI and other smaller secular parties would group together to form a secular-based coalition. On the opposing side, the Islamic parties such as PPP, PBB, and PKS with other smaller Islamic parties would form an Islamic-based coalition. As for PAN and PKB, they could swing to either side of the ideological divide.

The same holds true for the possibility of a minimal winning coalition to emerge. A winning coalition could potentially be formed by at least seven parties which met the numerical criterion for nominating a presidential candidate. It may have included, Golkar, PDIP, PPP, PKB, PKS, PAN, and PD. Any combinations (and they are numerous) that

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involve Golkar and PDIP with two of the other remaining parties could make a winning coalition.

However, when we look at the party coalitions that emerged and the five pairs of presidential candidates on the stage, we see interesting patterns. First, there was barely a pure ideologically-connected coalition. Second, each pair of candidates (for president and vice president) always consisted of a combination of a party leader and a prominent figure that represented both sides of the ideological spectrum of secular/nationalist and Islam. Let us see the figure below:

Candidates (President and VP)	Supporting Parties
Megawati* - Hasyim Muzadi**	PDIP, PDS
Wiranto* and Shalahuddin Wahid**	Golkar, **PKB**
Amien Rais** – Siswono Yudho Husodo*	**PAN**, *PKS*, *PBR*, PNBK, PNI Marhaen, PPDI, PSI, PBSD
Susilo B. Yudhoyono* - Jusuf Kalla**	PD, *PBB*, PKPI
Hamzah Haz** – Agum Gumelar*	*PPP*

For candidates:
* secular party leaders or prominent figures with thick secular/nationalist credentials
** Islamic party leaders or prominent figures with thick Islamic credentials

For supporting parties:
Underlined: the secular/nationalist parties
In italics: the Islamic parties
In bold: the Muslim-based parties

Source: www.kpu.or.id; *Tempo*, July 12-18, 2004.

Figure 5.1: Candidates and their supporting parties (first round)

The second column of the figure above shows us that there was only coalition that we can strictly put into the category of an ideologically-connected coalition: PDIP and PDS. Both were secular/nationalist parties. The new party of PDS which was established

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after the 1999 election was a Protestant-based party. We may put the second coalition between Golkar and PKB in the same category of ideologically-connected coalition. Both occupied the middle area of the ideological spectrum which could swing to either the secular or the Islamic pole. Golkar was a secular party that accommodates various social groups, including a segment of the Islamic community. As previously noted in Chapter 4, within Golkar, there was an Islamic circle through which Golkar leaders could maintain personal ties with Islamic leaders from the other parties. Its chairman, Tandjung, used to be the chairman of the Indonesian Islamic Student Organization (HMI). And many prominent Golkar members, e.g. Slamet Effendi Yusuf, were from NU – the organizational patron of PKB. As for PKB, it saw itself as an open pluralist party. It took a chance on losing some of its conservative elements for matching that image. Thus, these two parties had a sort of ideological affinity. This coalition possibly was not truly an ideologically-inspired coalition; but, at least, it did not display any ideological incompatibility.

The third and the fourth were a combination of secular and Islamic parties. These two coalitions were more like minimal winning coalitions because party ideology appeared to be a non-factor in making the coalitions. The fifth was not a coalition because PPP solely represented itself as an Islamic party.

Thus, the first round of the presidential election embraced the two types of coalition. Nonetheless, when we turn to the first column of the figure, we find that all candidates and the supporting parties seemed to prefer a mixed strategy as they were trying to approach the secular and the "religious" voters altogether by complementing a secular presidential candidate with a Muslim prominent figure for the vice presidential

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candidate – or the other way around. Megawati (PDIP), Wiranto (Golkar), and Yudhoyono (PD) were all known as secularist or nationalist figures while their counterparts, Muzadi (NU), Wahid (NU), and Kalla[162] (Golkar) were known for their Islamic credentials. Rais and Haz, as mentioned earlier, have thick Islamic credentials and each chose a secular figure to go with them as the vice presidential candidate.[163]

Considering these facts, one may argue that ideological commitments still played a role during the presidential election. It can be done by emphasizing the composition of the supporting parties – not the candidates – such as the case of PDIP and PDS coalition. To repeat, PDIP and PDS were secular parties. Therefore, party competition during the presidential election was about ideological competition and thereby it was far from indicating a cartelized party system. However, PDIP's or Megawati's choice to have Muzadi was not ideological. This choice was made with the hope that Megawati would be able to win a sizable support from the traditional segment of the Islamic community, i.e. NU members.[164] It was a calculated choice since Muzadi was the chairman of NU. It is obvious that PDIP's choice of having Muzadi as Megawati's partner was not essentially ideological.

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[162] It should be noted that for a segment of the Islamic community Kalla might not be considered an Islamic figure. He is better known as a businessman from east Indonesia. However, for another segment of the community, he is seen as an Islamic figure. In fact, he is an alumnus of HMI (Islamic Student Association), a prominent Islamic student organization.

[163] The campaign teams of each pair of candidates employed a similar strategy for winning the presidential election. They all embraced the two supposedly opposing ideological tendencies by pairing secular/nationalist and Islamic figures. See, *Sinar Harapan*, May 29, 2004, for Amien Rais and Siswono Yudho Husodo and *Sinar Harapan*, May 31, 2004, for Hamzah Haz and Agum Gumelar. For Megawati and Hasyim Muzadi, interview with Heri Akhmadi, January 18, 2005. For Wiranto and Shalahuddin Wahid, see *Sinar Harapan* June 25, 2004. For Susilo Yudhoyono and Jusuf Kalla, see, interview transcript as documented by *Kantor Berita 68H*, April 20, 2004.

[164] Interview with Akhmadi, January 18, 2005. Akhmadi was the head of PDIP's task force aimed to win the presidential election; so he was one of the most responsible persons who devised the PDIP's electoral strategy.

One may also advance a similar argument by emphasizing the existence of minimal winning coalitions – a fact that could disconfirm the cartelization thesis too. This line of argument could be true but we need to be cautious with these two arguments since the arena of party competition (or cooperation) was not limited to the presidential election – let alone the first round of the election. The presidential position is indivisible. But once the political spoils are divisible – such as the case of finding a partner for the vice presidential position – the principle of winning coalition can be compromised as well. We shall see how this possibility unfolded after we look at the results of the first round in the following table:

Candidates (President and VP)	Votes	%
Megawati - Hasyim Muzadi	**31,569,104**	**27**
Wiranto - Shalahuddin Wahid	26,286,788	22
Amien Rais – Siswono	17,392,931	15
Susilo B. Yudhoyono - Jusuf Kalla	**39,838,184**	**33**
Hamzah Haz – Agum Gumelar	3,569861	3
Total	118,656,868	100

Source: www.kpu.or.id

Table 5.2: Results of Presidential Election (the first round)

As we see in the table above, the first round of the election had produced two pairs of candidate that secured their right to advance to the second round. This means that all the parties would have another opportunity for regrouping and for creating new coalitions. It was possible for Megawati and Muzadi (or PDIP and PDS) to maintain the seemingly ideologically-connected coalition that brought them into the second round. Theoretically, Megawati and PDIP could broaden their reach by inviting other secular

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parties such as Golkar, and other smaller secular parties (PNBK, PNI Marhaen, PPDI, PBSD, PSI, and PKPI). To some extent, Megawati and PDIP could also approach PKB and PAN to join the coalition. Meanwhile, the Islamic parties (PPP, PBB, PBR, and PK) might have regrouped and channeled their support to Yudhoyono. The thing is that Yudhoyono was never seen as one of the Islamic leaders. The candidates from Islamic parties had lost in the first round; and Rais, a candidate with whom the Islamic parties were possibly more comfortable, failed to pass the first round either. Thus, Yudhoyono would become the only available choice for them if they had to make a choice between the two remaining pairs of candidates.[165]

But the reality gives us a different picture. Instead of following the ideological fault line, the coalitions that support the candidates for the second round were both marked by a combination of secular and Islamic parties.

On August 19, 2004, one month before the second round of the election was conducted, the National Coalition was established. The immediate goal of this coalition was to support one pair of candidates, Megawati and Muzadi (*Kompas*, August 20, 2004). Led by PDIP, this coalition embraced two more parties: PPP and Golkar – in addition to PDS that was already with PDIP through the first round. Another coalition for supporting Yudhoyono and Kalla was also founded. In addition to the two parties that had already been with PD, this coalition included PKS. Each coalition then had four members as can be seen in the following figure:

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[165] PD and Yudhoyono used "religious nationalist" as their campaign slogan. The emphasis was on nationalist. So, they were closer to the category of secular party than to an Islamic party. When asked the reason why he chose Kalla as his partner in his bidding for the presidency, Yudhoyono said that a combination of Javanese and non-Javanese would fare better in winning the election (interview transcript as documented by *Kantor Berita 68H*, April 20, 2004)

Candidates	Supporting parties
Megawati and Hasyim Muzadi	PDIP, PDS, Golkar, *PPP*, *PBR*
Susilo Yudhoyono and Jusuf Kalla	PD, *PBB*, PKPI, *PKS*

Underlined: the secular parties
In italics: the Islamic parties

Source: www.kpu.or.id

Figure 5.2: Candidates and their supporting parties (second round)

The most significant aspect of the two coalitions is that both had a combination of secular and Islamic parties. The National Coalition had lured PPP to join it, despite its ideological distance from PDIP. Eventually, PBR, another Islamic party as well. As described in the previous section, PPP had moved to the far religious right as demonstrated by its willingness to press for the adoption of the Jakarta Charter during the constitutional amendment process. By moving to the right, PPP had widened its ideological distance from PDIP. The PPP's position on the religion clause (see Chapter 4) had sharpened the ideological gap between PPP and PDIP.[166] From the ideological stand point, then, we can argue that the National Coalition was composed of very strange bedfellows. For example, while PPP was known as an Islamist party that promoted exclusive interest of the Islamic community, PDS was known as a Christian party – allegedly was also known as a promoter of Christianization. Thus, in terms of religious mission, the two parties were on a collision course. PPP was adamant when it came to

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[166] We may add another case when PPP and PDIP were in a politically awkward situation when Hamzah Haz made a visit to the purported mastermind of the religious conflict in Maluku, Ja'far Umar Thalib, during his tenure as Megawati's vice president. It posed uneasiness for Megawati and PDIP because the Megawati government was trying hard to solve the conflict by detaining Thalib who was the leader of the Laskar Jihad or the Jihadist Troop (*Kompas*, July 23, 2003).

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promoting Islamic law which on many occasions was expressed in unfriendly rhetoric against the Christian minority.

That ideology did not constrain Megawati and PDIP in building a coalition for competing in the second round was demonstrated by Megawati's visits to various party leaders regardless of their party ideologies. During July and August 2004, Megawati consecutively visited Hamzah Haz of PPP, and three days later, she met Akbar Tandjung of Golkar in Tandjung's house, and within the next two weeks, she hosted the visits of Siswono Yudhohusodo (Rais' vice presidential partner), and Zaenuddin MZ of PBR (*Tempo*, August 2-8, 2004). Her plan was also to include PAN and PKS.[167] Megawati and her team had lobbied all those party leaders with a single goal of winning the election. As for the reason of PPP in joining the National Coalition, it appeared to be pragmatic and non-ideological. Ali Marwan Hanan, the PPP's vice general secretary, said that PPP had worked together with Megawati and PDIP while overlooking the wide distance of the ideological gap between the two parties (*Tempo*, August 2-8, and August, 23-29, 2004).

We see a comparable case when we examine the composition of the second coalition, known as the *Koalisi Kerakyatan* or the People's Coalition. Unlike the National Coalition, this coalition did not make big headlines but was gradually formed through separate negotiations between PD, PBB, PKPI, and finally PKS (*Kompas*, August 27, 2004).

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[167] *Tempo* magazine provides a detailed description of Megawati's effort to lobby all those party leaders and influential figures who had mass followers (*Tempo*, August 2-8, 2004). Megawati and the PDIP team also made an effort to make a deal with the Islamic party PKS. Both sides tried to hammer out a deal that would have given each side political concessions (interview with Akhmadi, January 18, 2005). This move was confirmed by Tifatul Sembiring (a PKS leader who later became the party's chairman). Within PKS's core circle, there was also a discussion that probed the possibility of joining PDIP in the second round (interview with Sembiring, December 14, 2004).

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PD and PKPI were secular parties. The other two, PBB and PKS, were Islamic parties. Since PD was a new party, we cannot learn too much from its history of how secular or nationalistic its stance was on many divisive issues. However, if their top leaders can be seen as an important indication, both Yudhoyono and Edi Sudrajat were retired military generals. Neither had Islamic credentials. Neither did they, during their tenures as active military officers, make efforts to be seen as a part of the Islamic community. It does not mean that they were reputed to be anti Islam or anti Islamic parties, but ratherthat PD and PKPI (thereby Yudhoyono and Sudrajat) had leaned more to the secular or nationalistic side. Thus, both the National Coalition and People's Coalition consisted of secular and Islamic parties.

Seeing the composition of the two coalitions, we can confidently say that party ideological or programmatic commitment was not a factor in the process of coalition formation. Stated differently, the ideologically-connected coalition fails to explain the emergence of the two coalitions during the run-off. We can strongly argue that both coalitions were winning coalitions. For winning coalitions, ideology is not the prime reason for building a coalition; rather it is the electoral win itself. On September 20, 2004, these two coalitions competed against each other in the second round and the result can be seen in the following table:

Candidates (President and VP)	Votes	%
Megawati - Hasyim Muzadi	44,990,704	39
Susilo Yudhoyono - Jusuf Kalla	69,266,350	61
Total	114,217,054	100

Source: www.kpu.or.id

Table 5.3: Result of Presidential Election (Second Round)

After the result of the second round of the presidential election was officially announced by the KPU (General Election Committee), all the parties then entered the next arena(s) of competition and cooperation. It was a time when all parties had to deal with the distribution of political and economic spoils. The durability of the two coalitions was at stake. And examining the political divide between the two becomes utterly important to know whether the two coalitions were merely a transient phenomenon or whether they represented a more enduring competition among the parties.

Several days after the election, the National Coalition leaders stated that they intended to maintain the solidity of the coalition and would stay that way for at least five years. Tandjung of Golkar, for example, envisioned a new mode of party politics by introducing the idea of oppositional parties. This would be carried out by the parties in the National Coalition. As an opposition, they would work through Parliament and stay out of the government.

In an interview with the press, Hamzah Haz also emphasized what Tandjung said that PPP was ready to stick with the coalition even though Megawati and Muzadi had lost the election. To enforce what he said, Haz launched a "threat" to PPP members who did

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not follow the party's decision that would be expelled from PPP (www.tempointeraktif.com, August 20, 2004; *Kompas*, August 20, 2004). Heri Akhmadi made a similar statement that the existence of the National Coalition would be maintained until the next election (*Kompas*, August 20, 2004). In case this coalition lost the presidential election, it would become an opposition. In addition, he stated that democracy needs an opposition.

One month after the declaration and one day after accepting defeat, the National Coalition stayed on its original course. Its leaders came to the public with their position unchanged, stating that the coalition and its members would be an opposition and would stay that way until the next presidential election (*Kompas*, September 21, 2004). We may say that those statements sound like an indirect confession by party leaders that there had been no true competition among parties so far. We have shown evidence for this in the previous chapter. Now we have confirmatory statements made by the parties.

If the statements are corroborated, it would potentially undermine the credibility of the cartelization argument that we are trying to defend. It could show that the cartelized party system was merely a transient phenomenon; it emerged only in a transitional situation before a normal, competitive party system could be created and maintained. At this point, the content of the opposition might not be as important as the durability of the National Coalition. The question is of course: would the National Coalition be able to survive the test of time?

To answer this question, we need to examine party behavior in two political arenas – the governmental and legislative arena – which the National Coalition would have an opportunity for meeting its promise of maintaining its cohesiveness and of

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becoming an oppositional force. So, we will examine the performance of the coalition when it had to deal with the temptation of ministerial positions during the cabinet formation and chairman positions in the process of establishing the parliamentary leadership.

5.3. The Fading of Opposition

The end of the presidential election marked the beginning of the politics of the presidency, where the president enjoyed a mandate from people. Just as in other presidential systems, the Indonesian president possesses the prerogative to choose cabinet members at his/her own discretion. Yudhoyono and Kalla, on paper, needed not to worry about parliamentary support in appointing cabinet ministers. In addition, they had a fixed-five-year term in office which means that their tenure did not depend on the mechanism of a vote of no confidence. These two aspects of the presidential power were clearly documented in the constitution. Article 7A says that the termination of the president and vice president can only be executed through the impeachment process, not through a political process. Article 17, Clause 2, also makes it clear that the president in forming his government does not need to turn to Parliament.

However, what was neatly written in the constitution has to confront reality. The fact was that Parliament still had the power to challenge and disrupt the work of the government in several ways (see, for example, the case of subsidy elimination in the previous chapter). Formally, as formulated in the constitution, Parliament has less power which is limited to three areas: the right to legislate, to supervise, and to pass the state budget. Of course, these three areas of power are real (Article 20 Clause 1, and Article

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20A Clauses 1-3). But what makes its power intimidating is Parliament's additional power that is obscurely defined in Clause 4 of Article 20A. It says that Parliament has the right to use its power which will be defined in specific laws. In practice, when Parliament makes a law, it usually inserts an article requiring the government to have Parliament's approval before making decisions and appointing high-ranking state officials such as the governor of the central bank, the military commander, ambassadors, members of the General Election Committee, the chairman and members of the Committee for Eradicating Corruption, and many others. Through the mechanism of a "fit and proper test," Parliament could thwart and prolong the approval of government decisions. Combined with its supervising and budgeting power, Parliament could have a powerful impact, potentially cutting through and disrupting most government affairs.

In this situation, Yudhoyono and Kalla could choose one of two alternatives. First, they could ignore the political parties in Parliament and independently make their decisions in forming their cabinet. Thus, Yudhoyono and Kalla could act alone without thinking much about parliamentary support when forming the cabinet. The reason could be that they believed they had a popular mandate and the constitution was behind them. These two factors would function as a political shield that would protect the president from Parliament's pressure. The risk was that they would face a likely perpetual challenge from the opposition in Parliament, once it is formed. It would not be that the opposition would force them out of office through a political process but that the opposition could challenge any policies made by the government. This eventually would result in ineffective government.

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Alternatively, second, they could try to invite the political parties to join their cabinet, and in return, they could expect relatively strong political support from the parliamentary parties. In other words, Yudhoyono and Kalla could make a deal with all parties in Parliament with the hope of finding firm political ground and the much-needed political support when it comes to making and executing government policies. The fact that Yudhoyono's party, PD, won only 7% of the votes and Kalla was not Golkar's candidate, constituted reason to choose this alternative. It would definitely help Yudhoyono and Kalla to establish an effective and efficient government.

The dilemma of Yudhoyono and Kalla was not unique. As found in other countries with a presidential system, president must strategically make his or her decision to solve the dilemma (see, among others, Neto, 2002; Mustapic, 2002; and Casar, 2002). However, the way Yudhoyono and Kalla dealt with the situation, and Parliament parties' responded to them, would significantly affect how party competition and cooperation is structured.

Multiple indications showed that Yudhoyono and Kalla chose the second alternative. In an interview with Tempo, Yudhoyono said that he was well aware of his prerogative as a president (*Tempo*, October 11-17, 2004) but he preferred to have a series of dialogs with ministerial candidates from political parties and with professionals. During the selection process, Yudhoyono and Kalla embraced all parties. This included PBB, PKPI, and PKS. These parties were PD's or Yudhoyono's allies during the second round of the presidential election. Not limited to these parties only, Yudhoyono and Kalla also reached PPP, PKB, PAN, and even PDIP. In order to get on Megawati's good side and get support from PDIP, Yudhoyono offered a ministerial position to Guruh

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Soekarnoputro, Megawati's younger brother and one of the prominent PDIP leaders

(*Tempo*, October 25-31, 2004). In brief, Yudhoyono intended to form an all-inclusive

cabinet.

So, not only did Yudhoyono and Kalla try to build sufficient political support, but

they also moved farther by forming an "oversized" coalitional government. Their cabinet

in fact was not different from Wahid's and Megawati's cabinet in terms of its

composition[168] – as can be seen in the following table:

Party	Ministerial Position	%
Golkar	2	5.5
PDIP	0	0
PKB	2	5.5
PPP	2	5.5
PD	2	5.5
PKS	3	8.5
PAN	2	5.5
PBB	2	5.5
BPD*	2	5.5
Non-party – military	4	11
Non-party – professionals	15	42
Total	36	100

*) Joint faction of small parties with two seats or less (PBB, PPDK, PP, PPDI, and PNI Marhaen)

Source: *Profil Menteri-menteri Indonesia Bersatu*, Yogyakarta, Media Presindo: 2004, and various edition of *Kompas* and *Tempo*.

Table 5.4: Distribution of Ministerial Positions by Parties (2004)

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[168] One may argue that Yudhoyono-Kalla's cabinet is different from Wahid and Megawati's cabinets. Yudhoyono-Kalla were working under a presidential system that did not necessitate approval from Parliament. Meanwhile Wahid and Megawati needed approval from Parliament if they wanted to stay in power and to avoid a vote of no-confidence. Differently put, the process of cabinet formations in these two systems are incomparable. However, the logic that guided the cabinet formation of those cabinets was similar. Both Yudhoyono and Kalla thought and acted like a prime minister in a parliamentary system where their decisions should win support from Parliament.

One important point that can be drawn from the table above is that Yudhoyono-Kalla appeared to be trying to find a balance in the cabinet. First, it was a balance between the parties and the professionals; and second, among the parties themselves. Finding a proper balance between the parties and the professionals in the cabinet has been an issue for all presidents since Wahid's presidency. The presidents customarily needed an economic team to devise a sound economic policy that was free from particular interests from the parties. This need has been virtually a constant since Indonesia has experienced a protracted economic crisis since 1998. The general belief has been that that type of policy can only be made by professionals with credible credentials. However, different from party politicians, the professionals do not have political tools for mobilizing mass supporters in case that the government has to face political resistance against government policies. Thus, combining the two sources of recruitment can become a strategic choice a president can make.

The second type of balance has to do with finding a proper distribution of cabinet portfolios among the political parties for the sake of winning sufficient support from the parties in Parliament. By looking at the composition of parties that joined the cabinet, it is evident that Yudhoyono and Kalla tried to embrace all parties. The name of the cabinet itself, *Kabinet Indonesia Bersatu* or the United Indonesian Cabinet, suggests that they intended to be inclusive. Thus, as the table shows, Yudhoyono-Kalla's cabinet resembled an "oversized" coalition even though it did not include one of the key players, PDIP.[169]

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[169] After the result of the second round was known, Yudhoyono and Kalla consecutively provided comments in front of a group of journalists saying that they offered a reconciliatory move by emphasizing their appreciation to Megawati and all her achievements – a gesture that can be interpreted as an invitation to Megawati and PDIP to join Yudhoyono and Kalla's new government (*Kompas*, September 21 and 23,

The absence of PDIP in the cabinet definitely begs an explanation because PDIP was one of the key players with a sizable number of parliamentary seats. More importantly, this glaring fact does not fully fit the model of a cartelized party system.

The first interpretation of PDIP's decision to not join the cabinet is psychological in nature. This interpretation was well chronicled in the mass media that Megawati and Yudhoyono had gone through a rough relationship when Yudhoyono was still the Coordinating Minister of Political and Security Affairs. It began with a polling conducted in early May 2003 which showed that Yudhoyono was more popular than Megawati (*Suara Merdeka*, March 4, 2004). Rumor had it that Yudhoyono was considering nominating himself as a candidate for the coming presidential election. His supporters, as the rumor continued on, began to build a network which later turned into a political party, the Democratic Party (PD). Subsequently this rumor resulted in the isolation of Yudhoyono from the process of decision-making at the cabinet level, as described by one of Yudhoyono's aides. To make it worse, Taufik Kiemas, a PDIP leader who happened to be the husband of Megawati ridiculed Yudhoyono for being childish for complaining that he was being isolated by Megawati. In brief, on one side, Megawati felt betrayed because Yudhoyono did not respond to her inquiry during a cabinet meeting of whether any of her ministers wanted to run for the presidency. On the other side, Yudhoyono argued that he had his own timetable for when he would inform Megawati about his decision and eventually resign from his ministerial position.

2004). On Yudhoyono's part, as it appeared, there was no intention to isolate PDIP from the process of government formation. As mentioned earlier, he offered PDIP a ministerial position. So, the reason for why PDIP decided to turn down the offer and to stay out from Yudhoyonos's government must be sought in elsewhere within PDIP.

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This rocky personal relationship between Megawati and Yudhoyono, many believe, was the reason for PDIP's decision not to participate in Yudhoyono-Kalla's cabinet. If this interpretation is true, then we can simply dismiss the idea of PDIP becoming a true oppositional party.

The second interpretation has something to do with the fact that the National Coalition had come to an end. The three major parties that became the backbone of the coalition – Golkar, PDIP, and PPP – seemed to be on course to break up long before the process of cabinet formation. In the case of PPP, this party had chosen to leave the coalition apparently to ride a new wave that of Yudhoyono. An element of Golkar followed suit, joining the cabinet. Evidently, Golkar had two legs, one in the National Coalition and the other in the government, because we cannot overlook the fact that Jusuf Kalla himself was an influential Golkar member and the two Golkar ministers in the cabinet, Fahmi Idris and Aburizal Bakri, were Golkar prominent members as well. In this situation, the PDIP's decision can be interpreted as missing a chance to jump out from the sinking ship because the National Coalition simply did not work. This interpretation, too, severely undermines the credibility of PDIP intending to become an opposition.

Now we come to our third and more important interpretation. The decision of PDIP not to participate in the cabinet flowed from the willingness of PDIP leaders to maintain the idea of building an opposition. This interpretation is more important because, if it is true, it could undermine our argument of cartelization.

Suppose that PDIP did want to stick with its original plan of establishing an opposition once the result of the presidential election was announced. It could still hope

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that a bigger part of Golkar would stay with the plan so that a more powerful opposition could be created. In fact, Tandjung himself, as the chairman of Golkar, kept trying to convince Golkar members to follow the path he had taken of molding Golkar to become an oppositional force in Parliament along with PDIP. He tried systematically to bring Golkar in that direction. At an early stage, he branded Kalla and other prominent members of Golkar betrayers of Golkar for their joining the cabinet.[170] Then, using his power as the chairman of Golkar, Tandjung fired all prominent Golkar members who deviated from his decision.

How do we assess this interpretation that PDIP's absence from the cabinet truly reflected the idea of opposition building? This question eventually touches the issue of credibility of both parties. More specifically, it should be addressed to PDIP, the party that decided not to join the cabinet. To be credible, it must be demonstrated that at the minimum PDIP be able to stick with one choice the made, that is, to not be tempted to join the cabinet until the next election. At the maximum, PDIP would not sacrifice its ideological or programmatic commitment for a short-term gain. But it on this issue that PDIP did not have a long standing record of being consistent.

Looking at its history – albeit recent – we find less than convincing evidence of PDIP's consistent behavior. PDIP entered the electoral arena in 1999 with an image of

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[170] An internal tension within Golkar first began to emerge when the partnership of Yudhoyono and Kalla was announced. Tandjung reiterated that Kalla did not represent Golkar and in many occasions asked Kalla not to interfere in Golkar's internal affairs. It was a very small ripple in the beginning. But when Golkar's candidate lost in the first round, and Tandjung pushed Golkar to make a coalition with PDIP to endorse Megawati, the ripple had transformed into a wave. A group of prominent Golkar members challenged Tandjung's decision and formed a group known as the National Unity Forum for Golkar's Renewal. This group included Fahmi Idris, Agung Laksono, Marzuki Darusman, Mahadi Sinambela and many others (*Kompas*, September 17, 2004). As a response, Golkar fired them but it was clear that this group had gained momentum to reverse Tandjung's decision and to bring a segment of Golkar to support Yudhoyono and Kalla (see also, *Kompas*, August 5, 2004).

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being a left-leaning party. However, as we have seen in the previous chapter, when it was in the government, it flipped to become a rightist party. Megawati's government was not different from the previous ones in terms of pursuing rightist economic policies against its own image or its original ideological and programmatic commitments. This could have been offset by the fact that in Parliament PDIP showed that it was the PDIP of the old. It defended the interest of popular sectors by refusing to support the government policy of cutting state subsidies (see the last section of Chapter 4). But then we find two faces of PDIP, the rightist face of PDIP in the government and the leftist PDIP in Parliament.

The same thing happened to Golkar. Golkar was one of the parties that eagerly supported Megawati in replacing Wahid to become president. It then participated in the government and it commanded a sizable force in Parliament. In the government, Golkar was involved in the key issues of policy making but, we may recall, in Parliament it staunchly criticized the government's policy in the case of subsidy cutting.

In brief, PDIP's (and Golkar's) track record does not give us reason to believe that it genuinely chose to stay out of the government and build an opposition. But PDIP (and Golkar) deserves the benefit of the doubt to prove that it takes the idea of being an opposition seriously. [171] In other words, we need to see how PDIP would deal with the temptation of winning short-term political and material gains while sacrificing a visionary, long-term goal of becoming an oppositional force. Let us see what happen next in Parliament.

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[171] Heri Akhmadi once said that PDIP" needs to go back to [its] identity as being a party that is close to ordinary people" (interview, January 18, 2005).This statement sounds like an indirect admittance that PDIP had compromised its ideological commitment for short-term gains.

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5.4. Legislative Arena: End of Opposition, the Return of Cartel

In terms of leadership, Parliament is divided into two levels. First is at the parliamentary level and second at the commission level.[172] There are four positions at Parliamentary level, one for the chairman (Parliament speaker). Meanwhile at the commission level, there are 16 positions for chairmanship and 47 positions for vice-chairmanship.

These two levels of leadership are concurrently coveted by the parties. But how important were these chairman positions for the parties? We certainly know that the chairmanship in any parliament is an important position because it is considered a strategic position through which political parties can advance their political interests. It could meet party politicians' desire for power or it could open a way for expressing the nobler cause of advancing a particular type of policy. All party politicians are well aware of these types of incentive attached to those positions. "It was a prestigious position that would make party members proud of having their leaders in that position," Budi Harsono of Golkar once said.[173] "Of course those positions are important," Djoko Susilo of PAN argued, "because a chairman can have power as an agenda setter [during the parliamentary debate]."[174] In a similar view, Tifatul Sembiring formulated this view in a rhetorical question, "If we do not fight for gaining power, then what are politics and

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[172] All working units in Parliament are called *alat kelengkapan* or the internal organs. These internal organs consist of 11 commissions and five bodies. The commissions are like Congressional Committees; they are divided into particular sector(s) and each commission will have a corresponding partner in the government (Governmental departments/ministers). Thus, these commissions deal with policy or other substantive issues which are part of the governmental process. As for the bodies, they do not deal with substantive governmental issues except the budget committee. But they deal with parliamentary internal affairs (BURT), ethical committee (*Badan Kehormatan*), inter-parliamentary body (*Badan Kerjasama Antar Parlemen*), and agenda planner (*Badan Legislasi*). Two of these bodies, Budget Committee and Body of Internal Affairs are equally coveted by political parties since these two command huge budgets.
[173] Interview, December 20, 2004.
[174] Interview, December 9, 2004.

parties for?"[175] We shall see that the economic incentive that is inherently attached to those positions is equally important, if not more important. But for now, we need to focus on the process of winning the chairmanship positions where the two winning coalitions – particularly the National Coalition – should have been the main players.

The first test case for the National Coalition was the selection of Parliament chairman or speaker. On paper, it should not have been difficult for the coalition to win the Parliament chairman position. However, just when the National Coalition needed to demonstrate its resiliency, it faltered during the selection process. PPP had left the coalition from day one to join with the People's Coalition. Worse is that, with support from the People's Coalition, PPP promoted its own candidate for the chairman position to challenge the candidate from the National Coalition. We may say that the competition for the Parliament chairmanship to some extent still featured two opposing groups. Agung Laksono of Golkar represented the "National Coalition" and, on the other side, Endin Soefihara of PPP represented the "People's Coalition."[176] The reason for the break-up was definitely not ideological. According to one of the PPP leaders, PPP did not agree that the candidate was from Golkar. Instead, it preferred a candidate from PDIP (*Tempo*, October 4-10, 2004).[177]

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[175] Sembiring gave this response to the question of why all political parties had fought so hard for the chairmanship positions in the parliament that it led to political deadlock. Interview with Sembiring on December 14, 2004.

[176] I put quotation marks on these two coalitions since the two were no longer composed by the same parties. PPP, the original member of the National coalition, now joined the People Coalition. For our convenience I still use these two labels.

[177] If we believe that ideological commitment is crucial in determining party behavior, PPP's preference to have a candidate for Parliament chairmanship position was surely mind-boggling. As described in the previous chapter, Golkar should have been the first choice for PPP if it wants to make a coalition with secular parties. This is because Golkar is somewhat closer to the Islamic parties since it has an Islamic element within it (see, Chapter 4).

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At the end, Laksono won the competition with a margin of 56 votes and became the chairman of Parliament. To some extent, we can argue that the two newly-formed coalitions were a continuation of the original division of the National and People's Coalitions. Thus, the two still revolved around the model of a minimal winning coalition and the idea of introducing oppositional politics would not automatically vanish. We need to note, however, that the incentive of the top position at Parliament level was limited since the leadership structure merely offers four positions; a chair and three vice chairmen. It is very possible that when the incentive can be widely spread out across the parties, the winning coalition could vanish and be replaced by an "oversized" coalition. This is exactly what happened in the next round when the parties had to deal with the selection or the distribution of chairs and vice chairs at the commission level.

On October 18, 2004, all parties came to an agreement that the commission chairmanships would be distributed proportionally among the parties. The result of the agreement can be seen in the following table:

Parties	Chairman	Vice Chairman
Golkar	4	11
PDIP	3	9
PPP	2	5
PD	2	5
PAN	2	5
PKB	1	4
PKS	1	4
BPD*	1	2
PBR	-	1
PDS	-	1
Total	16	47

* Joint faction of small parties with two seats or less (PBB, PPDK, PP, PPDI, and PNI Marhaen)

Source: *Kompas*, October 3 and October 22, 2004

Table 5.5: Initial Agreement on Distribution of Chairman Positions (Parliament 2004-2008)

The agreement reveals two important facts. First, it unmistakably marked the end of the two winning coalitions. What the agreement produced was an "oversized" coalition as shown in Table 5.4. Second, equally important, the agreement evidently shows us that the decision was made collectively without excluding any parties. In other words, the distribution of the chairmen at the commission level was not a result of party competition; it was produced through party cooperation. And all parties were well aware of the situation. Otherwise, the agreement would have never been made.

It is worth noting that the agreement was challenged. It started when PKB saw that the distribution was unfair to it. PKB said that it should have had at least two chairman positions as PAN did because both parties have similar numbers of seats in Parliament. For this unfairness, PKB wanted a new distributional arrangement (*kocok*

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ulang) so that all parties would be treated more fairly. In response to PKB's protest, Agung Laksono and five factions (mostly ex-members of the National Coalition) made a suggestion that the selection of commission chairman could be carried out through the voting mechanism at the commission level (*Kompas*, October 27, 2004). If Laksono's idea were adopted, however, it would have significantly diminished the opportunity for some parties to win any chairman positions. The fact was that, in every commission, the National Coalition outnumbered the People's Coalition.[178] Therefore, the other five factions (ex-member of the People Coalition) refused to adopt the idea and argued that Laksono and the National Coalition did not keep up the agreement of October 18 collectively made by all factions. Then, it looked as if the two winning coalitions had resurged.

The disagreement on this issue eventually produced a protracted conflict that was marked by delays of meeting, boycotts of parliamentary sessions, and the establishment of counter commissions (*Kompas*, October 30, 2004). The People's Coalition labeled the "National Coalition" the pro-status-quo group which of course was meant to be undemocratic.[179] The major components of the National Coalition were Golkar and PDIP, the parties that were established during the New Order period and accused of inheriting the authoritarian nature of the New Order regime in terms of forcing their will and avoiding political negotiations. At the same time, the People's Coalition saw itself as a group of progressive parties that supported change. This accusation was curious,

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[178] From 547 votes, Laksono (the national Coalition) won 309 votes while the People's Coalition won 238 (*Tempo*, November 1-7, 2004).

[179] The components of these two coalitions had changed several times. As mentioned before, PPP left the National Coalition when the parliamentary session for selecting the chairman was started. Since then, PKB had joined the coalition. On the other side, the People's Coalition had accommodated new members, PAN and smaller parties that united under BPD faction. But the membership of these two coalitions was never stable.

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however, for two reasons. First, it made an excuse for PPP, which was also established during the New Order period. Second, if the pro-status-quo meant that Golkar and PDIP were maintaining the old political practices, the People's Coalition seemed to misnomer. The use of voting in the selection process of commission chairs by the National Coalition was actually a new approach for solving political differences. It was rarely used in Parliament during the New Order period, but now the National Coalition wanted to use the voting mechanism.

In the meantime, when the People's Coalition was boycotting all parliamentary sessions, the National Coalition used the opportunity to fill all chairmanship positions at the commission level. Nonetheless, it was clearly a half-hearted move since the National Coalition left several chairmanship positions vacant purposely designed to accommodate the People's Coalition. (*Kompas* October 29, 2004). After going through some reconciliatory moves and saving face mechanisms (*Tempo*, November 15-21, 2004), we see that the result of a new distributional arrangement for the chairmanship was not much different. So the final and actual distribution of the chairmanship position can be seen in the following table:

Parties	Chairman	Vice Chairman
Golkar	5	11
PDIP	3	11
PPP	2	7
PD	2	6
PAN	2	5
PKB	1	6
PKS	1	4
BPD*	-	4
PBR	-	2
PDS	-	2
Total	16	57

* Joint faction of small parties with two seats or less (PBB, PPDK, PP, PPDI, and PNI Marhaen).

Source: www.dpr.co.id, compiled from the profiles of commission and non commission …

Table 5.6: Actual Result on Distribution of Chairman Positions as Adopted after Deadlock (Parliament 2004-2008)

As seen in the table above, the chairman positions remained the same but the vice chairman positions were expanded to accommodate all parties from 47 to 57. The parties even expanded the number of vice chairman positions to accommodate all parties in the commission chairmanship. We see then that the introduction of competition in the parliamentary arena simply failed. The bearer of the idea of opposition plainly gave up its own agenda to be an opposition.

But why did the National Coalition need to dissolve itself by accommodating the "likely-losing parties" in the competition for leadership at the commission level? Strange as it was, why did it apparently make a voluntary decision to reduce its share when the probability of sweeping all positions was truly high?

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The stated reason given by the National Coalition leaders was that the inclusion of all parties for filling all the chairman positions was needed to create a better political climate within Parliament (*Kompas*, October 8, 2004) or to maintain solidarity among parties (*Kompas*, October 29, 2004). This reason, however, suppresses an important aspect that had animated the party behavior: the incentives inherently attached to the chairmanship position. Earlier, we quoted two prominent party leaders (Harsono and Susilo) who described the political incentive attached to the chairman position at the parliamentary and the commission levels. What was not mentioned is that those positions would also bring economic incentives for the parties.

What they meant by competition – if it can be called competition – was not a win-lose competition, let alone an ideologically-based competition. This tension, for instance, had also touched the willingness of the political parties to acquire the chairman position for the BURT (*Badan Urusan Rumah Tangga*, Body of Parliamentary Internal Affairs) which eventually produced tensions among parties but surely, it was not about policy effects that the body might have had. The authority of this body was limited. It had to deal with the issues of legislators' salaries and Parliament's annual budget. Any decision made in this body is inconsequential in terms of affecting the process of political and economic policy-making at the parliamentary and governmental level. But one thing is for sure that this body would manage lucrative physical projects for Parliament such as building renovation and computerization. So, this was one of the places that potentially

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could give economic incentives to political parties which is by no means less important than political incentives.[180]

That there are economic incentives inherently attached to commissions is not a secret. Among party legislators, and the press, labels such as *komisi basah* dan *komisi kering* are so popular. These two labels literally mean wet and dry commissions and both refer to a situation of whether a commission promises lucrative rents. Each commission has a specific jurisdiction that corresponds with a particular governmental department or ministry, and state-owned enterprises. Some governmental departments have more spending than others do.

In this situation, we can understand why the chairman positions are coveted and some of them are more coveted by the political parties. A chairman position evidently is more than an administrative position. It is a political position that potentially becomes a window of opportunity for political parties to grab rents. Yahya Staquf, then a vice secretary general of PKB, gives a summarizing view on this issue:

> "A commission chairman has a power to dictate a political show in Parliament. This can lead to many things such as access to government policy and access to financial sources. They also have a legitimate right to claim that they represent Parliament as a whole. Their innate ability to run the show could be used for generating "political money." Parliament decisions are filled with economic interests. I would not say that [all parliamentary members] do it but [money could flow to every corner] of Parliament."[181]

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[180] NDI's 2005 report shows that the parliament's budget for the year 2004 was around Rp 600 billion. Out of this amount, 23 % was allotted for salary and 77% was for non-salary spending such as the improvement of Parliament's physical facilities (NDI, 2005: 22). This huge amount of money could mean business for BURT chairman and members.

[181] Interview, January 5, 2005.

So, when we relate the process of distributing the chairmanship positions at the commission level to the political spoils – and potentially economic spoils – we can imply that a mutual interest among parties was at stake. For the sake of "solidarity", no party should be left out. Stated differently, once a powerful group of parliamentary members is left out, it could mean that an unnecessary enemy has been created that would potentially disrupt the distribution of rents. We will tackle this issue fully in the final chapter.

5.5. Summary

As stated in the beginning, this chapter presented a similar argument as was advanced in Chapter 4. Only this time the examination of cartelization is carried out for the election cycle of 2004. In addition to providing evidence of cartelization, this chapter also intends to capture a possible development of the cartelized party system.

My evidence shows that a similar pattern of party interaction showed up in 1999 and 2004. First, the religious issues remained the core issues that defined party interaction. Two of the Islamic parties (PBB and PBB) moved to the right, resulting in a widening ideological gap between the Islamic and the secular parties. Second, the party competition ended in the same way as before in the sense that once the parties left the electoral arena their ideology was put in storage. An oversized coalition reemerged when the cabinet was formed. Another oversized coalition came into being during the process of selecting the parliamentary commission chairs.

This chapter notes a new development in regard to the possible emergence of opposition. The presidential election witnessed the formation of an ideologically-connected coalition and a batch of minimal winning coalitions during the first and second

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rounds of the presidential election. In the first round, PDIP and PDS formed a coalition which was marked by their ideological similarity. Both were secular/nationalist parties that supported PDIP's Megawati and Muzadi in the race for the presidency and vice presidency. This coalition, however, faltered when it came to the second round, to be then replaced by a minimal winning coalition. This time, this coalition embraced Golkar (a secular party) and two parties from the opposing Islamic ideology: PPP and PBR. The members of the coalition vowed before the second round that they would stay together even if their presidential candidate lost in the election. But their promise was not kept. All members of the coalition – except PDIP – left the coalition and subsequently joined the cabinet. The cabinet, not different from the previous ones, was an oversized coalition.

While PDIP decided to stay out of the cabinet, it failed to remain an opposition party. In the end, it joined other parties to reestablish the cartel to grab its portion of leadership positions at the commission level in Parliament. This fact was obviously evidence of cartelization.

CHAPTER 6

SEARCHING FOR EXPLANATION:
RENT-SEEKING PARTIES AND THEIR MUTUAL INTEREST

We have seen in Chapter 4 and Chapter 5 the main finding of the research that the political parties have established a cartelized party system. The evidence shows us that a deceptively competitive party system in one arena turns into a non-competitive one in the other arenas. A regular pattern can be identified: when it came to forming a government (Chapter 4 and 5) and working on legislation (Chapter 4), the parties turned out to be promiscuous in making coalitions. Other distinguishing features of the cartelized party system were also found in the Indonesian case. What explains the cartelization and its durability?

I argue in this chapter that the parties' mutual interest in securing their financial needs forces them to place their representative in the cabinet and in the structure of leadership at the commission level in Parliament. Participating in the cabinet and parliamentary leadership is not primarily for advancing party ideological and programmatic interests but for securing the sources for rents. In this chapter, this type of source is labeled non-budgetary funds. This need overrides ideology as the determining factor of party behavior and interaction. The rents are illegal but relatively acceptable at the elite level. As the parties collectively mobilize rents, their political fates are linked

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together as a rent-seeker group. It must be emphasized here that the rents are not part of the government subsidies to which Mair and Katz (1995, 1996) refer. So, while I borrow Mair and Katz's basic idea of the source of cartelization, I propose a different type of financial source.

Evidence for my claim will be presented by examining empirical cases that show how rents have been collected by the parties from governmental sources and extracted from the use of parliamentary power. The first section of the chapter will describe a specific context in which political parties may mobilize the government funds, legally or illegally. It is the illegal funds that are shared by the parties. It has to do with the relatively excessive role of the government in the economy. The second section discusses party financial regulations which lend a set of loopholes through which political parties can get away with rents. The third section will present empirical cases showing how the rents are extracted by the parties using their power in the government and Parliament. In this section, I will show how parties' fates are linked together so that they behave like a cartel. A summary of the argument and evidence is accordingly presented in the last section.

6.1. Parties and State: Financial Connection

Let us first revisit the argument and thesis advanced by Mair and Katz. In their article, Katz and Mair (1995) start with a summary of the political party literature,

> "One common thread that has run through the literature on political parties, essentially since the time of Ostrogorski (1902), and that has also run through the vast variety of typologies and analyses (both normative and empirical) that have been presented in that literature, has been the view that parties are to be classified and understood on the basis of their relationship with civil society." (p.5).

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With this opening, Katz and Mair offer three typical models of Western European parties – cadre, mass and catch-all -- and designate them with an encompassing characteristic: their close attachment to civil society. They then observe that the relationship between parties and civil society has been eroding. At the same time they notice the emergence of a new type of party, which they call a cartel party, that is characterized by its close relationship with the state. This is more or less a self-referent group which serves its own interest – ultimately its collective survival – and not the interest of any social group(s) within the society.

A set of factors, to repeat what has been already discussed in the introductory chapter, is mentioned as the culprit of the transformation. Among others are "a general decline in the levels of participation and involvement in party activities" and the emergent single-issue groups through which citizens may exercise and articulate their interests. But, above all, Katz and Mair argue, it is the growth of state subvention that has been the most significant change in the party environment.

Related to the issue of state subvention, they then compare the change in party resource bases (p. 20). The cartel party type, which they claim is the most recent type of party, heavily relies on financial sources that come from the state. Thus, it is distinguishable from other types of party such as the cadre party that obtains its revenue mainly from personal contacts. A mass party finances its activities above all on the basis of membership fees. A catch-all party, on the other hand, widens its resource base by drawing financial support from various individuals and societal groups.

According to Katz and Mair, the financial connection between parties and the state started in the 1960s when the latter began to provide subsidies to political parties. Initially the subsidy was given on a limited basis to factions within Parliament and was only practiced in a small number of countries. In time this mode of financing political parties has been adopted by most European countries and state subsidy has become the largest share in parties' revenue. They then develop a thesis that revolves around the idea of the relationship between the emergence of the cartel party and state subventions where the latter causes the former.

Katz and Mair's thesis is very insightful. In fact, it is this thesis that guides the argument developed in this chapter. It provides us a starting point to examine parties' financial interest and the effects on cartelization. However, as argued in the introductory chapter, the phenomenon of cartelization in this study is not sought at the party level but at the system level. The focus is not on individual parties but their interaction across arenas and across time – as shown in the previous two chapters.

In regard to party financial sources, it should be pursued at the system level as well. The fact that Indonesian parties did not go through a neat historical sequence of party development as did their counterparts in Europe profoundly affects the party capability to mobilize financial support. Their capability, experience, and horizon in mobilizing party revenue are very limited. Theoretically, their reliance on state sources would be much higher and systemic – more than Katz and Mair's cases.

Stated differently, Katz and Mair's thesis is bound to a specific context and is too narrow to capture various aspects of party-state financial connections in emerging democracies. It has a specific context where legality in Western countries has long

become the basis of party behavior. Furthermore, in the European context, the demarcation between what is legal and what is not usually is well explored and developed, hence well defined. The thesis is also too narrow in the sense that it limits itself by focusing on parties in Parliament only. When the thesis travels beyond the territory from where it was built, there is a need to adapt it for a new context. This is exactly what we should do for our Indonesian case. To fully understand the financial connection between parties and the state in Indonesia, it is instructive to see the context within which parties operate.

First, we need to look at the basics: what is considered legal or illegal in terms of party financial activities. As found anywhere else, there is always a grey area between the two. But it could be minimized when the scope of legal and illegal activities is sufficiently explored and then defined. So when Katz and Mair imply that the process of acquiring state financial subsidy is through a legal process, we need in the Indonesian context to consider all possibilities through which political parties can extract money from the state, legally or illegally. Suppose that the scope of legal activities is properly defined, we still need to ask whether any limitations and penalties attached to it are enforced.

Second, we also need to pay attention to the role of the state in the economy. We are likely to find a different structure of incentives in conjunction with the degree of government involvement in the economy. This is to say, the bigger the role the state has in the economy, the bigger the incentive for parties to fight for state (governmental) positions. Suppose that the state runs various companies known as state-owned enterprises (SOEs). This type of company would be under the responsibility of a

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particular ministry. Once a state company has access to large amount of money, however profitable or not, it will impart an incentive for political parties to fight for that ministerial position because it could open up a possibility for political parties to grab the money. Furthermore, the fact that there are multiple SOEs makes it possible for political parties to devise within the cartel a mechanism for proportionally distributing the portfolio positions in regards to the SOEs' directorships. In addition, state-funded projects could also promise material incentives for those parties that are always in need of higher revenue. We shall see how all these possibilities empirically are played out in Indonesian party politics.

Third, the second contextual difference as laid out above brings us to the need to make a distinction between "parliamentary" and "government" parties.[182] Katz and Mair's focus is limited to parties in parliament, and they do not pay attention too much to parties in the government. At least, they see that parties' representatives in the government are seen as merely an agent of parliamentary parties to deliver state subsidy as mandated by law. In Indonesia, in terms of financial source, party in the government is as important – if not more – a venue as party in Parliament.

Considering all the above, we shall examine in the rest of this chapter how the three contextual situations animate parties' behavior in terms of financial mobilization. We will discuss the regulation on party finance first.

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[182] In Katz and Mair's conceptualization, the term party in public office refers to both. This concept is originally used for describing the changing nature of the political party where the party in public office has recently gained its dominance over party in the electorate and the party in central office. My purpose in making the distinction between party in Parliament and party in the government is not intended to add another face of political party but it serves to distinguish two distinct sites through which political parties can extract money.

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6.2. Regulation on Party Finance: Loopholes

Any regulation on party finance always covers two major elements: revenue and spending. And any regulation typically spells out what is legal and what is not for both elements. Two legal bases that govern party finance activities, the Law on General Election (No. 4/1999) and on Political Parties (No. 3/1999),[183] specified rules on the two sides of party financial ledger.

Let us start with the 1999 political laws and focus on the revenue side. Article 48 of the General Election Law stipulated that funds for political parties can be drawn from three different sources: the party itself, the government, and private entities. The first basically referred to membership dues; the second government subsidy through state budgets (national and regional), and the third independent groups that would include private entities, companies, foundations, and individuals (see Clause 1).

Overlapping with that provision, Article 12 of the Party Law defined type of party financial sources: contributions of members, donations, and legal undertakings (Clause 1). The first two sources are fundamentally similar to the first and third sources of party funds as formulated in the Election Law. Only that in the Political Party Law the financial aid from the government was put in a different clause (clause 2) with a further specification that subsidy from the state budget would be given annually in proportion to the number of seats a party had.

So these three types of party financial source were deemed legal. But the laws did not anticipate the structure of economic incentives that was inherently attached to

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[183] These laws were consecutively revised in 2002 and 2003. We will discuss new specifications included in the revised laws later in this section. We now just need to concentrate on the old law because it was these laws that governed party financial activities for the 1999 election.

governmental offices. The fact is that there were more than one hundred state-owned enterprises under the management of particular ministries (Danareksa, 2006). So ministerial position not only promises political incentive but also material incentive. In addition to this, it's very common that the government carries out various state-funded projects. When corruption is rampant (IFES, 1999), the likelihood that political parties will hunt for rent is very high. As mentioned earlier, the laws were silent about this possibility.

What the laws specified was the legal subsidy from the state for political parties. They would receive annual financial aid from the government through the state budget; and the mode of distribution was based on the number of seats each party had in parliament. Definitely, the laws did not anticipate various possible venues through which parties would pocket illegal money.

Another specific provision was related to the amount of contribution to parties from individuals and business companies. On this issue, the laws set a limitation. For individual contributions, the cap was Rp 15 million (US$ 1875), and for a business company Rp 150 million (US$ 18,750). But it was not made clear whether those contributions were for the party as a whole, excluding party personal contacts. Also, in Clause 1, Item 3, of the Law on Political Parties "other legal undertakings" were not defined clearly. In the explanation section of the law we find no further details for this category of funding source. Instead, it was said that the category was self-evident. This was the problem. In a case where a contributor donated his/her money for a party, for example, then he/she donated more money for a contact person within the party, the laws remained silent – let alone the mechanism to trace and prevent this possibility from

happening.[184] This vagueness could take another form: the same individual or company could pass on contributions to a party or a candidate. It was unclear, however, whether the contributor was prohibited to give money to party and candidate altogether – which could exceed the legal limit.[185] What is more, the laws remained silent in regard to non-monetary contributions that individuals or business companies might give out.

On the spending side, the laws imposed an upper limit for a party's campaign fund but the details were left to the General Election Committee to specify. Then the committee issued a decree stating that no parties were allowed to exceed the Rp 110 billion (nearly US$ 14 million) limit for campaign. It seems that this limitation was sufficient to prevent financially stronger parties from easily outperforming the weaker ones. The campaign spending "cap" would also partially deter political parties from excessively collecting financial contributions.

Loopholes as described above could have possibly been offset by the requirement for parties to submit a publicly accountable campaign report. An accountable report must at least consist of two elements: a standardized accountancy report and public disclosure. Both would make a report possible to be objectively examined to know whether it contains illegal manipulation. Article 49, Clause 1, stated that all parties had to submit their financial report 25 days after the day of election. The report had to disclose party contributors and was subject to auditing by a public accountant. Penalties for breaching these rules were the cessation of funds from the state/regional budget. Even more, to

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[184] For more detailed examination of this weakness, see IFES, 1999: 5.

[185] Actually one of the drafts of the Election Law (proposed by the Ministry of Home Affairs) contained a provision that would have imposed a contribution limit to candidates. However, this provision was not adopted by the law (IFES 1999: 5). Also, contributions in the form of non-monetary contributions (goods and services) were left out from the law – another important point proposed in the draft.

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deter parties from violating the rules, the laws would give an administrative punishment by prohibiting violators from participating in the following election.

But this provision had at least two problems. First, the scope of the required report was limited to money raised and spent during the official campaign period which took three weeks only.[186] In fact, many parties started a soft campaign long before the official period. Second, it did not specify in detail the litigation procedure and the authoritative body that would impose punishment on the violator.

The regulation discussed above was for the election of 1999. As the political laws were revised in 2002 and 2003,[187] we should take notice of changes in the party finance regulation. But how substantive were the changes?

A significant improvement was made in both laws. Non monetary contributions were now regulated by the law (Political Parties, Article 17, Clause 2) and required to be properly reported by political parties. In regards to the source of financial contribution, both laws also specified what they consider illegal sources: (1) foreign entities, (2) unidentified contributors, (3) state-owned enterprises.[188] We can say that the last two points, and especially the last one, were right on the mark in answering the concern raised in the previous sections. At least, officially, any fund or contributions that came from SOEs were now considered illegal.

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[186] IFES also identified some technical issues such as incoherent specification of submission date for the report in each law. The Law on General Election said that the report must have been submitted within 25 days after the election while the Law on Political Parties said that it must have been within 30 days. Another technical inaccuracy can also be found where Article 49 Clause 1 made a reference to article 50 while it should have been to article 48. (See, IFES, Campaign Finance in Indonesia, 1999: 2)
[187] Law No. 31 on Political Parties was approved in November 2002 and Law on General election, approved in February 2003.
[188] See Law on Political Party, Article 19; Law on General Election, Article 80.

Another improvement was also made concerning the requirement for the submission of party financial reports. The new regime of reporting specified a requirement for parties to submit their financial reports to a registered public accountant prior to submission to the General Election Committee (General Election Law, Article 79, Clauses 1-3). And it must have been carried out within 60 days while a finalized report must have been in the Committee's hands within six months. Furthermore, as the laws gave a mandate to the committee to devise a report guideline, the procedure and standard of report would have significantly improved the bookkeeping system.

Itemized types of violation and specified penalties were also mentioned in more detail in the two laws so that it would likely deter political parties from manipulating their financial reports. If all these improvements are good enough to facilitate the attainment of the goal stated, would they solve the problem of parties' financial accountability?

The continual problem, according to IFES, is that "the function of the audit report was viewed as purely administrative and not substantive; i.e., the auditors only evaluated whether the financial report followed accounting procedures ('qualified'), and gave no opinion or conclusion about the completeness or accuracy of financial reports" (IFES 2004: 7). In other words, a lack of enforcement efforts by the General Election Commission was the real problem. We will see how this problem played out in the process of disclosing parties' financial activities.

6.3. Financial Reports and the Data

Out of 24 parties that competed in the 2004 general election, only 10 that submitted their campaign financial report. Even fewer were those that met the requirement of submitting annual financial activities. But the majority of parties that won parliamentary seats did pass on their report to the General Election Committee. As summarized in the table below, we can see how much their revenue, total expenditure, and campaign expenditure was.

Party	Revenue [a]	Total Expenditure [b]	Campaign Expenditure
Golkar	134.2	152.5	108.3
PDIP	130.8	147.1	108.3
PPP	5.3	5.5	1.4
PKB			8.1 [c]
PKS	29.0	55.3	28.1
PAN	12.8	25.0	17.2
PD	18.4	18.7	1.1
PBR	4.3	2.3	1.2
PDS			1.1 [c]

Source: Party Financial Reports as submitted to KPU (2004)
[a] It was collected during the span of one year only, from January 1 to December 31, 2004. The gap between revenue and expenditure at the end of the year possibly offset by previous year revenue.
[b] It cover many itemized expenses that included overhead expenses and other organizational activities
[c] IFES, 2004

Table 6.1: Parties' Revenue, Total expenditure, and Campaign Expenditure [a] (Rp billion)

The distance between the two largest parties, Golkar and PDIP, and the rest, in terms of finance mobilization, was gaping. The revenue of each of these parties alone was larger that the rest combined. That fact must mean something. This might have had something to do with them being dominant in the government. We save this issue for the

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next section. But now a question of accuracy of the report needs to be addressed first. We should put a note on this issue because there is a good reason for this.

One of the ex-vice treasurers of a big party said that what was written in the report was too small. Both sides of the financial ledger as shown in the report were only one third of the actual figure.[189] This definitely had something to do with the party financial regulation that imposed a campaign spending cap. A senior member of a middle sized party also gave similar information. When shown a figure of his party campaign spending, he was surprised because he knew that his party campaign spending was much higher than that.[190] It means that his party actual revenue should have been higher than its report indicated.

The data as shown in the table is definitely still useful. We only need to read it as the lowest possible revenue or spending of the parties. They are still huge, however, and can tell us many things about how the political parties built up their revenue. What types of source did they mobilize? How much contribution to the total revenue did each type of source make? Let us see the table below:

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[189] Confidential interview, April 23, 2007.
[190] Confidential interview, December 29, 2004. The campaign spending of his party was more than double that the figure

Party	Internal source [a]	Government Subsidy	Private contribution [b]	Others
Golkar	0.05%		99%	0.05%
PDIP	0.05%		85%	14.5%
PPP	26%	44%	1.5%	8.5%
PKB				
PKS	43%		44%	13%
PAN	14%	19%	53%	14%
PD	14%		85%	1%
PBR	100%			
PDS				

Source: Calculated from Party Financial Reports as submitted to KPU (2004)
[a] This includes membership fee, contribution from party parliamentary members, and party officials. The amount of membership fee is usually very small so it's negligible except for PKS – at least as claimed by its report.
[b] Including individual and company contribution

Table 6.2: Types of Parties' Financial Source and Percentage of Contribution of Each Source to Total Revenue

Table 6.2 should give us basic information on the origins of party revenues. But we may face some challenge in understanding them. First of all, in regard to government subsidy, there were only two parties that specified the subsidy in their revenue. The two largest parties did not. It is curious because Golkar and PDIP should have received much higher government subsidies since these two commanded the majority of parliamentary seats. As mentioned earlier, the amount of government subsidy to a party was in proportion to its number of seats in Parliament. Second, what the parties meant by other sources was not always clear. The fact that the contribution of this source to the total party revenue is relatively high, from 8.5% to 14.5%, means that a more detailed specification for these "other sources" is needed.

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Third, if we focus on the private contribution column as the main source of party finance, we may find another challenge. How would we know that the largest source was private contribution? And how can we be sure that the money did come from the private contributors? When submitting their financial reports, the parties did not accompany them with a systematic documentation to make it possible to trace the original source of the contribution. The reports did go through public accountant offices selected by the KPU. Thus we can only rely on the accountants' credibility that they would thoroughly examine all parties' documentation before releasing their reports. But here lies our problem: the accountants met the technical requirements of examination but stopped short on substantiating and seeking supporting evidence. As IFES observed, "It appears that most accountants did not look beyond the face of the documents they were provided by political parties and/or electoral participants, and thus did not question the information itself or seek further supporting documentation." (2004: 7).

With all incompleteness and flaws of the report, we legitimately question whether the reports clarified what political parties did in terms of finance mobilization. Otherwise, the reports might have masked what they did. We may formulate it this way: the reports reveal facts as much as they hide them. In other words, we are not saying that the reports did not have factual information; but at least the reports do not provide convincing verification that the political parties relied heavily on private contributors. So, it is possible that a significant portion of private contributions actually came from the governmental sources – albeit illegally.

From various interviews and personal correspondence, press reports, and reports from non-governmental organizations that are concerned with the issue of party finance, I

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have learned the complexity of party financial activities. And they show us a different picture. Government as a financial source of party revenue is as important – if not more important – than the non-governmental sources. And we should not limit our investigation to the official subsidy by the government. The process of financial mobilization by political parties was much more complex than it appeared. But let see a summary of types of party financial source in the figure below with particular attention to the non-budgetary sources:

Private				State			
Members		Non members		Budgetary		Non budgetary	
Membership dues	Contributions from party reps.	Individuals	Corporations	Regular	Non regular/ Ad-hoc	SOE	Non SOE

Figure 6.1: Types or Source of Party Revenue[191]

Membership dues	Contributions from party reps.	Individuals	Corporations	Regular	Non regular	SOE	Non SOE
Not fully mobilized and meagerly contributes to parties' revenue	Legislators' contribution in the from of salary cut for his/her party	Individual sympathizers	Barito Pacific Groups ,etc.	Gov. budget for parties that won seats in Parliament	Government budget for disaster relieves	Buloggate I and II	Ministers' tactical budget, e.g. the DKP case Bali Bank case

Figure 6.2: Examples for Every Type of Financial Source

Following the line of argument mentioned earlier, we now need to focus our attention on the state as the party financial source. A crucial clarification must be made at this point. We need to emphasize that there are two types of state source: budgetary and

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[191] This classification is based on interviews that included party officials, entrepreneurs, journalists, and observers, KPU, and was also based on information drawn from various editions of daily newspapers and weekly magazines.

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the non-budgetary. What Katz and Mair refer to is the budgetary source of party finance. This is what we may call public financing of parties – albeit, in Indonesia, the amount of it is small. And it does not necessarily lead to cartelization. It is the second type of source, the non-budgetary, which leads to cartelization. The non-budgetary source is of course public money since it is collected by the government ministries or agencies. But it is officially not assigned for subsidizing or financing political parties.[192] Our question is: How did the non-budgetary funds lead to cartelization? What evidence do we have for proving this thesis? The cases presented below will show the evidence and the logic of how the rent activities had eventually placed them altogether in the same boat. They shared the rents and were locked in a mutual interest in protecting themselves as a group.

6.4. The Cases

This section will present three types of rent activities: the DKP case, Buloggate I and II cases, and the Bali Bank cases. The DKP case represents the abuse of state non-budgetary funds (non SOE funds) committed by a minister. Buloggate I and II represent the misuse of SOE funds. And the Bali Bank case represents another misuse of the state non-budgetary funds which were extracted through party brokerage activity. All these cases show how governmental offices have become an important site for political parties to extract money for filling up their pockets. Following these three cases, this section will also cover Parliament as another important site for rent activities.

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[192] It is used for various purposes other than financing political parties. The usage ranges from the improvement of bureaucracy performance, departmental contingency activities, various departmental programs, to diverse governmental projects.

6.4.1. The DKP Case: Political Trace of Non-Budgetary Funds

This is a revealing case that demonstrates how the non-budgetary funds reached the political parties. It was about a financial scandal that rocked the country, involving an-ex minister, government bureaucracy, individual and party politicians, and various social and political groups. The ex-minister, Rokhmin Damhuri, who served during Megawati's presidency (2001-2004), mobilized funds drawn from various sources, put the money in his bank account, and spread out the money for social, political, and private purposes. A significant portion flowed into all parties whose members were in the Commission III of Parliament. The funds also flowed to a presidential candidate and a member of the campaign team of another presidential candidate for the 2004 election.

The case began to unfold on August 2, 2006 when the KPK (State Commission for Combating Corruption) carried out its regular examination of bank accounts related to the DKP or *Departmen Kelautan dan Perikanan* (the Ministry of Ocean and Fishery Affairs). From its preliminary examination, KPK found some "irregularities" in regard to the "ministerial" bank account (to be distinguished from his personal account).[193] Through a standard accounting method of verifying the legality of the funds collected during Damhuri's tenure, KPK questioned how the funds were collected (*Kompas*, August 3, 2006). The amount of funds was not disclosed at that time, the press treated the case as another crime or corruption news, and it seemed that the case would soon disappear from public discourse.

Three months later, on November 27, 2006, however, KPK issued an arrest warrant for Andin Taryoto, the general secretary of the ministry. The charge was that he

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[193] It was a common practice that a minister has his or her own (to be distinguished from personal bank accounts) in which the funds can be used for tactical and unanticipated spending.

illegally extracted money from government-cum-ministry/department subsidy, supposedly distributed to regional departmental instances for financing state projects or programs under the supervision of the department. The next day, Rokhmin Damhuri was also detained by KPK due to Taryoto's confession, stating that his work of collecting funds was carried out under the auspices of the then minister, Damhuri (*Kompas*, November 29, 2006).

After a series of cross-examinations in court, it was found that the ministerial bank account cumulatively reached Rp 31 billion (nearly $US 4 million). This was collected in the span of three years, from April 18, 2002 to March 23, 2005. Less than half came from internal or departmental sources and the rest was from external sources.[194] But when KPK pursued the remaining funds, there was less than Rp 789 million left. The question is: where did all the money go?

Many speculated that some of the funds would end up in politicians' and parties' pockets. The speculation turned out to be correct when Andin Taryoto submitted to the court three bundles of document one hundred pages in length detailing who received the money. It nearly caused a political implosion when Amien Rais, an ex-presidential candidate who used to be the Assembly chairman, urged all parties and former candidates on the receiving end to disclose their identity. He even gave a hint that the campaign team of the incumbent president was also tainted with the DKP's money. He himself admitted that he pocketed Rp 200 million for his campaign during his bid in the 2004 presidential election (*Republika*, May 28, 2007). For the sake of combating the nation's

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[194] The internal sources included various departmental instances and agencies at the provincial level. As for the external sources, they were private contractors with which the department worked (*Tempo*, December 11-17, 2006).

deep-rooted corruption, particularly among the elite, he publicly said that he was ready to go to jail if others followed his step (*Kompas*, May 16, 2007). But now let's look at how the funds had been shared out to multiple receivers.

Based on Taryoto's documentation, it was found that there was a range of categories of receivers that can be simplified into three: political, social, and personal.[195] And let us focus on the political. The sum of "political" money was around Rp 6.1 billion.[196] Altogether, this figure was about 20 percent of the total funds collected and controlled by Damhuri and Taryoto. There was as much as Rp 1.5 billion for legislative members. A portion of the money was used for oiling the legislative process when Commission III of Parliament was finalizing a law draft that would impose a regulation on fishery activities within the Indonesian territory. [197] Thus, the would-be law would define the policies that the minister could make. The portion of money for this legislation process was given to the commission, not individual members (*Investigasi*, June 7-27). This fact indicated that the commission as a body knew that every member of the commission received a fraction of the money. What parties were in the commission? The table below provides us a detailed composition of the commission:

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[195] *Investigasi* No. 18, June 7-27 2007.

[196] This figure is calculated from data published in *Investigasi*, June 7-27, 2007. It is a combination of three components: donations channeled to the legislature for legal drafting process, for other than legal drafting expenses, and donations to national politicians and political parties – added with political donation misplaced in the "social" category.

[197] Another portion of the funds was used for personal ends such as celebrating the end of Ramadan and traveling. This was definitely illegal. As for the money used for the process of legislation, it was illegal to because it was made outside the officially and legally accrued expenses from the government. In short, it was corruption; and the legislators could be criminally prosecuted. So far, however, it has not been brought into the court. There has been no sign that the legislators will face any charges. Instead, the ethical committee of Parliament has taken over the case. It appears that this line of investigation is going nowhere except that those who received the money will get merely a disciplinary treatment with no criminal or political penalty. This type of penalty, and the possibility that those politicians and political parties could get away with the money, will never discourage politicians and political parties from carrying out similar methods of acquiring party fund.

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Party	Number of party members in the Commission
PDIP	16
Golkar	14
PPP	5
PKB	6
PAN & PK	4
KKI	2
PDU	1
PBB	1
Armed Forces	4
Total	53

Source: www.dpr.co.id; www.awasiparlemen.org

Table 6.3: Membership Composition of Commission III

Another portion of the DKP funds also flowed to politicians from various political persuasions that included Amien Rais (PAN), Slamet Effendi Yusuf, Adhyaksa, Awal Kusumah, and Yahya Zaini (Golkar), Aguz Haz (PPP), Fachri Hamzah, Syuman Jaya, H. Rusdi (PKS), Sabam Sirait (a close associate of PDIP's Megawati), and many others (*Investigasi*, June 7-17, 2007). The amount of money that flowed to these politicians was Rp 3.8 billion. In addition, as much as Rp 876 million was money that was distributed to political parties at the regional level.

The local court prosecuted both Damhuri and Taryoto and they were consecutively awarded with seven-year and 18-month imprisonments. As the court stated that the funds were illegally collected, then all the receivers should be implicated by any punishment attached to the verdict for Damhuri and Taryoto. But the court seems merely to have focused on Damhuri and Taryoto who were the benefactors of the fund. If this is seen as a corruption case, both ends, the benefactors and the beneficiaries, must be implicated. As a member of Indonesian Corruption Watch said, "If the method of

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collecting the fund is illegal, those who are on the receiving end must [be brought into court] too." (*Tempo*, December 18-24, 2006). But the direction of the legal processes of the DKP case seems to have its own twists. The court apparently dealt with the benefactors only. What we see then is a process of "localizing" the case and the tendency to avoid ramification.

The DKP case undoubtedly is similar to previous cases that developed in two different paths: legal and political. And there is a strong reason for this: the scope and magnitude of the case is huge. It has involved top political figures. And the revised laws basically have included particular clauses that deal with this type of financial contribution. And the political type of political punishment stretches from public reprimand to prohibition of participating in elections. Let us take a look at those articles and clauses that could be used for assessing the scandal.

By receiving the illegal money, candidates and political parties violated Article 17, Item 1b that stipulated that political parties can only receive a limited amount of legal money. This is the closest regulation that we can get from the Law on Political Parties when dealing with this type of financial contribution. The article does not specify or distinguish party personnel and party organization. Unfortunately, the law does not specify any kind of political penalty for this.

The second closest regulation that possibly can be used for dealing with this illegal contribution is Article 19, Item 3b. It says: political parties are prohibited to receive contributions from individuals or entities with no or vague identity. Should this happen, the penalty would merely be manifested in the form of a public reprimand by the

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General Election Committee, but not prohibiting those parties from participating in the following election.[198]

Article 80, Item 1c, of the General Election Law is more direct. It clearly prohibits parties from accepting contributions from government (other than official subsidy as mandated by the laws) or state-owned enterprises at national and regional levels. It spells out a criminal penalty only for those who violate the rules. No political penalties would be imposed on the violators – such as barring them from participating in the following election. It possibly could be pushed forward by establishing a special committee for the DKP case.

However, immediately after Rais made his allegation, there came a denial from the president that any of his campaign team members had ever received a portion of the DKP fund. When the press pointed out a purported member of his team, Munawar Fuad, he said that he was not part of the team (*Tempo*, June 4-10, 2007).[199] On top of this, the tension between Rais and Yudhoyono was solved in a ten-minute personal meeting between the two and ended up with a carefully composed statement from the president and Rais to let the court do its work (*Tempo*, June 4-10, 2007). And soon this issue died out. [200]

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[198] Only parties that receive a contribution from foreign sources will be barred from participating in the next election.

[199] In the same edition, *Tempo* traced the role and connection of Fuad with Yudhoyono. It is true that Fuad was not found in the list of Yudhoyono's campaign team as submitted to KPU. But on many occasions, according to *Tempo*, when accompanying him, Yudhoyono always introduced Fuad as his special assistant for social and religious affairs.

[200] When the issue was boiling, no less than the chairman of the Assembly, Hidayat Nur Wahid from PKS, said that Amien Rais should not go to jail. His reason was that Rais was a respected person of national stature. If the court found that he was guilty, Wahid continued on, he would simply need to return the money (*Kompas*, May 22, 2007). The vice president, Jusuf Kalla who happened to be Golkar's chairman, also gave a suggestion to let the court do the examination of the case and the DKP case needed not to be treated differently. Curious as it was, the path taken to solve the DKP case exactly resembles the path of Bulogate II. The party elite prefer the court path to the political path.

The DKP case gives us three important points. First, it shows that the ministerial position is not only a policy-bearing institution but also a rent provider. Second, rent activities are made at the institutional level that involved the parties in Parliament as a whole. And third, it conveys the idea of how the parties cover up the scandal when it spills to the public. It was solved at the personal or elite level under the guise of letting the legal process take place; and at the Parliament level, the case was never fully investigated until it evaporated from public discourse. It appears that the cartel solidarity worked very well.

Now we have a question: is it a random, atypical case? Let's see our next case.

6.4.2. Buloggate I and II: Political Trace of SOE Funds

Between the year 2000 and 2004, Bulog (State Agency for Logistic Affairs) grabbed wide public attention for two scandalous events that involved top Indonesian political and party elites. First was the abuse of Bulog's funds allegedly by the then president, Abdurrahman Wahid; and second another abuse purportedly by the chairman of the Golkar Party, Akbar Tandjung. The most important lesson that can be learned from this case is to know how the cartel works in a different way. Of secondary importance, this case also shows how the SOE funds can also flow to the political parties.

The original task of Bulog was to implement the government's price stabilization policy for nine basic necessities that include, among others, rice, sugar, cooking oil, salt, dried fish, flour, and soybeans. In the process of doing its job, Bulog has the power to set up floor and ceiling prices for those basic commodities. The measure may include buying excessive production in time of abundance, stocking, and reselling in time of market

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scarcity.[201] If needed, Bulog would open up the import gate to secure the supply of basic necessities for domestic markets. Through these lines of work, Bulog made its profit which became a major source of its funds – in addition to the funds received from the state budget.[202] A fraction of the fund would be put in the chairman's bank account for tactical purposes (*dana taktis*), just like those that belonged to ministers. The chairman had a relative freedom to use the fund even though procedurally he or she must obtain the president's approval. It was this fund, the procedure, and the use of it that sparked the scandals.

The first scandal, infamously called Buloggate in domestic parlance, was exposed in the mass media around May, 2000. It was when PKB chairman, Taufikurrahman Saleh, in a press conference asked the Bulog Chairman, then Rahadi Ramelan, to investigate the circulating rumor accusing the president of abusively using the Bulog fund as much as Rp 35 billion (*Kompas*, May 5, 2001). Since the chairman was from the same party as the president, this move of course was meant to clear up the rumor and prove that Wahid was clean. A legal process soon followed this request.

In a long process in court, it became transparent that Bulog did transfer that money out. Sapuan, then the vice chairman of Bulog, on January 21, 2000, wrote three bank checks worth Rp 30 billion and gave them to Wahid's personal assistant, Suwondo.[203] The remaining Rp 5 billion was transferred by Sapuan to Suwondo's

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[201] The name of Bulog changed several times and so did its scope of activities. See www.bulog.co.id/sejarah.php
[202] This pooled fund was created in 1982 during Bustanil Arifin's era. Even though it was only a fraction of the total profit of Bulog, it was still an enormous amount of money. Since 1982, various expenses were covered by this fund as much as Rp 100 trillion. Most of the fund ended up going to Golkar as the government party (*Tempo*, February 19-25, 2001).
[203] Sapuan's motive was to secure his position in Bulog as the vice chairman. There was a rumor at that time that Wahid planned to restructure the overarching ministries and several state agencies.

account three months later on March 24 (*Tempo*, May 29 – June 4, 2000). These funds, Suwondo claimed, were for resolving the Aceh regional conflict but it turned out that the funds were not for Aceh at all but they ended up in Suwondo's and Wahid's inner circle's bank accounts, with a slice for Suko Sudarso, one of the PDIP chairmen.[204] The question was whether Wahid in his capacity as president was involved in this scandal, directly or directly. The case was then exploded in the public debate. In a couple of months, the DPR formed *Pansus* Buloggate (Special Committee for Buloggate). It was clear that all Wahid's opponents – via Pansus – were putting Wahid on trial. The examination that was conducted by Pansus ended with a political verdict that Wahid was involved in the scandal.

This process had a repercussion at the grass-roots level where Wahid's supporters staged a series of riots in east and central Java. The scandal reached a new height when the majority of parliamentary members pushed the case forward with an idea of using it as a stepping stone for removing Wahid from office.[205] In response, Wahid's supporters utilized a similar tactic by scrutinizing other parties' financial scandals.

On February 1, 2001, in an open discussion with students in Kendari, Mahfudz MD, a minister affiliated with Wahid's party, PKB, made an allegation that Golkar in 1999 had received and used Bulog funds as much as Rp 90 billion (*Kompas*, February 12,

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[204] PDIP denied that it took the money. It insisted that the money went to Suko Sudarso himself and it partly was for financing the campaign of Bondan Gunawan (a minister from PDIP) to challenge Mega in the PDIP congress held in 2001.

[205] As described in the previous chapter, Wahid's move that forced some ministers to resign was a pretext for a retaliatory action taken by the parties. His move had changed parties' balance of power in the cabinet which now favored PKB more. Wahid's move also reduced the opportunity of other parties to grab economic spoils that could be extracted from the ministries (Interview with Yahya Staquf, vice secretary of PKB from 1999-2004, January 5, 2005).

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2001).[206] Inevitably, this accusation added more tension among the elite. Thus, Buloggate now ramified into two cases, Buloggate I and II. The second case or Bullogate II, just like the previous one, soon developed into legal and political battles among conflicting parties at the same time.

Investigation by *Tempo* substantiated the allegation where a team from this weekly magazine was able to trace multiple money withdrawals as much as Rp 71.7 billion from the state-owned bank, Bukopin, from August 27, 1998 to October 10, 1999 (*Tempo*, February 19-25, 2001).[207] More than Rp 53 billion of it was taken out during the campaign period in 1999 – just like the case of Buloggate I. Out of this money, "only" Rp 40 billion went through Akbar Tandjung to Golkar treasurers, the remaining Rp 10 billion to the Defense Minister Wiranto to be used for organizing a civil security force (*Pam Swakarsa*),[208] and another Rp 3 billion used by Bulog for finishing an asset swap with Goro Company (*Kompas*, November 1, 2001).

It was not the existence of the money transfer that had become the dispute in the court. It was who the receiver was and what the money was used for. Achmad Ruskandar, the financial deputy of Bulog, claimed that he handed out the check to Tandjung. It was signed by Rahardi Ramelan, the Bulog chairman at the time. But Tandjung denied that he

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[206] It was not a coincidence that the accusation was made on the day when DPR released its political verdict that Wahid had a helping hand the Buloggate I scandal (*Tempo*, February 19-25, 2001).

[207] Mahfud himself firmly stood for what had said. He firstly heard about the scandal during a cabinet meeting when Rizal Ramli, the Coordinating Minister for Economic Affairs disclosed it. In the meeting the National Police Commander and the Attorney General were present, and Mahfud thought that they should have investigated the sandal. He would have attended the court provided that the case went into the court and he was summoned as a witness (Mahfud, 2003: 128).

[208] *Pam Swakarsa* was a voluntary militia recruited by the military under auspices of General Wiranto, the chief military commander. The number reached 125,000 and they were officially intended to bolster the defense of the special session of the National Assembly that was held from November 10 to November 13, 1998. Some interpreted that the formation of this militia was a reflection of a rivalry within the military between Wiranto and Prabowo by which Pam Swakarsa was meant to outmaneuver Prabowo (*Sinar Harapan*, June 23, 2004).

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had ever touched the check (*Tempo*, November 26 – December 2, 2001). A cross examination in court finally forced Tandjung to admit that Ruskandar's version was true. It was on April 15, 2002. Evidence submitted to the court showed that signatures on the check when it was cashed in belonged to Fadel Muhammad and Mohammad Hidayat – both were treasurers of Golkar Party (*Kompas*, January 24, 2001). This fact was reinforced when one key witness from Tandjung's office stated that he himself saw Ruskandar hand the check to Tandjung. He added, though, that Tandjung soon gave the check to somebody else. But what was the money for?

Tandjung repeatedly said that the money was for a government social safety net program. On October 11, 2001, he said that he passed on the money to a social foundation which he was not able to recall the name of the foundation. Once Tandjung made his confession, the question became: was the money legal? On July 24 2002, the prosecutor came with an indictment for Tandjung. The indictment was that Tandjung, with three other defendants, deliberately and systematically took the money from Bulog which caused state financial loss. First of all, the foundation that Tandjung chose was not a reputable foundation with a convincing track record. There was no documentation on the areas and families to which the aid had gone. There was no documentation on the trucking expedition either, which might have shown that the program was truly implemented. A verifying team from the attorney general's office also failed to obtain any substantial proof of delivery (*Kompas*, January 24, 2001). Second of all, the question of why the funds went to Golkar in the first place simply stirred public curiosity. After considering all evidence and witnesses brought into the court, the judge concluded that these defendants committed corruption and sentenced them to three-year imprisonment

(*Kompas*, September 4, 2002). In the appeals court, another judge reaffirmed the decision *(Kompas*, July 24, 2003).

Surprisingly, at the end of the appeals process, Tandjung won his case (*Kompas* February 2, 2004). The majority of judges agreed with Tandjung and the defender's argument that the money disbursement was legal. There was an official order from the president at that time for Tandjung – as the Minister of State Secretariat – to facilitate the process of disbursement of the funds. The judges argued in their 240 page verdict; what went wrong was at the implementation level.[209] At the end, the head of the foundation and his business partner (Winfred Simatupang) were blamed by the judges, and both were given jail time punishments. Rahadi Ramelan, the Bulog chairman, was also sentenced to two years imprisonment.[210]

But a strange thing happened to the funds that previously were claimed to be spent for the safety net program. Simatupang returned to Bulog as much as Rp 32.5 billion on March 9, 2002 (*Kompas*, March 10, 2002). Strange as it was, the prosecutor never tried to investigate where the money was and what the money was used for during the period between 1998 and 2002. Trimoelja Soerjadi, the defense lawyer of Rahadi

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[209] There was a twist at this point. Habibie, as a witness, said that Tandjung in his capacity as the Minister of State Secretary has an authority to coordinate the process of disbursement. But did not have the right to make any decision concerning how the program should have been implemented and with which partner. In reality Tandjung admittedly selected the company that would carry out the program. Thus he exceeded the limit of authority that he actually had (*Tempo,* November 26 – December 2, 2001). But this issue was overlooked in the court process.

[210] Ramelan complained that he was merely a victim of a bigger political scenario that was intended to protect Tandjung. During the court session Simatupang revealed that there was a so-called "Mahakam scenario" to defend Tandjung (*Kompas*, March 10, 2002). Ramelan and his lawyer also confirmed it (*Kompas*, July 17, 2002). There was also another rescue scenario for rescuing Tandjung that was planned in Muladi's house, a Golkar top figure (*Kompas*, June 19, 2002). But none of these leads were taken seriously by the judge. Rumor had it that some money flowed to the attorney's office (*Kompas*, 28 oktober 2002).

Ramelan, once made a request to the judge that the court should summon Fadel Muhammad and Mohammad Hidayat. The judge refused this request, however. He reasoned that it had no relevance to Ramelan's indictment and that the issue should have been pursued or tried separately (*Kompas*, 24 Juli 2002).

If the flow of money were investigated by the court, and if the court confirmed that the money was used by Golkar, the case would have led to an examination whether Golkar violated the regulation on party contributions as sanctioned by the political laws. Some early indications showed that Golkar did. But this route of investigation never took place and Golkar was let to get away with that.

Equally interesting is to see how the political process went along with the legal process. Even though the political decision to be made did not have binding legal impact, it should have affected the political fate of Tandjung and Golkar Party. Furthermore, this process also showed how political bargaining among parties in Parliament ended up with no action policy against Tandjung and Golkar. This policy, to some extent, confirmed how political parties basically share similar interests and political fates. In addition, the political path of this case (Buloggate II) has the opposite result from the path of the previous case (Buloggate I).

The political process started on October 21, 2001, when 50 members threw in their initiative to establish a special committee in Parliament for investigating the case. For the committee to be established, the initiative must have gone through several procedural stages. At the first stage, Parliament's Bamus (*Badan Musyawarah* or the deliberative body) will make a decision as to whether the initiative is worthy of being scheduled at its meeting. In the next stage, Bamus has to reach majority support from its

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members to push the agenda upward to be scheduled in a legislative plenary session. Only if the majority of parliamentary members in the plenary are in agreement, then the commission will be established.

But when Bamus was discussing the initiative, two major factions (Golkar and PPP) and a small faction (PBB) refused to push the agenda forward. And the Bamus meeting ended with a promise that it would organize another meeting in the following month of December. At the December meeting, via the voting mechanism, all factions within Bamus – except Golkar – agreed to bring the initiative to a plenary session but with no particular date. On January 24, 2002, Bamus finally made a decision that a plenary session for the establishment of the committee would be held on March 7. The plenary, however, was rescheduled twice. At this stage, the key player actually was PDIP because it had the largest faction in Parliament. If PDIP gave the green light, the plenary session would have been immediately held and the committee would have been established. Interestingly, PDIP was so enthusiastic in the beginning with the initiative, but became reluctant afterward.[211] At the end, PDIP reversed its stand and joined the two other largest factions (PPP and Golkar) to oppose the establishment of the special committee.

Another interesting fact is that Golkar preferred a legal to political process in dealing with the Buloggate II issue. It looks as if Golkar had learned a lesson from the case of Buloggate I that ended up with the removal of Wahid from the presidency. The political process could be out of control and bring severe political consequences. Thus, it is entirely understandable that Golkar worked hard to avoid the establishment of a special

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[211] *Tempo*, November 26 – December 2, 2001; January 14-20, 2002; March 18-24, 2002; July 8-14, 2002).

committee or *Pansus*. Golkar made a well-crafted calculation that other political parties' fate was closely connected to its political fate. The question then became: what did PDIP have to lose for *Pansus*?

What made PDIP change its stand? Why did the process take so long? Three interpretations are available for these questions. First, Golkar was a significant part of the coalition that removed Wahid from office and it was one of the staunchest supporters of Megawati's rise to the presidency. In addition, Golkar was an important piece of Megawati's cabinet. Thus, PDIP's reversal move can be understood as a politics of repayment of a political debt or an effort to maintain government stability (*Tempo*, January 14-20, 2002).[212] The second interpretation is that the postponement would have brought a devastating impact for Golkar. As Golkar was busy rescuing Tandjung and replenish its political image, the logic went, it would face a hard time preparing itself to compete in the approaching election. But this interpretation is less convincing because the next election was still two years away. The third interpretation is that Golkar could open a Pandora's box that would reveal previously unforeseen financial scandals that involved various political parties. This possibility could deter other parties from forming the special committee.

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[212] Pramono Anung, the vice secretary of PDIP, recognized that the risk of establishing the committee could be too much for PDIP to endure. "It could run wild that we would not be able to control what would follow," Anung reasoned. In fact, Golkar at that time started to question many of Megawati's policies. For instance, Megawati's decision to assign Taufiq Kiemas (Megawati's husband) to be the government representative for an official visit to China was seen as wrong and improper decision. Kiemas was then a parliamentary member who was not supposed to carry out executive job. Golkar also criticized that government was too reluctant to raise the domestic oil price. In effect it invited speculators to keep their supply that eventually created market scarcity. The PDIP's dilemma subsequently forced Megawati to step in and threaten to resign as the PDIP chairwomen provided that the PDIP faction kept trying to establish the committee (*Tempo*, March 18-24, 2002). On the other side, Golkar also worked very hard to lobby PDIP for the sake of preventing the committee from forming. Golkar faction organized several meeting to find a common ground with PDIP. Agung Laksono, Slamet Effendy Yusuf, Theo Sambuaga of Golkar met several times with Sutjipto, Roy Janis, Pramono Anung, and Arifin Panigoro for that pupose (*Tempo*, March 18-24, 2002; July 8-14, 2002).

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The last interpretation is worth discussing, definitely. It is worth it because it could divulge a shared economic interest among parties. The media expose on the scandal had enthused a section of Golkar, which came with an idea of taking a retaliatory action. What Golkar was able to do, according to its leaders, was to disclose that the Bulog fund did not only flow to Golkar only but to other parties as well (*Tempo*, November 26 – December 2, 2001). But Tandjung refused to take that path. The reason was that it was difficult to find legal proof for that; there was barely any documented proof that could be used for a possible court battle. When the political demand for the formation of a special committee was getting stronger, Ade Komarudin, a member of Golkar's parliamentary faction, stated that the establishment of a special committee could create political stability. "Golkar is preparing a possibility of forming a special committee for investigating any [illegal] flow of funds to all parties." And one of the Golkar members added, "We do not want to die alone, we will drag along other parties as well." (*Kontan*, December 3, 2001).

At the end of the day, the special committee for Buloggate II never materialized. So, a possible political implosion at the national level never happened. The case of Buloggate II, however, may shed more light on the scope of party rent activities. State-owned enterprises have been a site of rent collection as well. More importantly, the avoidance of political processes reveals how the cartel works in a different way. It appeared at first that Buloggate II hurt Golkar only. As the third interpretation suggests, Golkar had a trump card that would have been used for beating other parties' play if other parties forced the establishment of the special committee. Golkar's card was the threat of disclosing other parties' financial scandals. In fact, there was only one party, PKB, which

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enthusiastically attacked Golkar from the beginning. PPP and PBB scaled back their demands for the establishment of the committee. The rest of the parties simply followed the PDIP's lead. As for why PKB was so enthusiastic in attacking Golkar, it goes back to the recent history of the process of Wahid's removal from the presidency in which Golkar was the dominant force. Thus, the PKB' offensive can be understood as political revenge against Golkar. Wahid's removal in turn was partly an issue of rent distribution. Wahid's decision to slash Golkar, PPP, and PDIP's access to the financially lucrative state enterprises by firing the ministers from these parties from his cabinet.[213]

Summarily put, the Buloggate II enhances our understanding on the work of the cartel. On the surface, a financial scandal may appear to be committed by one or two parties only. But when other parties individually have their own scandals, they lock themselves in a chained political cage. In this sense, the case of Buloggate II is slightly different from the DKP case which directly point to all parties. But these two cases share a similarity in that the parties are connected together to maintain their collective interests in being rent-seekers with and in maintaining the political and economic survival of the group.

6.4.3. Bali Bank: Financial Trace of Political Brokerage

This case adds another variant of party rent activities. It is not a direct proof of cartelization but it shows how different parties could reap rents from performing a brokerage function that results in huge fees for the parties. Like the case of Buloggate II, the Bali Bank case brought the parties into a situation in which their political fates are

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[213] See also, Chapter 4 in the section of Wahid's removal. One of my interviewees, Yahya Staquf, then the president spokesperson and ex-vice secretary of PKB, also confirmed this interpretation (interview, January 5, 2005).

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linked together. It also stresses the importance of participating in the cabinet because it opens parties' access to government power in disbursing funds needed for helping insolvent banks.

The Bali Bank case made a headline in 1999. At the core, this case involved a multi-billion fee as a compensation given to Golkar's top personnel for assisting Bank Bali to get its interbank loans back. The sum of loans itself was enormous; its worth was about Rp 1.1 trillion.

The event that helped open the case was the government's takeover of Bali Bank in early August, 1999. As part of the government program for restructuring the national bank system taken during the country's economic crisis, Bali Bank was categorized as one of the banks that required capital injection in order to meet a minimum capital adequacy ratio (CAR). This step was known as the recapitalization program. Lacking capital, the owner of Bank Bali, Rudy Ramli, invited a new investor, Standard Chartered Bank (Standchart), a Hong Kong-based international bank. The plan was near completion when suddenly Standchart withdrew its bid (*Tempo*, August 2-8, 1999); and the government stepped in. This event ignited curiosity among journalists, and they began to investigate the case: what's wrong with Bali Bank recapitalization program?

They found out that Standchart management, through a process of due diligence, noticed that there were missing assets worth millions of dollars. This severely affected the value of Bali Bank because it would require an extremely high new capital injection needed to meet the minimum CAR. Further investigation said that the missing assets were in the form of Bali Bank's insolvent interbank loans to three liquidated banks which

were taken over by BPPN[214] (*Tempo*, August 2-8, 1999). Thus, the old management

badly needed to cash in the loans for the bank's survival.

Rumor had it that Bali Bank management "hired" Djoko Tjandra, a domestic

conglomerate, to collect the loans (*Tempo*, ibid). Tjandra then made contacts with

Manimaren Sinivasan and Setya Novanto (both were vice treasurers of Golkar Party) to

do the job. Eventually, this group of contacts activated their network within the inner

circle of Habibie, then the president. Utilizing their political connections, they succeeded

in contacting key personnel of BPPN and BI, the Indonesian central bank, and obtained a

payment for the loans. The rumor turned out to be true. Soon, the sum of money, its flow

and its political connections became clear. And it led to legal scrutiny by a state attorney.

On September 2 1999, one month after the scandal hit the media, under public

pressure the BPK (State Audit Agency) assigned Pricewaterhouse Cooper (PwC) to do an

audit for Bali Bank. Its report revealed a set of basic facts. In its long version,[215] PwC's

report showed that on June 1, 1999, BI disbursed Rp 904 billion for Bali Bank after it

received a request letter from BPPN (*Kompas*, November 3, 1999). On the same day, Bali

Bank transferred the brokerage fee to PT Era Giat Prima (EGP) owned by Tjandra in the

amount of Rp 546 billion. And from this company, Tjandra then transferred the money to

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[214] BPPN was a government body specifically designed to manage assets and financial obligation of the liquidated banks. For all financial obligation incurred to those banks, the government bailed them out. So, one of the tasks that BPPN had to perform was to get the money back by selling the banks' assets to bidders.

[215] There was a short form of the report that was originally intended for public consumption. In this version important pieces of information that disclosed the involvement of top governmental officials were omitted. This omission was meant to avoid violation on the provision of bank secrecy which was guaranteed by law (*Kompas*, September 18, 1999). But many suspected that there was a political reason behind it. But thanks to public pressure, the long version of the report finally was released to the public – the version that mentioned the involvement of Habibie's circle and cronies in the scandal but without clearer specification (*Kompas*, September 21, 1999).

several names that included entrepreneurs, high-ranking government officials, and politicians.[216]

But those mentioned above were not the only receivers. The money also flowed to the Golkar Party through Bappilu, an organizational arm of Golkar specifically designed for winning elections. It took several steps. After receiving his part from EGP, Manimaren transferred Rp 15 billion to Aung Gauk Jarre, a close friend of Tanri Abeng, to be then transferred again to Bappilu's account through the Bumi Daya Bank (now known as Mandiri Bank) branch located in the legislative building.

Once the basic facts were obtained, the case was pushed further into the legal process. Several questions definitely begged definitive answers. First, it was about legality: whether the BI's disbursement was legal or not. Second, it was the question about the actors – those who were involved in the disbursement process. And third, it was about whether the usage of the disbursed money was appropriate.

Thus the legal process began with a core indictment that the disbursement was considered illegal because it caused the state financial loss. Once the prosecutor believed that it was illegal he moved on to pursue those who were involved in the process. So the first persons to be brought into the court were Rudi Ramli, the owner/director of Bali Bank, who submitted the claim for loan disbursement. Next, it was Djoko Tjandra and Setya Novanto, the directors of Era Giat Prima (EGP), the company that served as broker. Since procedurally the disbursement must have had an endorsement letter from BPPN, two of its chairmen, Pande Lubis and Farid Harianto, were indicted too as the issuant of

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[216] The names on the list included Mrs. and Mr. Agus Sudono (vice chairman of State Advisory Council), Tanri Abeng (then the Minister of State-Owned Enterprises), Joko Tjandra, Rali Siregar, Enggartiasto Lukito, Manimaren, and Setya Novanto (*Kompas*, November 3, 1999) – all were entrepreneurs, and the last three happened to be vice treasurers of Golkar Party.

the letter. The letter of verification or endorsement would then be submitted to BI. Next, the prosecutor charged Sjahril Sabirin, the director of BI,[217] because it was BI that actually had the money. And its director was the person who had the ultimate authority to disburse the money for the claim.

The irregularity of the disbursement procedure was also revealed during the court sessions. The process of disbursement was exceptionally quick. Actually, between March 1998 and January 1999 Bali Bank had already sent multiple requests for the disbursement to BPPN and BI but with no result. Only after being brokered by PT EGP, the process was so swift that it aroused public suspicion. In fact, the PwC report indicated that Habibie, then the president, and Bambang Subianto, the Minister of Finance, had their hands in the process of disbursement. The court then summoned Habibie and Subianto to be witnesses.[218]

During the legal sessions, however, the defendants attacked the core indictment imposed on them. Both Rudi Ramli and Djoko Tjandra argued that they were not guilty because they withdrew the money that actually belonged to Bali Bank – not the state. In other words, according to them, the state did not lose anything in the process of disbursement. So the prosecutor was simply wrong when saying that it was a case of state financial abuse. In the end, Tjandra and Ramli won the legal battle in the local court (*Pengadilan Negeri*) and were freed from any charges on August 28, 2000 (*Kompas,* August 29, 2000). The verdict even specified that it was not a criminal case but a civil case. Unsatisfied with the verdict, the prosecutor brought the case to higher levels of

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[217] These persons were tried separately at different points in time between 1999 and 2002. There were several more persons to be indicted but we will not pursue this information so that we do not lose our focus.
[218] Farid Harianto in his testimony stated that he issued the letter of endorsement after receiving a "warning" from the Minister of Finance. (*Kompas*, September 21, 1999).

court only to find that the judges reaffirmed the lower level court decision previously made. Once the primary indictment was denied, the secondary and tertiary indictments would automatically be dropped; and all actors who were implicated by the case were also freed.

The court decision clearly stirred public controversy for it was a very high profile case. The controversy itself touched upon several issues. First, the fact that the process of disbursement was so fast and that the process was made possible under the influence of Habibie and Subianto. The problem was that it was notoriously difficult to prove that the political influence had ever existed. Second, it was about the possibility of the judge being biased. There were many similar corruption cases that were decided in that court (South Jakarta local court) that ended with the prosecutors' defeat (*Kompas*, August 28, 2000). But the Department of Justice that supervised the performance of all judges never investigated this possibility.

Third, the controversy also touched on the usage of the money. The original purpose of the disbursement was for the recapitalization program but Bali Bank management partially used it for purposes other than recapitalization. For this, the judge also had an answer: "the prosecutor should make another case and pursue the authorities in BPPN and BI. And this will be a different case." (*Kompas*, August 29, 2000).

The last issue, the usage of the money, is central to our concern. Suppose that the disbursement was legal as seen by the judge. Then it would not result in a criminal indictment. But the usage of the disbursement still could be pursued by the prosecutor and could lead to another trial within the confines of disbursement purposes. The money should have been totally used for the recapitalization program. Tjandra then could have

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been brought to trial again. But it never happened. Another legal path that could have been taken was to pursue either Tjandra or the Golkar party (including Golkar's top personnel) and bring them into the court. Thus the money that flowed into Golkar's pocket could have been treated as a financial contribution to political parties.

To repeat, some of the brokerage fee was sent to Golkar Party through Manimaren and Aung Guk Jarre. Rp 15 billion, at least, was transferred to Golkar's Bappilu. Not only that PwC and journalists were able to trace the money flow, but they also obtained proof in the form of bank checks. This financial contribution to Golkar obviously violated the maximum cap a political party was allowed to receive from either an individual or a business company. And Golkar would have been penalized by automatically being barred from participating in the next election. The fact is that both KPU and the Supreme Court never opened any investigation of this case. This issue simply evaporated into the air. This fact basically confirms IFES' evaluation that the rules and penalties as imposed by the political laws have never been seriously enforced.

More than the issue of law enforcement, the Bali Bank case represents a common mode of brokerage activity used by other parties to fill their pockets (*Kompas*, September 24, 1999). A top leader of PDIP, for example, was asked to help Permata Bank that was experiencing a similar problem as Bali Bank.[219] When this type of rent activity is performed by the parties, it creates a situation which is similar to Buloggate II – a situation that put all parties in the same boat. And to prevent the boat from sinking – when a scandal is disclosed to the public – a collective effort must be made by all parties in the cartel.

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[219] Confidential interviews with two sources who investigated the case, March 18, 2007 and September 27, 2007).

These two cases also underline the importance of placing a representative in the cabinet because it would open a party's access to the decision-making process of the disbursement of the government money.

6.4.4. Parliament: The Money of Power

All the cases discussed above show how government has been an important site for rent-seeking activities. Thanks to the fact that government officials or agencies control a large portion of the state funds, legally or illegally party politicians can extract a fraction of the funds to be used for meeting their financial needs. As I have mentioned earlier, the site for rent seeking is not only limited to the government but also Parliament. Thus we now need to explore this possibility. But how can it be? Why is it that Parliament also becomes an important site of rent activities? And how can we prove that rent activities performed in Parliament reflect the existence of the cartel?

Above all, it is the constitutionally mandated power attached to Parliament that opens up the possibility of performing rent-seeking activities. Once the constitution increases the powers of Parliament, the range of possibilities for it to use those powers for rent-seeking widens. The constitution itself awards Parliament with specific powers of law-making – independently from or jointly with the president/government. But more than this, the constitution also gives sweeping power that includes the rights to perform budgeting and supervising/controlling functions (Article 20A, Clause 1). Moreover, Parliament also can provide advice to the president in selecting ambassadors (Article 13, Clauses 2 and 3). Still more, there is a provision stating that Parliament may have additional powers which will be specified through laws (Article 20A, Clause 4). It is this

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clause that makes Parliament so powerful that it could thwart or postpone nearly any type of government policy. What Parliament can do in the process of writing a law is to insert a provision that requires the government to get its approval in making decisions or appointing high-ranking state officials.

In practice, the process of law-making starts with a standing commission.[220] Each commission pairs with a particular department/ministry to discuss the content of the proposed law.[221] This type of power could become a tool for Parliament to extract or mobilize funds from the government. There is financial incentive for the members of the commission in processing a law. It is legal. But, as we shall see, this power could also be used for mobilizing government funds illegally.

Now that we are exploring all possibilities through which parliamentary members – as individuals or as members of a faction or Parliament – we need to take a look at all types of power that could be used for generating rents. This power may include

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[220] There were nine commissions in Parliament for the period of 1999-2004. The number of commissions increased to 11 for the period of 2004-2009. In addition, the parliament also has other internal organs such as the Budget Committee and the Body of Internal Affairs (BURT). For the budget committee, it has budgeting power that gives approval to government annual budget and makes the budget plan become law. BURT is not designed to be involved in any law-making process. But this body becomes important since it proposes an annual budget plan for Parliament as a whole. This may include the amount of money spent for building or renovating physical facilities. More importantly, this body also proposes salary raises and all other types of members' benefits.

[221] Each side has the right to propose a law and each needs approval of the other to pass a law. More often than not, however, the government has the initiative. When the government proposes a law, the draft is made by a team from a particular department to which the proposed law has relevance. In debating, revising, or finalizing the draft, the team will work with a commission that specializes in the issue covered by the proposed law. In case the initiative comes from Parliament, a particular commission or a special committee is assigned to draft the law. Then it will send a request to the government to assign a representative. Usually it is departmental team led by a minister. Each commission has specific jurisdiction that corresponds with a particular department/ministry. Chairmanship or memberships of some commission are more coveted than others. This is because those commissions work with departments/ministries that have lucrative budgets such as Department of Finance, Ministry of State-owned Enterprises, and Department of Industry and Trade. In domestic lexicon, these commissions are known as *komisi basah* (literally means wet commission) as opposed to *komisi kering* (dry commission). Rent activities more frequently take place in *komisi basah*.

legislating power, budgeting power, supervising power, and "bashing" power. We will visit these one by one.

Legislating Power. The DKP case, described earlier, shows that the legislature is not sterile from political money. The court dealing with that case, however, has not come to the point of how the money actually played out in process of legislation. But a recently exposed case of BI gives us a clearer picture of how politics and money were intertwined in Parliament. And it also shows us how money could substantially color the content of a law. From a different angle, we may see that the content of a law could become a commodity by which parliamentary members could squeeze some money out of government's pocket.

The story dates back to May 17, 1999, when a new law on BI was signed by the government. In this new law BI was forced to give up several types of its authority. One of them was the task of bank supervising. This task would be carried out by an independent state agency which was to be formed through another law (Article 34 of Law No. 23/1999 on BI). Further explanation for this article specifies that the new agency – to be named *Otoritas Jasa Keuangan* (OJK) or the Financial Services Authority – must be operational by December 31, 2002, at the latest (*Tempo,* June 22-28, 2003). In addition, BI's authority to dissolve a bank and to release an assessment for bankruptcy was also taken away.

At first, the new law for BI and the slashing of BI authority did not create any political ripples. But apparently, for whatever reason, BI's governor and board of directors did not take the slashing lightly. In the period between 1999 and 2004 BI made

a multi-track effort to reclaim its authority. First, the struggle took place when a new law on LPS (Indonesian Guaranteeing Body for Savings – similar to the FDIC but with more or higher authority) was being drafted by Commission IX of Parliament. Second, BI also made a strong attempt to reclaim its power in making decisions for bank liquidation (Law on LPS). On the Law on Bankruptcy, BI wanted to have the right to release a disclaimer for a bankruptcy proposal by a company. On top of these, BI also tried very hard to convince Parliament to abandon the idea of OJK or, at least, to postpone its implementation.

At the end of the day, after going through the process of negotiating crucial points, BI won the battle. It was able to successfully re-assert the range of its authority (*Tempo*, August 20-26, 2007). Now, based on the Law on LPS, BI has the ultimate authority to carry out bank liquidation. LPS only gives a recommendation, does not make the decision. BI also "re-owns" the right to give approval for a company that is filing for bankruptcy, including rescheduling its financial obligations. Furthermore, the function of supervising banks has been given back to BI; it is not in the hands of the would-be OJK any longer. To make it perfect, the Law on BI (now it has become Law no. 3/2004 on BI) has been amended: the implementation of OJK will be carried out by the year of 2010. This means that BI has retained its authority on several financial and banking affairs that purportedly will shift to OJK (*Tempo*, September 3-9, 2007).

It seems that it was a normal process. As anywhere else, formulating a law always necessitates compromise between the government and Parliament. All the new laws passed through Parliament and were consecutively signed by the president on January 15, 2004 (Law on BI), August 25, 2004 (Law on LPS), and September 23, 2004 (Law on

Bankruptcy). However, in early August, 2007, ICW brought up an allegation stating that the legislating process was tainted with bribery for dozens of parliamentary members. Billions of rupiah, according to ICW, was sprayed to Commission IX of Parliament. An audit by BPK (State Auditing Agency) showed that the commission had received as much as Rp 31.5 billion for finishing the amendment of the Law on BI alone (*Tempo*, September 10-16, 2007). Commission IX itself consisted of all parties; and the party composition in this commission can be seen in the following table:

Party	Number of party members in the Commission
PDIP	19
Golkar	16
PPP	6
PKB	4
PAN & PK	4
KKI	1
PDU	1
PBB	1
Armed Forces	4
Total	56

Source: www.dpr.co.id; www.awasiparlemen.org

Table 6.4: Membership Composition of Commission IX

That the money was distributed at the commission level was a sign of a concerted action, not an individual action. Thus, the parties shared the money and the risk collectively. The legal and political processes for the BI case are still on going. But this case basically reveals how money played a role in the legislative process. This is definitely a case of corruption. A confession by a parliamentary member, as quoted by Tempo, can be added here, "[I] should admit that corruption has permeated the

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legislature. ... Debate on law drafts [on particular clauses] could be a commodity that they can sell." (*Tempo*, September 30 – October 6, 2002).

More importantly, the BI case provides us two kinds of evidence. First, it is evidence that Parliament is also a site of rent activities. Second, the rent activities involve the whole group of parties; and it takes a cartel to protect the mutual interest of securing the source of rents and of maintaining their collective survival.

Budgeting Power. That Parliament has budgeting power is spelled out clearly in the constitution. Together with the government, Parliament jointly drafts the state annual budget. In practice, however, it is always the government that initiates the budget draft. It is because Parliament lacks technical expertise and resources for this task. The actual power exercise appears in the process of restructuring or reallocating budget spending: where to go and how much. This power is ultimately exercised when Parliament – via its budget committee and Commission XI – supervises the financial transfer from the national to local governments.

The type of financial transfer itself can be categorized into three: revenue sharing, general allocation fund (DAU), and specific allocation fund (DAK). The amount of funds transferred through revenue sharing and DAU mechanisms basically is predetermined in the sense that it follows an agreed formula devised by the Department of Finance.[222] So, on paper, there is not much room left for political maneuvering. But regional and local demands for a bigger share of funds were so strong that it opened up an opportunity for Parliament to get involved in the nitty-gritty of the financial transfer process. In fact, the

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[222] Previously, based on the Autonomy Law of 1999, it was the authority of DPOD (Regional Autonomy Advisory Council). As the Law was revised in 2004, the Department of Finance has taken over that authority.

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regions were able to form a strong alliance-turned-lobby and invited Parliament to be involved in helping them to get their larger share of DAU and to speed up the process of disbursement.[223] The loophole lies in the procedure through which all the government budget – including DAU – has to be submitted to Parliament to get the approval. Parliament's Budget Committee then could make changes in regards to the amount of DAU for particular provinces. It is at this point where Parliamentary members can "sell" their service to their clients.[224]

Since 2001 on, Parliament – particularly the budget committee and Commission IX – has frequently been exposed by the press for being known as a bastion of corruption. In October 2002, for example, a member of the committee, Mashadi, was forced to resign after some committee members received a kickback for his services to disburse DAU funds for a particular region (*Kompas*, October 1, 2002). In the following week, another parliamentary member, Angela Pattiasina, also revealed that fees for DAK were given to several committee members for helping to disburse DAK funds (*Tempo*, October 7-13, 2002).

In October 2005, a member of Commission V, Darus Agap, found a bundle of documents that specified the amount of funds distributed to 174 districts across Indonesia designated as post-disaster funds (DAK). There was a huge discrepancy between the amount of funds released by the government (Rp 633 billion) and the actual spending (Rp

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[223] The parliament's involvement started in 2002 when it was invited by the alliance of oil-rich regions (FKDPM) to win a bigger share of DAU. This group has evolved to become a powerful lobby and develop cross-region network and has been able to reach out the parliament (Suparno, 2004).

[224] This mode of making use of budget power is not limited to DAU only. In the process of discussing the departmental annual budget, the Budget Committee could press a minister to give away some departmental project for them. Otherwise, the Committee could postpone its approval or slash the allocation of budget (confidential interview with vice treasurer of a major party, April 23, 2007).

609 billion). Attached to the document was a note stating that Rp 1.8 billion was given to a parliamentary member (*Pikiran-Rakyat*, September 29, 2005).

In dealing with this issue, Parliament has established an ethical committee to investigate the scandals in mid September, 2005 (*Kompas*, September 16, 2005). For several months, the committee had collected information relevant to the case. It recognized that there were parliamentary members who received brokerage fees for DAU disbursement but stopped short of imposing a meaningful punishment. The committee merely gave a warning for them without any further action to disclose the magnitude of the case (*Kompas*, December 1, 2005).

Like the previous case (the making of BI Law), this case exhibited a group-based action – an action that involved all parties Parliament. Two more types of parliamentary power below are fundamental in the sense that they can be used for generating rents and involve the participation of all cartel members.

Supervising Power. As mentioned before, Parliament also has supervising power over the government. Its purpose, among others, is to protect the state treasury. In practice, it means that Parliament may require the government to obtain approval from Parliament in carrying out its programs such as privatization and/or divestment. It is this process of winning parliamentary approval that can translate Parliament's supervising power into money. A case in point is the process of Niaga Bank divestment that occurred in 2002.

After being taken over by the government and put under the supervision of BPPN for some time, Niaga Bank had been considered healthy and properly operable.[225] Under the pressure of meeting a balanced budget, the government badly needed to raise its revenue. Selling Niaga Bank to new investors or the public then became a good choice. It was BPPN's responsibility to carry out the selling process, and it had to obtain an approval from Parliament.[226] So BPPN submitted the proposal and planned to start selling by the beginning of 2000. But it took nearly two years before BPPN finally was able to sell 51% of the government shares in the first round in November, 2002, to Commerce Asset Holding Berhad (CAHB) of Malaysia.[227] In the second round, BPPN sold another 16% of government shares in September 2003 mainly to local investors. From the two-round sale, the government received nearly Rp 1.5 trillion – a far cry from the total funds injected for Niaga Bank by the government which was around Rp 9 trillion (*Kompas*, January 30, 2001). The very low recovery rate for the government undeniably ignited public controversy. But equally hot was the scandal that lingered around the process of winning parliamentary approval. Let us see the process first.

Initially, the commission presented its objection because it considered that Bank Niaga was undervalued. The new investors/buyers would only pay Rp 3.6 trillion or around 35% of the total government's funds for Bank Niaga recapitalization (*Kompas*,

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[225] By August 2002, Niaga Bank had recorded Rp 68 billion profit which was approaching its target of reaching annual profit of Rp 85-90 billion by the end of the year (*Gatra*, September 28, 2002 at www.gatra.com). Niaga Bank was one of the 18 banks that received a government bail out during the process of national bank structuring program. Since then it had been under BPPN management and owned by the government.

[226] For the 2001 budget year, the government imposed BPPN to turn over Rp 27 trillion needed to meet the government budget plan (*Kompas*, January 30, 2001).

[227] The execution of divestment went through several postponements due to the low recovery rate that the government would get as a compensation for government capital injection to Niaga Bank (see, *Kompas*, February 1, 2, 7, 2001; March 1, 2001, and May 30, 2002). Parliament's approval finally was obtained on June 26, 2002.

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February 1, 2001). In addition, the commission also argued that Niaga Bank's performance was not good enough in terms of carrying out its intermediary function. In March 2001, the commission restated that the recovery rate for Niaga Bank must have covered at least 70% of the value of recapitalization and the divestment must have been done in several stages. It took another year before finally the Parliament-cum-Commission IX gave its approval on June 26, 2002 (*Kompas*, June 27, 2002). An estimate was given at that time that the recovery rate was around Rp 2 trillion. If the recovery rate was that low (much lower than the initial estimate made in early 2000), then why did Parliament give its approval? Why is it that Parliament suddenly changed its stand around June 2002?

The answer came from a member of Commission IX, Meilono Suwondo from PDIP. Soon after the approval, Suwondo disclosed that a majority of the members of PDIP in the commission had received bribes from BPPN in hammering out the decision. On average, each member pocketed an envelope filled with five thousand dollars cash in it. The envelopes were distributed during a meeting with the BPPN chairman, Syafruddin Tumenggung, and other high-ranking BPPN officials in the Park Lane Hotel on June 5, 2002 (*Kompas*, October 5, 2002). And the allegations rolled on. Three other members of PDIP, Indira Damayanti, Angelina Pattiasina and Daniel Budisusetia, followed Suwondo's step, confirming the bribery (*Kompas*, October 5, 2002).

Pattiasina went even further. She said that the bribery was carried out systematically in the sense that there was a coordinator as a key contact and as the distributor through which BPPN primarily dealt (*Tempo*, October 7-13, 2002). The bribery, she continued, was done in three rounds where the PDIP members of the

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commission consecutively collected one, four, and five thousand dollars in cash. For the coordinator, he received an additional five thousand dollars. This case had stirred a heated debate within PDIP when other PDIP members denied the allegation. Even though the focus of the controversy was on PDIP, meetings between BPPN and members of Commission IX were not limited to PDIP members only. Damayanti said that other party factions also organized similar meetings[228] (*Kompas*, October 5, 2002).

This allegation was taken over by PDIP leaders who promised to make an investigation of the case. The police stepped in as well by summoning witnesses relevant to the case. But in the end, these two paths of investigation went nowhere; and none of those who were believed involved in the bribery was indicted (ICW Annual Report of 2004). The case finally disappeared from public discourse. And many other cases of similar type never made headlines in the media. As described by a parliamentary member, "... the Bank Niaga divestment was just a small example among dozens of other cases handled in Parliament. When the legislature performs its two major functions, controlling and budgeting, the possibility for corruption is opened up." (*Tempo*, September 30 – 6 October, 2002).

"Bashing" Power. This type of parliamentary power is neither officially formulated nor formally defined in the constitution. However, Parliament in formulating laws frequently inserted its right to appoint high-ranking state officials. [229] This may

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[228] For the list of parties in this commission, see Table 6.4.

[229] The source of this power actually can be traced to numerous laws made by Parliament. Parliament may give its approval or refusal to any candidates for high-ranking governmental offices that are being proposed by the government. Law No. 2/2002 on State Police can be an example. Article 11, Clause 1, stipulates that the head of national police force is appointed and terminated from office by president with Parliament's approval. Through the mechanism of fit and proper test, Parliament will invite the candidate to a forum and examine his or her capability. The track record of the candidate then becomes a crucial point. The game

include members of the Election Commission, Indonesian Broadcast Commission, governor and board of the central bank, the highest military commander, directors of state-owned enterprises, and many others. While this type of power is not necessarily used for extortion, when combined with "bashing" power (*kemampuan menggertak*), it becomes a powerful means for generating money. Bashing power is the ability of Parliament to gather information about candidates' track records and use them for publicly criticizing candidates. This type of power cannot be easily recognized, but journalists and interviewees recognize that this type of power does exist. It is also confirmed by several parliamentary members as can be seen in the two quotations below:

> " ... One of their favorite arenas is legislative hearing. In this forum, parliamentary members compete for attention. Their harsh and strong voice does not necessarily reflect spirited argumentation or attitude. In many occasions, it is more about how to grab [media] attention in order to be a target of [entrepreneurs' or high-ranked officials'] lobbying." (*Tempo*, October 11-16, 2001).

> "Their target is usually strategic posts in ministries or state-owned enterprises with lucrative funds. High-ranking officials who want to keep their jobs can become an easy target for 'critical' parliamentary members. If you want to play safe, just be prepared with cash and they will sit easily in their chair with their mouth shut. But they can also dig money out from rivals who are vying for a similar position. These rivals generally do not hesitate to spend their money for parliamentary members and to help them to formulate harsher questions." (*Tempo*, October 11-16, 2001).

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starts here: Parliament could emphasize either the past failures or accomplishments of the candidate. Definitely, there is always a chance that Parliament would give a balanced assessment of the candidate. But bribery could be a decisive factor in the process. Similar articles and clauses can be found in other laws such as Law No 23/1999 on the Indonesian Central Bank (article 41, clause 1), Law No. 3/2002 on National Defense: (article 17, clause 1), Law No. 31/2002 on the Commission for Corruption Eradication (article 30, clause 1) and Law No. 15/2006 on the State Audit Body (article 14, clause 1).

The key is that Parliament has a privilege to stage a forum[230] through which it can invite or summon anybody for a variety of purposes. It could be for legislating, selecting government officials, or simply for clarifying a controversial public issue. Those who are invited or summoned may include government officials, entrepreneurs, experts, directors of state-owned enterprises, public figures, military commanders, activists, and lay people – whoever it sees fit its need in gathering information for deliberating particular issues that Parliament has concern with. In this forum, which is generally open to journalists, Parliament can publicly expose flaws or weaknesses of anybody being invited or summoned (unless Parliament simply wants to get expert opinion for legislating). Thus, the strategic value of the forum for the parliamentary members is to have a stage for showing critical displays.

Definitely, not all of those who are invited or summoned would give up once he or she becomes a focus at the forum. However, for those who feel uncomfortable with public exposure of their weaknesses or wrongdoings in the past, they may take a different path by bribing the parliamentary members.

An example of this is the scandal that involved BI's high-ranking officials. BI's image for quite some time was shattered. In 1999, the State Audit Agency (BPK) released a report on BI that gave a disclaimer status without any opinion for its performance. This technical term normally means that BI did not perform well in doing its job. A similar status was given to BI for the years 2001, 2002, and 2003 consecutively (*Tempo*, September 3-9, 2007). The problem was that BI was seen as incapable of solving the

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[230] There is a variety of forums in which parliamentary members can stage their criticism. However, the usual forums used for this are commission, working committee, and special committee meetings. Although all these meetings can be open for public, if needed, they anytime can change it to become a closed meeting.

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problem of BLBI – a huge financial assistance given from BI to the ailing or liquidated banks due to the banking crisis which started in 1997. This government assistance was Rp 144.5 trillion. In the time span of five years from 1999 to 2003, BI was unable to get an appropriate return for that money.[231]

The BI's inability to satisfactorily manage the BLBI had generated its bad image. Worse is that the process of delivering the financial assistance or the bail out was colored with corruption. In June 2005 three BI high-ranking officials were indicted for corruption and each of them finally was sentenced to 18 months imprisonment. Thus, during a time span of five years, media headlines were filled with the stories of BI's incompetence and scandals. BI governor and his deputies were often invited to the Parliament forum only to be pummeled by the parliamentary members from time to time (*Tempo*, September 3-9, 2007).

A shortcut was chosen by BI's new governor, Burhanuddin Abdullah. At a meeting led by Abdullah on June 3, 2003, the Bank came up with a public relations strategy designed to replenish its broken image. A team for this task was assigned to produce publications that would show BI's works and achievements and its monetary policy. Several social activities were organized as well. As a part of this strategy, the team also aimed to reduce criticism that came from Parliament. It was at this step that BPK found an indication of bribery. In its report, BPK showed that BI had disbursed money for a number of members of Commission IX of Parliament as much as Rp 31.5

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[231] The case of Niaga Bank divestment which was previously discussed was part of the BLBI scheme. The low of return rate obtained from selling or divesting Niaga Bank can be a perfect illustration for BI's incompetence in handling the issue of BLBI.

billion (*Tempo*, September 3-9, 2007). With this money BI wanted to avoid any further harsh criticism from Parliament.

The use of bashing power is not limited to government officials who fear the parliamentary bashing power. Entrepreneurs are included. "The main concern of those entrepreneurs is their safety in terms of economic and political fate. If their fate is at stake in front of Parliament, they would not hesitate to give their money away to those legislators," said an entrepreneur in an interview.[232] Similarly, an ex-director of a state owned enterprise stated that at every turn, the parliamentary members could potentially jeopardize your career or programs if you do not bribe them. "Of course there are always two possibilities: either you pay them or you refuse to give up." And he continues on, "if you have nothing to lose and are sure that your work is good enough, you may challenge their criticism. People will know which one works for a good cause."[233]

A parliamentary member confirmed the statements above: "If a minister or a business conglomerate wants to be treated smoothly without any harsh critiques when dealing with legislators, he or she simply needs to contact the mediator" (*Tempo* September 30 – October 6, 2002). This confirmatory statement simply adds evidence to our thesis of cartelization. It adds an important dimension of cartelization that the members of Parliament (that is, the parties as a group) have a common understanding of how the cartel works.

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[232] Confidential interview, April 21, 2007.
[233] Confidential interview, April 12, 2007

6.5. Summary

I argue in this chapter that the parties' mutual financial interest was the prime reason for them to establish a self-referent group. This mutual interest has led the parties to see the ministerial positions and the chairmanship position in Parliament primarily as a gate for acquiring rents – not for advancing ideological and programmatic interests.

Evidence presented in this chapter shows how the executive and legislative branches have become the sites of the rent activities. The executive, i.e. the ministers in the cabinet, has direct access to an enormous amount of non-budgetary funds or has the power to mobilize funds extracted from a range of sources but mainly from SOEs. These economic incentives inherently attached to the ministerial positions have become the major driving factor that lures political parties to join cabinets while abandoning their ideological and programmatic commitment. The legislative branch, i.e. the commissions, does not have direct access to the government funds. However, Parliament (via commissions) is able to extract the government funds by exercising various types of power that it has. The possibility makes the chairmanship positions attractive for the parties to grab and then share. The parties' need for rents – for their collective survival – is what constitutes the parties' mutual interest. Accordingly, this mutual interest overrides their ideological commitments and programmatic agendas which is the main feature of cartelized party system.

This chapter in turn offers two modifications to the Katz and Mair's thesis. First, it redefines what state subvention is. Or more precisely, in the Indonesian context, state subvention should be replaced with state-generated rents. Second, the cause of cartelization should be sought at the system level as shown in this chapter.

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CHAPTER 7

CONCLUSION

This study has examined the phenomenon of party competition in Indonesia in the past 10 years – a time span that covers two election cycles. The central argument is that the political parties have developed a pattern of cooperation that amounts to a cartelized party system. The responsible factor for the cartelization is the parties' shared interest in maintaining sources of rents in the executive and legislative branches for their own survival as a group.

Now in this chapter I will make a recapitulation of my findings and discuss them in a broader context. In particular, I will put this study in a comparative perspective and look at the possible contribution of this study to the literature of party politics or more specifically, to the literature on party systems.

The Structure of Party Competition

Chapter 2 was written to show how the social cleavages had formed and how the cleavages could potentially shape the structure of party competition. Two pairs of cleavages formed during the colonial era which featured tensions between the religious and secular interests and between the national and regional interests. The class cleavage formed later during the New Order period that pitted the capitalists against the workers.

When all political restrictions were lifted in 1998, political parties could pick their choice of politicizing any of these cleavages. Party competition then could potentially follow these three fault lines.[234]

Our first finding shows how the political parties touched all cleavage-based issues in their campaigns and statutes but only one that produced meaningful ideological and programmatic differences (Chapter 4). The religious issue proved to be pivotal in dividing political parties into two camps, religious and secular parties. Or more precisely, it separated the Islamic from the secular parties. The distinction between the two approximated a principled opposition where the Islamic parties envisioned the transformation of Indonesian society into an idealized Islamic system. In practice, this idea found its manifestation in parties' political agendas to insert *syariah* or Islamic law into the Indonesian legal system. Four Islamic parties that touted this agenda were: PPP, PBB, PK, and PDU. Another four, PDIP, Golkar, KKI and PDKB, were secular parties and opposed the idea of bringing *syariah* to be formalized into national laws. In between were two parties, PKB and PAN, which were secular, pluralist parties but each came to the electoral arena with a strong social basis in the Muslim community. Different from the Islamic parties, PKB and PAN did not set an agenda to bring *syariah* into the legal system.

The class and regional issues were widely discussed by the parties but our analytical evidence shows that these issues did not produce a truly ideological division

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[234] This study does not mean to ignore that there is a debate as to whether the structure of cleavages remains frozen as claimed by Lipset and Rokkan (1967). In fact, a lot of scholarly works deal with this issue, e.g. Franklin, Mackie, and Valen (1992) who edited a book on the decline of class voting; Ingelhart (1977); Abramson and Inglehart (1995) who describe value change among voters in advanced industrial societies. These studies indicate that there has been a structural change in regard to the structure of cleavages. However, I believe that Lipset and Rokkan's cleavage map can be still be useful for identifying social and political tensions at the society and party system levels in Indonesia.

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and a meaningful party competition. In regard to the economic/class issues, all parties mentioned above shared a similar vision which can be condensed in the term of *ekonomi kerakyatan* or the people's economy. This term represented a populist tendency of all parties – a tendency that gives emphasis on the government obligation to bring prosperity to all people. It also demanded equitable distribution of economic wealth by opening more opportunities for small and medium-sized businesses to develop – not only for big conglomerates. In this process, all political parties similarly held a view that the government should actively involve itself in the process of achieving this goal. Our evidence also shows that no party places itself on the opposite side of the ideological continuum and sees itself as a representative of the right – or at least the right of the center.

On the national/regional issues, the parties do not show any differences either. On the surface, it appears as if the parties are divided into two camps: those that promote the idea of federalism (PAN only) and those that endorse the idea of regional autonomy (all but PAN). However, as shown in Chapter 4, when the parties went into details of what they meant by federalism and autonomy, no substantive difference was found. All of the parties agreed with the ideas of giving more power and redistributing wealth to the regional/local governments. PDIP, the party that was supposed to be the strongest representation of the nationalistic tendency, turned out to lack courage.

In short, we see that the Indonesian party system is not an exact translation of the cleavage system. The parties have preferred to politicize the religious cleavage more than they did the class and regional cleavages. As a result, the party competition has predominantly revolved around the religious issue. This fact has put the Indonesian party

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system in stark contrast with the common feature of European party systems which generally are marked by the presence of multiple lines of party competition.[235] Religion is an important issue in European party politics as epitomized by the presence of religious-based parties such as Christian democratic parties. The presence of class-based parties, i.e. communist and socialist or social-democratic parties, leaves deep political and economic imprints in the party systems. Crowding in on these systems are the regional-based parties that have recently gained a new prominence in several European countries.[236]

Thus, the Indonesian party system might have taken a different trajectory of development. The degree of the Indonesian Islamic parties' perseverance in exploiting the religious difference will likely define the evolutionary process of the Indonesian party system into the future. PPP and PBB have persistently endorsed the adoption of the Jakarta Charter that would lead to the creation of an Islamic state. These two parties have been moving toward a more legalistically conservative stance. PPP and PBB envision that if they win the majority status through election, they would democratically change the secular-tilted constitution with the Jakarta Charter.[237] This strategy may be called "the parliamentary road to an Islamic state." Different from PPP and PBB, PKS has moved to

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[235] See, for example, a list of parties in 18 European countries as composed by Ghallagher, Laver, Mair (1995: 206, table 8-11). There are several exceptions such as UK party system. It does not have the secular-religious. However, the party systems in these countries mostly exhibit multiple lines of opposition that include the religious- secular, class, and national-regional oppositions. It is true that

[236] As an example, the emergence of Lega Nord in Italy represents this phenomenon. This party has activated the long-dormant North-South Cleavage in Italy since the collapse of the old Italian party system in 1994. This party portrays itself as the defender of the Northern interests and repeatedly launched a direct assault towards the central government in Rome of being corrupt and distrusted – in addition to the accusation of being incompetent and too excessively centralized (see Sani and Segatti, 2001: 168; Allum, 2000; Sassoon, 1997).

[237] Interview, Kaban, the Minister of Forestry who used to be the General Secretary of PBB, January 21, 2005.

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the middle and taken a more moderate stance not to endorse the establishment of an Islamic state. Officially, PKS has abandoned the idea of Islamic state but the tension within the party has not been fully resolved yet.[238]

Looking at these facts, it seems that the domination of the secular-religious division (and competition therein) in party politics will survive longer unless the Islamic parties transform into a Christian democratic type of party. Christian Democratic parties, in Kalyvas' characterization, "are secular rather than religious. Although they are products of past state-church conflicts and retain traces of a religious identity, they do not carry the baggage of aliberalism, intolerance, and dependence on the church supposedly carried by politicized religion. Rather, they engage in a political discourse and practice that is secular by nature."[239] But it seems unlikely for PPP and PBB to change their approach to politics if we base our assessment on the recent moves made by the two. They have become even more conservative after the 1999 election. Meanwhile, PKS has increasingly engaged in a secular discourse. But the problem is that PKS has never accepted the idea of separation between state and religion (Islam). Thus, the Indonesian party system might not move in the direction of the European party system.

As for the possibility of whether the party system will develop a class or economic-based competition, that prospect is not high either. We have seen the reluctance of the major parties to position themselves in the right column of the class-based ideological spectrum. Despite taking the rightist policy when in the government, all

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[238] Interview with Zulkiflimansyah, prominent parliamentary member from PKS, February 3, 2005.
[239] Kalyvas, 1996: 1. Kalyvas's account of the history of and choices made by Christian Democratic parties in five countries (Belgium, the Netherlands, Austria, Germany, and Italy) provides a very intriguing lesson which we may use as a comparison to see the possible evolutionary path taken by other religion-based parties such as Islamic parties in Indonesia. The nature of Catholic and Islamic political doctrines might be different. But how the Catholics have made an adaptation to a very secular environment still promises a useful lesson.

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parties preferred to define themselves as left-leaning parties.[240] And their rhetoric is filled

with populist slogans. Thus, the prospect of seeing a meaningful party competition along

the left-right ideological division as found in Europe remains low. [241] But the prospect of

the Indonesian party system development will be even be more limited if party

meaningful competition does not meaningfully take place. This is my main finding that

deserves a deeper discussion.

The Fading of Competition, the Emergence of a Cartel

Now we turn to our main finding on the cessation of party competition which was

followed by the emergence and maintenance of a cartelized party system in Indonesia.

Our evidence buttresses this claim.

Party competition in this study is defined as a situation where parties assert their

differences in order to articulate a collective interest or a set of collective interests in the

society and channel them through the decision making process at the national level.

Cartelization is the opposite. It is defined as a situation where political parties collectively

give up their ideological or programmatic commitment for something else but ultimately

for their collective survival. The notion of ideological or programmatic commitment

needs to be emphasized. More than the presence of at least two parties freely competing

in any election, party competition must also refer to the content of competition and to the

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[240] The same holds true for the tendency of all parties to be perceived as the defender of the regional interests. This issue has not divided the parties into opposing camps either. Thus party competition cannot be traced along this possible ideological or programmatic line.

[241] In a particular period, the structure of party competition in Western Europe was dominated by class issue (Lipset and Rokkan, 1967). And the left-right continuum which serves as a tool for party ideological mapping has been widely used for analyzing the pattern of party competition. Thus, when analyzing the electoral competition in new democracies in Southern Europe, Puhle (2001) treats the left parties in Western Europe as a point of reference in assessing the characteristics of socialist parties in Portugal, Spain, Italy, and Greece. With a similar spirit, this study tries to assess the possible path of party system development to follow the European path.

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function of political parties as an intermediary institution. They are presumably the transmission belts through which particular collective interests are emphasized or deemphasized, reformulated, aggregated, and channeled by parties in the decision-making process. Also, the notion of "collectively" must be emphasized because it signifies how political parties have a tendency to act as a group which defies the nature of competition.

My findings show that the party competition ceases once the parties leave the electoral arena and enter the governmental and the legislative arena. What follows are the emergence of an "oversized" coalition and the absence of party opposition. Furthermore, the parties as a group drop their left-leaning electoral programs and in the government collectively devise a right-oriented policy. Let summarize our evidence, first.

The Oversized Coalition. As the election of 1999 was completed, it was reasonable to expect that the parties' ideological distinction that was made clear by the parties prior to the election would determine parties' behavior – particularly parties' coalitional behavior – after the election. Our expectation is captured by the two coalitional theories: the ideologically-connected coalition and the minimal-winning coalition. The first theory predicts that the government would be formed by either the Islamic parties or the Nationalist parties. Alternatively, the second theory predicts that any combination of parties that is able to pass the threshold of winning would form the government.

My evidence shows that neither the ideologically-connected coalition theory nor the minimal winning theory succeeded in predicting the coalition that emerged in the

process of cabinet formation following the 1999 election. The Islamic parties on one occasion did establish an ideologically-connected winning coalition when they were promoting Wahid as a presidential candidate during the process of presidential selection held by the Assembly. The Central Axis,[242] as the coalition was domestically known, succeeded in making Wahid president. However, this coalition faltered in the next round of the vice-presidential election; and subsequently vanished in the process of cabinet formation. The cabinet, instead, was marked by the presence of an "oversized" coalition that included all parties with opposing ideologies.[243] As for the winning coalition, it was never formed even though theoretically Golkar and PDIP, as the two largest parties that won the election, had the potential to build a winning coalition. It became clear that the parties were more interested in acquiring and collectively distributing the political and economic spoils attached to ministerial positions. The party competition then ceased to be replaced with a cartel.

A similar pattern showed up again in the process of coalition making after the election of 2004 (Chapter 5). This time, the parties had several opportunities to establish coalitions since it was decided that a direct presidential election would be conducted after the legislative election.

After the legislative election was completed, two ideologically-connected coalitions came to the scene.[244] They were established during the first round of the

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[242] To refresh, the Central Axis coalition consisted of the Islamic parties (PPP, PBB, and PK), and two Muslim-based parties (PKB and PAN). Later Golkar whose leaders had personal ties with the Islamic leaders joined the coalition (see ,Chapter 4).

[243] Parties in the cabinet were PDIP, Golkar, PPP, PKB, PAN, PBB, and PK. This cabinet, to repeat, embraced the parties with opposing ideologies: Islam and secular. And it commanded nearly 95% of the parliamentary seats.

[244] PDIP and PDS that supported Megawati and Muzadi represented the coalition of secular parties. The other, Golkar and PKB, can be seen as another ideologically-connected coalition since both were secular

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presidential election. They indicated, so it seemed, that a competitive party system would be likely to emerge – that party ideology appeared to determine parties' coalitional behavior. However, the second round of the presidential election witnessed the break-up of the ideologically-connected coalition when two new coalitions were established for which each coalition fit the model of a minimal winning coalition. Both of the two coalitions – the National Coalition and the People's Coalition – consisted of Islamic parties and secular parties. The National Coalition vowed, before the second round was conducted, that it would become an opposition if it lost the election.

But the second pattern recurred: when it came to the distribution of political spoils all parties simply deviated from their ideological and programmatic commitments. When the new cabinet was formed, all parties but PDIP were in the cabinet under Yudhoyono's presidency (Democratic Party/PD). This was another "oversized" coalition similar to the previous cabinets. An asterisk can be put on this cabinet as PDIP decided not to join the new government. However, as the last section of Chapter 5 shows, PDIP at the end gave up its ambition to become an oppositional party. In Parliament, it participated in the same cartel game to proportionally distribute the political spoils of acquiring chairman positions at the parliamentary commission level.

The four cases of law-making give us a slightly different nuance to our claim that the parties have formed a cartel-like group. During the process of legislating the National Education Law the parties appeared to be divided. However, at the end, an uncharacteristically huge compromise was made when the Islamic parties succeeding in inserting the religion clause in the law to which the secular parties agreed. But at the

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parties. These parties supported Wiranto and Shalahuddin Wahid. Two other coalitions comprised the Islamic and secular parties.

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same time, the clauses that specified the penalties for not implementing the actions as required by the religion clause were dropped. It was a peculiar compromise because the law had lost its importance for not being enforced. In the case of SOE Law, no parties demonstrated any ideological or programmatic distinction as all parties agreed with the program – a decision that did not reflect their ideological choice of being left-leaning parties. Then, in the process of passing the Labor Law, all parties in Parliament stayed out of the controversy when the government-initiated law gave more favor to the interests of the workers.[245] The common characteristic of these law-making processes is that no parties exercised their opportunity to show their ideological stance in the last session before the laws were adopted.

The Ideological Migration. The strongest evidence for buttressing our claim of cartelization comes in the case where the government and parliamentary parties were engaged in debate on the issue of government subsidy. In January 2003, the government decided to cut the subsidies for oil, electricity, and telephone services. This policy was made at the cabinet level under Megawati's presidency which means that all parties in the government supported the policy.[246] This policy undoubtedly was a rightist policy where the prices of those commodities were freed from government intervention. In other words, the government let the market mechanism dictate the prices. The fact that the parties in the government adopted the pro-market policy violated their own electoral program of people's economy. They reiterated in their campaigns of being left-leaning

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[245] The same thing happened to the Regional Autonomy Law where the parties in concert endorsed the Law and subsequently produced numerous derivatives as the bases for forming new provinces, district, and municipalities. These processes went smoothly without showing any substantive debate.
[246] The parties that joined the government were PDIP, Golkar, PPP, PKB, PAN, PBB, and PK (see, table 4.4. in Chapter 4).

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parties by promoting the idea of populism. This deviation simply indicated that the parties collectively made an "ideological migration" from being leftist to becoming rightists.

When public resistance against the policy ran high, Parliament picked up the issue and stood with the public, demanding government to cancel the policy. The parliamentary parties even established a caucus to strengthen their pressure on government. This caucus included PDIP, Golkar, PPP, PKB, PAN, and PK. All these parties were also in the government. Thus, Parliament and the government showed opposing views on the policy but those who were in the government and Parliament were the same parties – the same "oversized" coalition. It was obvious that party competition simply vanished, the oppositional parties were absent, and the parties acted as a single group.

All of these findings, to reemphasize, match all of the characteristics of a cartelized party system. The Indonesian party system exhibits a set of traits that amounts to cartelization. They include the vanishing role of ideology, the promiscuity in making coalitions, the absence of oppositional parties, and the tendency of the political parties to act as a group – a self-referent group that prevents them from individually performing a function as a transmission belt. Thus, in conclusion, this study has accomplished its first goal to show that the political parties have established and maintained a cartelized party system.

What is new? Contribution to a body of knowledge means that a study has offered something new. At this point, one may argue that this study does not offer anything new. The diminishing role of ideology in determining party behavior was

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pointed out early by Kirchheimer in the 1960s when he introduced his famous concept of a catch-all party (Kirchheimer, 1966a). This type of party, he observed, is marked by a range of characteristics that includes: "a drastic reduction of the party's ideological baggage …, further strengthening role of top leadership group …, downgrading of the role of the individual members, the de-emphasis of the class gardee …, [and lastly] securing access to a variety of interest groups [for electoral and financial reasons]" (pp. 190-91).

As far as party ideology is concerned, the concept of cartel party as coined by Katz and Mair (1995) – the concept that inspired this study – does not offer any fundamental differences. Katz and Mair indirectly imply that the role of ideology is retreating in a cartel party – by saying that party ideology becomes much less important in a cartel party. So, the difference is not in kind but in degree.[247] In this sense, Katz and Mair simply offer 'old wine in a new bottle.' By implication, the thesis of a cartelized party system as developed in this study does not warrant being called new. That political parties would to an extent compromise their ideology is expected. That they become promiscuous in making coalitions is also within the range of prediction of Kirchheimer's theory of catch all party. Thus, Kirchheimer rightly pointed out that political parties have become pragmatic.

The problem with Kirchheimer's thesis is that he looks at the party level only. He saw in the 1960s that mass parties had gradually transformed into catch-all parties and then implied that there would be a process of homogenization where all parties would change their identities to become catch-all parties. But he did not anticipate that a party

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[247] For this reason, so it seems, Diamond and Gunther (2001) do not seriously treat the Katz and Mair's category of cartel party in their party typology.

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system may still have mass parties within it. In fact, my study shows that the Islamic parties, especially PPP and PBB, in terms of their ideological vision, are mass parties. Both envision the need for an Islamic state to carry out a societal transformation – a transformation that they believe would bring the Indonesian society to a better future. That is, the Islamic society. This vision is comparable to the vision of communist or socialist parties, only they replace socialism with Islam. Confronting this fact, we cannot stretch Kirchheimer's thesis too wide. He appears to assume that the coming of the catch-all parties will replace the mass parties. At this point, this study inserts a new element of interaction between mass parties and catch-all parties in the analysis.

Furthermore, Kirchheimer does not anticipate that political parties would become a self-referent group that detaches itself from the society and subsequently behaves like a cartel. At this point, Katz and Mair's thesis has merit. However, Kirchheimer, Katz and Mair share the idea that there is still a competition among parties in spite of the presence of catch-all and cartel types of parties.[248] The problem is that they assume that the electoral connection is always at work without sufficiently and directly examining party interaction after the election. This study offers a different approach in that the electoral connection is not taken for granted. Competition in the electoral arena could stop there, not to extend to the other arenas. Equally important, this study also offers a strategy for examining party competition – or the absence of competition – at the system level by focusing on party interaction, not party individual behavior.

The second objection to the thesis of cartelization may come from the consociational theory. However, as already discussed in the previous chapters, the

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[248] See Mair and Katz, 1995: pp. 17-21; Kirchheimer, 1966b: pp. 148-49.

phenomenon of the cartelized party system cannot fully be captured by the consociational model. The majority-minority relation which is one of the defining issues in the consociational model never became the main issue in the party interactions.

Political Money

The last chapter of this study, Chapter 6, offered an explanation for why the parties behave the way they do. Why have the parties ended with establishing oversized coalitions? And why have the parties collectively abandoned their ideology and programmatic principles once they entered the government and Parliament and produced a cartelized party system? My answer to these questions is that – as detailed in Chapter 6 – the parties have a collective interest in securing their financial sources. The participation in the cabinet and in the Parliament leadership gives them opportunities to collect rents. The need for rents has become an overriding factor that makes party ideology and the election results become a non-factor in determining party behavior. The need for rents forces the parties to see the cabinet and Parliament primarily as the gate to reap the rents – not as the gate for advancing ideological and policy interests. And since the rents are illegal – but acceptable at the elite level – they have linked the parties in a shared political and economic fate. Their survival then depends on the maintenance of the cartel.

The crowning evidence for buttressing this claim is the case of DKP (the Department/ Ministry of Ocean and Fishery Affairs). At the core, this case shows how the rents flowed to all parties through two different modes of fund distribution. First, it was transferred through personal channels by which prominent party figures received the

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funds. The data show that party leaders from major parties such as Golkar and PDIP collected their share. But it is not limited to the figures of major parties only. Party leaders from the medium and small-sized parties such as PAN, PKB, PPP, PK(S), and PBB had amassed a portion of the funds as well. The funds also touched the presidential candidate from PAN and a member of a campaign team for another candidate, Yudhoyono.

Second, the funds flowed at the institutional level where Commission III[249] of Parliament received funds for oiling the process of legislation which was initiated by the department. This commission consisted of all parties mentioned above plus the tiny parties such as PDU and KKI, and the faction of the armed forces. Thus, practically all parties in Parliament were included in the commission. By receiving the funds, all parties were chained to their collective fate once the scandal broke out.[250] A possible political implosion could take place when Rais, the PAN's chairman, made a confession that he and other presidential candidates (and parties) had received the DKP money. Then there came a time when the party leaders worked out a solution to clear up their image. As described in Chapter 6, in a ten-minute meeting, Amien and SBY agreed to let the legal process proceed. The court has never investigated the involvement of the party leaders and members of Parliament who purportedly took the money. And the parties have remained silent on this issue.

Other cases presented as evidence in Chapter 6 involved one or two parties such as Bali Bank and Buloggate I and II. On the surface, they appeared as isolated cases

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[249] This commission comprised 56 members from PDIP, Golkar, PPP, PAN and PK, KKI, PKB, PBB, and PDU (see, Chapter 4). No parties were left out from this commission.
[250] A similar case was the case of the legislation on the BI Law that involved BI board of directors and the members of Commission IX. Similar to Commission III, all parties had representatives in this commission.

which involved one or two parties only. However, as mentioned earlier, the parties used a similar mode of collecting the rents. It eventually created a situation in which their fate was tightly linked together as a group. In other words, the financial and political fate of individual parties depended upon the solidarity among the cartel members.[251] The demonstration of the cartel members' solidarity is best exemplified in the case of Buloggate II. When Tandjung and Golkar's political fate were on the line depending upon the establishment of a parliamentary special committee for handling the case, Golkar threatened to disclose other parties' financial scandals. The quote from one of its parliamentary members is worth repeating here:

> "Golkar is preparing a possibility of forming a special committee for investigating any [illegal] flow of funds to all parties. … We do not want to die alone; we will drag along other parties as well. (*Kontan*, December 2001).

In conclusion, we can see how the parties' collective interest in securing their financial sources has determined their behavior as a cartelized group. We can now understand why jointly participating in the cabinet and proportionally distributing the parliamentary commission chairs have been utterly important for all of them. Their financial interest, as proven by this study, has overridden their ideological interests. While it leads to illegal rent-seeking activities, the parties as a group could get away with the rents as the laws on corruption and the enforcement of the law are very weak.

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[251] The cartel nearly imploded when a member of the group – or individual members of a given political party – would breach its solidity. It happened during the process of selling Niaga Bank to foreign investors (see Chapter 4). One of the Commission IX members became a whistle blower by exposing the bribery committed by BPPN to all members of the commission. The investigation of this case evaporated in the hands of PDIP and the police and the solidity of the cartel was finally saved.

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At this point, this study goes beyond Katz and Mair's thesis on the role of public financing in determining the nature of party behavior and interaction. It specifies two categories of "public finance": the budgetary and non-budgetary funds. Both are public money. The difference is that the first, the budgetary funds, are legal because they are specifically designed for subsidizing the parties. The second are illegal sources because the funds are not supposedly for financing the parties. The first does not necessarily lead to the creation of a cartelized party system. In fact, it could still produce a competitive party system.[252] However, the second, this study argues, could lead to the establishment of a cartelized party system because it takes a party alliance to cover up the rent activities or the financial collusion committed by those parties.

So what? This study paints a grim picture of the prospects for building a competitive party system. If all parties are involved in the cartel, then it is very unlikely that any of the parties will initiate or introduce a challenge to the cartel.

As argued by Grzymala Busse (see the introductory chapter), robust party competition could constitute a constraint on state exploitation. But here is the Indonesian problem: it is the parties as a group that thwart the competition. Dan Slater (also see the introductory chapter) offers us a little hope that a formerly marginal party (PKS) could become a true challenger to the cartel. As shown in this study, however, PKS did not sufficiently detach itself from the cartel game. It became instead a part of the cartel.

In the light of these facts, it is clear that challenges to the cartel can only come from outside forces. A monitoring or oversight mechanism could in theory be established and maintained by an independent agency. In fact, a state agency like this has been

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[252] See discussion on this issue in Hopkins, 2004; Clift and Fisher, 2004; Fisher and Eisenstadt, 2004.

present in Indonesia since the beginning of the democratic era. It is the KPK (Komisi Pemberantas Korupsi or The Commission for Combating Corruption). Unfortunately, during the past year, Parliament has exercised heavy control over the KPK's recruitment process. This new development calls into serious question the independence of the KPK.

This study has not found a feasible way to reduce the power of the cartel and rebuild party competition. Nonetheless, we have found a way through which improvement can be made by cutting parties' dependence on rent-seeking activities. Two possible paths are available for this. The first is to improve the regulatory regime on party finance and to enforce punishments for any violations. Second, state subsidy to parties could be enhanced, not necessarily as direct financial subsidy but as a subsidy for paying airtime for party advertisements in the mass media.

A Note on Future Research

A common tendency of a case study is to see the case at hand as a unique case. This study to some extent suffers from this tendency too. An effort has been made to put the Indonesian case in a comparative perspective. In discussing the structure of cleavage, the nature of party competition and cartelization, the factors that determine party interaction, for example, this study has carried out an indirect comparison (see Ragin, 1987: 34-52). When examining the theories and their prediction, a comparative study is inherently at work. This is because any theories customarily are drawn from particular cases found elsewhere. However, a true comparative study is definitely needed if we want to systematically examine the theories used in this study. Refutation or affirmation

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of a theory can more properly be carried out if we have more cases. Thus, the findings of this study can be tested in a better way methodologically.

At least two lines of future research can be envisioned from this point. First we might conduct a comparison of two most similar cases (Przeworski and Teune, 1970). Comparing the Indonesian and Turkish party systems, for example, could be instructive since these two countries have several similar characteristics. Both countries are democratic, have a Muslim-majority, and historically have a "unique" involvement of the military in politics. Both also have adopted an Import-Substituting Industrialization strategy which has produced a sizable working class but without a strong labor movement. The recent history of Turkey has also witnessed the emergence of Islamic parties and the tension between Islam and secularism at the party and party system levels (e.g., Tepe, 2004). The comparison of party systems in these two countries therefore promises a better insight into the phenomenon of party interaction and testing the cartelization thesis.

Alternatively, we may enlarge the number of cases by lowering the level of analysis to the regional/local level (see, King, Keohane, and Verba, 1994). Since 2001, there have been hundreds of local elections in Indonesia – which involve the national parties. These local elections constitute large-n cases through which the thesis developed in this study can be more vigorously tested.

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