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# Local Politics and Chinese Indonesian Business in Post-Suharto Era

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This article examines the relationships between the changes and continuities of Indonesian local politics and Chinese Indonesian business practices in the post-Suharto era, focusing on Chinese Indonesian businesses in two of the largest Indonesian cities, Medan and Surabaya. The fall of Suharto in May 1998 led to the opening up of a democratic and liberal space as well as the removal of many discriminatory measures against the Chinese minority. However, due to the absence of an effective, genuinely reformist party or political coalition, predatory political-business interests nurtured under Suharto's New Order managed to capture the new political and economic regimes. As a result, corruption and internal mismanagement continue to plague the bureaucracy in the country and devolve from the central to the local governments. This article argues that this is due partially to the role some Chinese businesspeople have played in perpetuating corrupt business practices. As targets of extortion and corruption by bureaucratic officials and youth/crime organizations, Chinese businesspeople are not merely passive and powerless victims of corrupt practices. This article argues, through a combination of Anthony Giddens's structure-agency theory as well as Pierre Bourdieu's notion of habitus and field, that although Chinese businesspeople are constrained by the muddy and corrupt business environment, they have also played an active role in shaping such a business environment. They have thus played an active role in shaping local politics, which is infused with corruption and institutionalized gangsterism, as well as perpetuating their increasingly ambivalent position.

**Keywords:** Indonesia, Chinese Indonesians, Chinese Indonesian business, local politics, democratization, regional decentralization

Susanto, a Chinese Indonesian living in Medan, is a distributor of stuffed toys. He runs his business from a shophouse located in the central city area. He started his business in 2003, and the business has remained small-scale. He brings in stuffed toys from Jakarta and sells them to customers in Medan. He has 15 employees working for him, most of whom are indigenous Indonesians.

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Susanto revealed to me that after the end of the New Order regime, the central government has become stricter in collecting taxes from business enterprises. Business owners need to declare their revenues, calculate the taxes they have to pay, and make payments accordingly. Tax officers later visit the companies to check their actual revenues. If they find that the business owners have under-reported their revenue, instead of penalizing them, the tax officers usually ask for bribes to cover up the tax fraud. Susanto emphasized, however, that even if a business owner has paid all the necessary taxes, tax officers usually create fictive taxes and charges and request the business owner to pay accordingly. Moreover, tax officers often demand higher bribes from businesspeople who are ethnic Chinese, as they are deemed to be doing better than other businesspeople. For this reason, Susanto and many local Chinese businesspeople have found it expedient not to declare their actual revenues, knowing that honesty does not pay and will lead to even more taxes and bribes. Instead, they wait for the officers to visit and negotiate with them the rates of the taxes and bribes requested and only then pay their taxes. In my interview with him, Susanto said, "Although many other businesspeople and I feel bad about it, we have no choice but to pay them [the bribes] since we have to survive."<sup>1)</sup> Susanto also revealed that he and other Chinese businesspeople preferred not to fight against the extortion because they were "afraid of running into trouble" (Mandarin: *pa mafan*, 怕麻烦) if they did so. They would rather pay the bribes to avoid any further problems. This indicates also that Chinese businesspeople possess enough economic capital to pay the bribes in order to protect their business.

Susanto's story indicates the ambivalence among Chinese toward democratization in post-Suharto Indonesia. Although democratization has opened spaces for them to live their culture and express their ethnicity, it has not led to the emergence of good governance that promotes the rule of law, transparency, and accountability, as corruption remains endemic in state institutions. This poorly developed democratization creates, therefore, an even more ambivalent situation for Chinese Indonesian businesspeople. On the one hand, they remain the targets of extortion and corruption by power holders; on the other hand, they play a role in perpetuating the corrupt, predatory political-business system. It is also important to note that the local business environment in post-Suharto Indonesia is crucially influenced by local politics, especially after the implementation of regional decentralization in 2001. If corrupt practices plague the local government, this will certainly lead to a corrupt and muddy business environment. Moreover, if institutionalized gangsterism is dominant in a particular locality, the local business

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1) Interview with Susanto, an ethnic Chinese businessperson engaged in the distribution of toys, Medan, August 4, 2010.

community will encounter more harassment and extortion.

This study shows that Chinese Indonesian businesspeople in Medan encounter more harassment and extortion than their counterparts in Surabaya, because institutionalized gangsterism is dominant in Medan. However, it is important to note that although Chinese Indonesian businesspeople in Surabaya do not experience as much harassment and extortion, they still play a crucial role in perpetuating the corrupt local business environment. In this article, I look at how local politics that is infused with corrupt practices and institutionalized gangsterism has led to the emergence of a corrupt and muddy business environment in post-Suharto Medan and Surabaya. I also examine how such a business environment has influenced the ways Chinese Indonesian businesspeople in both cities advance and safeguard their business interests as well as deal with illegal practices by government officials, police, and *preman* (thugs or gangsters). I argue that in facing the corrupt and muddy business environment, due to the fear of the hassle of fighting back, as well as the economic and social capital they possess, Chinese Indonesian businesspeople on the whole tend to give in to the illegal requests of government officials, police, and *preman*; they also resort to illegal or semi-legal means as well as opportunistic tactics to gain wealth and protect their business interests. Although there are Chinese businesspeople who fight against the illegal practices, they are rare. This collusion with corrupt practices in turn reinforces negative stereotypes against the Chinese and consequently perpetuates their ambivalent position as well as corruption in local politics.

It is hoped that the case studies in this paper constitute a pioneering representation of Chinese Indonesian business communities in urban centers of post-Suharto Indonesia—primarily Medan and Surabaya, because both are big cities with a relatively high percentage of ethnic Chinese Indonesians. The dynamics of Chinese Indonesian business communities in post-Suharto urban Indonesia are therefore apparent in this study.

This article is divided into 10 main sections. The first section deals with theoretical issues. The second focuses on research methodology. The third section looks at the economic role of ethnic Chinese in post-Suharto Medan and Surabaya. Next, I turn my attention to local governance and the business environment in post-Suharto Indonesia as well as the experiences of Chinese Indonesian businesspeople in Medan and Surabaya. I point out that Chinese big business as well as Chinese small and medium businesses deal with the new business environment in different ways. Then I discuss the changes in the political environment and the political activism of Chinese Indonesian businesspeople in the post-Suharto era. In the remaining four sections, I examine the illegal and semi-legal business practices utilized by Chinese Indonesian businesspeople in both cities to safeguard their business interests. I conclude that there is evidence to suggest that Chinese Indonesian businesspeople in Medan and Surabaya continue to encounter

rampant corrupt practices in bureaucracy as well as harassment and extortion from local power holders and youth/crime organizations (in Medan) since the end of the New Order. Using Anthony Giddens's concept of structure and agency, and Pierre Bourdieu's notion of habitus and field, I argue that such a corrupt, predatory political-business system continues to exist not only because the predatory political-business interests nurtured under the New Order managed to capture the new political vehicles and institutions, but also because many, if not most, local Chinese businesspeople play a role in perpetuating the system.

### Theoretical Framework

This study adopts a combination of Anthony Giddens's structure-agency theory as well as Pierre Bourdieu's notion of habitus and field as a framework for examining strategies and tactics that Chinese Indonesians adopt to safeguard their business interests in the post-Suharto era. Both Giddens and Bourdieu perceive social actors as agents that actively respond to and shape their social structures. Giddens argues that our social reality is shaped by both social forces and active human agency. All people are knowledgeable about the conditions and consequences of their actions in their daily lives. Although people are not entirely free to choose their own actions, they do have agency (Giddens 1984). Therefore, Giddens sees social structures as both the medium and the outcome of the actors' actions:

As human beings, we do make choices, and we do not simply respond passively to events around us. The way forward in bridging the gap between "structural" and "action" approaches is to recognize that we *actively make and remake* social structure during the course of our everyday activities. (Giddens 1989, 705, emphasis in the original)

Habitus, according to Bourdieu, is a system of acquired dispositions through which people deal with the social world (Bourdieu 1990a, 131). Bourdieu also notes that "[a]s an acquired system of generative schemes, the habitus makes possible the free production of all the thoughts, perceptions and actions inherent in the condition of production" (Bourdieu 1990b, 55). In other words, habitus is an orientation to individual action. The concept of field complements the idea of habitus. A field is a relatively autonomous arena within which people act strategically, depending on their habitus, to enhance their capital. Examples of fields include politics, religion, and philosophy (Bourdieu 1993, 72–74). Bourdieu considers habitus to be the union of structures and agency: "... habitus operates as a structuring structure able to selectively perceive and to transform the objective

structure [field] according to its own structure while, at the same time, being re-structured, transformed in its makeup by the pressure of the objective structure” (Bourdieu 2005, 46–47). In other words, habitus shapes the objective structure (field) but at the same time is also shaped by the objective structure. This concept is parallel to Giddens’s structure-agency theory. One of the significant strengths of Bourdieu’s notion of habitus lies in its consideration of actors’ social positions in the study of habitus; this is never discussed in Giddens’s theory. Bourdieu argues that a person’s habitus is structured by his or her position within a social space, which is determined by his or her sociological characteristics in the form of volume and kinds of economic capital, cultural capital, and social capital possessed (Bourdieu 1984, 114; 1998, 6–8). Economic capital refers to material resources that can be turned into money or property rights. Cultural capital refers to non-material goods such as types of knowledge, skills and expertise, educational credentials, and aesthetic preferences acquired through upbringing and education that can be converted into economic capital. Social capital refers to networks of contacts that can be used to maintain or advance one’s social position (Bourdieu 1986).

According to Bourdieu, actors who are well endowed with capital and therefore enjoy privileged positions in a particular field tend to defend the status quo in order to safeguard their capital, whereas those least endowed with capital and therefore occupying the less-advantaged positions within the field are inclined to challenge the status quo via subversion strategies in order to enhance their capital and improve their social positions (Bourdieu 1993, 73).

Hence, this is the theoretical framework for this study: Social structures constrain and enable actors’ actions. Actors’ actions are always oriented by their habitus, which is dependent on the volume and kinds of capital possessed. Those who are well endowed with capital in a social structure tend to defend the status quo of the structure in order to safeguard their capital and position, whereas those least endowed with capital within the structure are inclined to challenge it via subversion strategies.

## Methods of Research

My analysis is based on fieldwork conducted from July 2010 until May 2011 in Medan and Surabaya.<sup>2)</sup> Medan and Surabaya were selected as field sites for this study since both cities are economically and politically significant. These cities are the capitals of North Sumatra and East Java respectively, which have been “the sites of vibrant urban and

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2) I also had a personal communication with an academic in Jakarta.

industrial centers” (Hadiz 2004, 623). Medan is a historically important town for plantations, manufacturing, and trade, while Surabaya is a vital port city that functions as a gateway to Eastern Indonesia (Buiskool 2004, 1; Hadiz 2004, 623). According to *City Population*, an online atlas, Medan and Surabaya were the fifth- and second-largest cities in the country respectively in 2010 (*City Population* 2012). Both cities also have a significant Chinese Indonesian population: according to the Indonesian Population Census of 2000, the concentration of the Chinese Indonesian population was 10.65 percent in Medan and 4.37 percent in Surabaya,<sup>3</sup> figures that are much higher than the percentage of Chinese Indonesians in the total population of Indonesia (1.2 percent) (Aris *et al.* 2008, 27, Table 2.2). The methods used in this research are library research and individual interviews. I conducted library research at public as well as university libraries. I also interviewed or had personal communications with 12 Chinese Indonesian businesspeople, three politicians, one journalist, eight NGOs or social activists, one leader of the North Sumatra branch of Pancasila Youth (PP, Pemuda Pancasila), seven staff or people in charge of local Chinese-language presses, six academics or university lecturers, and one former staff of a real estate company in Surabaya’s Chinatown (see Appendix). All interviews and personal communications were conducted in Indonesian, Mandarin, Hokkien, or English. All names of informants used in this article, except for public figures, are pseudonyms.

### The Economic Role of Ethnic Chinese in Post-Suharto Medan and Surabaya

Sofyan Wanandi (1999), Michael Backman (2001), and Charles A. Coppel (2008) have pointed out that it is commonly asserted that ethnic Chinese control 70 percent of Indonesia’s economy, although official data on the economic domination of Chinese in Indonesia is unavailable. These authors emphasize that such a view is an exaggeration because a large portion of Indonesia’s economy (such as the oil and gas industry) has always been under the control of the state, not the Chinese (Wanandi 1999; Backman 2001; Coppel 2008). In addition, the sociologist Mely G. Tan (陈玉兰) argues that it is impossible for the Chinese minority, who constitute less than 3 percent of the total population in Indonesia, to control 70 percent of the national economy.<sup>4</sup> Wanandi suggests that Chinese Indonesian businesses constitute only 25 percent of the national

3) Calculated from Central Statistics Agency of North Sumatra (2001, 40, Table 6) and Central Statistics Agency of East Java (2001, 75, Table 10.9). These are the latest official figures on the Chinese Indonesian populations in Medan and Surabaya.

4) Personal communication with Mely G. Tan, sociologist, Jakarta, June 8, 2010.

economy, while Backman estimates that Chinese Indonesians “control 70 percent of the private, corporate, domestic capital” (Wanandi 1999, 132; Backman 2001, 88).

In the post-Suharto era, Chinese Indonesians continue to play a crucial role in the economic development of Medan and Surabaya. Since there is no official data available specifically on the economic domination of Chinese Indonesians, I had to rely on individual interviews to obtain information on this aspect. According to an NGO activist in Medan, Chinese Indonesians in the city dominate businesses that are medium-sized and larger, such as manufacturing, food production, and hotels. At the same time, domination of businesses that are medium-sized and smaller is split almost evenly between Chinese and indigenous businesspeople. Businesses that are small and micro are dominated by indigenous businesspeople.<sup>5)</sup> In addition, three other NGO activists disclosed that Chinese businesspeople engage in nearly all sectors of the economy in Medan except the construction industry, which is dominated by indigenous businesspeople who are Batak and members of youth/crime organizations.<sup>6)</sup> This is because most construction projects in Medan are local state projects that are usually allocated to members of youth/crime organizations who are well connected to the local government.<sup>7)</sup> A local economic analyst in Surabaya remarked that Chinese businesspeople dominate 100 percent of the manufacturing business and about 90 percent of the real estate business in the city. In addition, more than 60 percent of bankers and about 70 percent of advertisers in Surabaya are Chinese Indonesians.<sup>8)</sup> In short, based on the information provided by my informants, Chinese Indonesians continue to dominate the private economy of Medan and Surabaya in the post-New Order era.

## Local Governance and Business Environment in Post-Suharto Indonesia

In order to accommodate growing regional and local demands for greater autonomy in access to local resources and control of local political machines, the post-Suharto government introduced regional decentralization and local autonomy policies under two umbrella laws, Law No. 22/1999 and Law No. 25/1999. These laws were later revised and replaced with Law No. 32/2004 and Law No. 33/2004. Under the decentralization laws and regula-

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5) Interview with Halim, NGO activist, Medan, July 26, 2010.

6) Interview with Daniel (deceased), former media activist, Medan, September 17, 2010; interview with Surya, media activist, Medan, September 17, 2010; interview with Halim, July 26, 2010.

7) Interview with Halim, July 26, 2010. This point is elaborated in the section titled “Relations with *Preman*.”

8) Interview with Wahyu, economic analyst and university lecturer, Surabaya, May 18, 2011.



tions, significant administrative powers in industry, trade, investments, agriculture, public works, transport, cooperatives, labor, land, health care, education and culture, and environmental issues transferred from the central government to regional and local governments (Ariel and Hadiz 2005, 261; Hadiz and Robison 2005, 233; Widjajanti 2009, 76). According to the scholar-bureaucrat Ryaas Rasyid, who was appointed by President Habibie to form a group known as the Team of Ten (Tim Sepuluh) to formulate the decentralization laws and regulations, "The [decentralization] policy was intended to provide more scope for local creativity and initiative in making policy and promoting public participation" (Rasyid 2003, 64). Therefore, it can be said that in the context of Indonesia, one of the objectives of regional decentralization is to promote democratization at the local level.

Moreover, international and domestic organizations such as the SMERU Research Institute, the World Bank, and the United States Agency for International Development (USAID) have been actively offering policy advice on decentralization of state authority in the country. The SMERU Research Institute sees regional decentralization as a huge administrative operation that could improve weaknesses in the administration of central and local governments (Syaiyku 2002). The World Bank believes that decentralization will break up stifling central government authority, reduce complex bureaucratic procedures and administrative bottlenecks, as well as "increase government officials' sensitivity to local conditions and needs" (World Bank Group, n.d.). A USAID publication argues that decentralization will stimulate the development of democratic, accountable, and effective local governance (USAID Office of Democracy and Governance 2000, 7). In particular, the Asia Foundation assists local governments in addressing inefficiencies in the business licensing process and reducing the cost of doing business in Indonesia through developing the One Stop Shops (OSS) program. OSS are service centers that handle applications for various business permits (Steer 2006). As stated in an article that introduces the program, "[OSS] are new institutions that merge authority from disparate technical departments into one office where licenses and permits can be obtained quickly" (*ibid.*, 7).

However, according to some scholars, the end of authoritarianism and the subsequent opening up of politics, as well as the introduction of regional decentralization, have not led to the emergence of good governance that is able to deploy public authority and public resources in a regularized manner for public purposes. Both Marcus Mietzner and Jamie S. Davidson point out that corruption and internal mismanagement continue to characterize the bureaucracy in the country (Mietzner 2008, 244–248; Davidson 2009, 294). Due to the absence of an effective, genuinely reformist party or political coalition, the demise of Suharto's New Order regime did not end the rampant corruption and

internal mismanagement in the country's bureaucracy. According to Vedi R. Hadiz and Richard Robison, the predatory political-business interests nurtured under the New Order managed to reconstitute and reorganize themselves successfully within the new political and economic regimes. Newly decentralized and competing predatory interests contest to gain ascendancy at the local level of politics as regional decentralization has created new rent-seeking opportunities for local governments (Hadiz and Robison 2005, 232). In other words, corruption, or what Indonesians generally call KKN (the Indonesian-language acronym for corruption, collusion, and nepotism), has devolved from the central to local governments.

For instance, during my fieldwork in Medan, the OSS program, which was established with the aim of addressing the licensing process and reducing the burden on business, actually created more burdens for local businesspeople. According to a news report in *Harian Orbit*, a local Indonesian-language newspaper in Medan, officials at the center often demand bribes by asking for "service charges" from applicants. If the applicants refuse to pay, they need to wait a long time before getting their permits (*Harian Orbit*, November 15, 2010). For instance, applicants for a business permit (SIUP, Surat Izin Usaha Perdagangan) need to pay an extra Rp.150,000 of unofficial "service charge" to the officials in order to get a permit on time (*ibid.*). Such incidents have been highlighted in the press, and the then Medan Mayor Rahudman Harahap said he would summon the persons in charge of the OSS (*Harian Orbit*, November 16, 2010). But as of December 2013, the local government had not yet investigated the problem and such corrupt practices were still rampant in the OSS of Medan (*Batak Pos*, December 5, 2013).

Although Joko Widodo, a politician who does not have any ties to the New Order regime, was elected as the new president of Indonesia in 2014 and promised to improve and simplify business licensing procedures in government offices, the House of Representatives is dominated by parliamentarians who favor Prabowo Subianto, Widodo's only opponent in the presidential election (*The Jakarta Globe*, October 9, 2014; October 28, 2014). Subianto is a former general who used to be Suharto's son-in-law.<sup>9</sup> He was accused of human rights violations when he was a general (Tomsa 2009). Subianto's supporters in the House of Representatives declared that they would block every policy made by Widodo. Hence, it might not be easy for Widodo to deliver on his promise to address the licensing process and reduce the burden on business.

In addition, scholars have noted that the implementation of regional decentralization in Indonesia has produced many regional heads who behave like "little kings" (*raja-raja kecil*) in the sense that they perceive decentralization and autonomy as meaning more

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9) Subianto and his wife (Suharto's daughter) were divorced after the end of the Suharto regime.

power given to them to control local resources and raise revenues rather than as greater responsibility for them to offer better public services to their local constituencies. These “little kings” are unaccountable to central authorities, local parliaments, or local citizens (Azis 2003, 3; Hofman and Kaiser 2004, 26; 2006, 97; Firman 2009, 148). Since the decentralization law went into effect, local governments in Indonesia have had more power to tax the local population in order to raise revenues. According to my informants, the imposition of new taxes has increased the burden on local businesspeople, particularly those running small or medium businesses.<sup>10</sup> The local governments in Medan and Surabaya have been levying new taxes and charges on businesses as a means to increase direct revenues, as well as to extract indirect revenues in the form of bribes. Moreover, officials at all levels of government—central, provincial, and local—claim ultimate authority over many kinds of investment activity (Hadiz and Robison 2005, 235–236). This increases unpredictability in business, as well as the necessity to further the common practice of bribing officials for licenses and the like.

At the end of 2010, the Committee of Monitoring for Regional Autonomy (KPPOD, Komite Pemantau Pelaksanaan Otonomi Daerah), an NGO in Indonesia that monitors the implementation of regional autonomy in the country, announced that North Sumatra and East Java, where Medan and Surabaya are located, had more problematic local regulations issued by the city and *kabupaten* governments than all the other provinces. The committee proposed that 315 local regulations in North Sumatra and 291 local regulations in East Java should be abolished because they were deemed to hamper business activities in the provinces. Nevertheless, as of 2011, the city and *kabupaten* governments of North Sumatra and East Java had only repealed 98 and 91 of the problematic regulations respectively (*Jawa Pos National Network*, February 23, 2011).<sup>11</sup>

Therefore, it can be said that local politics in North Sumatra and East Java is infused with corruption. However, it is also important to note that there is a significant difference between the two provinces in regard to local politics: the dominance of institutionalized gangsterism in North Sumatra. In other words, youth/crime organizations are influential and dominant in North Sumatra. According to Vedi R. Hadiz (2010), such organizations exist also in Surabaya but are much less dominant. As the capital of North Sumatra, Medan is notorious for its institutionalized gangsterism or *premanism* and is therefore known as a gangster city (*kota preman*) (Honna 2011). The origins of *preman* go back to

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10) Interview with Johan Tjongiran, social activist, Medan, August 3, 2010; interview with Sofyan Tan, a candidate in Medan’s 2010 mayoral election and social activist, Medan, August 23, 2010; interview with Harianto, an ethnic Chinese businessperson engaged in the beverage production industry, Surabaya, November 23, 2010.

11) These are the latest data available. There is no further update after 2011.

the 1945–49 Indonesian National Revolution and the late 1950s. According to Ian Wilson, during the revolution strongmen and toughs were at the forefront of the struggle for Indonesia’s independence. Many of them were later incorporated into the new national military (Wilson 2010, 201). In 1954 General Nasution, the head of the armed forces, “deployed networks of gangsters and former militias as part of a campaign to pressure Sukarno into suspending parliamentary democracy, eventually ushering in the period known as ‘Guided Democracy’” (*ibid.*).<sup>12</sup> Pancasila Youth (PP, Pemuda Pancasila), the largest quasi-official youth/crime organization, was formed out of this alliance. In the mid-1960s, the military mobilized PP and local gangsters to confront and crush suspected members of the Communist Party (Ryter 2000, 19; 2001; 2002; Hadiz 2004, 626). Former Governor of North Sumatra Syamsul Arifin, interviewed in *The Act of Killing*—a 2012 documentary film about the anti-communist genocide—acknowledged the important role of gangsters in eliminating communism in Indonesia: “Communism will never be accepted here, because we have so many gangsters, and that’s a good thing” (cited in the subtitles of Oppenheimer 2012). Under Suharto the institutionalization of local gangsters was further intensified (Wilson 2011, 242). Apart from PP, other quasi-official youth/crime organizations, such as the Army Veterans’ Youth (PPM, Pemuda Panca Marga) and Armed Forces Sons’ and Daughters’ Communication Forum (FKPPI, Forum Komunikasi Putra-Putri Purnawirawan Indonesia), were formed to help maintain political order and stability through violence and intimidation (Ryter 2001; 2005, 22; Beittinger-Lee 2009, 164). These organizations are generally considered to be “fronts for *preman* activity” (Hadiz 2003, 125–126) and were usually backed and protected by the military during the New Order period (Ryter 2000, 20). Thus, such organizations are also known as “*preman* organizations” (Wilson 2010, 200). (Hereafter, the terms “youth/crime organizations” and “*preman* organizations” will be used interchangeably.) Therefore, it can be said that the distinction between *preman*, soldier, politician, and criminal is often blurry.

After the unraveling of the New Order regime, despite losing their main backer, *preman* have been able to survive by taking advantage of the inability of the post-New Order regimes to maintain security and the opportunities opened up by competitive electoral politics as well as regional decentralization. Many political parties have established their own paramilitary wings or civilian militia known as *satgas parpol* (*satuan tugas partai politik*, i.e., political party militias). Members come mostly from youth/crime organizations such as PP and “[mercenaries] of the disenfranchised urban milieu” (King 2003). Moreover, *preman* still dominate the protection racket scene in Indonesia.

As ethnic Chinese are often deemed wealthier than other residents in Medan, they

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12) For the background and characteristics of Guided Democracy, see Ricklefs (2008, 292–321).

become the target of extortion for *preman* (Hadiluwih 1994, 159). It is also common for local Chinese Indonesian businesspeople in the city to rely on extralegal resources such as *preman* for their security and protection (Purdey 2006, 117). *Preman* in Medan are mostly members of major New Order-nurtured youth/crime organizations such as PP, Work Service Youth Association (IPK, Ikatan Pemuda Karya), and FKPP. When the Indonesian Democratic Party of Struggle (PDI-P, Partai Demokrasi Indonesia-Perjuangan) became the ruling party after winning a majority of national parliamentary seats in the 1999 elections, they formed Satgas PDI-P as the paramilitary arm of the party to compete with the other more established youth/crime organizations in Medan in controlling local state and private resources (Hadiz 2003, 128).<sup>13</sup> Although *satgas* were banned in 2004, they later revived in a less formal way (Wilson 2010, 204–205). In other words, there are more *preman* organizations in Medan now than before the fall of Suharto.

Indeed, according to Hadiz, the collapse of the Suharto regime did not reduce the influence of local *preman* linked to youth/crime organizations in Medan, but instead brought new opportunities for them to exploit (Hadiz 2004, 626). These *preman* are able to provide muscle for candidates during election periods and fund political bids since they dominate lucrative underworld businesses (Hadiz 2003, 128). In addition, many leaders of youth/crime organizations are given opportunities to run local branches of political parties. Some even hold local parliamentary seats and top executive body positions in local government (*ibid.*, 125–126). For instance, during 1999–2004, three members of the Medan city parliament—Bangkit Sitepu (Golkar), Moses Tambunan (Golkar), and Martius Latuperissa (Justice and Unity Party)—were leaders of the local branches of *preman* organizations. Sitepu, Tambunan, and Latuperissa led the Medan branches of PP, IPK, and FKPP respectively (Ryter 2000, 19–21; Bambang 2002; Hadiz 2005, 47). Besides that, Ajib Shah, the former chairperson of PP’s North Sumatra branch, is a member of the North Sumatra provincial parliament who was affiliated to Golkar during 2009–14 (*Harian Mandiri*, May 11, 2012; *Harian Sumut Pos*, April 23, 2013; *Medan Bisnis*, August 29, 2013). He was also one of the candidates in Medan’s 2010 mayoral election (Pancasila Youth of North Sumatra’s website, 2010). Therefore, it can be said that members and leaders of local youth/crime organizations in Medan have captured the new local state institutions and political vehicles in the *Reformasi* era.

This is felt by some of my informants who are local Chinese businesspeople in

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13) Among all political parties, PDI-P has the largest number of members with a *preman* background. The party greatly appealed to *preman* through its populist approach and pro-“little people” rhetoric (see Wilson 2010, 204).

Medan, who say they have encountered more harassment and extortion from *preman* in the post-Suharto era, especially during Megawati's presidency (2001–04).<sup>14</sup> A few of my informants disclosed that *preman* often ask for “protection money” from businesspeople who own factories or shophouses, and if the latter do not pay up the *preman* vandalize these places.<sup>15</sup> To further squeeze money from these businesses, when an owner or their employees load or unload goods in front of their shophouse, *preman* again force their loading or unloading services on the business. Usually they charge Rp.500–1,000 per item of goods. Even if the business owner or their employees refuse such service, they still need to pay the *preman*, who will otherwise vandalize their shophouses.<sup>16</sup> In addition, *preman* ask for Rp.300,000–500,000 when a businessperson opens a new company in their area; and if a shophouse is renovated, the owner also needs to pay a certain amount of money to *preman*.<sup>17</sup> Moreover, whenever *preman* organizations have installation events, they send an “invitation” with a proposal for expenses to be paid by businesspeople and ask for “donations.” Normally, businesspeople need to pay them at least Rp.10,000–20,000.<sup>18</sup> Some Chinese businesspeople need to pay *uang keamanan* (protection money) to more than one *preman* if there is more than one youth/crime organization that claims authority over that particular area.<sup>19</sup> As a “service” to industrialists, *preman* also help to break up strikes.<sup>20</sup>

It is important to point out that *preman* demand *uang keamanan* also from indigenous businesspeople.<sup>21</sup> But my informants disclosed that they often ask for more *uang keamanan* from businesspeople who are ethnic Chinese as the latter are deemed to be doing better in business than their non-Chinese counterparts.<sup>22</sup>

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14) Interview with Susanto, August 4, 2010; interview with Eddie, an ethnic Chinese businessperson engaged in the distribution of mechanical power-transmission products, Medan, November 10, 2010.

15) Interview with Hasyim a.k.a. Oei Kien Lim, member of Medan city parliament, 2009–present, Medan, August 11, 2010; interview with Sofyan Tan, August 23, 2010; interview with Halim, July 26, 2010; interview with Joko, NGO activist, Medan, November 11, 2010.

16) Interview with Johan Tjongiran, August 3, 2010; interview with Andi, journalist, Medan, September 20, 2010.

17) Interview with Johan Tjongiran, August 3, 2010.

18) Interview with Daniel (deceased), September 17, 2010; interview with Johan Tjongiran, August 3, 2010.

19) Interview with Andi, September 20, 2010.

20) Interview with Halim, July 26, 2010.

21) For instance, an indigenous businesswoman who owned a restaurant in Medan was beaten by two *preman* on November 4, 2010, as she refused to pay the Rp.500,000 “protection money,” which she deemed too high (see *Harian Orbit*, November 12, 2010). In addition, *preman* often extort money from small and medium businesspeople, including street vendors (*pedagang kaki lima*), who are mostly indigenous Indonesians, in exchange for “protection” (see Tan 2004, 134–136).

22) Interview with Susanto, August 4, 2010; interview with Sofyan Tan, August 23, 2010.

Why do *preman* ask for money from the business community? According to the chief of PP's North Sumatra branch, there are too many unemployed citizens in Indonesia. If they join "youth" organizations such as PP, the organizations arrange for them to help in taking care of the safety of business areas and let them collect money from the businesspeople.<sup>23)</sup> The sociologist Usman Pelly and criminologist Mohammad Irvan Olii, as interviewed by *Gatra* and *The Jakarta Globe* respectively, made a similar argument that poverty and unemployment are the main causes of *premanism* (Sujatmoko *et al.* 1995, 27; *The Jakarta Globe*, February 24, 2012). According to another source, the unemployment rate in Indonesia reached 6.8 percent in 2011, and more than half the population were living on less than US\$2 per day in the same year. In addition, more than 65 percent of workers in the country were employed informally (Brooks 2011).<sup>24)</sup> Poverty and the failure of the Indonesian government to create sufficient employment opportunities for its citizens are seen by many as the main causes of the rampancy of such extortion.

Informants told me that *preman* have become less active since President Susilo Bambang Yudhoyono (2004–14) came to power because the police have become more powerful and have started to arrest *preman* who extort money from the business community.<sup>25)</sup> This corresponds to findings by other scholars working on Indonesia (Aspinall *et al.* 2011, 33; Wilson 2011, 257–258). According to Wilson, high-profile anti-*preman* campaigns were initially run by the police in 2001 and were limited only to Jakarta, but they became national in scope by 2004 (Wilson 2011, 257). Aspinall and his co-authors, on the other hand, remarked that the influence of IPK, which was once a dominant youth/crime organization in Medan, has declined since the death of its founder, Olo Panggabean, in 2009 (Aspinall *et al.* 2011, 33).<sup>26)</sup> The diminution of IPK's power is due also to a police crackdown on illegal gambling run by the organization. Although the power of *preman* organizations in the city has declined markedly, it is alleged that business enterprises in certain areas such as Jalan Asia and Jalan Gatot Subroto still encounter harassment and extortion from *preman*.<sup>27)</sup>

In Surabaya, on the other hand, youth/crime organizations such as PP and FKPPPI are much less dominant and influential. In addition, IPK, which is based in North Sumatra, does not have a presence in East Java. *Preman* who offer "protection" for Chinese busi-

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23) Interview with Anuar Shah, chairperson, PP's North Sumatra branch, Medan, October 30, 2010.

24) These are the latest data available at the time of writing.

25) Interview with Johan Tjongiran, August 3, 2010; interview with Susanto, August 4, 2010; interview with Dirk A. Buiskool, historian, Medan, July 14, 2010.

26) See also *Harian Global* (April 30, 2009).

27) Interview with Andi, September 20, 2010.

ness premises in Surabaya are often unorganized Madurese *preman*. According to Dédé Oetomo (温忠孝), an ethnic Chinese social activist in Surabaya, there is a system of mutual dependence between Chinese businesspeople and Madurese *preman* in Surabaya. Chinese businesspeople usually pay about Rp.500,000 a month to the Madurese *preman* in exchange for protection of their business.<sup>28)</sup> The *preman* make sure that the business premises in their territories are free of burglary, theft, robbery, and vandalism.<sup>29)</sup> Such a system of mutual dependence existed in the city even before the demise of the New Order regime. Although unorganized, Madurese *preman* normally allocate their territories among themselves so that each area has only one *preman* in charge of its “safety.” Since in general Chinese businesspeople in Surabaya need to pay only one *preman* in exchange for protection of their business premises, it can be said that they enjoy a relatively peaceful business environment compared to their counterparts in Medan who need to deal with more *preman* organizations in the post-Suharto era, and pay more than one *preman* if there is more than one youth/crime organization that claims authority over that particular area.

In addition, according to Jun Honna (2010, 148) and Hadiz (2010, 156), industrialists in Surabaya often hire Madurese *preman* or members of Banser, the vigilante corps of Nahdlatul Ulama (NU), the largest mass-based Muslim organization in Indonesia, to break up strikes. NU has a strong base in East Java.

In Surabaya, military and police units are more dominant than youth/crime organizations and Banser in the control of underworld activities. According to Hadiz, it is alleged that the military act as immediate protectors and bodyguards for illegal gambling operations controlled by Chinese Indonesians in Surabaya. Furthermore, navy and marine units in the city are said to have direct links with local prostitution (*ibid.*, 140).<sup>30)</sup>

It is ironic, therefore, that in attempting to control *preman* activities, the police have started acting like *preman*. According to an NGO activist in Medan, local police officers often extort money from businesspeople in the city, especially those who own factories; such incidents have become more rampant, especially throughout the anti-*preman* campaigns.<sup>31)</sup> Police officers pay a visit to the factory and ask for money. If the business owner refuses to pay, the police coerce him or her to admit to offenses that he or she did

28) Interview with Dédé Oetomo, social activist, Surabaya, December 24, 2010.

29) Interview with Dédé Oetomo, social activist, Surabaya, December 24, 2010.

30) Ironically, in May 1998, when riots against the Chinese broke out in several major cities in Indonesia, it was reported that the local Chinese Indonesian business community in Surabaya was able to guarantee relative peace in the city by paying generously for local military protection, in contrast to many other cities such as Medan, Jakarta and Solo, where all troops mysteriously disappeared when the riots broke out (Dick 2003, 475; Purdey 2006, 113–122).

31) Interview with Joko, November 11, 2010.



not commit and threaten to close down the factory. Sometimes the police even confiscate machines in a factory if the business owner refuses to pay them.<sup>32)</sup> Wilson suggests that such phenomena indicate that some police “have used the campaigns as an opportunity to reclaim sources of illegal rent extraction taken from them by street level racketeers” (Wilson 2011, 257). A well-established Chinese businessperson in Medan even remarked that:

During Suharto’s reign, the military was the most powerful institution. Since the fall of Suharto, the military is not as powerful as before. Now the police are more powerful. They often ask for money from businesspeople and will give us a hard time if we refuse to pay them. So the police are no different from a select group of scoundrels.<sup>33)</sup>

Similarly, in Surabaya, the police often ask for money from local businesspeople, who are mostly ethnic Chinese. According to an informant who used to work in a real estate company in Surabaya’s Chinatown, whenever the police have an event they ask for contributions from businesspeople in their area. If the businesspeople refuse to pay, the police give them a hard time when the former ask for police help.<sup>34)</sup> In addition, Junus, a university professor in Surabaya, told me that the police often visit nightclubs and discos (which are mostly run by Chinese businesspeople) and ask for a “protection fee.” If the owners refuse to pay, the police conduct a raid and threaten to close down the premises.<sup>35)</sup>

It is important to note that Chinese big business or conglomerates and Chinese small and medium businesses react and adapt to the corrupt and muddy business environment in the post-Suharto era in different ways. Christian Chua (2008) in his work on Chinese big business in post-Suharto Indonesia points out that Chinese big business or conglomerates manage to deal with the murky business environment well because they have experienced staff to identify and approach the right persons in different political departments, and sufficient capital to bribe regional decision makers. The wealth and strong social networks of Chinese big businesspeople also enable them to establish close ties with local power holders and security forces. Chua further notes that some Chinese big businesspeople establish close links with youth/crime organizations and through such connections have their own vigilante groups at their command. Some control or intimi-

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32) Interview with Joko, November 11, 2010.

33) Interview with Erik, an ethnic Chinese businessperson engaged in the iron and plastics industry, Medan, August 25, 2010.

34) Personal communication with Yati, former staff of a real estate company in Surabaya’s Chinatown, April 8, 2011.

35) Interview with Junus, university professor, Surabaya, January 11, 2011.

date critical media through financial coercion to ensure favorable reporting on them and their business. In these ways their businesses are well protected. My study, as will be shown with a few examples later in this article, confirms Chua's research findings that Chinese big business or conglomerates are in an advantageous position when dealing with the new business environment, which is—paradoxically—more infused with corruption and uncertainties. However, as mentioned, my study also shows that Chinese businesspeople running small or medium businesses generally do not have the necessary economic and social capital to establish close ties with local power holders, local security forces, and *preman*. Most of them choose to give in to the illegal requests of government officials or *preman* to prevent further hassles.

### Changes in Political Environment and Political Activism of Chinese Businesspeople

The opening up of the political space after the fall of Suharto was followed by an explosion in the cost of election campaigning. Therefore, as Chua (2008) reveals in his work, in the era of *Reformasi*, those who want to contest and win in general or local elections need to pay large amounts of campaign funds. Consequently, aspiring power holders need to seek harder for the support of rich businesspeople, who can make considerable financial contributions to their political activities and campaign fund. Chinese Indonesian business elites are therefore deemed to be important sources of income for political parties that need significant electoral campaign funds to win local elections. In return, the former often expect to receive political protection, kickbacks, or other benefits should the candidate get elected. In addition, since the advent of competitive electoral politics, it is too risky for Chinese business elites to offer funding for only one particular candidate during general elections. Hence, some hedge their bets by sponsoring more than one candidate, thus creating a higher chance that they will have supported someone who will be elected into office, whom they can seek favors from. For example, during the 2004 presidential elections, it was alleged that Tomy Winata, the owner of the Artha Graha Group, financed the campaigns of both Megawati and Yudhoyono.<sup>36</sup> Chua (*ibid.*) notes that certain Chi-

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36) There were five pairs of candidates contesting in the 2004 presidential election: Wiranto-Solahuddin Wahid (nominated by the Party of Functional Groups, Golkar), Megawati Sukarnoputri-Hasyim Muzadi (nominated by the Indonesian Democratic Party of Struggle, PDI-P), Amien Rais-Siswono Yudo Husodo (nominated by the National Mandate Party, PAN), Susilo Bambang Yudhoyono-Jusuf Kalla (nominated by the Democrat Party, PD), and Hamzah Haz-Agum Gumelar (nominated by the United Development Party, PPP) (Aris *et al.* 2005, 71–74). The Yudhoyono-Kalla pair was elected.

nese business family members “carefully split their political loyalties” (*ibid.*, 126). For instance, Sofjan Wanandi, the owner of the Gemala Group,<sup>37)</sup> backed Yudhoyono, while his brother, Jusuf Wanandi, who was a board member of the *Jakarta Post*, used the daily to secure support for Megawati. Mochtar Riady, the founder and owner of the Lippo Group,<sup>38)</sup> backed opposition leaders, while his son, James Riady, supported the actual power holders.

My field study in Medan and Surabaya shows similar findings. For example, Yahya, a university professor in Surabaya, disclosed that Alim Markus (林文光), the owner of the Maspion Group in the city, funded three out of five pairs of candidates during the first direct gubernatorial election in 2008, although he was well connected to only one candidate pair: Soekarwo-Saifullah Yusuf. The other two candidate pairs were Soenarjo-Ali Maschan Moesa and Kholifah Indar-Mudjiono.<sup>39)</sup> The election was eventually won by the Soekarwo-Saifullah Yusuf pair.

Likewise, in Medan, according to a Chinese Indonesian city parliamentarian, many well-established Chinese businesspeople sponsor candidates (usually incumbents) who are deemed to have better chances of winning in general or local elections, in order to get political protection for their own business.<sup>40)</sup> For instance, during Medan’s mayoral election in 2010, although many Chinese big businesspeople funded the Rahudman Harahap-Dzulmi Eldin pair as Rahudman was the incumbent acting Medan mayor and was deemed to have a higher chance of winning, they also offered to sponsor Sofyan Tan (陈金扬), a well-known social activist, who was also the only ethnic Chinese mayoral candidate, and his running mate after they won the second-highest number of votes in the first round and were qualified to enter the second round.<sup>41)</sup> These business elites included a well-established real estate tycoon in the city. Sofyan Tan disclosed that the business elites intended to fund him and his running mate in order to obtain business favors if the pair won in the second round.<sup>42)</sup> Nevertheless, Tan refused their financial offers and made it clear that if he were to get elected and become the mayor, he would not involve himself in corruption and nepotism. In addition, he would not grant any favors to businesspeople who had sponsored him during the election. Tan and his running mate ended up losing in the second round of elections.

On the other hand, there are also Chinese Indonesian businesspeople who make

37) The Gemala Group is a conglomerate engaged in automotive and property development businesses.

38) The Lippo Group is a conglomerate engaged in retailing, media, real estate, health care, and financial businesses.

39) Interview with Yahya, university professor, Surabaya, December 31, 2010.

40) Interview with Hasyim, August 11, 2010.

41) Interview with Sofyan Tan, August 23, 2010; interview with Surya, September 17, 2010.

42) Interview with Sofyan Tan, August 23, 2010.

use of the democratic environment in the post-Suharto era to directly participate in formal politics, and some of them even run for public office. Rusdi Kirana, Murdaya Widyawimatra Poo a.k.a. Poo Tjie Goan (傅志宽) and his wife, Siti Hartati Cakra Murdaya a.k.a. Chow Li Ing (邹丽英), and Hary Tanoesoedibjo (陈明立) are examples of Chinese big businesspeople or owners of Chinese conglomerates who get involved in politics. Kirana is the founder and chief executive officer of Lion Air, Indonesia's low-cost airline. He joined the National Awakening Party (PKB, Partai Kebangkitan Bangsa), founded by former President Abdurrahman Wahid, and was appointed as the vice chairperson of the party in January 2014. He was later appointed as a member of the Presidential Advisory Council (Dewan Pertimbangan Presiden) by President Joko Widodo in January 2015 (*Bisnis.com*, January 12, 2014; *Kompas*, January 19, 2015). Poo and Siti are the founders and owners of the CCM Group, a conglomerate engaged in the electric utility, footwear, plantation, furniture, and plywood industries. Poo joined PDI-P, led by Megawati, and became the treasurer and financial backer of the party. He also ran in the 2004 and 2009 elections and was elected into the national parliament in both, thanks to his financial status as a wealthy businessman and the support of well-established Chinese businesspeople in Surabaya (*Jawa Pos*, March 26, 2004; Li 2007, 195; 2010, 122; *Detik News*, December 2, 2009). In fact, Poo is the only Chinese Indonesian conglomerate owner who has been elected into public office since the end of the Suharto regime. Siti, on the other hand, joined the Democratic Party (PD, Partai Demokrat) led by Yudhoyono and became his benefactor (*The Jakarta Globe*, September 12, 2012). In other words, the Poo family members split their political loyalties and financial support between PDI-P and PD. But after the presidential election in 2009, when Yudhoyono was re-elected as president, Poo was dismissed from his party membership and his office in the parliament by PDI-P as he allegedly channeled his support to Yudhoyono, the incumbent, instead of Megawati during the presidential election (*Detik News*, December 2, 2009).<sup>43</sup> Moreover, his wife, Siti, was later charged with bribery by the Jakarta Corruption Court and was sentenced to 32 months' imprisonment in February 2013 (*The Jakarta Post*, February 5, 2013).<sup>44</sup>

Tanoesoedibjo is the owner of the MNC Group, a media company in Indonesia. He initially joined the National Democratic Party (NasDem, Partai Nasional Demokrat), led

43) There were three pairs of candidates contesting in the 2009 presidential election: Jusuf Kalla-Wiranto (nominated by Golkar), Susilo Bambang Yudhoyono-Boediono (nominated by PD), and Megawati Sukarnoputri-Prabowo (nominated by PDI-P) (Rizal 2010, 61).

44) However, Siti was granted parole by the Ministry of Justice in September 2014 (*The Jakarta Globe*, September 2, 2014). The case of the Poo family indicates that splitting political loyalties and financial support between different political elites does not necessarily bring long-term protection and guarantees for the family members' business or political career.

by the media tycoon Surya Paloh, but later switched to the People's Conscience Party (Hanura, Partai Hati Nurani Rakyat), led by ex-General Wiranto (*Tempo*, February 25, 2013). Moreover, he decided that he would become Wiranto's running mate in the 2014 presidential elections (*The Jakarta Post*, July 3, 2013). However, Tanoesoedibjo could not fulfill such a wish as Wiranto later decided not to contest in the presidential elections (*The Jakarta Post*, May 18, 2014). Tanoesoedibjo left Hanura in May 2014 (*Tempo*, May 23, 2014).

However, it is worth noting that very few Chinese Indonesians who enter politics are well-established big businesspeople or conglomerate owners. A Chinese big businessman in Medan revealed that Chinese big businesspeople were usually reluctant to participate in formal politics because their businesses were already well established and well protected by local power holders or *preman*. Furthermore, they were afraid that they would make many enemies by getting involved in politics.<sup>45)</sup> Therefore, Chinese Indonesian businesspeople who get involved in politics are mostly not in big business.

In Medan and Surabaya, there are a few Chinese Indonesian parliamentarians with a background in business. These include Brilian Moktar (莫粧量), North Sumatra provincial parliamentarian from 2009 to the present; Hasyim a.k.a. Oei Kien Lim (黄建霖), Medan city parliamentarian from 2009 to the present; A Hie (王田喜), Medan city parliamentarian from 2009 to 2014; Fajar Budianto, East Java provincial parliamentarian from 1999 to 2004; Arifli Harbianto Hanurakin (韩明理), Surabaya city parliamentarian from 2004 to 2009; Simon Lekatompessy, Surabaya city parliamentarian from 2009 to 2014; Henky Kurniadi (游经善), national parliamentarian representing East Java 1 (covering Surabaya and Sidoarjo) from 2014 to the present; and Vinsensius Awey, Surabaya city parliamentarian from 2014 to the present. They were in small- or medium-scale businesses prior to getting elected as parliamentarians. Moktar was engaged in vehicle trading and servicing.<sup>46)</sup> Hasyim was a distributor of office stationery.<sup>47)</sup> A Hie was a hotel owner.<sup>48)</sup> Budianto ran a grocery shop in Kembang Jepun, Surabaya.<sup>49)</sup> Hanurakin owned a bakery shop (*Jawa Pos*, April 10, 2004). Lekatompessy was a billboard entre-

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45) Interview with Christopher, an ethnic Chinese businessperson engaged in the frozen seafood industry, Medan, August 18, 2010.

46) Interview with Brilian Moktar, member of North Sumatra provincial parliament, 2009–present, Medan, July 16, 2010.

47) Interview with Hasyim, August 11, 2010.

48) Interview with Yap Juk Lim, an ethnic Chinese businessperson engaged in the snack production industry and chairperson of the Medan Deli Regional Forum of Small and Medium Enterprises (FORDA UKM Medan Deli), Medan, November 16, 2010.

49) Interview with Harry Tanudjaja, chairperson, Surabaya branch of the Indonesian Democratic Party of Devotion (PKDI); candidate in the 1999 and 2009 general elections; and lawyer, Surabaya, March 31, 2011.

preneur.<sup>50</sup> Kurniadi was a real estate businessman.<sup>51</sup> Awey ran a furniture shop (*Surabaya Pagi*, September 2, 2014).

Nevertheless, it should be pointed out that at present, none of the Chinese Indonesian businessmen-turned-politicians have the political standing of Joko Widodo, Jusuf Kalla, and Aburizal Bakrie, who were prominent indigenous Indonesian businesspeople. Widodo was a furniture entrepreneur before getting involved in politics. Kalla used to be the CEO of NV Hadji Kalla (now known as the Kalla Group), owned by his family. NV Hadji Kalla is a conglomerate engaged in the automotive, property, construction, and energy industries. Bakrie was the former chairperson of the Bakrie Group, a conglomerate with diversified interests across mining, oil and gas, real estate, agriculture, media, and telecommunications. Widodo served as the mayor of Solo from 2005 to 2012 and governor of Jakarta from 2012 to 2014, and was elected as the seventh president in 2014. Kalla was vice president from 2004 to 2009 and was elected into the same office in the 2014 presidential election, while Bakrie was the coordinating minister for economy under former President Susilo Bambang Yudhoyono. The fact that no Chinese Indonesian businessmen-turned-politicians currently have the political standing of Widodo, Kalla, and Bakrie is due mainly to the reluctance of many indigenous Indonesians to fully accept Chinese participation in public life. As Chua puts it, “[T]he label of Chinese would still be a barrier” (Chua 2008, 130). In addition, there have not been any Chinese Indonesians in Medan and Surabaya elected as local government heads, who have greater power to directly control local resources.

In the following sections, I will explore various illegal or semi-legal business practices that some Chinese businesspeople utilize to gain wealth and safeguard their business interests in the face of the difficult business environment.

## Dealing with Power Holders, Police, and Military Commanders

As mentioned earlier, according to some of my informants, most of the Chinese businesspeople in Medan and Surabaya—especially those running small and medium businesses—usually just pay the amount of money or bribes requested by government officials in order to get their business permit or other related documents issued on time. Most of them give in to police officers’ illegal requests as well, in order to prevent further problems.

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50) Interview with Simon Lekatompessy, member of the Surabaya city parliament, 2009–14, Surabaya, May 5, 2011.

51) Interview with Henky Kurniadi, an ethnic Chinese businessperson engaged in the real estate industry and national parliamentarian representing East Java 1, 2014–present, Surabaya, March 9, 2011.

Sometimes they try to negotiate with the people who ask for money if the amount requested is too large.<sup>52)</sup> As mentioned at the beginning of this article, it is alleged that even if a businessperson pays all taxes and charges levied on his or her business, tax officers still pay a visit to check on his or her business and ask for bribes; even when businesspersons pay their taxes honestly, they have to pay more. So, most Chinese businesspeople pay only some of the taxes and charges. Then when tax officers pay a visit to their companies, they just bribe the officers as requested.<sup>53)</sup> Johan Tjongiran, an ethnic Chinese social activist in Medan, explained such a practice by giving an example:

For instance, if a businessperson needs to pay Rp.500 million of taxes, the officers would normally ask him or her to pay only Rp.250 million and they would keep Rp.220 million for themselves, and submit only Rp.30 million to the government.<sup>54)</sup>

Therefore, Susanto, the ethnic Chinese toy distributor in Medan mentioned in the opening story of this article, argues that:

The wealthiest people in Indonesia are in fact not ethnic Chinese businesspeople but indigenous bureaucrats in the central and local governments like Gayus Tambunan.<sup>55)</sup> They become extremely rich after getting many bribes from businesspeople. Their children often spend time shopping in Singapore and bringing back many branded luxury goods to Indonesia.<sup>56)</sup>

Following Bourdieu's concept of habitus and field, I argue that most Chinese businesspeople choose to give in to the illegal requests of government officials, police, and *preman* not only due to their reluctance to run into more trouble and their fear of the hassle of fighting back, but also because they have enough economic capital to pay bribes and extortion to protect their business and avoid further trouble. This is in line with Bourdieu's notion of habitus and field that social actors well endowed with capital tend to defend the status quo of the field (social structure) they are in, in order to safeguard their capital.

Although there are also Chinese businesspeople who refuse to be extorted by the

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52) Interview with Daniel (deceased), July 13, 2010; interview with Johan Tjongiran, August 3, 2010; interview with Susanto, August 4, 2010; interview with Atan, an ethnic Chinese businessperson engaged in the real estate industry and a developer-cum-contractor, Surabaya, February 28, 2011.

53) Interview with Johan Tjongiran, August 3, 2010; interview with Susanto, August 4, 2010.

54) Interview with Johan Tjongiran, August 3, 2010.

55) Gayus Tambunan is a former tax official who was arrested by police on March 30, 2010, for alleged tax evasion of Rp.25 billion (see *ANTARA News*, March 27, 2010; March 31, 2010). Although Tambunan is of Batak origin, an ethnic minority group in Indonesia, his ethnicity is never problematized by the public because Batak are one of the indigenous groups in the country.

56) Interview with Susanto, August 4, 2010.

police and choose to get themselves organized and protest against the extortion, such people are rare. These businesspeople often do not have the necessary economic capital to pay the bribes and extortion. They therefore decide to protest against the extortion in order to safeguard their business. This is in line with Bourdieu's notion of habitus and field that social actors least endowed with capital are inclined to challenge the status quo of the field (social structure) they are in. One well-known example is Yap Juk Lim (叶郁林), a Chinese businessperson engaged in the snack production industry near Jalan Metal, Medan. Yap used to have to pay the police Rp.300,000–400,000 every time they visited his factory. Eventually, he could not bear the extortion; and in 2007 he refused to pay. As a result, the police alleged that his factory used expired ingredients in snack production and detained him for eight days.<sup>57)</sup> As noted in a news report in *Waspada*, the Medan branch of the Regional Forum of Small and Medium Enterprises (FORDA UKM, Forum Daerah Usaha Kecil dan Menengah) supported Yap and launched a public protest together with other small and medium businesspeople from different ethnic backgrounds on March 25, 2008 (*Waspada*, March 25, 2008). The protest took place in front of the North Sumatra Police Headquarters, governor's office, mayor's office, provincial parliament, and Medan city parliament. The approximately 2,000 people who joined the protest demanded that the police stop extorting small and medium businesspeople.<sup>58)</sup> According to Yap, after the protest the police officers stopped harassing the factories around Jalan Metal for a long time. In 2010, however, they began to again visit some factories in that area, asking for payments; Yap's factory, however, was free from the harassment.<sup>59)</sup> This indicates that the police recognized that Yap would fight back if they tried to extort him.

Sofyan Tan, a candidate in Medan's 2010 mayoral election, revealed that many local Chinese businesspeople viewed Yap's action positively, although it was not a common practice among Chinese businesspeople.<sup>60)</sup> Yap talked about the reluctance of most Chinese businesspeople to fight against extortion by government officials and police, and their reluctance to spend time getting themselves organized:

We have to get ourselves organized if we want to fight against such illegal requests. Many Chinese businesspeople regard this as time-consuming and would rather give in to illegal requests of government officials and police to avoid any further problems.<sup>61)</sup>

Another Chinese businessperson made a similar remark: "The Chinese are gener-

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57) Interview with Yap Juk Lim, November 16, 2010.

58) Interview with Yap Juk Lim, November 16, 2010.

59) Interview with Yap Juk Lim, November 16, 2010.

60) Interview with Sofyan Tan, August 23, 2010.

61) Interview with Yap Juk Lim, November 16, 2010.



ally afraid of getting in trouble. If paying money to those extorting them can save them from further trouble, they will just pay the money instead of fighting back.”<sup>62)</sup>

In short, most Chinese businesspeople prefer to give in to the illegal requests of government officials and police because they are afraid of the hassle of fighting back, and of the trouble it is likely to cause them. Moreover, they have the necessary economic capital to pay the bribes and extortion to protect their business and save them from further troubles. Very few of them choose to fight against the extortion, because they feel that getting themselves organized to fight back is time consuming. By giving in to the illegal requests, Chinese businesspeople continue to make themselves the targets of extortion and perpetuate a corrupt, predatory political-business system.

Additionally, in order to obtain protection for their businesses, many well-established Chinese Indonesian businesspeople in Medan and Surabaya have utilized their social capital to establish close relationships with heads of security forces. The following quotation from an interview and the excerpts from a Chinese-language newspaper report on a welcome and farewell dinner for the East Java Regional Military Command in 2010 illustrate such political-business relationships between local Chinese Indonesian business elites and heads of security forces in both cities:

The ceremony of North Sumatra police chief transfers was held recently [in March 2010]. I was there too. [Do you] want to know who most of the attendees were? About 90 percent of them were Chinese big businesspeople!<sup>63)</sup>

East Java Entrepreneur Charitable Foundation, Surabaya Chinese Association (PMTS, Paguyuban Masyarakat Tionghoa Surabaya), and Chinese community leaders jointly organized a welcome and farewell dinner for the East Java Regional Military Command on October 6 at 7pm. The event was held at the Grand Ballroom of Shangri-La Hotel, Surabaya.

During the dinner, Alim Markus [president of East Java Entrepreneur Charitable Foundation and PMTS] delivered his speech with enthusiasm: “Thanks to the mercy of the Lord, tonight we have the opportunity to get together with the former and new military commanders of East Java. On behalf of the Chinese community in Surabaya, I would like to wish our former military commander [Suwarno] all the best in his future endeavors. I would also like to call upon the Chinese community to cooperate with the new military commander [Gatot]. (*Medan Zao Bao*, October 9, 2010, my translation from the Chinese original)

As referred to in the excerpt from the Chinese-language newspaper report above, the local Chinese business community in Surabaya led by Alim Markus (林文光) organized a welcome and farewell dinner for the former and new regional military commander

62) Interview with Ivan, an ethnic Chinese businessperson engaged in real estate, Medan, July 16, 2010.

63) Interview with Usman, NGO activist, Medan, July 30, 2010.

of East Java in 2010. Junus, one of my informants—a university professor in Surabaya—revealed that Markus was well connected with President Suharto during the New Order. After the collapse of the Suharto regime, Markus established close ties with Imam Utomo, the then governor of East Java.<sup>64</sup> Markus is the owner of Maspion Group, a Surabaya-based conglomerate that manufactures household appliances.

Many well-established Chinese businesspeople in Surabaya have also established close relationships with the governor, the regional police chief (Kapolda, Kepala Polisi Daerah), and the regional military commander (Pangdam, Panglima Daerah Militer), all of whom are paid by the former on a regular basis.<sup>65</sup> Bambang, a Chinese big businessman whom I interviewed, disclosed that he was a good friend of Soekarwo, the governor of East Java. Bambang owns a ceramic tile factory.<sup>66</sup> Junus, who knows many local Chinese businesspeople, commented that Bambang is free from harassment and extortion by the police due to his good relationship with the governor.<sup>67</sup> A few well-established Chinese businesspeople who run nightclubs in the city are well connected to the mayor and local police. Therefore, their businesses are protected and their clubs are free from police raids.<sup>68</sup>

It is alleged that some Chinese businesspeople who run big businesses in Surabaya are connected to Anton Prijatno (王炳金), a Golkar member who served in the East Java provincial legislature and the national legislature (DPR, Dewan Perwakilan Rakyat) during the Suharto era, and later, after the end of the New Order, became a prominent businessman and political patron for many Chinese businesses in Surabaya.<sup>69</sup> In my interview with him, Prijatno revealed that he left Golkar in May 1998 because he was very disappointed with the rampant corruption within the Suharto regime.<sup>70</sup> Unlike most local Chinese politicians with business backgrounds, Prijatno became actively engaged in business only after spending many years in politics. He became the chairperson of an asphalt distribution company in 2003.<sup>71</sup> Since Prijatno is close to the governor, his business flourishes and is protected from harassment and extortion by the police. He is

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64) Interview with Junus, January 11, 2011.

65) Interview with Junus, January 11, 2011.

66) Interview with Bambang, an ethnic Chinese ceramic tile factory owner, Surabaya, March 3, 2011.

67) Interview with Junus, January 11, 2011.

68) Interview with Junus, January 11, 2011.

69) Interview with Junus, January 11, 2011. Prijatno was a member of the East Java provincial legislature from 1977 to 1987 and a member of the national legislature from 1987 to 1997 (interview with Anton Prijatno, an ethnic Chinese businessperson engaged in the distribution of asphalt; a former member of the East Java provincial legislature, 1977–87; and a former member of the national legislature, 1987–97, Surabaya, February 24, 2011).

70) Interview with Anton Prijatno, February 24, 2011.

71) Interview with Anton Prijatno, February 24, 2011.

also a business partner of Sudomo Mergonoto (吴德辉), who owns Kapal Api Group, a coffee production company, and Bambang (the ceramic tile factory owner).<sup>72)</sup> In addition, Prijatno is a supplier of asphalt for many well-established Chinese real estate developers and contractors in the city.<sup>73)</sup> Since he is a prominent politician and close to the governor, it is alleged that he also acts as a political patron for most well-established Chinese businesses in Surabaya, except Markus's Maspion Group, the largest conglomerate in Surabaya.<sup>74)</sup>

Similarly, in Medan, according to a local media activist who knows many local businesspeople of Chinese descent, in order to obtain protection and privileged access to permits and contracts from local power holders, many well-established Chinese Indonesian businesspeople in the city have established close relationships with local power holders and heads of security forces who hold the most power in North Sumatra, i.e., the governor, the regional police chief, and the regional military commander. They often group together to “contribute” money to those power holders and heads of security forces in exchange for protection and permits.<sup>75)</sup> Another NGO activist disclosed that it is common for Chinese businesspeople who operate big businesses in the city to group together and form close ties with local police officers. They pay money to the police regularly in exchange for protection.<sup>76)</sup>

Benny Basri (张保圆) is a good example of a well-connected Chinese businessman in Medan. Running PT Central Business District (CBD), a well-established real estate company in the city, Basri is said to be close to regional military officers and local police officers.<sup>77)</sup> He has also held the position of treasurer in the North Sumatra branch of the Democratic Party (PD, Partai Demokrat) since 2003.<sup>78)</sup> It is alleged that because of his close relationship with local power holders, he was able to purchase land previously owned by the Indonesian Air Force in Polonia, Medan, for a real estate development project.<sup>79)</sup>

While Chinese businesspeople who run large-scale businesses are able to establish close ties with local power holders and heads of security forces because they have a strong social network, those who own small- and medium-scale businesses generally do

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72) Interview with Junus, January 11, 2011.

73) Interview with Anton Prijatno, February 24, 2011.

74) Interview with Junus, January 11, 2011.

75) Interview with Daniel (deceased), September 17, 2010.

76) Interview with Joko, November 11, 2010.

77) Interview with Usman, July 30, 2010; interview with Christopher, August 18, 2010; interview with Joko, November 11, 2010.

78) Interview with Sofyan Tan, August 23, 2010; interview with Joko, November 11, 2010.

79) Interview with Usman, July 30, 2010.

not have the ability and opportunity to establish close ties with local or potential power holders.

### Relations with *Preman*

As mentioned, institutionalized gangsterism is dominant in Medan. Some local Chinese businesspeople who run large-scale businesses have established close relationships with youth/crime organizations to get protection for their business. According to an NGO activist in Medan, many well-established Chinese businesspeople hire *preman* to protect their business and to break up strikes.<sup>80)</sup> Some of them have also become advisers of youth/crime organizations. For instance, one of my informants disclosed that Vincent Wijaya, a local Chinese businessperson engaged in the frozen seafood industry, was an adviser of PP's North Sumatra branch, a major youth/crime organization in the province, and hence his business was well protected by PP.<sup>81)</sup> In addition, according to the person in charge of *Harian Promosi Indonesia* (《印广日报》), a Chinese-language press in Medan, the founder of the press, Hakim Honggandhi (关健康), used to be the treasurer of IPK, a youth/crime organization based in Medan. Honggandhi was also connected to the North Sumatran military because he used to distribute consumer goods to them.<sup>82)</sup>

Another good example is the support that Indra Wahidin (黄印华), the then chairperson of the North Sumatra branch of the Chinese Indonesian Association, and a group of Chinese community leaders (who were mostly businesspeople) gave to Ajib Shah-Binsar Situmorang, one of the candidate pairs in Medan's 2010 mayoral election (*Harian Global*, March 30, 2010; *Harian Analisa*, May 7, 2010; *Waspada*, May 7, 2010).<sup>83)</sup> Wahidin is an insurance agent and paint distributor.<sup>84)</sup> He openly supported Ajib-Binsar because of his connections with Ajib, the former chairperson of PP's North Sumatra branch. Wahidin and several other Chinese businesspeople, some said, believed Ajib would offer more protection to their business if he was elected,<sup>85)</sup> as opposed to Sofyan Tan (the only

80) Interview with Halim, July 26, 2010.

81) Interview with Joko, November 11, 2010.

82) As *Harian Promosi Indonesia* had been running at a loss due to low readership, Honggandhi eventually lost all of the capital he had invested in the press. He later moved to Jakarta and worked in a hotel (interview with Setiawan, person in charge, *Harian Promosi Indonesia* [《印广日报》], Medan, November 8, 2010).

83) For more details of Medan's 2010 mayoral election, see Aspinall *et al.* (2011).

84) Interview with Christopher, August 18, 2010.

85) Interview with Farid, an ethnic Chinese businessperson engaged in the garment production industry, Medan, July 15, 2010; interview with Ivan, July 16, 2010.

ethnic Chinese mayoral candidate), who refused to promise any favors to those who supported his candidature.<sup>86)</sup> One informant, however, has a different interpretation of this support: that Wahidin supported Ajib in order to secure the safety of the local Chinese community. This is because Ajib was initially the candidate chosen by the Prosperous Peace Party (PDS, Partai Damai Sejahtera), but the party later revoked its support in favor of Sofyan Tan. Since Wahidin was afraid that Ajib would blame the local Chinese community for this turnaround and make trouble for them, he decided to openly support and campaign for Ajib.<sup>87)</sup>

Besides that, according to some of my informants, the local governments of post-New Order Medan/North Sumatra often allocate local state projects to indigenous contractors who are members of youth/crime organizations.<sup>88)</sup> But it is also not uncommon for them to subcontract some of their projects to Chinese contractors who are their friends. An indigenous contractor may subcontract his projects to his Chinese friends at 20 percent less than his original tender cost. What this means is that the contractor would get a 20 percent cut from the cost.<sup>89)</sup> In other words, some local Chinese businesspeople who are well connected with youth/crime organizations could informally work on local state projects.

Conversely, in Surabaya, the relations between Chinese businesspeople and *preman* are different since the youth/crime organizations there are much less dominant. As mentioned, Chinese businesspeople in Surabaya often pay Madurese *preman* in exchange for “protection” for their business premises. In addition, during workers’ strikes, Chinese Indonesian industrialists often hire Madurese *preman* or members of Banser, the vigilante corps of Nahdlatul Ulama (NU), to apply pressure on striking workers. With regard to the allocation of local state projects, according to a university professor in Surabaya, unlike in Medan, contractors who get local state projects in Surabaya are not necessarily members of youth/crime organizations, since such organizations are less dominant in the city. However, these contractors are generally well connected to local decision makers.<sup>90)</sup> A Chinese Indonesian politician-turned-businessman in Surabaya disclosed that during the New Order era, the local government of Surabaya often allocated state projects to indigenous Indonesian contractors; very few Chinese Indonesian contractors got the projects. Hence, it was common for indigenous contractors to subcon-

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86) Interview with Sofyan Tan, August 23, 2010.

87) This interpretation was given by Surya, a media activist in Medan (interview with Surya, September 17, 2010).

88) Interview with Ivan, July 16, 2010; interview with Halim, July 26, 2010.

89) Interview with Halim, July 26, 2010.

90) Interview with Junus, January 11, 2011.

tract some of their projects to Chinese contractors. But since the end of the New Order, the local government of Surabaya has become more open and less discriminative: about 50 percent of contractors who get state projects are well-established Chinese contractors.<sup>91)</sup> Therefore, in the *Reformasi* era, very few Chinese contractors in Surabaya work on state projects that are subcontracted by indigenous contractors. This is certainly very different from the triangular collusion (Chinese contractors-youth/crime organizations-local government officials) that their Chinese counterparts in Medan have developed.

### Financial Coercion against the Media

After the unraveling of the Suharto regime in May 1998, many discriminatory measures against the Chinese were removed. Most significantly, Suharto's policy of forced assimilation was abandoned.<sup>92)</sup> In 2001 President Wahid sanctioned the publication of Chinese-language print media through the repealing of laws that had prohibited the local publication of Chinese characters in Indonesia since 1965, and thus Chinese-language materials became more freely available. Many schools were allowed to conduct Chinese-language courses. Besides that, ethnic Chinese were allowed to openly celebrate Chinese festivals (Turner 2003, 347–348; Hoon 2008, 104).

The advent of democratization and the removal of restrictions on Chinese cultural expression brought about press freedom and a new beginning for Chinese-language presses in Indonesia. Several Chinese-language presses were established across the country after the end of the New Order. In Medan, five Chinese-language presses were established after the end of the Suharto regime: *Harian Promosi Indonesia* (《印+日报》), *Su Bei Ri Bao* (《苏北日报》), *Xun Bao* (《讯报》), *Hao Bao* (《好报》), and *Zheng Bao Daily* (《正报》). All of them except *Harian Promosi Indonesia* are still in business at the time of writing. *Harian Promosi Indonesia* ceased publication at the end of December 2014 due to low readership. It was later re-launched under a new name, *Zheng Bao Daily*, in February 2015 (*Zheng Bao Daily*, February 16, 2015). In Surabaya, four Chinese-language presses were established in the post-Suharto era: *Harian Naga Surya* (《龙阳日报》), *Harian Nusantara* (《千岛日报》), *Rela Warta* (《诚报》), and *Si Shui Chen Bao* (《泗水晨报》).<sup>93)</sup> However, *Harian Naga Surya* and *Rela Warta* ceased publication after a few years

91) Interview with Anton Prijatno, February 24, 2011.

92) For a background to Suharto's policy of forced assimilation, see Suryadinata (1992) and Coppel (1983).

93) *Si Shui Chen Bao* is a subsidiary paper of *Guo Ji Ri Bao*, the largest Chinese-language daily in Jakarta.

due to various reasons.<sup>94)</sup>

It is worth noting that press freedom appears to be a double-edged sword for Chinese businesspeople. On the one hand, Chinese businesspeople can establish Chinese-language presses to promote Chinese culture and discuss issues related to ethnic Chinese in Indonesian society. They can also use the presses as a cultural space to showcase themselves and their business. But on the other hand, press freedom allows the media to expose the corrupt practices of Chinese businesspeople and the politicians to whom they are connected.

Chinese-language presses in Medan and Surabaya generally run at a loss due to low readership. The prohibition of Chinese-language education in New Order Indonesia produced a younger generation of Chinese who are mostly Chinese illiterate. Therefore, there is no general readership beyond the older generation, and this leads to a diminishing market.<sup>95)</sup> The presses need to depend on the financial support of local Chinese businesspeople in order to survive. Some well-established Chinese businesspeople support Chinese-language presses in Medan and Surabaya by becoming their shareholders or advertisers. In this way, they also make sure that the presses report in favor of them and their business. Such patrimonial power relations between Chinese-language presses and well-established Chinese businesspeople have deterred the presses from reporting negative news about local Chinese businesses. Therefore, news about corrupt business practices involving Chinese businesspeople is rarely reported in local Chinese-language presses. For instance, in October 2010, while Indonesian-language newspapers in Medan such as *Waspada* and *Harian Orbit* covered the alleged tax evasion by PT Indo Palapa, a real estate company owned by Benny Basri, an ethnic Chinese real estate tycoon in the city, most of the local Chinese-language newspapers did not report on the case. PT Indo Palapa allegedly submitted false information to the tax offices in the city about the number of shophouses that had been built by the company, so as to avoid paying taxes.<sup>96)</sup> When *Xun Bao* later published a news report on the case, it did not mention the name of Benny Basri.<sup>97)</sup>

Chinese businesspeople who fund Chinese-language presses are mostly connected to national- and local-level power holders. In order to survive, the presses must refrain from being critical of these power holders, otherwise they might encounter a withdrawal

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94) The closing down of *Rela Warta* was due mainly to the withdrawal of advertising by its main advertiser. The closing down of *Harian Naga Surya* was due to low readership. For more details, see Huang (2005).

95) Interviews with people in charge and staff of local Chinese-language presses in Medan and Surabaya.

96) See *Harian Orbit* (October 15, 2010) and *Waspada* (October 15, 2010).

97) See *Xun Bao* (November 2, 2010).

of their funders' sponsorship. The fate of *Rela Warta* (《诚报》) in Surabaya vividly illustrates the carrot-and-stick method used on a critical press. *Rela Warta* was the only Chinese-language newspaper in Surabaya that did not cover many of the sociocultural activities organized by local Chinese organizations. It was also the only Chinese-language newspaper that often published in-depth and critical editorials and opinion pieces on current affairs and politics in Indonesia. The newspaper published a few editorials and opinion pieces on the general election and the role of Chinese Indonesian voters during the 2004 parliamentary election.<sup>98</sup> It also published news on Dédé Oetomo (温忠孝), an ethnic Chinese social activist in Surabaya who contested in the East Java regional representative council (DPD, Dewan Perwakilan Daerah) election in 2004.<sup>99</sup>

Shortly after the 2004 election, *Rela Warta* suddenly announced that it would turn into a weekly paper due to low readership and the increase in printing price (*Rela Warta*, April 8, 2004).<sup>100</sup> But according to the former person in charge of the newspaper, the change was actually due to the main advertiser's decision to stop advertising in the newspaper after the editorial team refused to openly support Susilo Bambang Yudhoyono, the soon-to-be presidential candidate at that time, as requested by the main advertiser. The main advertiser was a member of the Chinese business elite who ran various types of business in East Java. He had been contributing Rp.2 million in advertising fees to the newspaper every month. Prior to the polls, the main advertiser, who was close to Yudhoyono, urged *Rela Warta* to openly support Yudhoyono and call upon the local Chinese community to do the same. But the newspaper's editorial team refused to do so because they maintained that the Chinese community had the right to support any electoral candidate they liked. In addition, the newspaper published a few news articles that were critical of Yudhoyono prior to the election. The main advertiser was upset and subsequently decided to withdraw his regular contribution of advertisements to the newspaper. Moreover, he urged other local Chinese business elites to boycott the newspaper. Consequently, *Rela Warta* lost many subscribers and a considerable amount of advertising revenue. Therefore, shortly after the parliamentary election, the founders decided to turn *Rela Warta* into a weekly paper.<sup>101</sup> But even after the weekly circulation of the paper was reduced to 2,000 copies, the publication continued to lose money. Later, in June 2007, *Rela Warta* was taken over by the East Java branch of the Chinese Indonesian Social Association (PSMTI, Paguyuban Sosial Marga Tionghoa Indonesia), led by Jos

98) For examples, see *Rela Warta* (March 11, 2004; April 2, 2004; April 3, 2004; June 25–July 1, 2004).

99) For example, see *Rela Warta* (March 3, 2004).

100) See also Li (2008, 360).

101) Interview with Samas H. Widjaja, former chief editor, *Rela Warta* (《诚报》), and former adviser, *Harian Naga Surya* (《龙阳日报》), Surabaya, May 5, 2011.



Soetomo (江庆德), and became the bulletin of the organization (Li 2008, 360). In 2009, the paper ceased publication as it was no longer supported by PSMTI's East Java branch (*ibid.*).<sup>102)</sup>

The decline of *Rela Warta* clearly shows that some Chinese business elites do not hesitate to resort to financial coercion against a media outlet in order to safeguard their business interests. It also shows that it is extremely difficult to establish and maintain a Chinese-language press without financial support from the Chinese business community. Without the money, it is impossible for a press to survive in the long term. This illustrates the ambivalence of press freedom for the Chinese in the post-Suharto era. The patrimonial power relations between local Chinese-language presses and Chinese business elites in Medan and Surabaya have also played an important role in shaping local politics, which is infused with corruption.

### Land Disputes in Medan and Threats against Chinese Indonesians

Due to the absence of a well-established rule of law before and after the end of the New Order, there have been several cases of land disputes involving illegal seizure of state and residential land by real estate developers, who are mostly Chinese Indonesians. However, as I will discuss later in this section, land disputes in Medan tend to turn into violent conflicts and threats against Chinese Indonesians. Conversely, violent conflicts and threats against Chinese Indonesians related to land disputes rarely occur in Surabaya, due to two reasons. The first has much to do with the interethnic relationships between Chinese and indigenous Indonesians in these two cities. According to Judith Nagata (2003, 375), Medan has a long history of tensions between local Chinese and local indigenous groups. The use of Hokkien, a Chinese dialect originating from the southern part of Fujian Province in China, among Chinese in Medan creates a gulf between them and indigenous Indonesians. The Chinese are also considered wealthier and often encounter opposition and antagonism from indigenous Indonesians.<sup>103)</sup> The situation is quite different in Surabaya; according to an article in *Gatra* magazine (July 18, 1998), and also mentioned in an interview with Dédé Oetomo—an ethnic Chinese social activist in Surabaya—Chinese in Surabaya, who often speak Indonesian instead of Chinese languages, generally maintain a good relationship with indigenous Indonesians.<sup>104)</sup> This good relationship

102) PSMTI is a major ethnic Chinese organization formed in Indonesia after the end of the New Order.

103) In fact, Medan was the site of the first violence against Chinese in May 1998 (Purdey 2006, 114).

104) Interview with Dédé Oetomo, December 24, 2010.

is due also to the dominance of NU in East Java. According to Suhaimi, a university lecturer in Surabaya, NU is a mass-based Muslim organization that embraces moderate Islam and emphasizes tolerance for minorities, including the Chinese minority. Its teachings have influenced many East Javanese Muslims.<sup>105</sup> A second reason has much to do with the way the local government and developers in Surabaya deal with land disputes. As Howard W. Dick notes in his book on Surabaya, the local government and developers in the city prefer negotiation to violence in dealing with land disputes. Prompt resettlement with a higher rate of compensation is the usual compromise (Dick 2003, 406). In other words, residents in Surabaya enjoy better institutional protection compared to those in Medan. Hence, land disputes in Surabaya seldom turn into threats against ethnic Chinese Indonesians.

There are a few land disputes involving Chinese Indonesian real estate developers in Medan that I want to showcase here to show how some Chinese Indonesian developers have willingly resorted to illegal practices to further their business interests. These cases have received fairly high coverage in the local and national press and have kept alive the general national view of Chinese Indonesians as being collusive and willing to engage in corruption to maintain their wealth.

In November and December 2011, Indonesian-language newspapers in Medan reported that three ethnic Chinese tycoons had been implicated in the illegal seizure of state and residential land in the city. The tycoons involved were Benny Basri (张保圆), Tamin Sukardi, and Mujianto (郑祥南). All of them were real estate developers (*Harian Sumut Pos*, November 8, 2011; November 9, 2011; *Harian Orbit*, November 17, 2011; November 30, 2011; December 5, 2011; December 7, 2011). It was alleged that they had managed to take over the land by bribing local government bureaucrats. Basri, the owner of PT Central Business District (CBD), was alleged to have obtained the land title for Sari Rejo Sub-district (Kelurahan Sari Rejo) through illegal means. The land was previously under the ownership of the Indonesian Air Force, but it had later become a residential area. However, residents who had been living in Sari Rejo for decades did not get their land title, while Basri managed to get it within a short period of time and planned to turn the land into a commercial property. In other words, the ownership of the land had been transferred from the air force to Basri's company.

As mentioned earlier in this article, Basri was a real estate tycoon well connected to local power holders and local military as well as police officers. He was also the treasurer of PD's North Sumatra branch since 2003. So, it was quite possible that Basri managed to take over the land in Sari Rejo within a short period of time because of his

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105) Interview with Suhaimi, university lecturer, Surabaya, April 27, 2011.

close association with local power holders and officers at the local air force base.

Both Sukardi and Mujianto were implicated in land seizures at Helvetia, Deliserdang Regency (Kabupaten Deliserdang), North Sumatra. Sukardi, the owner of PT Erniputra Terari, had taken over former state land in Helvetia for commercial purposes. The land was earlier given by the state to the residents of Helvetia. Sukardi was allegedly involved in the hiring of gangsters to kidnap and assault an NGO activist who led residents of Helvetia to defend their land rights. The activist was later released, after being repeatedly assaulted by gangsters for several hours. Mujianto, the owner of Agung Cemara Realty, was implicated in the seizure of another piece of former state land in Helvetia in 1968. The land had been given to residents of Helvetia, who later turned it into a football field. According to a local social activist, as cited in *Harian Orbit*, Mujianto suddenly claimed ownership of the land in 2011 with a title deed. Although the title deed did not show the correct address of the land, Mujianto still fenced the land with the help of the police to prevent residents from entering. Therefore, the activist believed the incident was “a game of land mafia” with the collusion of government officials (*Harian Orbit*, November 30, 2011, my translation from the Indonesian original). As a result, the residents could no longer use the field for leisure and exercise. This angered the residents, and they subsequently demolished the fence, leading to a clash between the residents and gangsters hired by Mujianto. Police officers showed up during the clash; but instead of protecting the residents, they joined the gangsters in attacking the residents. Several residents were injured in the confrontation.

The land disputes in Helvetia drew the attention of a few North Sumatra provincial parliamentarians, who paid a visit to the site of the land disputes on April 9, 2013. They promised to hold a meeting with the residents to discuss the issue and a search for a solution. By June 2013 the promise had not yet been fulfilled, so on June 7, 2013, the Islamic organization Al Washliyah, which owned land in Helvetia that had been taken over by Sukardi, officially lodged a complaint with the Corruption Eradication Commission (KPK, Komisi Pemberantasan Korupsi) about Sukardi’s seizure of land in Helvetia. Apart from protesting against Sukardi in front of his office, members of Al Washliyah also held demonstrations in front of the North Sumatra chief attorney’s office and the North Sumatra High Court, urging law enforcers to take action against Sukardi (*Harian Orbit*, June 10, 2013). The protesters carried a coffin when they protested again outside Sukardi’s office on June 24, 2013 (*Harian Orbit*, June 25, 2013).

*Harian Orbit* referred to the three developers as “slanted-eye businesspeople” (*pengusaha mata cipit*), clearly indicating their Chinese ethnicity, since it was common for non-Chinese in Indonesia to refer to the Chinese as “slanted-eye” or *mata cipit* (*Harian Orbit*, December 5, 2011). To some extent, the alleged involvement of the three

Chinese developers in land disputes reinforced the stereotypes of Chinese business-people as being heartless, corrupt, and opportunistic.

On another occasion, PT Jatimasindo, a real estate company owned by Arsyad Lis, another ethnic Chinese tycoon in Medan, was involved in the demolition of the Raudhatul Islam Mosque in Medan on April 11, 2011 (*Suara Nasional News*, January 30, 2013). The mosque was situated behind Emerald Garden Hotel, which was also owned by Lis. According to the chairperson of the Muslim People's Forum (FUI, Forum Umat Islam),<sup>106</sup> Indra Suheri, as interviewed by the *Jakarta Post*, the demolition of the mosque was to make way for the establishment of a shopping mall and a housing complex (*The Jakarta Post*, January 28, 2012). The company carried out the demolition after getting approval from Medan's Council of Indonesian Islamic Scholars (MUI, Majelis Ulama Indonesia). Suheri accused Medan's MUI of gaining material benefits at the expense of a mosque (*Harian Orbit*, February 7, 2012). Since then, FUI and several local Islamic activists have staged demonstrations in front of Emerald Garden Hotel from time to time. In early February 2012, banners with the provocative words "[*Kalau*] 1 mesjid lagi digusurr. 1000 rumah cina kami bakarr!" (If one more mosque is demolished, we will burn 1,000 Chinese houses!) were even displayed during the demonstrations. It was also rumored that the protesters carried out sweeping raids on every car passing the area and asked the drivers to lower the car window. Although the sweeping never really occurred, the rumor—which was circulated via mobile phone text messages in Medan—caused panic among local Chinese in the city (*Tribun Medan*, February 4, 2012).

Later, in February 2013, PT Jatimasindo promised to rebuild the mosque at the same location. But as of May 2014, the company had not yet provided the rebuilding funds, and this was perceived by local Islamic activists as breaking the promise. So, the activists continued to stage open demonstrations in front of the Emerald Garden Hotel (*Harian Sumut Pos*, March 23, 2013; *Harian Andalas*, May 17, 2014).

At the time of writing, there has been no further news on land disputes involving the above Chinese tycoons.

The Chinese Indonesian developers' involvement in land disputes not only violated the land rights of local communities but also perpetuated the corrupt, predatory political-business system in Medan. In addition, their alleged corrupt business practices reinforced the negative perception of ethnic Chinese among indigenous Indonesians, and this sometimes led to violence and threats against Chinese Indonesians.

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106) Muslim People's Forum is an Islamic organization in Indonesia.

## Conclusion

The corrupt local politics and murky business environment in post-Suharto Indonesia are the result of corrupt practices and internal mismanagement that continue to characterize the bureaucracy in the country. This study shows that Chinese big business or conglomerates and Chinese small and medium businesses react and adapt to such a political-business environment in different ways. Chinese big businesses or conglomerates have experienced staff to identify and approach the right persons in different political departments as well as sufficient capital to bribe regional decision makers. Moreover, Chinese big businesspeople utilize their wealth and strong social networks to establish close ties with local power holders, security forces, and youth/crime organizations. Some control or intimidate critical media through financial coercion. In other words, Chinese big businesses or conglomerates are in an advantageous position in dealing with the corrupt and muddy business environment. Chinese businesspeople running small or medium businesses, however, generally do not have the necessary economic and social capital to establish close ties with local power holders, security forces, and youth/crime organizations. Most of them just choose to give in to the illegal requests of government officials or *preman* to prevent further hassles. On the other hand, there have been a few Chinese Indonesian businesspeople getting involved in politics and being elected as parliamentarians after the opening up of a democratic political space. However, I argue that the political power of Chinese Indonesians in Medan and Surabaya is overall still limited, because there have not been any Chinese Indonesians elected as local government heads, who have more power to directly control local resources.

It is important to note that all the different semi-legal and illegal means utilized by Chinese Indonesian businesspeople in dealing with the new political-business environment have perpetuated and reproduced the corrupt, predatory political-business system. By giving in to the illegal requests of power holders, police, and *preman*, Chinese businesspeople have colluded in and indirectly perpetuated such corrupt practices, as well as reinforced the stereotype that the Chinese can pay, will pay, and should pay for everything, including a peaceful business environment. By colluding with local power holders, heads of security forces, and youth/crime organizations to get protection and access to permits and contracts, Chinese businesspeople have directly become an integral part of the problematic political-business relationships and the local politics infused with corruption and institutionalized gangsterism. Although there are a few Chinese businesspeople who refuse to become victims of extortion and choose to fight back, these appear to be rare. By intimidating critical media through financial coercion, Chinese businesspeople have seriously threatened press freedom in post-Suharto Indonesia. Such a

problematic political-business system is a vicious circle: Following Giddens's structure-agency theory, corrupt local politics in post-Suharto Indonesia prompts Chinese businesspeople to resort to various illegal and semi-legal business practices to gain and protect their business and personal interests. Such business practices in turn perpetuate and reproduce the problematic business environment, as well as reinforce and reproduce the ambivalent position of ethnic Chinese in Indonesian society. I therefore argue that the corrupt local politics and murky political-business environment continue to exist in the *Reformasi* era not only because of the capture of new political vehicles and institutions by the New Order-nurtured predatory interests, but also due to the active role of many Chinese businesspeople in perpetuating the system. Many, if not most, Chinese businesspeople in post-Suharto Medan and Surabaya are agents who maintain the status quo (of the corrupt local politics, the problematic political-business system, and the ambivalent position of the Chinese minority) instead of being agents of change.

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## Appendix

### List of Informants

#### *Public Figures*

##### Jakarta

Mely G. Tan (陈玉兰) (sociologist), June 8, 2010.

##### Medan

Dirk A. Buiskool (historian), July 14, 2010.

Brilian Moktar (莫粧量) (member of North Sumatra provincial parliament, 2009–present), July 16, 2010.

Johan Tjongiran (章生荣) (social activist), August 3, 2010.

Hasyim a.k.a. Oei Kien Lim (黄建霖) (member of Medan city parliament, 2009–present), August 11, 2010.

Sofyan Tan (陈金扬) (candidate in Medan's 2010 mayoral election; social activist), August 23, 2010.

Anuar Shah (chairperson, Pancasila Youth's North Sumatra branch), October 30, 2010.

Yap Juk Lim (叶郁林) (ethnic Chinese businessperson engaged in the snack production industry; chairperson, Medan Deli Regional Forum of Small and Medium Enterprises [FORDA UKM Medan Deli]), November 16, 2010.

#### Surabaya

Dédé Oetomo (温忠孝) (social activist), December 24, 2010.

Anton Prijatno (王炳金) (ethnic Chinese businessperson engaged in the distribution of asphalt; former member of the East Java provincial legislature, 1977–87; former member of the national legislature, 1987–97), February 24, 2011.

Henky Kurniadi (游经善) (ethnic Chinese businessperson engaged in the real estate industry; national parliamentarian representing East Java 1, 2014–present), March 9, 2011.

Harry Tanudjaja (陈国樑) (chairperson, Surabaya branch of the *Partai Kasih Demokrasi Indonesia* (PKDD); candidate in 1999 and 2009 general elections; lawyer), March 31, 2011.

Samas H. Widjaja (黄三槐) (former chief editor, *Rela Warta* [《诚报》]; former adviser, *Harian Naga Surya* [《龙阳日报》]), May 5, 2011.

#### Other Informants (with Pseudonyms)

##### Medan

Daniel (deceased) (former media activist), July 13, 2010; September 17, 2010.

Farid (ethnic Chinese businessperson engaged in the garment production industry), July 15, 2010.

Ivan (ethnic Chinese businessperson engaged in real estate), July 16, 2010.

Halim (NGO activist), July 26, 2010.

Usman (NGO activist), July 30, 2010.

Susanto (ethnic Chinese businessperson engaged in the distribution of toys), August 4, 2010.

Christopher (ethnic Chinese businessperson engaged in the frozen seafood industry), August 18, 2010.

Erik (ethnic Chinese businessperson engaged in the iron and plastics industry), August 25, 2010.

Surya (media activist), September 17, 2010.

Andi (journalist), September 20, 2010.

Melani (person in charge, *Medan Zao Bao* [《棉兰早报》] and *Su Bei Ri Bao* [《苏北日报》]), October 22, 2010.

Janice (staff, *Medan Zao Bao/Su Bei Ri Bao*; former staff, *Hua Shang Bao* [《华商报》]), November 12, 2010.

Joe (person in charge, *Xun Bao* [《讯报》]), November 5, 2010.

Setiawan (person in charge, *Harian Promosi Indonesia* [《印广日报》]), November 8, 2010.

Eddie (ethnic Chinese businessperson engaged in the distribution of mechanical power-transmission products), November 10, 2010.

Joko (NGO activist), November 11, 2010.

Patrick (person in charge, *Hao Bao* [《好报》]), November 15, 2010.

##### Surabaya

Hariato (ethnic Chinese businessperson engaged in the beverage production industry), November 23, 2010.

Yahya (university professor), December 31, 2010.

Junus (university professor), January 11, 2011.

Atan (ethnic Chinese businessperson engaged in the real estate industry; developer-cum-contractor), February 28, 2011.

Bambang (ethnic Chinese ceramic tile factory owner), March 3, 2011.

Vincent (adviser, *Si Shui Chen Bao* [《泗水晨报》]), April 7, 2011.

Yati (former staff of a real estate company in Surabaya's Chinatown), April 8, 2011.

Suhaimi (university lecturer), April 27, 2011.

Wahyu (economic analyst; university lecturer), May 18, 2011.