STABILITY, ELITES AND DEVELOPMENT POLICY
IN THE NEW ORDER INDONESIA
1966 - 1983

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by

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I certify that no portion of this thesis has already been submitted for any degree and is not being currently submitted for any degree.

I certify that any assistance received in preparing this thesis and all sources used, have been acknowledged in the thesis.

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(M. Salmun Prawiradinata)
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CHAPTER ONE

THE QUESTION AND POSSIBLE EXPLANATIONS

One of the most striking characteristics of Third World countries is political instability. Although not all Third World states are politically unstable, witness for example Saudi Arabia and Nepal, many nations of both democratic and authoritarian leanings have experienced strong political challenges in maintaining established political order and national unity. These political challenges can take the forms of mass demonstration, riots or even coups.

Indonesia, as one of the relatively new independent nations, shares this characteristic of Third World states. After more than forty years as an independent nation, Indonesia has witnessed a complete range of political upheavals to an extent rivalled by few other Third World nations. Indonesia experienced a "democratic" state, then civilian authoritarianism and finally a government with a pronounced military component. However, there is a marked difference between the period before 1966 and since 1966, that is between the period of the presidency of Soekarno and the period of Suharto's New Order government.\(^1\)

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1. The political event that divided the Soekarno and Soeharto periods or the Old Order and the New Order periods, was the bloody coup of the 30 September movement and its excesses, until 11 March 1966 when General Soeharto effectively took over power from President Soekarno.
During the Soekarno era, the central government underwent a number of challenges that indicated its instability. Apart from challenges at the centre, the most serious threat to national unity came from a number of rebellions in the regions. These included the very long-lived Darul Islam rebellions in West Java, Aceh, and Sulawesi, and the shorter PRRI-Permesta rebellion. All these regional rebellions were brought under control by the end of the Soekarno presidency in 1966.

In the Suharto era, regional rebellions have been nowhere near as serious, having regard to duration, location, attraction of elite support and extent of disruption. While the Darul Islam and PRRI rebellions affected large areas of the 'core' of Indonesia, including even Java, the regional rebellions of the Suharto era have been in peripheral regions, and moreover in regions incorporated into Indonesia more recently than the remainder of its territory — Timor, and Irian Jaya, where the Organisasi Papua Merdeka has been active since 1963. These two cases, particularly Timor with its international dimension, can be seen as exceptions to the general rule that regional challenges to the central government have been much less prominent. Why is the Suharto government more successful in this area? Many explanations have been offered in attempting to answer that question.

First, many of the scholars studying Indonesian political, social or economic development have turned their attention to the typical characteristics of the newly emerging state. In many new emerging states there is a fundamental shift from a governmental system base on civilian rule to one in which there is an increasing role for the armed forces and even military rule. The new states, beset by problems of national unity, political instability, economic stagnation and corruption often turn to an authoritarian military government for a solution to these problems\(^2\). Indonesia has followed this pattern. There has been a governmental and political power shift from civilian to military rule. After 1966, the period of the presidency of General Soeharto, the military virtually ruled the state. The military-dominated government, had extra powers to use coercion and suppression against its political rivals including resistance and opposition in the regions.

\(^2\) See for example, Huntington (1968), Janowits (1964) and Pauker (1962)
Secondly, there appears to be greater integration of the political elite in the New Order government. Within the military itself there is a relatively uniform political outlook among regional commanders and the central command in Jakarta. This sense of a common political outlook is also shared with civilian elites of both the outer island regions and of Java. Thus during the New Order period there has been better communication, stronger personal ties and a common outlook among the different sections of the political elite. In particular they share a common hostility to Soekarno's Old Order and to the Communists. Apparently, so long as the elites in both the regions and the centre are closely linked, there is less likelihood of regional unrest, let alone regional challenge. In short there is a significant sense of common political outlook among the elites of the outer island regions and the Javanese elite. This factor will be examined in more detail in chapter four since it is an important part of an overall understanding of the success of the New Order government.

The third possible factor lies in the central government's development policy. The government's development strategy has apparently been designed and implemented in such away so that it is able increasingly to fulfil not only popular needs but most importantly the rising material expectations of those involved in the political game, whether prominent civilian figures or the military.

While the factors outlined above all have merit and are not mutually exclusive, I believe that the third hypothesis is very important although it is usually neglected in discussions of the problem of national stability and unity. Although suppression by a strong central government might contribute to the maintenance of stability in the centre and the regions in the short run, in the long run no regime can rely exclusively on the capacity to use coercion and suppression to dampen down all political unrest. Similarly, although the
emergence of a common outlook among the political leaders might contribute to national cohesion in the short run, in political life there is no eternal uniformity of political outlook. Today's loyal followers can become tomorrow's strong opponents.

It is clear therefore that national unity, integration and stability cannot be secured in the long run by suppression of resisting groups and coercion of the masses, nor through elite integration and a high sense of national awareness alone. Long term stability and integration also requires "maintenance" or rewards to both the political elites and the masses. The process of distributing economic rewards, however is not simply a matter of handing over money; there must be a vehicle a policy through which "rewards" are distributed. Therefore, this thesis will be focused on national development policy. How has the New Order regime implemented its development policy, what priorities has the regime emphasized in its development goals, what are the effects on stability, and how has development policy contributed to the maintenance of the regime and particularly national unity?

In short, this thesis will study the development policy of the New Order government. This study however assumes that politics cannot be separated from economic issues and that political factors such as political stability and a strong central government are an integral part of development policy. Therefore in this thesis will firstly be discussed the problem of national unity or national integration of the Indonesian nation which is considered as the central problem of Indonesian political stability. Secondly, this thesis will look back to the regional rebellions during the Soekarno period, since they were a clear example of the instability that threatened national unity. This discussion is important to see whether the real cause of these insurrections sprang from the problem of national unity itself or had other causes. Finally, this thesis will discuss the solution undertaken by the New Order regime to foster unity and
maintain stability - a solution which contained both political and economic aspects.
CHAPTER TWO

THE PROBLEM OF NATIONAL INTEGRATION

According to Coleman and Rosberg Jr, "National-Integration" involves two major dimensions: 1) Political integration which refers to a progressive bridging of the elite-mass gap on the vertical plane and 2) Territorial integration, which refers to the progressive reduction of cultural and regional tensions and other discontinuities on a horizontal plane in the process of creating a homogeneous territorial political community (Coleman and Rosberg Jr. 1964: 8-9). A similar definition has been used by Liddle but with different terms. He uses the terms "horizontal" and "vertical" for Coleman and Rosberg's "territorial" and "political" distinctions (Liddle, 1970). These concepts are useful in examining the case of national integration in Indonesia. Indonesia is a country which comprises many different regionally fragmented elements, and also shows a wide gap between the elite and the mass.

This thesis will focus primarily on the "horizontal problems", that is the problems that have a bearing on Indonesia's national unity. Horizontal cleavages represent a potential threat to the physical integrity of the state, particularly in Indonesia where each ethnic group tends to have its own ideological and religious identity and to be localized in a certain region. The vertical problem however will also be discussed because although it is not as prominent as is the horizontal cleavage, in fact it is also a serious threat to national stability.
II.1. The Horizontal problem.

The problem facing Indonesia in maintaining national unity, like most other Southeast Asian nations, mainly originates from its own "distinctive personality" (to borrow Fisher's term); most Southeast Asian countries, although each stands as a national unit, are fragmented and ethnically and culturally diverse. They are plural alike in economy and in society, (Fisher 1964: 9). This description is applicable to Indonesia and is indirectly but clearly revealed by Indonesia's national motto, "Bhinneka Tunggal Ika" or "unity in diversity" The choice of this motto suggests that Indonesia recognizes the existence of various ethnic groups, languages and religions existing within one nation and one state.

In Indonesia there are more than three hundred ethnic groups speaking more than two hundred and fifty languages (Geertz 1963: 24). As an archipelagic state Indonesia consists of more than 3000 islands, divided into 29 provinces. Some provinces consist of more than one island and are populated by more than one ethnic group. Nawawi divides the country into twelve major regions based on major population concentrations, each representing a major ethnic group which possesses common customs and a distinctive identity distinguishing it from the neighbouring groups. The largest ethnic group is the Javanese, inhabiting Central, and East Java and constituting about 45 percent of the Indonesian population, while West Java is the region of the Sundanese ethnic group, the second largest ethnic group. In Sumatra the main ethnic groups are Acehnese, Tapanuli Bataks, East Sumatrans, Minangkabau, and the Palembang people in South Sumatra. In Kalimantan, there are the people of West Kalimantan and Banjar. In Sulawesi, the ethnic groups consist of the Bugis and Makasarese who are mostly in South Sulawesi, while North Sulawesi is largely inhabited by Minahasans. In East Indonesia live the Ambonese in South Maluku. Bali, although regarded
by many scholars as part of Java, is considered by Nawawi as a separate ethnic group with its own distinctive religion, Hinduism (Nawawi 1969: 934-945). Each of Nawawi's major population groups possesses a deeply rooted ethnic loyalty. This situation is described well by Feith when he said:

"Other things being equal, Javanese found it easier to work with other Javanese than with other people of other groups in politics or in other matters, and the same can be said for Achenese, Balinese and Minahasans" (Feith 1962: 28)

Moreover ethnic loyalties in Indonesia to some extent also coincide with different religious beliefs. There are four major religions in Indonesia; Islam, Christianity, Hinduism and Buddhism. In addition, Muslims in Java can be divided into two distinct groups i.e. Santri and Abangan. The Santri are regarded as pious, practising Islam, while the Abangan are nominally Muslim and still practise syncretism, involving Animist, Hindu and Buddhist elements combined with Islamic beliefs and practices (Geertz 1960). A majority of Javanese are identified as Abangan while a substantial minority are Santri. On the other hand the Sundaneses and the outer island ethnic groups such as the Minangkabau, the Bugis, Makasarese and the Mandailing are usually strong Muslims. The Balinese are almost all Hindus and there are also pockets of Christians (Geertz 1960).

In the revolutionary and early post-independence period ethnic diversity and religious distinction became the basis of ideological segregation. Political parties mobilized their supporters from various ethnic groups, with the main division being between Javanese on one hand and the Sundanese of West Java with the ethnic groups of the outer islands on the other. Thus ethnic and religious cleavages lay behind confrontation between political parties. In Java the NU (Nahdlatul Ulama), an Islamic Scholars party was a santri-based Muslim party while the PNI (Partai National Indonesia), was an abangan-based party. The PKI (Partai Komunis Indonesia) was also a predominantly Javanese abangan-based party (Mortimer 1981: 615-32). Another Muslim
party, Masjumi, had strong support from the outer islands and West Java. Therefore, before 1965 the Javanese abangans were mainly supporters of either the PNI or the PKI, Javanese santris were predominantly supporters of the NU, while the Masjumi was dominant among the Sundanese of West Java and the outer islands. With the introduction of party ideologies, the loyalties of the people were no longer tied merely to their ethnic group and to their religions but also to their political parties. In many cases the ideology was adopted with minimum comprehension, or was even followed with blind fanaticism, because most of the followers had little education or were even totally uneducated. During that period the rate of illiteracy in Indonesia, as in most ex-Western colonies or newly independent nations, was unquestionably very high. Paauw noted that the Dutch left an illiteracy rate in Indonesia of almost 90 percent (Paauw 1960: 6).

Before the intrusion of party ideologies Skinner observed that traditional loyalties were related to the structure of kinship, religion or the civil-adat administrative hierarchy (Skinner 1959). These traditional loyalties later provided a strong basis for loyalties to ideology. Feith said that ties of common ethnic membership were frequently an important part of the cement of political groupings (Feith 1962: 28).

During the period of parliamentary democracy and guided democracy, traditional loyalties were competing with loyalty to the state. Officials of ministries and departments within the bureaucracy, rather than serving society as a whole, were more concerned with their own group.

Especially after the indoctrination of ideology by political parties, bureaucrats gave more attention to political groupings than to their duty to operate their ministry as an organ of the state. For example Feith observed that in 1958 all ministries were subject to a variety of effective political controls but the legal checks in most cases were extremely weak (Feith 1963: 389-
409). Further, Liddle explained that the PNI was well represented in the Ministry of Information and the Ministry of Home Affairs which controlled the territorial and civil service or Pamong pradja (Liddle 1970). Thus the horizontal cleavages in the form of ethnic, religious and regional interests had also been introduced into governmental institutions and created inter-departmental competition as bureaucrats often concentrated on serving their own particular group. This is one reason why the New Order government required all civil servants to join the Civil Servant Association of the Republic of Indonesia or Korps Pegawai Republik Indonesia (KORPRI), in the hope that this would reduce the tendency to serve their own ethnic, religious or ideological group. KORPRI was established by a Presidential Edict with the provision that for all civil servants there was to be a single loyalty, mono-loyalty, that is to the government through Golkar.

Aside from differences originating from the nature of the society, there are also other major problems that threaten Indonesian national unity. These include unequal distribution of natural resources between Java and the outer islands, the uneven population distribution and the unequal infrastructural development between Java and the outer island regions. Since the colonial era the Dutch had exploited the Indonesian archipelago and created the dichotomy between Java and the export-producing regions with their rich natural resources in the outer islands. The Dutch centralized their government in Java so that Java became the core and the outer islands become the periphery. The less populated outer islands became the producers and the sources of wealth for the people of Java, especially those of Central and East Java, which were over-populated and resource poor. At the same time, Java's infrastructure was more developed than that of the outer island regions.
II.2. The Vertical problem.

Another typical characteristic of most newly independent nations is that national integration has always been overshadowed by the social and economic gap between the elite and the mass. In Indonesia during the Old Order period, the PKI (the Indonesian Communist Party) was able to gain a great deal of mass support by exploiting the gap between elite and mass to an extent only rivalled by the PNI (the Indonesian Nationalist Party) in terms of mass support.

In some respects Indonesia's vertical integration problem, although certainly serious, is less obvious than the horizontal problems. Feudal values are strongly maintained by the ruling groups in Indonesia and tend to obscure vertical divisions. The paternalism of Indonesian society, according to which members of the elite i.e mainly the high officials (pejabat tinggi), are regarded as bapak (father) by the mass, means that the mass as good children must always obey their bapak. Even in Javanese society, where vertical divisions are most marked, the mass apparently has accepted this separation willingly.

According to James Mysberg:

"To most villagers, the contemporary elite is seen as a continuation of the old aristocracy and is accorded respect on the basis of a traditional acceptance of "autocratic power" and a hierarchical system which imply privilege rather than mutual obligation" (James Mysberg 1957: 39).

Thus, although the Indonesian society is characterized by a wide gap between elite and mass, class divisions are not as dangerous as horizontal cleavages. This situation is clearly described by Soekamto who said:

"Indonesia has no general social structure which can serve as a framework for the entire society. The society is composed of a large number of fluid groups, which tend to be parochial. Ethnical, religious and ideological groupings are more important than class differences" (Soekamto S. 1973: 58).
Although the wide gap between elite and mass, which is reflected in term of income disparity, is often simply accepted by the mass at the bottom, income disparities between the small group of people and the vast majority of the Indonesian people can also cause outbreaks of dissatisfaction. On many occasions mass dissatisfaction has burst out in riots, particularly anti-Chinese riots, which to some extent were manifestations of the dissatisfaction of the mass toward those who were economically well-off. However, this cleavage never really threatened national unity, in the sense that it has never transformed itself into a political movement challenging the existence of the government.
CHAPTER THREE

THE CAUSES OF REGIONAL REBELLION

Since horizontal cleavages, as I mentioned earlier, are very conspicuous in Indonesia, it is essential to discuss regional rebellions. In many aspects they reflect the worst horizontal problems that have ever occurred in Indonesia.

"Regional rebellion" in this study refers to rebellion by the people of a particular region against the existing national state. In such a rebellion the people make demands by force upon a government in the name of the region and ostensibly on behalf of the region. The demands are not necessarily for the creation of a separate state but may also be in the form of a demand for regional political autonomy which could embrace economic and legal exceptionalism, for example the case of the special area of Aceh (Morris 1983). A rebellion can break out as a culmination of dissatisfaction in the region with the central government. The regional people demand a change in central government policy although not necessarily separation. It is therefore important to note that not all regional rebellions are secessionist movements, although they have the potential for separatism. However regional rebellions always run counter to the process of national integration or national unity.

The reasons for regional challenge can derive from many factors; political, social, economic, or even personal rivalries. One important reason for the outbreak of rebellion is deep-rooted regionalist feeling. According to Nawawi, "regionalism" is simply a strong sentiment of loyalty or attachment on the part of the population of a geographical region to that particular territory (Nawawi 1985), or what Geertz has called "primordial-attachment". Rebellions however are not solely based on sentiment, feeling or strong
primordial ties even though strong primordial-attachment is usually exploited by regional elite groups, particularly if economic or political dissatisfaction is rising. Regional challenges can also be a manifestation of strong competition or rivalries among elites, particularly the elite within the army.

In Indonesia the causes of regional challenges to the central government before 1966 have been very complicated. Regional challenges were often a manifestation of the personal dissatisfaction of rebel leaders toward the central government leadership, interlinked with ethnic, religious and economic interests.

In the following part of this thesis, I will discuss the causes of regional rebellions by analyzing the Darul Islam rebellion and the PRRI/Permesta rebellion. These rebellions were two of the most important to have taken place in Indonesia, and in many aspects provide a clear picture of serious intra-elite conflict.

III.1. The Darul Islam Rebellion.

The Darul Islam rebellion, led by Kartosuwirjo, initially broke out in West Java and then spilled over into the western part of Central Java. Kartosuwirjo later allied with the rebellion in South Sulawesi led by Kahar Muzakar, and with Daud Beureu'eh's rebellion in Aceh, and was also supported by Ibnu Hadjar, the rebel leader in Kalimantan. However the rebellion in Kalimantan was minor compared to the other three.

The rebellion broke out during the national revolution against the Dutch when troops of the Hisbullah and Sabililah, led by Kartosuwirjo, rejected the Renville agreement of 1948 which provided for their evacuation from West Java (Boland 1971, Horikoshi 1975, van Dijk 1981). Kartosuwirjo considered
that the Renville agreement represented the defeat of the Republic against the Dutch and therefore could not accept it. An Islamic state itself was not yet formed but was only proclaimed in August 1949 when the final agreement between the Republican leaders and the Dutch was signed (Feith 1962, Reid 1974). This agreement known as the "van Royen-Roem agreement", was strongly criticised by Kartosuwirjo (Pinardi 1964).

Long before the Renville agreement, Kartosuwirjo had been alienated from the Republican leadership, apparently because he had not been given any position after independence in the Republic. According to van Dijk, during the discussion of the draft constitution, particularly during the debate concerning the amendment of the Jakarta Charter3, Kartosuwirjo and his associate, Kamran, who before the Japanese occupation had championed total hijrah4, were not given a chance to voice their opinion concerning the state ideology and the content of the Jakarta charter (C.van Dijk 1981: 59). Kartosuwirjo, in fact had also quarrelled with his members of his own party, the Masjumi. His long standing dispute with his colleagues had come to an open conflict because he could not get definitive support from the Masjumi in

3. The Djakarta Charter was the proposed preamble of the constitution. The Muslim members had been able to persuade other members of the committee to place referring to Principle of Belief in God, as the first pillar. In the former preamble the principle of Belief in God was not the first pillar. In addition, the words 'belief in God' were followed by the clause 'with the obligation for the adherents of Islam to practise Islamic law' (Boland 1971:27, van Dijk 1981:47-48). In Indonesian the additional words were as follows 'dengan kewajiban menjalankan syariat Islam bagi para penganut nya'.

4. 'Hijrah' is the word which is used to designate the departure of the prophet Muhammad from Mecca to Medina in 622 AD. The prophet Muhammad with his followers evacuated from Mecca to Medina to rearrange and to consolidate their force which enabled him to take over Mecca and gain a final and total victory. Therefore, the word 'hijrah' is used to indicate a tactic of withdrawal of force to prepare for a final blow toward a total victory. The term 'hijrah' later was used by the Republican Siliwangi Division of West Java which had to withdraw its forces from West Java to Central Java.
his opposition to the terms of the Renville agreement. C.van Dijk illuminates this clearly when he writes:

"As a consequence of the Renville agreement, the rupture between Kartosuwirjo and Masjumi became definitive and irrevocable. Masjumi, although opposing the agreement itself, shortly after its signing became a government party and so came to share the responsibility for the observance of the agreement and was obliged itself to comply with it. Hence it could not follow Kartosuwirjo in his rejection of it" (van Dijk 1981:85).

Ironically, as a manifestation of Kartosuwirjo's dissatisfaction and his rivalry with the Republican leaders, it was the new independent Republic which became the target of his attack, not the Dutch (Pinardi 1964). Further according to van Dijk, Kartosuwirjo even cooperated with the Dutch, i.e. with Jungschlager and Schmidt, in the Dutch APRA (the Just King Army or Angkatan Perang Ratu Adil) military action. The Dutch agreed to supply weaponry to Kartosuwirjo with which he could attack the Republicans in the villages (C. van Dijk 1981: 101). Perhaps as a manifestation of his disagreement with fellow Masjumi men, Kartosuwiryo also attacked other prominent figures (Pinardi 1964). The above evidence, put forward by various writers has raised the question of whether Kartosuwirjo's rebellion was based on a strong commitment to Islam or merely a personal dissatisfaction with his colleagues in both the Republic and the Masjumi.

It is difficult to see Kartosuwirjo's rebellion as merely a manifestation of conflict between Muslims on one hand and nominal Muslims and non-Muslims on the other. Kartosuwirjo had a longstanding conflict with other Masjumi leaders and later disengaged from Masjumi. Furthermore, Kartosuwirjo's own Islamic training, as well as his Islamic education, was very meagre and lagged far behind that of other Indonesian Islamic leaders (Horikoshi 1975: 73, Noer 1973: 148, Pinardi 1964: 29-30).
On the other hand, Kartosuwirjo's rebellion cannot be regarded as a West Javanese regional rebellion against the central government, since Kartosuwirjo himself was not West Javanese. According to Syamsuddin, Kartosuwirjo's DI (Darul Islam) lacked popular support from both the ulama and masses. The rebels consisted of a mixture of ambitious politicians, guerrilla leaders, bandits and peasants. Further, Sjamsuddin argues that this fight was no longer in line with Islam but was merely organized terror and robbery. Therefore Kartosuwirjo failed to gain sympathy, let alone recruit massive support from the people (Sjamsuddin 1985: 243-44).

Although the Darul Islam rebellion in West Java was later linked with Kahar Muzakar's rebellion in South Sulawesi and Daud Beureu'eh's in Aceh, and they each used Islam as the basis for their confrontation against the central government, they were each different in their relations with the people in their region.

Like Kartosuwirjo, Kahar was also a man who did not gain any position in the Republic after independence. According to Harvey, Kahar was upset because he had not been given military territorial command (Harvey 1974: 211) Kahar fully merged with Kartosuwirjo's Islamic State in July 1953 and he later proclaimed Sulawesi and surrounding areas, including West Irian, as part of it on 7th of August 1953, four years after Kartosuwirjo's proclamation of his Islamic state. Kahar apparently cooperated because he was appointed as representative for that area. He later became more involved in the Islamic State with his appointment on January 1st, 1955, as First Deputy Minister of Defence in the government of the Islamic State of Indonesia (C. van Dijk 1981:188-89).

The sequence of events suggests that Kahar may have only supported the concept of an Islamic state after he got assurance that his ambition, which
had not been satisfied by the central government, would be fulfilled by Kartosuwirjo, even only on paper.

However there were many differences between the nature Kahar's relations with the regional people and Kartosuwirjo's. In South Sulawesi, Kahar Muzakar was able to manipulate adat or local tradition, particularly Sirik (lineage) and Pese (kinship) (Sjamsuddin 1985 :243-44). Kahar was able to use ethnic traditions because Kahar, unlike Kartosuwirjo, was originally from the same region of his followers. Therefore Kahar Muzakar in his challenge against the central government was able to exploit regional sentiment, and ethnic loyalty, and was also able to involve ulamas. Kahar Muzakar also emphasized building an egalitarian society, which was never mentioned by Kartosuwirjo let alone by Daud Beureu'eh in Aceh. For example, he tried to eliminate all traditional titles such as andi, daeng, raden. He even prohibited Islamic titles such as haji (C.van Dijk 1981 :192), which was clearly an attack on the pride of those Muslims who made the pilgrimage to Mecca.

In addition to using ethnic loyalty to win mass support, Kahar also made contact with Leftists and Communists. Despite indications that he had no strong commitment to Islam, Kahar Muzakar nevertheless realized that only by using Islam could he continue the struggle (Harvey 1974: 253). Thus, personal dissatisfaction appeared to be a major factor in the rebellion of Kahar Muzakar. Regional loyalties and religious aims were involved because these were the means of gaining mass support against the central government.

The case of Daud Beureu'eh's rebellion was even more complicated as it was a reflection of rivalries among political elites, i.e. the religious elites or Ulama against the traditional elites or Uleebalang and the military elites. This rivalry, as usual, had its origin in the revolutionary period, long before independence. According to Reid, the rivalry was initially between the reformist scholars or ulama, and the traditional elites or Uleebalang. It turned
into a bloody conflict for leadership in the society where economic interests were at stake (Reid 1975)

The religious leaders in Aceh were united in the Ulama organization, called PUSA (Persatuan Ulama Seluruh Aceh). Daud Beureu'eh was one of its founders and later became its chairman. The Uleebalangs, because of their position in the colonial administration, were hated and regarded as infidels by the ulama. Before independence and particularly before the social revolution which erupted a few months after the Japanese defeat, the Uleebalang not only held high positions in the society but also controlled most of the economic resources (C. van Dijk 1981). For example, Siegel pointed out in Pidie alone, Uleebalang owned between a third and half of the total ricefields (Siegel 1969:27).

That the conflict was not merely religious in nature is clearly shown by the actions of the ulama, who, long before the Japanese landed in Indonesia, had cooperated with them and later assisted them to get rid of the Dutch from Aceh. Many authors have noted that the assistance of the Ulama to the Japanese was not exclusively inspired by anti-Dutch feeling. They wanted to be rewarded by being given the position that was held by the Uleebalang, and at the same time abolish the power of of the Uleebalang (Reid 1974 : 65, Reid 1975 : 49-61, C. van Dijk 1981 :271-72). However, according to van Dijk, in the first month of independence, many Uleebalang actively supported the Republicans and, in turn, the Republicans looked to the Uleebalang to run the administration because they were regarded as more educated than other members of society (C. van Dijk 1981). Therefore a few months after the Japanese surrender, the Uleebalangs were attacked by the ulama. Those who survived not only lost their positions but also their property which was seized by the ulama, in particular the PUSA leaders (C.van Dijk 1981: 273).
Thus, it is hard to regard the conflict between the ulamas under PUSA and the Uleebalangs as a purely religious struggle for the sake of the common people. Clearly it was a conflict over leadership in the society and over economic wealth. Boland (1974) and van Dijk (1981) comment strongly on this. Boland writes:

"It was in fact in no way a religious conflict, merely a political and social one" (Boland 1971: 70)

while van Dijk writes:

"It was evidently the Islamic leaders and not the common people who benefited by the confiscation of the Uleebalangs' wealth (c. van Dijk 1981: 273).

After the Japanese defeat, according to van Dijk, the civil administration was already dominated by PUSA while the Army was increasingly becoming an instrument of the Uleebalang (C. van Dijk 1981: 295-96). Consequently the conflict developed into a movement of the Ulama against the military of the newly independent Republic in order to win political and military power. To a significant extent military power was also a source of economic wealth, particularly since military power was necessary to protect the trade between Aceh and Malaya. Like everywhere else in Indonesia the military was anti-Communist but in Aceh it also confronted PUSA.

The dissatisfaction of PUSA leaders with the central government was made worse, not only because of the interference of the central government in its conflict against the Uleebalangs, but also because the Aceh administration was under the province of North Sumatra. According to van Dijk this was one of the immediate causes of the rebellion. Under this structure, the economic resources of Aceh were under the control of North Sumatra, and administrative procedures became a bureaucratic handicap to trade in Aceh. Further North Sumatra was predominantly non-Muslim, i.e. Christian-Batak. The economic problems of this administrative structure directly affected the upper level of society as illustrated by van Dijk in the case of Amir Husin al
Mujahid. During the revolutionary period when Aceh was a separate and semi-autonomous administrative entity, Amir Husin al Mujahid gained control of the oil-fields in East Aceh as General Manager of the Aceh Oil Mining company or Tambang Minyak Aceh. After Aceh was reincorporated into the province of North Sumatra, the company was renamed Tambang Minjak Sumatra Utara and extended its control to the oil-field at Pangkalanbrandan. The headquarter was also moved from Aceh to Pangkalanbrandan. As a result, the oil-fields of Aceh were no longer managed by Amir Husin al Mujahid but came under the control of the Pangkalanbrandan headquarters (van Dijk 1981: 357-58). In this case, we can see it was only the leaders who were economically affected; it did not make any difference for the common people and the laborers whether the headquarters were in Aceh or in Pangkalanbrandan, as their wages remained unchanged.

The PUSA rebellion led by Daud Beureu’eh was not integrated with Kartosuwirjo’s movement for an Islamic State, as indicated by the fact that the rebellion in Aceh broke out five years after that of Kartosuwirjo. According to Feith (1964) and Boland (1971) the delay was because Daud Beureu’eh initially adopted a moderate policy by relying on the influence of the Masjumi in the cabinet. But when Prime Minister Ali Sastroamidjojo excluded the Masjumi from the cabinet, the rebellion broke out. Dissatisfaction with the central government reached its peak when the Masjumi, the party through which Daud Beureu’eh’s fought, not only failed to provide satisfactory results but was even excluded from the cabinet.

The argument of Feith and Boland implies that, had the Masjumi not been excluded, there would probably not have been a rebellion. The argument also tends to regard the rebellion as largely rooted in the conflict between Masjumi (the Muslim party) and the non-Muslim parties. However, as has been shown earlier, the rebellion of Daud Beureu’eh’s originated from the
conflict between the reformist scholars (ulama) and the Uleebalang. Although the Ulama accused the Uleebalang of being infidels (van Dijk 1981), the Uleebalang like all other Acehnese are strong Muslims.

Further there is no guarantee that had the Masjumi not been excluded the rebellion would never have occurred. In fact during the New Order period, although there is no representative of PPP (Partai Persatuan Pembangunan) in the cabinet, the Acehnese are firmly integrated with the central State. So lack of Cabinet representation is not necessarily a cause of Acehnese disaffection. It seems clear that the rebellion happened largely because PUSA leaders were not satisfied with the policy of the central government which was inclined to support their opponents (Sjamsuddin 1985: 327). It is quite understandable that PUSA leaders would attack the government since Uleebalang had for long been strong competitors with PUSA leaders for both economic resources and prominent positions in the society. Sjamsuddin illustrates the importance of economic interests clearly when he writes:

"When the central government banned the barter trade system between Aceh and Malaya in early 1952 the PUSA leaders were severely affected. Indeed the termination of barter trade nearly destroyed the entire economic power of the PUSA elite" (Sjamsuddin 1985: 113)

From the studies cited above we can see that apart from the common Islamic theme of the rebellions, the political and economic interests of the leaders were crucial. Further it is also clear that these regional rebellions were not primarily spontaneous movements of the people of the region. Rather the people were mobilized by the political elites, or they simply joined the leaders. Perhaps the difference between Daud Beureu’eh on one hand and Kahar Muzakar and Kartosuwirjo on the other, is that unlike Kahar Muzakar and

5. It is hardly possible to come across an Acehnese who is not a strong Muslim, whether he is a commoner or Uleebalang.
Kartosuwirjo, Daud Beureu'eh was an ulama who gained outstanding support from the people, the elite and the mass (Sjamsuddin 1985). However it is not clear whether Daud Beureu'eh gained spontaneous support, that is support that does not need any appeal from leaders, or whether he gained mass support because he appealed to the people for their support on the basis of Islam and by accusing his opponents of being infidels.

III.2. The PRRI/Permesta Rebellion

It is commonly believed that the PRRI/Permesta revolt arose from a number of factors which caused resentment in parts of Sumatra and Sulawesi. It is sometimes argued that the revolt was partly motivated by ideology, especially Islamic alienation from a government dominated by abangan Javanese. The revolt is also sometimes seen in ethnic terms as a protest by non Javanese against Javanese domination. It is further suggested that regional dissidence had an economic base in that Java appeared to be the main beneficiary of exports originating in the outer islands. While there may be some truth in each of these explanation, they do not make up a complete explanation.

It is difficult to consider the PRRI/Permesta rebellion purely as an ideological challenge to the central government which originated from the confrontation between the PKI and PNI in Central and East Java and the Masjumi in the outer islands, or between Javanese abangan and the Muslim Masjumi of the outer Islands. In fact the rebels included both Muslims and Non-Muslims. The Minangkabau ethnic group in West Sumatra and the Mandailing Batak of South Tapanuli were predominantly Muslim, while the

6. PRRI: (the Revolutionary Government of the Republic of Indonesia, Pemerintahan Revolusioner Republic Indonesia)/ Permesta: (the Universal Struggle, Perjuangan Semesta).
Minahasan and the Toba Batak of North Tapanuli were chiefly Protestant. Nor can the rebellion be explained purely in ethnic terms as a conflict between Javanese on one side against non-Javanese on the other. In fact the rebels were also supported by prominent Javanese, such as Professor Sumitro. Feith and Lev point out that some of the rebels' military hardware was bought cheaply from Taiwan as a result of the work of Prof. Sumitro, the rebels' representative abroad (Feith and Lev 1963:41). Nor was the central government wholly Javanese government; in fact at that time, Maj. General Nasution, a Batak- Mandailing Muslim, was the chief of staff of the army and he agreed with President Soekarno on the importance of maintaining central government authority. That the conflict was not essentially ethnic or religious was also clear from the original rebel ultimatum which demanded that the existing cabinet under Prime Minister Djuanda resign and that parliament allow Hatta and the Sultan of Djogjakarta to form a new business cabinet, Hatta being a Muslim from Sumatra while the Sultan was the living embodiment of the Javanese world view (Feith and Lev 1963:35).

The cause of the rebellion also cannot be explained primarily in terms of the dichotomy between the outer island regions as export-producing regions (and thus the supplier of foreign exchange for the central government and the biggest contributor of government revenues derived from export) and Java as the beneficiary of these export revenues. It is also untrue that the rebellion broke out due to the unfair distribution of government spending between Java and the rest of Java. In this case Legge has demonstrated that the regions which produced the loudest complaints that they were being neglected, West Sumatra and North Sulawesi, were not the major contributors either to government revenues (through company tax and customs duties) or to the country's reservoir of foreign currency. Further, he points out that in 1956, Padang, the main port of West Sumatra, exported goods only to the value of Rp 187,300,000, a very small amount if compared to the total
exports of Rp 10,208,900,000. In fact during 1957, in spite of the fact that West Sumatra was technically out of the control of the central government, it still received from the central government provincial aid and maintenance service to the amount of Rp. 400,000,000 (Legge 1961:237-38).

Regarding the regional complaints about the backwardness of the infrastructure, to some extent this complaint was misdirected because most, if not all, of the infrastructure operating during the Soekarno era was constructed by the Dutch, not by the Independent Republic of Indonesia. It is obvious that the outer island regions, due to the lack of infrastructure, were economically underdeveloped, but they could not reasonably be immediately provided with infrastructure and services equivalent to the scale that already existed in Java. The challenge to the central government would not solve the problems of lack of infrastructure.

Since the above factors appear to be dubious as explanations for the rebellion, it is perhaps more reasonable if the cause of the rebellion is also explained in terms of the rivalry within the political elites, particularly intra-army rivalry over positions in the government and economic wealth. The dissident army officers made the outer island regions the base for their challenge to the central government. Many of these officers had once held positions in the central government or in Java. For example, Col. Zulkifli Lubis was once Deputy Chief of Staff of the army, while Col. Kawilarang had been Commander of the army in West Java. These army dissidents sought further support from dissatisfied civilian leaders who had been excluded from the ruling group in the central government. The dissident officers accused the government of over-centralization, corruption, neglect of the outer islands and claimed that it had been overwhelmed by Communists (Feith and Lev 1963: 32, Crouch 1975: 32). Due to this situation many military officers in the outer islands engaged in smuggling, claiming that it was done for the welfare of their
troops. The conflict between the elite, particularly the military elites of the outer islands, and the centre reached its peak when the central government, in an attempt to reduce smuggling and to increase revenue from tax on international trade, banned barter trade between the outer islands and the outside world. The central government also issued a regulation that all exporters must present Foreign Exchange certificates (Bukti Eksport=BE) when claiming foreign exchange from the government. In addition, the central government adopted a fixed exchange rate policy. Due to these policies the political elites in the regions of the outer islands and the military officers who engaged in business claimed that they were being robbed by the central government (Legge 1961: 241-43). Legge argues that these dissatisfactions of the elites with the central government policy were further aggravated by the deterioration of the whole economic situation. (Legge 1961: 236). Legge's argument is supported by the fact that the internal Indonesian situation during the Korean boom was momentarily calm, at least until 1952, because everybody benefited from this event. When the war was over, however, disagreements and disputes tended to warm up again, reaching a climax in the form of regional rebellion.

Like the experiences of rebellion in West Java, South Sulawesi, and Aceh, the PRRI and Permesta rebellion in West Sumatra and North Sulawesi, political elites played a crucial role. It seems that whatever the cause of these rebellions, whether primarily political or economic or a mixture of both, and whatever the demands, whether greater autonomy or change of the central government policy, the key political figures, the regional elites and the military commanders, acted as the initiators. In other words, the rebellions were not spontaneous movements of the people demanding change in government policy. The importance of the role of political elites as the initiators was also clear from the fact that at that time most Indonesians had little education and did not understand the real situation; and moreover the paternalistic
characteristic of the Indonesian society made the people simply follow their leaders or respond to the appeal of the political elites, whether military or civilian or a combination of both.

III.3. The Conclusion.

To conclude, I will attempt to relate the points made in chapter II with the points made in chapter III, in order to see the relationship between the causes of regional rebellion and the problems of national unity. As has been argued, the uprisings of the Darul Islam and the PRRI/Permesta were not simple manifestations of ethnic conflict between the Javanese of Central and East Java against the non-Javanese. In fact, in the case of the Darul Islam rebellion, Kartosuwirjo, who proclaimed himself as the Imam of the Indonesian Islamic State, was a Javanese born in Cepu, a small city on the borders of Central and East Java. Ironically, he led the Sundanese of West Java and cooperated with Kahar Muzakar of South Sulawesi, Ibnu Hadjar of Kalimantan and Daud Beureu’eh of Aceh. According to van Dijk, the Darul Islam of West Java also spread to Central Java and was supported by some Central Javanese (C. van Dijk 1981). Like the supporters of the Darul Islam rebellion, the PRRI/Permesta also consisted of a mixture of ethnic groups and included among its leaders, a Javanese, Prof. Sumitro. On the other hand, the central government was not a totally Javanese government.

Nor were the two rebellions based solely on an ideological conflict between Muslims and an alliance of Non-Muslims and Abangan Javanese. As we have seen, Kartosuwirjo's movement was not based purely on religious motives, and indeed contained a strong element of simple banditry. Like Kartosuwirjo, Kahar Muzakar in his challenge to the Centre was also not a person purely motivated by commitment to Islam. This was indicated by his
contact with Communists, as pointed out by Harvey (1975). And the PUSA leaders' challenge to the central government was in many respects, as argued by Sjamsuddin, due to the government tendency to promote the Uleebalang, the PUSA's opponents. In the case of the PRRI/Permesta rebellion, it was even clearer that it was not an ideological conflict let alone an essentially religious conflict between Muslim and Non-Muslim. The PRRI/Permesta side was clearly a mixture of Muslim and Non-Muslim. At that time, although the central government was dominated by those who maintained that Pancasila was the best ideology for the Indonesian people, on the rebels' side there was a dispute concerning "what ideals are they fighting for". Feith and Lev noted there were many Muslim officers who opposed the use of Islamic ideology, preferring Pancasila as the state ideology which was considered more permissive and inclusive (Feith and Lev 1963:32-46)

The presence of many different elements with different interests was indicated by Col. Dahlan Djambek, the PRRI's Minister of the Interior, in his comments to James Mossman in the early days of the PRRI rebellion:

"Naturally our appeal must be made to fit our audience. For the Western powers we stress the very real danger of Communism. For the Javanese, we will talk about parliamentary democracy and Soekarno corruption; By using these fragmented and localized appeals, the leaders of the PRRI expected, as he said 'to win the combined support of otherwise divergent elements'" (James Mossman 1961:56)

From the evidence put forward it is clear that a nation characterized by ethnic diversity, ideological differences, regional fragmentation, and economic discrepancies between regions as well as by social and economic gaps between
the elite and the mass, may face formidable problems in maintaining its national unity. Such a range of differences and antagonisms may become acute and turn into conflict, particularly in a situation beset with economic scarcity. But regional rebellion, separation of balkanization are not necessarily the consequences of these numerous differences.

Despite the gap between elite and masses, and without denying the element of spontaneous rebellion from below in the pre-1965 rebellions, it remains true that a major factor in the seriousness of these rebellions was the fact that they had the leadership of a significant part of the political elite, an elite divided by personal rivalries and among which dissatisfaction with the deterioration of the economic situation was widespread. Therefore, to prevent national instability, it seems that the most effective programme would be to focus initially on the economic betterment of the political elites.
CHAPTER FOUR
THE NEW ORDER SOLUTION

As has been mentioned in the preceding chapter, there have been several explanations for the turbulence of the immediate post-independence period. In this chapter we will attempt to explain the bewildering contrast with the apparent calm of the New Order period.

The years of unrest following independence were marked by military and political challenges from many regions, particularly from the outer islands. These insurrections were basically a culmination of many factors among which one of the most important was elite rivalry and the dissatisfaction of the leading political figures with the ruling group in the central government. This elite conflict was exacerbated by the deterioration of the whole economic situation, particularly the decline of government revenue and the high inflation rate.

During the period following the outbreak of the Korean war in 1950, almost all sections of the political elite in the newly established Republic had momentarily enjoyed benefits from the high demand for Indonesian raw materials such as rubber in the international market. But when the Korean boom was over simmering conflict came to the surface again and the situation deteriorated. This economic stagnation resulted in a lack of development, particularly in the outer island regions, and this automatically led to a loss of respect for the central government in the regions. The situation is well described by Mackie when he writes:

"As economic conditions deteriorated, the central government became increasingly unable to provide financial resources to the regional authorities or wield effective sanctions over them, with the result they tended to go their own way in either 'bending' or 'disregarding' central government regulations" (J.A.C. Mackie, 1980: 675).
From this point the interdependency between political development and economic development is unequivocal. In Indonesia this situation was clear from the fact that the failure of the elite to organize an effective common purpose had a negative effect on the economic situation\(^7\), while economic deterioration sharpened the existing conflict.

In this chapter therefore, I will first examine the New Order political approach. This will lead to a discussion of economic development programs and their implementation as an overall policy for maintaining stability and unity.

IV.1. The Elites of the New Order.

Since the subject of "elite" has been raised in the previous discussion, it will be necessary to define the concept and to examine, based on the works of a number of scholars, the role of the elite and particularly its relationship with the masses.

The concept and definition of elite is very complex and has been studied by many. In this thesis I would like to highlight mainly the discussion of elite proposed by Bottomore, since I consider his discussion to be compatible with the role of Indonesia's elite.

\(^7\) Phillip M. Hauser in "Structural and Personal Characteristics of the less developed areas", (Political Development and Social Change, p.61) states that in the societies of South and Southeast Asia, "The achievement of collective consciousness and the ability to act in a concerted and a team manner toward common objectives may be prerequisites to economic development in this part of the world". Mohamad Sadli in "Reflections on Boeke's theory of Dualistic Economies, (The Economy of Indonesia, Selected Readings), ed by Bruce Glassburner, also states the importance of the elite's common perception toward the success of development. (Ithaca, N.Y. Cornell University Press, 1971), p.120
According to Bottomore, the first social theorist to offer a systematic discussion of the concept of elite is Gaetano Mosca. Mosca clearly emphasised that any society has two major groups; the "governing elites" and the "ruled masses" (Bottomore 1964 : 9). The differences between the two groups, according to Mosca, are;

"The first class, always the less numerous, performs all political functions, monopolizes power and enjoys the advantages that power brings, whereas the second, the more numerous class, is directed and controlled by the first in a manner that is now more or less legal, now more or less arbitrary and violent" (Mosca G, 1939, quoted in Bottomore 1964 : 9).

Bottomore added that Mosca elaborated on the characteristics of the elite and the dynamic relationship between the elite and the masses. The member of the elite try not only to elevate themselves above the rest of the society, they also try to maintain their status vis a vis the general masses through a 'sub-elite' which consists of a large group of "the whole new middle class, civil servants, managers, white collar workers, scientists and engineers, scholars and intellectuals" (Bottomore 1964: 9). This sub-elite also supplies new recruits for the elite and plays a vital role in all affairs of the society.

Bottomore also discussed the theory of Vilfredo Pareto. According to Bottomore, Pareto further specified the general classification offered by Mosca. Pareto said that the elite, the highest stratum in society, should be divided into a) the governing elite consisting of those who are directly or indirectly involved in the government, and b) a non-governing elite composed of the rest of the elite (Bottomore 1964 : 7-8).

The concept of elite which is discussed by Bottomore based on the works of many scholars, is in many respects similar to the nature and characteristics of the people who are regarded as elite in Indonesia. Benedict R. O’G. Anderson specifically pointed out that Indonesian culture tends to divide society sharply into elite and mass. A person is either a leader (pemimpin) or one of the
common people (orang biasa) (Anderson B. R. O'G 1970 : 50). In this study, the term "elite" will be attributed to those members of the community who are compatible with the criteria put forward by Mosca and Pareto. That is we will distinguish between the governing elite, the non-governing elite, the sub-elite and the masses. The use of the concepts of Mosca and Pareto in this thesis, I consider, in some aspects is in line with the reality that Indonesian society is divided into these class communities.

In this context, the Indonesian governing elite is composed of, high government officials both military and civilian. The non-governing elite consists of prominent figures in society, including leaders of political parties, leaders of religious institutions, successful businessmen, and traditional elite. Other members of the elite are those who shape public opinion by their public statements through newspapers or other mass media. Many of these are intellectuals and come from academic institutions, such as scientists, scholars or engineers. In regard to successful businessmen, it is important to note that many of them were successful due to patronage from high officials in the government, while some are in fact high government officers themselves (Crouch 1976, Robison R. 1984). The traditional elites consist of those who are respected by the people not because they entered into government or the bureaucracy, but because they inherited the position from their ancestors in the colonial period.

The elites in both the government and non-government sectors mostly belong to the urban based society who are cut off from the rural-based traditional mass population. It is typical of elites in Indonesia that there has often been a struggle among them to use the masses for their own political purposes. Another important characteristic of these elites in Indonesia is that they are basically "paternalistic" in the manner in which they limit subordinate opinion or popular
participation, tend to ignore popular demands, and expect the masses to obey their authority.

IV.2. Political Approach

Set against bitter experiences during the past and the numerous factors which inhibited Indonesian national unity, few observers of Indonesian politics would have dared in the late 1960s to suggest that the New Order government could maintain a long-standing political stability. Many of them even expected that after the abortive coup on 30 September 1965, there might be a succession of coups and counter-coups (Crouch 1980, Feith 1980).

There are indeed many aspects to be assessed in analysing the process of creating a strong central government and political stability in the New Order era. As I have argued, the political upheavals during the previous regime did not primarily spring from horizontal cleavages or as Mackie put it, "centrifugal and centripetal factors" (Mackie 1980). It was mainly due to the rivalries among the political elite. Therefore, the New Order leadership stressed the need for elite unity in maintaining a strong central government. In other words political stability can be maintained in the long term as long as there is cohesiveness among the leading political figures. Gregory has clearly stated that integration of the elites has a great impact on increasing political stability (Ann Gregory 1979). The more consolidated the elite, the easier it is for the top leader to control it.

There are many factors which contribute to this process of elite unification, and the New Order leader has consistently harnessed these factors during his
The presidency and at the same time has been able to diffuse those elements that could be obstacles to this process.

The most important factor contributing to this elite cohesiveness is the patrimonial characteristic of Indonesian society which is prominent not only among the Javanese but also in the societies of the outer islands. In a patrimonial society there is a distinction between the elite and the masses. The masses on the whole, only have responsibilities with limited rights, while the elite tends to have more rights than responsibilities to the state. The obligation of the masses to the state is in effect their obligation to the government which also means their obligation to the rulers. One way or another, the masses have to adjust themselves to the elite’s policies whether they agree with them or not. Any disobedience of the masses is therefore regarded as challenging the rulers. The elite, as the rulers in maintaining their status and authority, tends to become more united against the masses although not always united among themselves, and to enforce authority they never hesitate to use power and coercion.

The characteristics of patrimonialism have been more apparent under the New Order than under the previous regime. Although Indonesia has to some extent undergone social and economic changes, it has continued to maintain the basic characteristics of a traditional patrimonial state, in which the political agenda is developed in terms of personal relationships between patron and client, where both the patrons and the clients are drawn from the elite. Thus the political game is exclusively played by a small group of people, while the masses are almost always cast in the role of onlookers who watch the game outside the field of play. In other words, the masses are practically depoliticized. In this situation the increasingly complex and powerful political structure developed by the New Order is harnessed to the needs of individual officials, or of certain clients and political factions in order to gain their personal loyalty, rather than to
the common goals of the society. (Crouch 1979, Robison 1980, Nawawi 1980). Further, Crouch noted that in this patrimonial state, the ruler maintains his power by his capacity to win and retain the allegiance of his supporters by co-option and coercion. If the ruler for other reasons cannot use coercion then he tries to retain his supporters’ loyalty by providing them with increased benefits, usually material wealth (Crouch 1979). Indeed personal loyalty combined with the complex structure of the polity and the distribution of material benefits has in practice become a trademark of the New Order. These characteristics are not only found in the political process in the centre but are extended all over Indonesia.

Another factor that has an important contribution to make to the creation of a strong government and political stability is the nature of elite integration: integration amongst the elite is stronger than integration between the elites and the masses (Gregory 1979). Thus dissident members of the elite are usually unable to gain widespread popular support for challenges to the ruling group, as in the cases of Gen. Dharsono, Gen. Kemal Idris and Gen. Soemitro, to name some who have attempted such a challenge. They were not able to gain any mass support although they had won the sympathy of sections of the middle class. In contrast to earlier periods, in the New Order almost all high officials had bureaucratic or military backgrounds and were therefore unlike party politicians who had their own mass supporters.

In its goal of elite integration, the New Order leadership has not been exclusively limited to the Javanese elite but has also included the outer island elites. Neither has it been limited to armed forces’ officers but it has also involved civilian elites. However, as noted by Gregory, the New Order ruling group has predominantly consisted of Javanese army officers, particularly those from Central Java (Ann Gregory 1977) and so has a strong basis for cohesion.
The first step of the leadership of the New Order in creating a strong government and maintaining political stability was to unite and integrate the army elite. This was an important move since the army is the dominant political force in the New Order government. The army officers are regarded as part of the political elite because, as observed by Crouch, since the revolutionary period the army has regarded itself not only as military force but also as a political force (Crouch 1978). The army leaders apparently realized that consolidation within the army itself was necessary for the creation of a strong government, bearing in mind the fact that in the Guided Democracy period the army had been unable to gain a dominant position because of lack of political unity (Lev 1966 :71f and 191, Pauker 1962:219).

The initial move toward armed forces unification with the army preeminent, was to reorganize the structure of these armed forces. This reorganization was crucial because in the past the structure of the armed forces had contributed to antagonism and fragmentation within the army (Sundhaussen 1971/1972 :185-187). Indeed the idea of military consolidation through rationalization of the armed forces under a single command was not new. Shortly after independence, Gen. Nasution had proposed the concept of an overall strategy which would eliminate the possibility of each small unit of command being able to take its own initiatives (David Jenkins 1984:222).

The most important step in this process was the elimination of the separate ministries for the army, navy, airforce and police force, and the consolidation of all forces under the Department of Defence and Security (Departemen Pertahanan dan Keamanan - Hankam) The position of Commander of the Armed forces was always in the hands of the army, thus giving organizational ascendancy to the army over the navy, the air force and the police force (Ward 1973 :30). As a result, automatically all officers from all forces were
united under one command. Through this new structure the New Order created a strong central support for the regime. This policy apparently was intended to prevent future coups from within the army; through the Department of Defence and Security the New Order leader can easily control and apply a "tour of duty" policy to all military officers.

Having consolidated their control of the armed forces, the army developed the concept of Wawasan Nusantara. This concept originated from the doctrine of Hankamnas (National Security Defence or Pertahanan Keamanan Nasional) dating from the early period of Guided Democracy, which proposed the establishment of an effective military command system supported by a centralized political order. The Wawasan Nusantara concept is the idea of unification of the nation as a total organism which embraces all territories throughout Indonesia and all resources and socio-political components existing within those territories, enabling it to withstand effectively, in an autarkic fashion, any internal and external threat (McVey 1971, 1972. Sundhaussen 1978).

As a result of the reorganization of the Department of Defence and Security and the concept of Wawasan Nusantara, the appointment of regional commanders or Panglima Daerah Militer (Pangdam) is undertaken by the Department of Defence and Security. The responsibilities of regional commanders are not limited to military affairs but automatically, in accordance with the concept of total security and national defence, and of national resilience, also include political and social affairs. However it is also important to note that the involvement of the armed forces in civilian affairs was made possible through the concept of "dual function" which stated that the army does not limit its responsibility exclusively to military affairs but also covers all aspects of economic and social life. The commanders of regional territories cooperated with the Governor or Kepala Daerah in every province, down to the city, regency and even the village level, the army supervised and coordinated every activity of society in line with their task of
maintaining stability and preserving security. The officers of Kodams (Territorial military commands) are supposed to supervise their civilian counterparts (Crouch 1978 :222, David Jenkins 1984:43) although by the 1980s civilian authorities had become stronger. Thus in some aspects "cooperation" between military and the civilian groups can be regarded as subordination of the civilians by the military. With this new organizational structure of the armed forces, and the development of the concept of total national security and defence, the leadership of the New Order government has been able to unite both military and civilians forces under the command of the army. The system has also given massive power to the central government to control all activities in all regions in Indonesia.

The initiative in creating a sense of unity among armed forces officers, particularly between army officers from outer island regions and the Javanese, which is necessary for maintaining political stability, had indeed already been taken in the early New Order period during 1966-1967. This action was taken by General Ali Murtopo who at that time was Head of Opsus(Special Operation-or Operasi Khusus). Almost all army officers who had taken part in the PRRI/Permesta rebellion, such as Col. Maludin Simbolon, Lt. Col. H.N.V. Sumual and Lt. Col. Ahmad Husein, were released. Even the civilian rebels such as Moh. Natsir and Burhanuddin Harahap, both former Prime Ministers in the Parliamentary Democracy period, were also set free (Jenkins 1984:58). The release of army officers who originated from the outer island regions apparently strengthened the solidarity among the army officers from two different periods. They all shared the common feeling of being anti-Soekarno and anti-Communist. The success of this strategy has to some extent shown that the military elites, unlike the civilians, is relatively easily united. They are united not only because of their commitment to Pancasila as the state ideology but also because they share a feeling of solidarity and are united by their 'esprit de corps'.
According to Sundhaussen, however, the consolidation of the armed forces into a single command under the army was the result of a gradual process which had been gathering momentum since the revolutionary period. Many challenges to the army, including the Madiun rebellion and the Darul Islam rebellion, as well as the PRRI/Permesta, were part of this gradual process that has contributed to the strengthening of army cohesion, reaching a peak after the abortive coup on 30 September 1965 which led to the total restructuring of the armed forces with the army as the leader (Sundhaussen 1971).

In the New Order period where the government is dominated by the army, attempts have also been made to create a sense of unity among civil servants. Civil servants have been united not only through their loyalty to Pancasila but also through the creation of the Corps of Civil Servant of the Republic of Indonesia (the Korps Pegawai Negeri Republik Indonesia or more popularly known as KORPRI) with its own oath which is called The "Loyalty Oath of the Civil Servant (Sumpah Setia Pegawai Negeri Republik Indonesia). The government has deliberately set out to create an ‘esprit de corps’ among civil servants and to unite them in response to the challenge from the political parties as well as to dissuade them from holding dual loyalties.

The consolidation of power in the New Order period, therefore, was not only exclusively within the military elite but also included civilian elites. The New Order leader united them through the goal of "modernisasi", implying economic development and strengthening of national unity (Crouch 1971). The New Order leadership apparently fully recognized that the people of Indonesia had suffered for long from economic and political corruption, and that development of the economy was the only remedy. The economic development program was thus not only intended to rescue the nation’s economy but it was also a political strategy to win popular support. The civilian elite was included in the New Order
not only because the government realized that they were needed to execute development plans, but also because the inclusion of the civilian elite was an integral part of "modernisasi". It was a part of the process of strengthening national unity; according to Ali Murtopo, political stability and the strengthening of national unity are integral parts of "modernisasi" and are prerequisites for development in line with the formulated policy (Ali Murtopo 1971).

Military-civilian integration in the New Order era initially took place between the dominant officials in the government and the "technocrats", mostly from the University of Indonesia, but was later expanded to bring in professionals from other institutions. These technocrats, who were mainly economists, had been a 'group' from some time before General Soeharto took over the government from Sukarno. Many of these civilians did not acquire elite status due to their appointment by the New Order leader into high positions in the bureaucracy, as almost all of them originated from modern, educated families of businessmen, politicians and gentry, and were already part of the non-governing elite. They shared a commitment to principles of economic rationality and the goals of modernization through development (MacDougal 1975:398). Many of the technocrats and other prominent civilians in the field of tertiary education during the Sukarno regime were lecturers at the Staff and Command School for the Army or SESKOAD (Sekolah Staff Komando Angkatan Darat) and other Army educational institutions, such as the National Institution for Defence or Lemhanas (Lembaga Pertahanan Nasional), where they built close relationships with army officers. Besides, they had also looked to the army for protection from the Sukarnoists and the Communists when they had been under attack due to their Western educational background (McDougal 1975).

The New Order leader needed the support of the educated elite, not only to convince the people of the government's commitment to development but also
as a means of gaining support for its development efforts from the free world, particularly from the western countries who was reluctant to provide capital unless its management was entrusted to properly trained technocrats. Some of these technocrats were later promoted as Ministers in the Cabinet, such as Prof. Dr. Widjojo, Prof. Dr. Sadli Prof. Dr. Ali Wardhana Drs. Radius Prawiro who are all Javanese, Dr. Emil Salim who originated from West Sumatra, and Drs. Frans Seda, a Timorese who led the Ministry of Finance during the first years of the New Order government, although he was also one of the ministers in the Old Order period.

Since this integration was not only intended to promote the goals of modernization but also to strengthen the New Order, it was not exclusively limited to the Javanese but also included the civilian elites of the outer island regions, provided they shared the commitment to the Pancasila (Five Principles of Life) as the only state ideology for the Indonesian people. On the other hand this strategy for integration gradually excluded members of political parties whether drawn from the Javanese or outer island regional elites.

Although parties were included in the early New Order cabinets, they were completely excluded in the mid-1970s. The recruitment of the outer island regions' elite into the consolidated forces of the New Order government was initially restricted on the whole to those who had already been "centralized"; that is to members of the outer island regions' elite who had for long been educated, and pursued their careers, in Java. The members of this elite had mainly studied in Jakarta or in Bandung, because these two cities provided a wide range of educational institutions for both civilians and the military, particularly the Army.

8. It is understandable that those who were recruited into the bureaucracy were mainly educated in Java or overseas because higher educational institution were largely limited only in Java. Indeed the lack of educational infrastructure, was one of the reasons why the outer island regional people complained to the central government in Java.
For example, the University of Indonesia in Jakarta is regarded as possessing the best Faculty of Economics and the leading Medical school in Indonesia, while Bandung has the best Institute of Technology. An important military academy, formerly the Technical Academy for the Army or (ATEKAD : Akademi Teknik Angkatan Darat), was in Bandung before it was merged with the Military Academy in Magelang, and many army educational institutions are still situated in Bandung, ranging from the training centre for first-year soldiers to the staff college for the generals, (SESKOAD : Sekolah Staff Angkatan Darat).

During the process of education and career development, the elites of the outer island regions had close contacts and strong relationships with their Javanese colleagues. They were brought together by their university education or by their training in other institutions. They returned home very rarely, unless they were appointed to hold an important position in their own region. Due to their long period of stay in Jakarta or in Bandung and their personal relationships with Javanese, both military and civilian, to some extent they were not only "centralized" but had also become partially "javanized". For example, according to some sources, although Drs. Harun Zain, the former governor of West Sumatra, remains very much Minangkabau, he has spent many years studying and working in Jakarta, and has therefore adopted a "centre" outlook. The tendency for the members of the outer island regional elites to become "centralized" is clearly observed by Gregory who writes:

"Only five out of twenty-three elites of the outer island regions in the New Order have close relations with their home, and even most of them have been javanized" (Gregory, Ann 1977 : 14).

As a result the process of consolidation between those from Java and the outer island regions is no longer a process of overcoming ethnic or ideological differences but a strengthening existing cohesion. Once President Soeharto felt confident that all power, especially elite power, was united cohesively under his
control and that he had been able to develop a strong government, at least at the centre, he proceeded to unite regional elites with the centre. These elites were needed as mediators between the central government and the regional people to guarantee that the central government's policies would be properly executed in the regions and to strengthen national unity. The members of the regional elites who served as mediators between the ruler in the centre and the ruled in the regions, according to Mosca, served also as the brokers, who transmit, communicate and mediate the decisions of the ruler to the ruled (Mosca G.1939).

As a result of this elite consolidation policy, the Governors or Kepala Daerah in the outer island regions have been in effect 'centralized' or at least act on behalf of the central government rather than their own regional people. For example, in West Sumatra, the region which was once used by military dissidents as their regional base in their challenge to the central government, the governors are always recruited from members of the elite who have been centralized. For example, a former Governor of West Sumatra, Drs. Harun Zain, before his appointment as governor was a member of the Golkar Advisory Board in Jakarta (David Jenkins 1984) and had been a lecturer at the University of Indonesia. The next Governor, Ir. Aswar Anas, was educated at the Bandung Institute of Technology and then pursued his career in the Army, where he was appointed as the director of the Army Industrial Centre or PINDAD (Pusat Industri Angkatan Darat) in Bandung.

These governors served as the central government's chief executive in the region concerned; this meant that their role as central government agent was more important than their role as leader of the local people. The governor, rather than being a 'champion' of the region, must transmit, communicate and mediate central government policy and rules.
The role of a governor in the region is also shaped by the way he is appointed by the central government. According to Law No 5 of 1974, although the governor is elected by the Regional Representative Council (Dewan Perwakilan Rakyat Daerah or DPRD) on behalf of all regional people, the appointment has to be approved by the Minister of Home Affairs and legitimized by the President. If among the proposed candidates there is no one approved by the central government, then it, through the Minister of Home Affairs, can appoint one new candidate (Seda, 1976: 6). By appointing their own men as governors, the central government, through them can control the regions and execute planned policy. According Kuntjoroyakti the appointment of the governors has been based on the conceptual framework of a "unitary state" (Kesatuan dan Persatuan) and has no consideration for decentralization and autonomy (Kuntjoroyakti D. 1981 : 144). So with this policy the New Order has been able to create a stronger central government than that of the Old Order regime, and has gained tighter control of the regions.

As stated earlier, in addition to uniting the military and civilian elites of both Java and the outer island regions under the theme of "modernisasi" and Pancasila as the single state ideology, the New Order government at the same time also eliminated any obstacles to the consolidation of New Order forces. The acceptance of Pancasila as the ideology of the state was essential, since in the past it was Pancasila that had always been used as the bench-mark in any conflict among political elites. One measure aiming to eliminate obstacles to elite integration was the policy of simplifying the political parties.

As is widely known, in the old order period it was the political parties which became the major sources of support for dissidence against the central government; therefore it is quite understandable that in the New Order Period the political parties' power was reduced to a minimum. In the early New Order period.
the government reduced the number of political parties to nine. Later, a further simplification reduced the number to two i.e. a Muslim party, the United Development Party or (Partai Persatuan Pembangunan:PPP) and a Non-Muslim party, the Indonesian Democratic Party or Partai Demokrasi Indonesia:PDI. This fusion of political parties was also part of the control policy of the military rule. In addition to curtailing the number of political parties, the New Order government also banned political parties from having bases at the village level. This policy was fatal to political activity because the "grassroots" of the political parties were indeed in the villages whether in Java or in the outer island regions, and in the previous period we could see that the grassroots were usually very loyal to their party.

Apparently the New Order regime soon realized that the political strategy of uniting the elites through loyalty to ideology and the setting up of new organizational structures was not sufficient to guarantee permanent stability. The loyalty and cohesion of elites or key political figures could only be maintained with rewards such as the distribution of positions in the bureaucracy. For those who no longer held power, the government provided facilities and privileges in the business world which would enable them to gain commercial profits. On the other hand in the case of those who refuse to cooperate and continue to launch their criticisms and challenges, the regime has never hesitated to suppress them.

This dual strategy of consolidating the political elites by buying their loyalty and damping down the critics by offering privileges in business or other opportunities to gain material wealth, while at the same time pressing those who refuse to cooperate was clearly observed by Jenkins who writes:

"As we have seen, the Suharto government derived much of its power from skillful distribution of patronage, and this gave it considerable room 'to remind' those who failed to play by its rules - particularly retired military men-that they could be squeezed out and left to suffer. It was, said Lt. Gen. Benny Murdani in mid-June,
a denial of government privileges: 'Normally when people retire from the army they come to us and see what they can get in the way of business. And normally people like this get first priority on government contracts and tenders. They can make US$ 1-2 million on commissions and that sort of thing and put it in the bank and sit back for life. So what we have done in this case is tell them to go to the bottom of the list'" (David Jenkins 1984:183).

Consolidating power through opportunities and access to material wealth was not a new phenomenon in Indonesia. It was not only a continuation of the past regime but part of the nature of the traditional patrimonial state inherited from the pre-colonial era as described by Crouch:

"Like in the patrimonial state of traditional Java, where officials obtained their incomes from benefices rather than salaries, army officers were expected to make the most of appointments in the bureaucracy and other government agencies which were often seen as rewards for earlier loyalty. No one objected if they enriched themselves on the side, provided they performed their functions effectively". (Crouch H. 1980: 531)

In this typical atmosphere of the traditional Javanese state, the elite of the outer island regions tended to follow the same game, whether for their own benefit or for the sake of their region. They realized that they would gain nothing if they opposed the ruling group in the central government. For example, Gen. Mohammad Jusuf, a member of the regional elite from South Sulawesi, during his service as Minister of Industry in the central government, had a crucial role in channelling funds and investment to South Sulawesi and so brought this region close to the central government (Sundhaussen 1971:209). The people of South Sulawesi now have Dr. B.J. Habibie, the Minister for Research, as their link to the central government and they also use him as a source of patronage. A similar situation also can be seen between West Sumatra and the central
government, where many elites originating from this region have been integrated with the central government elite, and have become the link between their region and the centre (I.A. Achmad 1984)\textsuperscript{9}.

The tendency for the regional elites to follow the political game played by the central government elite is to some extent demonstrated by the fact that most of the challenges to the ruling group, whether from the military or civilians in the New Order era, were not from the outer island regions. The rivalry and conflict among the political elites was no longer between military officers in the centre with military officers in the regions, instead the elite rivalry mainly took place in the centre without involving the regions or the regional elites, and the rivalry mostly occurred among the Javanese themselves since they predominate at the centre\textsuperscript{10}.

The policies conducted by the New Order government to create a strong government and political stability through elite integration have so far been successfully achieved. However this stability may seem to be artificial, in the sense that the elites have only been consolidated, individually or as a group, because there is control from the military, particularly the army, as the dominant element in the government, and because the regime can still buy their loyalty with material wealth that can be expected from the continuing process of economic development. Yet they are not altogether consolidated as a homogeneous body. This stability clearly depends on the continuity of economic development. Thus as long as development continues, stability can be maintained.

\textsuperscript{9} I.A. Achmad in his Ph.D. thesis "West Sumatra and South Sulawesi: two regions in their relation to the central government of Indonesia 1949-1979", Monash University 1984, has described the role of the regional elites of both regions in their relation the central government. The people of both regions have gained benefits from their elites in the centre.

\textsuperscript{10} David Jenkins in \textit{Soeharto and his Generals} has described the internal rivalry of the military elite in the Soeharto government. Also see "the current data of the Indonesian Military elites" in \textit{Indonesia} no 39.1980.

Once General Soeharto was able to overcome the critical period after the post-abortive September 30 coup and had consolidated the rising New Order forces, particularly the army, the leadership of the New Order quickly embarked on various economic stabilization schemes, with the help of the economists and professionals who had for so long been linked with it (Arndt H.W. 1967). The new leadership worked out a short term program, an economic stabilization and rehabilitation program, which comprised four short-term objectives, halting inflation, decontrol, a moratorium on foreign debts, and a new policy toward foreign investment (Arndt H.W. 1981: 32).

Having successfully brought the economy back to a relatively normal situation, the New Order government soon launched an economic development program. The program was manifested in a Five Year Development Plan known as Repelita, an acronym of Rencana Pembangunan Lima Tahun. Through Repelita I, the New Order government set up several objectives involving economic, political and socio-cultural goals. In setting economic targets, the pragmatic New Order leadership accepted the notion that the Indonesian nation could only become wealthy through economic development. This view was in contrast to Soekarno’s abstract way of thinking; he had believed that Indonesia was a rich and fertile country which could make its people prosper without any kind of planned development. The new regime, in its economic development plan, emphasized the agricultural sector, especially increasing rice production toward self-sufficiency in rice. Other economic goals were provision of clothing and housing for the people, infrastructure improvement, and expansion of employment opportunities as well as spiritual welfare. In addition to increasing
agricultural production, the plan also introduced a limited import substitution program in agro-related sectors with a labour-intensive technology. These sectors were intended to provide employment opportunities and create a linkage between the industrial and agricultural sectors (Dept. of Information 1970: 11). The new regime apparently realized that agricultural products, especially rice, were crucial to economic and political stability, not only because the vast majority of the Indonesian population live in the rural area but also because rice is the main staple of almost the entire population.

In regard to political goals, the first Repelita clearly stated that in implementing the development program at both the national and regional levels, two principles must be strictly observed. First, the Pancasila, or Five Principles of Life, as the state ideology, must be strictly adhered to in any development activities. Second, the aims of development are not only economic but must also include political, cultural and defence goals in order to strengthen national unity (Dept. of Information 1969 vol. I chap. I and IV).

The macro economic plan was set up by the National Development Planning Board (Badan Perencang Pembangunan Nasional, Bappenas). The chairman of Bappenas was responsible directly to the President, who the President provided the chairman with authority to control foreign loans to enable it to translate sectoral plans into detailed departmental and agency activities. Thus the emergence of Bappenas as the pivot of development activities was a landmark in the New Order regime's planning. However, due to the lack of relevant and reliable data inherited from the previous regime, the planners were deterred from translating the original target into an explicit sectoral growth plan. The plan only aimed at a modest rate of growth, an estimated 5 per cent per year.
As a complement to the pragmatic and modest sectoral target, the plan put forward an equally modest development financing scheme to support the required capital formation. In table I and table II the sectoral target scheme and a summary of the financial plan for Repelita I are presented. On the basis of this modest plan and with the support of favourable international economic conditions plus inflow of foreign loans and private capital from western countries and Japan and as well as strict implementation sustained with force by the dominant army government, the New Order regime achieved tremendous economic growth particularly considering the chaotic economic situation under the previous regime. In this first Repelita, from 1969/70 to 1973/74, economic growth was far above 5 per cent per annum. The average growth was 9.4 per cent during the period of the plan as shown in table III.

Yet from table III it can also be seen that the growth was much faster in various non-agricultural and forestry sectors although the agricultural sector grew at an impressive rate of 5.6 per cent per year. Indeed this was the reverse of the situation during the Soekarno regime. It must be noted, however, that the dramatic increase in the forestry sector and related log exports were included in the agricultural sector. In forestry the growth reached 23.5 per cent per year while the "logs outside Teakwood" category grew at an even faster rate of 39.3 per cent per annum. Log export in that period made "timber" the second major earner of foreign exchange after oil, a big jump from US$ 100.6 in 1970 to US$ 725 in 1974 (Anwar 1976: 67-124, Lauriat and Sacerdoti 1977 : 64-66, Thayar 1979 : 26-27). In the forestry sector the role of private capital investment, both foreign and domestic, was dominant. The forestry industry was typically regarded as the most "wide open" field for investment for both domestic and foreign enterprises, and it was also the most profitable investment field because there were practically no controls on production and export (Tempo 24.5. 75, and 7. 6. 75). According to Robison, the New Order government distributed concession rights
in the forestry sector to its civilian and military clients. Among thirty-four indigenous enterprises operating in this field, 24 of them were enterprises belonging to the military (Robison R 1978).

The dramatic increase in the forestry sector during this period was also accompanied by a tremendous increase in the mining, manufacturing and construction sectors. Almost all activities in these three sectors were dominated by private capital, particularly foreign capital (Silalahi P.R. 1974: 9-24). It is understandable that foreign enterprises would lead activities in the mining sectors since projects in this field need sophisticated technology and big injections of capital. The growth of the mining sector during the period 1969-1973 was 16.1 per cent per year. The role of construction in boosting economic growth was shown by its rate of growth which reached 24.1 per cent per annum. The construction sector rose rapidly, particularly infrastructure construction, to some extent because this sector had been largely neglected during the Soekarno regime. Improvements and new construction were clearly needed to support the progress of other economic activities. In the meanwhile manufacturing grew at 10.6 per cent per year. Apparently the growth of this sector was quick not only because it had been stagnant during the Old Order period but also due to the political situation. The new regime was forced to immediately try to meet the people’s needs for goods from this sector.

From the economic growth achieved in Repelita I, there was no doubt that the New Order government had been able to revive the economy. However, despite the regime’s plan to use the agricultural sector as a catalyst of economic growth, the growth was largely boosted by non-agricultural sectors, such as mining, construction, manufacturing and forestry. It is important to note that although forestry is part of the agricultural sector, it cannot be included in the category of food production. In all these growth sectors, foreign investment and
foreign loans played a major role. Indeed this was apparently a deliberate strategy of the New Order regime. Professor Sadli, who later became a minister in the cabinet, has stated that the New Order government strategy aimed at maximum economic growth through the infusion of large-scale foreign capital and technology (Sadli M. 1971: 99-123).

Foreign investment in Indonesia was regulated through the Foreign Investment Law or Undang-Undang Penanaman Modal Asing, introduced in 1967, which a year later was followed by the Domestic Investment Law or Undang-Undang Penanaman Modal Dalam Negeri. In many respects the Domestic Investment Law is similar to the Foreign Investment Law in terms of the generosity of the concession and allowance provisions which applied to the investors. According to Robison as soon as these Laws were announced, foreign investors virtually dominated the fields of forestry, mining, import-substitution manufacturing and construction. Moreover the domestic companies, which operated under the Domestic Investment Law, in practice used capital originating from overseas to enlarge their operations. And most of these companies, under whichever Law they operated, had high military officials as passive partners (Robison R. 1978). As a result there was some public criticism of the planners for having encouraged large scale foreign investment and of the generals who for personal and political gain have deployed the power of the state on behalf of foreign and Chinese business interests (Tempo No.3.1973, Ekspres, June 27 and October 3, 1970). However it was very likely that it was not the technocratic planners, but the regime itself which had control of the policy. The planners were forced to act in terms of the priorities of political interests.

As stated earlier, in many respects political stability can only be maintained if the elites are materially happy. The importance of making the high
military officials financially content was clearly recognized by Arndt in the early years of the New Order regime when it had to cut the budget. Arndt writes:

"Even more formidable, and in a sense fundamental, were the difficulties of bringing about substantial cuts in government spending. For one thing, the triumvirs (Soeharto, the Sultan of Djogjakarta and Adam Malik) had here to contend, not merely with opposition from private vested interests, but from that of powerful groups within the state apparatus, frequently led by potential rivals for political power. There were, for instance, obvious difficulties following up the eventual ending of 'confrontation' by a substantial cut in military expenditures. Similar issues were raised by any attempts to eliminate or reduce government spending functions or agencies which were sources of power and privilege, even livelihood of politicians and high officials." (Arndt H.W. 1967: 134).

Based on the easy success of economic growth during the first Repelita, the New Order regime, through its technocrats in the Bappenas, drafted the second Repelita which, in many ways, was similar to its predecessor (Glassburner 1978a, : 167-69). As we can see in table IV, the main targets were in the non-agricultural sector although agriculture was the main contributor to the economy.

Throughout Repelita II, the New Order government stressed that the growth which has been achieved in Repelita I was to be continued in Repelita II, with an increase in the standard of living remaining the main goal, and again "a just and prosperous society based on Pancasila" as the final goal. The task of strengthening national unity and developing political consciousness always accompanied the process of development (Dept. of Information 1974: chap. I).

From the objectives of Repelita II, it is clear that the New Order government remained growth oriented. However, in response to criticism concerning unequal distribution of national income, lack of employment opportunities, sectoral and regional imbalance, and also the economic gap between indigenous or pribumi Indonesians and the Chinese, the New Order
regime through Repelita II provided some new priorities in its development activities plan. These priorities comprised employment opportunity, the equitable distribution of the fruit of development, efforts to correct discrepancies in the market structure, acceleration of economic growth in the provinces, transmigration and increasing participation of the people in development through cooperation, education and other social activities (Dept. of Information 1974 : 18-19).

To support the wider planning objectives of Repelita II the planners delineated a state budgetary reallocation scheme as indicated in Table V where greater emphasis was placed on programmes such as "Regional and Local Developments," "Education," "Health and Family Planning" and "Other". During this period the allocations to such sectors as "Industry and Mining" and to a lesser degree "Transportation and Communication", "Agriculture and Irrigation" and "Electric Power" fell in percentage terms, but since the overall government revenues had risen enormously because of the oil price rise, the decline in percentage did not reduce their magnitude in absolute terms. In the table we can see that "Industry and Mining" was to be allocated around 3.5 per cent of the total Repelita II expenditures, compared to the 7.0 per cent it received in the Repelita I. Interestingly, a substantial portion of the newly acquired resources was moved to "Public Enterprises". Many of these enterprises were large-scale capital-intensive industrial projects, with a large portion coming under control of various public "conglomerates". During Repelita II the Gross Domestic Product was expected to increase at a rate 7 to 8 percent or at an average 7.5 per cent per year.

From the budget allocations, we can see that the government was willing to take steps to reduce public criticism. This could be interpreted as an effort to maintain stability and to halt the criticisms that the development policy only
benefited a certain group of people, and that it tended to create sectoral imbalance.

To achieve the target of 7.5 per cent per year, the planners apparently followed the Keynesian macro economic model, as demonstrated in Table VI. To achieve growth at an aggregate level 21.0 percent, capital formation was planned to rise from a level of 19.1 per cent in the first year of Repelita II to 22.9 per cent of GDP by the end Repelita II. Around 44.1 per cent of the funds was derived from budget allocation, while 55.1 per cent come from "Others" i.e. foreign and domestic private enterprise investment, plus a small portion of private savings. The planners forecast further increases in log and oil exports so a big part of the role of foreign aid was reduced. As indicated in table VI, foreign aid declined from 34.7 per cent of total government investment in the 1974/75 budget to only 17.8 per cent in 1978/79, although in absolute terms it remained more or less at the same level. The overall level of 24.2 per cent was achieved by supplementation from government savings.

It is clear from table VI that the allocated budget expenditure for the "non-economic" and agricultural sector, which is presented in Table V, still remained well below the combined funding for "non-agriculture" and "non-social" development expenditure, plus the expected increase in foreign and domestic private investments. This is particularly clear if we include in the calculation the fact that the greater portion of foreign aid was usually slated to finance the "non-agriculture" and "non-social" sectors, with only a small portion directed for irrigation schemes in the agricultural sector. Furthermore, no fundamental structural transformation strategy was delineated to sustain the development budget reallocation scheme.
The regime, in Repelita II, was confronted with the problem of correcting the sectoral imbalance from the first Repelita which was intertwined with the problem of income distribution. Rather than formulate a fundamental strategy to correct the above problems, the government opted for an elaborate Keynesian plan for increasing employment opportunities. In the second Repelita, the government planned to create around 5.5 million new jobs over the period of five years, about half in the agricultural sector, and approximately 1.2 million in manufacturing, 0.3 million in construction, and the rest in the service and others sectors (Dept. of Information 1974). With the objective of job creation the government clearly had to plan investment of a high labour-intensive type (Tang and Yong 1975: 57). This policy perhaps was also intended to dampen down the criticism of the capital-intensive investment during the Repelita I, which had not created prosperity for the poor or the vast majority of the population.

Again with the help of the oil boom in particular, log exports in the second half of 1970s, and the continuing flow of foreign investment and loans from the Inter Government Group for Indonesia (IGGI) countries, as well as the rise of domestic capital, the New Order regime was able to maintain the success which had been achieved in the first Repelita. Thus during the first and the second Repelitas, economic growth was able to surpass population and labour force growth by a substantial margin. Between the 1971 Population Census and the 1976 Intercensal Population Survey, GDP grew at 8.3 per cent per annum while population grew at 2.0 percent and the labour force at 4.7 percent per annum. As a result, GDP per capita had risen rapidly from a low level of Rp30,796.8 (US$ 94.8) at current prices in 1971 to Rp118,924 (US$ 286.6) at current price in 1976. Such macro indicators indicated that both plans could be considered successful. A comparative analysis with the rest of the Third World outside the capital-surplus OPEC nations, and in particular with ASEAN nations, further strengthens this conviction (Wong J. 1979).
As stated earlier, the growth was largely supported by revenue from oil. During that period Indonesian oil in the world market rose from the F.O.B price of $2.93 per barrel in April 1973 to $4.75 per barrel in October 1973, and then in January 1974, at the beginning of Repelita II, it more than doubled to $10.80 per barrel. In June 1974 the price had reached $12.50; thus within one year the oil price rose by more than 400 per cent. This more than doubled Indonesia's export earnings, and government revenue rose by more than 100 per cent (Arndt H.W 1984: 61-72 and 244-251). This windfall profit from oil was almost beyond grasp. Although the government to some extent succeeded in raising the level of welfare of those in poverty it was not able to close the income gap between the small elite and the vast majority of the Indonesian people. Instead it appears that the gap has grown wider and a new, small group of rich people was created (Tempo 17 January 1976, and Tempo no 39 year XVI, 1986). This tendency was indirectly demonstrated in Table VII, showing the realization of Repelita II. From the table we can see that, again, the outcome of Repelita II was similar to that of Repelita I. Although the GDP growth rate surpassed the target of 7.5 per cent, the non-agriculture sector grew much faster than the agriculture sector. The rate of increase in agriculture, on which the vast majority of the Indonesian people rely for their living, hardly reached 3.0 per cent and was much below what had been achieved in the Repelita I, i.e 5.6 per cent. On the other hand the non-agricultural sectors, which are mainly controlled by a small group of state and private conglomerates, grew at more than 13 per cent on average; construction grew by 15.22 per cent per annum, transportation and communication 15.14 per cent, and electricity 13.48 per cent. The rapid growth of these sectors was not only due to private capital injection but was also sustained by huge government expenditure derived from oil revenue.
The central government increased its routine and development expenditure during the period of the oil bonanza. In the budget 1974/75 the basic salaries of public servants were increased three times, while for special categories of public servants such as school teacher and public health employees, salaries were increased five times. Further, in the 1975/76 budget, there had been another increase in salaries of public servants, so that the basic salary of government employees had risen 9 times from 1969/70. By increasing the salaries of government employees, however, this programme only directly raised the incomes of the less than 3 millions government employees in 1977 (Dept. of Information 1979). Moreover, since most civil servants live in urban areas, this government expenditure only had a significant impact on the urban economy, while on the other hand the vast majority of the Indonesian population who live in rural areas only benefited from the slight spill-over effect of this rising routine expenditure on government salaries. Another increase of government expenditures as the result of the oil boom was for regional development and INPRES programs. It is quite understandable that the Government raised its spending for regional development since almost the entire oil revenue was derived from exploration in the outer island regions. However such expenditure still could not help solve the existing inequality of income distribution.

In both these Repelitas, there was no doubt that the main effort of the New Order government was to increase the role of agriculture in its economic development program as indicated by its expenditure in this sector. However in fact, it was oil that became the catalyst of the economy. In the immediate period of the oil bonanza, in the mid 1970s, the government raised its expenditure for agriculture and irrigation by almost 80 percent compared to the period in the Repelita I (Arndt H.W. 1984: 65), As a result, during these two Repelita periods, the government was able to keep rice imports, particularly from Thailand and other Asian countries, down to a very low figure; up until the fiscal year 1980/81.
the government only imported 0.5 million tons (Arndt H.W. 1984: 265). However the increased expenditure on agriculture did not have the same effect as it had on non-agriculture. Despite its large contribution to total GDP, its contribution to the increase of GDP was not very high if compared to the non-agricultural sectors. On the other hand the rapid growth in the non-agricultural sector had not only boosted the increase in GDP but to some extent brought a structural change to the Indonesian economy, moving from traditional agriculture toward industrialization.

It was perhaps due to the recognition that the fruits of development so far had not been well distributed, or possibly because the regime considered that the political situation was now more favourable that in Repelita III, that the New Order regime stressed the goal of more even distribution of the benefits of development, beside the goal of high overall economic growth, as well as the goal of stability. The goals were introduced in the so called "development trilogy" which comprised; 1) the target of more even distribution of the benefits of development in order to achieve "social justice for the entire population", 2) the target to achieve a high overall growth rate, 3) the target toward a healthy and dynamic national stability.

In order to achieve "social justice for the entire population," the first goal of the trilogy, the New Order government adopted eight targets which were known as "eight paths of equality" (Delapan Jalur Pemerataan), as follows:

1) equality toward fulfilment of basic needs for the entire population, mainly the needs of food, clothing and housing.
2) equality in gaining education and health service.
3) equality toward income distribution.
4) equality in gaining job opportunity.
5) equality in business.
6) equality in development participation, particularly for the young generation and women.

7) equality in development distribution throughout the country.

8) equality in gaining justice.

(Dept of Information, Republic of Indonesia 1979 : 19-21).

The targets of Repelita III, as shown in Table VIII, indicated a lower projection in every sector compared with the previous Repelitas, and a particularly sharp drop was shown in the sector of mining. Even this target was regarded by many economists as optimistic as much would depend in part on the international economic situation and the prospect of world economic growth, particularly in the OECD countries (Arndt H.W. 1984, p.254). The planned targets in Repelita III showed that the government did not expect as high a growth rate as had been achieved in the previous Repelitas. Economic growth was expected to reach an average of 6.5 percent per year as compared to 7.6 percent during the period 1973/74 to 1977/78. Considering that in Repelita III the emphasis was put on equity, a low target could be interpreted as a sign of compromise between the growth and equity objectives.

Despite the uncertainty of the international economic situation and the stated government objective of a more even distribution of development in every sector, President Soeharto, in his state address on 15 August 1981, introduced a revised estimate in which growth in 1981 was estimated to have increased in real terms by 9.6 per cent. Such growth was to be sustained by 21 percent growth in manufacturing, around 10 percent in trade and transport, and 14 percent in service, while the agricultural sector was planned to increase by 5.5 percent (Dept.of Information 1981: 1-34). This new estimates demonstrated that the regime's commitment to achieve growth remained firm.
In the realization of Repelita III, which is shown in Table IX, we can see that economic growth was below the targeted 6.5 percent, although, at 6.1 percent it could be considered high compared to many other developing countries in that period (World Bank 1983). The data also indicated that there were fluctuations in the annual growth rate. The large oil revenues and a strong world economy, which helped boost non-oil exports provided the basis for a growth rate at almost 10.0 percent in 1980. On the contrary, the slump in the world demand of oil and other Indonesian export commodities had contributed to the drop in growth to only 2.3 percent in 1982, and only a slight increase in 1983, of 4.2 percent. The growth during 1979 to 1981 was much better than the growth in 1982. Apparently this was due to the effect of devaluation in November 1978, which helped increase non-oil exports. However in Repelita III the most impressive outcome was the rise of rice production which reached 6.5 percent per year (Dept. Keuangan 1985: 9).

Overall, as a result of this development policy, despite the world recession during that period, Indonesia was able to achieve an excellent economic growth record which was rated by international experts and many economist in 1982 as the best among developing countries such as Thailand, Singapore, South Korea, and other oil exporting countries, like Saudi Arabia, Kuwait and many other countries (Euromoney Magazine, September 1982). And since 1980 Indonesia has been included in the World Bank category of "middle income" countries with a per-capita income of over US $430 (World Bank 1980).

However, despite the success of this economic performance and the government's stated objective in Repelita III that development planning would be directed toward equal distribution of national income and social justice, as a matter of fact inequality persisted as clearly admitted by Emil Salim who wrote:
"Since Repelita III Indonesia has tried to pursue a policy of development with equity in its industrialization process. Present trade patterns and the international economic structure, however, are hampering this process.... (Salim E. 1983: 3).

Moreover, despite the government's intention to use agriculture as catalyst of the Indonesian economic growth, so far economic growth has been sustained by the non-agricultural sectors, mainly oil. Indeed, the main determinant of the stagnation of the Indonesian economy was the shift in oil price, since revenue from oil was the biggest contributor to the state budget and was in fact the main engine of economic activities.

As an indication of how crucial the role of oil is to the Indonesian economy, Arndt (1984) pointed out that in November 1981 oil revenues accounted for 70 per cent of total government revenues, exports produced two-thirds of foreign exchange earnings, and oil provided 80 per cent of domestic energy\textsuperscript{11} (Arndt H.W. 1984: 259). The impact of oil on the nation's economy was also evident when Pertamina, the sole, and effectively autonomous state oil enterprise, was trapped in 1975 in a huge debt that threatened Indonesia's credit standing. This forced the government to cancel many of its important projects, and in effect slowed down the economic development pace, while it also affected political stability (Arndt H.W. 1984: 248-251). In relation to the crisis of Pertamina there was much criticism that a large percentage of its debt had only enriched a small circle of people, rather than improving the welfare of the entire population (Tempo no.39, year XVI, November 1986).

Apart from the imbalance between growth of the non-agricultural and agricultural sectors, and the dependence on oil, foreign loans and foreign private

\textsuperscript{11} In 1981 earnings of foreign exchange heavily depended on oil because in 1979 and again in 1980 the export of unsawn logs was not only the second largest foreign exchange earner of the country but also, according to Arndt, made Indonesia the supplier of almost half of the world's tropical hardwood needs (Arndt H.W. 1984: 260)
capital to boost the economy, there was no doubt the regime has able to increase production of rice during the three Repelitas; certainly rice production was much higher than under the previous regime. However the government still faced the problem of supplying a steady amount of food in general and rice in particular to the entire population, and to overcome this shortfall in food production the government still had to import from other countries. For example over the last three years of the Repelita III, the government was able to maintain the stock of rice at about 2.7 million tons a year, but 2 million tons or 63 percent of the total bufferstock was imported (Salim E. 1983: 3-18). This bufferstock was needed to keep the price of rice stable, and within the reach of the lower-class urban people. Price maintenance was not only an important policy in checking the inflation rate but basically it was essential to preserve political stability because, as has been indicated in the past, it was the urban people who in many ways are more easily driven toward political unrest.

The pattern of national economic growth which was supported by extractive industry, mainly oil and log exports in the first and the second Repelita, and then Liquid Natural Gas starting in the second Repelita, as well as construction and manufacturing, was clearly reflected in the economic development throughout the regions, which will be discussed below.

IV.4. Development and economic growth in the region

In the discussion of development in the regions, particularly regions of the outer islands, it is essential to understand the importance of regional economic development for the national interest. First, it was lack of development in the regions that had been used as the reason for regional challenges during the Soekarno period. Second, many important national economic resources are
found in the regions, ranging from perennial crops, forestry, mining, oil, and since 1976 LNG (liquid natural gas). In recognition of these economic resources, the central government clearly considered in the first Repelita that national development is virtually identical with regional development because so much economic potential was to be found in the regions (Dept. of Information 1970. vol. 2.chap. 5). Thus economic development in the outer island regions is not only fundamental for the achievement of overall national economic goals but also has great implications for political stability. According to Esmara, equal regional development is not only economically desirable but indeed is crucial to achieve the goal of "Bhinneka Tunggal Ika" or "Diversity in Unity" (Esmara H.1975).

In this regard, there are a number of development activities in the regions of the outer island. First, there are development projects which are carried out and financed by the central government through the state budget. Second, there are development projects which are financed by the central government but carried out by the regional government, for example INPRES projects. Thirdly, there are development projects which are financed and carried out by private enterprise, whether foreign or domestic companies. This involvement of private enterprises is in line with the open economy policy which was adopted by the New Order government. The implementation of this policy is regulated by the Law of Foreign Investment (Undang Undang Penanaman Modal Asing :PMA) and the Law of Domestic Investment (Undang-Undang Penanaman Modal Dalam Negeri: PMDN). Under these laws the government is supposed to attract the investors and to direct their investment, while decision-making to invest or not to invest is entirely in the hands of the investor.

Projects which are financed and carried out by the central government are known as National Projects. They are sectoral project whether carried out in Java or the outer island regions and the implementation is the responsibility of the
Department concerned. For example, road construction projects are the responsibility of the Department of Public Works, while Electricity projects are the responsibility of the Department of Mining and Energy. A sectoral project is considered as a national project because it is both critical for the national interest and has "strategic value", which means that the project not only needs a huge capital investment but also in some respects it generates a considerable profit, as in oil exploration projects. By contrast INPRES projects are financed by the central government through the state budget but their implementation is carried out by each provincial government which selects local contractors to carry out the work. The funds for INPRES project are allocated to each region based on regional needs. Thus unlike sectoral projects which are supposed to speed up economic growth at both the regional and national levels, the projects under this Presidential Instruction are supposed to create equal development in the regions (Dept.of Information, Repelita I, II ). From these types of projects it is clear that the number of projects and related development activities in each region in many respects depend on central government policies, rather than on individual regional governments.

This tended sometimes to lead to relative neglect of agriculture in the regions. For example, according to Booth, in line with the central government's goal of self sufficiency in rice, the government expanded irrigation facilities and improved infrastructure in Java and Madura, but in the outer islands the effort was directed toward expansion of the harvested area (Booth A. 1977: 70) Furthermore under Repelita I, West Sumatra, which is well known as a rice-producing area, the technical quality of irrigation was only adequate to serve less than 100,000 hectares of wet rice, which meant it could only serve 45 percent of the total available wetrice area in the region. This situation remained unchanged until the beginning of Repelita II (Boediono and Hasan 1974, Sumatra Barat 1976: 224).
In the second Repelita, there were some efforts which indicated that the central government was beginning to pay more serious attention to improving the agricultural situation in the outer island regions. In 1973, in line with the policy of increasing production of agricultural commodities, the government planned to extend the rubber cultivation area to more than 2.3 million hectares out of a total of 5.9 million hectares for all commercial crops, where about four-fifth of this acreage had always been in the form of small-holding outside Java (Gwyer 1974: 35). In the meanwhile in South Sumatra, as the main area of rubber in the outer island regions and the largest producer of smallholding rubber, which comprised 26 percent of the total rubber-producing area in the country and contributed 20 percent to the national total production of rubber, the central government introduced the "Village Unit Scheme", "the assisted replanting project" and the "nucleus estate" to further modernize this sector (Rahman 1978: 58 and 82-117).

Despite the extension of the harvested area and the modernization programs which were introduced in some regions of the outer islands, however, average annual agricultural production remained small. The production of rubber in 1974 - 1977 was only 554,000 tons, which was merely equal to production 8 years before (Indicator Economy, December 1978, : 19-21. Arndt H.W. 1977: 23, 1978: 14. Glassburner 1978: 12). Besides its policy for rubber, the central government since 1973 also introduced an extension program for coconut harvested area in South Sulawesi and coffee in South Sumatra where until 1973 production had only reached 25 percent of pre 1966 levels for coconut and 22 percent for coffee (Statistical Year Book 1975: 490-491). Here, like for rubber the emphasis was not on intensification and improvement but on extension. In North Sulawesi, although the coconut acreage was increased, half of the trees were over the normal maximum age of fifty years (Boediono 1972 : 71).
Judging from the disappointing outcomes of these policies for rubber, coconut and coffee it would seem that the government had not yet been forced to pay proper attention to these programs. Even though these sectors were not as profitable as forestry let alone oil exploration, yet they were dominated by smallholder producers. As a consequence of such government priorities not only did development in the agricultural sector lag behind non-agriculture but also development in the regions producing such crops lagged behind.

The regions which possessed resources such as oil and natural gas were in many respects more fortunate than other regions. Exploration for resources apparently encouraged the central government to improve the existing infrastructure and if necessary build a new one. For example Aceh benefited from a significant increase in infrastructure development after 1976, due to exploration for natural gas (Sjafrizal and Dawood 1986). Further, the exploration for natural gas in Aceh was not only associated with the improvement and construction of new infrastructure but also led to the establishment of natural gas related industries such as petrochemicals, fertilizers and cement. All these industries have raised the economic growth of the region to as high as 13.4

12. This tendency is also clearly indicated by the fact that the government only started initiating a serious diversification export policy, with emphasis on traditional commodities, after the oil price steadily declined.

13. I choose Aceh as the main example because I consider Aceh as the most challenging region to the central government from the time of the Soekarno regime until present. This was supported by the fact that only in the 1987 General Election did Golkar, the party of the government, beat the PPP, the opposition party which has a strong base in Aceh. In order to beat the PPP in this particular region, the regime had to give special treatment to Daud Beureu’eh, the most prominent figure of the PPP in Aceh. Daud Beureu’eh had not only been treated with extraordinary consideration during the New Order period, but in the early years of the New Order he was entertained by the regime with a tour around the world and offered a luxury house in an elite suburb in Jakarta (Tempo 18 April 1987)
percent per year with the highest increase reached in the period 1975 to 1985. As a result, the overall per capita income of Aceh was higher than the average national per capita income (Sjafrizal and Dawood 1987: 16). Further, the tremendous increase in Aceh's exports, which grew at a rate of 72 percent annually during the period 1977 to 1984, became a clear illustration of the importance of LNG to Aceh's economy; if LNG exports were excluded from the Aceh growth calculation, the rate of increase in exports was only 8.4 percent per year (Sjafrizal and Dawood 1987: 42).

The policy of the central government to intensify exploration for natural resources was not only undertaken in Aceh but also in other rich regions. Esmara (1975), has demonstrated that these regions, rich in oil and timber, such as Riau and East Kalimantan, have been growing rapidly since 1968. During the first Repelita, particularly during 1968 - 1972, the per-capita income of these regions was higher than many other regions, although to some extent this was due to the spillover of those extractive industries. But even if income from oil and timber were excluded, the per-capita income was still high (Esmara H. 1975).

From the above discussion it is clear that the policy of the central government in the extractive industries has not only promoted the national economy but also that of specific regions because exploration for resources has also encouraged the central government to establish other related industries and infrastructure that were needed to sustain the development of these industries. On the other hand, in the case of many other regions which rely for their economy on perennial crops, particularly those produced by smallholders, the central government's policy has so far not yet shown indications of any improvement; productivity in the production of many commodities, at least until the end of Repelita II, remained as low as it was in the Old Order period.
Besides the policies in the mining and agricultural sector, another central government policy which has an intended "developmental effect" on the regions of the outer islands has been the transmigration policy. There are quotation marks around the word "developmental effect" because this policy was not initially designed to help promote the economy of the regions; it was a policy that was intended to alleviate the population problem in Java. But since the beginning of the first Five Year Development plan, transmigration has been placed in a much wider context of regional development. According to Arndt and Sundrum, transmigration should be perceived not merely as a policy that was intended to promote a better population distribution between Java and the recipient islands, in this case the outer island regions, but it was also aimed at ensuring an adequate supply of labour for regional development in agriculture. Second, it was planned as a catalyst for regional development by using labour from Java. And third, this policy also offered to both voluntary and government-sponsored migrants opportunities for employment as wage earners rather than smallholders (Arndt H.W. and Sundrum 1977). However, although the transmigration policy was also intended to speed up development in the regions, it has remained a central government's sectoral project in the outer island regions with its funds channelled through the Department of Transmigration, and its implementation is carried out through inter-departmental cooperation.

Transmigration can be perceived as a system for supplying labour from Java to meet the development needs of the outer island regions. These regions

14. During the first Repelita, the Department of Transmigration was responsible for all aspects of transmigration until it was later transferred to the provincial governments. In the second Repelita, the responsibility for transmigration was put under the Directorate General of Transmigration under the Department of Manpower-Transmigration and Cooperatives assisted by a coordinating body which comprised the Department of Public Works, Agriculture, Home Affairs, Finance, Health and Education under the program set by Bappenas. Because the role of transmigration was crucial to national and regional interests, in March 1978 the Department of Transmigration was set up to handle this programme, with support from the seven departments.
were economically less developed, not only due to lack of infrastructure, transportation, electric power and economic institutions such as banking and insurance, but also due to lack of labour. For example, Suratman and Guinnes note that much of the labour recruited for rubber and other estates in Sumatra came from Java (Suratman and Guinnes 1977: 87). The contribution of migrants from Java as labour supply to promote growth, particularly in the agricultural sector, was indicated by the expansion of wet rice (sawah) cultivation in many provinces in Sumatra. Table X indicates that in southern Sumatra i.e Jambi, South Sumatra, Bengkulu and Lampung where the number of transmigrants is greater than in northern Sumatra, the harvested area rose at an average of over 4 percent and production increased by 5 percent annually from 1976 to 1980. In the last 30 years, particularly in Lampung and South Sumatra, the main area of migrant settlement, the annual growth of rice output has been twice as large as in Java. The increase of rice production was not only important to fulfil the New Order regime’s objective of self sufficiency in rice but it was also crucial to impress the people in the recipient regions of the contribution of transmigration to increasing the production in the regions, at least in terms of production of the staple food, rice.

In terms of increasing infrastructure facilities in the regions, Arndt clearly shows that in Sumatra, Kalimantan and Sulawesi, transmigration is associated with a great deal of infrastructure investment, such as road, construction, irrigation and swamp reclamation (Arndt 1983). Another clear example of road construction which is associated with transmigration is the construction of the Trans Sumatra Highway. Some critics argued that the highway would never have been constructed except for transmigration purposes, while other observers hold that this program has only benefited the Javanese settlers and led to the creation of Javanese enclaves in the regions of the outer islands (Hardjono J. 1977).
Despite the ideal of a planned programme and co-ordinated implementation carried out by cooperation among seven departments, in fact there has been much criticism of the implementation of this program as unorganized, in-efficient and corrupted. (A recent news item stated, that due to lack of coordination among departments, lack of capacity and capability of personnel, and with many others factors, 6,000 houses for transmigrants were wasted and had to be scrapped. The Dept. of Transmigration had already built the houses despite no confirmation about the number of transmigrants that would require housing. The Minister for Transmigration simply intended to destroy the un-used houses (Kompas 2 December 1987, Tempo 16 January 1988)

Notwithstanding the many failures and the funds which have been wasted in carrying out this program, the regime has made little attempt to root out the cause of the problems. Rather than strictly controlling its implementation, reorganizing the institutions which are involved and sacking the officials who are responsible for the failures, it continues to increase the allocated budget. For example, in the beginning of the first Repelita, the budget allocation for transmigration was only 0.7 percent of the total development budget, but in 1982/83 it had already reached 6.1 percent, while the volume of the 1982/83 development budget was only twice as big in real terms as the development budget for 1969/70. Thus within 12 years the volume of the total development budget only rose by 100 percent while that for transmigration had increased by almost 900 percent (Nota Keuangan, various years).

From the above discussion, we can see that though the aim in alleviating population pressure in Java and sustaining economic development in the outer
island regions was less than successful, the regime persisted in maintaining the implementation of the transmigration program based on the existing policy.

Development activities in the regions of the outer island were largely due to the implementation of central government policy or national policy in the regions, and carried out in the mining sector, in agriculture and in transmigration projects. The only national policy specifically devoted to regional concerns is manifested in the Presidential Instruction Projects, known as INPRES Projects, which comprise:

3. The primary school scheme (Inpres Sekolah Dasar) started in 1973/74.
4. The community health centre scheme (Inpres Puskesmas) started in 1974/75.
5. The provincial subsidy scheme (Bantuan Dati I) started in 1974/745.
6. The tree planting and reforestation scheme (Inpres penghijauan) started in 1976/77 and
7. The market subsidy scheme (Inpres Pasar) which also started in 1976/77.

(Nota Keuangan various years)15

From the list of "Central Government Subsidies to Regions" we can see that these types of subsidy in the first Repelita were increased to seven types by

15. The provincial subsidy or Inpres Dati I was introduced to replace the Automatic Foreign Exchange Allocation or Sumbangan Pemerintah Pengganti Alokasi Devisa Otomatis: SPP ADO. The fund is allocated to the projects in the regions which have been approved by the central government. SPP ADO was a subsidy from the central government based on the export performance of each region but later this scheme was regarded as unfair as not all regions in Indonesia are exporting regions.
the end of the second Repelita. Apparently as a gesture from the central government to the regions, particularly the exporting regions, not only the type of subsidy had been multiplied but also the magnitude of the subsidies, especially in the period of the oil boom, as shown in table XI.

The table also indicates that the elementary school subsidy is the biggest of all. This subsidy is distributed to the regions on the basis of the number of the children. Therefore, since the number of children that need education is bigger in Java than in the outer island regions, consequently the largest percentage of this subsidy goes to Java. The Provincial subsidy is the second biggest, not only because this subsidy covers the whole of a provincial area but because the Provincial subsidy (Bantuan Dati I) was the main policy in the New Order period which was initially intended to promote the economy of the regions, particularly the outer island regions. This policy was created against the background of conflict between the centre and the regions of the outer island over the distribution national income in general and of foreign exchange earnings in particular.

The provincial subsidy indeed had already been initiated in 1966 under the name "Automatic Foreign Exchange Allocation" (Alokasi Devisa Otomatis=ADO) which later in the first Repelita was replaced with "Central Government Contribution in Lieu of ADO" (Sumbangan Pemerintah Pengganti ADO).

The ADO policy was adopted by the central government as a bargaining policy with the outer island regions, particularly the exporting regions, following hard on the heels of the 1966 Provisional People's Consultative Assembly Decision No. XXXI on the granting of Autonomy in the "real and widest sense" (Dalam arti yang seluas-kuas dan sesungguhnya). Further, in 1967 at a
conference of governors in Solo, the regions issued a demand to the central government for an annual 30 percent of the total central revenue to be earmarked to the regional budget. However, after strong bargaining, the central government proposed the ADO scheme as a solution, which also initially was intended to revive exports from the regions. Under the ADO scheme the exporting regions were automatically given a share of revenue and foreign exchange in the form of 10 percent of the export tax on all exports originating from their own region with an additional 10 percent for any margin above the targeted export, and a 2 percent pro rata allocation for those who were unable to reach the target (Penny and Thalib 1967: 7, Seda F. 1976: 61-70). Foreign exchange receipts, based on this policy could be used directly to import capital goods or consumption goods under the individual regional economic policy. With this ADO scheme the central government hoped that the regional governments and the people would stop the practice of barter trade or smuggling, which was common among the regional traders during the old order period.

However with the further consolidation of military and civilian elites in the centre, which provided a strong political power base to the regime, and the increasing economic resources of the new government, in the first Repelita the ADO scheme was replaced with the "Central Government subsidy in Lieu of ADO" or (Sumbangan Pemerintah Pengganti ADO).

The central government maintained that though the scheme (ADO) had been effective in reviving exports and ending the regional practice of "non-conventional financing", overall it had a highly discriminatory effect. The stronger regions, including those which were not necessarily export producing regions but which were well endowed with ports and other facilities, gained most from the scheme, while the poorest and the most populous regions gained least. It also
intensified undue competition among regions, causing duplication of efforts in
development and other facilities and to regional prohibitions against the inter-
regional flow of export commodities. It was ostensibly to stop such negative
trends of regional differentiation, as well as to support the overall program of
Repelita, that the regime decided to end the ADO scheme (Hadi 1974: 63-72,
Salim 1975: 24). With the SPP ADO, each region received a subsidy equal to its
ADO revenue in the 1969/70, plus an additional flat sum of 5 percent across the
board.

When its sources of revenue became more diversified and when politically
it had become more powerful, the central government tended to be more
authoritarian in imposing control over the regions of the outer islands. The regime
then put an end to the SPP ADO scheme and replaced it with a subsidy system
which removed any link with regional export performance. The new system took
the form of grants from the central government to the regions defined according
to the needs of each region, and with special attention given to the regions in
deficit. Thus with this subsidy system the regime has made the regions more
dependent on the subsidy from the centre.

The central government initiated the policy with a first year subsidy roughly
equal to twice the sum the provinces had previously received under the SPP
ADO, with no region receiving less than Rp. 500 million. Together with this fixed
Rp. 500 million, the central government also provided each region with funds
allocated on the basis of the length of provincial roads with a specific amount per
kilometre. In addition, inclusive into SPP ADO and the funds on the basis of the
length of provincial road, the central government also distributed funds allocated
on the basis of cultivated areas, a scheme especially designed for the provinces
lacking long roads. The cultivated areas included crops, plantations and
palawija. The subsidy scheme also gave special attention to Jakarta because its
urban area is much more extensive than any other region, and to Maluku
because of its communication problems (Dept. of Information 1970, Leuwen 1975).

The second biggest subsidy on the basis of area is the district subsidy or (Inpres Kabupaten). This subsidy is calculated on the basis of the population in the district concerned. Initially this subsidy was introduced at the rate of only Rp.50 per person; at the end of the first Repelita it rose to Rp. 150 per person, by the end of the second Repelita it had become Rp.300 per person and in the 1978/79 budget it rose again to Rp.450 per person (Nota Keuangan 1980/81: 219). This subsidy clearly benefited the populous rather than scarcely populated regions and as a result Java has gained more under this system of subsidy calculation. However, it is important to note that many regions of the outer island have obtained much benefit from this Inpres system such as West Sumatra, South Sulawesi (Achmad I.A.1984)

This subsidy together with the provincial subsidy and all other subsidies, except the community health centre and reforestation subsidy, are directly handled by Ministry of Home Affairs authorities in the region concerned. The Community Health Centre and Reforestation subsidy needed the cooperation of other ministries. But overall the Ministry of Home Affairs is in charge in the implementation and the supervision of these subsidies in every region.

As the name "Inpres" for these projects indicates, their implementation is also regulated and carried out through Presidential Instructions. As a result all these projects have the privilege of by-passing the difficulties of the bureaucratic process, even by-passing the proposal and feasibility procedures of Bappenas. The financial arrangements are directly transferred through the Indonesian People's Bank (Bank Rakyat Indonesia) in every region.
In line with the objectives of this program to create "equal" development among the regions, the implementation of these subsidies, involving the selection of the projects and the contractors, has been entirely devolved to the provincial governments. But as observed by Richards, evidence in local surveys and comment in the press has indicated that political considerations and interests in the selection of the projects and of the contractors have been very influential so that the subsidies have not always been used to the best advantage of communities (Richards R.A. 1978). Further, although manipulation in the implementation of Inpres projects has been officially acknowledged even by authorities in the centre, there has been no further action from the central government (Merdeka, July 23, 1976). As a result, although many regions made progress in their regional development through these Inpres systems, yet the main objective of "creating equal development among regions" remains to be seen. In many aspects, as a consequence of manipulation in their implementation and lack of control from the central government, the system is more like a distribution of wealth from the central government to the regions, particularly considering Robison's statement that almost all contractors who are awarded government projects are those who have connections or patronage from the authorities (Robison R. 1981). Nevertheless, these subsidies are very popular in the regions, and are instrumental in creating loyalty to the central government and particularly to the President.

In addition to central government subsidies in the form of Inpres there is also another fund which is allocated to the regions to support development, particularly when the regions urgently need additional funds. This fund is allocated through the Budget Item no XVI (Bagian Anggaran XVI), also known as "Budget Item for Costs and Calculation" (Bagian Pembiayaan dan Perhitungan) which is directly controlled and authorized through the Presidential Office. These funds are available for a wide range of activities ranging from irrigation, electricity
and agriculture to projects of husbandry in the regions. According to Dorojatun Kuntjoroyakti:

"President Soeharto allocated Anggaran XVI funds according to his discretion, channelling them outside the traditional departmental and agency networks. In so doing the Office of the President represented by the State Secretariat was able to cut across the bureaucracy and gain access directly to all branches and levels of the government" (Kuntjorojakti, Dorodjatun 1981: 310-11).

From the discussion above we can see that development and economic growth in the regions are very dependent on the policy and the supply funds from the central government. According to Esmara, supply of funds from the central government to every region has made up 85 to 90 percent of the total regional development budgets with only 10 to 15 percent actually originating from regional sources (Esmara H. 1986: 215-235).

In this process of development the provincial governments have been forced to be passive. In some respects many regions have developed and their economies are growing because of the implementation of central government projects with their economic spill-over. This situation is clearly evident in economic growth in the regions of the outer islands, particularly in the regions which possess resource endowments and in the regions which are politically demanding. By contrast the poorer regions and those which are not politically critical to the central government have remained underdeveloped or at least have lagged behind other regions. Lorraine Corner draws a specific example from Nusatenggara. Nusatenggara, compared to other regions in Indonesia, is regarded as an arid and dry region, in other words a poor region with little political importance for the central government. As a result Nusatenggara economically is much less developed compared to other regions let alone in terms of infrastructures (Corner L. 1986).
Although, through Presidential Projects the Regional governments do have the authority to execute development in accordance with their own needs, the general guidelines have been laid down by the central government. To some extent the regional people through the so called Regional Development Planning Boards (Badan Perencanaan Pembangunan Daerah: Bappeda), which have a role parallel to Bappenas, may propose their own plans or suggestions for their region, but the final decision is in the hands of Bappenas. In other words the "master plan" which has been designed by Bappenas is fixed.

Overall economic development in the regions, particularly the regions of the outer islands, is clearly a matter of implementation of central government projects in the regions, with Bappenas emerging as the pivotal national agency concerned with development planning. At the national level the Minister of Finance acts as the guardian of the public treasury, and other departments, such as the Department of Public Works and the Department of Agriculture, which are responsible for the physical implementation of the projects, act as the "spending advocate" (Wildavsky A.1974: 145-165). The Ministry of Home Affairs, which is responsible for coordination and supervision throughout the country, serves as "supervisor of development" with the Governors acting as central government agents, that is as the agent of the Minister of Home Affairs in the regions, who have to transmit and mediate central government policy in the region as well as act as the regional leader.
CHAPTER FIVE
SUMMARY AND CONCLUSION

From the discussion in chapter I and chapter IV it should by now be clear why the New Order regime has so far been able to prevent the outbreak of traditional regional challenges and has succeeded in maintaining the stability which is a prerequisite for the implementation of its development programs.

The regional rebellions that regularly burst out in the Old Order period were mainly manifestations of political civilian rivalries within the civilian and military elites over power and economic resources in the newly established state. In the case of the Darul Islam rebellion, it was clear that the rebels in their challenge to the central government did not constitute a unified Muslim movement. Each rebel leader, Kartosuwirjo, Kahar Muzakar and Daud Beureu'eh, had his own reasons to fight against rivals in the centre. It would be difficult to describe the Darul Islam rebellion in terms of an Islamic revolt against non-Islamic government because both sides, the rebels in the regions and the government in the centre consisted of a mixture of "strong" and "non-strong" Muslims. Regional rebellion as a manifestation of political rivalries in the civilian and military elites was even clearer in the case of PRRI/Permesta. Both sides, the central government and the rebels, comprised a mixture of the Javanese elite and the outer island regional elites, and included both pious Muslims and abangans.

The rebellions that occurred in the pre-1966 even also clearly indicated the weakness of the central government and the un-consolidated power of the regime. The situation was made worse when the central government was unable
to run its economic development program and the whole economic situation deteriorated.

Therefore, set against the experience in the past period, the New Order introduced policies that touched the roots of the problem. Firstly the New Order leadership consolidated power in the centre in order to create a strong central government, which consisted of the military and civilian elite from both Java and the outer island regions, although in this case the Javanese remained as the dominant group since they represented the largest ethnic community in the archipelago. Power was consolidated not only in the centre but also down to the regions and even to the villages. As a result the bureaucratic elites in the regions were not only regional leaders but more importantly became executive agents of the central government in the regions. The role of the regional leaders as central government executive agents is reflected by the way a governor is appointed. According to Law No 5 of the year 1974, although candidates for governor are elected by the Regional Representative Council (Dewan Perwakilan Rakyat Daerah :DPRD), the appointment has to be approved by the President. If among the proposed candidates none is approved by the Central government then the Minister of Home Affairs can appoint any person from Jakarta or any other region. The task of the governing elite in the regions is to guarantee that the economic development policy of the central government is properly executed and to cooperate with the regional military command in controlling and preventing regional unrest.

The strategy of power consolidation from the centre to the regions has, in many respects, worked together with the economic development programs. The development programs which were brought about by the New Order government were not only financed with big foreign loans and foreign private capital but also generated tremendous revenue for the government, particularly from oil but also
from timber, mainly in the first two Repelitas and later liquid natural gas also added government income.

The economic development program carried out by the New Order government no doubt was able to revive the national economy and increase the standard of living of the people compared to the situation in the Old Order period, but more importantly from the point of view of this thesis, the development policy conducted by the government has tremendously improved the economic welfare of the elites in the centre and in the regions in contrast to what was achieved by the old regime. The New Order's policy was not limited to the exploitation of economic sectors that generated a huge amount of money but it also created a new group of businessmen under the patronage of the regime. Thus this economic development program became an instrument to strengthen elite consolidation from the centre to the regions and as a result also sustained stability.

This type of integration, which is based on elite consolidation sustained through the distribution of material benefits produced by the development program, clearly does not constitute a guarantee of eternal stability. But it appears that the central government backed by its coercive capacity has been able to buy the loyalty of the elite in the regions. The regions cannot afford not to be "loyal" to the central government.

In the long run this strategy perhaps will steadily strengthen integration as the regions get accustomed to it without the feeling of being forced. The elites can be expected to remain consolidated without suppression and coercion as long as their economic welfare is undisturbed. If, however the regions show a tendency to display their grievances, then the central government must determine which activities are more effectively and conveniently undertaken on a regional
basis and prepare to allow a limited degree of decentralization. In the meanwhile it is to be hoped that it will be possible to change the approach to the regional elites so that it no longer rests in a largely material basis. The regional elites, on the other hand, must be prepared to serve the government and ultimately the people.
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APPENDICES

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5. Table V. Repelita I and Repelita II Planned Development Expenditure by Sector (billion rupiah and percent of total)
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7. Table VII. Percentage Annual Rate of Growth of GDP Repelita II based on 1973 price.
8. Table IX. Planned Growth in Repelita III.
9. Table IX. Annual Percentage of Rate of Growth of GDP Repelita II based on 1973 price
11. Table XI. Realization of Central Government Subsidy to Regions, per Semester I.
<table>
<thead>
<tr>
<th>SECTOR</th>
<th>UNIT</th>
<th>PRODUCTION TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AMOUNT</td>
<td>PERCENTAGE INCREASE IN</td>
</tr>
<tr>
<td></td>
<td>1969/70</td>
<td>1973/74</td>
</tr>
<tr>
<td><strong>Agricultural</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td>Mill. Tons</td>
<td>10.52</td>
</tr>
<tr>
<td>Palm oil (export)</td>
<td>1,000 Tons</td>
<td>172</td>
</tr>
<tr>
<td>Sugar</td>
<td>1,000 Tons</td>
<td>677</td>
</tr>
<tr>
<td>Logs (export)</td>
<td>1,000 Cu.m.</td>
<td>2,900</td>
</tr>
<tr>
<td><strong>Mining</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum</td>
<td>Mill. Bbl</td>
<td>293</td>
</tr>
<tr>
<td>Tin</td>
<td>1,000 Tons</td>
<td>16.16</td>
</tr>
<tr>
<td>Bauxite</td>
<td>1,000 Tons</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textiles</td>
<td>Mill. Metres</td>
<td>450</td>
</tr>
<tr>
<td>Fertilizer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nitrogen</td>
<td>1,000 Tons</td>
<td>46.5</td>
</tr>
<tr>
<td>Phosphate</td>
<td>1,000 Tons</td>
<td>18 (1971)</td>
</tr>
<tr>
<td>Cement</td>
<td>1,000 Tons</td>
<td>600</td>
</tr>
<tr>
<td>Paper</td>
<td>1,000 Tons</td>
<td>16</td>
</tr>
<tr>
<td><strong>Electric Power</strong></td>
<td>1,000 KW</td>
<td>659</td>
</tr>
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</table>

Table. II. Sources of Finance, Five Year Plan 1969/70 - 1973/74
(Rupiah billion - 1968 prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Development Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Surplus (Routine)</td>
<td>123</td>
<td>153</td>
<td>223</td>
<td>264</td>
<td>296</td>
<td>1,059</td>
</tr>
<tr>
<td>Counterpart Funds</td>
<td>(24)</td>
<td>(33)</td>
<td>(43)</td>
<td>(55)</td>
<td>(71)</td>
<td>(226)</td>
</tr>
<tr>
<td>Project Aid</td>
<td>(63)</td>
<td>(75)</td>
<td>(85)</td>
<td>(85)</td>
<td>(85)</td>
<td>(393)</td>
</tr>
<tr>
<td></td>
<td>(36)</td>
<td>(45)</td>
<td>(95)</td>
<td>(124)</td>
<td>(140)</td>
<td>(440)</td>
</tr>
<tr>
<td>2. Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in Medium and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>long term Credit</td>
<td>(13)</td>
<td>(15)</td>
<td>(19)</td>
<td>(22)</td>
<td>(26)</td>
<td>(95)</td>
</tr>
<tr>
<td>Direct Capital Investment</td>
<td>(25)</td>
<td>(39)</td>
<td>(53)</td>
<td>(67)</td>
<td>(82)</td>
<td>(226)</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>207</td>
<td>295</td>
<td>353</td>
<td>404</td>
<td>1,420</td>
</tr>
<tr>
<td>Counterpart Funds and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Aid as Percentage of Total</td>
<td>6</td>
<td>58</td>
<td>61</td>
<td>59</td>
<td>56</td>
<td>59</td>
</tr>
</tbody>
</table>

(billion rupiah and percent)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Percentage of GDP</th>
<th>Ave. Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural</td>
<td>3,571</td>
<td>3,757</td>
<td>3,986</td>
<td>4,036</td>
<td>4,435</td>
<td>39.8</td>
<td>34.5</td>
</tr>
<tr>
<td>Farm Food Crops</td>
<td>2,264</td>
<td>2,337</td>
<td>2,490</td>
<td>2,454</td>
<td>2,728</td>
<td>25.3</td>
<td>21.2</td>
</tr>
<tr>
<td>Farm Nonfood Crops</td>
<td>469</td>
<td>477</td>
<td>487</td>
<td>478</td>
<td>5.5</td>
<td>3.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Estate Crops</td>
<td>159</td>
<td>168</td>
<td>1,496</td>
<td>181</td>
<td>172</td>
<td>1.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Livestock Product</td>
<td>231</td>
<td>243</td>
<td>270</td>
<td>277</td>
<td>2.6</td>
<td>2.2</td>
<td>4.8</td>
</tr>
<tr>
<td>Forestry</td>
<td>271</td>
<td>349</td>
<td>457</td>
<td>588</td>
<td>3.0</td>
<td>4.6</td>
<td>21.4</td>
</tr>
<tr>
<td>Fishery</td>
<td>179</td>
<td>184</td>
<td>187</td>
<td>193</td>
<td>2.0</td>
<td>1.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>1,408</td>
<td>1,637</td>
<td>1,696</td>
<td>2,074</td>
<td>2,557</td>
<td>15.7</td>
<td>19.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>678</td>
<td>743</td>
<td>766</td>
<td>882</td>
<td>1,016</td>
<td>7.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>41</td>
<td>48</td>
<td>53</td>
<td>56</td>
<td>64</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Construction</td>
<td>255</td>
<td>320</td>
<td>361</td>
<td>469</td>
<td>554</td>
<td>2.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Commerce, Hotels, etc.</td>
<td>1,393</td>
<td>1,572</td>
<td>*</td>
<td>1,942</td>
<td>2,112</td>
<td>15.5</td>
<td>16.4</td>
</tr>
<tr>
<td>Transport and Communicatio</td>
<td>292</td>
<td>308</td>
<td>405</td>
<td>443</td>
<td>497</td>
<td>3.3</td>
<td>3.9</td>
</tr>
<tr>
<td>Banking, etc</td>
<td>70</td>
<td>92</td>
<td>132</td>
<td>146</td>
<td>0.8</td>
<td>1.1</td>
<td>20.2</td>
</tr>
<tr>
<td>Ownership of Dwelling</td>
<td>148</td>
<td>159</td>
<td>3,138</td>
<td>185</td>
<td>218</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Public Administration and Defence</td>
<td>651</td>
<td>668</td>
<td>709</td>
<td>731</td>
<td>7.3</td>
<td>5.7</td>
<td>19.4</td>
</tr>
<tr>
<td>Other Services</td>
<td>456</td>
<td>468</td>
<td>492</td>
<td>508</td>
<td>5.1</td>
<td>3.4</td>
<td>2.8</td>
</tr>
</tbody>
</table>

| Gross Domestic Product: | 8,963 | 9,771 | 10,405 | 11,419 | 12,837 | 100.0 | 100.0 | 9.4   |

* included with services

Note: Total do not add due to rounding

Source: Central Bureau of Statistics (CBS), Jakarta
### Table IV. REPELITA II. Projected Change in the Structure of the Economy, 1973/74 - 1978/79

( percent )

<table>
<thead>
<tr>
<th>Sector's estimated share in G.D.P.</th>
<th>Sector's estimated share in G.D.P.</th>
<th>Implicit Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>40.1</td>
<td>35.0</td>
</tr>
<tr>
<td>Mining</td>
<td>9.6</td>
<td>10.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.8</td>
<td>12.6</td>
</tr>
<tr>
<td>Construction</td>
<td>3.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Others</td>
<td>32.6</td>
<td>32.9</td>
</tr>
<tr>
<td>G.D.P.</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Department of Information, REPELITA II, Jakarta, 1974.
Table V. REPELITA I and II Planned Development Expenditure by Sector (billion rupiah and percent of total)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total %</td>
<td>Total %</td>
<td></td>
</tr>
<tr>
<td>Agricultural and Irrigation</td>
<td>267.8 21.7</td>
<td>1001.6 19.1</td>
<td>+ 274.0</td>
</tr>
<tr>
<td>Industry and Mining</td>
<td>85.7 7.0</td>
<td>185.8 3.5</td>
<td>+ 116.8</td>
</tr>
<tr>
<td>Electricity Power</td>
<td>108.0 8.8</td>
<td>387.8 7.4</td>
<td>+ 259.1</td>
</tr>
<tr>
<td>Transportation and Communication</td>
<td>261.0 21.1</td>
<td>831.7 15.8</td>
<td>+ 218.2</td>
</tr>
<tr>
<td>Regional and Local Development **</td>
<td>210.0 17.0</td>
<td>930.6 17.7</td>
<td>+ 343.1</td>
</tr>
<tr>
<td>Public Enterprises ***</td>
<td>71.3 5.8</td>
<td>562.9 10.7</td>
<td>+ 689.5</td>
</tr>
<tr>
<td>Education</td>
<td>83.8 68.0</td>
<td>525.8 10.0</td>
<td>+ 527.4</td>
</tr>
<tr>
<td>Health and Family Planning</td>
<td>27.3 2.2</td>
<td>192.1 3.7</td>
<td>+ 603.7</td>
</tr>
<tr>
<td>Others ****</td>
<td>117.5 9.5</td>
<td>630.9 12.1</td>
<td>+ 436.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,232.8 100.0</td>
<td>5,249.2 100.0</td>
<td>+ 325.8</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance

*Includes only development expenditures of the Central Government
**The portion of development expenditures by provincial and local governments financed by the Central Government
***The portion of development expenditures by government-owned enterprises financed by the Central Government
****Under the rubric of "others" of Repelita II is included such new items as: trade and co-operatives; man power and transmigration; housing and and water supply; research and statistics; and government apparatus.
Table. VI. Investment and Gross Domestic Product, 1974/75 - 1978/79

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product</td>
<td>7,565</td>
<td>8,783</td>
<td>10,197</td>
<td>11,839</td>
<td>13,745</td>
<td>52,129</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Government saving</td>
<td>1,443</td>
<td>1,746</td>
<td>2,112</td>
<td>2,577</td>
<td>3,156</td>
<td>11,023</td>
</tr>
<tr>
<td>b. Program aid</td>
<td>616</td>
<td>907</td>
<td>907</td>
<td>1,137</td>
<td>1,436</td>
<td>4,859</td>
</tr>
<tr>
<td>c. Project aid</td>
<td>(402)</td>
<td>(671)</td>
<td>(671)</td>
<td>(886)</td>
<td>(1,182)</td>
<td>(3,684)</td>
</tr>
<tr>
<td>2. Others</td>
<td>828</td>
<td>982</td>
<td>1,205</td>
<td>1,141</td>
<td>1,701</td>
<td>6,165</td>
</tr>
<tr>
<td>Investment as Percent of G.D.P. (%)</td>
<td>19.1</td>
<td>19.9</td>
<td>20.7</td>
<td>21.8</td>
<td>22.9</td>
<td>21.1</td>
</tr>
</tbody>
</table>

*Price are "current" i.e., are assumed to rise at a rate 8 - 10 percent per year, equal to the expected rate of world inflation.

Source: Department of Information, REPELITA II, Jakarta, 1974.
Table. VII. Percentage Annual Rate of Growth of G.D.P. Repêlita II based on 1973 price

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture, Forestry and Fishery</td>
<td>3.7</td>
<td>0.0</td>
<td>4.7</td>
<td>1.3</td>
<td>5.2</td>
<td>2.98</td>
</tr>
<tr>
<td>2. Mining</td>
<td>3.4</td>
<td>-3.6</td>
<td>15.0</td>
<td>12.4</td>
<td>-2.0</td>
<td>9.0</td>
</tr>
<tr>
<td>3. Industry</td>
<td>16.2</td>
<td>12.3</td>
<td>9.7</td>
<td>13.7</td>
<td>16.8</td>
<td>13.74</td>
</tr>
<tr>
<td>4. Electricity, Drinking water</td>
<td>21.7</td>
<td>11.4</td>
<td>12.4</td>
<td>5.8</td>
<td>16.1</td>
<td>13.48</td>
</tr>
<tr>
<td>5. Constructions</td>
<td>22.1</td>
<td>14.0</td>
<td>5.4</td>
<td>20.6</td>
<td>14.0</td>
<td>15.22</td>
</tr>
<tr>
<td>6. Transportation and Communication</td>
<td>12.1</td>
<td>5.1</td>
<td>13.2</td>
<td>28.1</td>
<td>17.2</td>
<td>15.14</td>
</tr>
<tr>
<td>7. Trade, Banking and Services</td>
<td>9.2</td>
<td>10.7</td>
<td>5.0</td>
<td>10.3</td>
<td>8.0</td>
<td>8.64</td>
</tr>
<tr>
<td>8. Gross Domestic Product</td>
<td>7.6</td>
<td>5.0</td>
<td>6.9</td>
<td>8.9</td>
<td>7.7</td>
<td>7.62</td>
</tr>
</tbody>
</table>

Processed from Nota Keuangan 1986/87, p. 230
Table VIII. Planned Growth in REPELITA III.

<table>
<thead>
<tr>
<th>SECTORS</th>
<th>Target in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>3.5</td>
</tr>
<tr>
<td>Mining</td>
<td>4.0</td>
</tr>
<tr>
<td>Industry</td>
<td>11.0</td>
</tr>
<tr>
<td>Construction</td>
<td>9.0</td>
</tr>
<tr>
<td>Transportation</td>
<td>10.0</td>
</tr>
<tr>
<td>Others</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Total (GDP)</strong></td>
<td><strong>6.5</strong></td>
</tr>
</tbody>
</table>

Source: Pidato Kenegaraan President 17 Agustus 1978, or Presidential State Address Speech August 17, 1978 (Department of Information the Republic of Indonesia)
Table. IX. Annual Percentage of Rate of Growth of G.D.P. Repelita III based on 1973 prices

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture, Forestry and Fishery</td>
<td>3.9</td>
<td>5.2</td>
<td>4.9</td>
<td>2.1</td>
<td>4.8</td>
<td>4.18</td>
</tr>
<tr>
<td>2. Mining</td>
<td>-0.2</td>
<td>-1.2</td>
<td>3.3</td>
<td>-12.1</td>
<td>1.8</td>
<td>-1.68</td>
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<tr>
<td>3. Industry</td>
<td>12.9</td>
<td>22.2</td>
<td>10.2</td>
<td>1.2</td>
<td>2.2</td>
<td>9.74</td>
</tr>
<tr>
<td>4. Electricity, Drinking water</td>
<td>20.6</td>
<td>13.6</td>
<td>15.4</td>
<td>17.4</td>
<td>6.9</td>
<td>14.78</td>
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<tr>
<td>5. Constructions</td>
<td>6.4</td>
<td>13.6</td>
<td>12.7</td>
<td>5.2</td>
<td>6.2</td>
<td>8.82</td>
</tr>
<tr>
<td>6. Transportation and Communication</td>
<td>8.9</td>
<td>8.9</td>
<td>11.1</td>
<td>5.9</td>
<td>5.0</td>
<td>7.96</td>
</tr>
<tr>
<td>7. Trade, Banking and Services</td>
<td>7.5</td>
<td>12.3</td>
<td>9.5</td>
<td>5.2</td>
<td>4.5</td>
<td>7.80</td>
</tr>
<tr>
<td>8. Gross Domestic Product</td>
<td>6.3</td>
<td>9.9</td>
<td>7.9</td>
<td>2.2</td>
<td>4.2</td>
<td>6.10</td>
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</table>

Processed from Nota Keuangan 1986/87, p. 230
<table>
<thead>
<tr>
<th></th>
<th>1951-60 to 1976-80</th>
<th></th>
<th>1971-75 to 1976-80</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Harvested Area</td>
<td>Production</td>
<td>Yield</td>
<td>Harvested Area</td>
</tr>
<tr>
<td>1. Aceh</td>
<td>1.9</td>
<td>3.3</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td>2. North Sumatra</td>
<td>3.5</td>
<td>4.8</td>
<td>1.3</td>
<td>0.4</td>
</tr>
<tr>
<td>3. West Sumatra</td>
<td>2.6</td>
<td>3.4</td>
<td>0.8</td>
<td>1.4</td>
</tr>
<tr>
<td>4. Riau</td>
<td>3.6</td>
<td>4.6</td>
<td>0.9</td>
<td>-0.2</td>
</tr>
<tr>
<td>5. Jambi</td>
<td>4.1</td>
<td>4.8</td>
<td>0.7</td>
<td>4.1</td>
</tr>
<tr>
<td>6. South Sumatra</td>
<td></td>
<td></td>
<td></td>
<td>3.4</td>
</tr>
<tr>
<td>7. Bengkulu</td>
<td>1.2</td>
<td>1.7</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>8. Lampung</td>
<td>5.1</td>
<td>9.2</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>6 &amp; 7 &amp; 8*</td>
<td>4.6</td>
<td>5.2</td>
<td>0.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Sumatra</td>
<td>3.4</td>
<td>4.3</td>
<td>0.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Java</td>
<td>0.4</td>
<td>3.4</td>
<td>3.1</td>
<td>0.6</td>
</tr>
</tbody>
</table>

*In the earlier period, Bengkulu and Lampung were part of the province of South Sumatra.

Total may not add owing to rounding.

This table is absolutely taken as original as appeared in "Transmigration achievement, Problems and Prospects" by H. W. Arndt in BIES Vol. XIX: No. 3 December 1983.
Table XI. Realization of Central Government Subsidy to Region, per Semester I

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Village</td>
<td>4.20</td>
<td>10.70</td>
<td>11.00</td>
<td>22.80</td>
<td>15.10</td>
<td>24.00</td>
<td>27.60</td>
<td>35.00</td>
</tr>
<tr>
<td>District</td>
<td>18.70</td>
<td>24.40</td>
<td>26.80</td>
<td>16.80</td>
<td>31.70</td>
<td>36.70</td>
<td>62.80</td>
<td>69.80</td>
</tr>
<tr>
<td>West Irian</td>
<td>2.00</td>
<td>1.30</td>
<td>3.10</td>
<td>1.50</td>
<td>2.50</td>
<td>2.50</td>
<td>2.50</td>
<td>2.50</td>
</tr>
<tr>
<td>Provincial</td>
<td>15.90</td>
<td>21.10</td>
<td>22.10</td>
<td>36.10</td>
<td>40.50</td>
<td>50.70</td>
<td>81.80</td>
<td>106.20</td>
</tr>
<tr>
<td>Land Tax (IFEDA)</td>
<td>16.30</td>
<td>19.90</td>
<td>23.20</td>
<td>17.80</td>
<td>33.10</td>
<td>24.80</td>
<td>45.60</td>
<td>45.80</td>
</tr>
<tr>
<td>Elementary School</td>
<td>5.20</td>
<td>16.00</td>
<td>20.20</td>
<td>21.80</td>
<td>44.20</td>
<td>50.10</td>
<td>130.00</td>
<td>166.90</td>
</tr>
<tr>
<td>Health Centre</td>
<td>3.10</td>
<td>4.20</td>
<td>2.30</td>
<td>4.20</td>
<td>5.50</td>
<td>27.10</td>
<td>31.30</td>
<td>31.30</td>
</tr>
<tr>
<td>Forestration</td>
<td>2.50</td>
<td>6.00</td>
<td>8.80</td>
<td>20.60</td>
<td>25.80</td>
<td>25.80</td>
<td>30.10</td>
<td>30.10</td>
</tr>
<tr>
<td>Market</td>
<td>0.30</td>
<td>0.50</td>
<td>2.00</td>
<td>5.50</td>
<td>3.40</td>
<td>3.40</td>
<td>3.40</td>
<td>3.40</td>
</tr>
<tr>
<td>East Timor</td>
<td>4.00</td>
<td>12.50</td>
<td>25.50</td>
<td>25.50</td>
<td>25.50</td>
<td>25.50</td>
<td>25.50</td>
<td>25.50</td>
</tr>
<tr>
<td>Total</td>
<td>119.90</td>
<td>135.10</td>
<td>180.80</td>
<td>228.20</td>
<td>418.70</td>
<td>515.50</td>
<td>515.50</td>
<td>515.50</td>
</tr>
</tbody>
</table>

Processed from Nota Keuangan Year 1975/76 to 1982/83.