

# **Globalization, Regime Transition and the Indonesian State**

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Prepared for delivery at the 2002 Annual Meeting of the American Political Science Association, August 29 - September 1, 2002. Copyright by the American Political Science Association.

## Introduction

Much research in comparative politics during recent decades has examined how processes of liberalization and democratization transform authoritarian states in the non-Western world. Such regime transitions have been seen as a challenge to the state in peripheral and semi-peripheral countries. Another field of research – that of globalization studies – has also focused on how globalization constitutes a massive challenge to the state in post-colonial and post-communist countries. The point of departure for this paper is twofold. First, the observation that despite the challenges of globalization and regime transition the state often seems remarkably resilient. Second, the relative lack of integration and cross-fertilization between democratization and globalization studies. Hence, the aim of this paper is to indicate one way of integrating globalization and democratization research through a discussion of the puzzle of relative state resilience in the face of globalization and regime transition. This will be done through a thick description of the Indonesian case. Indonesia for long had an authoritarian state that most observers considered to be very strong and stable. The country has also, by most indicators, been remarkably open to global influences (see below). In 1998 the Asian economic crisis triggered the fall of President Suharto who had been in power for more than 32 years and a regime transition started. The dramatic events surrounding the fall of the dictator had an impact on the Indonesian state, which suddenly seemed less powerful. Its capacity to implement policies was severely weakened in several respects. Nevertheless, four years after Suharto's resignation it is obvious that authoritarian state structures are more resilient than many people believed in the euphoric time of *reformasi* in 1998-1999. Indonesia, thus, is a fascinating case when studying globalization, democratization and state transformation. A case study of Indonesia allows us to penetrate questions like: How can we understand the role of the state in the process of democratization in a peripheral or semi-peripheral country? How does globalization influence the state and the process of democratization?

My analysis will be based on four broad theoretical assumptions.

1) *History matters.* In order to understand contemporary problems of state transformation (or the lack thereof) and current problems of democratization, we need to analyze the history of state formation. This is not to argue that developments are predetermined. History can take many different directions, but not all political options are open to all societies. Historical development is clearly path-dependent and this path-dependency has to be taken seriously when analyzing contemporary problems of state transformation and democratization. A major argument of this paper is that the legacy of the authoritarian regime in Indonesia is a major impediment to a successful regime transition – let alone any more substantial democratization.

2) *A state-in-society perspective is most fruitful when analyzing processes of state transformation.* Structural-functional as well as Marxist scholars have tended to focus on society to the extent that the important role of the state in processes of democratization has been neglected. In the 1970s the state was brought back in (Evans, Rueschemeyer & Skocpol 1985), but this time the pendulum swung too much resulting in a neglect of social forces.<sup>1</sup> The state-in-society perspective suggested by Migdal, Kohli & Shue (1994) offers a more

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<sup>1</sup> Most research on Indonesian politics under the Suharto regime was also highly state centered and applied a rather rigid conceptual separation between state and society (van Klinken 2001a).

balanced framework for the analysis of state-society relations.<sup>2</sup> This theoretical framework is based on the assumption that state and society transform each other. State effectiveness depends on the form of state-society relations. These relations need not be of a zero-sum conflict type. States and other social forces may be mutually empowering. Another important aspect of this perspective is that states have to be analytically disaggregated. States are not homogenous entities. Different state actors are subject to different forms of pressure from within the state (from supervisors, underlings and peers) and from various social forces (domestically and internationally). Therefore, there is seldom a single homogenous state response to a problem (Migdal 1994: 16-17). A weakness of the state-in-society perspective, however, is that international and transnational dimensions are completely neglected,<sup>3</sup> a problem I will return to soon.

3) *The state is crucial in democratization processes, but we need to go beyond the transition paradigm.* With their focus on regime transitions “transitologist” have made important contributions to our understanding of democratization processes. Their emphasis on human agency has helped counter overly deterministic structural and modernization studies. However, transition studies have tended to neglect the structural context in which human agency takes place. The focus on political regimes has made these studies too state and elite centered. The analysis of the state has also been rather narrowly focused on the main political institutions on the national level. Building a democratic state requires institutional change (the form of the state), and representative change (who has influence over policies) as well as functional transformation (what the state does) (Grugel 2002: 69-70). “Transitologists” have focused on institutional and representational change, but not paid sufficient attention to the functional aspects. In addition to the building of a democratic state as a central aspect of regime transitions, the state helps shape the democratization process in other ways, not always observed in transition studies. States are not only the object of democratization efforts; they are also actors in the democratization process. Furthermore, state capacity is crucial to the success or failure of a democratization process. Finally, the “stateness problem” is essential. States need to enjoy more or less uncontested sovereignty for a democratization process to succeed (Grugel 2002: 66).<sup>4</sup>

4) *Globalization is crucial for an understanding of democratization processes.* The concept of globalization has become a buzzword, in media and popular accounts of current events as well as in academic discourses. Here, I will not engage with sophisticated theories of globalization, but rather try to pin down some concrete aspects of globalization that I consider to be of relevance for democratization processes. First, I should make clear that I see globalization as a process of deterritorialization, indicating emerging supraterritorial and transborder social spaces (Scholte 2000: 3). This process has generated changes – but hardly profound transformations – within economic, political and cultural spheres (Scholte 2000: 5). It is important to note that globalization does not automatically mean the diminishing of the role of the state. While the state has lost power in some areas it has been strengthened in others (Higgott et al 2000).

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<sup>2</sup>Like in many other state theories a Weberian notions of the state is used. This includes a focus on its institutional character, rule-making function, monopoly of legitimate use of physical force, and authority in a territorially defined area (Migdal 1994: 11).

<sup>3</sup>The authors actually admit that this is a blind spot in their theoretical framework, but they leave a transnational modification of the framework to other scholars (Kohli & Shue 1994: 324)

<sup>4</sup>A focus on the state, or even state-in-society, is not enough for a comprehensive analysis of the democratization processes. According to my view of democracy, societal democratization is as important as democratization of the state. A more elaborate treatment of this aspect of democratization, however, would take us far beyond the scope of this paper.

Globalization is best conceived as a relationship between the global and local (Kinvall 2002: 4). When analyzing processes of globalization, it is not meaningful to keep a strict distinction between processes internal and external to a specific country. Conventional analysis of the international dimension of democratization processes (e.g. Whitehead 1996), however, sets up a rigid division between the international and domestic spheres and, thus, does not take globalization seriously (Grugel forthcoming 2002). With an innovative approach Johansson (2002) goes beyond this separation between the external and the internal and applies globalization as a third explanatory dimension in the analysis of democratization processes. Thus, he treats globalization as a state of each and every country rather than an external pressure. While Johansson uses statistical indicators of globalization in a cross-country analysis, I will try to apply a similar way of reasoning in a qualitative case study. In this way my approach is more similar to the one elaborated by Clear (2002). In a stimulating and detailed analysis of how different donor strategies influence the process of democratization in Indonesia, she uses a conceptualization of democracy focusing on the interaction between state institutions and the expression of societal interests, and integrates the international dimension as the central focus. Following Grugel (2002: 8), I see globalization as shaping democratization processes culturally (through the creation of a global culture), economically (through the establishment of a global capitalist economy), and politically (through the establishment of global governance institutions). More precisely, we need to include the following interrelated aspects of globalization in the analysis of democratization within a particular country:

*a) The global political economy.* The development of a global political economy further strengthens the authority of Western capitalist centers and reduces the economic and political options available to peripheral and semi-peripheral states (Grugel 2002: 117).

*b) The transformation of the international political system.* The change from a bipolar system with two superpowers competing for influence to a post-Cold War system with one remaining superpower has a profound impact on domestic politics all over the world. The new international power context is not in itself more globalized than the previous system, but the scope for international and supraterritorial political alignments has changed. The terrorist attacks in New York and Washington on 11 September 2001 also changed the global political climate.

*c) The politics of global governance institutions.* Institutions for global governance are closely related to the global political economy and the international political system. Institutions like the IMF and the World Bank are deeply involved in the political and economic management of peripheral and semi-peripheral states. These institutions reflect the interests of economic and political power centers in the West.

*d) The politics of global civil society actors.* Transnational social movements and advocacy networks have emerged as significant players in global politics (Smith et al 1997; Keck & Sikkink 1998). Through linkages with national and local civil society groups they influence processes of democratization on a national level too.

*e) The global diffusion of ideas.* The development of a global culture also means the diffusion of ideas on a global scale. Democratic ideas, however, are obviously not the only ideas that are spread.

While I have phrased this introduction as a general framework, in principle applicable to a variety of cases across the world, I will be careful to limit my conclusions to the particular case of Indonesia. The global context is not homogeneous and even the same global influence may not have similar effects on different states (cf. Clear 2002: 3). Context matters.

### **State Formation in Historical Perspective**

The large archipelago that makes up contemporary Indonesia has a long history of complex political structures. The first state structures in this geographic area were Hindu-Buddhist and later Muslim kingdoms, mainly concentrated to Java and parts of Sumatra. The kingdom of Majapahit, with its greatest power in the fourteenth century, is sometimes referred to in relation to territorial claims of the modern Indonesian state, but there is no historical evidence that the state of Majapahit really controlled the whole area of what is today known as Indonesia (Ricklefs 1981: 17). A unitary state structure did not develop until rather late in the colonial period.

In the beginning of the sixteenth century Europeans began to arrive in the Southeast Asian archipelago. Dutch trade companies established their presence in various ports, but it took a long time before the Dutch had a significant influence on wider areas. The Dutch could not even claim control of the whole of Java until they defeated the uprising led by Dipanagara in the 1820s. The colonial state relied on forced cultivation of export crops for tax payment. The Dutch to a large extent built their rule on the structure of the traditional kingdoms. They converted the aristocratic elite into an educated bureaucratic elite with paternalistic responsibility for the masses. Colonial rule established a state apparatus controlling society and laid the ground for a corrupt bureaucracy, two major characteristics of the post-colonial Indonesian state.

Opposition against Dutch colonialism was strong and in the first half of the twentieth century an Indonesian nationalist movement emerged as a strong anti-colonial social force. It was the Japanese occupation 1942-1945 that paved the way for the final struggle for independence. The defeat of the Dutch at the hands of an Asian military power encouraged pro-independence sentiments and led to a politicization of the Indonesian masses. The brief period of Japanese rule made an impact on the Indonesian state too. Some authoritarian and totalitarian practices for state control of society introduced by the Japanese – including a militaristic ideology and excessive state violence - were later retained by Suharto's authoritarian regime.

After the sudden Japanese surrender in August 1945 the colonial state in its Dutch and Japanese forms almost collapsed. The “Indonesian revolution” – as the struggle for independence from the Dutch has been called – was a time dominated by strong social forces and the independent Indonesian state that was internationally recognized in the end of 1949 was very weak. There were no coherent civil bureaucracy, no dominant political party and no centralized strong army capable of seizing power (Anderson 1983: 482). With a highly politicized society there were strong pressure from below for popular participation in politics. This led to the development of a parliamentary democracy. Weak governments and a constant shift of cabinets characterized the first years of the post-colonial republic. There was no quick consolidation of state power and the state had little capacity to meet public demands. Furthermore, the territorial integrity of the state itself was challenged by regional uprisings against the authority of the Jakarta government. In response to these challenges President

Sukarno, with the support of the armed forces, gradually took more power and parliamentary democracy was replaced with what Sukarno labeled “Guided Democracy”. In practice it meant an increasingly authoritarian regime with a strong central power.

In the economic sector there was no strong domestic bourgeoisie that could replace the Dutch banking, trading and estate houses after independence. With no alternative to state investment, the Indonesian state became heavily involved in the economy from the beginning. The economic role of the state was further strengthened when Dutch enterprises were nationalized in 1957. Sukarno’s “Guided Economy” was a form of nationalist state capitalism that resulted in a very poor economic performance on most indicators in the late 1950s and early 1960s.

In 1965 the military took control of the civilian state apparatus. The army, under the leadership of General Suharto, used a failed coup attempt by some younger officers as a pretext to crack down on the strong communist party PKI and seize power from Sukarno. The new political regime – called the New Order by Suharto and his generals – was established through massive state terror (although much of the killings were actually carried out by religious youth groups and other social forces) in which between 500,000 and one million people were killed (Cribb 1990). The communist party, its associated organizations and all other opposition against the military was more or less physically eliminated.

State dominance over society became a major characteristic of the Suharto regime. The Indonesian state was present in almost all spheres of everyday life. Village leaders were recruited as state clients who controlled and monitored almost all activities (Antlöv 1995). Letters of recommendation from various military and civilian officials were necessary for people who applied for work, enrolled in high school, moved, got married etc. Civil society was systematically depoliticized. The population was supposed to be a “floating mass” whose only political activity was to vote in the state controlled undemocratic elections held every five years. Opposition forces were subject to tight surveillance from the various intelligence apparatuses and violent repression, including torture and extra-judicial killings, was common.

The Suharto regime from the beginning attempted to justify itself, and particularly military involvement in politics, on ideological grounds, not as a short-term solution to political and economic instability, but as the natural regime for Indonesia in the long run. In addition to the state ideology *Pancasila*, this was done through the doctrine of the military's dual function (*dwi-fungsi*). According to the dual function doctrine the Indonesian armed forces should not only defend the country, but also play an active role in social and political affairs. The surveillance function of the armed forces built on their “territorial structure”, enabling them to reach out all over the country. In practice the territorial forces dealt with internal security - not national defense.

A corporatist system connected to the election vehicle *Golkar* was established after Suharto’s seizure of power. Corporatist interest groups incorporated in the *Golkar* networks included the civil servants organization Korpri with mandatory membership for government employees, the only recognized labor union SPSI, the Chamber of Trade and Industry (Kadin) which was supposed to be the single representative of business interests, the Indonesian Press Association (PWI), and the Women's Congress (Kowani) etc. (Mas’oed 1989: 18-22).

Following the 1965 coup events, Indonesia selectively opened up for foreign investment. Loans and aid from Western creditors and international financial institutions were vital in restructuring the economy and stabilizing the new authoritarian regime. Liberal economic

technocrats (the so called “Berkely maffia”) became influential. The oil-boom in the early 1970s, however, led to a new era of economic nationalism. Strengthened by the huge revenues from oil export, the Indonesian state became less dependent on foreign investment and thus less inclined to liberal economic policies. The state owned oil company Pertamina was a key actor during this time and the State Secretariat (Sekneg) confirmed its strategic position in the economy through control of contracts for government-funded projects. It became an important institution for state patronage (Robison 1997: 33).

Chinese conglomerates benefiting from protective policies were the main social forces dominating the private sector. Through close links to the presidential palace they got access to monopolies and licenses. Meanwhile politico-bureaucratic and military interests formed important economic actors through so-called foundations or “yayasans”. The Suharto family started its business career through holdings in the large Chinese conglomerates.

Liberalism has always been weak in Indonesia because of the weak position of a bourgeoisie dependent on state protection. The collapse in oil prices in 1981/82 and again in 1985/86, however, made the Indonesian economy more dependent on foreign investment and thus contributed to a more liberal turn in economic policy. From the mid 1980s the Indonesian economy went through a period of structural adjustment and deregulation of financial and trade sectors. Foreign investment requirements were relaxed and some government monopolies were opened to private sector investment. Rather than simply seeing this as a natural policy adjustment to the international economy, this policy change should be understood as a selective reorganization of the economic role of the state based on specific political and social interests (Robison 1997). In the 1980s certain domestic business groups had developed a capacity to move into sectors of government monopoly, like banking, infrastructure, television and transportation. They could benefit from access to international finance and partnership with foreign capital and thus had an interest in a more liberal economy. Their bargaining position was strengthened by the demise of oil prices, which put fiscal pressure on the state and made new sources of export revenue necessary. Thus, structural changes in the world economy forced Indonesia into niches of competitive advantage, primarily in manufacturing industries. Dependence on loans – for example through the Consultative Group on Indonesia (CGI) – gave outside forces leverage to enforce policy change and this was taken advantage of by increasingly powerful domestic corporate interests.

The deregulation policies, however, paradoxically reinforced the importance of state power in determining markets and the concentration of corporate power. The State Procurement Agency (Bulog), for instance continued to determine market access in the domestic food industry. Substantial state bank credits were provided to large conglomerates and Suharto family businesses. Widespread state support for cartels and the practice of exclusive licensing continued. Despite the absence of transparent and predictable rules for business, there was a large amount of foreign investment coming to Indonesia. Investors obviously adapted to the politico-bureaucratic context. Privatization was slow on the one hand because many state companies survived only due to their monopoly status and were commercially unattractive if they were to lose their monopoly status when privatized. On the other hand, commercially attractive state companies were strategically important for national policy objectives and political patronage and therefore not available for privatization (Robison 1997: 46).

If economic liberalization was slow and limited, political liberalization was all but nonexistent under the New Order. Opposition to the authoritarian regime was weak throughout most of Suharto’s rule. The genocide that marked the creation of the Suharto regime crushed virtually

all opposition forces. Student protests in the 1970s, mainly focusing on the negative aspects of capitalist development and dependency, were easily handled by the state apparatus and emerging NGOs were forced to hold a very low political profile. In the late 1980s a new generation of student activists emerged, influenced by a global human rights and democracy discourse. A pro-democracy movement gained some strength and there was a brief period of limited political liberalization in the early 1990s. Overall, however, weak societal forces did not constitute a real challenge to the authoritarian state until the crisis of 1997-98.

### **Globalization and Regime Transition as Challenges to the Indonesian State<sup>5</sup>**

In a recent index of globalization Indonesia ranks as the fourth most globalized country out of 124 non-Western states (Johansson 2002: 38).<sup>6</sup> It is obvious that globalization has a profound impact on the Indonesian state and society. However, we should remember that globalization is nothing new to Indonesia. People in this archipelago have participated in international trading networks almost since the founding of human civilization. Neither is democratization a completely new experience for Indonesians. The relatively democratic political system in the 1950s is a potential historical asset for contemporary democratizers to build on. Nevertheless, the current form of globalization and the regime transition triggered by the Asian economic crisis constitute new challenges to the Indonesian state, which still in many respects seems to be remarkably resilient.

#### *Global Political Economy and Global Governance Institutions*

In the previous section I briefly analyzed the formation of the Indonesian state, partly from an international political economy perspective, tracing developments until the mid 1990s. Here I will continue the analysis of events leading to the fall of Suharto and the following regime transition.

The so-called “Asian crisis” began in Thailand in early July 1997. Increasing pressure against the baht forced the Bank of Thailand to abandon the peg linking the baht to the US dollar. This quickly led to depreciation. The Philippines and Malaysia came next followed by Indonesia in August.<sup>7</sup> Within a few weeks the rupiah had lost nearly half of its value against the dollar and this was only the beginning. The Suharto government first responded with orthodox economic policies celebrated by market commentators. When the rupiah continued to fall in early October, Indonesia floated the currency and called in the IMF for assistance. A first agreement with the IMF on 8 October 1997 resulted in the closing down of a few banks and the postponement of some major projects, but business interests close to the President were protected. In the initial phase of the crisis the Indonesian government was widely celebrated for its handling of the situation. However, IMF soon became dissatisfied with the poor implementation of the reforms specified in the agreement and a second IMF package was forced on Indonesia on 15 January 1998. This included greater independence for the central bank, withdrawal of tax privileges for the national car project, elimination of cartels in the

<sup>5</sup> The empirical analysis of the Asian crisis, the end of the Cold War, and global civil society in this section draws on Uhlin 2002a.

<sup>6</sup> The index is based on five indicators: membership in inter-governmental organizations, number of international conventions ratified, transnational NGO-relations, share of foreign trade in the economy, and inflow of foreign direct investment (Johansson 2002).

<sup>7</sup> On the economic crisis in Indonesia see McGillivray & Morrisey 1999; Robison & Rosser 2000.



paper, cement and plywood sectors, withdrawal of support for the state owned aircraft manufacturer IPTN, elimination of some monopolies, and phased elimination of subsidies for fuel and electricity. Reforms were, however, opposed by politico-business families and conglomerates. The package did not stop the fall of the rupiah. Prices on consumer goods rose rapidly, first on imported items, but it soon spread to the whole economy. The economic meltdown caused mass unemployment and led to a substantially reduced living standard for most of the population.

A third IMF agreement was signed in early April 1998. However, the tough economic policies demanded by the IMF probably worsened the crisis. In order to reduce public spending, as demanded by the IMF, the Suharto government removed some subsidies on fuel and electricity in early May 1998. This led to new price rises and riots, further destabilizing the regime. Indonesia experienced what according to the World Bank was the worst economic collapse suffered by any large country since the World War II. Growth contracted severely (-13 percent in 1998). The corporate and banking sectors were severely damaged. About half of Indonesia's banks closed down and many of the big conglomerates became insolvent.

In order to understand why the Asian currency crisis hit Indonesia harder than all other countries – despite the fact that the Indonesian economy in mid-1997 was conceived to be basically sound – we need to consider a combination of global and national, economic and political factors. National structures mediated the global economic impact. The short-term nature of a large portion of Indonesia's huge private foreign debt made them impossible to repay when exchange rates dropped dramatically. The Indonesian economy was especially vulnerable because of the ease with which foreign money moved in and out. Mismanaged private banks with high debt-equity ratios contributed to the economic collapse. Corruption was worse in Indonesia than in other countries suffering from the economic crisis.

It is, however, not sufficient to focus on economic conditions. Political institutions and political interests played an important role in the crisis. Whereas the comparatively flexible and democratic political systems in Thailand and South Korea managed to produce new more reform oriented governments with democratic credentials to implement economic reforms, the authoritarian regime in Indonesia proved unable to adjust to the new economic and political situation. The highly centralized political system, with one individual (President Suharto) having virtual veto power led to an extreme volatility in policy making (MacIntyre 2001). Quick and unexpected policy changes created an unpredictable investment climate, which caused capital flight. Large projects were suspended, only to be reinstated the next day. The currency was first floated freely and then the central bank intervened heavily. Banks were closed and then reopened under other names. Monetary policy swung from contractionary to expansionary.

Such policy volatility due to the specific character of political institutions in Indonesia can explain why investors withdrew. However, we also need to understand the underlying power struggles of different social forces. The origins of the "Asian crisis" can be seen as a shift of power from bureaucratic elites of highly centralized states to new coalitions of political and business oligarchies who benefited from privatization and liberalization of banking systems and capital markets in the 1990s. Access to huge funds from global capital markets strengthened the new politico-economic oligarchies (Robison & Rosser 2000).

After the fall of Suharto global economic pressure, in particular from the institutions of the IMF and the World Bank, continued. The Indonesian government has almost no autonomy in

dealing with the economic problems. Desperately dependent on foreign economic assistance, the government is forced to implement the policies prescribed by the IMF. In order to attract investment economic policy must satisfy mobile capital. The Indonesian case seems to lend support to structural theories of the power of capital (Winters 1996).

The IMF recovery program for Indonesia included the tightening of monetary policies in order to stabilize the rupiah; cutting government spending; restructuring financial institutions; improving market efficiency through privatization, trade liberalization and increased transparency (McGillivray & Morrisey 1999). Some of these policies – especially efforts to increase transparency and dismantle monopolies given to Suharto cronies – are important aspects of the democratization processes, but most of the program – especially cuts in government spending, including subsidies on basic goods – hit hard against the poor and may cause social unrest and threaten the process of democratization. In its eagerness to reduce the power of the Indonesian state, IMF ignores the importance of the state's capacity to provide at least basic social welfare in order to create and maintain social stability and make democratization possible.

### *A New World Order*

Indonesia's political development must be understood not only with reference to the country's position within the global economy but also in the light of changing power relations within the international political system. The Cold War had a profound impact on Indonesia. Western countries supplied the Indonesian armed forces with modern arms technology used for internal repression to an extent that made its capacity to use force much higher than the ability of the Indonesian government to govern and gain popular consent. It is no overstatement to argue that Western support made the authoritarian Suharto regime last much longer than it would otherwise have done. This was a result of the Cold War and it was by no means specific to Indonesia. On the contrary it was a general trend in the Third World (cf. Luckham 1996: 120).

The new political situation in the world after the breakdown of communist regimes in the Soviet Union and Eastern Europe lessened the Western powers' support for authoritarian regimes in the Third World and made the ideology of anti-communism more or less obsolete. Nevertheless, the US embassy continued to have very close ties to the military leadership in Indonesia. Elite units within the Indonesian military continued to receive regular training in the US (Nairn 2000). The Indonesian armed forces are highly dependent on such international support and assistance. This dependency makes them vulnerable to political pressure, should the Western powers choose to tie continued military support to specific political demands. This vulnerability was demonstrated in September 1999 when the international community put pressure on the Indonesian government to allow foreign troops into East Timor. The US and European decisions to suspend military links with Indonesia forced the political and military leadership in Jakarta to accept international troops in East Timor. When military relations with the Western powers were threatened, this was a powerful sanction against the Indonesian elite, arguably more powerful than economic sanctions that would have hit the population at large. The sanctions, however, did not last long. After having introduced an arms embargo and suspended military ties with Indonesia following the killings in East Timor in connection with the referendum, the US resumed some military cooperation with Indonesia in May 2000 (New York Times, May 25, 2000). The EU lifted its sanctions already in February 2000 and resumed arms sales.

The terrorist attacks in New York and Washington on September 11, 2001 created a new situation in world politics. The US government's "war against terrorism" gave the Indonesian military an opportunity to regain US support, now as an ally in the "war". Just days after the attack on the World Trade Center and the Pentagon, President Bush met with President Megawati and promised economic aid, including money for police and military training. Bush also made clear that he wanted to resume regular military contact and lift the arms embargo on Indonesia (Berrigan 2001).<sup>8</sup> In an effort to take advantage of the promised favorable treatment as an ally to the US government in the "war against terrorism", the head of Indonesia's State Intelligence Agency (BIN), Hendropriyono, in December 2001 claimed that his staff had found evidence of a foreign terrorist training base located near Poso on Sulawesi. However, there seemed to be little substantial basis for this claim as well as for other allegations of Indonesian involvements in transnational terrorist networks (Fealy 2002). The new global discourse on anti-terrorism has also been taken up by the Indonesian leadership in an attempt to brand independence fighters in Aceh and Papua as terrorists. Again, there is little evidence to prove that these independence movements have been involved in systematic attacks on innocent civilians. (By contrast, there is strong evidence that Indonesian security forces are doing exactly that.)

Changes in the configuration of power in the international political system have not constituted a massive challenge to the Indonesian state, but it is impossible to fully understand political developments in Indonesia without reference to these changes. The New Order regime was very much a product of the Cold War and when it ended Suharto's authoritarian anti-communist rule became seen as increasingly obsolete. Western support for Suharto during the 1997-98 crisis was not as strong as it would have been during the Cold War and a new outright military take-over in Indonesia is less likely to be accepted by the Western powers. Nevertheless, the September 11 terrorist attacks have again reinforced the only remaining superpower's interest in stable and reliable allies, irrespective of their authoritarian or democratic credentials.

### *Global Civil Society and the Global Diffusion of Ideas*

It is sometimes argued that one aspect of globalization is the emergence of a global civil society. Although it seems premature to speak about a truly global civil society, it is clear that transnational social and political activism is increasing (Piper & Uhlin forthcoming). In this process new arenas for political struggles have been created and political space has widened, not least in Southeast Asia (Uhlin 2002b). Global (or transnational) civil society groups have been involved in Indonesian political developments, in a way challenging the sovereignty and authority of the Indonesian state. Transnational human rights groups played an important role in pressuring Western governments to tie human rights to foreign aid already in the 1970s. The release of political prisoners in the late 1970s was to a large extent due to such foreign pressure on the Indonesian government (Fealy 1995). Transnational activist networks contributed to the improvement of the status of human rights in Indonesia (Jetschke 1999). Many Indonesian civil society groups take part in transnational networks. A prominent example is the International NGO Forum on Indonesian Development, INFID, which includes

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<sup>8</sup> A big step in this direction was taken on July 19, 2002 when the Senate Appropriation Committee voted to restore full International Military Education and Training (IMET) for Indonesia. The East Timor Action Network (ETAN) in a statement criticized the decision and argued that it "sets back the pursuit of justice for East Timor, as well as military reform and democracy in Indonesia. It is escalating use of brutal tactics against civilians, especially in Aceh and West Papua." (East Timor Action Network 2002)

a number of Indonesian and foreign NGOs (Uhlen 1997: 101-103). A main aim of this network, established in the mid 1980s, is to lobby Indonesia's foreign aid donors within the Consultative Group on Indonesia (CGI). INFID focuses on issues like poverty, popular participation and human rights. With one secretariat in Jakarta and one in Brussels, the network has a capacity to lobby both within Indonesia and on an international level. There are several other transnational networks consisting of Indonesian human rights and pro-democracy groups and solidarity groups in Europe, Australia, the US and in other Asian countries. The repressed Indonesian labor movement is supported by transnational labor solidarity networks (La Botz 2001). Even the relatively forgotten conflict in Aceh has received substantial attention from transnational civil society groups during the last decade (Aspinall 2001). The East Timorese independence movement was particularly successful in stimulating the development of a transnational solidarity network that played an important role in putting the conflict on the international agenda (Uhlen 2001). Transnational civil society activism was also part of the popular struggle against Suharto and the process of democratization that followed his resignation (Jemadu forthcoming).

The lack of a responsive government under the authoritarian Suharto regime paradoxically stimulated the growth of transnational civil society contacts. With no opportunity to influence policy directly within their repressive political system, activists within the weak and fragmented Indonesian civil society were forced to seek partners abroad. Through cooperation with likeminded groups (and their governments) in other countries they could gain some leverage on the Indonesian rulers. The development of new information technology was important in this respect. Internet and electronic mail offered efficient and not too expensive communication channels, which could not easily be controlled by the authoritarian state.

Internet was an important means of communication for activists involved in the protests that brought about the resignation of Suharto. Key organizers of demonstrations in different parts of the country communicated through electronic messages. By using this new technology they managed to avoid censorship and spread their views of developments that might not have been broadcast in the government controlled radio and television. Indonesian dissidents were also able to communicate quickly with supporters abroad (Basuki 1998; Marcus 1999). Evidence of military involvement in kidnapping political activists, orchestrating the May riots and not least in the systematic rape of dozens of Chinese women was gathered and publicized by NGOs with transnational contacts. This played an important role in delegitimizing the Indonesian military. Reports in international media contributed to the international pressure on the Indonesian government to take the human rights abuses of the armed forces seriously.

Increasing transnational contacts between activists, as well as the globalization of media, has led to a global diffusion of ideas. During the last one and a half decade or so, a global discourse on human rights and democracy has gained strength and it has had a substantial impact on Indonesia too. Links between civil society groups in Indonesia and other parts of the world had a considerable impact on the ideas and actions of the Indonesian pro-democracy movement that developed in the 1990s (Uhlen 1997). Indonesian activists adapted foreign ideas on tactics and strategies in the struggle for democracy as well as ideas on what kind of democracy they wanted. More or less successful struggles for democracy in other parts of the world constituted encouraging demonstration effects for Indonesians, whereas the violent crack-down on pro-democracy movements (as in China, Burma and Thailand) were negative demonstration effects. Obviously, anti-democratic as well as democratic ideas are diffused globally.

The global diffusion of ideas in itself is hardly a fundamental challenge to the Indonesian state. However, state actors (as well as societal actors) increasingly act within a global culture and have to relate to global discourses and norms. Global civil society actors are so far relatively weak and do not constitute any profound challenge to the Indonesian state, but these activists help transform the parameters for national governance.

### *Resilient Authoritarian State Structures*

Despite the challenges of globalization and regime transition, the post-Suharto regime is to a large extent dominated by the same coalition of state power and social forces that dominated the previous regime (cf. Robison 2002). This does not mean that the Indonesian state is unaffected by recent developments. When it comes to *representational* aspects of the state, there has been significant change in democratic direction. The transition from the authoritarian regime opened up for the creation of a whole range of new political parties and paved the way for new and more democratic elections. The June 7, 1999 general elections were generally considered free and fair although *Golkar*, the old dominant party, had a clear advantage through its control of state resources. Furthermore, local parties were barred from taking part through the requirement that they have executive boards in at least nine provinces and in half of the districts and towns in these provinces. Despite some democratic shortcomings, there is no doubt that Indonesian citizens for the first time since the 1950s had a chance to influence who should determine state policies. The choices that were presented to the voters, however, made this new-won democratic power less effective. There were no clear ideological differences between parties. Few parties even had any clear party program presenting their ideological base and political goals. All major parties accepted the neo-liberal economic policies promoted by the IMF, but most of them also included some populist tendencies. The fundamental question of how to deal with the severe economic crisis that hit Indonesia was a non-issue in the election campaign. Who was to become president was also not decided directly by the electorate. Instead the liberal Muslim leader Abdurrahman Wahid, as an outcome of factional bargaining within the new parliament, became president despite his party's relatively poor electoral performance (17 % of votes).

*Institutional* changes have also occurred, but no substantial state transformation. After the fall of Suharto there have been limited amendments made to the 1945 constitution, but more remains to be done in order to fundamentally transform the formal character of Indonesian state institutions. The military – and especially the army – was the dominant state actor under the Suharto regime and it has managed to preserve much of its power. Under Suharto's rule no political force in Indonesia – with the important exception of independence movements in East Timor, West Papua and Aceh – had the courage and capacity to seriously challenge the armed forces ABRI. But from early 1998 student activists and other civil society actors started to denounce the military with increasingly great defiance. The fall of Suharto created more space and opportunities to challenge the armed forces. Reports of atrocities committed by the military and demands for the abolishment of the armed forces' dual function and political power became increasingly common in the Indonesian media (Bourchier 1999). The Indonesian military was forced on the defensive and accepted first the civilian Habibie and then Wahid as presidents. General Wiranto officially apologized for human rights abuses committed by Indonesian troops in Aceh. ABRI agreed to a reduced representation in the parliament. On 1 April 1999 the police force was officially separated from the armed forces, which changed its name from ABRI to TNI.

A combination of internal weaknesses and external pressure reduced the power of the Indonesian military in 1998 and 1999. The factional splits and the power struggle between Wiranto and Prabowo, the shooting of students at the Trisakti University, the failure to contain the riots in May 1998, the killing of protestors outside the parliament in November 1998, and not least the humiliating defeat in East Timor in 1999, all contributed to the problems of the armed forces. More important, however, was the political pressure from the popular movement, which brought down Suharto and continued to call the military to account for violations during the Suharto regime (Bourchier 1999). President Wahid continued to gradually weaken the political power of the armed forces and promote reform-oriented officers. But the Indonesian military managed to remain in a powerful position. Many of the military's professional and political prerogatives (including uncontested parliamentary representation and control of the local bureaucracy through its territorial structure) are still intact and security and intelligence agencies remain powerful. The Indonesian "intelligence state" has been very little affected by the limited democratization process (Tanter n.d.). Since Megawati Sukarnoputri replaced Abdurrahman Wahid as president the Indonesian military has continued to seize back the power it briefly lost following the fall of Suharto. Key cabinet positions in Megawati's government are held by army officers. As a staunch Indonesian nationalist, Megawati has given the military more or less free hands in dealing with pro-independence movements in Aceh and Papua. In March 2002 a new territorial military command was established in Aceh, indicating the determination of the military leadership to expand rather than abolish the territorial structure of the army. High-ranking military and police officers have refused to be questioned in investigations concerning severe human rights crimes. Conservative army officers known to be notorious human rights violators have been promoted to strategic positions (Tapol Bulletin No. 166/167, April/May 2002). The new armed forces chief General Endriartono Sutarto is a hard-liner who is likely to act to further increase the political power of the military and crack down on dissidents. The renewed confidence and power of the armed forces is a reflection of the weakened societal pressure for democratic reform. When mass mobilization declined and elite negotiations in parliament began to set the political agenda, the military could easily regain power. The economic crisis is a severe obstacle to civilian supremacy over the military. The official military budget is not impressive and salaries are low, but the Indonesian military is to a large extent self-financing. About 75% of its expenditures are estimated to be covered by its own fund-raising activities, including large military controlled business enterprises (ICG 2000a). As long as the armed forces are not paid for through the state budget, they are unlikely to accept civilian supremacy.

Not only the military, but also the civilian bureaucracy has been quite resilient. Indonesia still has a strong and oversized state bureaucracy, strongly intertwined with powerful military and corporate interests. Corruption, i.e. the misuse of public office for private gain, is prevalent. Indonesia is widely perceived to be one of the most corrupt countries in the world. Transparency International's 1998 Corruption Perception Index ranked Indonesia as number 80 out of 85 countries included in the list. Under Suharto's rule corruption permeated the whole society, from the enormous favors granted to the President's family and key figures in the bureaucracy and military down to the lowest ranking civil servants and military personnel who compensated completely insufficient wages by taking bribes and other illegal economic benefits. The widespread corrupt practices in Indonesia can be explained by political factors – a lack of democratic institutions, accountability, transparency and a free media under Suharto's rule – and economic factors – including massive rent-seeking opportunities within the bureaucracy and very low wages. Arguments about cultural factors, relating corrupt practices to traditional Javanese culture in which family loyalty always is stronger than loyalty to the state, are less convincing. Widespread political protest against corruption, collusion and

nepotism indicate that public attitudes towards corruption are no less negative in Indonesia than in the West (Robertson-Snape 1999).

Since the fall of Suharto some corruption trials – also against the former dictator and his close allies – have taken place, but many investigations have been abruptly terminated. Corruption seems to be prevalent not least within the political parties and there does not seem to be any sincere political will to deal with the problem. Instead, corruption charges are increasingly used as a means to discredit political rivals, as in the case of accusations against the former president Wahid (Transparency International 2001). There are no indications that the Megawati government has any intention to seriously reduce the level of corruption, something that is very hard to achieve anyway, given the budget restraints caused by the economic crisis.

This is related to the *functional* aspect of the state. In the wake of the economic meltdown the Indonesian state simply lacks the economic resources needed to perform basic functions. This has been most strongly demonstrated in connection with frequent violent conflicts between different ethnic and/or religious groups in several provinces. The Maluku wars in particular have shown the state's massive failure to provide security to its citizens (van Klinken 2001b). When a state can provide citizens neither with basic security nor with a minimum of social welfare, it has no base to claim legitimacy. The Indonesian state, at least in some regions, seems to be close to this situation. As long as the state is unable to pay sufficiently high wages to its employees and take responsibility for the whole military budget, the severe problems of corruption and military political power will not be solved.

After the fall of Suharto the “*stateness problem*” has also reemerged as a central issue in Indonesia. Many observers see the territorial integrity of the Indonesian state as threatened by separatist movements. Following Indonesia's withdrawal from East Timor, the struggle for independence in Aceh and West Papua has intensified. Also in other provinces, which lack similar historical experiences of separatist struggles, demands for the separation from Jakarta have been raised. Excluding the special cases of Aceh and West Papua, however, the disintegration of Indonesia is highly unlikely. A move from the unitary state to a federal state might be possible in the future. Despite its large population and wide geographical area Indonesia has remained a unitary state since the early 1950s. Almost all large countries have federal institutions, except for Indonesia and China. When the Netherlands formally accepted Indonesian independence in December 1949, power was transferred to a federal state: the “Republic of the United States of Indonesia“. This federal state was soon replaced by a unitary state, the “Republic of Indonesia“. The new leaders in Jakarta saw the federal system as a creation of Dutch colonialism with the aim of keeping the Indonesian people divided. Federalism was thus discredited. Not until after the resignation of Suharto did a serious public discussion on federalism versus the unitary state reemerge, but it is still a very sensitive issue.

While federalism remains a highly controversial concept in the Indonesian context, there has still been a strong trend towards decentralization since the fall of Suharto. The Habibie government in 1999 introduced new legislation providing wide regional autonomy. Power was to be distributed to more than 300 districts – not the provinces, which were conceived as a more severe threat by Jakarta. The new laws on decentralization, in effect since the first of January 2001, are far reaching, including decentralization in all fields except foreign affairs, defense and security, justice, religion, monetary and fiscal policy and some other broad economic policy areas. Districts are to be responsible for public works, health, education and culture, agriculture, communications, industry and trade, investment, the environment, land matters, cooperatives and labor. For this purpose regional governments are allowed to retain a

substantial share of revenues produced (ICG 2000b). The decentralization reform, however, has been poorly planned and there are severe obstacles to its successful implementation. State actors on the district level lack the organizational capacity and resources to handle their new tasks. Corruption is likely to further increase as local strongmen get more power.

It has been argued that post-Suharto Indonesia is characterized by the primacy of local politics (Törnquist 2000). As the central power loses its grip on the Indonesian society, local “bosses” take the opportunity to strengthen their influence. The breakdown of authoritarian central rule, however, does not necessarily mean a decline in state power. Local state actors have strengthened their power, whereas central state actors (especially in the first two or three years after the fall of Suharto) were weakened. Nevertheless, state dominance over society has remained strong. This is not to argue that societal forces are insignificant. In order to understand communal violence in several provinces, and especially the wars in Maluku, it is not enough to focus on central state actors. A more society-oriented approach and more attention to local politics are clearly needed in Indonesian studies (cf. van Klinken 2001b). This, however, should not mean neglecting resilient state structures. A state-in-society perspective seems most fruitful.

### **Final Reflections**

Since the late 1950s Indonesia has had a highly centralized form of state power, unmatched outside the communist world. The fall of Suharto in May 1998 marked the beginning of a process of regime transition. This has also meant decentralization and the weakening of state power in some respects. Most observers agreed that state-society relations under the New Order regime to a large extent was characterized by what Migdal (1994: 9) termed “integrated domination”, meaning that the state acted in a more or less coherent fashion and had broad power over society. The question is if Indonesia now has moved to a situation of “dispersed domination” (Migdal 1994: 9), in which there is no coherent state and no countrywide domination. As has been argued in this paper, there are some indications in this direction, but other indicators show a remarkably resilient state. As argued by Grugel (2002: 91), “states are [...] notoriously resistant to change.” Whereas the Indonesian state clearly has lost much of its capacity to implement policies, mainly due to the economic crisis, authoritarian state structures related to military dominance and a corrupt bureaucracy have largely survived the *reformasi* period. Rather than the weakening of state power, the current processes in Indonesia are perhaps better understood as a partial transfer of power from central state actors to local state actors.

The case of Indonesia confirms the importance of the legacy of the previous regime for the transition. Economic, bureaucratic and military elites that gained strength and political influence under the Suharto regime remain powerful. The depoliticization and weakening of civil society – and especially the destruction of lower class based movements and organizations (Hadiz 2000) - under the long authoritarian rule cannot be quickly overcome. The old regime has left a very strong authoritarian legacy, which severely limits the scope and substance of the democratization process.

In order to understand this limited regime transition the state-in-society perspective is useful. Parts of the state have been changed and especially on the central level the state has lost power as a result of pressure from various social forces, within Indonesia as well as globally. At the



same time, local state actors have strengthened their position. Students of Indonesian politics need to analytically disintegrate the state and pay much more attention to the local level and the complex interaction between state and social forces that takes place there.

A conventional transition perspective is clearly insufficient. Focusing on individual actors we will miss much of the fundamental social processes that shape the democratization process. The fastest and most far-reaching democratic reforms, for example, took place under Habibie's presidency. This, however, should not be seen as a proof of Habibie's democratic inclinations. It is most unlikely that this man, who was part of the political elite in a highly authoritarian regime, kept his democratic convictions hidden for decades waiting for the right moment. Rather it shows that political outcomes are determined less by individual leadership than by broader social processes. The particular alignment of political forces within both state and society after the fall of Suharto made it very hard for the president to resist democratic reform. Habibie was still identified with the Suharto regime so the mass movement that helped overthrow Suharto could continue its mobilization. Gradually, however, the political initiative passed from the *reformasi* movement in civil society to the parliament dominated by forces related to the old Suharto regime. Wahid, who had well documented liberal democratic credentials, did achieve some further democratic reforms during the first year of his presidency. But when the configuration of social forces changed in an anti-reform direction, manifested in the army's systematic regaining of power and the political marginalization of civil society groups, *reformasi* came to an end, irrespective of the wishes of the president.

The transition in Indonesia, like any other political processes conventionally seen as mainly national, take place in a global context. Without paying attention to the impact of globalization, we will never be able to reach a comprehensive understanding of these processes. In the Indonesian case it is quite obvious that the global political economy had a fundamental impact on the scope for state transformation and the timing and form of the regime transition. The Asian economic crisis severely limited Indonesian state capacity and triggered the regime transition. The current Indonesian government has little choice other than implementing the policies prescribed by the IMF and other global governance institutions. The IMF agrees with the need for "good governance", but there is a severe risk that harsh economic policies hitting hard against millions of poor Indonesians will cause civil unrest and delegitimize not only the government, but also democracy as a political system.

Whereas military coups are less likely to receive international support in the Post-Cold War era, continued military links to the major powers in world politics will ensure that the Indonesian armed forces remain a powerful player in Indonesian politics. Sanctions against the Indonesian military introduced by Western powers following the killings and destruction in East Timor have not been continued as economic and security interests are given priority, especially after 11 September 2001. The configuration of power in the international political system continues to have a profound impact on Indonesian politics.

Increasingly, global civil society actors also influence the Indonesian state and the process of democratization in the country. The global discourse on human rights and democracy, to a large extent promoted by global civil society actors, has had an impact on the Indonesian society and (to a much lesser extent) the Indonesian state.

Despite these challenges, the Indonesian state has proved resilient in several respects. Although it has lost some of its capacity to implement policies, mainly due to the economic crisis, several authoritarian state structures have survived the limited regime transition. The

powerful military and the corrupt bureaucracy are to a large extent intact and tend to perform the same functions as under the authoritarian Suharto regime. Globalization has shaped the limited democratization process in Indonesia, but it has not fundamentally transformed the Indonesian state.

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