

# The Symposium on Indonesian Design of Industrialism

By *S. Pompe*

From June 10 to 17 1989 a symposium was organised in the Roosevelt Study Centre in Middelburg by Prof. Selo Soemardjan of the Yayasan Ilmu-ilmu Sosial and Prof. P. Hesselting and Dr. C.J.B. Boender of the Departments of Social Sciences and Organization and Management of the Erasmus University of Rotterdam. The theme was Indonesian Design of Industrialism: emerging norms for increasing life chances in the nineties. The symposium was multidisciplinary: the speakers invited to attend were of various academic disciplines, including anthropologists, sociologists, economists, management experts, journalists, businessmen, politicians and lawyers. They were asked to look at norms emerging in the industrialising process of Indonesia at all levels, both at the top and the bottom. The papers reflected the variety in backgrounds of the contributors. They have appeared in a temporary bundle but will hopefully be published in an English-Indonesian book by the end of the year. In gatherings of this kind, there is a very real danger that the diffusion of disciplines frustrate any real results. To my own experience this was absolutely not the case in Middelburg. I found the congress to be of a very high standard and a stimulating experience both in academic and social terms.

As a lawyer I was not able, of course, to appreciate all the fine nuances of the various papers in other academic disciplines. In this review I do not therefore, purport to give a fair representation of the papers presented at this symposium. Instead, I shall give a rather selective view of what I consider to be the major points of the symposium and illustrate this by a short mention of some of the relevant papers and discussions.<sup>1</sup>

As the symposium went along, it became apparent in fact that there were some dominant themes that recurred in most of the papers or came up in most of the discussions after the papers were presented. These themes all draw back to the basic issue how a local modern capital based economy can evolve from the basically subsistence based agrarian oriented economy that has marked Indonesia from time immemorial as is generally believed.

In my view, there were two basic assumptions amongst all contributors to this gathering, being first that such capitalist economic development is feasible (we are after all in the

<sup>1</sup> A typed out report of the collected papers and symposium proceedings can be obtained from Dr. *C.J.B. Boender*, Erasmus Universiteit Rotterdam, Faculteit der Rechtsgeleerdheid, Postbus 1738, 3000 DR Rotterdam, (tel. 010-4081617).

post-Boeke era) and second that it is already being realised in parts (in which Robison was followed).<sup>2</sup>

Interestingly enough, the question whether capital based economic development is desirable, did not receive much attention either in the papers or during the discussions. At only one point during the discussion was the question raised whether the essentially cooperative economic foundation of the Indonesian state mentioned in art. 33 of the 1945 Constitution did point at an economic development that was maybe entirely different from the essentially capitalistic one envisaged by practically everyone present (remark by Hasibuan). Yet this remark did not stimulate the response one might have expected.

Still, some closely related issues were discussed, the most prominent of which being probably the Pancasila nature of capitalist economic development. It constituted the direct basic theme of two papers<sup>3</sup> whereas in one paper methodological questions were raised that closely appertained to it.<sup>4</sup> It was also dwelt on at some length during the discussions. Both the papers and the discussions did not concentrate on various modes of production, but were rather concerned the role of the individual in the economic process. Hesseling raised the to my mind fairly essential question whether Indonesian economic development should be community based instead of being centred on the individual. I had the impression that this paper merited more attention than it actually received.

A possible reason for this could lie in the fact that some of the contributors quite possibly thought that community development already exists in Indonesia in the present time. There was a tendency in fact during the discussions to depict the western production mode as essentially individualistic and the Indonesian "Pancasila" one as fundamentally community oriented. Thus, one of the participants argued that the Pancasila mentality meant that workers in her factory were participating more actively in trying to make a success of it all. On her part, this contributor claimed that she would not industrialise as this would result in lay-offs. She suggested that this harmonious working was characteristic for Indonesia as a whole and quite different from labour-management relations in the west.

In my view, this fairly abstract line of reasoning is not without its practical difficulties. Thus, if one looks at substantial rights and duties as lawyers are prone to do, a good case can be made for the idea that the supposedly individualistic western country such as the Netherlands is in fact far more cooperative than the supposedly cooperative Indonesian state ideology. To cite an example: unlike Indonesia where shareholders as capital

<sup>2</sup> *Robison, R.*, 1986, *Indonesia, the rise of capital*. Sydney: Allen & Unwin.

<sup>3</sup> *Hasibuan, A.*, *Pancasila economic democracy for industrialization*; *Mubyarto*, *Pancasila economic democracy for industrialization*.

<sup>4</sup> *Hesseling, P.*, *Project approaches towards Indonesian industrialism; methodological reflections*.

providers are formally speaking still all-powerful, in the Netherlands shareholders have witnessed their role in the running of the company being gradually eroded over the years. They have had to share control over the company to an increasing degree with other interested parties, notably the employees and to a lesser extent the creditors. Thus, in important matters, employees must be consulted through the "ondernemingsraden". In Indonesia, the employees are not thus protected by law and capital rules and not all employers are as benevolent as the above-mentioned speaker.<sup>5</sup>

I also believe that in more general economic terms, it is not at all evident that there is a conflict between the economic goal of capital based economical growth which is in essence individual based and the interest of the collectivity hallowed by the Indonesian state ideology. I am not much of an economist, but I understand that there is a strong current amongst post-Keynesian western economists (and amongst some glasnost communists), that industrialisation at the eventual cost of short term unemployment may be necessary to evade larger unemployment in the long run.

It remains somewhat unclear to my mind then, what the specific contribution is that can be made in this field by a reasoning that relies too much on ideological arguments. It would appear to me, that the steering role of the Indonesian state ideology in stemming the tide of disruption caused to community life by the individualising aspects of capitalist economic development has still to be verified. The question is how the social damage can be limited without foregoing the material benefits of this development. If, therefore, there was wide consensus on the need to develop a local indigenous capital based economy, the question arose of how to go about in achieving this.

In economic terms, most contributions supported the point made by the ILO in the early 1970s<sup>6</sup> that large government sponsored capital intensive projects do not have the expected spin-off for the local indigenous economy. The establishment of a capital intensive industry does not, therefore, lead to increasing employment opportunities for the local communities. The results of the studies of the Lhokseumawe industrial enclave done by Professor Dawood,<sup>7</sup> Professor Sugihen<sup>8</sup> and Dr. Winarto<sup>9</sup> supported this view. Professor Kuyven-

<sup>5</sup> *Pompe, S.*, 1988, *Zeggenschap in de Indonesische investeringsvennootschap*, Orion 4/2, pp. 46-48.

<sup>6</sup> ILO, 1972, *Employment, Incomes and Equality: a strategy for increasing productive employment in Kenya*. Geneva: ILO.

<sup>7</sup> *Dawood, D.*, Changes of socio-economic life in communities surrounding the Lhokseumawe industrial zone of Northern Aceh.

<sup>8</sup> *Sugihen, B.T.*, The perception of the local community towards industrialization.

<sup>9</sup> *Winarto, V.*, The unintended consequences of business growth and large scale operations in Indonesia.

hoven's<sup>10</sup> lucid analysis of Indonesian economic development, said that it is economically questionable whether capital intensive projects such as the Lhokseumawe LNG plant, but maybe more noteworthy the Cilegon Steel Works and the Nurtanio aircraft industry, are desirable in the Indonesian context as they are very capital and not labour intensive. Some contributions were somewhat more equivocal. Thus Professor Selo Soemardjan<sup>11</sup> viewed the Cilegon steel works by and large as an economic success when contrasted to the Cibaduyut leather industry. He does point out however, that the setting up of this capital intensive industry required labour to be imported as the local inhabitants lack the necessary skills. This has led to social unrest in the area. The discussion generally supported the view that capital intensive industries need not have the spin off on the surrounding community. Thus, Dr. Boender<sup>12</sup> mentioned that during his visit of the Lhokseumawe area in 1988, unemployment appeared to be a major problem particularly amongst educated youths. Professor Mubyarto pointed out that Riau province, which is apparently the major oil producing province of Indonesia, also is the second poorest province of Sumatra.

If, therefore, an indigenous capital based economy at local level cannot be created by means of capital intensive government sponsored projects, the question arose how it could then be effected. In economic terms, the basic point is how the essential investment capital required for setting up a capital based economy can be created and whether Indonesian society can generate this capital on its own. Profesor Selo Soemardjan claimed in his paper that the Cibaduyut leather industry indicates that this would in fact be possible, though it might take a long time (in this case almost seventy years) before bearing fruit. I am not quite certain whether this is a clear-cut example of a local community generating its won investment capital, as will become evident lateron in this review. Much less equivocal was the case of Mrs. Pramono, a successful entrepreneur in the textile industry.<sup>13</sup> She explained during the discussion how she herself acquired starting capital not through any banking loan or government credit, but by means of arisan money.<sup>14</sup> This was an interesting point, yet at the same time one wonders whether Indonesian society is able to generate enough capital through these arisan constructions so as to enable capital based industrial growth over the board. In other words, the question is whether Mrs. Pramono's case is an incidental or a generic one.

10 *Kuyvenhoven, A. & H. Poot*, Between inward- and outward-looking development: industry and trade in Indonesia.

11 *Selo Soemardjan*, Cibaduyut and Cilegon industrialization from within and without.

12 *Boender, K.*, Indonesian design of industrialism; from paradigma towards a middle range theory of social and cultural impacts.

13 *Pramono, D.M.*, The socio-cultural elements at a garment factory in Jakarta.

14 Arisan basically is a saving system, whereby a number of persons give a fixed amount of money at regular intervals, the total proceeds being given at each participating member in turn.

This point brought up the social side of Indonesian economic development. For a start, the disruption and unrest caused by the absence of an economic spin-off from capital intensive industries to the communities surrounding them, is beyond question. The question is then whether how these communities can benefit from these industries and whether they can generate this kind of economic development themselves.

The first part of this question provoked responses on essentially two fronts. One, looked at particularly by Dr. Winarto, was that of "linkages", whereby sub-contracting in one form or the other with local industries is promoted. The other was that of labour policy, which was mentioned repeatedly but not tackled systematically. Several contributors, such as Professor Sugihen, mentioned the obligation for the (generally foreign) capital intensive industries to recruit local manpower. The way in which this obligation is effected however, would be an interesting matter to look into at greater depth. It was suggested for instance, that local manpower need not be indigenous but that residence for some period of time in the local community may do the trick.

The second part of the question was whether the social structure of Indonesian society prevents such economic development or not. H. Slaats en K. Portier<sup>15</sup> suggested in this context that a local capital based economy can come into being through internal social combustion as it were and requiring no external prompts. But at the same time they had to concede during the discussions that the Karo Batak hadn't had many of these internal combustions yet and had failed to create this economy without apparent causes. Mrs. Tjandrasari gave indication of a contrary view in her paper<sup>16</sup> in which she said that some characteristics of Balinese agrarian society might hamper the coming into existence of a capital based economy.

To my mind there is still a lot of work to be done in this field, and it remained unclear whether or not Indonesian local communities are able both socially and economically to develop an indigenous capital based economy by means of indigenous capital generating methods and through indigenous values and norms.

If large scale capital intensive investments according to the contributors have failed to give rise to an indigenous capital based economy and society has no evident capacity on its own to develop it, the question then arises whether there is another method. This method was pointed out by Professor Kuyvenhoven, who said that in his view the desirable economic development should be oriented towards small-scale ventures, as these are more labour-intensive. He argued that it was these that the government should stimulate.

<sup>15</sup> *Slaats, H. and K. Portier*, Job migration: village farmers on the move to industrial activities.

<sup>16</sup> *Tjandrasari, H.*, Social and cultural effects on the small scale garment industry in Bali.

Support for this view was essentially on two levels. The first level was that in which some contributors took the view that the government should tolerate and enable, not much more. Thus, in the discussion Selo Soemardjan talked about a government that should facilitate economic development along these lines. He found an ally in Mrs. Tjandrasari who said during the discussion on her paper that government regulations should be aimed at "helping small businessmen so that in due time they might be able to help themselves". Professor Sugihen talked about the governor of Aceh Province inviting (i.e. not instructing) industries in the Lhokseumawe area to take more care of the village communities around them. The paper presented by Dr. Boender talked about a state law which should not forbid and command, but which should be directed towards gently inviting economic development along. During the discussion he was supported in this by H. Slaats, who talked about a state law that should be primarily oriented towards creating opportunities to be used on a voluntarily basis.

The second level was that in which more active participation of the government was advised. Professor Selo Soemardjan, in his comparative analysis of the Cibaduyut home-grown leather industry and the Cilegon imported steel industry supported the view that a local capital based economy can only lift off with the help of a little push from the government and not through the creation of opportunities only. As I read his paper (and it is possible that Selo Soemardjan was confronted with this interpretation for the first time during the discussion), it was only after a government supporting grant and large government contracts for ABRI boots (plus all the good-will that flow from such contracts), that the industry of Cibaduyut really began to grow. Professor Sugihen and Dr. Winarto stated that the government should intervene more actively in the Lhokseumawe area to stimulate the weak economic sector. In my own contribution, I looked at the way this support has already materialized, not in the form of direct government credit programmes (such as the well-known KIK programme) but through the system of government contracts. These constitute the external prompts that are arguably essential economically to get started. At the same time these contracts leave the choice as to whether to partake in this kind of development open. Finally, these contracts are aimed at sharing benefits from government credit programmes over as wide a group as possible, thus allowing for widely spread out economic development.

A lot of work remains to be done to get everybody to agree on recommendations in this field. If the projected future gatherings will be as well organized and as stimulating as the symposium at Middelburg, this augurs well.<sup>17</sup>

17 Other Symposium Papers:

*Adiwoso-Suprpto, R.*, Developing guidelines social impacts assessments as part of environmental impact assessment regulation; the Indonesian experience.

*Berting J.*, The Vienna Center: venture in cooperation between socialist and market oriented systems, based on a implicit model of development.

*Hadjasoemantri, Koesnadi*, Environmental impact of industrialization; a legal view.

*Jong, J.J.P. de*, Ups and downs in knowledge; the story of the Indonesian studies in the Netherlands.

*Jong, S.C.N. de*, The intertwinement of local social dynamics and global processes: the rise of a new "Strategic Group" in Indonesia.

*Katoppo, Aristido*, Some notes on industrialization, deforestation, polluted rivers and bureaucratic morals.

*Koentjaraningrat*, Changes from the agrarian cultural value orientation to the new industrial cultural value orientation.

*Leeuw, A. de*, Recruiting trainee programmers for banking operations; a case study in Jakarta in terms of push and pull factors.

*Pompe, S.*, Commercial ventures in Indonesian state law: gradual access to state law.

*Quarles van Ufford, P.*, Religions, development and industrialization in Indonesia, some notes on a ambiguous relationship.

*Rahardjo, S.*, Legal problems of industrialization; the Indonesian case.

*Rakers, H.*, Indonesian-Dutch twinning in water management; N.V. Watermaatschappij "Zuid-West Nederland" (WMZ) and PDAM Kabupten Bandung work together.

*Schulte Nordholt, N.G.*, Policies for small scale (rural) industrialization and institutional developments in West Java; an analytical framework.

*Soedjito Sosrodihardjo*, The Indonesian industries and job opportunities for women, based on a survey in Central Java.

*Soerjani, M.*, Realities in the implementation of environmental management law and EIA-regulation and the impact on industrialization.

*Weijland, H.*, Rural industrialization: fact or fiction?

*Willenswaard, H. van*, Indonesian-Dutch twinning in post-secondary education; developments towards balance and harmony.

*Zijderveld, A.C.*, In search of fundamentals.