The Making of a Precarious Bourgeoisie:
State and the Transformation of Domestic Bourgeoisie in Indonesia

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This thesis is presented for the degree of
Doctor of Philosophy of Murdoch University
1997
Lovingly dedicated to

my Dad and Mom, Paul and Susanna,

my wife, Tina and sons, Theo and Franc.
I declare that this thesis is my own account of my research and contains, as its main content, work which has not previously been submitted for a degree at any tertiary educational institution.

David Sulistijo Widihandojo
This study focusses on the dynamics which underlie the changing relationships between Chinese and prihumi business interests and the state. Under the Colonial state, the indigenous bourgeoisie had been practically eliminated, not only by the Dutch but also by priyayi bureaucrats. Consequently, Indonesia inherited a socially and politically weak bourgeoisie dominated by the Chinese who controlled substantial commercial networks, but had limited potential for political organisation. In the post-colonial era, attempts to build an indigenous bourgeoisie failed and it was the state that assumed the leading role in the economy.

Under the New Order Government, the Chinese were to play a central role in promoting rapid economic growth and industrialisation. While this intensified resentment in some areas, new relationships between Chinese and prihumi capital and the state emerged. The intensifying relationship with the Chinese and prihumi had been built primarily around business alliances between large Chinese companies and companies owned by powerful political families. As such, cooperation remain highly dependent upon protective policies and access to monopolies.

The unleashing of economic liberalisation resulted in the maturation of the bourgeoisie, characterised by their increasing entry into the international market. Conflict within business continued to evolve around the issues of conglomerates and was largely racially based. However, other factions were to emerge between upstream and downstream producers, between trading monopolists and producers.

The case studies in this thesis draw out the increasing complexity of prihumi-Chinese relations. In the case of cloves we find that conflict between a Chinese cigarette manufacturing conglomerate and a prihumi trading monopolist had few racial aspects. Rather, it was a conflict between rent-seekers and producers that was reflected in other parts of the economy and included both prihumi and Chinese on either side. As the economy grew and capitalism matured, issues other than race became important. These included deregulation of trade and investment, regulation and macro policy, with Pribumi and Chinese becoming absorbed and integrated on either side of the various conflicts.
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