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**State-Business Relations in Post-1998 Indonesia:
The Role of Kadin**

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rijksuniversiteit
groningen

**State-Business Relations in Post-1998
Indonesia: The Role of Kadin**

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Chapter 1 Introduction

This study deals with economic policymaking in Indonesia, especially during the period 1999-2003, and focuses on the relations between the government and the business sector. To what extent did these relations exist, who were the main actors, and did these relations have an impact on the processes of economic policymaking? The study focuses on the role of Kadin, the Indonesian Chamber of Commerce and Industry. As an umbrella business association, encompassing many business associations at the sectoral level, Kadin was established to represent private businesses and defend their interests. Being the most important business association, it has been in a position to play a role in the process of policymaking in Indonesia. In practice, this role depends to a large extent on the political regime and the way the regime handles state-business relations. A change in the political regime may also change the role of business associations. In Indonesia, a major change of the political regime took place when in 1998 President Soeharto stepped down and his New Order regime collapsed. This democratic transition in 1998 changed the policymaking process in Indonesia from a closed to an open system. The role of Kadin in policymaking may therefore have changed after the collapse of the New Order. This thesis will explore to what extent the role of Kadin with respect to influencing economic policymaking changed after the democratic transition.

In this introductory chapter, first some background information on several political economic features of the pre- and post-1998 situation in Indonesia will be given. This will be followed by a discussion of the research questions to be addressed in this study and of the research methodology we use. The chapter concludes with a brief overview of the contents of the thesis.

1.1 Indonesia During the Soeharto Period Before 1998

When General Soeharto took power in 1966 and started his New Order, he did not uphold many features of the old regime by Soekarno. Certainly, Soeharto claimed that Soekarno's five principles, *Pancasila* (the belief in the one and only God; a just and civilized society; national unity; democracy based on consultation and consensus; and social justice), continued to be the guiding principles of his regime (he even called them the Five Commandments). In the 1980s, Soeharto imposed *Pancasila* as the unique state ideology (*Asas Tunggal*) which was to be acknowledged by every mass organization. It was compulsory for all mass organizations to declare *Pancasila* to be the foundation of the organization. In practice, however, *Pancasila* was almost meaningless, especially democracy and social justice were absent.

Soeharto's regime was intertwined with the military apparatus. Loyal

generals were appointed in his government, and military officers became involved in all levels of society, including private businesses. The free multi-party system was abolished and replaced by a system that was dominated by one political party: Golkar. As the party that unified military officers, civil servants and mass organizations, Golkar became an effective vehicle to secure loyalty to Soeharto's regime. Golkar, chaired by the President, was seen as the motor of the development of Indonesia. The majority in Parliament was a member of Golkar; Parliament became an instrument to endorse, if not applaud, government policies rather than discuss them critically. During the Soeharto era, tensions between religious and ethnic groups hardly came to the surface, not least because the mass media were not allowed to report on them: after all, Indonesia was supposed to be one nation.

In his cabinet, Soeharto nominated not only high army officers, but also experienced economists, educated in Western countries. The political stability and the opening of doors to foreign investors and multinational businesses created confidence in the Western world and resulted in an enormous influx of foreign capital. Indonesia experienced a spectacular economic growth. This growth was mainly due to the development of a large industrial and business sector consisting of e.g. banks, insurance companies, and enterprises in agrobusiness, construction, oil and gas exploitation, mining, forestry, food and pharmaceuticals, telecommunications, etc. A typical phenomenon was the creation and growth of large groups of connected enterprises, i.e. the conglomerates. These consisted of private diversified enterprises owned by ethnic Chinese or by members of the Soeharto family, state enterprises, and joint ventures with foreign companies. Although the thousands of small and medium enterprises outnumbered the number of conglomerates and state-owned enterprises, the economic power and the influence of the latter were dominant in many respects.¹ Soeharto's regime was centralized and authoritarian. Governors and regional authorities in the outer districts carried out directives from Jakarta. Loyalty was often ensured by granting concessions to exploit the rich natural resources of Indonesia, which include petroleum, gas, coal, bauxite, tin, nickel, palm trees, timber, etc. The government managed to invest part of the revenues from these natural resources in the development of an advanced manufacturing industry and in human capital. The Indonesian economic development was spectacular. It is often referred to as the 'Indonesian miracle', and Soeharto is often called 'Father of Development'.

During the Asian financial crisis in 1997, which started with the depreciation of the Thai bath, the Indonesian miracle came to a sudden end. The rupiah lost its value, the non-transparent banking system showed many weaknesses, all levels of economic life were infected by large scale corruption,

¹ The issue of the dominance of large conglomerates over small businesses will be dealt with in the three case studies discussed in Chapters 5-7 of this thesis.

and there was a tremendous lack of transparency with respect to the interactions between the government and the business sector. At the same time, students' protests and calls for *reformasi* (reform) were widespread. The students blamed the paternalistic autocratic regime of the New Order and KKN practices (*korupsi, kolusi dan nepotisme*; corruption, collusion and nepotism) for the crisis.

When in 1997 the financial markets in Asia collapsed, and the fall of the rupiah made it almost impossible for Indonesia to repay its enormous external debts, the IMF moved in. Indonesia had to adopt rigorous measures, such as a strict budget discipline, privatization of state-owned enterprises, the closing down of banks, etc. The crisis had led to difficult circumstances, as many enterprises went bankrupt, the unemployment rate increased, new investments stopped.

When Soeharto stepped down as President in 1998, his successor Habibie took several initiatives to reform public and political life. He made a start at introducing democracy: he granted freedom to the media, allowed the establishment of labor unions and religious organizations, and ended restrictions on political parties. For the first time since 1955, he called for free elections for the National Assembly, or Parliament. Politically, Habibie's most remarkable and far-reaching initiative was his decision to allow the people of East Timor (which had been annexed as a province of Indonesia in 1975) to organize a referendum about independence. The referendum took place under the auspices of the UN. The people of East Timor voted massively for independence, which was granted by Indonesia.

After the elections in 1999, the National Assembly chose Abdurrachman Wahid as the President of Indonesia. He tried to end the political role of the armed forces and started a policy of decentralization. However, not all of his proposed changes were accepted. In 2001, the National Assembly decided to impeach the President and elected Megawati Soekarnoputri as his successor.

President Megawati continued to work on building a democratic society, in which the armed forces had an appropriate place, and a good balance was struck between the central power of Jakarta and the regional authorities in the provinces of the archipelago. She and her successor Yudhoyono have put much emphasis on strengthening the judicial power, restoring the confidence of foreign investors in the economy, decentralization, economic development, and on finding a new balance between the large enterprises and small and medium businesses.

1.2 Defining State-Business Relations

Sylvia Maxfield and Ben Ross Schneider² argue that the term 'business' may have different meanings, depending on the context in which the term is used.³ The term may refer to economic actors producing goods and generating income; to a group of firms, possibly belonging to certain industrial sectors; to individual firms, for example large international industries or conglomerates; to an association of firms, such as chambers of commerce, unions of medium and small-scale industries, etc.; or to a network of informal business relations. In this study, the focus will be on business as an association of firms, because our analysis focuses on Kadin, the Indonesian Chamber of Commerce and Industry, i.e. an association of businesses.

In a similar vein, the concept of the 'state' can be used in various ways. The state can be defined as an autonomous actor, an arena of political conflicts, a legal entity, an organization of society, etc.⁴ Again this depends on the context which of these definitions of the term state is meant. In the context of Indonesia and the changes that this country has gone through over the last two decades, the term state will have different meanings in the following chapters. In particular, the definition of the Indonesian state will shift from an autonomous (authoritarian) actor to the direction of an arena of political conflicts.⁵ Several theories have been developed to describe the interactions between the state and business. In this theoretical landscape, a distinction has been made between several categories of interactions, depending on one's view of the mutual influence between business and state.⁶ Among the different categories of theories, two stand out because they have received most attention in the research on state-business relations. The first category consists of the so-called rent seeking and public choice theories. According to these rent seeking theories, business dominates the state. Business acts as a pressure group and intends to influence or even control the state as much as possible. The second category of theories represents the view that both the state and business have a role to play in state-business relations. They may be (not necessarily equal) partners in a two-directional interaction. In this setting, exchange and bargaining are the key features of the interaction, both in the process of

² Maxfield and Schneider, 1997.

³ See also Maxfield et al., 2002.

⁴ See e.g. Volker et al., 2002.

⁵ In an authoritarian state, political power is usually centralized and in the hands of one top executive, who tries to control the economy to further his/her own power and interests. This may hamper the development of a competitive market economy.

⁶ Schneider et al., 2002.

policymaking and of policy implementation.⁷

A principal theory belonging to this second category is corporatism, which emphasizes the fact that policymaking takes place in an arena where powerful groups interact with an autonomous state. The state allows business institutions and/or associations to participate in policymaking. In some cases, business associations may even be granted a quasi-public status. There are several types of corporatism, depending on the relative strength of the state vis-à-vis business. One accepted definition of corporatism states the following:

Corporatism refers to a particular set of policies and institutional arrangements for structuring interests representation. Where such arrangements predominate, the state often charters or even creates interest groups, attempts to regulate their number, and give them the appearance of a quasi-representational monopoly along with special prerogatives ... Governments may thus deliberately seek to employ a Corporatism strategy as one means of political management which they can control demand making by groups in society.⁸

As will be discussed in later chapters, corporatism is particularly helpful in analyzing state-business relations in Indonesia when discussing the Soeharto regime as well as the post-Soeharto period. During the Soeharto regime corporatism was an instrument to defend the interests of the regime in power. The state⁹ was the dominant party in the state-business relations, and these relations were characterized by the policies and institutional arrangements as described by Stepan. During the years of transition after 1997-1998 not only the nature of the regime changed, the nature of the state-business relations changed as well, moving from corporatist and government-controlled to free and more open. This changed the nature of the corporatist model of Indonesian politics.

⁷ Next to the two categories discussed in the main text, Schneider et al. (2002) also distinguish theories that stress the fact that the business' domination is automatic rather than the result of intended efforts. According to this view, the state will always execute pro-business policies to support its aims to enhance the country's economic development. Moreover, they acknowledge theories stressing that a business institution may be conceived as a 'private government'. This may imply that in some specified areas the institution substitutes the state and can formulate and apply its own rules. Such a business institution is self-regulating (Rouge, 1979, 1980; Streek et al., 2002). The business institution succeeds to mobilize and control its members in such a way that to a large extent it becomes independent from the state. In the situation of an authoritarian regime (top-down), this may happen if the regime allows business autonomy, because it is in the personal interest of the political leader(s) of the country. It may also happen in a pluralist society (bottom-up), if a government gives certain powers to business, because it is perceived to play an important role in the economic development of the nation.

⁸ Stepan, 1978, p.46.

⁹ See e.g. Yoshihara, 1988; Muhaimin, 1990; Mortimer, 1973; Crouch, 1984; Robison, 1990.

The theory of corporatism will be discussed more extensively in Chapter 2.

1.3 Research Objective and Main Research Questions

The main purpose of this present study is to contribute to a better understanding of the complex processes of policymaking on economic and industrial issues in Indonesia in the recent past. In particular, we focus on the influence Kadin has had on policymaking processes. Policymaking is determined by the interaction between two different groups of actors: state actors and extra-state actors – such as Indonesian businessmen, international financial institutions, NGOs, labor unions, etc. Changes on one or both sides will also change the relationships between the two groups of actors. Moreover, relations between different state actors and extra-state actors themselves may change. These changes among and between the different actors also affect the policymaking process.

In order to understand the mechanisms of policymaking and possibly their impact on economic and industrial performance in Indonesia, we focus on assessing the role of Kadin. Kadin was established to represent the interests of the business sector at large (i.e. including small, medium and large businesses, Indonesian and Chinese businessmen, etc.). It was therefore in a position to become a potentially important participant in discussions and the bargaining process regarding economic policies. It is challenging to understand to what extent – during and after the Soeharto regime – Kadin managed to represent business interests and what influence it actually had on the economic policy choices of the state. If we get a better understanding of Kadin's role in these changes, this will improve our knowledge of how interactions between state actors and extra-state actors changed in the late 1990s and early 2000s.

In the literature, the general view is that the role of Kadin during the Soeharto regime was limited and that it was an instrument for the state to control business.¹⁰ This view has been challenged by authors like Andrew MacIntyre.¹¹ At the same time, however, the role of Kadin has not yet been studied that well. It is therefore not clear what scope Kadin got to defend business interests and whose interests exactly they were defending. As will be discussed later in this thesis, one important characteristic of how Kadin was organized is the fact that it represented very different business interests: the interests of Chinese versus Indonesian businessmen, private versus (semi)public business interests, foreign versus local business interests, etc. As will be argued in later chapters, Kadin had a difficult time speaking with one voice, which had consequences for their ability to influence policymaking by the state. Thus, it was not surprising that the business sector in general was dissatisfied with

¹⁰ MacIntyre (1991) provides a comprehensive overview of the literature discussing the role of extra-state actors during the Soeharto regime.

¹¹ MacIntyre, 1991.

Kadin's role as the representative of business interests. Businessmen who did have the contacts within the authorities and access to state actors tried to influence policymaking directly, rather than rely on Kadin.

The political and economic reforms after 1998 did raise the hopes of the business sector of gaining more influence on policymaking, perhaps also through Kadin. Now that society as a whole and the political landscape in particular had become more open, Kadin's role vis-à-vis the state also changed. Yet, as we will see in this thesis, its role in the process of policymaking did not necessarily become easier. The political and economic reforms led to the creation of several (instead of one) actors influencing policymaking. Within the state the People's Consultative Assembly and its Committees of Experts, ministries, and political parties became important. Moreover, the reforms led to the rise of various new extra-state actors such as new business associations, labor unions and other large organizations, regional pressure groups, the media, etc. Kadin's views and recommendations regarding economic policies thus had to compete with the views and recommendations of all these other actors.

The above discussion leads to the following formulation of the main research question of this thesis:

Did the political and economic changes of 1997-1998 lead to a change in Kadin's role in influencing economic policymaking by the state? If so, what were these changes, how did their role change, and why did it change?

1.4 Research Methodology

The first step of this research project consisted of a in-depth study of the main theories on state-business relations and of their relevance in the Indonesian context. The review of the literature on state-business relations showed that the political theoretical model of corporatism appeared to be most appropriate in explaining economic and political processes of decision making in Indonesia, in particular during the Soeharto era and to a certain extent also post-Soeharto. The theory of corporatism was particularly popularized by the work of Philippe Schmitter.¹² In the literature, different types of corporatist models have been developed. These models are referred to as strong, moderate and weak forms of corporatism. The different forms of corporatism will be discussed in Chapter 2 of this thesis.

In particular, we will elaborate on a number of key concepts developed within corporatism, because these concepts appear to be useful when discussing the corporatist model in the Indonesian context. These concepts describe the

¹² See Schmitter, 1974.

characteristics of actors in state-business relations and help to explain how these actors play a role in policymaking. In this thesis, these concepts are used to describe the characteristics of Kadin as a business association. These concepts are the legitimacy and credibility of Kadin vis-à-vis society in general, various state and extra-state actors, members of the business community, and the degree of institutionalization of state-business relations. Legitimacy refers to the formal legal basis of the business association as formulated in laws, acts or decrees. Credibility refers to the extent to which the business association represents its members and can raise a balanced and founded voice. The degree of institutionalization refers to the extent to which the business association manages to develop and make use of formal channels, procedures and mechanisms in order to communicate with the state and represent the interests of its members in processes of policymaking.

The legitimacy and credibility of Kadin and the degree of institutionalization of state-business relations are important aspects for the following reasons. A business association that aims at defending business interests and participating in processes of policymaking needs to raise its voice. In order to have any influence, this voice has to be heard and reckoned with. Without any legal authority this voice will not be heard, let alone be reckoned with. Legitimacy may therefore be a necessary (yet not sufficient) condition. The same holds for credibility, and the degree of institutionalization. If the business association is not credible in the eyes of the business society, the state and society as a whole – for instance because the interests of large enterprises dominate, or because there are too many frictions between factions in the organization – it may weaken the power of its voice. The same may be the case if the degree of institutionalization is low. The three concepts refer to conditions that have to be met in order to ensure that the business association can have a successful and powerful voice. In this research project, we conduct three case studies in which we discuss to what extent these conditions were actually satisfied.

In this thesis we also argue that, in the end, legitimacy and institutionalization were not the main factors to determine the efficiency of the role of Kadin in processes of policymaking. Instead, credibility appears to have been the most important factor. As we will show, Kadin's credibility vis-à-vis society at large, the state and the business society did depend on a lot of factors: in particular the way Kadin handled internal frictions caused by competing interests of members of the business association, e.g. differences between large companies/conglomerates and small and medium enterprises (SMEs), differences between Chinese and Indonesian businessmen, and differences between private businesses and state-owned enterprises.

The concepts of legitimacy, credibility and institutionalization are used as a framework to analyze the role of Kadin. The results of this study are based on primary and secondary data we collected. Primary data were obtained from

interviews with officials at Kadin and various experts on the political economic context of economic policymaking in Indonesia. Secondary data was taken from publications by Kadin, such as annual reports and the Kadin Bulletins, as well as from a great number of articles published in the Indonesian media. Some of the important secondary sources are *Kompas*, *Antara*, *Berita Buana*, *Media Indonesia* and *Tempo*. These journals and newspapers were important sources, containing interviews with the chairman and other officials of Kadin, as well as interviews with important businessmen representing various business associations.

The primary and secondary information is used to make an analysis of the role of Kadin in the process of policymaking during the first period after 1997-1998. The analysis of Kadin's role is based on an in-depth discussion of three case studies of economic policies after 1998, in which Kadin did play a role as the representative of the business sector. How did Kadin operate in an effort to influence the outcomes of the policymaking process and to what extent was their acting different from the way they acted during the Soeharto regime? Did they succeed in influencing policy decisions and outcomes, and if so, to what extent did the outcomes comply with business interests? And if Kadin was not successful, what were the reasons for this?

The analysis of the three cases aims at shedding light on questions such as these. Below, the contents of the three case studies will be outlined briefly. All three case studies show the complex nature of economic policymaking processes in Indonesia after the political and economic turmoil of 1997-1998. The case studies and the corresponding data cover the period 1998-2003.

1.5 Contents of the Thesis

Chapter 2 provides a review of the political theories we use as a basis for the analysis of the policymaking processes in Indonesia and the role Kadin has played in these processes. First, it discusses policymaking models in general. This will provide the background for the analysis of the policymaking process and the role of business associations in the context of the model that is central in the analysis of this thesis, i.e. the corporatist model. Special attention is paid to three concepts that are crucial to the corporatist model, i.e. legitimacy, credibility, and the degree of institutionalization of business associations. These concepts can be used to describe the nature of the relations between the state and business and, as has been discussed above, they turn out to be useful for our analysis of Kadin's role in the Indonesian policymaking process.

Chapter 3 starts with a short historical overview of the most important political and socio-economic developments in Indonesia after independence until the late 1990s, i.e. the regime of Soekarno until 1965 and Soeharto's New Order from 1966-1998. In the discussing of the New Order, special attention is

paid to the discussion of how the Soeharto regime managed to control economic and social life. The discussion especially looks at the role of the military in society, the role of the army-backed Golkar party, and the 'Golkarization', i.e. forcing local officials to sign loyalty statements and mobilize votes for Golkar. The discussion of the New Order era ends with the fall of the Soeharto regime in 1998.

Chapter 3 continues with a discussion of the most important institutional and political changes after the reformasi. We will first discuss institutional reforms that have had a great impact on political and social life in general terms, such as amendments to the constitution, the establishment of many political parties in parliament, and the empowerment of regional authorities. In later chapters, we will discuss to what extent these reforms have directly affected the processes of policymaking in Indonesia. The chapter also discusses the role of Islam in Indonesian society, the Pancasila ideology, and the ideas of an integralist state as reflected in Indonesia's constitution. These features played a role, albeit perhaps more indirectly, in the case studies of policymaking as described in Chapters 5 to 7, mainly because they seem to have influenced, at least to some extent, the attitude of the business sector.

Chapter 4 describes the development and organization of Kadin as the main business association. The chapter starts with a short discussion of the history of business representation in Indonesia since the independence and of Kadin since its foundation in the late 1960s. Kadin's position during the Soeharto regime is discussed. In particular, the chapter describes the development of formal and informal relationships with state actors responsible for policymaking, and Kadin's limited room for manoeuvre in representing business interests when communicating with these actors. In line with one particular version of the corporatist model of state-business relations, i.e. so-called natural corporatism (to be discussed in more detail in Chapter 2), Kadin was supposed to serve the interests of the state. Kadin's efforts to obtain formal recognition by Soeharto's government will be dealt with in the first part of Chapter 4.

Chapter 4 continues with a description of the structure of Kadin. An important feature of the organizational structure of Kadin is that there are many (mostly sectoral) business associations among its members. These business associations represent large, medium and/or small businesses in many different industrial sectors. Moreover, private companies are represented, next to state-owned companies and co-operatives. Kadin and the member business associations are organized at a national as well as a regional level.

The final part of Chapter 4 elaborates on the structure of Kadin, and in particular on the fact that, since many different types of companies and industries are represented, this may lead to conflicts of interest. We argue that the various business associations represented by Kadin have different interests, which makes it likely that they may at times have different views on economic

policies. This makes it difficult for Kadin to talk with one voice and to speak on behalf of all members. In this context special attention is given to conflicting interests between indigenous and Chinese businessmen and between large, medium and small enterprises. As will be argued at the end of the chapter, this so-called fragmentation of Indonesian business society interests has made it difficult for Kadin to operate as an effective business representative. We argue that this has affected the credibility of the organization, in particular its credibility within the business society.

The discussion of the three case studies in Chapters 5, 6 and 7 is preceded by a short review of the structure of the business sector in Indonesia during the Soeharto regime (Section 5.2). It recapitulates several features that have played an important role in triggering the fall of the Soeharto regime and that were also the cause of the introduction of several economic policy reforms immediately after the reformasi, three of which are discussed in our case studies. The most important of these features are the existence and dominance of large conglomerates, the role of state-owned enterprises, and the flourishing of several practices of unfair competition, such as monopolistic behavior, collusion, cartels, and exclusive licensing.

The three case studies in Chapters 5 to 7 all deal with processes of policymaking after the reformasi of 1997-1998. To be more precise, they deal with the introduction of new laws in the field of economy and business.

Chapter 5 discusses the role of Kadin with respect to the Indonesian Anti-Monopoly Law of 1999. After Soeharto stepped down, organizations in society and Parliament parties demanded – as part of the fight against KKN (korupsi, kolusi dan nepotisme) – an immediate introduction of legislation against monopolistic market behavior, which was characteristic of the big conglomerates. The main focus of Chapter 5 is on the process of drafting, amending and implementing the Anti-Monopoly Law of 1999 and the role of Kadin (and other important actors) in this process. The analysis of the case study shows the divergence of opinion between Parliament, which was strongly opposed to monopolistic practices by big companies, and Kadin which seemed to operate under the pressure of such companies. The case study also reveals that Kadin has played an important role with respect to both the content and implementation of the law.

Chapter 6 focuses on the new legislation concerning the process of auctioning the government's procurement of projects to private actors. These projects may refer to the provision of school materials for the Ministry of Education, the construction of highways, railways, bridges for the Ministry of General Affairs, etc. For the business sector, having access to government projects can be very profitable, which is why we are interested in analyzing the developments related to the new legislation of procurement of government projects. This new legislation is stipulated in Presidential Decree 18/2000.

The chapter starts with a description of the mechanisms of getting access

to auctions for the procurement of government projects. Central to the analysis is the role of Kadin in drafting and implementing the decree. The analysis reveals that Bappenas, the National Planning Board, which was very much involved in the procurement of projects, turned out to be an important opponent of Kadin in the process of drafting and implementing the decree. Bappenas and Kadin had very different views on the role of Kadin. The rivalry between the two institutions reduced Kadin's credibility as a representative of the business sector, in the eyes of the members of the business sector as well as the government. Moreover, some interventions by Kadin during the process of drafting and implementing were highly criticized, at least by several industry-specific business associations, which adds to the general picture that Kadin was not very successful in representing business interests in the case of Presidential Decree 18/2000.

Chapter 7 discusses a case study in which the focus is on the relationship between the business sector and labor representatives. More specifically, the case study discusses the role of Kadin in drafting and implementing the new labor legislation during 2000-2003, leading to the Manpower Law of 2003. In the new labor legislation, many sensitive issues played a part, such as the financial rights of employees, minimum wages, payments after termination of employment, long service pay, etc. The publication of various ministerial decrees before the final publication of the Manpower Law in 2003 caused a lot of tension between business associations and labor unions, and led to massive – and sometimes even violent – labor protests. Agreement between employers and labor unions could only be achieved after a long period of friction, during which ministerial decrees had to be modified regularly because of pressure from either business or labor representatives. Kadin was one of the main participants in discussions and negotiations with respect to adjusting and drafting the government decisions.

Ultimately, agreement on the Manpower Law of 2003 could only be achieved after the introduction of structured tripartite negotiations between the government, business, and labor. In these negotiations Kadin again played an active role. The case study on labor legislation shows that, at least on this issue, Kadin was more successful in representing business interests than it had been in the other two cases discussed in the thesis. One of the main reasons for this may be that business interests regarding labor legislation are rather similar for different types of business. At the same time, however, the case study shows that after the reformasi Kadin was faced with other institutions representing various interests (i.e. labor), which made it more difficult to have an impact on government policies and their implementation.

In Chapter 8, the main findings of the case studies are summarized, particularly focusing on the role of Kadin in the process of policymaking after 1997-1998. Moreover, this chapter discusses avenues for future research on state-business relations in Indonesia.