STATE AND CAPITAL ACCUMULATION: MINING INDUSTRY IN INDONESIA

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Abstract

This dissertation examines the relations between state and capital accumulation in the mining industry in Indonesia. Karl Marx's theory of rent under capitalist mode of production (Marx, 1981), as social/class relations, is utilized to provide a conceptual framework of such peculiar relations. While this framework consists of many different but interrelated parts, my focus is the integration of class struggle into this theory of rent and to historicize this framework into the mining industry within a broader context of capitalist development in Indonesia. In this respect, this dissertation also provides a specific conception of historical capitalism for Indonesia.

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Table of Content

List of Tables and Figures

SECTION ONE

CHAPTER I: INTRODUCTION

A. Objectives and Research Questions

There have been two general matters emerging from the development of the large-scale mining sector in Indonesia that have persisted for a long time. Firstly, the mining industry, with transnational mining corporations as the major players, has consistently been associated with the dispossession of pre-capitalist landowners, environment degradation and labour exploitation. The industry then usually generates resistance from the dispossessed and exploited population, urban-based environmental activists, and their global network activists (see Marr, 1993; *Down to Earth*, No. 63, November 2004; *MBM Tempo*, 12 September 2004; *Down to Earth*, No. 73, May 2007; *MBM Tempo*, 2 June 2013, 91; *The Globe and Mail*, 20 September 1990).

Secondly, the mining industry has faced strong government attempts to exercise effective control over mineral extraction and processing over the long twentieth century. Following years of uncertainty, the government of Indonesia imposed a series of regulations in 2009 requiring foreign mining enterprises to divest their stakes for domestic investors and to use in-country processing facilities. These new regulations, among others, have led to a degree of anxiety among foreign mining investors. The policy, dubbed "resource nationalism," has also generated criticism from foreign government institutions (USGS, 2016), multilateral institutions (UNCTAD, 2017), transnational pro-market consulting firms (Ernst & Young, 2011; Ernst & Young, 2014), and international mainstream media (*The Wall Street Journal*, 2 October 2013).

This dissertation takes up the political economy of mining in Indonesia. Before stating the study's main objectives, I will briefly summarize existing scholarly literature in order to specify this study's contribution to the field. The existing scholarly literature on the large-scale mining industry in Indonesia on the aforementioned issues can be summarized as follows. Robinson (1986) excellently interrogates an early stage of the expansion under the Suharto regime of Inco Limited, a world-class, Canadian-owned nickel mining enterprise that socially, culturally and environmentally affected the local population in Sorowako, South Sulawesi and incorporated this pre-capitalist community into the world system of the capitalist mode of production. Leith (2002) scrutinized the presence of a subsidiary of the US giant copper mining giant, PT Freeport Indonesia. Operating in a militarized region of West Papua, its operations degraded the life of Papuans and the environment, while benefitting Suharto and his cronies. Erwiza (1999) investigates long-term social relations and social control in a mining community located near the Ombilin coal mine in West Sumatra over the one hundred years since Dutch colonialism. Recently Warburton (2017) studies the increasing domestic capitalist class and growing popular politics in Indonesia that contribute to the emergence of resource nationalism. Taking Indonesia and Bolivia as study cases, Kaup and Gellet (2017) depict resource nationalism, referring to state actors in capitalist peripheries who attempt to generate benefits from extractive industries in the middle of global power struggles.

Regardless of their rigorous contributions to this subject, the abovementioned studies restrict attention to specific and limited scopes. Although the studies emerge from diverse theoretical vantages, they leave methodological and theoretical matters that also need to be further critically investigated at an empirical level. These matters can be critically discussed in brief as follows.

Firstly, despite their diverse theoretical views, all of the studies share a common character—they have generally failed to consider a special feature of the mining industry. By this special feature, I mean the fact that the scale of mineral deposits is limited to a particular territory, being fixed to the earth as the necessary element of the labour process; capital investment is inherently restricted to capitalist territories with particular mineral deposits. This implies that capital and the state/landowner generally share a common interest in extracting resources for generating wealth. However, they also struggle to pump out the surplus, each for their own portions.

Secondly, all of the studies underestimate the hierarchical scales of class exploitation and class struggle that underpin mining capital in Indonesia. This includes competition among factions of capital (i.e., productive capital, finance capital, commercial capital and capitalist state) to generate their own gains and the implications for labour exploitation and class struggle in the industry. Robinson (1986) and Erwiza (1999) discuss class structure and class consciousness but they are less interested in how class exploitation and class struggle emerges from it. The thesis of resource nationalism ignores capital-labour relations from which surplus value emanates and is appropriated by the landlord state and mining capital. The major flaw of resource nationalism conceptualization emerges from ignoring (exploited) labour as the only source of value, then the source of capital.

Thirdly, the notion of "resource nationalism" refers to "a strategy where governments use economic nationalist policies to improve local returns from resource industries" (Wilson, 2015:400). In studying the Indonesian example, Warburton (2017) mostly problematizes national resource policies from which inflows hostile global capital. She isolates the policies from class analysis within a broader context of global hierarchy of capital accumulation led by imperialist capitals. This kind of market approach indeed fails for three reasons. First, at its most basic level, while paying much attention to state policies related to economic benefit from resource industries, this view disregards capital-labour relations (source of the economic gains) as a starting point of investigation. This shortcoming stems from the atomic ontological position of the liberal view that separates the intimate connection between two different things—capital and labour in the capitalist economy. This approach then suffers from the weakness of taking for granted capital (resource firms and the state) as a point of departure. Second, it examines one-sided transnational firms-state relations. While attacking the state's attempts to gain more benefits from the mining industry, the approach omits the ability of transnational mining capital to capture unfair surplus value and to evacuate the surplus outside the host country. This liberal methodology of resource nationalism overlooks the power of transnational capital to impose international norms of contracts and fiscal and monetary policies associated with the flow of capital to states in peripheral capitalism, thus enabling capital to generate higher rates of profit. In order to anticipate the presence of nationalist policies on investment having fairer distribution of surplus value, transnational capitals could employ transfer pricing, enabling them to collect windfall profit, thereby reducing the state's power to appropriate more revenue. Third, resource nationalism discourse heavily problematizes the so-called "politically-connected class of extractive capitalists" who "underpinned the localising agenda of nationalist networks within government" (Warburton, 2018:25–26). Of course, it is generally recognized that Indonesian economy policies (including resource policies) are highly driven by the interests of a particular section of politico-domestic capitalist classes (e.g., Robison and Hadiz, 2004). However, without paying attention to the notion of resource nationalism as a host country' s strategy to capture fairer rents, the proponent of resource nationalism simply advocates the interests of centralized transnational mining firms. Therefore, anti-resource nationalism is nothing but global capital efforts to minimize state barriers to capital flow.

However, employing the world historical approach, Kaup and Gellet (2017) discuss the “global power struggles” that provide space for resource nationalism to emerge. Unfortunately they only highlight the actions of state actors in capitalist peripheries and underestimate the mass struggle from below to impose this kind of national interest. Paying no attention to this struggle implies that these scholars are only concerned with the struggle among peripheral states to gain fairer revenues emerging from this industry. This view focuses the relations of distribution between state and investor. They neglect the relations of production that describes the class relations/class exploitation resulting in the formation of revenues. They thus remove surplus labour as source of the state’s revenue (or rent) as well as transnational mining firms’ profit. For this perspective, in short, there is no room for class struggle between the exploiting class and the exploited class.

Fourthly, since mining operations necessarily destroys irreplaceable natural resources, Leith is more interested in the environmental effects of mining operations, among other issues. Environment degradation is always characterized as a by-product of mining operations. In my view, rather than characterizing it as a purely environmental matter, the environmental impacts of mining operations are internally related to class in the sense that they emerge from logical and historical features of labour exploitation that rely on nature (Marx, 1976:647; Burkett, 2014). My point of argument is that the destruction of nature associated with mining is systemic. It is systemic because it is deeply rooted within this modern system of labour exploitation—that is, nature as the primary precondition for capitalist production.

The above brief discussion brings me to the objectives of this dissertation. First, while my research intention is not to construct a theory of state and capital accumulation, *the first objective of this dissertation* is to fill the above-mentioned gaps by situating them within relations between state and capital accumulation in the mining industry. Karl Marx’s theory of rent under the capitalist mode of production (Marx, 1981), as social/class relations, will be utilized to provide a conceptual framework of such peculiar relations.

Marxist scholars have examined this theory as applied to specific branches of the mining industry, such as Fine (1994) in coal, oil and diamonds; Bina (1984) in oil; and Nwoke (1987) in mining. Others like Murray (1978) highlight rent in relation to capital expansion while Emel and

Huber (2008) draw attention to the class struggle between the state and mining capital over rent distribution under neoliberalism. Higginbottom (2014) depicts rent under the global narrative of labour exploitation.

Benefitting from their rigorous works for this dissertation, *the second objective* is to add class struggle into this theory of rent. The central argument is that the struggle (i.e., the ruling class versus the working class) involves state actions to increase and save present and future surplus value on which the state relies.

The third objective is to employ such theorization for an investigation into the mining industry in Indonesia. In this respect, a specific conceptualization of historical capitalism in Indonesia is also provided. The wider argument is that any understanding of a country-specific mining industry necessitates putting it within the historical development of capitalism in the country.

The basis for my theoretical claim is two-fold: First, peculiar to mining industry is that it mirrors a nature-based production of surplus value as a certain face of the exploitation of labour. This exploitation generates class struggle between two antagonistic classes, i.e., capitalist class and working class over political and economic conditions of surplus value appropriation. This dissertation highlights capital-labour relations as a necessary foundation for investigating labour exploitation in this industry. Second, since considerable mineral deposits are initially only attached to particular capitalist territories, the interrelation between the spatial mobility of capital, led by mining capital, and the fixity of mineral deposits, controlled by the capitalist state as the landowner, is central to the industry. This leads to competition between state and capital over the distribution of surplus value.

This dissertation examines two sets of research questions. One refers to capital accumulation and the state in their *specific concrete forms*: How should we theorize the state and its relationship to capital accumulation in the mining industry? Why does the theory of rent work as a bridge in the relationship between the state and accumulation in the mining industry? How does class struggle link to the theory of rent? Another set of questions probes into contingent features of states and the dynamics of accumulation in *its specific historical forms.* The questions are as follows: How should we theorize historical capitalism in Indonesia? How have the state and mining capital interacted within the historical development of capitalism in Indonesia? What specific condition underpin the accumulation of mining capital in the country?

B. Methodology

In order to address the questions above, I adopted the following methodology, which I see as a way of seeing reality and a strategy of investigating it in order to understand the world. The former mostly refers to a more ontological and theoretical foundation for understanding reality while the latter reflects technical approaches for capturing the world (Hammersley, 2011).

1. Philosophical Foundation of Research

The philosophical aspect of the methodology for this study emerges from a Marxist tradition. While Marx did not outline his approach to a methodological inquiry in detail, a close reading of his work reveals one. Some clues as to his methodological approach can be found in *Grundrisse*, *Capital* and in his other works. Scholars have followed this methodological project, with each serving to enrich our understanding of Marxist methodology (Ollman, 2003; Ilyenkov, 2008; Levins and Lewontin, 1985; Lukács, 1971; Harvey, 2009; Lebowitz, 2009; Paolucci, 2009). In this respect, there are three-fold philosophical foundations of this dissertation. The ontological premises of this study derive from the dialectical and materialist notion of "totality".[1] In order to understand this notion, one must see an ontological distinction between different schools of thought in describing the relation between the whole and its parts. A metaphysical point of view (or formal logic) accentuates many of the independent elements within a totality. According to this account, the totality is a combination of parts. This is the basic character of the Cartesian mode of thought that:

> . . . the parts are ontologically prior to the whole: that is, the parts exist in isolation and come together to make wholes. The parts have intrinsic properties, which they possess in isolation and which they lend to the whole. In the simplest cases the whole is nothing but the sum of its parts, more complex cases allow for interactions of the parts to produce added properties of the whole (Levins and Lewontin, 1985:269).

Levins and Lewontin characterize such a view as a "social ideology of bourgeoisie society," which celebrates the "individual [as] ontologically prior to society" (1985:1). This account

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[1] Ollman (1978:105-7) sums up as follows: "the twin pillars of Marx's ontology are his conception of reality as a

suggests that the individual determines society. In other words society is nothing other than “the outcome of the individual activities of individual human beings” (Levins and Lewontin, 1985:1). By the same token, this Cartesian ontological standpoint has a similar claim about nature: “Lines of causality run from part to whole, from atom to molecule, from molecule to organism, from organism to collectivity” (Levins and Lewontin, 1985:1–2). By contrast, Marx’s view of ontology, as outlined in *Grundrisse,* addresses “a rich totality of many determinations and relations” (Marx, 1973:206). For Ollman, it is about “the philosophy of internal relation,” which means a whole of interconnected elements. In other words, “[the] whole is present through [the] internal relation [of] each of its parts” (Ollman, 2003:105). More precisely, a totality is a unified connection of diverse elements in which the elements exist mutually in relation to each other and stand as components of the totality. Thus, reality is conceived as “a totality composed of internally related parts” (Ollman, 1978:105). The parts *internally* interact, which means one cannot exist without the other. If we argue that they *externally* interact, it means that one can exist without the another. In this regard, elsewhere Marx makes suggestions for understanding society as a whole: “the structure of society, in which all relations coexist simultaneously and support one another” (Marx, 1963:111). He defines men as social beings, meaning that the human race is “the ensemble of social relations” (Marx, 1978:145; see also Geras, 2016: 29–58). By social he refers to “the co-operation of several individuals” that manifests precisely in “a certain mode of production” (Marx, 1976:49). Thus, he rejects any claims to the autonomy of the individual. In reality, “[p]roduction by isolated individual outside societies . . . is as much of an absurdity as is the development of language without individuals living together and talking to each other” (Marx, 1973:84). With respect to this ontological view Devine suggests that “without complete treatment of the societal totality, a theory can be one-sided and even wrong” (Devine, 1993:58). Therefore, beginning with “a totality comprising many determinations and relations” of Marx’s ontology, I employ a distinctive methodology of research, as suggested by Ollman:

> Unlike non-dialectical research, where one starts with some small part and through establishing its connections to other such parts tries to reconstruct the larger whole, dialectical research begins with the whole, the system, or as much of it as one understands, and then proceeds to an examination of the part to see where it fits and how it functions, leading eventually to a fuller understanding of the whole from which one has begun (Ollman, 2003:14).

Employing such an ontological view, it is necessary to characterize the state and capital accumulation as relations and parts of capitalism as a whole. Thus, there is no reason to isolate one from the other. They are internally related. It must be kept in mind that the internal relations between the capitalist state and capital accumulation are generalized features of capital-labour relations. In other words, the internal relation between the state and capital emerges from capital-labour relations. The latter reflects a contradictory unity between capital and labour, paving the way for the appearance of the former. Braverman interestingly asserts that "capital is labor" (Braverman, 1998:261). This simply means that capital is the product of past labour that was reproduced through the accumulation process.[2] The same logic must also apply to labour, since under capitalism both are characterized as a whole. Lebowitz suggests that:

> . . . [c]apitalism as a whole requires us to recognize explicitly that the capital/wage-labour relation is two-sided and that capital is one-sided insofar as it merely explores the relation from the perspective of capital. Only by considering the struggle over expanded reproduction (that of both capitalist and wage-labourer, the struggle between two 'oughts', do we grasp the basis for the specific laws of motion of capitalism (Lebowitz, 2003:139–40).

Thus, instead of characterizing them as independent entities, capital and labour must be conceptualized as a class relation of exploitation between those who own and control the means of production, labour power, and the product of labour, and those who sell the labour power, operate the production, and are excluded from ownership of the commodity. Furthermore, what should be underscored is that both capitalists and wage-earners or workers are not merely independent actors. Instead, while workers are dominated by the products they produce, capitalists are dominated by the social condition; that is, by the law of competition (Ollman, 1971:155).[3] This is the underlying contradiction within capitalism.

Since this study highlights capital accumulation in relation to nature, I employ a "philosophy of internal relation" as the basis for further elaborating on the inalienable relation

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[2] Braverman also suggests that "*labor is capital*." This means that "living labor which is purchased by the capitalist to set the production process into motion." See Braverman (1998:261). In addition, Postone suggests that "Marx's concept of capital [. . .] cannot be understood in physical, material terms, that is, in terms of the stock of buildings, materials, machines, and money owned by capitalists; rather, it refers to a form of social relations" (Postone, 1996:75). The argument is derived from Marx's work that "[c]apital is not a thing, but social relation between persons which is mediated through things" (see Marx, 1976:932).

3 For Marx (1973:414) "[c]onceptually, *competition* is nothing other than the inner *nature of capital*, its essential character, appearing in and realized as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity." He also argues that competition "subordinate[s] every individual capitalist to immanent laws of capitalist production, as external and coercive laws" (Marx, 1976:739).

between labour and nature, or more precisely capital and nature, since labour constitutes capital.[4] Thus it must be argued that not only does capitalist society entail a class relation between capital and labour, it also involves the relation between capital (i.e., the product of human labour) and nature. Unlike the Cartesian view that isolates one from another, David Harvey argues that capital and nature are not two separate entities. He insists that "capital is a working and evolving ecological system within which both nature and capital are constantly being produced and reproduced" (Harvey, 2014:247). Like the capital-labour relation, there is a "contradictory unity between capital and nature" (Harvey, 2014:250). What I want to address is that accumulation under the capitalist system can be characterized as a profit-driven exploitation of both labour and nature.[5]

The second key dimension of this dissertation is its commitment to historical materialism. This relates to approaching any phenomenon under study within the context of the mode of production from which it emerged. This study is committed to the mode of methodological enquiry developed by Marxist historian Rodney Hilton who insists on viewing any society through the prism of its predominant mode of production (Hilton, 1990:1). The state, as I will discuss in this study, derives entirely from a specific mode of production, which is the capitalist mode. In other words, we should not speak about states in general. Rather, the state operates specifically within a capitalist mode of production. With respect to the necessity of understanding the state within this particular historical epoch, in a specific abstract form the state therefore refers to the capitalist state that is "the abstract product of alienated activity" (Ollman,

4 Marx (1976:283) insists that: "Labour is, first of all, a process between man and nature, a process by which man, through his own actions, mediates, regulates and controls the metabolism between himself and nature. He confronts the materials of nature as a force of nature. He sets in motion the natural forces which belong to his own body, his arms, legs, head and hands, in order to appropriate the materials of nature in a form adapted to his own needs. Through this movement he acts upon external nature and change it, and in this way he simultaneously changes his own nature."

5 Under this system of modern exploitation, there is a necessary link between labour and nature as a whole. Since the only source of value is labour, capitalist production must be studied in the space of subordination of labour under capital. Within this field of capitalism, which is the labour process special to the capitalist mode of production, the branch of industries related to nature must be understood as the production of "surplus-value rests on natural basis" (Marx, 1976:647; see also Burkett 2014). This is the fundamental feature of the labour process when one examines a particular branch of industry, i.e., an extractive industry like mining, "where the material for labor is provided directly by nature" (Marx, 1976:287). For this reason, it is very important to characterize the general view of the metabolic relations between man and nature in the particular context of capitalist production. Under capitalism, the labour process simply means the consumption of purchased labour-power and means of production by capitalists to produce a new commodity belonging to him/her (see Marx, 1976:291–92). Nature, as "an instrument of labor," must then become the focus of the study. The mining industry and other extractive industries therefore must be conceived as a part of the simultaneous subordination of labour and nature. From this branch of industry, one can find the ways in which capital dominates labour and nature for the sake of capital's self-valourization.

1971:216). This is the best way to adequately describe historicizing the state within the capitalist epoch. Similarly, the accumulation of capital is nothing but an important feature of wealth formation under the capitalist mode of production. Capital accumulation emerges from the complex notion of value production resulting in capital's concentration and centralization as well as the necessary emergence of class struggle. In addition, since all productions are attached to "a certain historical epoch" or a certain mode of production and are referred to "*a particular branch of production*" [italics in original] (Marx, 1973:85, 86), I shall restrict this study to production in the mining industry within the framework of capitalist epoch. Also, arguing that all productions always deal with a particular place or a particular territory, I will examine a peculiar locus of inquiry that is Indonesia.

Lastly, this dissertation relies on Marx's political economy method, which is intended to provide an understanding of phenomena from the starting point of the abstract, developing into the concrete (Marx, 1973:101). The abstract in this sense as addressed by Marx means that "the ideal is nothing but the material world reflected in the mind of man, and translated into forms of thought" (Marx, 1976:102). In other words, as characterized by Ilyenkov, the abstract is an objective and differs entirely from any "pure ideal," a product of subjective mental contemplation. The abstract must be understood in its relationship with "real phenomena and relations existing outside consciousness." In other words, the abstract means an "objective character of real phenomena and not only of phenomena of consciousness." The concrete is an object that is independently separated from thought. Thus, "concreteness is not created in the process of reflection of the object by the subject either at the sensual stage or at the rational-logical one" (Ilyenkov, 2008:33–34). In Marx's view, "the concrete is concrete because it is the concentration of many determinations, hence unity of diverse [elements]" (Marx, 1973:101). In other words, reality consists of many disparate but interrelated elements. It suggests that "thought appropriates the concrete, reproduces it as the concrete in mind" (Marx, 1973:101). This method proceeds from the employment of concepts for approximating the features of the actually existing or the real: the underlying features of reality. This is what Marx (1976:90) calls "the power of abstraction", which compels us to pay special attention to "simplest determinations" or particular aspects of reality and their historical development (1973:101).

Given the method above, this project rests on the assumption that capital accumulation in its internal relation to the capitalist state in the mining industry may be convenient to abstract from the window of Marx's theory of rent. Taking Indonesia as a case study I therefore move from the logical framework to the historical framework of a totality by tracing out the structure and trajectory of the relations between state and capital accumulation in Indonesia and how they progress within the framework of historical capitalism as a whole, i.e., global capitalism. In this respect, in order to develop a better understanding of such relations between capital accumulation and the state, it is worth examining the historical trajectory of a particular branch of capitalist industry. In this regard, I will narrow my attention to conceptualize corporate mining as a type of extractive industry for a more concrete investigation. I then look at the historical development of the relations between the state and accumulation in the mining industry in Indonesia to unfold how these historical specificities interact with global mining capital.

2. Technical Approaches of Research

I used an "intensive research design" as a qualitative method, which mainly addresses causal processes taking place from a particular case or a limited number of cases, focuses on groups whose members relate to each other in their differences or similarities, and employs less formal, less standardized, and more interactive interviews (Sayer, 2010:241–51). I chose this design because it permits me to consider structural and historical processes and relations between various cases across time.

I then developed researchable technical procedures for my historical inquiries. I employed two methods to collect the data for this study. First, I studied written documents (Bowen, 2009), which included primary and secondary materials. The primary materials included state regulations at various levels that helped me to understand and analyze major attributes of regulations and relevant changes. These primary materials also included official government speeches, including those of the Indonesian president. As I mainly employ descriptive statistics as a supplement to qualitative analysis (Sayer, 2010), these primary materials consisted of economic indicators relating to the national economy as well as specific branches of industry deriving from yearly statistical reports of governments and multinational institutions as well as official reports of private institutions at multiple levels. Along these lines, I used a data series concerning the Dutch colonial period, provided by the Royal Tropical Institute in Amsterdam, the Netherlands. The data series was published as *Changing Economy in Indonesia: A Selection of Statistical Source Material from the Early 19th Century up to 1940*.

This series consists of 14 volumes on diverse topics that provide a detailed overview of trends in the archipelago's economy. I also benefited from data files provided by Joost Mellegers (International Institute of Social History) on "Government Expenditure in the Netherlands East Indies 1821–1940" and "Government Revenue in the Netherlands East Indies 1821–1940." I benefited from information about the post-colonial period available from Badan Pusat Statistik (BPS) or the Indonesian Bureau of Statistics or Indonesian Statistics, which has a significant number of yearly data sets related to diverse economic sectors at national and regional levels. Multilateral institutions such as the World Bank and the United Nations Conference on Trade and Development (UNCTAD) offer rich data relating to national economic indicators. Furthermore, I approached various branches of the Government of Indonesia (GOI), including the Ministry of Energy and Mineral Resource (MEMR), which offered data sets related to the mining industry in Indonesia, while the United States Geological Survey (USGS) of the United States Department of the Interior has a historical data series on nickel production in Indonesia. I benefited from accessible annual reports of private institutions such as multinational business services and mining enterprises (multinational and national). I also utilized other available official written documents of individual mining enterprises such as annual reports, sustainability reports, presentations, press releases, booklets, maps, collective bargaining agreements, letters, monthly payroll documents as well as internal media (bulletins and the like), among others. Furthermore, I also used press releases, photographs and statements provided by unions, striking mine workers, communities affected by mining operations, and non-government organizations (NGOs).

The secondary sources are mainly associated with academic works (books and articles), which offer not only various views on the Indonesian economy, history, politics and culture but also relevant descriptive statistics. These works, among others, included two important books—*Coolie Labour in Colonial Indonesia* written by Houben, et al (1999), and *The Politics of Colonial Exploitation: Java, the Dutch, and the Cultivation System,* written by Fasseur (1992). The secondary material also included articles from mainstream media—primarily newspapers and magazines—and non-mainstream media of non-governmental organizations (NGOs). I also utilized other sources such as non-refereed academic publications authored by independent researchers or published by NGOs.

Secondly, I employed a place-based empirical investigation using various technical approaches. In order to keep fieldwork manageable, I chose two nickel mining companies as major sources of empirical investigation at the scale of the workplace. The first is PT Vale Indonesia (PT-VI), which operates in the Regency of Luwu Timur in the province of South Sulawesi and the second is PT Bintang Delapan Mineral (BDM)/PT Sulawesi Mining Investment (SMI), which operates in the Regency of Morowali in the province of Central Sulawesi. These companies were chosen because VI is one of the best examples of Suharto's New Order legacy in the mining industry, while BDM/SMI is the best example of post-Suharto mining industry policy. PT-VI has been a subsidiary of a leading transnational mining enterprise, the beneficiary of major foreign direct investments, and a leading mine and processed semi-nickel producer since the rise of the New Order. BDM/SMI is a joint venture between Chinese and domestic capital, a recent prominent recipient of foreign direct investments, and the country's leading producer of nickel pig iron (NPI) since the last decade. However, I examine these two companies within the broader framework of the mining industry in Indonesia.

In this respect, I first employed "participant observation" (DeWalt and DeWalt, 2002) in the Regency of Luwu Timur in the province of South Sulawesi and the Regency of Morowali in the province of Central Sulawesi. I visited the mining companies' work sites as well as mine workers' houses and boarding houses. I toured mine and plant areas as well as other infrastructure related to the mining industry, including hydro dams, airports, ports, nurseries and townships. Finally, I visited villages impacted by mining operations. The aim of such observations was to learn about the complexities of mining issues on the ground that would provide the material context for sampling and interview guidelines.

Second, I conducted in-depth and semi-structured interviews with key informants and sample respondents. Rather than characterizing the informants and respondents as autonomous individuals, this study understands them in relation to social or institutions. In employing this informal and interactive method, I explored the complex experiences and emotions of individual respondents operating within the structures of the groups or the institutions to which they belong. However, I had to take into consideration the "social institutions as historical products . . . [and] understand their origin and their development" (Marx and Engels, 1965:39). Thus the interview process took into account the historical process and social constrains encountered by key informants who represent ex-government officers, corporation officers, union leaders, and community leaders as well as sample respondents of rank-and-file mine workers. All key informants and sample respondents were asked the same set of questions based on given clusters within a pliable structure. In order to have the informants and respondents share their own experiences through open-ended questions, they were encouraged to answer the questions from the same adjustable scheme (Dearnley, 2005:19–28).

During my fieldwork in Jakarta, I interviewed a former Minister of Mining under the Suharto administration and a former General Director of Minerals and Coal in the post-Suharto period. I also interviewed a chairman of the House Budget Committee of the Indonesian House of Representatives. Among mining executives, I interviewed four chief executive officers of four subsidiary transnational mining companies in Indonesia, and the executive director of the Indonesian Mining Association (IMA). One of these officers, however, requested that I conduct the interview off the record, suggesting that the conversation was not for publication and solely to provide me with his opinion and relevant data around sensitive issues related to mining investment in the county. In addition, I interviewed a former chief executive officer of a state-owned mining enterprise who recently served as chairman for the Extractive Transparency Industries Initiative (EITI) in Indonesia. The purpose of these interviews was to explore the participants' perspectives regarding broader issues of national and regional mining policies as well as learn how such policies affect the nature of mining investment.

In order to ground my experience, I conducted field research in the regions where mining enterprises operate. I interviewed a vice regent of Luwu Timur and a regent of Morowali. I also interviewed representatives from PT-VI's top and middle-level management in Sorowako and one top-level manager from BDM/SMI in Morowali and in Palu. In addition, I interviewed three leaders of two different VI workforce-based and registered trade unions in Sorowako and Wowondula as well as four leaders of two mine-based unions in Morowali. I also spoke with two community leaders in Sorowako and three community leaders in Morowali. The purpose of these interviews was to identify major policies pertaining to the history of mining investment in these regions, while identifying related controversies as well as their implications for critical stakeholders.

I also interviewed 50 rank-and-file mine workers. I used a purposive sampling technique for gathering respondents and then employed a snowball technique. I interviewed 15 PT-VI workers and 30 from BDM/SMI. They represent various divisions or departments such as the mine division, plant division, and other divisions not directly related to resource extraction or production, including clerical work and public relations. My PT-VI respondents had worked for the company for between six and 20 years, with an average of nine years. My BDM/SMI respondents had worked for the company for three years on average, or between one and five years. I also considered other identity factors including ethnicity and gender (most of the mine workers were male). The other respondents came from three other mining corporations in Morowali. The purpose of these interviews was to learn about the perceptions and experiences of rank-and-file workers regarding major issues including workplace safety, quotidian life, the role of unions, and so on.

Finally, at the time that I was conducting fieldwork in 2014, there was an ongoing industrial dispute between BDM/SMI and mine workers in Morowali. Mine workers' protests and strikes were increasing. I surveyed these striking mine workers using random sampling to gain basic information about their experiences of engagement in the strikes. I also used focus group discussions (FGD) with the striking mine workers to identify the core issues animating the labour dispute. I utilized FGD as "an ancillary method" (Bloor, et al., 2001) for interpreting findings, gathering feedback from mine workers, and extending their participation in the research process. Furthermore, I participated passively in a series of street protests, strikes and dialogues to document the emotions and opinions of mine workers in their own struggles.

Thanks to these experiences, I was also asked share my knowledge on mining in a workshop in Morowali that striking mine workers organized in collaboration with a Palu-based NGO.

C. Dissertation Structure

This dissertation is divided into eight chapters. The second chapter discuss the study's theoretical framework. My discussion highlights the general frameworks informing the relationship between capital accumulation and the state in mining. I then offer a general overview of the existing literature on Indonesian society and provide an alternative theoretical reading. By examining this, I provide a theoretical framework to the extractive industry that has special attributes and the implications that derive from it. The chapter outlines the theoretical foundations of my dissertation.

I then turn to historical presentation in the second section of this study. The purpose is to highlight specific historical features of capitalist development in Indonesia. In the third chapter, I provide a general overview of the historical development of capitalism in the archipelago. As the hallmark of capitalism is its effective domination over society, my discussion will highlight the ways in which the interactions between the state and capital accumulation were established in Indonesia during the colonial period. In the fourth chapter, I will restrict the discussion to historical features of labour's subordination to capital in the country and the class struggle that arises from it.

The purpose of the third section is to examine the main facets of the state and capital accumulation in the mining industry in Indonesia. This section includes Chapter V through Chapter VII. In the fifth chapter, I examine the dynamics of capital accumulation by highlighting historical relations between the state and mining capital in Indonesia. In the sixth chapter, I examine the nature of exploitation and class struggle in this industry. In the seventh chapter, I look more closely at the nickel mining industry in the country with the island of Sulawesi as a site of investigation. My discussion highlights the principal characteristics of capital accumulation in this branch of the mining industry. My discussion will also address the social and ecological displacement of rural populations stemming from the growing expansion of nickel mining capital and the dynamics of class resistance that have been a response to it. The final chapter provides my general conclusions from this study.

CHAPTER II: THEORIZING CAPITAL ACCUMULATION AND THE STATE IN MINING

This chapter has two purposes. The first is to provide a theoretical framework on a special feature of the relationship between capital accumulation and the state in the mining industry by situating it within Marx's theory of rent. The second offers a theoretical examination of the historical development of capitalism in Indonesia in order to better understand the relations between the state and capital accumulation in a specific historical moment—the mining industry's presence in the country.

A. Capital Accumulation

How does capital accumulation work? Unlike non-capitalist modes of production, Marx conceptualizes in *Volume One of Capital* that the fundamental feature of the capitalist mode of production is that "labor-power" becomes a commodity, which gives rise to the special character of exploitation in this system. What becomes the distinctive face of class exploitation under capitalism is that the capitalist class appropriates surplus value as his/her property that the surplus-labour of the working class produces. This appropriation happens after the working class sells their labour-power as their own property and, as the buyer, the capitalist class realizes this ability to work by commanding the worker to labour in the site of commodity production. It is surplus value because the capitalist purchases the labour-power of the workers below its value. In other words, that surplus value is unpaid labour. For Marx, the value of labour-power "is determined by the labor-time necessary for the production, and consequently also the reproduction, of this specific article . . . the value of labor-power is the value of the means of subsistence necessary for the maintenance of its owner" (Marx, 1976:274).

It is important to revisit the nature of capital accumulation through the conception of surplus value. Marx lays out the general cycle of production within the capitalist mode of production as follows. The process of M – C – M', where M is money and C is commodity. For Marx, "M'= M + ΔM = the original sum advanced, plus an increment. This increment or excess over the original value is what is called "surplus-value" (Marx, 1976:251). If the capitalist then consumes that surplus value and continues to organize production in a manner that remains similar to the previous scale, the same amount of surplus value would be consumed again, which is "simple reproduction" (Marx, 1976:711–24). However, for capitalists, this is not the case. The point, according to Marx, is that there is a conversion of surplus value into capital, or "the employment of surplus value as capital." This is the "accumulation of capital," which means that instead of consuming surplus value, a capitalist prefers to reinvest or convert it into more capital (Marx, 1976:725). This is the general law of capitalist accumulation. In this regard, the production of surplus-value is necessary to maintain continuous capitalist production: "the mere continuity of process of production [. . .] converts every capital into accumulated capital, or capitalized surplus-value."[6] Thus, if in the simple reproduction "surplus-value arises from capital," then in capital accumulation "capital arises from surplus-value" (Marx,1976:725). Marx (1976:732) calls accumulation a "bourgeois virtue." In this light, it is in the interest of capitalists to reconvert surplus value as quickly as possible in a progressive manner. Marx describes this phenomenon as "[a]ccumulation for the sake of accumulation, production for the sake of production" (Marx, 1976:742). This accumulation is not just the enlargement of capitalist social relations, but also the employment of new methods of production—the use of technological innovation—to increase the scale of production and thus increase productivity. In this respect, the constant development of the scale of capitalist production represents the underlying dynamic of accumulation. This regulates the progress of capitalist society as a whole. Thereby the notion of the accumulation of capital not only represents the production and reproduction of surplus value but also shows the historical advancement of capitalist society.

By the accumulation of capital, I highlight the general law of the circuit of industrial capital, which is the whole process of the perpetual reinvestment of money capital. This reinvestment can be described as the action of purchasing labour-power and the means of production as commodities in order to enable the production of a commodity (productive capital) and the sale of the commodity (commercial capital) to obtain greater money capital (Marx, 1976). Generally written as the model M – C[mp+lp]…P…C' – M', which indicates the way capital goes successively through three different forms of capital, i.e., 'money', 'productive' and 'commodity' for expanded reproduction. In the first stage, M – C, the owner of money capital, M, purchases the commodities, C, that are means of production (mp) and labour power (lp) on the market. This is followed by the second stage, P, the productive capital that consumes C (mp/lp) in the production process. For labour power, the consumption of such a commodity takes place voluntarily through a formal contract enabling the capitalist to force the worker to spend

[6] Marx insists that the creation of surplus value is central to capitalism. He states that "the production of surplus-value, or the making of profits, is the absolute law of this mode of production" (Marx, 1976:769).

their labour power in order to produce C’, the new commodity with surplus value embodied in it. In return, the capitalist pays a wage, as the source of means of subsistence, to the worker and his/her family members. Finally, the process enters the third stage of the circuit, C’ – M’, where the new commodity goes to the market selling for a greater value than it was produced. Capital accumulation means the whole circuit must be repeated and its scale must be larger than before. The circuits of the three forms of capital are denoted as follows (Marx, 1992:109–79):

Money capital: M – C …P…C’ – M’
Productive capital: P …C’– M’ – C…P
Commodity capital: C’ – M’ – C…P…C’

The 'money capital' refers to all financial institutions, such as banks, speculative markets and the like. 'Productive capital' is associated with industrial firms, and the 'commodity capital' or 'commercial capital' links to the trade of commodities. Although the three forms of capital run individually, they are part of the circuit of “industrial capital” as a whole (Marx, 1992).[7] Each cycle—according to its own dynamic—performs a function for capital accumulation. The key to this cycle is the 'productive capital' that produces surplus value and thus explains the root of capitalist social relation. It must be noted that ‘productive capital’ has a twofold character: the “constant capital” that is the value of capital employed as means of production in the production process, as counted by the depreciation of buildings and machinery and the use of raw and ancillary materials, energy, etc.,[8] and the “variable capital,” which is the value of capital used on labour power or wages that pay for workers' labour. The latter is variable because only labour power produces surplus value. In the process of production, the constant capital transforms its value into a product. Thus, in short, accumulation means the expansion of productive capital and a growth in its geographical scale. In this vein, it is logical to argue that the accumulation of capital has to do with boundless spatial expansion because some portions of surplus value should be reinvested for paying for more means of production (plant, machinery, equipment, raw material) and perhaps more labour power, but in the sense that the value proportion of the former

[7] Marx addresses that “the circuit of individual capitals are interlinked , they presuppose one another, and its precisely by being interlinked in this way that they constitute the movement of the total social capital” (Marx, 1992:429). From that point, it must be underlined that Marx dialectically puts capital as a whole, which does simply mean production, distribution, exchange, and consumption as “the members of a totality” (Marx,1973:99).

[8] Marx differentiates fixed aspects of “constant capital” from circulating elements of “constant capital”. The former refers to machinery, buildings, etc., while the later includes raw materials (ancillary materials and semi-finished products) (Marx, 1981:170–71, 206–08).

increases more than the later. Therefore capital accumulation is not enclosed within territorial borders.

What should be highlighted is that since the expansion of capital relies on surplus value, the underlying condition of such expansion is nothing less than exploitation of labour by capital. The more labour can be exploited, the more surplus value can be accumulated, and thus the more expansion can be possible. In this light, the substance of Marx's theoretical viewpoint lays in his convincing characterization around two distinctive faces of exploitation under capitalism. First, capitalists exploit workers through the appropriation of "absolute surplus-value" under what he calls the "formal subsumption of labor" representing its formal subordinated to capital. This form of exploitation relies heavily on the living body of the worker as a primary tool of commodity production. The more exploitation means the more expense of such living organisms in the space of labour process that is also the space of the production of surplus value and of capital. Under this mode, the capitalist class pumps out the absolute surplus value by prolonging working days beyond the point of necessary labour. Alternatively, the capitalists make their employees either work intensively without breaks within a given time or to multiply their tasks. Second, the capitalists exploit the propertyless workers through the appropriation of "relative surplus-value" under "real-subsumption of labor," which is the progressive form of the capitalist mode of production (Marx, 1976; Das, 2012). Due to competition as the driving force of capitalism, this mechanism of exploitation depends greatly on the introduction of labour-saving technologies for increasing productivity. In this way, the worker is subsumed by devices, the dead labour. By employing labour-saving devices and better methods, more goods can be produced, while the value of labour power decreases: "like every other instrument for increasing the productivity […] the machine is a means for producing surplus-value" (Marx, 1976:492). In this way, capitalists not only compete with workers but also with other capitalists. Despite the significant implications of the application of (new) machinery and the method of production to capital-labour relations, it should be kept in mind that this is not in the narrow sense of the technological determinism, rather it is in the context of the general logic of the dialectical intercourse between forces and relations of production as the essential contradiction of capitalism.

In sum, the theory of capital accumulation is one of expanded scale reproduction of capitalist social relations. It is a theory of the endless exploitation of the capitalist class over the working class.

B. The Capitalist State

In the most abstract sense, in Marxist theoretical traditions, the state can be theorized as an "institution, or complex of institutions which bases itself on the availability of forcible coercion by special agencies of society in order to maintain the dominance of a ruling class, preserve existing property relations from basic change, and keep all other classes in subjection" (Draper, 1977:251). This implies that in every form of class society, the state is *internally* related to class exploitation. In other words, the state cannot be isolated from class exploitation.[9]

Although Marx never systematically discussed the state in his works, he had in mind concepts about the state in different modes of production. Across all modes of production one would find the *differences* of the states ascending from "*the specific economic form* [. . . which] determines *the relationship of domination and servitude*" (Marx, 1981:927). The state is always tied to a particular mode of production that determines its character. As the theory of the capitalist mode of production entails "a rich totality of determinations and relations" (Marx, 1973), it must be kept in mind that the state should be a member of such "determinations and relations" as a whole. In other words, to call a state a capitalist state simply infers the existence of the state under the capitalist mode of production.

From this general statement, the specific features of the capitalist state should be considered in the following terms. First, the capitalist state would be best characterized through its internal relations to other capitalist classes. By this logic, the capitalist state must be located within "a facet of the broader class relation; the two [state and capitalist class] emerge together, are dependent on one another" (Ollman, 1971:219). Or as Colin Barker insists, "the capitalist state is not something above and separate from the relations of capitalist production, but is itself directly part of those relations" (Barker, 1978). Therefore, the state is not an instrument of capital; rather, it is part of capital under the logic of value creation emerging from class exploitation. In this vein, a very basic principle can be stated: the capitalist state is *internally* tied

[9] Marx (1981:972) makes this clear by pointing out:
"[t]he *specific economic form* in which unpaid surplus labor is pumped out of direct producers determines the *relationship of domination and servitude*, as this grows directly out of production itself and reacts back on it as a determinant. On this is based the entire configuration of the economic community arising from the actual relations of production and hence its *specific political form*. It is in each case the direct relationship of the owners of the conditions of production to the immediate producers—a relationship whose particular form naturally corresponds always to a certain level of development of the type and manner of labor, and hence to its social productive power—in which we find the innermost secret, the hidden basis of the entire social edifice, and hence also the political form of the relationship of sovereignty and dependence, in short, the *specific form of the state* in each case [italics added]."

to capital in the production of value and surplus value. This is not to say that the state necessarily takes part in the production process, since the division of labour between the state and the other factions of capital must be clearly made. Rather, under capitalism, where the law of value regulates whole sections of society, the state should by no means be teased out from that law. In a capitalist society, despite the fact that the state is not *directly* involved in the space of surplus value production, what the state necessarily does is to preserve the principal condition of value production, which is the capitalist property relation. In doing so, the state necessarily opposes via policies the workers' basic interests as a whole, thereby subordinating them to the capitalist class as a whole. The incorporation of the worker into social democratic institutions, including collective bargaining agreements, is a contingent moment in a peculiar historical process. The condition also includes wide regulations for making available means of production, such as land, raw materials, machinery and buildings, among others, so that capitalist production can continue. In doing all of this, the surplus value can be produced and in turn, the state extracts revenues from the distribution of surplus value taking the form of rent and/or taxes.[10] In this respect, the capitalist state is nothing but a "tax state" that pumps out its revenues based on its monopoly over taxation on the entire process of accumulation (O'Connors, 2002; Jessop, 2016:99–100). In addition, since the circuit of industrial capital also includes money and commercial capital, the state also creates the conditions for those two forms of capital to operate. In this respect, the state plays decisive roles in regulating trade and investment, the financial system, fiscal and monetary policies, interest rates, etc. Under the current historical development of "financialized capitalism," it is impossible to ignore the state's centrality in facilitating the progressive expansion of the financial sector taking place globally (Lapavitsas, 2013).

Furthermore, since the system is based on class exploitation that necessarily leads to class struggle, the political system that underpins this commodity-produced society is bourgeois democracy. The electoral system is employed to lend government legitimacy. However, it only represents the interests of the capitalist class as a whole and downplays the real demands of the working class as a whole.[11] Generally speaking, the state apparatus' underlying task is to stabilize the exploitative system, which includes the contingent use of coercive institutions to

[10] Marx (1962c:431) emphasizes that "*Rent, Interest, Industrial Profit are only different names for parts of the surplus-value of the commodity*, or the *unpaid labor enclosed in it*" [italics in original].

[11] In characterizing bourgeois democracy, Baran and Sweezy say that "[v]otes are the nominal source of political power, and money is the real source: the system, in other words, is democratic in form and plutocratic in content" (Baran and Sweezy, 1966:155).

suppress the exploited class. In this respect, the state could employ four modes of repression: "*prohibition* of opposition, *restriction* of intra-systemic opposition, *harassment and terror*, and *surveillance*" [italics in original] (Therborn, 2008:220–24), in order to secure the system to work, including during periodic moments of capitalist crisis. It may be better to argue that the capitalist state itself is nothing more than "a special organization of force" (Lenin, 1999) of the capitalist class. This is the class character of the capitalist state.

Second, if the capitalist state must be theorized from the lens of the capitalist mode of production, it is thus necessary to characterize a special feature of the state since this mode is spatially globalized. In this light, I am not saying that as a global mode of production, capitalism necessitates a form of supranational state. Over the past decades, some scholars have questioned the privilege of territorial state within the global dynamic of the modern capitalist world—Robinson's "Transnational State" (2004) and Hardt and Negri's "Empire" (2001) are among them. Without ignoring the globalized nature of the state's role, the national-territorial state remains the primary mechanism for organizing capital, as argued by Wood (2002),[12] Tabb (2009) and others. My concern is that the significant presence of supranational forces—groups of existing nation-states and their proxies—working on the global scale must be taken seriously since this inter-state system simultaneously privileges the individual nation-state even as it erodes its power to autonomously administer the cross-border flow of capital in its own territory. In this respect, one should deny any claim of the effective power of individual nation-states to block the growing power of the transnational expansion of capital. To some extent, this is a question of the "territorial trap" (Agnew, 1994), which takes for granted the undeniable sovereignty of the nation-state. In this vein, in the subject of geography, Glassman attempts to push the idea of "the internationalization of the state," defining it as "*a process in which the state apparatus becomes increasingly oriented towards facilitating capital accumulation for the most internationalized investors, regardless of their nationality*" [italics in original] (2004:14). It is

[12] Wood suggests that "no other institution, no transnational agency, has even begun to replace the nation-state as an administrative and coercive guarantor of social order, property relations, stability or contractual predictability, or any of the other basic conditions required by in its everyday life." However, Wood does not disregard the fundamental role of the state in securing and maintaining the global accumulation of capital. Speaking on the course of new imperialism, what she has in mind is that "global capital requires *many* nation-states to perform the administrative and coercive functions that sustain the system of property and provide the kind of day-to-day regularity, predictability, and legal order that capitalism needs" [italics in original]." She notes that in our under globalized world today, what becomes central is "a global economy administrated by a global system of multiple states and local sovereignties, structured in a complex relation of domination and subordination"(Wood, 2002:139, 141).

right if the pivotal role of the state here is to serve the accumulation of capital led by the most powerful faction of capital—transnational capital. This urges us to take care when theorizing the state within the framework of global capitalism.

To begin, one should acknowledge the state's underlying role in protecting the interests of the capitalist class as a whole. Thus Barker's characterization of the "international class" as the exact expression of "the whole bourgeoisie" in *The Communist Manifesto* is completely correct. In this respect, he insists that the ability of a single nation-state to serve this transnational class is limited. Therefore, it needs something else working at the global scale. It is "*the set of nation-states*" [italics added] as an obvious face of Marx's phrase of the "specific political form" that constitutes the "'international political community' of world capitalism" (Barker, 1978). Despite the fact that individual states sometimes attempt to protect the interests of their own capitals, resulting in inter-state rivalries, this should be framed within the logic of global competition among capitals. In short, only in this way are we able to theorize properly the feature of the *nation-state* as a global form of political power to necessarily serve and maintain the expanded reproduction of capitalist social relations across the globe.

Third, due to the uneven nature of capitalist development, the capitalist state's general characteristics must be broken down to depict a specific nature of the state. Marx had in mind such peculiarity when he wrote of "the *different states* of the different civilized countries" [italics added] (Marx, 1962a:32). This implies that the distinctive features of capitalist civilization of each country constitute the dissimilar properties of capitalist states. However, he also points to the characteristics that capitalist states share in general, saying that "in spite of their manifold diversity of form, all have this in common, that they are based on modern bourgeoisie society, only one more or less capitalistically developed" (Marx, 1962a:32).

In this regard, principal features should be identified in order to characterize the state in peripheral capitalism. First of all, the state must be characterized in the context of global capitalism to which the state is subordinated. In this respect, imperialism, as characterized in the context of a particular development of the capitalist mode of production (Lenin, 1939; Callinicos, 2009; Smith, 2016), which is arguably the spatial form of class relations at the international scale, must be taken into account since the territorial expansion of the most powerful section of capital—transnational capital—takes place with the support of various imperialist states. That transnational capital could impose international norms of contracts and fiscal and monetary policies associated with the flow of capital to the states in peripheral capitalism, thus enabling capital to generate higher rates of profit. In order to anticipate the presence of nationalist policies on investment that aim for a fairer distribution of surplus value, transnational capitals could employ transfer pricing, enabling them to collect windfall profit, thereby reducing the state's power to appropriate more revenue. Thus the fundamental feature of states in peripheral capitalist countries is their subjugation to the superior forces of transnational capitals.

Secondly, due to their integration into global capitalism, emerging from the colonial and post-colonial periods, the states in capitalist peripheries have particular characteristics. For instance, in order to create the necessary conditions for capitalist production, the state's heavy intervention in the widespread acquisition of peasants' land, in order to convert the land to capitalist means of production, is common since resource-based commodity production becomes a major option for a country's development. This tends to result in extreme environmental degradation necessitated by state-backed exploitation of natural resources. At the same time, in order to produce competitively priced commodities for the global market, the state relies on the extreme exploitation of labour—longer working days, poor working conditions, cheap female labour, casual proletariats, dispatched workers, and hostility to unions—as a strategy of accumulation. All this requires a peculiar form of political relation; the presence of the authoritarian state as a precondition for capitalist development. The state imposes capitalist ideology on society and employs its military, police and state-sponsored paramilitaries to ruthlessly repress the struggles of the active working class and of peasants. Repression involves spying, torture, detention, kidnapping, killing, and other brutal modes of physical and psychological terror. The state attempts to minimize the freedom of working class and peasants, preventing them from engaging in class politics so that windfall profits can be generated. In addition, the state also becomes involved in the production of surplus value through what Marx calls "the state capital," which is "so far as governments employ productive wage labor in mines, railways, etc., performs the function of industrial capitalists" (Marx, 1992:177). Regardless of this special phase in the historical process, the basic characteristics of the state in our world have never changed, including reproducing capitalist social relations and subjugating countries to the ruling law of capital accumulation (Glassman and Samatar, 1997).

C. Capital Accumulation and the State in the Mining Industry

As capital is limited to three different forms—money capital, productive capital and commodity capital—which are interrelated as the whole cycle of industrial capital, this dissertation focuses on the productive capital of the mining industry, a branch of the extractive industries. The reason is that productive capital is the epicentre of the circulation of industrial capital, which is the space of value-making from nature and, therefore, the space for the capital-labour struggle.

Speaking about capital accumulation and the state, i.e., the capitalist state, in terms of the mining industry necessitates an understanding of peculiar faces of this industry. First, mining has a special characteristic that sets it apart from other forms of capitalist exploitation. This special characteristic is that:

> [w]ith the exception of the extractive industries, such as mining [. . .], where the material for labour is provided directly by nature, all branches of industry deal with raw material, i.e., an object of labor which has already been filtered through labor, which is itself already a product of labor" (Marx, 1976:287).

Labban (2008:37) states that "in extractive industry, raw material is the product of the labour process applied directly to nature, whose object is provided spontaneously by nature" differing from the manufacturing industry in which the "raw material forms the object of labour." It should be stated that within the process of mining, "the raw materials do not form part of the capital advanced. The object of labor [. . .] is not a product of previous labor, but something provided by nature free of charge" (Marx, 1976:751). Therefore under capitalism, which is the labour process specific to the capitalist mode of production, the mining industry must be understood as a part of the production of "surplus-value [that] rests on natural basis" (Marx, 1976:647). This is not to say that compared with other modes of production, capitalism is much more reliant on "particular ecosystems and other localized natural conditions (e.g., mineral deposits)" since the only material requirements of surplus value creation are the exploitation of free labour and the necessary conditions of such exploitation (Burkett, 2014:68). In other words, the extraction of minerals under capitalism runs parallel to the exploitation of free labour. Thus the mining industry affects not just the human body but also nature: "capitalist production [. . .] only develops the techniques and the degree of combination of the social process of production by simultaneously undermining the original sources of all wealth—*the soil* and *the worker*" [emphasis added] (Marx, 1976:638). The more accumulation that takes place, the more the proletariat and nature come under attack.

Second, due to the distinctive technical characteristics of mineral extraction in response to the quality, quantity and location of mineral deposits, the possibility of resource extraction is determined by labour productivity and those natural conditions. What becomes central to the productivity of this natural-based industry is that without downplaying the considerable need for the circulating elements of constant capital such as fuel, the demand for a greater proportion of the fixed elements of constant capital (i.e., factory buildings, machineries, heavy equipment, power plants, etc.) leads to its faster growth in relation to the variable capital (Marx, 1981:893–44). This industry is thus widely regarded as capital-intensive due to this larger value of constant capital. One pivotal element of this is that individual capitals compete against one another to enhance their productivity by employing more advanced devices, leading to, on the one hand, the increasing supply of raw materials, and on the other, the cheapness of this commodity. The faster growth of the constant capital also means that the subordination of "living labor" by "dead labor"—labour-embodied means of production—in the process of expanding value takes place in the form of the appropriation of relative surplus value (Marx, 1976). All of this results in the centralization of capital, a process by which a tiny number of capitalists extend their effective ownership over the means of production and command subordinated labour in the production process.

Third, combining the form of such a surplus appropriation with its immoveable nature, the implication is that the mining industry requires higher levels of restriction and regulation than other industries. For instance, if there is too much resistance from workers in any given industry, or if labour costs are too high, capital will migrate to other regions or territories where a higher rate of profit can be appropriated. This scenario works differently in the mining industry. Capital's reaction to this type of resistance and high labour cost at mining facilities would be more restricted than other industries since mineral deposits are only concentrated within particular places or territories as a major constraint of capital flow. Thus, the violent nature of capitalist exploitation would be much more ruthless in mineral production. This is due to the peculiar face of the production of "the surplus-value [that] rests on natural basis" (Marx, 1976:647).

Fourth, I would argue that large-scale mining is unsustainable, not because it is an extractive industry, but due to its capitalist character. Under capitalism, extractive industries, mining in particular, refers to the nature-based production of surplus value, a special feature of capital accumulation in this sector that is merely associated with a systemic destruction of the natural environment. It is systemic because its root cause is deeply located within this modern system of labour exploitation—that is, nature as the primary precondition for capitalist production. Thus production cannot proceed without that primary precondition, which is necessarily degraded for capital to reap profit. Due to capitalism being a system based on short-term profit maximization, the speed of accumulation is an unavoidable condition for all individual capitalists. When this speed entails production and circulation, it means that all capitalists strive to shorten the time span of the production and circulation of commodities. The fundamental problem is that production and circulation is internally or necessarily related to the devastation of nature.

Such features permit me to deal with the use of Marx's theory of "rent" (Marx, 1981) as a theoretical point of departure for understanding the state in relation to capital and capital accumulation in the mining industry. Let me begin with David Ricardo. This prominent political economist theorizes the concept of rent that Marx criticizes and develops. Ricardo defines rent as the "portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible power to soil" (2014:33). The core idea of Ricardo's theorization of rent is associated with land. Ricardo notes that "if all land has the same properties, if it were unlimited in quantity, *no charge could be made for its use*, unless where it is possessed peculiar advantages of situation" [italics added] (2014:37). From this insight, which is the different types of physical property of land and the limited quantity of soil, Ricardo develops his theory of rent. He theorizes what he famously calls the "differential rent," noting that the cultivation of poor soil quality yields minimal returns, thus the cultivation of land with higher quality brings about rent. Since all land has dissimilar properties, both in quality and in quantity, rent is applied to the cultivation of land with higher fertility. Like in agriculture, this notion of rent is also applied to mining:

> There are mines of various qualities affording very different results with equal quantities of labor. The metal produced from the poorest mine that is worked must at least have an exchangeable value, not only sufficient to procure all the clothes, food, and other necessaries consumed by those employed in working it, and bringing the produce to

> market, but also to afford the common and ordinary profits to him who advances the stock necessary to carry on the undertaking. The return for capital from the poorest mine paying no rent would regulate the rent of all the other more productive mines. This mine is supposed to yield the usual profits of stock. All that the other mines produce more than this will necessarily be paid to the owners for rent (Ricardo, 2014:46).

The payment of mining rent goes to the owner and like land rent, mining rent is the "result of their produce."

Marx distinguishes his theory of rent from Ricardo's theory of rent. Unlike Ricardo, who draws attention to the natural condition of land, Marx's major concern is the social relations of rent. According to Marx, "[r]ent results from the social relations in which the exploitation of the land takes place. It cannot be a result of the more or less solid, more or less durable nature of the soil. Rent is product of society and not of the soil" (Marx, 1963:165). Thus, for Marx, it is not the physical aspect of nature that determines the emergence of rent. Rather, the social relations of the production of value reliant on nature give rise to rent. Nature contributes to the creation of use-values, but not to create exchange value. Nature has an exchange value only to the extent that nature-based commodities are produced by human labour for exchange. In other words, nature has no value apart from that which human labour invests in it. Since only labour creates value, rent stems from the labour of extracting from the land, giving value to the land. In other words, rent arises out of the production of value relying on nature, since soil and subsoil are objective elements of the labour process. This is not in the sense that nature is insignificant in Marx's view (Burkett, 1999:93). Rather, it should be understood in the context of his general insight on the dialectical relations between labour and nature. Marx, for example, argues that the productivity of labour relies upon "the *natural* conditions of labor, such as fertility of soil, mine, and so forth" (Marx, 1962c:421). At the same time, it also depends on "the progressive improvement of the *Social Powers* of *labor*" [italics in original] (Marx, 1962c:421). The latter includes, among other things, the use of machinery, the employment of agricultural chemicals, the development of transportation and communication systems—in other words, the application of scientific technology on nature (Marx, 1962c:421). Referring to this specific historical period from which rent arises, Marx also distinguishes his theory of rent from the non-capitalist form of rent. He states that:

> An incorrect conception of the nature of rent has been handed down to modern times, a conception based on the fact that rent in kind still survives from the Middle Ages, in

> complete contradiction to the conditions of the capitalist mode of production, partly in the tithes paid on the Church and partly as a curiosity in old contracts. The impression is thus given that rent arises not from the price of the agricultural product but rather from its quantity, i.e. not from social relations but from the earth itself (Marx, 1981:923).

Marx critically expounds on Ricardo's theory to advance a proper understanding of rent within the capitalist mode of production. Examining this specific historical moment of capitalism, Marx's theory of rent emphasizes the economic mode of class relations surrounding the capitalist form of landed property, representing the relation between capital and land. This theory cannot, therefore, be universalized for all modes of production. Of course the existence of capitalist land property begins with confronting the possession of non-capitalist forms of landed property. Marx notes that:

> The form of landed property with which we are dealing is a specific historical form, a form *transformed* by the intervention of capital and the capitalist mode of production, whether the original form was that of feudal landed property or of small peasant agriculture pursued as a livelihood; in this latter case *possession* of the land and soil appeared as a condition of production for the immediate producer, with his *ownership* of the land being the most advantageous condition, the condition for *his* mode of production to flourish [italics in original] (Marx, 1981:751).

Marx develops this theory by adding what he calls "absolute rent," which is the amount of money the landowner, who monopolizes land ownership, charges to peasants and capitalist farmers for accessing the land and resources in it (Marx, 1981).

The core idea is that capitalist landed property can restrict the accumulation of capital in which the landowner limits a capitalist's monopoly over surplus value. Therefore, the landowner can appropriate some portion of surplus value in the form of rent in the course of the distribution of surplus value among various factions of capital, or the non-labouring sections in capitalist society. Marx argues that:

> [i]n capitalist society, this surplus-value . . . is divided among capitalists as dividends in proportion to the quota of the social capital that belongs to each . . . In this form of surplus-value appears the average profit that accrues to capital, an average profit that is divided again into profit of enterprise and interest. This appropriation and distribution of surplus-value or surplus product by capital, however, meets with a barrier in landed property. Just as the functioning capitalist pumps surplus-labor from the worker, and thus surplus-value and surplus-product in the form of profit, out of the laborer, so the landlord pumps out a part of this surplus-value, or surplus-profit, in turn from the capitalist in the form of rent" (Marx, 1981:959).

He adds that:

> [c]apital-profit (profit of enterprise plus interest) and ground-rent are thus nothing but particular components of surplus-value; categories in which this surplus-value is distinguished according to whether it accrues to capital or landed property; designation which in no way affect its essence. Added together, they form the total social surplus-value. Capital directly pumps from the workers the surplus-labor that is expressed in surplus-value and surplus-product. It can be considered in this sense as the producer of surplus-value. Landed property has nothing to do with the actual production process. Its role is limited to transferring a part of the surplus-value produced from capital's pocket into its own. Yet the landowner does play his role in the capitalist production process, not only by pressure that he exerts on capital and simply by the fact that large landed property is a premise and condition of capitalist production, but particularly by the way that he appears as the personification of one of the most essential condition of production (Marx, 1981:959–60).

Rent is therefore the appropriation of surplus value extracted through land ownership. Marx specifically speaks of "surplus-profit", associating it with this distribution of surplus value ascending from capital's utilization of nature. This utilization can be for agriculture, mining, hydropower, etc. He points out that "surplus profit that arises from [the] use of [land] thus arises not from capital but rather from the use by capital of a monopolizable and monopolized natural force" adding that "the surplus-profit is transformed into ground rent" (Marx, 1981:785). This rent is an annual capitalist payment to the landowner deriving from the employment of labour by capital to maximize land use. This capitalist ground-rent is nothing more than "the form in which landed property is economically realized" (Marx, 1981:755–56).

What must be considered, therefore, is the mining industry's distinctive character. Marx (1976:626) said: "[t]he mining industry [is] an industry distinguished from all others by the fact that in it the interests of the landowners and the capitalists coincide." In this respect, the peculiar nature of this capitalist industry must be conceived in relation to the capitalist state's uniqueness. In a capitalist economy, where the production of surplus value reliant on nature or resource extraction prevails, the capitalist state relies on ground rent, since the exchange-value deriving from natural forces comes from rent. The ground rent that the state claims is redistributed from the surplus value (emerging from the monopoly of the natural forces) created by the capitalist process of natural resource production. Although the state does not engage in the real capitalist process of production, the state (as a landlord or landed proprietor) is central to the creation and maintenance of the conditions of production due to the capitalist's use of the land and the deposit in it as means of production.[13] Subsequently, the state and the capitalist share a similar interest, which is to pump out the surplus for their own benefits. This also leads to a "struggle over distributive shares [of surplus-value] as an expression of deeper forces which circumscribe the relative powers of the classes [i.e., the state and the capitalist] involved" (Harvey, 2006b:362). Such a struggle manifests in the forms of "(1) the conditions of contract regulating the use of land, (2) the magnitude of rent, and (3) the length of lease and compensation for improvement" (Harvey, 2006b:365).

Employing the theory of rent as a departure point for understanding the state in relation to capital accumulation in the mining industry first requires us to address the methodological issue of investigation. This departure is more in accord with the hidden essence of reality that permits us to know an appearance phenomenon. The question is where rent comes from. To answer this, we should abstract surplus value, the invisible essence of rent as well as profit as visible surface phenomena. Both rent (state) and profit (capital) are portions of surplus value. The surplus is hidden essence to be investigated that permits us to link with other diverse but mutual elements such as labour exploitation and class struggle.

Other scholarly works in the Marxist tradition apply Marx's theory of rent, e.g., Murray's (1978) examination of rent in the course of capitalist expansion. Fine (1994) offers historical studies of landed property and capital accumulation in coal, diamond and oil mining, concluding that fragmented land possession is a barrier to capital accumulation in diamond mines and remarking that cartelization grew out of upstream business in the case of oil and diamond before amalgamation in production. Nwoke (1984, 1987) scrutinizes the mineral sector within the course of unequal power relationships between the state in the Global South and transnational mining capital. In the course of the distribution of surplus value in comparison with the ability of multinational firms to appropriate profit, Third World governments have less power to generate rent. Bina (1985) translates Marx's theory of rent into the oil industry, discussing "oil rent" as the phenomenal form of specific property relations in this industry. The historical division between the state's ownership of hydrocarbon deposits and the ownership of capital investment in oil fields permit the accumulation process in oil production leading to the state's appropriation of

[13] Marx states that "[y]et the landowner [i.e., the state] does play [its] role in the capitalist production process, not only by the pressure that [it] exerts on capital and not simply by the fact that large landed property is a premise and condition of capitalist production, but particularly by the way that [it] appears as the personification of one of the most essential conditions of production" (Marx, 1981:960).

rent and the investor's capture of normal profit. In addition, under the current progress of capitalist development, geography scholars Emel and Huber (2008) draw attention to "neoliberal rent distributions" between state and mining capital. Furthermore, while criticizing Nwoke and Bina's unclear views of rent as a product of surplus labour, Higginbottom (2014) highlights imperialist rent originating from combined distribution of profit, circulation of commodity, and production of surplus value. Given that normal profits originate from surplus value and labour exploitation, for Higginbottom, super-profits reflect high exploitation rates of the working class associated with inequality between North and South within the hierarchical nature of the global capitalist system. Despite Fine (1982) and Higginbottom's (2014) commitment to class struggle, they pay less attention to the struggle. While this literature has provided a powerful application of Marx's theory of rent, my research seeks to further develop this area of class struggle by incorporating it into this theory.

This dissertation is based on four vantage points. First, the state, i.e., the capitalist state, as the owner of land and minerals, and capitalist class, the owner of capital, are central in the course of capital accumulation in the mining industry. The state has exclusive rights to the free gift of nature, i.e., land and minerals, while the capitalist class has the ability to convert the potential minerals into value and then surplus value. Given that the total surplus value fabricated in production and realized through the market must be divided into individual parts (i.e., industrial profit, commercial profit, interest and rent), we then deal with the distribution of surplus value among the exploiting classes. Although the only source of surplus value derives from the space of productive capital, under capitalism the surplus value has to be distributed to various factions of capitals. Like productive capital or industrial capital, commercial capital grabs the surplus that is profit. However, unlike productive capital, commercial capital does not produce surplus value since the circulation of commodities adds no value. The "money-dealing capital" captures interest as a portion of surplus value. The state, as a faction of capital, appropriates the surplus value in the form of rent.

Furthermore, under the current historical development of capitalism associated with neoliberalism, the struggle over the distribution of surplus value becomes much tougher. In this regard, Emel and Huber draw attention to what they call "neoliberal rent distributions," addressing "the declining influence of absolute rent —that is, the power of landed property" (Emel and Huber, 2008). By emphasizing royalties—as "a special tax"—as a kind of rent, they add that tax regimes emerging from a negotiation process restricted by landed property can be consider rent as well. Therefore, "taxes [e.g., corporate tax, value added tax and others] can be seen as part and parcel of the class struggle over 'rent'" (Emel and Huber, 2018:1395); that is, the struggle between the capitalist class and the nation-state-as-landowner. Under the neoliberal doctrine of 'risks', which is "almost wholly concerned with financial 'risks' involved with capital investment" (Emel and Huber, 2008), 'risks' are increasingly commodified through the hegemony of various financial instruments, such as derivatives (Bryan and Rafferty, 2006; Durand, 2017; Duménil and Lévy, 2011). The state is thereby unable to earn more rent because surplus value is distributed to other factions of capital, such as banks, gambling-like institutions, and other financial institutions. Since neoliberalism refers to what Harvey (2006a) calls the "restoration of class power," the capitalist class involved with mining investment requires a low-risk investment climate (Emel and Huber, 2008).

Second, under hierarchical global capitalism Marx's theory of rent also helps to illustrate the class struggle between the state in the Global South and transnational mining corporations from the imperialist state. The state in developing countries attempts to capture a larger portion of surplus value by increasing mineral rent, resulting in a decrease in corporate profits, for instance, by increasing royalties, adding taxes, resizing concession areas as well as nationalizing significant portions of equity (Nwoke, 1987). However, corporations also attempt to prevent their profits from declining, for example, by using transfer price mechanisms. This indeed reflects the struggle between different factions of capital—the state as landlord and mining capital—around the distribution of surplus value. Under the current development of imperialism, the landlord state in developing countries mostly suffers from the struggle.

Third, rent and profit derive from class relations. Rent and profit are nothing but a product of surplus labour. For Marx (1976), since the free gift has no value and only the human labour working on it creates value, the exploitation of labour under capitalism is the only source of value and therefore total surplus value. Under such individual parts of surplus value and their distribution, the notion of the working class' exploitation is, thus, not limited to the labour process. Nor is it only about banks' intentions to increase interest rates or the state's demand to collect more taxes. Of course there are conflicting needs among these classes since they are "dominated by the social condition" of capitalism; that is, competition (Ollman, 1971:155).[14] However, beyond these needs, they share collective interests—it is the ambition of the capitalist class as a whole to absorb as much surplus value as possible. This implies that they share the same interests in terms of workers, who are the creators of value reliant on nature.

Fourth, given that rent, like profit and interest, emerges from surplus labour, it is necessary to pay special attention to labour exploitation through which class struggle emerges. Since "exploitation is a coercive affair and means of coercion are ultimately in the hands of the state" (Das, 2017:243), the theory of rent must involve class struggle. As already mentioned, the capitalist state as the owner of land and mineral deposits and mining capital as the owner of capital invested in the land and the mine, both share a common interest in exploiting the working class for appropriating surplus value. This situation results in unreconciled class struggle between the two contradictory classes, the exploiting (including capitalist state) and the exploited classes. In this respect, the capitalist state—the appropriator of rent—is determined by the social relations of the class antagonism between capital and labour and therefore the class struggle that emerges from it. We then have two separate but interrelated class struggles. First is the economic class struggle that takes place at the site of production. While the capitalist class attempts to increase the rate of exploitation, the working class demands wage increases. Second, the political class struggle involves the ruling class fostering existing social relations. The working class' task then is to transform existing social relations.

Faced with the hierarchical dynamics of global capitalism, the class struggle has a specific character. In hosting imperialist capitals to extract minerals, the state in developing countries is compelled to provide business confidence by lowering the costs of production, including the suppression of wages and labour militancy. This simply means that imperialist capital exploits the working class of imperialized countries (Das, 2017:243). We thus witness the appropriation of super-profits derived from super-exploitation, since the working class in the imperialized countries encounters specific features of capitalist exploitation under the conditions of the more exploited combined with the more oppressed (Higginbottom, 2011:284). This

[14] Marx insists that "*competition* is nothing other than the inner *nature of capital*, its essential character, appearing in and realized as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity" [italics in original] (Marx, 1973:414). In *Capital, Volume One,* Marx (1976:739) addresses that "competition subordinates every individual capitalist to the immanent laws of capitalist production as external and coercive laws. It compels him to keep extending his capital, so as to preserve it, and he can only extend it by means of progressive accumulation."

situation implies that the class struggle must be multiple-scalar, including the struggle against imperialist capitals and the imperialist state.

To summarize: Marx's theory of rent is useful to reflect on the relations between capital accumulation and the state in the mining industry. Marx's theory of rent provides a theoretical standpoint, not only for examining the struggle between the state and mining capital to appropriate surplus value but also for interrogating the exploitation of surplus labour and its implications, a process that is class struggle between capital as a whole and the working class.

D. Brief Overview of Theorizing Indonesian Society

1. Theories of Capitalist Development

The class character of Indonesian society has been the subject of a long-standing discussion that I describe below. However, there has been much disagreement among scholars over the appropriate way to analyze the historical development of class structure in Indonesia. Theoretical disputes extend to the very nature of capitalism as it has unfolded in the country.

More generally, I would like to explore three camps within the broader theoretical literature on capitalism: the "non-Marxist dualist approach," the "Marxist articulationist approach," and for my purposes here, what I will call the "subordination of labour to capital approach."

First, the existence of capitalism as such has been a central theme for investigation in the dualist theory of society. The key problem animating this body of literature does not neglect the reality of capitalism as such. Rather, it draws attention to the ways in which this system operates either in relation to or side by side with other forms of non-capitalist relations. In this vein, the works of Boeke, among others, must be considered. Developing a framework called "dualistic economics," Boeke characterizes it as "the interactions of two distinct social systems within the borders of one society" (1953:5). He employs this framework to investigate the presence of two different forms of economic system in the Netherlands East Indies (NEI)—the progressive character of Western capitalism and the stagnant features of pre-capitalist societies. The intercourse between the two provides the groundwork for "the amphibious character" of this dualism (Boeke, 1953:14). Discussing the idea of the labour market, Boeke (1953:138–48) distinguishes three forms of the market: native, dualistic and Western. While the first and the third are exclusively associated with the economic spirits of two different societies, the dualistic refers to a space where the two come into contact. For the purposes of the present discussion, the native economy simply refers to reciprocal and communal economic relations, while its Western counterpart is principally associated with wage earning based on a voluntary contract between employers and employees.

In a dualistic labour market where these two distinct formations intersect, the dynamics are completely different. In this set-up, both parties benefit through the labour relation. Boeke provides an example of native casual workers working on Western plantations. The enterprise generates profit by paying low wages. But the native workers also take advantage of the situation because they have an opportunity to generate secondary earnings aside from selling their agricultural products. Clifford Geertz, another prominent scholar, also shares the spirit of the dualist approach in his works. Geertz acknowledges the realm of capitalism indicated by the existence of Western plantations (Geertz, 1965:46). However, he discusses it in a dualist fashion, arguing that these Western establishments relied on non-capitalist forms of land and labour. He notes that the Western plantation produced a sort semi-proletariat seasonal worker who was "workers-peasant," neither entirely integrated into the Western capitalist system nor fully detached from the pre-capitalist nature of Javan agriculture. In *Agricultural Involution,* Geertz illustrates the dualist face of the Javanese cane workers under the Cultivation System as having "one foot in the rice terrace and the other in the mill" (Geertz, 1963:89).

The second theoretical body of literature is in the articulationist tradition. This pertains to the nature of the interaction (or mutual articulation) between two or more modes of production (see, e.g., Wolpe, 1980). The state-led Cultivation System in Java in the mid-nineteenth century is the dominant subject of theorization. The system itself is generally characterized by the production of global commodities through the mobilization of *corvée* labour on the landholder peasants' own land. As far as the Cultivation System was concerned, this distinction likely stems from the existence of two or more modes of labour exploitation. In his book, *The Social Evolution of Indonesia: The Asiatic Mode of Production and its Legacy*, the Dutch Marxist scholar Fritjof Tichelmen characterizes this system as a manifestation of "certain pre-capitalist forms of ownership and labor." He adds that some features of this form were employed for some decades until the closing years of colonialism. For instance, it was the utilization of bonded and contract coolie labour that benefited private companies during this period. The bottom line is that under the Cultivation System, the colonial state played a decisive role in reproducing "Asiatic" despotism for the sake of private companies. In other words, extra-economic means of violent compulsion and authoritarianism were central to the relations of production and exploitation under this system as it mostly occurred in pre-capitalist societies that Tichelmen situates within the Asiatic Mode of Production (Tichelman, 1980:114–15). Another Dutch author, Jan Luiten van Zanden (1993:143), calls the System a "classic example of the articulation of merchant capitalism with a pre-capitalist mode of production." Thus, the Cultivation System was not capitalist in nature because the system relied heavily on unfree or semi-slave labour.

Other scholars from the articulationist camp have attempted to theorize the class character of Indonesian society under the de facto relations of (neo)colonialism. Alec Gordon attempts to identify and characterize the ways in which capitalism developed and was rearticulated in Indonesia through his discussion of the colonial plantation system. According to Gordon, the system was not based on "pure capitalist enterprises" due to the employment of "extra-economic coercion" with exploitation dependent on the direct use of colonial state privilege, such as military and judicial power (1982). Such state violence made the plantation possible. In particular, brute coercion was employed to expropriate lands of the native population. For instance, the arbitrary declaration of uncultivated lands as its own permitted the state to lease these lands to Western enterprises.[15] While this took place in particular places outside Java, it was not necessary for the dispossessed peasants to sell their labour power since they did retain access to other land as a means of production. This then brought forth another form of coercion required to provide cheap labour for corporations—the employment of "semi-forced labor" under the so-called Penal Sanction. Gordon conceptualizes this under the idea of "the colonial mode of production."

Unlike Gordon, Kahn expounds on the notion of "a neo-colonial social formation," which is the simultaneous existence of capitalist and pre-capitalist relations of production within the structure of a world economy (1980). Unlike other authors within the Marxist tradition who posit the necessary subjugation or erasure of pre-capitalist modes of production to yield to capitalist social relations, Kahn rejects the functionalist view, arguing instead that peripheral or pre-capitalist economies are not required to function for capitalism's reproduction. Employing this framework for understanding petty commodity production in Minangkabau, Sumatra, he argues

[15] This reflects an enclosure of the commons as Marx (1976:885–86) refers to the transfer of communal property into private property as a precondition for the development of capitalist social relations. See also Neocleous (2011).

that "neither . . . pre-capitalist relations of production are necessary to capitalism, nor that the emergence of petty commodity production in Minangkabau can be explain[ed] simply as a response to the demands of capitalism" (1980:207). Rather, petty commodity production also benefits from the reproduction of the pre-capitalist peasant economy, even as it remains part of the reproductive circuit of capitalism. It deserves emphasizing that Kahn employs the idea of a "neo-colonial social formation" in order to comprehend the specificities of a given society. He insists upon the utility of this concept for understanding "the specificity of localized, non-capitalist relations of production and [. . .] specific localized forms of accumulation" (1980:210). In this respect, the political implications of this theory should be considered. For Kahn, the direct exploitation of workers in the periphery is not the System's principal contradiction; rather the neo-colonial social formation reproduces extreme forms of exploitation and pre-capitalist modes of production that are advantageous to industrial capitals of the Western metropoles. Therefore class struggle should not simply aim for the elimination of capitalist domination. In the Indonesian context, Kahn also calls for a political struggle to overcome the neo-colonial formation.

Finally, another important approach to Indonesian society that may be roughly categorized under articulationist theory is the theses of *semi-colonial* and *semi-feudal* as employed by D. N. Aidit, the Communist Party of Indonesia chairman (Aidit, 1964; Hindley, 1964:33–46; Kroef, 1964). Aidit argues that it was in the closing decades of the nineteenth century that Dutch colonizers introduced free competition among capitalist industries in the archipelago. Following the capitalist crisis, from 1895 onward, this system was replaced by *imperialism* proper, which he construed as the domination of finance capital—the fusion of bank capital and industrial capital (Aidit, 1964:33). In short, this system of monopoly capital fundamentally transformed the political and economic structures of Indonesian society. Aidit uses the term semi-colonial to describe the post-independence period in Indonesia when the country's economy and politics remained under the control of imperialist power (Aidit, 1964:33). At the same time, the residues of feudalism dominated society, including landlordism, tenant relations and indebtedness. This situation intensified the landlords' exploitation of peasants (Aidit, 1964:35). Aidit claims that the underlying contradictions of modern Indonesian society are between "imperialism and the nation of Indonesia" and between "feudalism and [the] mass of the people, mainly peasants" (Aidit, 1964:35–36). On this basis, Aidit reaches the conclusion that the Indonesian Revolution should be a "national revolution of anti-imperialism" that was simultaneously a "democratic revolution of anti-feudalism" (Aidit, 1964:36). Consequently, Aidit insists that *Rakyat* (People) is the subject of the Indonesian Revolution, the force of the National United Front. The Front consists of workers, peasants, the national bourgeoisie, and petty bourgeoisie (Aidit, 1964:54).

In contrast to such theorizations, Robert Knight rejects any theoretical claims deriving from dualist and articulationist perspectives and defends the idea of Indonesian society as fundamentally capitalist. In his discussion of Javan society prior to the Cultivation System, Knight identifies the nascent development of capitalism in the countryside by paying attention to the internal dynamic of the Javanese peasantry (1982). He argues that since the early years of nineteenth century, there had been class differentiation among peasants in the area. Demonstrable proof of this is the significant number of landless peasants who depended on landholder peasants in order to feed themselves and their families. The landholders employed these peasants in exchange for wages or produce in-kind. Therefore, this society was not the Asiatic Mode of Production in nature. The heyday of the Cultivation System in the mid-nineteenth century would be best characterized as capitalist given that an indigenous capitalist class had already taken root in rural areas. Javanese society was therefore neither feudal nor traditional or solely in the Asiatic mode. Knight therefore rejects the idea of codependence between these economic systems as provided by the dualist approach.

This then leads Knight, among others, to endorse the notion that capitalism has existed in the country since colonial times, particularly in Java and East Sumatra. In this respect, Marx's theory of "subsumption of labor to capital" has been one of the subjects of discussion by a few scholars (Knight, 1988). Rejecting the notions of dualist and articulationist theories and drawing attention to the sugarcane industry under the Cultivation System, Knight insists that labour had been completely subordinated to capital by 1866 with the removal of the corvée obligation or government coolie from the "Campaign" (or workers employed in a factory during sugarcane processing season and post-harvest of agricultural crops). Thus, the employees can be called proletariats who sold their labour-power for wages (Knight, 1988:252–53). For him, as far as the employment of workers for the Campaign was concerned, it presented the "orthodox capitalist organization of production."[16] In short, capital-labour relations have been present since the colonial period.

While agreeing with Knight's general thesis, I would suggest adding two basic features in order to develop a proper understanding of capitalism's development in Indonesia. One is to separate the "formal" from the "real subordination of labour" so that the distinctive modes of exploitation under capitalism may be properly comprehended. The major distinction between the real and formal subsumption of labour is that the former derives from competition as the capitalist law of motion leading to the progressive development of productive forces that in turn deepens labour exploitation (Marx, 1976:1025–38; Das, 2011). Second, it is necessary to take the geographical context into account. Taking capitalism as a whole, I will state briefly that the multi-scalar nature of this mode of production should not be ignored. In this vein, I argue that capitalism can only be properly conceived as a global system of exploitation. Of course, one should acknowledge that this system develops unevenly across the planet, based on its underlying nature. But this does not discount its expansive nature, commanding as it does interconnected social relations on a global scale. For this reason, imperialism, as I previously mentioned, must be taken into account since this global scale of class relations describes the ways in which the transnational capitalist class exploits the active working class and reserve army of labour (e.g., the peasantry) in peripheral or underdeveloped countries in order to produce cheap commodities for the global market. The global influx of capital to peripheral countries seeking high rates of profit, led by the powerful factions of transnational capital, presents an obvious example of imperialism.

2. Problems in Theorizing Capital and Labour

[16] The Cultivation System (1830-1870) consisted of, on the one hand, cane cultivation managed by Dutch colonial officers and their proxies within the Javanese elite, and on the other hand, sugarcane production largely run by European contractors and state-appointed manufacturers. While the traditional elite used corvée labour, contractors were supposed to employ 'free' labour. Grounding his discussion on the Wonopringo sugar factory in the Residency of Pekalongan, Central Java, Knight argues that there was tough competition under the System for available labour. This included the Javanese traditional elite's attempts to retain a sustainable labour supply for the cane fields; landholders tried to save their available labour for paddy harvesting, but the factory owners demanded labour for the Campaign. Landholders were forced to work in both the fields and in the sugar factory. In fact, the landholders passed on this labour to landless peasants who were not easily replaced. These constraints made it difficult for the Campaign to employ them on a free or voluntary basis. Only the colonial government's intervention made it possible for the Campaign to access available labour, which was corvée labour (see Knight, 1988; Knight, 1982).

The above-mentioned scholars have provided rich theoretical scope for understanding the unfolding of colonial-era capitalism. Over the past three decades, a divergent body of literature has emerged in relation to the historical development of capitalism in contemporary Indonesia. The most influential account has been Richard Robison's *Indonesia: The Rise of Capital*, which is the subject of an extraordinary number of major citations within this area. His work challenges the behavioural and cultural approaches that have defined Indonesian studies for a long time. He is also critical of dependency theory (Robison, 1986). His work enriches our understanding of the historical origins and development of Indonesia's capitalist class. He examines in great detail the various factions of the capitalist class and the contradictions between them. For Robison, the major contradiction of capitalist development in Indonesia is the frictions within the capitalist class. These include competition between domestic and international capital, between the United States and Japan within the international faction of capital, between small and large capital, and between indigenous and Chinese capital (Robison, 1986:122–23). The state, therefore, plays a crucial role in mediating such contradictions. He then arrives at the conclusion that the state has become relatively autonomous vis-à-vis capital.

While Robison highlights capital and the capitalist class as his subjects of inquiry, it seems that this approach is also shared by authors who have examined the Indonesian working class. One of the best examples is Douglas A. Kammen's dissertation (1997). He begins with a salvo against the orthodox Marxist approach that states that there is "tremendous discrepancy between the Indonesian experience and Marxist analytical constructs" (Kammen, 1997:31). Like Robison, he also defends the idea of "state constituted capital," claiming that the New Order State made the presence of the domestic capitalist class possible (Kammen, 1997:31–32). The crony capitalists can be described as a capitalist class since their emergence was simply a result of state patronage under the "market-protected" strategy of import-substitution industrialization (ISI). What followed was the 1980s oil crisis that led to a sharp decline in state revenue leading to a fundamental change in economic policy. The pro-market faction inside the state apparatus, i.e., technocratic economists, offered a new economic policy that emphasized export-oriented industrialization (EOI) to replace the ISI strategy. In doing so, and in order to meet the global demand for cheap commodities, economists suggested the rationalization or shrinking of the state bureaucracy, so as to eliminate inefficiencies in commodity production and circulation. In order to explain the industrial strikes associated with the "market-exposed" industry of the EOI by the first half of the 1990s, Kammen expounds on a theoretical framework that he calls the "the triple bifurcation" of state-capital-labour relations. He argues that the transformation from ISI to EOI was not followed by the state apparatus' rationalization. While the transition worsened labour conditions, EOI industries depended on the retention of elements from the old political apparatus. The marriage of these two moments exacerbated the labour condition, providing the basis for strikes.

While I appreciate the contributions of this body of scholarship in investigating the historical development of capitalism in Indonesia, I would like to point to a few flaws. What appears most problematic is their approach to, respectively, capital-labour relations and capital-state relations. It is important to note that their views arise from a dualist approach of capital-labour relations that regards capital-labour and capital-state relations as a unity of two separate moments. For Robison, the interactions between the state, capital and labour are merely *contingent,* but not *necessary*, phenomena. Lacking an adequate extrapolation of how capital and labour interact as a social relation, he therefore neglects the working class' exploitation as the necessary condition for the capitalist class' presence and development and the consequent class struggle that derives from it. By addressing only the surface contradictions between the warring factions of the capitalist class, Robison ignores the underlying contradiction within capitalism—the contradiction between capital and labour.

Despite their different theoretical approaches, Kammen shares the dualist principle with Robison. Unlike Robison, Kammen investigates capital-labour relations in great detail. However, his framework of bifurcation restricts him to a very narrow interpretation of capital-labour-state relations. Instead of uncovering the capitalist exploitation as the essence that necessarily led to class struggle taking many contingent forms, he narrows his view to the surface phenomenon of strikes in the case of the EOI industries. This brings him to the conclusion that there is "a paradoxical similarity of interests" among workers and industrialists—their common interest in promoting rule of law. Writing in the years prior to the fall of Suharto in 1998, for Kammen, the rising militancy of industrial workers was simply about requesting the long-neglected bare legal minimum rights. He also argues that, for industrialists, the workers' unrest could be eradicated through wage increase but this requires reducing "extra-legal bureaucracy fees" (Kammen, 1997:388–89). In short, this characterization neglects the primary cause of workers' struggle emerging from the exploitation of labour as a dynamic inherent to capitalism.

The second flaw pertains to its approach to the relationship between the state and capital. This school also favours a dualist approach in theorizing state-capital relations, dividing the state and capital into two independent entities. This approach characterizes the two as separable, coherent entities. This leads to the assumption that the state is autonomous from control by the ruling class. However, it is important to understand the state not as a general abstraction, but as situated within a particular historical context. In this respect, a state that operates within the capitalist mode of production is a capitalist state. This is the best way to situate the state within the broader framework of the capitalist mode of production. This also means that the nature of any given state cannot be simply understood through interactions between state officers and diverse factions in a particular moment. Rather, their interactions must be understood as following out of the logic of the capitalist mode of production, which is the contradictory face of capital-labour relations. In addition, by paying more attention to the state on a national scale, Robison also disregards its spatial character, especially in the context of global capitalism. In this respect, despite the fact that there have been theoretical disputes among Marxist scholars on the way in which the state's international scale must be theorized, this school draws attention to this by providing better vehicles to understand the state's global dynamic under the course of modern capitalism (see Murray, 1975; Barker, 1978; Robinson, 2005; Tabb, 2009; Agnew, 1994; Glassman, 2004; Hardt and Negri, 2001).

Above all, the rupture from (exploited) labour as the only source of value, then the source of capital, is a major flaw of such conceptualization. Consequently, the underlying problem of capitalism is not understood as a systemic nature located inside the system. It is that the exploitation of the working class through the appropriation of surplus value is a necessary condition for the existence of capital and the capitalist class and thus class struggle necessarily arises from such exploitation. For Robison and others, however, the problem is simply the patrimonial nature of the Indonesian state and the capitalist class' clientelist mentality. Therefore, if capitalism in Indonesia is inefficient, as it is widely criticized, it is because of the rent-seeking attitude among government officials. This implies that improving the situation would entail little more than political and bureaucratic reform, for example, by overthrowing the patrimonial character of the state apparatus. What follows is that there is no theoretical agenda to criticize capitalism as such, as a global system of exploitation.

E. Conclusion

From the above discussion, some theoretical conclusions can be made on which the rest of this dissertation relies. Firstly, capital accumulation reflects the principal dynamic of capitalist production. Accumulation simply means an endless reconversion of appropriated surplus value, created by surplus labour, into capital or boundless expansion of capital. In this regard, capital accumulation entails progressive development of labour productivity driven by competition. This leads to the concentration and centralization of capital. This dynamic regulates the development of capitalist society.

Secondly, a common characteristic of the state is that it is not an isolated and neutral institution in society. Rather the state is a part of society as a whole and is thus attached to its structures and processes. Since any form of society develop through class processes, the state itself is class-based in nature. In this respect, we can develop a better understanding of the capitalist state if we highlight it in the context of the capitalist mode of production. Since capitalism is a class-based exploitation system, the state in capitalist society is nothing more than a political expression of class exploitation. Since the scale of capitalism is characterized as a global system, class exploitation also becomes a global phenomenon and the capitalist state is internationalized.

Thirdly, Marx's theory of rent is suitable to illuminate the relations between capital accumulation and the state in the mining industry. Since under capitalism rent is a portion of surplus value emanating from labour exploitation that relies on nature, the mining industry reflects capital-state relations. The capitalist state (i.e., the owner of land and the minerals in it) and productive capital (i.e., the owner of capital) share the common interest of extracting minerals for producing surplus value. They then appropriate their own surplus created by surplus labour: the state gets rent and the productive capital gets profit. Despite the fact that the state and the productive capital compete against each other in order to pump out their own portion of surplus value, they have one thing in common—to generate as much surplus labour as possible. This leads to class struggle between whole factions of the exploiting class and the exploited class.

Fourthly, I conclude that Indonesian society has been gradually incorporated into, and shaped by, global capitalism since its colonial period. However, Indonesia is peripheral in the hierarchal feature of global capitalism. Under this historical condition, the relations between the state and capital in the country must be characterized using the lens of their spatial faces. This permits us to consider their dynamic interactions, not only on a national scale but also at a global scale. This characterization helps to depict the historical development of mining industry in the archipelago.

SECTION TWO: HISTORICAL CAPITALISM IN INDONESIA

CHAPTER III: THE DEVELOPMENT OF CAPITALISM IN INDONESIA

A. Introduction

The purpose of this chapter is to provide a general overview of the long-term development of capitalism in Indonesia. I will investigate Indonesia's subordination into the capitalist world system, from colonial times to the present post-colonial period. In doing so, I restrict my attention to a historical analysis of capitalist development. I will begin with the Dutch and their colonial project in the archipelago as one of the major historical moments in Indonesia's global capitalist development. This will be followed by an investigation of the global circuit of capital in the country. Rather than focusing solely on themes related to the economic process, I will offer a long-run discussion of the internal relations between economics and politics as a whole.

B. The Dutch as the Point of Departure

Prior to western colonial conquest, society in the archipelago of Indonesia is best situated within the general theory of a society based on the production of use-value or may be placed in the peculiar framework of the "Asiatic Mode of Production" (Marx, 1973; Tichelman, 1980). This society has been gradually transformed by capitalist logic i.e., production for exchange-value through the long period of time since the colonial era. In order to better understand the development of capitalism in the archipelago, one should pay close attention to the fundamental influence of Dutch colonialism.

1. The Dutch Empire

At the most concrete level of analysis, capitalism comes into existence and spreads across the world in many different ways, resulting in hugely different stories. It started with the long-run dissolution process of the pre-capitalist mode of production, the feudal mode, in Western Europe.[17] Diverse Marxist scholars have discussed this historical ground of capitalist

[17] One of the leading scholars who defended this idea was Maurice Dobb, a British economist. He developed Marx's notion of the mode of production, offering a methodological and historical investigation of the long-term development of feudalism and its transition to capitalism. For Dobb, such a transition stems from the nature of feudalism, which is class exploitation by the lords over the peasants. Thus the theory he offers is concerned with the development and crisis of the feudal mode of production by looking at its internal factor as a prime mover, without ignoring trade as an external factor but incorporating such an external aspect (see Dobb, 1963; Dobb, 1978). In the

development. Whatever the theoretical foundations of such schools and regardless of whether it relates to the external growth of trade or the internal dynamics of class struggle, the common agreement is likely that historically speaking, capitalism was born in Western Europe (Hilton et al., 1976; Aston and Philpin, 1987; Dimmock, 2014). Wood asserts that this world-based system of labour exploitation came first to the world in the English countryside thus associated with agriculture, adding that the same system then developed in other countries in relation to that exisiting order in English (Wood, 2015:1). Sharing the premise that Europe is the birthplace of capitalism, Immanuel Wallerstein, among others, suggests that we look at this system as the "capitalist world-economy" but accords underlying importance to the feature of commercialization in the course of the Dutch Republic during the sixteenth century (Wallerstein, 1980:7–8). Under the logic of capitalist expansion, what needs to be examined is the ways in which this system reproduces perpetually over time and space, resulting in its diverse historical development. The motor behind its global expansion is nothing more than its primary tendency to look for a higher rate of profit in places where cheap labour and raw materials are available for global accumulation. Historically, colonialism and imperialism played a decisive role in this accumulation. Driven by competition, the underlying tendency of capitalism to revolutionize productive forces, such as machine-based production and means of transportation and communication, has overcome the spatial barriers of production and circulation, making such global expansion possible.

Since modern colonialism might be best located within the framework of capitalist reproduction, it's important to first characterize the system's existence in the Netherlands. In this light, the mainstream argument tends to highlight the country, especially during the Golden Age of the Dutch Republic in the seventeenth century, as a commercial society rather than capitalist one since this society initially generated profits from the space of circulation, i.e., trade rather than from the space of production. Wood, among others, with her strong acknowledgement of the country, which is characterized as having advanced financial institutions, well-developed shipping, military achievements, and progressive production capacity when compared to the rest of Europe, labels the Netherlands as the "most highly developed non-capitalist commercial

classic debate called the 'transition debate,' Paul M. Sweezy disputes Dobb. He calls for paying special attention to "the growth of trade as an external force" (1978:105) as the 'prime mover,' while questioning the internal contradiction of feudalism because it is not similar to the accumulation of capital in the case of capitalism (1978:103). For him, "the root cause of the decline of feudalism was the growth of trade," arguing that "the important conflict in this connection is . . . between production for the market and production for use" (1978:41).

society," not a commodity production society (Wood, 2002:87, 94). The supremacy of this society "depended to a large extent on various kinds of extra-economic superiority" (Wood, 2003:63). Adding to this, Eric Hobsbawm, a British Marxist historian, treats the Netherlands of the seventeenth century as a "'feudal business' economy," due initially to trade and finance as her core businesses. At this stage in its growth, the country did not yet rely on the productive sector, including manufacturing that generates value under capitalist society (Hobsbawm, 1954:54).

Instead of portraying such a minor face of Dutch accomplishments, a historical account of the development of capitalism needs to treat fairly the non-commercial features of the Netherland's economy. Despite the peripheral nature of the Dutch in the classical debate of transition to capitalism (Hilton et al., 1976), recent studies show that the early development of capitalism in the country should not be underestimated (Bavel, 2007; Bavel, 2010; Brandon, 2011). The most striking indication is the presence of wage labour in the countryside, which was a fundamental feature of the long-term process of the replacement non-capitalist labour—forced labour and independent labour (Bavel, 2007; Bavel, 2010).[18] It also indicates that the transfer of land from the masses of peasants to the few was an important mechanism that transformed peasant producers into a proletariat (Bavel, 2010).[19] It should be added that by the late fifteenth century, industry was well-developed, paving the way for the development of foreign trade. In this vein, cities such as Leiden, Amsterdam and The Hague became well-known as major centres of large-scale cloth production for foreign markets before their decline in the sixteenth century (Fries and Woude, 1997:277).[20] In short, against the major interpretation of the Dutch's non-

[18] Drawing special attention to two regions of the Low Countries—central Holland and the Guilders river area—van Bavel examines the transition to capitalism by investigating a particular aspect of property relations—the surplus extraction of direct producers concerning a contractual form of wage labour. He indicates that by the mid-sixteenth century, at least the majority of labour was wage labour in these two regions. This was much greater than that situation in the English countryside during the same period (see Bavel, 2007; Bavel, 2010).

[19] Bavel shows that the wealthy inhabitants in the town had taken around 30 to 35 percent of land in Holland in 1560, which reached around 50 percent by 1600. Those inhabitants, wealthy burghers, purchased the land from mass peasants (Bavel, 2010:54).

[20] Shipbuilding is also the best example of the Netherland's significant industrial progression; in the 1560s, more ships were built here than anywhere else in Europe (Israel, 1995:117; Fries and van der Woude, 1977:297). In the following century, especially between 1625 and 1700, Jan de Vries and Ad van der Woude estimate that the country produced around 400 to 500 ships annually. In employing at least 10,000 workers, shipbuilding became one of the Republic's most prominent industries (Fries and Woude, 1977:297), simultaneously contributing to the long-distance trade of other industrial products. In return, the progressive development of (long-distance) overseas trade also boosted industries at home, including shipbuilding. If one considers their economy as it whole, it could be classified as a modern economy for the period. It also, though, experienced a cycle of downturn and recovery in the sixteenth century (Fries and Woude, 1977:721).

capitalist face of commercial development, Brandon (2011) highlights an intimate link between the Dutch's commercial supremacy and their value making on the production side in the early stage of capitalist development in Europe.

The point is that portraying the Dutch Republic as a great example of a merchant capitalist empire does not necessarily reflect the significant share of productive capital to the existence of capitalism as a whole. In this respect, instead of describing merchant and industrial capital as two different and unrelated moments, one must understand that capitalism as a whole should be characterized logically as an internal relation between production and the realization of production. Emphasizing this wholeness, of course, does not blur the technical division of labour between the capitals but rather takes into account the necessarily link between sections of capital as a total capital. Given this discussion, we should understand historically that Marx briefly mentions Holland as "the model capitalist nation of the seventeenth century" (1976:916), adding that the country is a pioneer in transferring "the colonial system to its full development" (1976:918). This historical account should not be taken as a contradictory assessment since in *Volume Three* of *Capital,* Marx refers to "commercial capital," taking the empirical examples of the Venetians, the Genoese and the Dutch (1981:446). The best way to treat this divide is to consider the ways in which commercial capital and productive capital, i.e., the site of surplus value creation, interlink dialectically. In this light, it might be better to treat the Dutch in the context of the early development of global capitalism as characterized by Marx when considering the Dutch monopoly on trade in the East Indies and commercial superiority in Europe that made her a leading commercial country in the mid-seventeenth century. Combining these attributes with great developments in fishing, shipping and manufacturing, Holland's total capital dominated when compared even to a combination of all other European's capitals during the period (Marx, 1976:918). Unsurprisingly, in the early eighteenth century, there was a significant growth in manufacturing in Holland and with its aforementioned trade superiority, the country became the main hub of global economic gravity. In addition, from the early 1700s to the late 1780s, the Dutch lent out enormous sums to the international market, with England being its largest customer and prime target (Marx, 1976:920). However, this significant progress came at a price. Despite its dominance, Marx argues that "by 1648 the people of Holland were more over-worked, poorer and more brutally oppressed than those of all the rest of Europe put together" (Marx, 1976:918). This is the contradictory nature of capitalism, as we all know. In sum, this period in history is one of significant progress in Dutch capitalism at the national scale in comparison to other countries but also for the interconnected factions of capital as a whole at the global scale in which the Netherlands was one of the underlying epicentres.

Adding to such inquiry, one must consider the historical moments of revolution that resulted in the capitalist epoch's domination. In this light, the Dutch revolt (1566–81) against the Spanish is an underlying moment in a series of bourgeois revolutions that brought about the historical development of capitalism, not only in the Netherlands but also for the rest of the world. Marx makes an obvious assessment of the series, saying that "[t]he revolution of 1789 (at least in Europe) had as its prototype only the [British] revolution of 1648; the revolution of 1648 only the revolt of the Netherlands against Spain" (1977:161). Although the bourgeois class does not necessarily lead the revolutions, all of the great revolutions are striking manifestations of class struggle that have paved the way for the bourgeois class' growing domination within the long-run transformation of the European feudal order into capitalism.[21] In the case of the Dutch, an important moment of uprising against Spanish absolutism took place in 1572. It was initially driven by Spanish attempts to impose a new tax policy called the Tenth Penny Duty that was applied to all traded goods. The policy affected commercial cities, traders and market-based agricultural producers. The widespread grievances surrounding this policy as well as the economic crisis (1571–72) led to the 1572 revolt against the Duke of Alva, Fernando Alvarez de Toledo (Parker, 1977;'t Hart, 1993:18–19; Israel, 1995:155–230). The sea beggars who took the *Brill* by force on 1 April 1572 started this important revolt. Other cities then followed with their own revolts (Israel, 1995). At the end of the day, the Dutch Republic, also called the United Provinces, came into existence in the late 1570s as a result of the revolution. Although the war between the Dutch Republic and Spain had endured for decades before the recognition of foreign powers based on the Westphalia Treaty of 1648 ('t Hart, 1993:241–75), the Republic appeared as a great power at least until the 1690s, both militarily and commercially powerful when compared to its European neighbours. By the closing decade of the seventeenth century, its significant economic development, due initially to a major expansion in commerce and shipping,

[21] In the moments of a bourgeois revolution, the capitalist class does not necessarily take the lead. The central point for this discussion is that this type of revolution generates the existence of capitalism. Alex Callinicos makes an obvious assertion, saying that "bourgeois revolutions should not be conceived as revolutions which are made consciously by capitalists, but as revolutions which promote capitalism. The emphasis should not be placed on the class which makes the bourgeois revolution, but on the implication of such a revolution—for the class that benefits from it. More particularly, a bourgeois revolution is political transformation—a change in state power, which is a condition for large scale capital accumulation and the establishment of the bourgeoisie as a dominant class" (1989).

strengthened the Republic's power, including its military (Israel, 1995:241–42). In sum, the Dutch became an important leader of the early capitalist world economy.

This sketch of a significant period in Dutch history enables us to delve into Dutch colonialism. In this respect, it is impossible to speak of a long-distance colonialism without having internal conditions as principal factors that permit such an old-fashioned global extension of power. The underlying factors that underpinned long-distance Dutch colonialism were nothing but a combination of commercial strength, financial power, industrial achievement, and military capability. In this respect, we should first take into account the Netherlands' overseas expansion in the context of the "general crisis" in Europe and the seventeenth-century European expansion (Hobsbawm, 1954:33–53). Hobsbawm characterizes the crisis' main indicator, among others, as the general tendency to stumble in production and in commerce. Italy, for instance, faced deindustrialization while in other countries like Switzerland, England and Sweden, industries were steadily being developed. For trade, the two major sites of global commerce—the Mediterranean Sea and the Baltic Sea—seemed to be facing a decline in the quantity of goods being circulated (Hobsbawm, 1954:35). In term of the crisis, the Netherlands in its Golden Age was exceptional when compared to other European countries. Simon Schama refers to it as "the Great Seventeenth Century Exception" (Cited by 't Hart, 1993:24), but this does not mean that the country avoided the economic slump. The downturn also smashed Dutch business organizations. For instance, the dividends in *Vereenigde Oostindische Compagnie* (VOC, or the Dutch East India Company [EIC]) fell every decade between 1630 and 1670. In its Asian trade operations, the growth of the EIC's return shipping capacity drastically declined from 3.0 percent annually between the 1630s and the 1650s to 0.5 percent annually between the 1660s and the 1680s (Fries and Woude, 1977:429). Amsterdam Wisselbank's profits peaked in the 1630s, followed by a gradual deterioration over the following decades (Hobsbawm, 1954:36).

In order to deal with the general crisis, the Dutch had a growing tendency to draw less attention to their productive investment. As a result, the Netherlands' productive sector became a little inferior over the next century when compared with other European countries. In this light, the Dutch suffered from what Hobsbawm characterizes as "misinvestment" by which capital deriving from the productive sector was not reinvested in the same sector but rather in colonial exploitation, world trade and financial sectors (Hobsbawm, 1954:52). Describing the concentration, which is uneven wealth distribution within territories for the sake of capital accumulation, Hobsbawm points out that by the seventeenth century, the Dutch tended to shift greatly from productive investment to commercial and financial investment. Unlike the Belgians or the British, the Dutch attempted to initially pump out profit from sites of commercial and financial investments (Hobsbawm, 1954:52, 54). In this respect, one can see that the Dutch preferred to develop commercial power by considering the EIC’s historical expansion. The EIC’s employee base in Asia, including seaman and members of the military, increased from 7,700 in 1625 to 21,900 in 1688, and reached 24,800 by 1700 (Fries and Woude, 1997:431, 432). This growing number of workers indicates that Dutch expansion relied on its international trade monopoly as a principal source of profit.

2. Primitive Accumulation in the Archipelago

We must start with the EIC, a company that functioned like a state. Founded in 1602 as a unification of competing Dutch merchant companies, the EIC took exclusive control over the Asian trade route between 1602 and 1795. In order to control long-distance trade and sustain the supply of low-cost raw materials to Europe, the Dutch Republic gave the company autonomy to use military force to protect profits. In short, the EIC was a “merchant-warrior” (Brandon, 2015:51–55). This advantage allowed the company to eliminate its European competitors and force local indigenous states to sign treaties (Brandon, 2015:105). Dutch expansionism in the Indonesian archipelago began with the bloody destruction of pre-capitalist society through the EIC’s brutal appropriation of wealth. During its operations, the company extracted significant profits through a commercial monopoly throughout the archipelago and contributed to the evolution of capitalist production relations in the Netherlands and other countries in Europe. The merchant-warrior reflected the historical features of “commercial capital,” which were intimately associated with plunder, piracy, slave trading and other forms of violence (Marx, 1981:448–49). Marx, in his chapter on the so-called “primitive accumulation,” carries out a discussion on the violent Dutch penetration into Indonesian society:

> The history of Dutch colonial administration . . . is 'one of the extraordinary relations of treachery, bribery, massacre, and meanness.' Nothing is more characteristic than their system of stealing men in Celebes [now Sulawesi], in order to get slaves for Java. Man-stealers were trained for this purpose. The thief, the interpreter and the seller were the chief agents in this trade; the native princes were the chief sellers. The young people thus stolen were hidden in secret dungeons on Celebes, until they were ready for sending to the slave-ships . . . 'This one town of Macassar, for example, is full of secret prisons, one

> more horrible than the other, crammed with unfortunates, victims of greed and tyranny fettered in chains, forcibly torn from their families' . . . Wherever they set foot, devastation and depopulation followed. Banyuwangi, a province of Java, number[ed] over 80,000 inhabitants in 1750 and only 18,000 in 1811. That is peaceful commerce! (1976:916).

In sum, during Dutch colonialism for profit making, war, terror and criminality brought about the deaths of around one million archipelago inhabitants (Raben, 2012).

Among the violence that took place here, the following discussion highlights a few of the tremendous brutalities that are related to the historical origin of capitalism. The brutality itself started in the early decades of the Dutch colonial project. The general crisis in Europe in the seventeenth century brought about Dutch violence in the archipelago in relation to the production of commodities. An important site of Dutch atrocities was the Banda Islands where the Dutch employed slave labour on nutmeg plantations. In all cases, violence characterized the capture and transport of these slaves, who were traded from Sulawesi and Seram Island. Prior to their arrival, Jan Pieterszoon Coen, the NEI's governor general, engaged in a war in 1621 to gain control of the islands as a means of production for the plantations. The NEI administration slaughtered 10,000 of the approximately 15,000 Banda islanders, who were characterized as independent producers of nutmeg and mace, members of a society involved in inter-islands trade, and who supported a decentralized social and political system (Zanden, 1993:75–79). The Banda scandal reveals the ability of the Dutch via the EIC to bring about the total destruction of an old social order early in the colonial period.

Like the dark account of the Banda Islands, succeeding Dutch acts of bloodshed can be linked to the historical formation of capital rather than classified as simple acts of violence *per se*. During the eighteenth century, characterized as the era of the Republic's decline,[22] various forms of internal violence were undertaken in the name of Dutch interests in wealth generation. Among others, the 1740 slaughter of some 10,000 Chinese in Batavia (now Jakarta) was an important event in the EIC's history.[23] We should consider the pogrom in a wider context. By the

[22] Israel indicates that this slowdown included the decline of Dutch processing plants for tobacco and cotton as well as textile and shipbuilding industries, among others. Another symptom of crisis was the significant transfer of Dutch capital to other finance centres like Britain (see Israel, 1995: 998–1018).

[23] Prior to the arrival of the Dutch, the Chinese played an important role in economic activities in all corners of the archipelago for centuries. Since the early 1600s, as the headquarters for the EIC's trade network in Asia, Batavia under Jan Pieterson Coen welcomed the Chinese who were conducting various businesses with tax concessions. Coen even requested that Dutch ships travelling between trading ports along Southeast Asian and southern Chinese coasts take Chinese by force to work in Batavia (Pan, 1990:35). Unsurprisingly, this immigrant group then played a

late 1600s, there was growing influx of Chinese workers to Batavia. Many arrived clandestinely, helping to swell the population of the city and its *ommelanden* to 80,000 by 1733 (Palmer, 2001:32). The city hosted thousands of migrant workers who were directly related to the development of sugar plantations in the Batavia countryside. In order to increase their profits, Chinese operators illegally employed many of their workers, thereby reducing their poll tax, which was derived from the number of registered employees. They paid less tax but also needed to bribe the EIC officers who supervised the mills and were duty bound to report unregistered workers (Blussé, 1986:91). Many did not find work and turned to crime.[24] The Dutch authority imposed restrictive measures on Chinese sojourners in response to the growing reserve army of labour, including the lumpenproletariat (Palmer, 2001:32).

The world sugar market crisis in the late 1600s led to the bankruptcy of many sugar millers. This also adversely affected Chinese workers' living conditions, especially unregistered workers who lost their jobs as a result. In 1740, the Dutch planned to shift all unemployed Chinese workers to Ceylon to work in the cinnamon industry—this was how the government chose to deal with the so-called "Chinese problems." This removal from the city and its environs caused increasing anxiety among the Chinese due to rumours that the authorities were dropping Chinese passengers overboard on the boat journey to Ceylon. This generated an uprising of Chinese workers, starting from an area called Tanah Abang in the ommelanden (Blussé, 1986:404). Pan (1990:36) describes the rebels as "poor soldiers—many of them were mere ruffians and vagabonds . . . ." Dutch mercenaries easily defeated the rebels. Kemasang summarizes the pogrom as follows:

> The Dutch orchestrated the extermination by first confining them inside the walls of Batavia, stripping them of the smallest kitchen knife and putting them under a dusk-to-dawn curfew. The Dutch then distributed arms to what they themselves called "the low-class masses" and gave these "mobs" a free hand to massacre the helpless Chinese. The rapine inside Batavia was allowed to go on from the 9th to the 22nd of October 1740. While the "mobs" were dispatching Chinese lives inside Batavia, VOC troops killed

pivotal economic role in Batavia as merchandisers, craftsmen, sugar millers, and retailers, while some did join criminal gangs for want of a job (Ricklefs, 1983:269). In Jakarta's *ommelanden* (surrounding countryside), Dutch authorities also encouraged the Chinese to invest in the local economy, mostly in sugar plantations, by granting privileges such as "exemption from poll tax, guaranteed purchase of the products by the company, and the establishment of [a] minimum price," while leasing most its agricultural land in the region to Chinese farmers (Blusse, 1986:84–85). In sum, the Chinese, especially in the sugar industry, made a significant contribution to the city's wealth and served as a substantial source of revenue for the colonizer, from sugar contracts to their payment of various types of taxes (Kemasang, 1985).

[24] By 1740, about 17 percent of the city's population, inside and outside the city walls, was ethnically Chinese—around 15,000 people (Ricklefs, 1993:90).

> those who had fled from the city before the curfew and roamed in Batavia's environs (1982).

What followed from the slaughter, "the most atrocious of all the acts of the Dutch administration in Java" (Crawfurd, 1967:427), was the transfer of Chinese-owned properties—land, coffee plantations, sugar mills and other assets—to the Europeans (Kemasang, 1982:69–70). The Dutch ruling class simultaneously accumulated wealth and constructed racism for the sake of capital, which resulted in mass killing.

Crisis as a feature of the modern economy reappeared in the Netherlands in the second half of the eighteenth century, brought about by several interrelated factors. First and foremost, the Dutch defeat in the Anglo-Dutch Wars (1780–84) crashed the Netherlands' overseas trade, which in turn deteriorated the Dutch economy. Then in the following decade, the Dutch Republic (1795) collapsed and was replaced by the Batavian Republic (1795–1806) under the French empire. This led to the EIC's nationalization and left behind massive public debt (Fries and Woude, 1997:127–29,455–56,683–87). Until the early 1800s, there was a remarkable decline in government revenues. The return of Dutch authority in the archipelago in 1816, which replaced short-lived British rule (1811–16), revived the colony's economy. In dealing with the long-term crisis, the Dutch employed the so-called Cultivation System, especially in Java, which later significantly contributed to the so-called Batig Slot that saw the NEI pumping out revenues for the government. The Cultivation System was principally based on the use of forced peasant labour on their own land in order to provide agriculture commodities, especially sugar, for the global market (see Fasseur, 1992).

However, it also generated violence. Prior to the introduction of this system, the Dutch waged war on Java with Prince Diponegoro between 1825 and 1830, giving the Netherlands effective control over Java by its conclusion. Approximately 200,000 Javanese died over the five-year period, half from clashes and the other half from hunger and disease in the tenuous conditions (Groen, 2014:29; Carey, 1986). This was promptly followed by increased Dutch interest in generating profits to, in part, dealing with the financial difficulties caused by funding the Java War and the Belgian Revolution of 1830–31 (Ricklefs, 1993:119). The Java War cost the government around *ƒ*20 to *ƒ*25 million (Mansvelt, 1975b:17). The state's introduction in Java of the Cultivation System was intended, in a narrow sense, to make profit in order to overcome their short-term financial shortage. However, the system is better interpreted as the foundation of the modern epoch in the long phase of capitalist development in the NEI. The Java War offered a favourable condition for this system to be put into place, and to work to the state's benefit. The government, as recorded by Colonial Report 1857, generated revenues of ƒ931 million in the Netherlands East Indies between 1821 to 1847 (Mellegers, n.d.).

The emergence of imperialism in the archipelago in the late nineteenth century (see Kuitenbrouwer, 1991) should be considered from the specific features of capitalist development. What I want to highlight here is the important preconditions that enable imperialism to work. It is widely known that the great powers were competing to gain control over colonial regions, largely to exploit rich natural endowments. In the NEI context, the competition was largely between the Dutch and the British. This competition, combined with the capitalist crisis of the 1870s, resulted in an imperialist war in the archipelago. In this period extending into the early 1900s, we see a series of Dutch-instigated wars in favour of capitalist expansion to the outer islands. Dutch scholar Henk Schulte Nordholt says that this expansion "created a state of violence" that ". . . established a regime of fear, and that it continued to resonate in the memories of the people until the end the colonial period" (Nordholt, 2002:37). This upheaval in the archipelago was happening amidst the modern imperialism that liberal economic policy was implementing. One of the major instances of colonial violence occurred in Aceh, a part of North Sumatra where the Dutch and the British vied for commercial and political control at the turn of the nineteenth century (Reid, 1969). The Aceh War (1873–1912) led to around 100,000 fatalities—75,000 Acehnese and 25,000 Indonesians who served the Dutch (Nordholt, 2002:37; Groen, 2014:32). The casualties of the former were not limited to deaths during battles, but also to indirect conflict losses carried out through the systemic destruction of the social and natural conditions of life, house demolition, and the destruction of crops, plantations, and food stores that resulted in starvation (Kreike, 2014). Annually, the government spent 15 to 20 million guilders (1873–85) and 7 million guilders (1885–1903) fighting the Acehnese, depleting revenues that would otherwise have flowed from the NEI to the home country (Fritschy and Voort, 1997:87–88). It is important to highlight that the Aceh War was nothing but a precondition for dealing with the region's potential economic prosperity (Groen, 2014:31–39). In short, the 40-year war made possible the expansion of capital into the region and opened up the area for private companies to establish an oil industry and modern plantations.

It is also essential to note that only by employing a class analysis of the colonial project can one discover the human cost of the Dutch colonialism in the archipelago, paid by the Dutch working class. The mass population of the working class sacrificed themselves for the greed and cruelty of the Dutch ruling class. Dutch scholars Jan de Vries and Ad van der Woulde portray the condition of EIC's rank and file as follows. From the early days of its existence, the company hired its ship personnel from the lumpenproletariat since working for the merchant-warrior was a last option for job seekers in the Netherlands. Workers received low wages, endured high risk, and were away from home for years at a time (1997:642–26); only one-third of the EIC's employees who journeyed to the archipelago or elsewhere returned home during the company's career (1997:453). In addition, since the colonial project relied on military force, it is important to count the Dutch soldiers who served the empire as victims. Some 8,000 European soldiers died in the Java War and another 12,500 Dutch soldiers perished in the long-running Aceh War (Groen, 2014:29, 32). These casualties made capitalism's arrival in the archipelago possible but also became one of the key scandals in the history of this modern system of exploitation.

C. The Age of Capital

1. The Colonial State and Imperialism

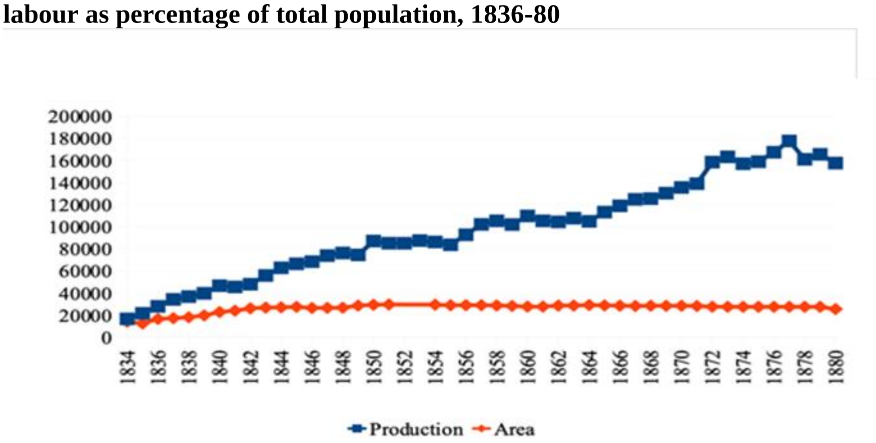
Capitalist social relations of production at the scale of workshops began to penetrate Indonesian society by the mid-nineteenth century. Since that time, the archipelago has been evolving in terms of world-scale capitalist production. Growing investments, especially in agriculture-based commodities for the global market but also in the finance, commercial, transportation and communication industries, have paved the way to the appropriation of surplus value in the archipelago. In this respect, the colonial state played a decisive role in guaranteeing that the whole process included violence, as mentioned earlier, to deal with various forms of spatial barriers. This development has contributed to the long process that created capitalist production relations within Indonesian society.

As mentioned, the historical arrival of capitalist relations of production may be best interpreted through the lens of the so-called Cultivation System. For Knight, Javanese land and labour was incorporated into the logic of market production under this system (2014:98). He suggests that the Java sugar industry in the late 1860s onwards best reflects what capitalism looks like in the course of the subjugation of labour to capital. In other words, the sugar industry was capitalist in nature, thus the sugar workers were (modern) proletariats (Knight, 1988; Knight, 1992). If production relations under capitalism require free labour, the historical moments in the rise of such labour date back to the mid-nineteenth century on the island of Java, largely in the growing sugarcane industry that was attractive for Western capital. Scholars have investigated the growth of free labour in the scale of labour process in this industry by the first half of the nineteenth century (see Knight, 1988; Elson, 1986).

In order to investigate capitalist development, I begin with the introduction of the Cultivation System in Java between 1830 and 1870. Unlike other islands, Java provided favourable conditions for labour exploitation due to its huge relative surplus population. Under this “agricultural-industrial exploitation,” Javanese peasantries had to use their own labour to cultivate cash crops such as sugarcane, indigo, coffee, tea, tobacco, etc. for the global market, circumstances that the NEI administration imposed on the locals. Figure 1 presents the compulsory land as a percentage of total arable land and the compulsory labour as a percentage of the total indigenous population in Java. The products of these compulsory crops were required to be transferred to the government as the sole buyer. From their crop payment, the peasants paid land rent as a form of taxation. In taxing the peasants, the Dutch gradually pushed labour out of subsistence production into the market economy. In order to underpin this system, the government utilized the village elite to oblige labour services (corvée labour) from the population, a system that traditionally functioned between the Java aristocracy and the villagers. In the case of the sugar industry, the success of this system rested heavily on corvée labour. The logic was that like in most agricultural industries, the upstream process of planting and of harvesting necessitated intensive labour intensive due to the underdeveloped techniques of production. Prior to the employment of tramways by a few factories in the 1860s, labour was also key in transporting sugar from the fields to the factories with oxen as a major means of transportation. In addition, under the Sugar Contract, the government appointed and supported private entrepreneurs engaged in sugar manufacturing to process and sell their product to the administration at a fixed price. Under this system, the export of commodities increased significantly over the decades. By 1832, exports of coffee reached 24,000 metric tons along with 7,600 metric tons of sugar. In 1850, the volume of coffee exports increased to 74,000 metric tons and sugar exports rose to 102,000 metric tons. A decade later, coffee exports reached 83,000 metric tons and sugar exports totaled 130,000 metric tons (Mansvelt, 1975a:52). Under these modes of extra-economic compulsion, the Dutch appropriated a significant agrarian surplus, relying on access to cheap land and labour. For instance, between 1835 and 1850, the NEI's share of Dutch public revenue was 19 percent, which increased to 32 percent between 1851 and 1860, of which 85 percent derived from the authority's trade in sugar and coffee (Fasseur, 1992:242). In the 25 years preceding 1860, the colonial government originated total revenues of ƒ1.7 billion from the Netherlands East Indies (derives from Mellegers, n.d.).

The Netherlands Trading Company (Nederlandsche Handel-Maatschappi, NHM), a private commercial company with King William I as its major shareholder, was central to the Cultivation System. The company was established in 1824 in order to restore the Dutch trade arm. However, the NHM functioned as more than just a 'buy cheap and sell dear' agent of commodities. In fact, the company performed a wide range of business activities, including monopolizing commodity exports of the Cultivation System, supporting the shipping and shipbuilding industries, providing credit for the Java sugar industry, and developing the Dutch cotton industry for the Java market, among others (Zanden, 1993:144–48). In this respect, it is fair to say that the NHM had initially functioned as a commercial capital, money capital and industrial capital in order to stimulate the global expansion of Dutch capital.

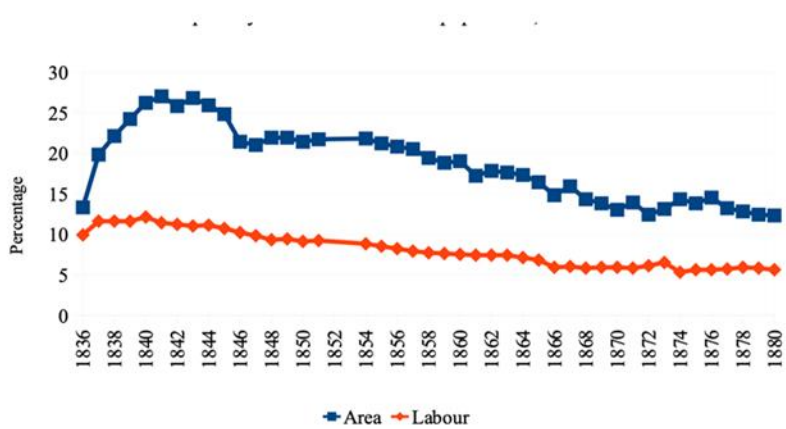
Figure III.1: The Cultivation System: Compulsory area as percentage of total arable land and compulsory labour as percentage of total population, 1836-80



Source: Derives from Fasseur (1992)

Since the Cultivation System's implementation, the capitalist system has expanded unevenly and Indonesia remains on the margins of global capitalism. Since the mid-nineteenth century, the country has been a source of raw materials for global capitalist production. At the same time, the country has hosted the global reproduction of capital. On a national scale, although capitalism has expanded across the country, we still witness forms of non-capitalist relations. In the countryside, small independent agricultural producers are still a large part of the population, while there are also huge numbers of small-scale businesses associating with informal sectors that operate across urban areas. One cannot isolate all of this from the domination of capitalist social relations. Put differently, the subordination of labour to capital taking place via “formal” and “real” grows unevenly, while the significant existence of non-capitalist social relations in “hybrid” form, but under an extraordinary influence of capital, appear elsewhere. In addition, the long period of intensification of Dutch colonialism in Java brought the capitalist realm to this populous island in the first place before it spread out across the archipelago. The significant capital investment in Java, including funding transportation and communication networks, produced asymmetric geographical development among regions. However, if one combines them together, the domination of capital absolutely dictates the country at multiple scales.

Figure III.2: Sugar in Java: Production (metric ton) and plantation area (hectare), 1836-80



Source: Derives from Fasseur (1992)

I would suggest that in order to develop a better characterization of capitalism’s expansion across the country, one should take seriously this system as a whole. Geographically speaking, it is about the scales of capitalism that range from the global to the local and are internally connected. Thus, we must be aware of capitalism as a spatial issue and the ways in which this system reproduces itself through a continued reinvestment of surplus value across space. Of course, we should consider the peculiar development of this system at a certain scale. However, it does not mean that the peculiarity can be isolated from the totality of capitalism.

Rather, it is sufficient to argue that there is not an independent feature of the colonial mode of exploitation. This mode is always attached to a specific historical development of a peculiar mode of production. It can be either the colonial-based slave mode of production as the VOC applied to the nutmeg plantations on the Banda Islands or the colonial-based capitalist exploitation that occurred in the sugar industry under the Cultivation System and in the late colonial period that Western corporations in the NEI dominated. Consequently, there was no place to characterize the colonial system of exploitation by the Dutch in Indonesia outside of the existing mode of production. Thus, since the mid-nineteenth century, it can be fairly understood only from the lens of the global scale of capitalist reproduction. In this respect, capital arrived in the country in order to generate an attractive and higher rate of profit that relied on cheap labour and raw materials. The system of the subordination of labour to capital, conducted by Dutch capital and sporadically conveyed under the Cultivation System, only expanded across the country in the late 1800s. It mostly took place through the widespread expansion of private enterprises—plantations, mines, factories, banks and transportation companies—after the colonial state began to withdraw from direct investment from the 1870s onward.[25] This period also includes the introduction of the Agrarian Law of 1870 that initially assaulted the traditional claim over 'waste' land and thus effectively permitted the state to lease the land for private interests. The law thus secured private investors' rights to use the land. The development of capitalism in Indonesia, as indicated by the growing colonial-based capitalist expansion, was *en route*.

Some major interrelated factors made the expansion possible. First of all, such expansion worked thanks to the internal nature of capitalist growth, which is the progressive development of productive forces. For this reason, the sugar industry under the Cultivation System is a good case for historical investigation. As we have seen, this industry not only paved the way for the growth of the free labour of wageworkers to replace forced labour, but it also elevated the rapid improvement of the means of production. There were significant developments in this industry from the 1840s onwards when various factions of Western capital played a considerable role in heightening the process of capitalist industrialization. By the mid-nineteenth century, Java's sugar producers already employed the most advanced manufacturing technology of the period,

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[25] State plantations were abolished in the 1860s, which significantly decreased the revenues from the NEI for the central government in the Netherlands—27 million guilders in 1860 to 13 million guilders in 1870 (see Fritschy and Voort (1997:87–88).

which was imported from Western Europe. By 1836, in order to increase the speed of the evaporation process, vacuum equipment replaced open iron cauldrons for the first time. The water mills substituted for animal power, followed by the steam engine. By the early 1850s, the first centrifugal plant arrived in Java from Europe. Two decades later, the Sugar Act of 1870 intensified the mechanization process. The first 'double action' equipment was adopted in 1873, the 'triple effect machines' went into service in 1875, and the pans for cane juice purification were installed in 1877 (Mansvelt, 1977:62–63). All of these advancements indicated that mechanization in Java was taking place rapidly by the middle of the nineteenth century. According to Bosma and Knight (2004), by the 1850s, Java's sugar production, technologically speaking, was considered the most progressive when compared to other sugar-producing countries. It was not, as some believe, the expansion of planting fields that led to growing productivity in the sugar industry; the acreage actually declined about seven percent between 1850 and 1860. Rather, the installation of advanced technology and the improvement of agricultural methods were the impetus for production growth (Fasseur, 1992:164). Figure 2 depicts the significant increase in sugar production and the flat development of the sugarcane planting area. It might be sufficient to state that Java's sugar manufacturing presented a certain stage of real subsumption of labour during the period. It can be concluded that the growth of sugar productivity as a result of technological innovation reveals a historical period of capitalist development in Java.

Although industrialization is associated with mechanized production, it does not necessarily replace significant numbers of manual labourers. Java's sugar industry was evidence of this given that since the late nineteenth century, this agricultural industry remained labour intensive. While mechanized instruments were employed in the field for ploughing and digging as well as for transporting cane from the fields to the factory, the industry remained dependent on cheap manual labour. In addition, it should be noted that the industry's development after the 1883–84 crisis resulted in an increased exploitation of workers, including attempts to suppress rising wages by employing significant numbers of female and child workers (Knight, 2013:75–77, 195–202).

What needs to be further analyzed in a historical sense is that the revolutionary development of Java's sugarcane industry demonstrates the interrelated capitalist production that occurs between different branches of industry on a global scale. Scholars argue that the growth of the sugar industry is related to the growth in machinery and fabricated metal products manufacturing, on which the industry relied, either in the Netherlands (and other foreign countries) or in the NEI (Segers, 1987:16–17, 46–47, 50–51). By the early 1840s, a famous manufacturer, Derosne at Cail, was already supplying the latest sugar machinery to industrialists in Pekalongan Regency, Central Java (Knight, 1999; Knight, 2014). By the late 1840s, many sugar factories in Java used vacuum pans, which were in part manufactured by Derosne, replacing the technologically backward Chinese sugar kettle (Bosma, 2013:108).[26] In the late 1870s, another French corporation, Fives Lilles, provided the Multiple Effect Condenser to Wonopringo, a centre of sugar production in Java (Knight, 1999). Stork was a famous Dutch machinery manufacturer, a family corporation that specialized in machinery for the sugar industry and supplied the global market, including the NEI (Sluyterman and Winkelman, 1993:169–70). It is not surprising then that industrialization in the NEI continued to grow in the late 1800s, evidenced by the increasing import of capital goods (iron and steel products, machinery, etc.) from various countries. In 1850, the total value of imports was ƒ930,000, of which the Dutch contributed ƒ196,000 and the reminder from other countries. By 1860, the Dutch portion reached ƒ712,000, while the other countries' (mostly England) share was ƒ906,000. The sugar industry was the major consumer of these capital goods (Fasseur, 1992:196). However, we should also consider the uneven geographical development of industrialization taking place in the NEI. The process of mechanization in production largely occurred in Java and slowly spread to the outer islands of the archipelago, since from the beginning industrialists in Java contributed significantly to the total value of capital goods imports from the start. For decades, the Java sugar industry was the top importer of machinery before falling behind the petroleum industry operating in the outer islands in 1930s. In addition, after the First World War, the erection of factories was not just for repairing but also for producing machinery for various sectors, especially the sugar industry. The environs of Surabaya in eastern Java became a home for this heavy industry (Segers, 1987:21–23, 50, 52–53).

A distinctive aspect of circuit capital that should not be ignored is that capital always attempts to "annihilate space with time"—to accelerate the speed of movement from one place to

[26] Chinese migrants first introduced small-scale technologies for sugarcane processing in the early seventeenth century. They applied "heavy mill-stones and vertically erected wooden or stone cylinders; propulsion was effected by buffaloes or human power, or both. The case-juice that was extracted was boiled on furnaces in open cauldrons, the syrup being sold on the domestic market and the raw unrefined sugar exported by the VOC" (See Mansvelt, 1977:62).

another (Marx, 1973:359). Therefore, the cost and the time of the flow of commodities can be reduced through the realization of surplus value. In this respect, the substantial development of the means of transportation and communication in the archipelago since the mid-nineteenth century must be taken into consideration. The rapid construction of railway and tramway networks in Java and then Sumatra, built with government funds and private investment, overcame the spatial barriers of the transportation of sugar (and other commodities) from points of production on both islands to ports to be shipped to global markets. Construction began in the 1860s and then expanded by the late 1800s onward.[27] The considerable expansion of international and inter-islands shipping also increased the speed and volume of the global circulation of goods. This was largely due to the introduction of steam and motor vessels that facilitated inter-islands shipping in NEI but also moving products from the colony to other parts of the world.[28] Furthermore, it must be borne in mind that the opening of the Suez Canal in 1867 compressed the time and space of the global circulation of commodities related to the archipelago.

Above all, such development should be further analyzed in light of the historical tendencies of capitalism taking place on a global scale. These tendencies include the emergence of financial capital, export capital growth, and the concentration of capital. This is what Lenin

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[27] While economic interest became the key motive behind state intervention in the construction of railways in Java, a military objective appeared as the motor behind its first construction in 1874 in Sumatra. Construction was part of the Dutch military intensifying expedition to Aceh, a region with rich oil deposits. The Deli Tobacco Company followed suit with its own railway in East Sumatra by 1883. The government also constructed railways to link the Ombilin coal mine and Padang in West Sumatra. In 1874, there was only 25 kilometres of private railways in Java. By 1891, the total combined railways and tramways reached 1,727 kilometres. These included 945 kilometres of state railways in Java, 141 kilometres in Sumatra, and 39 kilometres of state-owned tramways in Sumatra. In the same year, there were 261 kilometres of private railways and 238 kilometres of private tramways in Java and 103 kilometres of private railways in Sumatra. By 1920, the total combined railways and tramways were about 6,142 kilometres, of which the state owned 2,427 kilometres in Java and 210 kilometres in Sumatra while 210 kilometres in Java and 271 kilometres in Sumatra were under private ownership. The state owned 511 kilometres in Sumatra, far exceeded by privately owned tramways in Java totalling 2,395 kilometres (Furnivall, 1939:204, 329).

[28] By 1848, the number of international shipping was 668 ships with a tonnage of 352,000 cubic metres. By 1875, the number reached 2,076 with a net tonnage of 1.1 million cubic metres. By 1912, it was 8,996 and the tonnage skyrocketed to 13.7 million cubic metres. In this respect, the use of steam power as the major means of transportation contributed to such considerable development. For instance, by 1875, steam and motor vessels only contributed to 25 percent of international shipping numbers and 46 percent of international shipping tonnage when compared to sailing vessels, which accounted for 75 percent and 54 percent, respectively. In 1911, the number increased to 77 percent and the tonnage reached 97 percent. The phenomenon extended to inter-islands shipping. By 1848, the number of domestic shipping was 5,860 ships with a tonnage of 243,000 cubic metres. By 1875, the number decreased to 4,936 but the tonnage rose to one million cubic metres. By 1912, the number reached 98,551 and the tonnage arrived at 74.2 million cubic metres. The use of steam and motor vessels compared to sailing vessels increased both in number and tonnage from 11 percent and 56 percent in 1875 to 25 percent and 94 percent in 1912 (Knaap, 1989:21–23).

calls imperialism, which is “the highest stage of capitalism” operating at a global scale (1939). We can examine the way in which this system operated in the NEI, like the establishment and quick expansion of financial institutions like banks and insurance companies. It is important to note that a major feature of imperialism—the unification between productive capital and banking capital—was in progress. This is clear if we consider the substantial role of financial capital in financing the expanding sugar industry. By 1850, the NHM provided the sugar industry (planters and manufacturers) with long-term loans for the privilege of selling the produced commodities (Jonker, 1997:100); by the 1860s, the NHM had financed 17 sugar factories and other plantations. In doing so, it became the first and the largest agricultural bank in the country and played a decisive role in generating an inflow of Dutch capital to the archipelago (Allen and Donnithorne, 1957:188–89). By 1884, five banks—the Nederlands-Indische Handelsbank, the Internationale Crediet en Handelsvereniging 'Roterdam' (Internatio), Vereeniging, Koloniale Bank, Dorrepaal Co., and the Handelsvereniging Amsterdam (HVA)—financed 243 mostly sugar and coffee plantations (Furnivall, 1939:197). The banks’ commitment to agricultural projects rose from ƒ72.1 million in 1900 to ƒ274 million in 1930. In this regard, the NHM played a considerable role—its contributions were ƒ36.7 million in 1900 and ƒ80.0 million in 1930 (Furnivall, 1939:334–35). It is interesting to note that instead of lending activities, the banks became more involved in investment. In 1888, for instance, of the banks’ ƒ37 million total commitment, advances accounted for 70 percent while equity interest made up the remainder. By 1912, when the total commitment reached ƒ70 million, the ratio decreased to less than 50 percent.[29] The integration between banking capital and industrial capital remained very important in later decades. In 1925, six banks managed, directly or indirectly, 59 sugar corporations or more than 50 percent of the sugar firms in Java (Kano, 2008:166–73).

By the closing decade of the nineteenth century, we witness an increasing rubric of imperialism in the archipelago taking the form of the export of capital from the centre. By the 1880s onward, various factions of capital had invested in a wide range of modern sectors including agriculture, transportation, mining, manufacturing, trade and finance (banks and insurance). The number of corporations in all economic sectors increased from 133 in 1883 to

[29] The NEI had also been attractive to non-Dutch financial institutions since the mid-nineteenth century. The Chartered Bank chose the Borneo Company as its representative in Jakarta in 1859 before having its own agency in the city. Other banks, from Britain, Hong Kong, China, Taiwan and Japan, grew and expanded in the decades that followed (see Allen and Donnithorne, 1957:193–94).

2,686 in 1913 (Campo, 1995). Some of these new firms were transnational corporations, including Royal Dutch Shell, Standard Oil of New Jersey, British American Tobacco (BAT), United States Rubber Company, General Motors, Goodyear, Unilever, and the Bata Shoe Company, among others (Allen and Donnithorne, 1957:256–59). Table III.1 summarizes the aggregate value of the growing inflow of capital investment into the NEI. The internationalization of capital was underway.

I would like to emphasize that the growing inflow of global capital into the NEI seemed to be a part of a division of Southeast Asian countries under the dominant power of the Western capitalist class. The archipelago was the major target of foreign direct investment (FDI) in this region.[30] This trend in FDI was also an important expression of imperialism that was the division of colonies among the metropolitan powers. The capital that moved to Malaya (70 percent) and Burma (90 percent) was British; the Dutch to NEI (71 percent); American capital was transferred to the Philippines (52 percent); and French to Indochina (97 percent) (Lindblad, 1998:4). By 1937, the metropolitan capitals mostly invested in individual Southeast Asia countries as per their colonial interests.

Since the late decades of the nineteenth century, we have witnessed a geographical shift of capital expansion taking place to new frontiers in the outer islands in commercial mining (oil, tin and coal) and plantation agriculture (tobacco, rubber, palm oil, etc.). Although the Billiton Tin Company has operated on the island of Belitung since 1860, the initial expansion of capital to the so-called wasteland in the outer islands took place a few decades later. At least 10 firms were established annually in the outer territories, mostly in Eastern Sumatra from the 1880s onwards (Campo, 1995:50). The fact that most oil corporations operated in Sumatra and Borneo was a clear example of this increasing expansion. For commercial plantations, although Java remained the largest beneficiary of capital investment overall, a growing percentage of transnational capital began flowing into Sumatra. For instance, the total value of capital investment in 1929 was about ƒ2.06 billion, ƒ732 million of which was invested on the east coast of Sumatra and southern Sumatra—the rest went to Java (Mansvelt, 1977:25).

[30] By 1914, 61 percent of the total value capital investment in Southeast Asia of US$ 1.1 billion was invested in Indonesia. In 1937, FDI in Indonesia accounted 52 percent of US$ 2.5 billion, which was the region's total FDI (see Lindblad, 1998:14).

Table III.1: Estimates of the Aggregate Value of Corporate Investment (*f* million)

Year	Private	Government services	Total
1939	3,500	929	4,430
1930	4,000	990	4,990
1924	1,820	978	2,790
1913	1,000	280	1,280
1900	750	250	1,000
1885	150–200	90	240–290

Source: Mansvelt (1977:18 Table A)

Table III.2: Profits of Investment and the Distribution of Profits (*f* million), 1921–36

Total Profits	**4,445**
Dividends & profit transferred	2,501
Royalties, etc.	473
Corporate tax	562
Profit paid to government	217
Profit retained	612

Source: Derives from Polak (1944:66)

Table III.3: Government Revenue in the Netherlands East Indies (*f* million), 1850–1940

Period	Company Tax	Total Revenues
1931–40	235	5,831
1921–30	329	7,700
1911–20	104	3,824
1901–10	40	1,720
1891–1900	29	1,330
1881–90	29	1,352
1871–80	16	1,425
1861–70	8	1,201
1850–60	5	930

Source: Derives from Mellegers (n.d.)

In addition, a distinctive attribute of imperialism appeared in the form of the concentration of production. Oil is the best example of a capital-intensive business and thus the tendency toward capitalist monopoly. The discovery of oil reserves in the NEI and the interests of money capital in financing it opened up new capital investment. In this respect, the competition among oil companies led to the centralization of capital, which became a major characteristic of this industry. For this reason, the existence of Royal Dutch Shell is a good example. I will discuss this face of imperialism in Chapter V. Another example is the BAT takeover of a cigarette factory in Surabaya in 1923. Soon after the company built its own factory, BAT became a dominant player in cigarette production in the NEI. The company controlled 81 percent of machine-based cigarette production by 1937, rising from 73 percent by 1933 (Segers, 1987:171–72).

It must be borne in mind that the underlying motive of the export of capital is to gain a higher rate of profit. In this respect, we can consider total profit making in the NEI in a particular period. Table III.2 roughly illustrates that the total profits of investment in the NEI between 1921 and 1936 was approximately ƒ4.4 billion. This amount of surplus value was then distributed to different factions of capital in the form of dividends, profits and royalties to the home countries or companies' head offices. The dividends and profits that left the NEI amounted to approximately ƒ2.5 billion while royalty payments and the cost of head offices reached at least ƒ473 million.

Under capitalism, a portion of the surplus value is also distributed to the government in the form of taxes. Table III summarizes corporate tax in the period between 1850 and 1930 paid to the Netherlands East Indies' government. In the 90 years prior to 1940, the government generated corporate taxes valued at ƒ795 million, which accounted for 3.1 percent of total government revenues of more than ƒ25.8 billion in the same period. The colonial state also generated revenues from other sources, such as land revenues, land tax, income tax and other kinds of taxes. Since the colonial state participated in economic activities such as oil, tin, railways, coal and other businesses, the government also pumped significant profits out of such productive economies. All revenues, of course, permitted the colonial state to strengthen its power by spending in public services. Between 1848 and 1940, the colonial government spent about ƒ25.4 billion for diverse services, 15 percent of which was allocated for the Department of War (for details, see APPENDIX A). Given that the expansion of the Dutch colonialism fabricated "a state of violence" (Nordholt, 2002) the Dutch colonial state exercised military violence (Groen, 2014) and military rule (Doel, 1994), which necessitated considerable military expenditures.

The Second World War, a war of imperialism, paved the way for the Japanese military force's three-and-a-half-year occupation of the Dutch colony. Serious damage to production facilities during the war deteriorated the country's economy. Dutch military personnel deliberately destroyed properties with productive economic value. For instance, oil fields, pipelines and refineries were destroyed, leaving the Japanese with insignificant oil output (Hunter, 1971:257–58). Dividing its occupation area in Southeast Asia into an army area and a navy area, the Japanese military put Java and Sumatra under army administration and placed Southern Borneo, Sulawesi, and other islands under their Navy's authority (Benda, Irikura and Kishi, 1965:4–11). This short-term occupation served the interests of Japanese imperialism. Delegitimizing the Dutch, the Japanese cultivated anti-Western imperialist feelings, feeding growing nationalist movements in Indonesia (Sato, 1994). This made it possible for Japan to work closely with some of the nationalist leaders and to install Indonesian paramilitaries and auxiliary forces that later played decisive roles in the fight against the Dutch return to power in the colony (Ricklefs, 1993:199–211). Japan's occupation administration in the archipelago initially employed repressive measures over the population and the colonizers dealt with resistance by force. Cruel acts were widely perpetuated, as Benedict Anderson observes: "[r]ape, looting, black-marketeering, and racial arrogance aroused widespread resentment" (1972:35). Despite the fact that murderous campaigns were a common feature of its occupation, the Japanese during wartime did contribute to enlightening the growing nationalist consciousness among a young generation of Indonesians (Anderson, 1972:2). While there is evidence that the Japanese military committed war crimes, the colonizer did, however, provide a political and military basis for the independence of Indonesia.

The major purpose of the occupation was the reestablishment and guidance of the colony's economy for the sake of Japanese imperialism during the war and for the distant future. The Japanese initially attempted to gain direct control over the circulation of raw materials, such as oil, minerals, rubber, etc. (Reid, 1980:19). Yasuyuki indicates that during the war, Japanese enterprises invested in a wide range of sectors and sub-sectors, including agriculture, forestry, fishery, mining, manufacturing, transportation and communications, and trading. Their largest investment was in manufacturing—they held a 27.7 percent share of total investment. The total value of the imperialist's investment in Indonesia reached ¥1.2 billion or 29.9 percent of the total of Japanese wartime business in Southeast Asia, making the archipelago the major target of Japanese capital exports in the region. During the war, the prominent players in this capital expansion were the Mitsubishi Corporation and Mitsui & Co (see Yasuyuki, 1996).

2. Post-colonial States and Global Accumulation

2.1. Accumulation at Risk and the State in Construction

The surrender of the Japanese to the United States and its allies turned Indonesia towards a bloody revolution that engulfed the country between 1945 and 1949, largely mobilized by the majority of the population against Dutch military reoccupation. This decolonization war (also called the War of Independence) brought together different segments of Indonesian forces: regular troops, irregular troops, *lasykars* (i.e., those with Islamic, nationalist and communist affiliations), and gangster groups (Reid, 1974; Kahin, 1952; Kahin, 1985; Cribb, 1991). War-related casualties were huge: more than 100,000 Indonesians, 5,500 Dutch soldiers, and hundreds of British and Japanese military personnel died during the war (Romijn, 2012:320), while about 25,000 to 30,000 Dutch and Eurasian civilians were killed (Frederick, 2012:369). In addition to causalities among combatants, the returning Dutch were responsible for systematic, large-scale mass murder of Indonesian civilians (Limpach, 2014).[31] Ironically, the Dutch employed a euphemistical language called "Police Actions" during the war with the idea that language alone would restore order (Luttikhuis and Moses, 2012:266).

It was indeed a war to restore the prewar capitalist order, thereby serving the interests of the Dutch ruling class. Reid asserts, "Dutch capitalists . . . would not return to their prewar enterprises except under the protection of Dutch arms" (Reid, 1974:111). Evidence shows that following the first Dutch aggression carried out in mid-1947, over a thousand firms returned to Indonesia under the Dutch administration, reviving business for a while (Sluyterman, 2005:168–69). Not surprisingly, the export of commodities such as rubber, tin and oil surged, sharing 60 percent of total national exports (Lindblad, 2008:65–66). In sum, the hard-fought national war was nothing other than an important feature of imperialist counter-revolution.

The returning Dutch administration was, of course, a major issue for Indonesians. Beyond that, it is necessary to consider the global order of the post-Second World War period. In this vein, what we witness is US attempts to exercise its foreign policy in order to gain effective control over global capitalism in the face of the Cold War. In this context, the "Truman Doctrine," as part of US post-war foreign policy and the complementary Marshall Plan, both shaped Indonesian politics since its independence in 1945. With the latter initially dividing global geopolitics into the US-led "free world" and the Soviet Union-led communist world, one of the Plan's primary was the market economy's rehabilitation in order to protect Western

[31] Raymond Westerling led a counter-insurgency operation in South Sulawesi that killed about 40,000 civilians between December 1946 and February 1947. Although there is a little dispute about the number of casualties, the above-mentioned numbers were officially used and are widely accepted among Indonesians (see Raben, 2014).

democracy from communist threats (McMahon, 1981:156–57). In the Indonesian context in the early days of independence, it meant urgent action to reconstitute the prewar economy under Dutch rule (Roadnight, 2002:181). This implies that the US' economic interest was to recover and reinforce the prewar supply of raw materials—rubber, tin, and oil—from the archipelago (McMahon, 1981:144–45). Only in this way can one adequately conceive the course of bloody political turbulence in the early decades of Indonesia's independence, including the deep involvement in these affairs of the US and its allies. This interference was a clear US attempt to extend its imperialist project, serving not only American interests but addressing the attempt to dismantle the increasing communist influence in Indonesia that challenged the capitalist class' interests more broadly.

What needs to be noted here is that Indonesia's nationalist leaders consciously took for granted the continuation of the capitalist order. In the early days of Independence, they capitalized on it, and an example of their political messaging appears in *Perjuangan Kita* (Our Struggle), a political pamphlet. On 10 November 1945, Sutan Sjahrir, the Indonesian prime minister and prominent leader of Indonesian Socialist Party (PSI), characterized Indonesian society under the domination of global capitalism as follows:

> So long as the world we live in is dominated by capital, we are forced to make sure that we do not earn the enmity of capitalism . . . Indonesia is geographically situated within the sphere of influence of Anglo-Saxon capitalism and imperialism. Accordingly, Indonesia's fate depends ultimately on the fate of Anglo-Saxon capitalism and imperialism (Anderson, 1972:194).

At the height of Dutch recolonization efforts and prior to Sjahrir's pamphlet, key Indonesian leaders tried convincing Western governments for their support by respecting existing foreign-owned property and welcoming foreign capital. This was a part of Indonesia's political efforts to acquire the West's recognition of Indonesian independence. On 12 October 1945, the first President of Indonesia, Sukarno, insisted that the new regime respected existing foreign-owned properties:

> The State of the Indonesian Republic, as a state based on popular sovereignty and humanitarianism, naturally respects the property of private foreigners. The property of foreigners, formerly held by the Japanese, is now in Indonesian hands. This does not mean that the Indonesian republic is going to confiscate this property. This property is merely going to be handled as satisfactory as possible by Indonesians as managers [*sebagai pengurus*] until the time comes for it to be surrendered to its owners. The

> Indonesian government is ready to set up a committee to handle the property of foreigners with representatives of the Allies (cited by Anderson, 1972:179).

In November 1945, Vice President Mohammad Hatta issued a political manifesto highlighting the vital role of foreign capital in stimulating the country's development. He called on the United States to help:

> . . . through the assistance of America's major industries, American credits, and the purchase of large quantities of raw materials . . . for we know very well that in the next few years, for our country and people's needs, we shall need the assistance of foreign countries in building up our own, in the form of technicians, educated people (intellectuals), and also foreign capital [Italics added] (cited by Anderson, 1972:181–82).

All of these actions indicate that the principal ideology of these national leaders relied on transnational capital. The political leaders were not in a position to fight against global capitalism. The new regime did not attack imperialism intentionally.

The main task of the post-colonial state's new regime was to reconstitute the capitalist order. In this respect, although independence was the result of a bloody revolution, it mirrored a bourgeois revolution in nature, meaning "revolution which promotes capitalism" (Callinicos, 1989). Despite the fact that some elements within Indonesian forces brought in the idea of a class-based revolution, in essence the revolution itself was unrelated to a political target of smashing traditional feudal order, capitalist class and foreign imperialism. Nor did it deal with the elimination of the capitalist order as the prevailing system of exploitation. As there was no class transformation, independence was simply a transfer of superstructure from the Dutch colonial state to the Indonesian state. It was, though, a national revolution in terms of national liberation (Reid, 1974; Anderson, 1972; Kahin, 1952; Cribb, 1991). In short, this sort of revolution has never been followed by the replacement of a capitalist epoch. Consequently, capitalism has remained as the dominant system and the accumulation of capital continues to take place in post-colonial Indonesia.

Not surprisingly, foreign capital remained in place in the newly independent state. It had virtual control over a wide range of economic sectors, including oil, mining, plantations, manufacturing, transportation, banks and wholesale trade. Giant US companies such as Stanvac and Caltex played a vital role in post-independence oil production. Dutch corporations led other modern sectors: plantation agriculture, consumer goods industries, transportation, banking and trading. In 1952, Dutch trading corporations shared 60 percent of the consumer goods' import market; foreign banks dominated private banking services (Glasburner, 1971:78–79). As a result, foreign capital benefited from the accumulation process. For instance, by 1951–52, the NHM's banking arm accumulated a significant profit—about IDR 77 million—of which 72 percent was transferred to the Netherlands (Lindblad, 2008:164.). Between 1952 and 1957, private Dutch corporations pumped out profits, dividend, etc. from Indonesia via direct transfer to the Netherlands that amounted to ƒ2.4 billion (Lindblad, 2008:109). The share of the Dutch national income generated in Indonesia was close to 4.5 percent by 1950–52 (Lindblad, 2008:151). In short, foreign capital controlled the circuit of capital as a whole in the post-colonial period.

However, such Western economic domination cultivated grievances among Indonesians. Combined with the vital role of Chinese businesspeople in the country, both realities cultivated widespread feelings of nationalism. A new wave of radical economic nationalism then emerged from members of the inner cycle of government officials. In order to be able to develop the strength of so-called indigenous businesspersons, in the early 1950s the government implemented the "Benteng Program" by providing domestic entrepreneurs with credit and special licenses for certain import commodities. Regardless of its failure, the program is evidence of political efforts to convert the major business players from foreigners and the Chinese to Indonesians. In the late 1950s onward, the Sukarno administration employed the so-called "Guided Democracy" in tandem with "Guided Economy." While the former initially referred to the exercise of centralized power with President Sukarno replacing the existing parliamentary democracy, in later years it simply referred to the removal of "economic liberalism" by eradicating the central role of private enterprises (Paaw, 1963). In this respect, in order to overthrow the legacies of the colonial economy, Sukarno called for the nationalization of foreign corporations under state control with all Dutch-owned corporations as the major targets. Between 1963 and 1965 following the outbreak of the Malaysian-Indonesian confrontation, the regime nationalized all other foreign-owned corporations including the US oil companies Stanvac and Caltex (Redfern, 2010:585–605; White, 2012). As a result, the global circuit of capital within the territory of Indonesia was at high risk.

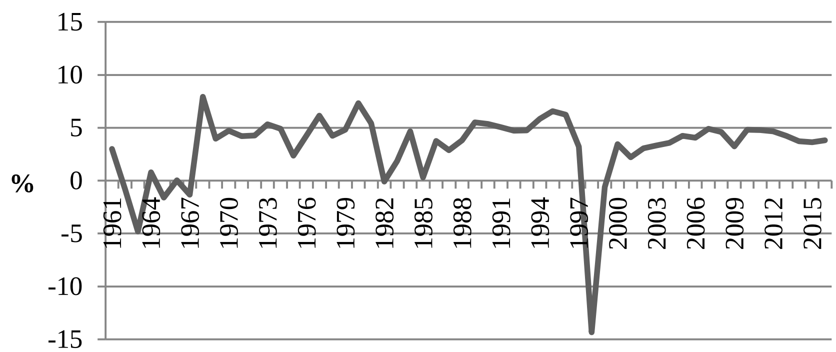
However, consider the issue on a larger scale. State-led nationalization of foreign companies was a decision influenced by the growing Cold War tensions in the region. The increase of communism in Southeast Asia following decolonization shaped the political attitudes of the US and its allies whose foreign policy in the region consisted largely of undermining communism's spread. Responding to increasing hostility toward the West in Indonesia, the US attempted to exercise its imperialist power. The most outstanding in a series of events was a counterrevolutionary action carried out between 1965 and 1966. The US covertly supported the mass murder of individuals associated with the Communist Party of Indonesia (PKI), the largest Stalinist party in the world outside of the Union of Soviet Socialist Republics (USSR) and the People's Republic of China. The Central Intelligence Agency (CIA)-backed, right-wing General Suharto orchestrated this slaughter of 500,000 people (Cribb, 2001). The bloodbath, then, was not a domestic affair but rather an international US scandal at the height of the Cold War (Scott, 1985; Simpson 2008). It was indeed a *class struggle* being carried out within Indonesian territory. This slaughter was not the only representation of the struggle. The anti-communist Hatta administration that toppled the PKI uprising in Madiun in 1948 is another case. One can legitimately depict this outrage by considering the US' involvement in the party's defeat (McMahon, 1981) rather than just highlighting the internal struggle among Indonesian leaders (Kahin, 1952). Furthermore, in the late 1950s, it was widely known that the US administration supported the regional rebellions of the Northern Sulawesi-based Permesta and the South Sumatra-based Pemerintahan Revolusioner Republik Indonesia (PRRI). In these events, some regional Indonesian army commanders with strong anti-communist sympathies led the rebellions (Doeppers, 1972). In short, as far as the Cold War period is concerned, it is safe to state that all of the bloody events early in the period following Indonesia's independence were a part of American counterrevolutionary actions carried out on a global scale. It is also fair to state that these events were an exercise of US imperialism.

2.2. The Global Accumulation and the State in New Order and After

2.2.1. Major Features of Accumulation

If we consider that capitalism is a social relation and this relation is hierarchal in nature, then the 1965 counterrevolution was a manifestation of class struggle that immediately put the country under imperialist control. In dealing with the 1965 economic meltdown—the disruption of the circuit of capital as manifested in the forms of low investment, mounting debt, high inflation, and fiscal catastrophe—the global regime of accumulation reconstituted the map of the national economy and put it on the worldwide and interconnected circuit of capital while attempting to eliminate any threats to the cross-border capital flow. The imperialist force via supranational state systems and state-like multilateral institutions (International Monetary Fund, the World Bank, etc.) has advocated for economic liberalization, which implies that macroeconomic policies must address economic growth at a national scale and profit maximization at a corporate scale.

Figure III.3: Indonesia GDP Annual Growth Rate, 1961-2016



Source: World Bank (2017)

The result is clear enough. For decades the country had experienced significant increases in its national economy measured by the constant growth of Gross Domestic Product (GDP),[32] which is best characterized as a portion of "the [gross] global product" captured by an individual country (Smith, 2016:278). Based on World Bank data, the average annual GDP growth rate between 1961 and 2016 was around 5.26 percent, with the value of the GDP increasing remarkably since the early 1960s. Measured by the 2010 constant (inflation-adjusted) US dollar, the country's GDP surged from US$ 60.5 billion in 1960 to US$ 1.03 trillion in 2016 (see Table III.4; see also APPENDIX B). This means that Indonesia captured 1.03 percent of the Global World Product (GWP) in 2016, which was around US$ 77.5 trillion. Table III.5 compares selected country-based appropriation of the Gross World Product (GWP). In short, it suggests that regardless of any long-term decline, advanced capitalist countries still pumped out the largest slice of GWP for over six decades.

[32] The World Bank (2017) uses GDP as "the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources." Rather than characterizing this as value added, it is better defined as "value capture." See Smith (2016:226).

While GDP is parallel to the sum total of the value added across economic sectors, it is important to consider the growth of value added in the sectors. The World Bank's World Development Indicators (2017) provide a historical record of value added, and are the source that I used for this study. It is also important to critically highlight the working definition of the concept and to clarify the notion of value added from a Marxist point of view. According to the World Bank, "Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources." The available data provided by the World Bank generally summarizes the value added of three major sectors—service, industry and agriculture. While Marx's view initially referred to the value added to productive sectors that produce surplus value, we should critically consider the Bank's use of the definition and of the sectors. Conceptually speaking, while the service sector, such as wholesale and retail trade, and financial and government services, are producing no value, other services in the transportation and communication categories are typically associated with value production. This implies that while no value added emerges from the former, there is value added of the latter. It is important to address that other service sectors related to health care and education are also part of value creation sectors as far as the private sector directs their operations for profit-oriented purposes. In this respect, the official data of the value added summarized in Figure III.4 needs to be reinterpreted. It suggests the removal of some portions of counted value added arising from non-productive activities of the service sector. In other words, the value added of the service sector in Figure III.4 is misrepresented—the value must be less than the mentioned data. In this respect, official 2012 GDP data (adjusted for taxes and subsides) based on constant local currency provided by Indonesian Statistics (2016), suggests that approximately 22 percent of the accounted gross value added should be removed. This misrepresented value roughly emerges from finance, insurance, wholesale and retail trade, and government services.

The long-term trend for sectoral value added growth reflects a transformation of the Indonesian economy, shifting the economic focus from agricultural to industry. The industrial sector—mining, manufacturing, construction, electricity, water and gas—contributed around 25 percent of total value added in 1960. This increased to 40.54 percent in 2016. In the same time period, the value added contribution of the agricultural sector dropped significantly from 38.33

percent to 12.83 percent. Figure III.4 compares the long-term value added trend measured in percentage of GDP in modern economic sectors.

Table III.4: Indonesia: Historical Record of GDP Growth (in Constant US$ 2010), 1960-2016

Year	Value (US$ billion)	Per Capita	Year	Value (US$ billion)	Per Capita
2016	1,037	3,974	1987	254	1,480
2015	988	3,827	1986	242	1,438
2014	942	3,692	1985	228	1,386
2013	897	3,560	1984	223	1,382
2012	850	3,415	1983	208	1,320
2011	801	3,262	1982	200	1,296
2010	755	3,113	1981	195	1,297
2009	710	2,970	1980	181	1,230
2008	679	2,876	1979	165	1146
2007	640	2,750	1978	153	1,096
2006	602	2,621	1977	144	1049
2005	571	2,519	1976	132	989
2004	540	2,416	1975	124	948
2003	514	2,333	1974	118	926
2002	491	2,257	1973	109	883
2001	469	2,190	1972	101	838
2000	453	2,143	1971	94	804
1999	432	2,071	1970	88	771
1998	428	2,084	1969	82	737
1997	493	2,433	1968	77	708
1996	471	2,357	1967	69	656
1995	437	2,219	1966	68	665
1994	404	2,083	1965	66	665
1993	375	1,968	1964	66	676
1992	352	1,878	1963	63	670
1991	331	1,794	1962	65	704
1990	309	1,707	1961	64	710
1989	288	1,620	1960	60	690
1988	268	1,536			

Note: Aggregates are based on constant 2010 US dollars.
Source: World Bank (2017)

National economic growth indeed results from an important factor—the expansion in investment,—which is nothing but a surface expression of capital accumulation. This accumulation can be measured by the country's growth of gross capital fixed formation and gross capital formation. The World Bank employs the term of "gross fixed capital formation" or "gross domestic fixed investment" to include land improvements, plant, machinery and equipment purchases, and the construction of roads, railways and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings (2017).

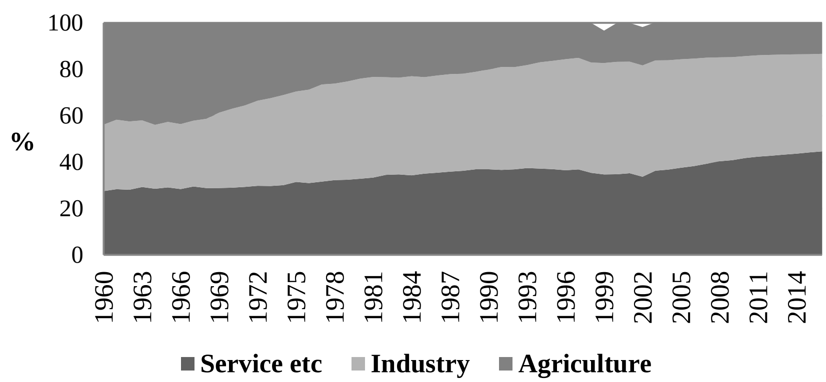
The World Bank also defines "gross capital formation" or "gross domestic investment" as "outlays on additions to the fixed assets of the economy plus net changes in the level of inventories" (2017). We have witnessed that the gross fixed capital formation in constant 2010 US dollars reached US$ 334.6 billion in 2016, increasing from US$ 4.6 billion in 1960. At the same time, the gross capital formation reached US$ 349.9 billion in 2016, surging from US$5.6 billion in 1960. The shares of the gross fixed capital formation to GDP surged from 7.38 percent in 1960 to 32.56 percent in 2016. Gross capital formation to GDP increased similarly from 7.38 percent in 1960 to 34.29 percent in 2016 (World Bank, 2017). Figure III.5 illustrates the growth rate of gross capital formation and gross capital fixed formation over the last five decades. Between 1960 and 2016, the average growth rates of gross capital formation and of gross fixed capital formation were around 23.40 percent and 21.94 percent, respectively.

Table III.5: Percentage Distribution of Gross World Product (GWP) Appropriated by Selected Countries, 1960-2016

	1960	1970	1980	1990	2000	2010	2016
OECD countries	77.79	79.62	76.86	77.3	76.41	67.63	63.89
EU countries	36.77	35.57	33.24	31.22	29.57	25.76	23.61
United States	27.48	25.1	23.44	23.91	25.42	22.68	21.73
Japan	7.1	10.1	10.68	12.35	10.69	8.64	7.79
China	1.13	1.86	1.22	2.18	4.47	9.24	12.25
India	1.21	1.06	0.97	1.22	1.6	2.51	3.17
Brazil	2.16	2.38	3.62	3.14	3.07	3.34	2.88
Indonesia	0.53	0.46	0.65	0.81	0.98	1.14	1.03
GWP in US$ billion	11,199	19,039	27,843	37,894	50,001	65,954	77,526

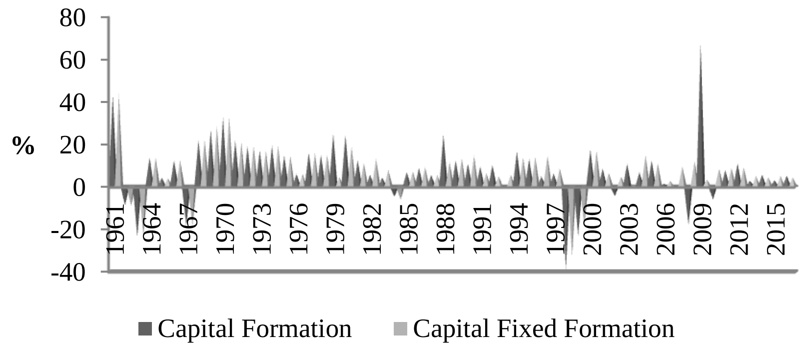
Source: World Bank (2017)

Figure III.4: Indonesia: Sectoral Value Added Trends (Percentage of GDP) in Constant USD 2010, 1960-2016



Source: Derives from Word Bank (2017)

Figure III.5: Indonesia: Growth Rate of Capital Formation and Capital Fixed Formation, 1961-2016



Source: Derives from World Bank (2017)

2.2.1.1 The Circuit of Globalized Capital

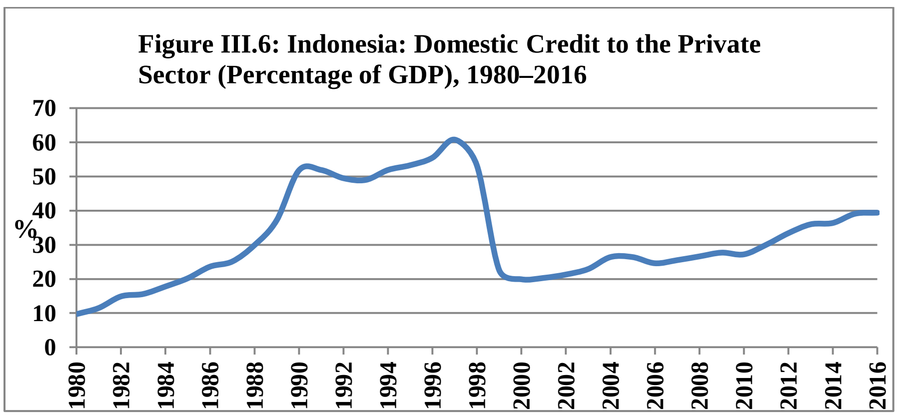
2.2.1.1.1 The First Moment: Finance Capital

In order to adequately characterize the circuit of capital as a whole, I begin with the first moment of the circuit—finance capital. What becomes central is the increasing role of finance capital in the circuit of current globalized capitalist development. This implies that major sources of industrial investment are not just converted internally from retained profits but also generated externally from financial institutions by issuing equities or bonds or taking bank loans. This permits us to highlight the current connections between productive capital and finance capital in the archipelago.

First, faced with a lack of foreign investment, the New Order regime passed Law No. 1 (1967)—a state intervention to encourage foreign investment. Although the law permitted limited entry of foreign banks, the influx of big banks like Bank of America, Chase Manhattan, and the Bank of Tokyo, among others, to Indonesia by the late 1960s underscored the rebirth of the favourable climate for foreign finance capital. State intervention in favour of the presence of foreign banks followed the introduction of banking liberalization in the 1980s. The result was the explosion of new private banks and joint venture banks with foreign investors.[33]

[33] Following the banking reform, the number of domestic private banks reached 1,991 in 1991, rising from 61 in 1988. At the same time, the number of branches of private domestic banks exploded—from 559 in 1988 to 2,639 in 1991. Foreign private banks also expanded in the same period—from 11 to 29 (see Pangestu, 2003). For further discussion on bank reform in the late 1980s, see Cole and Slade (1996). For a discussion on the development of banking sectors prior to the reform, see Dickie and Layman (1988).

I would also like to highlight the role of bank credit in the circuit of capital. As the major task of a bank is to provide credit and collect interest, we must consider banks' domestic credit to the private sector as a part of the whole accumulation. It is easy to see the pivotal role of credit, which refers to "financial resources provided to the private sector by other depository corporations (deposit taking corporations except central banks), such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable" (World Bank, 2017). Measured by ratio to GDP, we have witnessed the significant growth of bank credit to the private sector in Indonesia during the past several decades. Between 1980 and 2016, the annual average percentage of GDP reached 29.16 percent. Banking reforms in the 1980s generated the explosive growth of the ratio as shown by Figure III.6. In 1997, the ratio was 57.11 percent, skyrocketing from 8.94 percent in 1980. Due to the capitalist crisis in the late 1990s, it dramatically dropped to 17.03 percent in 2001 before gradually recovering to 33.11 percent in 2016.



Source: Derives from World Bank (2017)

In the early years of the New Order, foreign banks' outstanding credit increased from IDR 96.1 billion in 1973 to IDR 183.5 billion in 1977, representing a nine percent and five percent total value of outstanding bank credit in these years. The total value of outstanding bank credit covered productive, commerce and other sectors (Suharto, 1978). In 1997, the outstanding credit of foreign banks and joint banks reached IDR 48.6 trillion (nine percent of GDP) or 13 percent of the total outstanding bank credit (BPS, 2001:434). Recently, corporations, especially in productive sectors, have increasingly obtained loans, including offshore loans for financing lucrative domestic investments. By 2013, the total value of outstanding bank credit reached IDR

3,127.3 trillion (32.75 percent of GDP) rising dramatically from IDR 143.3 trillion (43 percent of GDP) in 1993 (BPS, 2015c; BPS, 2001).

As shown in APPENDIX C, the number of banks and their branches dramatically increased during the past 30 years. This allowed banks to not only provide better services to other sectors, but also to pump out more profits, mostly in the form of interest. By 2014, the combined profit of all banks was around IDR 97.69 trillion.

In addition, a series of financial reforms in the late 1980s increasingly involved large enterprises in productive sectors in the financial sector. Major domestic corporations such as Astra International, Salim, Sinar Mas, Djarum and others considerably extended their businesses into the banking sector. Prominent private banks like Bank Central Asia (BCA), Bank Summa and Bank Sinarmas have become a wing business of these major groups. Prior to the 1997 crisis, these banks often violated legal lending limits when financing their own group's investments (Pangestu, 2003). They have also diversified their businesses into lucrative non-bank financial services, such as insurance, leasing and others.

Second, the role of the capital market—both stocks and bonds—has notably grown. The liberalization of the capital market since the late 1980s (Cole and Slade 1996:147–98) has fueled the inflow of global capital for financing domestic investments, especially in productive sectors. For the purpose of expansion, many corporations, including productive firms, are listed on the Indonesia Stock Exchange (IDX), selling stocks (equity) and bonds (debt). Since the late 1970s, some subsidiaries of foreign corporations have placed shares on the Jakarta Stock Exchange (JSE). These included the subsidiaries of transnational firms that had operated in the country for decades, including PT BAT Indonesia, PT Goodyear Indonesia, and PT Unilever Indonesia (Dickie and Layman, 1988:197). Capital market reform brought many diverse corporations to list on the JSE and the Surabaya Stock Exchange (SSE) in the early 1990s onward, and later the IDX after the former two merged in 2007. This included prominent Indonesia corporations such as Barito Pacific Timber (logging and plywood), H.M. Sampoerna and Gudang Garam (cigarettes), PT Indah Kiat and Inti Indorayon Utama (paper industry), and other sectors (Chia et al., 1992). Also, state-owned enterprises (SOEs) in banking, mining, construction, communications and other sectors have become public companies.[34] There were approximately 521 listed firms on the

[34] In 2013, the combined market capitalization of the top 10 state-owned enterprises (SOEs—PT Telkom, PT Bank Rakyat Indonesia, PT Bank Mandiri, PT Perusahaan Gas Negara, PT Semen Indonesia, PT Bank Negara Indonesia,

IDX in 2015, up from 129 firms in 1990 (Otoritas Jasa Keuangan, 2015; Cole and Slade, 1996). The market capitalization of IDX has skyrocketed over the last three decades. It was about IDR 0.1 trillion (0.1 percent of GDP) in 1987, IDR 193.5 trillion (36.3 percent of GDP) in 1996, IDR 1,988.3 trillion (50.2 percent of GDP) in 2007 (Ross et al., 2011:333), and IDR 5,228.04 trillion (49.48 percent of GDP) in 2014 (Otoritas Jasa Keuangan, 2016b:6). This growth not only generates economic growth on a national scale but also pumps out robust profits and redistributes them to varied sections of capital.

2.2.1.1.2. The Second Moment: Global Investment

The second moment in the global circuit of capital is the internationalization of production. The inflow of foreign direct investment as a feature of this internationalization represents a vital moment for the circuit as a whole. I would argue that states engaged in peripheral capitalism like Indonesia are vulnerable to the global hierarchical order of capital that regulates the FDI flow. It is not surprisingly that the Indonesia state has pushed out policies designed to attract foreign investment over the last five decades. Despite some restrictions, state policies put in place since the rise of the New Order have generally given businesses confidence to invest in the country. These circumstances began immediately after Suharto took power. In the early days of his tenure, the new regime returned to their owners several transnational companies previously expropriated by the Sukarno regime, including two Anglo-Dutch multinationals—Unilever and Royal Dutch Shell (Sluyterman, 2005:170; White, 2012). The Suharto regime sought to encourage FDI by passing a very liberal law called Law No. 1 (1967). The decline of the international oil price in the 1980s pushed the government to further liberalize foreign investment through a series of policies. The Law and policies initially offered an attractive business climate with fiscal incentives like tax holidays, depreciation allowances, tax exemptions on the import of capital goods, and the unrestrictive repatriation of profit and capital. The government also offered favourable conditions for foreign ownership; the entry of Freeport, a US mining corporation, into West Papua in 1967, is a result of these efforts.

Forty years later, in order to attract more foreign investment, the Government passed a new investment law called Law No. 25 (2007). Despite some barriers—growing economic

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PT Bukit Asam, PT Aneka Tambang, PT Garuda Indonesia, and PT Krakatau Steel—reached IDR 992 trillion (see *Forbes Indonesia*, August 2013).

nationalism, legal uncertainty, and a negative list of protective sectors—this law adequately provides sufficient protection to foreign investment from expropriation, mandating that investors receive compensation at the market value of any assets that the government takes over or nationalizes. The Law also offers foreign investors a better investment climate, including non-discriminatory treatment, the right to make international currency transfers, repatriate earnings, dividends and profits, buy inputs, reimburse loans, and establish contracts with foreign technical assistance, tax incentives, and so on. On the top of this, the available access to abundant and cheap labour and the state regulations around employment have become principal ingredients for global capital accumulation. Not surprisingly, the country has generated an increasing inflow of FDI since the early years of the New Order. From 1967 to March 1978, Suharto approved 782 foreign-funded projects with FDI totaling US$ 6.6 billion. Of these projects, 589 were realized, valued at US$ 3.4 billion. The Suharto administration concluded that the Investment Law's introduction resulted in this achievement (Suharto, 1978:278–83). As detailed in Table III.6, the inflow of FDI has increased over the last several decades. The average annual share of FDI to gross fixed capital formation between 1970 and 2015 was 4.53 percent. It also shows that FDI stocks sharply increased from about 5.38 percent of GDP by 1980 to 25.80 percent of GDP by 2015.

Some features around the geography of FDI are apparent. First, the inflow of capital has significantly shifted from the Dutch to other leading capitalist countries. While the Dutch played a vital role in FDI prior to the late 1950s, US and Japan-based companies have dominated export capital since the New Order. From 1967 to 1985, Japan's share of FDI was 21 percent, while the US held the largest share at 58 percent. Prior to the late 1990s crisis, as the largest country in the export of capital, Japan shared 25.57 percent of total value of the approval FDI in 1996 (BPS, 1999:72). However, the global outflow of FDI from these two countries with Indonesia as a destination is very marginal (see APPENDIX D). In this respect, Indonesia just reflects the general long-term trend in the global flow of FDI where developed countries remain the major destination of global FDI inflow (Fuchs, 2010). Singapore recently became the largest source of FDI. The share of this tiny but rich country was around 31.58 percent of the total value between 2004 and 2012, leaving Japan with 26.61 percent (UNCTAD, n.d.). Globally, Indonesia is one of Singapore's top four targets for FDI, and by 2014, the country's FDI in stock in the archipelago was about S$ 46.3 billion or about 7.7 percent of the total value of Singapore FDI stock abroad (Republic of Singapore, n.d.).

Second, due to the uneven geographical development of capitalism, there has been uneven geographical distribution of FDI inflow within the archipelago, with a high concentration in Java. During the New Order and in the period from 1967 to 1997, Java shared 64.21 percent of the total value of FDI inflow to the archipelago. Between 2010 and 2014 when FDI inflow expanded exponentially in the country, Java's share was 59.83 percent (BPS, 2016a:72), largely due to plentiful and cheap labour as well as better quality infrastructure (roads, railways, electricity, telecommunication, ports, airports, etc.). It is for this reason that the outer islands have mostly hosted FDI in extractive sectors such as mining, oil and gas and these foreign investors have spent much more on infrastructure.

As Indonesia's economy is increasingly underpinned by foreign investment, let us consider the inflow of FDI in manufacturing. This sector has played a vital role in the country's economic development; it has been the largest share of the country's GDP over the last two decades (see APPENDIX B). This emerged in part from the fact that during the early years of the New Order, the Suharto regime attracted foreign investment in this sector. From 1967 until March 1978, the value of the FDI investment in manufacturing reached US$ 1.7 billion or 50.7 percent of the total value of approved FDI. The investment consisted of a wide range of processing goods including food, beverages, cigarettes, metal, machinery, textiles, electrical goods and chemical products (Suharto, 1978:279, 282). Recently, between 2010 and 2015, the average annual share of manufacturing in the country was about 42.63 percent of the total value of FDI realization, with the largest contributions in the metal, machinery and electronic industries at about 21.91 percent of total FDI in manufacturing. The chemical and pharmaceutical industries as well as the vehicle and other transportation equipment industries shared 19.91 percent and 16.87 percent, respectively (BKPM, n.d.).

In order to measure the contributions of manufacturing to the national economy, we should consider this industry's value added. Defined as "the net output of a sector after adding up all outputs and subtracting intermediate inputs [that] are calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources" (World Bank, 2017), the average annual growth of manufacturing value added in the country was around 6.92 percent from 1984 to 2016. Official statistics also show that, measured by constant 2010 US dollars, the manufacturing value added was around US$ 221 billion (or 21.26 percent of GDP) in 2016. The figure increased over the last three decades: US$ 37 billion in 1986, US$ 104 billion in 1996, and US$ 143 billion in 2006 (World Bank, 2017). There has also been notable growth in the value added of manufacturing related to multinational corporations (MNC). Between 1992 and 1996, metal products and machinery production had the largest production value with a 30.12 percent share of the total value added in the manufacturing sector, increasing from 20.95 percent (1975 to 1985) and 26.38 percent (1986 to 1991) (Ramstetter and Fredrick Sjöholm, 2006:10–11). Between 1970 and 2013, the annual average share of the manufacturing sector for wood and related products (ISIC division 20), paper and related products (ISIC divisions 21 and 22), petroleum and related products (ISIC division 23), basic metals and mineral products (ISIC division 27), fabricated metal products and professional goods (ISIC division 28), and other industries (ISIC divisions 25, 26, 31, 33, 36 and 37) to value added in the manufacturing sector as a whole was around 33.16 percent. At the same time, these sectors—food, beverages and tobacco, textiles and clothing, machinery and transport equipment, and chemicals—shared 29.55 percent, 14.72 percent, 11.50 percent, and 11.05 percent, respectively (see APPENDIX E).

It has been widely argued that the national policy that fostered shifting from import substitution industrialization (ISI) to export-oriented industrialization (EOI) was the major factor that spurred the growth of manufacturing. The policy itself, as the World Bank and the International Monetary Fund suggest, initially responded to the remarkable 1980s decline in oil price that seriously impacted the country's export earnings. Not surprisingly, the World Bank in its report, *The East Asian Miracle: Economic Growth and Public Policy*, glorified Indonesia, along with Thailand and Malaysia, as the "newly industrializing economies (NIEs)," touting the archipelago as a successful example of a country with an export-oriented growth strategy before its fall into a devastating crisis in the late 1990s (World Bank, 1993).

2.2.1.1.3. The Third Moment: Production Process

The third moment of the globalized circuit of capital is the production process. This is the most vital dimension of the internationalization of production. It is vital for two reasons. First, it refers, indeed, to the productive sector, which produces value and is at the centre of labour exploitation and class struggle. Second, this production of value takes place outside the home country of the corporation but remains under its control. In other words, it exploits labour in another territorial jurisdiction, thus perpetuating class struggle outside of its national boundaries. Geographically speaking, this is the production of value taking place on an international scale.

Table III.6: FDI Inflow and Stock in Indonesia (in Current Prices), 1970-2015

Year	FDI Inflow (US$ Million)	Percentage of Gross Fixed Capital Formation	FDI Inflow Stock (US$ Million)	Percentage of GDP
2015	16,641	5.82	222,410	25.80
2014	21,811	7.52	217,487	24.42
2013	18,817	6.45	230,799	25.29
2012	19,138	6.37	211,634	23.06
2011	19,241	6.88	184,804	20.70
2010	13,771	5.88	160,735	21.29
2009	4,878	2.82	108,796	18.94
2008	9,318	6.40	72,228	13.30
2007	6,928	6.24	79,927	17.37
2006	4,914	5.42	54,534	14.05
2005	8,336	11.97	41,187	13.53
2004	1,896	3.19	15,858	5.80
2003	-597	- 1.26	10,328	4.13
2002	146	0.37	7,117	3.41
2001	-2,977	- 9.11	15,203	8.87
2000	-4,550	- 13.43	25,060	14.23
1999	-1,838	- 6.18	29,555	18.00
1998	-207	- 0.83	31,393	28.12
1997	4,729	7.51	31,600	12.52
1996	6,245	9.00	26,871	10.10
1995	4,419	7.46	20,626	8.72
1994	2,191	4.36	16,207	7.83
1993	2,003	4.68	14,016	7.58
1992	1,799	4.87	12,013	7.38
1991	1,482	4.16	10,214	6.81
1990	1,092	3.27	8,732	6.52
1989	682	2.46	7,640	6.44
1988	576	2.46	6,958	6.70
1987	385	1.98	6,382	7.19
1986	258	1.30	5,997	6.40
1985	308	1.48	5,739	5.62
1984	222	1.10	5,431	5.30
1983	292	1.32	5,209	5.22
1982	225	0.91	4,917	4.45
1981	133	0.58	4,692	4.36
1980	180	1.15	4,559	5.38
1979	226	2.04	n/a	n/a
1978	418	3.84	n/a	n/a
1977	235	2.47	n/a	n/a
1976	748	9.39	n/a	n/a
1975	1,292	20.23	n/a	n/a
1974	182	4.08	n/a	n/a
1973	581	19.37	n/a	n/a
1972	254	11.91	n/a	n/a
1971	299	19.61	n/a	n/a
1970	145	11.25	n/a	n/a

Source: UNCTAD (n.d.)

Two major factors underpin cross-border value making. First, it is in the interest of corporations to generate a higher rate of profit by pressing down the cost of labour. This offshoring of production is largely due to class struggle leading to an increase in labour costs (wages) in the home country. This is the essential unreconciled constraint faced by capital across its whole career. Second, under the market imperative, it is the interest of the state, especially in the host country, to generate revenue in the form of taxes derived from value making. In doing so, the state should take into account the pro-investment policies concerning, among others, property rights, taxes, imports-exports, infrastructure, wages and so on. States must compete against each other to have better policies in order to attract FDI. While the state could deal with other policies, the wage, the living labour, is crucial. The state may cope with the matter on a short-term basis, but not in the long term—it is unreconciled matter. However, the historical peculiarities of capitalist development in each country give rise to different trajectories of class struggle that affect FDI.

What we need to take into consideration is that it is necessary to situate the significant growth of FDI within the substantial feature of capitalism. It is about labour exploitation in the space of commodity production. This characterizes the underlying contradiction of hierarchal capital-labour relations. In this vein, the factor that pushed the expansion of foreign capital was nothing more than an attempt of corporations to search for a high rate of profit based on the exploitation of cheap labour.

The above discussion implies that endless class struggle is the driving force of the geographical expansion of capital (Peet, 1984; Peet, 1983). In this vein, Japan's overseas investment in manufacturing, for instance, was a part of its strategy to secure its global competitiveness by offshoring its consumer goods industries to Indonesia and other countries in the region with abundant cheap labour since the success of Japan's post-war industrialization led to domestic wage increases (Burkett and Hart-Landberg, 2000). This is similar to the significant shift of South Korean capital to Indonesia from the late 1980s onward. Driven by growing class struggle in export-based manufacturing inside South Korea at this time, industrialists offshored manufacturing to Indonesia where the Suharto regime provided conditions for sustained cheap labour, including tighter labour controls (Lee, 1997; Shin and Lee, 1995). In this context, with subcontracting and outsourcing as underlying faces of the current global production networks, South Korean but also Taiwanese firms have become subcontractors of famous transnational brands by offshoring their operations to Indonesia. Indeed, one of the principal faces of peripheral capitalism is the production of commodities for the global market fuelled by low labour costs.

Table III.7: Indonesia: Historical Record of Merchandise Exports, 1967–2016

Year	Merchandise Exports (current US$ Billion)	Ore & Metals (Percentage of Merchandise Exports)	Manufacturing (Percentage of Merchandise Exports)	Fuel (Percentage of Merchandise Exports)	Food (Percentage of Merchandise Exports)	Raw Agricultural Materials (Percentage of Merchandise Exports)
2016	144.8	5.72	47.66	19.30	22.48	4.76
2015	150.3	5.52	44.65	23.21	21.65	4.93
2014	176.2	4.77	40.93	29.17	20.27	4.82
2013	182.5	7.10	37.80	31.62	17.66	5.79
2012	190.0	6.34	36.17	33.59	17.91	5.94
2011	203.4	7.84	34.16	34.14	16.32	7.52
2010	157.7	9.86	37.49	29.72	16.36	6.53
2009	119.6	9.16	40.58	28.42	17.29	4.52
2008	139.6	7.96	38.81	29.10	17.68	6.43
2007	118.0	10.71	42.92	25.38	14.70	6.25
2006	103.5	9.96	44.68	27.24	11.68	6.41
2005	86.9	8.46	47.17	27.61	11.68	5.05
2004	70.7	6.43	50.48	25.79	12.29	4.98
2003	64.1	5.72	52.11	25.77	11.37	4.95
2002	59.1	5.26	54.42	24.41	11.50	4.33
2001	57.3	5.48	56.42	25.52	8.94	4.60
2000	65.4	4.92	57.12	25.37	8.94	3.61
1999	51.2	4.70	54.44	22.97	11.82	3.76
1998	50.3	4.41	44.98	19.06	11.40	4.52
1997	56.2	4.75	42.34	24.64	11.41	4.63
1996	49.8	5.70	51.43	25.83	11.19	4.83
1995	45.4	5.98	50.61	25.36	11.39	6.63
1994	40.0	4.16	51.83	26.36	12.74	4.87
1993	36.8	3.54	53.08	28.35	10.83	4.17
1992	33.9	4.24	47.52	33.33	10.23	4.64
1991	29.1	4.21	40.79	38.51	11.26	5.19
1990	25.6	4.38	35.45	43.98	11.15	5.01
1989	22.1	6.51	31.94	40.23	12.03	9.27
1988	19.4	6.41	29.74	39.50	13.82	10.50
1987	17.1	4.43	25.02	48.98	12.18	9.37
1986	16.0	4.55	19.29	54.75	13.58	7.72
1985	18.5	4.25	13.03	66.59	9.96	5.97
1984	21.9	3.57	10.05	71.65	7.27	6.69
1983	21.1	3.50	6.52	76.35	6.16	6.32
1982	22.2	3.06	3.62	82.41	4.86	5.76
1981	22.2	3.61	3.02	79.80	5.07	8.21
1980	21.9	3.92	2.28	71.85	7.64	14.14
1979	15.5	3.73	2.87	65.20	9.60	18.32
1978	11.6	3.44	1.77	68.59	10.84	15.17
1977	10.8	3.45	1.63	67.98	12.23	14.56
1976	8.5	3.41	1.39	70.28	9.11	15.73
1975	7.1	3.52	1.19	74.87	8.05	12.31
1974	7.4	4.32	0.82	70.17	8.05	16.50
1973	3.2	4.34	1.88	50.10	12.58	30.82
1972	1.7	4.95	1.72	51.36	16.99	24.58
1971	1.2	4.86	1.40	39.84	22.12	31.36
1970	1.1	11.41	1.15	32.82	19.56	34.78
1969	0.8	5.54	1.36	47.34	16.26	28.87
1968	0.7	5.96	1.44	40.70	23.92	27.77
1967	0.6	8.19	2.08	36.00	23.51	28.51

Source: Derives from World Bank (2017)

2.2.1.1.4. The Fourth Moment: Realization

Central to the ongoing discussion revolving around the circuit of capital is the moment called realization. This refers to revenues stemming from the international and domestic trade of commodities. In the course of global capitalism, the export of goods and services are the principal features of realization, and a major barrier to realization is the cross-border flow of goods and services. This can be dealt through bilateral and multilateral agreements between countries where reducing or dropping tariffs lowers the cost of circulation and increase profits. The formations of the Association of Southeast Asian Nations' (ASEAN) Free Trade Area and of the ASEAN-China Free Trade Area, among others, are striking examples of common solutions to deal with goods and services' barriers.

In the context of Indonesia, all agreements generate exports. The export of goods and services as a share of Indonesia's GDP has increased remarkably. It was about 8.24 percent in 1967, 26.16 percent in 1997, and 19.08 percent in 2016 (World Bank, 2017). Merchandise exports (in current US dollars), which represents freight on board (FOB) value of goods, skyrocketed from US$ 665 million in 1967 to US$ 56.2 billion in 1997 and US$ 144.8 billion in 2016. Although its share of total merchandise exports has declined, in the long term, it is fuels—mineral fuels, lubricants and related materials—have and will continue to play a pivotal role in merchandise exports. At the same time, manufacturing exports have increased in importance, surpassing the contribution of fuels since 1991 (see Table III.7). In 2016, manufacturing exports accounted for 47.66 percent of merchandise exports, climbing dramatically from 2.8 percent in 1967. Manufacturing as defined here consists of commodities related to chemicals, basic manufacturing, machinery and transportation equipment, and miscellaneous manufactured goods, but excludes non-ferrous metals.

At the level of corporations, we may use revenue to characterize realization. Let us take *Globe Asia*'s top 100 largest conglomerates in Indonesia as our case. The total revenue of these corporations was about US$ 149.7 billion (17.06 percent of GDP) in 2012 (*The Globe Asia*, August 2012).

It is important to note that as in colonial times, the export of resource-based commodities continue to be the major contributor to the country's exports. The export of oil and gas, among other products, has become the main source of foreign exchange earnings since independence (see APPENDIX F). From the mid-1970s to the mid-1980s, this important branch of the extractive industry held an important share of total exports before it reversed and started to drop in the late 1980s. Recently, oil and gas share about 10 percent of 2016 exports compared to 70 percent in 1976. Indeed, oil and gas are not the industries that are affected. Take the export of timber, which contributed 28 percent of total value exports in 1973 before dropping to eight percent in 1980 (Gillis, 1987:64–65). Since the mid-2000s crude palm oil (CPO) has become one of the country's main exports, accounting for 10.92 percent of total value exports in 2013, a dramatic climb from 1.65 percent in 1996 (BPS, 2016b).

2.2.1.2. The Growth of the Domestic Capitalist Class

In the midst of capitalist development in Indonesia, we have also witnessed an impressive growth of the capitalist class dubbed as domestic, indigenous and the like (Robison, 1986). The emergence and development of this class should be situated within the historical context of the underlying growth trends of foreign and domestic investment in the last several decades. From the (neo-) liberal standpoint, this class is characterized as the crony capitalist class. The major argument is that the most prominent figures come from leading merchant families whose businesses were developed and strengthened thanks to close connections with key figures within the holders of power.[35] This class has cultivated relationships within those apparatus to gain contracts related to public infrastructure projects (e.g., highways and roads, electricity, ports, water supply, etc.) to develop joint ventures with foreign, domestic and state-owned companies, and to have exclusive licenses in lucrative sectors including exports and imports (see Robison, 1986; Robison, 1996; MacIntyre, 2000). Among others, the close connection between tycoon Sudono Salim and Suharto and his family members is the best example (*Time*, 24 May 1999; Dieleman, 2007). Since the ousting that ended Suharto's 32-year presidency, this pattern of oligarchy has remained in place (Robison and Hadiz, 2004; *The Economist*, 7 May 2016) and even expanded across the archipelago. In short, this class is heavily dependent on the parasitic nature of the state apparatus.

[35] The origins of this form of connection dates back to the time of Revolution. By this time, many individual Chinese merchants or Chinese-owned firms had business deals with powerholders, either civilians or regional military officers. Their businesses included those that bought and sold commodities as well as those engaged in smuggling and bartering (see Yang, 1998:266–282).

From a class point of view, it is necessary to conceive the presence of this section of the capitalist class through a broader lens of capital accumulation. As this class is primarily concerned with relations of exploitation, let's consider some of its characteristics. To start, we need to consider the population of this class in the contemporary era. Based on the 2010 Population Census, Statistics Indonesia (BPS) shows that the percentage of Indonesia's population aged 15 and over who run their own business employing wageworkers is around 3.40 percent, or approximately 3.5 million people (BPS, 2012; see also APPENDIX G). A small number like this can still be a capitalist class in nature and it reflects Indonesian society's current class structure—a tiny group of people that controls productive force and production relations across all economic sectors. What the statistics fail to reveal is the scale of the capitalist class: small, medium or large. They largely occupy various sections of the productive, commerce and finance sectors. With easy access to financial institutions, this class has the opportunity to invest in a wide range of business activities including industries, government-funded projects, retail businesses, hotels and restaurants, transportation, and other services.

The vast majority of this class is small and medium-sized bourgeoisie who operate in diverse business sectors. They begin initially with small and medium-sized enterprises (SMEs) engaged in the production and sale of finished goods and services. The urban-based features of this business typically refer to contractors or suppliers for local government in sectors related to the construction industry—roads, commercial buildings, housing and the like—while others provide goods and services for large corporations. This class also engages in manufacturing, especially furniture, clothing and footwear as well as running auto repair shops and engaging in appliance repair. Others have local hotel and restaurant businesses; a vast number of bourgeoisie shop owners run grocery stores. Rich peasants emerging from their own peasant societies who regularly employ wageworkers in different kinds of agriculture production in the countryside are also members of this class. These rich peasants reflect what Lenin calls "peasant differentiation" (1964).

SMEs have some common features. Low labour productivity is one of the major features, emerging from the fact that most enterprises do not use labour-saving technology. These businesses are typically characterized by labour intensive or hard physical work, poor pay, a gender pay gap, irregular and long working hours, and a nonunionized environment. To some extent, SMEs rely on what Marx (1976) calls the appropriation of absolute surplus value under capitalism.

Under the logic of capital accumulation, I would argue that only a few members of this capitalist class play a vital role in all of the segments of capital. Rather, this class, with its very small membership, is at the top of the economic pyramid. They run the large-scale groups monopolizing diverse business sectors, including certain branches of manufacturing, large-scale plantations, wholesale businesses, banking, insurance, information and telecommunications, mining, electricity, construction, media, aviation, education and health care, among others. The individuals who are in charge of the country's leading business groups like Salim, Sinar Mas, Djarum, Lippo, Gudang Garam, and Bakrie are core members of the capitalist class who have amassed great wealth in the process.[36] Some have expanded their business activities outside of the country and no longer have an exclusive position as national, domestic or other kind of passport-based capitalist class. Rather, they are members of the transnational capitalist class or Southeast Asian capitalist class who take part in the accumulation of capital in the region.

In the course of accumulation, two interrelated factors give rise to the class. First, the class rises and grows through a concentrated process, meaning that their wealth results from the perpetual reinvestment of profit. In other words, the capitalist enlarges the scale of operations by continuously converting profit and surplus labour into capital over a long period of time. Thus, the exploitation of labour is a necessary condition for this class' existence. Among others, a historical condition underpinning this exploitation is the overthrow of the left political party, the PKI, which effectively eliminated the revolutionary potential of the working class. It thus provides the conditions necessary for this section of the capitalist class to accumulate based on the exploitation of cheap labour. This makes it possible for this class to invest and expand in productive, commerce and finance sectors.

Second, this capitalist class becomes much more powerful through the centralization process, meaning that mergers and acquisitions, especially in so-called 'business cycle' periods, play a decisive role. The acquisition of Bank Central Asia, one of the country's largest private banks, obviously demonstrates the ways in which the centralization process took place in the

[36] While *Forbes* (December 2013) reported that the top 50 superrich in Indonesia have a combined wealth of around US$ 95 billion in 2013, *Globe Asia* (June 2016) reported in 2016 that the 150 richest Indonesians have a combined net worth of about US$ 155 billion. Some of these individuals became world-class billionaires. *Forbes* recently put these tycoons on the world's superrich list. By 2013, *Forbes* included 25 Indonesians in the global list of 1,426 billionaires (*Forbes Indonesia*, April 2013).

midst of the 1990s capitalist crisis. In 1999, Sudono Salim, who had controlled and run the bank for a couple of decades, let it go under the control of the Indonesian Bank Restructuring Agency (IBRA). This government ad-hoc institution then sold its stake to other investors. Recently, the country's richest family, the Hartonos, purchased a 47.15 percentage stake via Farindo Investments (Mauritius) Ltd. Parties and individuals associated with the family's businesses share a 3 percent stake. The Hartono family thus effectively commands the bank, while the former owner, represented by Anthony Salim, owns 1.76 percent equity (Bank Central Asia, 2015:27).

It is important to note that there are others related factors that have fabricated the significant growth of this class. The rapid reintegration of the national economy into global capitalism brought a phenomenal presence to this capitalist class. The increasing internationalization of production, commerce and finance has incorporated this faction of capitalist classes into a cross-border circuit of capital. Forming joint ventures with foreign capital and having access to global financial sources and a global market of commodities has cultivated this class' development. Furthermore, under market discipline, a wide range of state policies regarding labour, land, imports-exports, taxes, finance, capital services, and others have fabricated the growing expansion of this domestic capitalist class. Some members became Southeast Asia tycoons with considerable investments outside of the archipelago that make them members of the transnational capitalist class. At the same time, they have come to compete with other factions of capitalist classes, including the transnational capitalist class, by saving on the cost of production, scaling up production capacity, and by introducing labour-saving technologies. Despite their individual interests, in this competitive battlefield they also share the principal common interest of the capitalist class, which is to protect the system at the expense of the working class through attempts to secure profitability by lowering labour costs.

2.2.1.3. Capitalist Crises

The interruption of the circuit of capital simply means crisis. At the national scale, an economic slump is chiefly indicated by the fall of the GDP and of investments, which emanates from the decline in profit at the scale of corporations. In extreme cases, it leads to bankruptcy, factory shutdowns, layoffs and massive unemployment. In this respect, capital always attempts to overcome a crisis by seeking ways to revive the circuit. For instance, the political turmoil of

1965 and the accompanying regime change is often understood as a counter-attack to the increasing hostility of the Sukarno regime toward the circuit of global capital. An underlying factor underpinning the counter-attack obviously relates to economic liberalization policies. As such, any economic reform is nothing more than a countertendency to the immanent crisis of capitalism. Historically speaking, all economic liberalization schemes are an attempt to deal with the perpetual crises of capitalist development. The introduction of neoliberal architecture in the early 1980s into a landscape of global capitalism was nothing more than a counter-tendency to the economic downturn in the 1970s. This architecture suggests a new characteristic of global accumulation conceived as “financial capitalism” that commands the entire economic process (Peet, 2011). All economic liberalization policies in Indonesia have largely given voice to this pattern. First, in light of the 1980s oil crisis, the Suharto administration pursued further liberalization policies. The global drop in the world oil price in the early 1980s assaulted the country’s earnings from oil exports (see APPENDIX F), which in turn impacted the dictatorial government’s revenues stemming from this industry. The regime utilized these revenues to subsidize state-led industrialization projects such as oil refineries, cement production, aluminum production, and the steel and aircraft industries. The crisis forced the government to employ a raft of liberal policies around the circuits of globalized accumulation concerning production, commerce and finance. This included attempts to burgeon specific capital service like banks and insurance companies to develop capital markets (Rosser, 2002; Dickie and Layman, 1988; Chia et al., 1992).

Second, after a prolonged period of rapid economic growth (1966–96), the East and Southeast Asia capitalist crisis in 1997–98 generated political and social instability. The crises triggered the collapse of Indonesia’s long-ruling dictatorship and led to devastating social unrest marked by profound and growing ethno-religious violence in some regions. Since the IMF blamed acute cronyism and corruption as the crisis’ driving forces, the institution gained momentum to compel Suharto and his successors to accept and implement the IMF recipes of liberalization and deregulation through market-oriented public institutions.[37] For the global ruling class, the crisis largely ascended from barriers of global capital towards a free exploitation

[37] Burkett and Hart-Landsberg fairly describe this contradiction under a Japan-led regional regime of accumulation. The integration of Indonesia and other countries in the region—Thailand and Malaysia—into Japan-led accumulation relied heavily on unsustainable growth due to labour exploitation (see Burkett and Hart-Landberg, 2000:167–78).

of the country's economy. This includes heavy protection in particular sectors, especially those related to businesses run by Suharto's family members or his cronies (*Time* 24 May 1999). Removing the 49 percent foreign equity limit on investment and opening up to foreign investment for palm oil plantations, retail and wholesale trades are key examples of the ways in which the global ruling class controls and determines the agenda of a national government in overcoming a crisis. In this regard, it is important to note that such roles of the state in functioning markets operate not only on a national scale but also on provincial and district scales by which the regional governments compete with each other to open up their regions to the inflow of capital. This has occurred since the implementation of decentralization in Indonesia as the IMF and the World Bank advocated as a part of a crisis exit strategy. As such, the solution to the crisis simply reveals the interests of the global ruling class to demolish all of the barriers of the circuit of capital.

The result is clear enough. Increasing global accumulation has been taking place in the country. Cross-border mergers and acquisitions (M&A) have become a common feature of the FDI inflow. The number and value of cross-border M&A inflow has increased since the early 1990s. The US dollar value of inflow cross-border M&A reached US$ 3 billion in 2015, increasing from US$ 45.8 million in 1991 (see APPENDIX H). Following the late 1990s crisis, there have been some substantial transfers of major corporation groups in Indonesia to new owners, which can be characterized as the transnational capitalist class through cross-border M&A. The Indonesian Bank Restructuring Agency (IBRA), a government institution established as per IMF advice to support post-crisis economic recovery, mediated these transfers. With restructuring corporate debt as one of its major tasks, IBRA divested its controlling stakes in the state bailout of bankrupt corporations to other investors. A striking example is PT Astra International Tbk., one of the country's leading companies, which was established by famous tycoon William Suryadjaya. In 2000, Jardine Cycle & Carriage Limited purchased a 38.4 percent stake from the IBRA. With assets valued at IDR 236 trillion, net revenues of IDR 201 trillion, and more than 225,000 employees, it is one of the largest transnational corporations operating across Southeast Asia. It holds a more than 50 percent stake in Indonesia's largest diversified corporations, ranging from automobile manufacturing to palm oil production (Astra International, 2015). Another important example is Phillip Morris International's (PMI) 2005 acquisition of PT H.M. Sampoerna Tbk, a 100-year-old family company and Indonesia's third largest tobacco company. Morris purchased a majority stake valued at US$ 5.3 billion. Philip Morris Indonesia, a subsidiary of Phillip Morris International, now controls this Surabaya-based company with a 92.50 percent stake (PT HM Sampoerna, 2017:17–18; *Detik.com*, 18 Mei 2005).

In addition, under the logic of neoliberalism, state-owned enterprises (SOEs) have also become a major target of M&A. In 2002, Singapore Technologies Telemedia Pte., Ltd., owned by the Government of Singapore, took over the Government of Indonesia's PT Indonesia Satelit (Indosat) through its purchase of a 41.9 percent stake valued at IDR 5.6 trillion (*Tempo.co*, 25 Agustus 2003; *MBM Tempo*, 9 Januari 2006; Indosat, 2005:3). This deal was a part of the Indonesian government's efforts to privatize SOEs in order to make up a serious budget deficit. In 2008, Qatar Telecom (Qtel) bought Singapore Technologies' stake and purchased a further 24.19 percent of public stakes in the following year, making Qtel the largest investor. After its rebranding as Ooredoo and its expansion to become one of the world's largest telecommunication corporations, it now owns 65 percent of Indosat, with the Government of Indonesia holding a 14.29 percent stake (PT Indosat, 2009; PT Indosat, 2018; *MBM Tempo*, 8 Juni 2008; *Reuters*, 7 June 2008). All of these examples suggest that the globalized centralization of capital orchestrated by the transnational capitalist class within the national territory of Indonesia is well underway.

2.2.1.4. Capitalist Contradictions

We can now turn to the underlying feature of capitalist contradiction—unsustainable growth. Particular to Indonesia, three major issues are immediately apparent. First, the development of capitalism in the archipelago has resulted in a remarkable wealth gap among members of society. Capitalism progressively creates wealth in society, but that wealth is unevenly distributed. During "Indonesia's economic miracle," the wealth of 'nation' was concentrated in the hands of a tiny and superrich ruling class, most of whom had links with Suharto. In 2016, *GlobeAsia* magazine published a special report on the "150 Richest Indonesians," detailing that their combined net worth was about US$ 155 billion in 2015 (*GlobeAsia*, June 2016) or about 17.98 percent of the country's GDP. History has shown that economic progress under capitalism just enforces social inequality. According to Statistics Indonesia, the number of Indonesians living under the poverty line reached 28.59 million in 2015—11.22 percent of total population (2015a). These statistics also tell us that this number declined from around 70 million (60 percent of total population) in 1970. However, if one employs a higher standard to define the poverty line, it may be around 100 million individuals who struggled to survive on less than US$ 2 per day in 2015 (*The Jakarta Post*, 8 October 2015). The line itself offers only one side of the story of poverty and is thus open to critique. With the profound accumulation of wealth in the hands of one section of capitalist class, it is the majority of the Indonesian working class who generate the wealth and are threatened by poor working conditions, earn less than living wage, face uncertainty over employment contracts, and vulnerable collective bargaining power. Simultaneously while the existing system of exploitation concentrates the wealth in the hands of the few, it also keeps the overwhelming majority of workers outside the formal sectors in the agricultural reserve army of labour, urban informal proletariat, and the like. As mentioned earlier, the value of all commodities arises from human labour, or the working class initially creates wealth in society, as measured by GDP. In fact, they just pay all of the costs for the wealthiest in society. Marx describes this contradictory fact in *Volume One* of *Capital*: "Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, the torment of labor, slavery, ignorance, brutalization and moral degradation at the opposite pole, i.e., on the side of the class that produces its own product as capital" (Marx, 1976:799).

Second, the accumulation of capital in the form of land-based industries has seriously assaulted millions of independent poor producers. It has systematically dispossessed and changed their relations to the land. In the countryside, mostly in the outer islands, the expansion of large-scale extractive capital—primarily oil and gas, minerals, industrial timber plantations, timber concessions, and palm oil plantations—has resulted in land expropriation. In this respect, state direct regulations have played a vital role. Despite regulatory changes over time, the state has intentionally employed the idea of "waste land," reflecting the widespread process of enclosure in various manifestations. It effectively neglects the existing non-capitalist claims on land, inherited from the spirit of the Dutch's 1870 Agrarian Law.[38] As a result, this process has not only led to radical changes in land use but has also instigated the capitalist monopoly of means of production (in the form of land). In the peak era of forest extraction between 1967 and 1980, the dictatorial government of Suharto issued logging concessions totaling 53 million hectares for

[38] In its May 2013 review of its 1999 Forestry Law, Indonesia's Constitutional Court ruled that customary forest should not be a part of state forests. This implies that the state should recognize the existence of customary forests that belong to groups of Indigenous people. Despite this remarkable accomplishment, evidence shows that land disputes between the population around the forests and state-backed extractive corporations continue to occur across the country.

519 private corporations, including foreign investors (Barr, 1998). By early 1979, these 77 foreign investors (66 were joint ventures and foreign investors had sole ownership of the remainder) provided a total value investment of US$ 37.9 million and controlled 9.3 million hectares of timber concessions (Gillis, 1987). By the mid-1990s, the concentration of timber capital heartily expanded—585 concession holders of 62.5 million hectares and the largest 10 groups with 228 timber concessions controlled 27.2 million hectares. The top 10 also controlled the downstream industry of plywood processing. With 48 plywood corporations, these groups shared 39.09 percent of total production capacity by 1990 (Barr, 2001:25). More recent data reveals that by 2016, there were about 228 concession holders who controlled about 19.3 million hectares of timber concessions across the archipelago, about 95 percent in the east of the country. Borneo and Papua hosted 169 and 40 concession holders or 55 and 28 percent of the overall national concession area (BPS, 2017b:12). These statistics substantiate the fact the concentration of timber capital lies in the hands of a few capitalist classes. Further evidence is the rapid expansion of palm oil plantations since the 2000s; about 10.75 million hectares of oil palms were planted in 2015 (BPS, 2017c). At the same time, there were about 1,601 large estate crop companies operating in the country (BPS, 2017d). The palm oil business is concentrated in the hands of few powerful groups, and the estate companies are part of these few monopoly groups. For instance, by 2018, in the midst of the global accumulation of palm oil capital, the top six groups—Golden Agri-Resource, Astra Agro, Wilmar, Indo Agri, First Resources, and Sampoerna—shared more than 1.6 million hectares of planted palms (Golden Agri-Resources Ltd, 2018:8). The monopoly of land in the hands of these few members of the Southeast Asian capitalist class make Indonesia, along with Malaysia, the largest producers of crude palm oil on the planet. Furthermore, the enclosure of nature for environmental purposes—national parks, protected forests, and the like—and the increasing incorporation of these nature areas into market relations, results in the further exclusion of rural populations from the land. “Green grabbing”—the appropriation of nature for the sake of environmental purposes (Fairhead, Leach and Scoones, 2012)—is nothing but an act of war against mass peasantries. This is an example of the ways in which the global ruling class has attempted to switch the burden of addressing global warming from its major cause—the hydrocarbon industry—to the millions of traditional cultivators living in and around tropical rainforests. In Indonesia, the implementation of REDD or reducing emissions from degradation and reforestation, obviously reflects this repositioning.

By 2014, there were some 8.6 million households living in or near forest areas in Indonesia, of which more than 240,000 household practiced shifting cultivation (BPS, n.d.). Land seizures have been widely reported as instigating land disputes against these direct producers. Furthermore, other initiatives related to land use such as infrastructure projects like dams and roads as well as commercial properties have dispossessed both rural and urban populations and incited land disputes. For the sake of capital, the government deploys security forces to deal with disputes. This usually leads to violence against the local population.

Third, due to accumulation for the sake of continued accumulation, which Marx treats as the principal motor of capital growth, capital accumulation necessitates the unstoppable subjugation of nature. Historical evidence indicates that the appropriation of nature has become the underlying feature of capitalist development in Indonesia. As home to one of the world's largest expanses of rainforest, the tremendous accumulation of extractive capital leading to forest devastation is a striking example. The essential issue originates from large-scale deforestation and its ecological impacts—soil and water degradation and biodiversity loss. Recent research based on earth observation satellite data suggests that between 2000 and 2012, Indonesia saw the greatest deforestation globally. The annual average loss of forest during this period was about 1,021 square kilometres (Hansen et al., 2013). While the study does not discuss the main cause(s) of deforestation, it is safe to assume that the capitalist plunder of nature plays a vital role in forest removal. In this respect, I want to draw our attention to the remarkable expansion of capital to forest areas in the country within the last four decades. The logging industry, timber plantations, palm oil plantations (*The Economist*, 26 November 2016), and open pit mining have all contributed to deforestation. Take the case of the capitalist exploitation of timber. Deforestation became a big problem when the government turned to log production as a major source of export earnings in the late 1960s. After the ban of these exports in the 1980s, the constant pressure on nature has remained in place but has shifted to domestic downstream processing for the plywood industry. Granting millions of hectares of the tropical forest to timber concession holders is nothing more than the subjugation of nature to the interest of capital. Thus, rather than characterizing it as a purely ecological matter, deforestation is internally related to class in the sense that it results from a historical feature of labour exploitation that relied on the forest. It is peculiar to the concentration feature of timber capital in which significant spending on constant capital is necessary to increase the accumulation speed. Thus, deforestation does not result externally from accumulation. Rather it is a part of accumulation for the sake of accumulation. The same logic also helps us to conceive the ongoing accumulation related to palm oil plantations that have been rapidly expanding since the late 1990s. I will note that another threat to the forest stems from devastating forest fires that can be linked to palm oil plantation operations. Plantation workers have been using these man-made fires as the cheapest way of clearing forest, which also lowers the cost of production. In mid-1997, fires were burning across the country, covering about 10 million hectares; the government declared it the largest national disaster. The fires not only affected millions of Indonesians, especially those in Sumatra and Borneo, but also populations in other Southeast Asian countries. The authorities blamed 176 corporations that owned palm oil plantations and industrial timber plantations whose employees had set the fires. This included corporations owned by prominent Indonesian superrich such as Sudono Salim, Eka Tjipta Wijaya, Bob Hasan, and Prayogo Pangestu (see *D&R*, 27 September 1997). In 2015, widespread forest fires were again an issue, especially in Sumatera and Kalimantan where some of the aforementioned prominent corporations were involved. Twenty-two corporations were punished for their use of fire for clearing land. The Forestry Minister accused 55 corporations of doing wrong and causing the fires (*The Jakarta Post*, 23 December 2015). In sum, we can deduce that the growing accumulation of palm oil capital orchestrated by the giant Southeast Asian capitalist class is causing widespread forest fires.

We should also consider the crucial implications of the production and consumption of fossil fuels (oil, coal and natural gas). The burning of fossil fuels as the largest source of greenhouse gas has been peculiar to the historical development of capitalism (Malm, 2016; Alvater, 2007). This suggests that environmental degradation resulting from industrial activity internally relates to the entire moment of the circuit of capital. In this light, it is important to look at the country's $C0_2$ emissions originating from activities related to the country's growing economic development. $C0_2$ emissions emerging from transportation, manufacturing as well as electricity and heat production contributed 93 percent of total fuel combustion in 2014, increasing from 72 percent in 1971 (see APPENDIX I). The figures imply that without burning fossil fuels for energy in the labour process, there would be no commodity production. Although the importance of energy consumption in other industries is recognized, oil and gas, mining and certain branches of manufacturing are the most energy-intensive sectors on which the Indonesian economy relies. Above all, since Indonesia's economy has largely relied on exports, this implies that under current global capitalism, the production of goods across sectors for exchange necessitates the increasing pressure on nature originating from the burning of fossil fuels. In addition, with the substance of realization in the circuit of capital, we should also be aware that shipping commodities from the point of production to market is a heavily energy-dependent process. In this regard, due primarily to Indonesia's geographical peculiarity as an archipelago country, along with the international shipping of commodities, inter-island, land and air transportation for shipping and mobility requires a high consumption level of non-renewable energy. Not surprisingly, the transportation sector's share of $C0_2$ emissions is significant (See APPENDIX I). Adding to this is the previously mentioned connection between different factions of capital and the importance of finance capital in light of the subordination of nature to capital. It is important to notice that this subjugation chiefly ascends from the function of finance capital in the whole process of capital accumulation. By providing loans in order to generate interest, financial institutions play a vital role in the accumulation process and thus constantly generate pressure on nature. This all suggests that theoretically and historically speaking, the essence of fossil fuels in the circuit of capital is undeniable (Huber, 2009).

2.2.2. Major Features of the State in the New Order and After

As a result of the country's integration into global accumulation, a peculiar feature of the capitalist state has emerged in capitalist growth in Indonesia. Since the post-Sukarno state has heavily surrendered to market imperatives, major features of the state can be delineated in terms of peripheral capitalism.

2.2.2.1. Types of Political Regimes

While the state maintains the existing system of capitalist exploitation, there are qualitative differences between the New Order state and the post-New Order state, regardless of their claims as democratic states. In this respect, the Western imperialism-backed New Order state emerging from the Cold War-driven bloodbath of 1965–66 paved the way for the reconstruction of the circuit of global capital inside Indonesia. Under a bloody dictatorship, the state reproduced itself within the hierarchal framework of global capitalist social relations. Ruled by Suharto, who led one of the twentieth century's most oppressive and corrupt regimes, the New Order state concretely provided conditions for the reconstitution and reinforcement of Indonesia's economy during the height of the global circuit of capital. Political oppression, ideological surveillance, and state-controlled elections performed by the Suharto administration involved the assurance of political stability as a condition for capitalist development. This political stability was guaranteed through the deep institutionalized involvement of the Indonesian armed forces in politics through the concept of the "dual function," which refers to the central roles of the Indonesian military in defense and politics (Singh, 1995; Honna, 2003). This included political appointments of military officers in privileged civilian positions. The armed forces were also involved in the so-called "territorial operation" in order to deal with any military-owned interpretations of political and ideological threats. The hierarchically territorial structure of military command ranging from the village level to the national level led these territorial operations.

This involvement in politics granted the military direct control over all segments of the Indonesian population. For the sake of accumulation, this section of the state's repressive apparatus intervened in labour disputes on behalf of capital. The military also took part in land acquisitions in order to make accumulation possible. Regularly, the armed forces were directly involved in the brutal repression of the population through the use of violent tactics, ranging from extrajudicial arrests to killing. Indonesian military interventions favoured conditions for accumulation. In this respect, the idea of political stability has a class implication since capital accumulation necessitates the security of capitalist properties.

Of course, extending military force beyond its defensive tasks requires high military expenditure. While the percentage of military spending is higher during the New Order years than in the post-New Order period (See APPENDIX J), we should keep in mind that during the Suharto administration, additional but significant military expenditure was generated from sources outside the formal budget. Arguing that the formal budget was insufficient to meet its needs, the Indonesian military was institutionally involved in lucrative businesses in order to meet these needs (Robison, 1986; Samego et al., 1998; McCulloch, 2003). While creating the material conditions for the armed forces to have space for military and political manoeuvres, the military's involvement in businesses, or "military economy activities" as coined by Siddiqa (2007:4), was widely assumed to also enrich military commanders.

Beyond such features, what needs to be underlined here is that the Indonesian military's involvement in these spheres essentially reflects the extension of its activities beyond its non-productive tasks. Viewed from a class perspective, the Indonesian military's engagement in business, especially in productive activities, infers its involvement in the production of value. Since value arises from labour exploitation, the Indonesian military as a branch of the New Order state and its involvement in productive tasks reflects its exploitation of labour through military-owned businesses. In short, it contributed a peculiar feature of the state during the New Order.

The substitution of the Western-backed democratic government for Suharto's dictatorship emerged from the capitalist crisis and political turmoil of the late 1990s and has continuously pushed further the country's integration into global capital. While undermining the New Order state, the capitalist crisis also exacerbated the capacity of the post-New Order state as indicated by intense elite contestation, widespread communal violence, and the decline in the police's ability to enforce the law during the early years of the political transition (Dijk, 2001; O'Rourke, 2002). While fixing the crisis through IMF-led economic liberalization reinforced the country's integration into global capitalism, the attempts to liberalize the political system resulted in the presence of a democratically elected government at multiple levels. The pro-market government essentially emerged from free and regular elections in which the vast majority of non-property owning voters choose members of national, provincial, regencial/municipal parliaments as well as for the president, governor, regent and major. Under the unequal distribution of wealth, these voters, who are indeed vulnerable to money politics, choose plutocratic governments. This corrupt political system is also exacerbated by growing right-wing populism in which religious-political orientation becomes the most prominent vehicle in power contestations. Thus the major features of the elected government at multiple levels in the post-New Order era are on the one hand to cultivate the cycle of capital accumulation in their own territories and on the other hand to run corrupt and racist administrations.

The military's involvement in politics has gradually eroded since the military reform that occurred in the post-New Order period. Although military officers are no longer appointed to privileged civilian positions, the armed forces remain a powerful feature of the post-New Order state. For the sake of the political stability doctrine, the armed forces maintained their territorial structure but adapted their role in the new environment of the post-New Order state. This permits the military to have a space for political manoeuvres. The military's political claim during the New Order was to first and foremost be a stabilizing force, while the military in the post-New Order era seems to reinforce the same task. In performing ideological surveillance, therefore, the military can take action against any ideological threats to *Pancasila*, the national ideology.

Although it lost some political and economic privileges in the Post-Suharto period, the Indonesian military also gained in this new era. The growing regional violence in the early years of the post-Suharto period of decentralization is the best example. The independent armed struggles in Aceh (Sukma, 2003) and Papua (Chauvel, 2003) paved the way for these regions' militarization, leading to the mobilization of the Indonesian armed forces to conduct military operations with impunity. They also profited from the so-called communal violence in Ambon and Poso, which resulted in the formation of new territorial commands that benefited military officers personally though illicit business activities (Aditjondro, 2001).

I also suggest that the notion of political stability as the necessary condition of accumulation remains in place. It permits the military to maintain its major function of protecting economic development. The significant presence of military units in production areas related to the so-called "national vital objects" signifies the military's deep involvement in protecting capitalist properties. In this respect, its direct or indirect engagement with labour and land disputes indicates that under the current development of capitalism in Indonesia, the military is central. The fact that the so-called off-budget military expenditures have dramatically declined due largely to its business dissolutions does not necessarily mean that the military was rendered powerless. To some extent, the military imposed a self-withdrawal from politics, which constitutes a democratic face of the post-New Order state. However, under capitalism's current development, it is important to state that the post-New Order is no less militarized than the New Order. Alongside the growing militarization of the Indonesian police, the Indonesian armed forces have become the backbone of the post-New Order state in protecting capital accumulation from which the military officially generates its initial source of income through the state.

2.2.2.2. Dependent on Accumulation

In providing the conditions for capital accumulation, the Indonesian state becomes dependent on that accumulation. All capitalist states initially generate their income and thus their expenditures from the accumulation process. Table III.8 illustrates the major sources of the Indonesian state's revenue: taxes, social contributions, and other revenues, such as fines, fees, rent and income from property or sales. It mostly originates from various forms of taxes, which are directly or indirectly related to the accumulation cycle. They include "taxes on income, profits and capital gains" defined as levies on the actual or presumptive net income of individuals, on corporations and enterprises' profits, and on capital gains, whether realized or not, on land, securities and other assets; "taxes on goods and services" that are general sales and turnover or value-added taxes, selective excises on goods, selective taxes on services, taxes on the use of goods or property, taxes on mineral extraction and production, and profits of fiscal monopolies; "other taxes" defined as employer payroll or labour taxes, taxes on property, and taxes not allocable to other categories, such as penalties for late payment or nonpayment of taxes; "taxes on international trade," which include import duties, export duties, profits of export or import monopolies, exchange profits, and exchange taxes. We can infer from this lengthy list that the state is heavily reliant on taxes derived from the accumulation cycle.

Other sources of state revenue are generated from non-taxes but are related to accumulation, so it is important to mention these forms of domestic revenue. In 2016, non-tax revenues (NTRs) added around IDR 261.9 trillion to government coffers, which accounts for 16.83 percent of total government revenues and grants and 16.92 percent of domestic revenues. A part of these sources, called natural resource revenues, consist of oil and gas, mining, forestry and fishery revenues, which have been the major source of NTRs for decades (see Table III.9). This kind of domestic revenue contributed around IDR 64.9 trillion in 2016, a sharp decline from earlier years. For example, between 2009 and 2015, the average share of natural resource revenues was around IDR 187.9 trillion. Another source of revenue derives from state-owned enterprises that shared IDR 1.3 trillion in 1994, increasing to IDR 37.1 trillion in 2016 (Bank Indonesia, 2017a). In sum, the Indonesian state—the New Order and its successor—is a capitalist state that is internally related to accumulation.

Furthermore, current global capitalism and its ever-extending power of economic imperialism also restrict the Indonesian state. This occurs, among other ways, through the role of imperialist external debts or foreign debts in which multilateral financial institutions and core capitalist states play a pivotal role. While taking macro-economic reform as a necessary condition in the early years of the New Order, the Suharto administration concluded agreements with advanced capitalist countries on foreign debt. This included the rescheduling of the country's external debt prior to 1 July 1966, which the Paris Club arranged. The rescheduling consisted of loans valued at US$ 1.7 billion and interest of US$ 400 million (Suharto, 1974:296). Following the late 1990s crisis of capitalism in Southeast Asia and the imposition of the IMF's structural adjustment programs on Indonesia, the rescheduled debt was around US$ 3 billion in 1998 (World Bank, 2017).

Table III.8: Indonesia: Historical Record of Government Revenue and Sources, 1973–2016

Year	Revenue (excluding Grants) (IDR Trillion)	Tax Revenue / Total Taxes (IDR Trillion)	Revenue (% of GDP)	Taxes on Income, Profits and Capital Gains (% of revenue)	Taxes on Goods and Services (% of revenue)	Other Taxes (% of revenue)	Taxes on International Trade (% of revenue)	Grants and Other Revenue (% of revenue)	Social Contributions (% of revenue)
2016	1,546,9	1,281,8	12.46	42.82	35.92	1.56	2.22	17.60	0
2015	1,494,5	1,239,8	12.96	39.98	37.77	2.24	2.28	17.70	0
2014	1,544,9	1,145,2	14.61	35.25	34.05	1.83	2.77	26.08	0
2013	1,432,3	1,077,3	15.00	35.20	34.27	2.10	3.29	25.11	0
2012	1,332,7	980,5	15.46	34.75	32.33	2.47	3.71	26.71	0
2011	1,205,7	873,8	15.39	35.61	29.31	2.79	4.47	27.80	0
2010	992,3	723,3	14.45	35.88	30.63	3.27	2.90	27.30	0
2009	846,9	619,9	14.18	37.42	30.19	3.22	2.20	26.95	0
2008	979,2	658,7	18.58	33.30	27.14	2.89	3.76	32.88	0
2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2004	421,6	283,0	17.24	28.18	32.03	3.85	3.01	30.15	2.75
2003	348,8	249,4	16.27	32.92	32.14	3.14	3.18	25.49	3.10
2002	317,8	215,4	16.38	32.05	29.23	2.48	3.32	26.17	6.02
2001	307,8	190,6	17.56	30.68	25.91	2.20	3.10	36.10	1.98
2000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1999	198,6	179,4	16.96	59.49	28.17	0.14	2.53	7.71	1.93
1998	157,3	143,6	15.46	61.83	24.97	0.04	4.40	6.21	2.52
1997	113,8	100,5	17.03	57.04	28.21	0.27	2.74	8.84	2.87
1996	90,2	75,8	15.92	50.24	30.28	0.24	3.18	13.34	2.69
1995	80,4	68,0	16.61	46.10	33.80	0.67	3.99	9.43	5.98
1994	69,3	60,9	17.05	47.35	34.02	0.29	6.08	10.25	1.98
1993	56,3	47,3	16.03	49.32	26.35	3.22	5.15	15.93	0
1992	50,6	44,4	18.30	53.87	25.85	2.88	5.25	12.13	0
1991	42,4	39,0	17.51	58.04	26.28	2.77	5.07	7.82	0
1990	39,5	37,4	18.99	61.83	23.70	2.66	6.39	5.39	0
1989	29,0	26,6	16.34	57.53	25.14	2.97	6.04	8.30	0
1988	24,0	21,4	15.92	55.94	24.47	2.29	5.59	11.01	0
1987	24,7	18,8	18.64	47.56	18.13	1.42	8.25	24.02	0
1986	21,3	14,9	19.53	40.36	23.28	1.55	4.87	29.68	0
1985	20,3	17,7	20.17	66.13	16.07	1.58	3.23	12.70	0
1984	18,7	15,2	20.20	67.03	9.35	1.30	3.31	18.70	0
1983	15,5	13,8	19.76	73.57	10.33	1.21	4.26	10.56	0
1982	12,8	11,9	20.18	76.88	10.36	1.19	4.72	6.67	0
1981	13,7	11,8	23.92	72.46	7.83	0.97	4.83	13.84	0
1980	10,4	9,8	21.50	78.01	8.63	1.16	7.23	4.88	0
1979	7,0	6,4	20.67	71.46	9.30	1.32	10.01	7.85	0
1978	4,3	4,0	18.07	66.69	13.70	1.96	10.52	7.03	0
1977	3,6	3,3	17.95	67.39	13.23	1.90	10.09	7.29	0
1976	2,9	2.7	18.02	66.50	14.06	1.87	10.78	6.77	0
1975	2,2	2.0	17.06	65.52	12.78	2.30	10.26	9	0
1974	1,8	1.7	15.96	65.46	12.60	2.43	12.65	6.71	0
1973	1,0	0.9	14.10	48.13	20.49	2.98	19.80	8.52	0

Source note: (c) Intragovernmental payments are eliminated in consolidation; (g) Grants and other revenue includes grants from foreign governments, international organizations, and other government units; interest; dividends; rent; requited, nonrepayable receipts for public purposes (such as fines, administrative fees, and entrepreneurial income from government ownership of property); and voluntary, unrequited and nonrepayable receipts other than grants; (h) Social contributions include social security contributions by employees, employers and self-employed individuals as well as other contributions whose source cannot be determined. They also include actual or imputed contributions to government-operated social insurance schemes.
Source: World Bank (2017)

Table III.9: Indonesia: Non-Taxes Revenues (NTR), 1990–2016

Year	NTR (IDR Billion)	NTR (% of Government Revenue)	Total Natural Resource Revenue (% of NTR)	Oil Revenue (% of NTR)	Gas Revenue (% of NTR)	Other Natural Resource Revenue (% of NTR)	Profit Transfer from SOEs (% of NTR)	Revenue from Public Services Institutions (% of NTR)	Other NTRs (% of NTR)
2016	261,976	16.83	24.77	12.00	4.82	7.92	14.17	16.01	45.04
2015	255,628	16.95	39.46	18.77	11.80	8.91	14.72	13.81	31.95
2014	398,591	25.70	60.42	34.91	19.49	6.01	10.11	7.44	22.01
2013	354,752	24.65	63.82	38.14	19.25	6.42	9.59	6.94	19.63
2012	351,805	26.29	64.19	41.13	17.36	5.69	8.75	6.16	20.88
2011	331,472	27.38	64.50	42.62	15.74	6.13	8.50	6.06	20.92
2010	268,942	27.02	62.77	41.57	15.21	5.98	11.19	22.09	3.93
2009	227,174	26.76	61.16	39.64	15.71	5.81	11.46	3.48	23.68
2008	320,605	32.66	70.01	52.71	13.28	4.00	9.07	1.16	19.74
2007	215,120	30.39	61.77	43.31	14.49	3.76	10.79	0.99	26.43
2006	226,950	35.57	73.79	55.14	14.51	4.13	9.45	-	16.08
2005	140,888	28.44	75.20	49.57	21.06	4.56	8.73	-	16.05
2004	122,546	30.38	74.70	51.45	18.11	5.12	7.59	-	17.28
2003	98,880	28.96	68.27	43.45	18.74	6.07	12.75	-	18.96
2002	88,440	29.62	73.21	53.91	13.93	5.36	11.03	-	15.74
2001	115,059	38.21	74.37	51.23	19.20	4.02	7.68	-	17.86
2000	89,442	43.55	85.31	56.98	17.56	-	4.49	-	10.19
1999	32,712	76.82	92.04	46.06	41.37	4.63	-	-	7.92
1998	54,013	34.51	76.58	48.05	30.81	-	6.34	-	17.06
1997	41,990	37.18	74.32	54.56	19.75	-	5.57	-	20.10
1996	28,938	33.54	69.58	51.08	18.58	-	9.15	-	21.55
1995	22,654	31.75	70.87	52.81	18.05	-	7.08	-	22.04
1994	21,976	33.08	61.59	45.52	16.07	-	6.01	-	32.38
1993	19,448	34.65	64.28	48.57	15.71	-	-	-	35.71
1992	18,771	38.41	81.67	64.41	17.25	-	-	-	18.32
1991	17,663	41.47	85.31	76.73	8.58	-	-	-	14.68
1990	20,182	47.83	87.90	82.36	5.53	-	-	-	12.09

Source: Derives from Bank Indonesia (2017a)

Starting from the early years of the New Order, the government also accumulated debt, mostly from the Inter-Governmental Group on Indonesia (IGGI), an international donor group erected in the late 1960s to organize the inflow of aid to Indonesia's government. The aid largely consisted of soft and semi-soft loans with a zero to 3 percent interest rate, a grace period of between seven and 20 years, and a long-term debt of between 25 and 50 years. The United States (US$ 163.9 million), Japan (US$ 110 million) and other core capitalist countries (US$ 82.2 million) provided loans that in 1968 helped Indonesia reach a total external debt of US$ 363.3 million. The remaining US$ 7 million as multilateral external debt came from the International Development Association (IDA) (Suharto, 1974:290–98). Of the US$ 50.4 billion official development assistance (ODA) government external debt that remained in 2016, multilateral financial institutions contributed around 57.23 percent with the rest from bilateral debt of the core capitalist countries (Bank Indonesia, 2017b). Table III.10 summarizes the historical record of public and publicly guaranteed (PPG) multilateral and bilateral debt outstanding and disbursed (DOD). This measures the loans from multilateral financial institutions and governments of the core capitalist countries to the Government of Indonesia. It shows that the core capitalist countries have been major contributors to the Indonesian government's external debt for decades. The share of multilateral debt surpassed the bilateral debt contribution by around 52.18 percent in 2016.

Table III.10: Indonesia: Public and Publicly Guaranteed Debt Outstanding and Disbursed (PPG-DOD), Bilateral and Multilateral (in current US$ million), 1970-2016

Year	Bilateral	Multilateral	Year	Bilateral	Multilateral
2016	24,480.8	26,719.9	1992	23,616.0	16,423.9
2015	25,917.2	25,201.6	1991	21,520.7	15,996.4
2014	28,152.4	22,706.9	1990	18,732.8	14,285.1
2013	33,002.5	22,862.7	1989	16,176.8	11,904.4
2012	38,441.5	23,077.0	1988	15,611.9	10,741.4
2011	43,661.2	22,841.6	1987	15,000.8	9,651.3
2010	43,919.9	22,567.0	1986	11,497.5	6,978.8
2009	42,207.4	21,052.4	1985	9,672.4	5,311.6
2008	43,222.3	19,961.9	1984	8,243.8	3,902.8
2007	40,072.0	18,610.8	1983	8,274.4	3,475.6
2006	40,176.8	18,245.8	1982	7,973.0	2,868.1
2005	41,432.2	18,513.8	1981	7,832.7	2,251.6
2004	41,706.9	19,172.8	1980	7,729.1	1,833.5
2003	41,965.3	19,766.9	1979	7,174.6	1,440.2
2002	38,356.9	19,439.4	1978	7,275.4	1,190.8
2001	33,590.1	19,371.8	1977	6,130.1	983.6
2000	35,355.0	19,904.4	1976	5,198.7	717.5
1999	36,502.0	19,733.0	1975	4,576.5	427.3
1998	31,310.5	17,892.1	1974	4,370.8	243.4
1997	26,782.8	15,799.3	1973	3,865.4	155.8
1996	28,968.9	17,248.3	1972	3,380.3	73.0
1995	31,259.7	20,012.6	1971	2,998.3	33.4
1994	30,824.1	19,164.5	1970	2,200.3	5.9
1993	26,460.0	17,822.3	n/a	n/a	n/a

Source: World Bank (2017)

2.2.2.3. State Participation in Business

The state's role in regulating private ownership under the condition of market imperatives is central to all capitalist societies. A specific difference under a peculiar historical circumstance is the participation of the state in business. Some cases reflect the state's deep engagement while others do not or are at least less involved. In the context of the state's participation, I speak of state-owned enterprises as far as they take part in the production of value. By state-owned enterprises, I refer to what Marx (1992:177) characterizes as "the state capital." Its principal feature is that state ownership (SOEs) does not reflect social ownership, since state-owned enterprises are attached to market imperatives. It also ignores the participation of wage earners in management and is thus vulnerable to industrial disputes (Devine, 1988:9).

One of the peculiar developments of capitalism in Indonesia is the vital role of state-controlled businesses, which dates back to the early nineteenth century when Thomas Stamford Bingley Raffles, the administrator during the short period of British colonialism in Indonesia between 1811 and 1815, took the tin mines of Bangka under state control. Some decades later, the state led the production of tin, followed by coal production in the late nineteenth century. The state also significantly participated in oil production and mined bauxite (Braake, 1977; Heidhues, 1992; Erwiza, 1999). The state's involvement in business extended to a variety of sectors, including agriculture, public transportation, shipping, aviation and banking, among others (Sutter, 1959; Furnivall, 1939).

The state's direct involvement in the production of value becomes more prominent in the post-independence period. Beginning around the early 1950s (Sutter, 1959; Lindblad, 2008), this role became very important during an era when significant political forces advocated for the nationalization of foreign-owned companies; this process was underway by the close of the decade. The government then erected SOEs to run the newly nationalized enterprises (Lindblad, 2008; Redfern, 2010; White, 2012). In the New Order, SOEs remained central to the national economy through their participation in the resource-based sector, banking, manufacturing, distribution, basic industries, etc. (Robison, 1986; Siahaan, 2000).

Although the attempts of the market halted the state's monopoly from the circuit of accumulation through a series of economic liberalizations in the 1980s and in the late 1990s, state capital has nevertheless significantly expanded. Let's consider the role of SOEs in this process by examining their size and numbers. In 2015, the country had 118 SOEs (BPS, 2017a:41), a decrease from 222 in 1985 (Suharto 1987:III–27). These state capital entities operated across sectors, such as agriculture (plantations, forestry, fishing and agriculture), mining, manufacturing, wholesale and retail, information and telecommunications, transportation and warehousing, construction, finance and insurance, hotels and real estate. The numbers include 20 listed/public SOEs, 84 non-listed SOEs, 14 Special Purpose Entities (*Perum*) (BPS, 2017a:41). The government also has minority ownership of 24 other enterprises (Kementerian BUMN, n.d.).

It is important to consider the role of SOEs in the national economy as a whole. In 1986, the value of total assets, sales and net profits of SOEs reached IDR 113.6 trillion, IDR 32.2 trillion, and IDR 3 trillion, respectively (Soeharto, 1987:III–29). In 2015, their assets and net profits were around IDR 5841 trillion and IDR 142 trillion, respectively (see APPENDIX K). As a source of government revenue, SOEs contributed IDR 5.4 trillion in 1986–87. Of this, corporate taxes generated 50 percent, while 17 percent came from corporate income taxes (Soeharto, 1987:III–30). The SOEs contribution to non-tax revenue increased from IDR 1.3 trillion in 1994 (1.94 percent) to IDR 23.2 trillion in 2007 (10.79 percent) and then again to IDR 37.1 trillion in 2016 (14.17 percent) (Bank Indonesia, 2017a).

One of the most important SOEs is in the monopolistic and lucrative oil industry. The formation of the Republic of Indonesia Oil Company (Perusahaan Minyak Republik Indonesia or Permiri) and the National Oil Mining Company (Perusahaan Tambang Minyak Nasional, PTMN) in the middle of the Dutch-Indonesia confrontation in the late 1940s (see Bartlett, et.al, 1972:67–79) influenced the post-independence appearance of the state oil company. The nationalization of Dutch corporations involved in oil production in late 1950s paved the way for state capital's strategic role in this industry (Bartlett et al., 1972). The cancellation of all colonial mineral concessions in 1959 under Law Number 10 of 1959 (*State Gazette* 24 of 1959) and the enactment of a series of laws on the state's involvement in oil and gas under The Government Regulation in Liew of Law No. 44 of 1960 (*State Gazette* Number 133 of 1960) and Law No. 2 of 1962 (then replaced by Law No. 15 of 1962 (*State Gazette* 18 of 1962), permitted state oil companies to have exclusive roles in this industry. In the New Order years, Pertamina, as a national oil company, played a central role in this industry. It is also the parent company of about 23 entities operating in various related sectors such as exploration, exploitation and production, import and export, drilling services, shipping, insurance, hotels, aviation, etc. In 2015, *Fortune* ranked the company fortieth in its annual ranking of the world's largest energy companies by pre-tax revenue. I will discuss this industry in Chapter V.

D. Conclusion

I have discussed a general overview of the long-term development of capitalism in Indonesia. I conclude that the capitalist development in Indonesia has been shaped by the long process of Dutch colonialism and the current features of imperialism. This global system of exploitation first emerged in Europe and then expanded to Indonesia. Detailed conclusions are as follows:

First, the historical development of capitalism in Indonesia was possible due to the decisive role of the Dutch in the seventeenth century in the early stage of global capitalist progress as a whole that brought about capitalism's expansion in the archipelago. Prior to the development of such capitalist social relations, the Dutch—via the VOC or EIC, a company-like state and then the Dutch colonial state—played a pivotal role in the long series of primitive accumulation in the archipelago. Mass killings, wars and slave trading must be mentioned as remarkable scandals of the Dutch's long history of abuse, which are an important aspect of the pre-history of capital accumulation in Indonesia.

Second, capitalist social relations started in the mid-nineteenth century following the implementation of the Cultivation System. It began in Java, emerging out of the sugarcane industry. The use of free wage workers to substitute for non-capitalist forms of unfree labour (e.g., corvée labour)—or the subordination of labour to capital—started during this period. Workers were drawn from available agriculture segments of the reserve army of labour to produce sugar for the global market. The Dutch capitals—state capital and private capital—from the mid-nineteenth century onward exploited free labourers under global commodity production. However, the remarkable expansion of capitalist investments in the archipelago only occurred from the 1890s onwards. The investments extended to the outer islands included mining, petroleum and rubber plantations. This moment of expansion is related to imperialism since monopolistic transnational capitals came on to the scene under Dutch colonialism. In short, the wealth emanating from the archipelago was under the conditions of colonialism and imperialism.

Third, an examination of the post-colonial period of Indonesia reveals a long-term determination of global accumulation. Foreign capitals have played a pivotal role in generating wealth since independence in 1945. The disruption of capital circuits occurred in peculiar circumstances generated by class struggle under Sukarno and by the capitalist crisis in the late 1990s. However, capital always succeeds in coping with barriers. Global accumulation began to regain momentum after Suharto, guided by Western economic and political powers, liberalized foreign investment and the post-Suharto regime. This regime, as the IMF dictated, imposed heavily market-oriented policies. Long-term economic growth, generated by a constant increase in foreign investment, indicates unstoppable global capital accumulation as measured by gross capital fixed formation and gross capital formation taking place in Indonesia. Of course the motor behind this global accumulation are the transnational capitalist classes. Given that global accumulation generates a hierarchy among capitalist classes, we witness the rise of domestic capitalist classes in Indonesia. Some among them have become world-class superrich individuals in the middle of millions of people who live below the poverty line. In this respect, capital accumulation fabricated its own riddle of contradiction, including the necessary displacement of non-capitalist societies. Adding to this contradiction is the fact that the unstoppable destruction of nature is internally related to accumulation.

Fourth, market imperative obviously determines the state. States in the colonial period and in the post-colonial period have some common features. While the capitalist state generally plays decisive roles in promoting capital accumulation, the capitalist state in Indonesian history also participates in accumulation. This peculiarity dates back to the Dutch colonial state whose existence largely relied on accumulation but also depended on state capital. The latter also became central under Sukarno’s project of nationalizing foreign companies. However, the regime’s campaign against foreign capital failed under imperialist counter-revolutionary actions in the mid-1960s. This permitted Suharto’s New Order state to be heavily market-oriented under the condition of an oppressive military presence. The state increasingly relied on capital accumulation as a major source of state revenues and was also heavily dependent on foreign/international public and private loans for overcoming fiscal deficit. However, like his predecessor, Suharto also favoured state capital as an important source of state revenues. Following the capitalist crisis in the late 1990s, the state is much more market-oriented than during Suharto’s time in the sense that global accumulation increasingly directs a state’s actions. This includes attempts to reform state institutions and state capitals in order to meet hierarchical market requirements.

CHAPTER IV: LABOUR EXPLOITATION AND CLASS STRUGGLE

A. Introduction

The first purpose of this chapter is to situate the long trend of labour exploitation, a necessary condition of capitalist development, in Indonesia's history. In this respect, I will investigate the special features of capitalist exploitation in Indonesia. The investigation covers the colonial character and the post-colonial faces of exploitation but also characterizes a common character of such exploitation. As exploitation brings about the struggle of the exploited class against the exploiting class, the second purpose of this chapter is to characterize the class struggle arising from the historical development of labour exploitation.

B. Labour Exploitation

Central to labour exploitation under capitalism is the necessary presence of a capitalist class and a working class. Since class is merely about relations (Thompson, 1966:9), we should keep in mind that the working class' exploitation is reflective of a two-way interaction of dependence: the working class depends on the capitalist class to receive its earnings, while simultaneously, the latter relies on the former to access surplus value. In other words, these two opposing classes are dependent on each other.

Before I begin my investigation of the history of labour exploitation in Indonesia, I will briefly discuss the structure of the working class under capitalism that makes exploitation possible. It is well understood that the precondition of capitalism and capitalist development is the availability of labour. Under this system, we can conceptually separate the working class into two general camps: the "active army" (AA) and the "reserve army of labour" (RAL), as an organic whole of the working population (Marx, 1976:794–98). If we consider that an AA working class member is someone who sells his/her labour power in return for wages under the conditions of an involuntary contract, the idea of the RAL is crucial. Recently, a diverse range of scholars have explored this theme (Nielsen and Stubbs, 2011; McIntyre, 2011; Basu, 2011; Foster, McChesney, Jonna, 2011; Tyner, 2013). Rather than characterizing the RAL in the course of the natural law of population growth, in Marx's own account, he internally relates it to the dynamics of capital accumulation. The RAL reflects a contradictory feature of capital. On the one hand, capital investment necessitates the demand for labour by bringing more people to the workplace. In other words, investment leads to job creation. On the other hand, due largely to market pressure for increasing productivity, capital accumulation requires technical improvements, which imply that the demand for the quantity of labour decreases in a given commodity's production. Unemployment is the immediate result, driven by technological change. Those who have withdrawn from the workplace become RAL members simply by the fact that they are seeking employment. Marx calls these people the "floating" RAL. This the first of four segments comprising the RAL. The second is the "latent" RAL, which is the factions of the population who attempt to survive under non-capitalist reproduction. The rural population of small or independent producers and traditional cultivators who leave the backwardness of the agriculture sector in search of work in exchange for regular wages are members of this latent form of the relative surplus population. The third category is the group that Marx refers to as the "stagnant" RAL, which includes people with "extremely irregular employment." We would characterize this form with regard to part-time or casual workers who corporations employ under precarious conditions that may include long working hours, underpayment and unsafe working conditions. The final category of the RAL is the segment of society that constantly lives in the realm of pauperism. The lumpenproletariat, which includes criminals, are representative members.

Table IV.1: Indonesia: Percentages of Working Population by Sectoral Origin

	1930	1961	1971	1980	1990	2000	2010
Agriculture	73.9	73.3	64.16	67.1	49.94	47.12	40.5
Mining and Quarrying	0.9	0.3	0.20	0.7	0.99	-	1.1
Manufacturing	11.5	5.8	6.49	8.08	11.42	8.19	10.8
Trade, Hotels and Restaurants*	6.7	6.8	10.32	10.3	14.72	12.62	18.4
Transportation	1.6	2.2	2.30	1.8	3.65	2.34	5.1
Construction*	-	1.8	1.64	2.7	4.08	3.89	5.3
Electricity, Gas and Water		0.1	0.09	0.1	0.19	-	0.4
Financial	-	-	0.22	0.2	0.95	-	1.1
Services	5.4	9.8	9.98	9.1	13.05	18.25	15.7
Others	-	-	4.55	-	0.06	11.46	1.6
Total	100	100	100	100	100	100	100
(000)	20,279	32,708	41,261	51,780	71,569	92,528	104,928

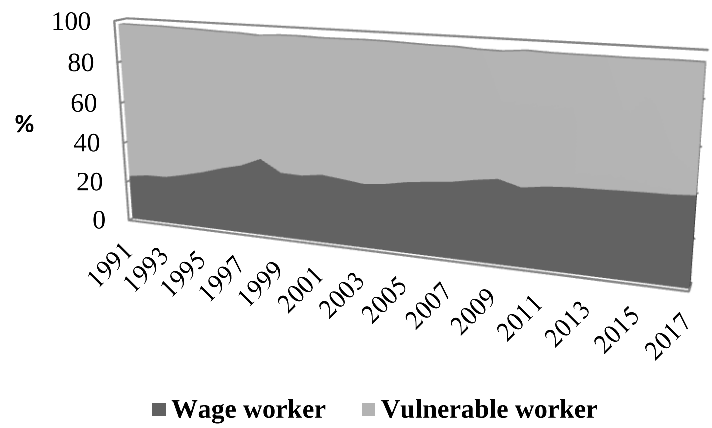
* For 1930, Construction includes Electricity; For 1961, Trade, Hotels and Restaurants includes banking and insurance.
Sources: BPS (1975, 1981, 1991, 2001, 2011). Data from 1930 and 1961 derives from Jones (1966).

As mentioned earlier, capitalism's perpetual uneven development results in the uneven growth of the working class. In this respect, I restrict the uneven in the sense that the proportion of RAL to AA is always higher. Marx (1976) suggests the general law of capital accumulation incrementally creates "relative surplus populations." Given that competition is the motor of capitalist accumulation, all individual capitalists compete with each other by increasing labour productivity via a large portion of investment in dead labour. This process results in the ratio of machinery to worker gradually increasing, pressing the relative input for the worker within industrial capitalism. Combined with abundant availability of the agriculture segment of the relative surplus population, as it is in peripheral capitalism, this situation implies that the working class' bargaining power will be decreased when the percentage of the relative surplus population is larger than the active working class. This situation permits the capitalist class to effectively discipline workers.

Using official statistics, Table IV.1 offers us detailed, empirical evidence of the historical growth of the working population in Indonesia. While the peasant economy cannot be isolated entirely from capitalism's influence, the archipelago has a significant population of agricultural workers or rural relative surplus populations (RSP) that constitute the material ground of labour exploitation in the country. Throughout capitalism's development in Indonesia, the working age of agricultural workers has declined significantly, especially since the early decades of the twentieth century. The archipelago's first census, which took place in 1930, revealed that about 73.9 percent of Indonesia's working population was engaged in agriculture. This figure dropped to 40.5 percent in the census in 2010, a significant but expected decrease over 80 years. Some areas of this sector are now high-capital intensive, which means that less workers are employed in agriculture, producing a large number of cheap peasant labourers for employment in modern sectors like and mining. The proportion of the population employed in the industrial sector, including those involved in manufacturing, has increased marginally.

As not all members of the working population represent the active army, Table IV.1 simply presents the combined reserve and active armies in the archipelago. In most occupations, for instance in the primary sector, it may be best to include individuals employed by capitalist firms in the plantation and petroleum sectors within the active army, while employees in traditional agriculture should be counted as members of the relative surplus population. However, the increasing non-agriculture share of the working population, as shown by Table IV.1, has not reflected the rapid pace of industrial working class formation. In order to fix the confused AA and RAL official statistics, it may be useful to refer to the concepts of wage and salary workers as well as to the International Labour Organisation's (ILO) model of "vulnerable employment" (i.e., own account workers and contributing family workers), which reflects the AA and RAL, respectively. In this regard, Figure IV.1 compares the AA and the RAL in Indonesia during the period between 1991 and 2017. It suggests that regardless of the AA's growth, the RAL dominates the working population in Indonesia.

Figure IV.1: Indonesia: Wage Workers and Vulnerable Workers (Percentage of Total Employment), 1991-2017



Source: Derives from World Bank (2017)

Table IV.2: **Indonesia: Percentage of Working Population by Main Status and Sectorial Origin, 1971 and 2010**

	Self-Employed	Self Employed Assisted by Unpaid Temporary Employee		Employer Assisted by Paid Permanent Employee		Employee		Casual Worker	Unpaid Family Worker	
	2010	1971	2010	1971	2010	1971	2010	2010	1971	2010
Agriculture	32.70	69.78	81.76	68.94	26.09	45.91	9.22	48.57	84.39	81.75
Mining	0.89	0.02	0.26	0.14	1.97	0.56	1.60	1.61	0.03	0.24
Manufacturing	5.29	4.64	3.56	7.88	13.16	10.99	22.71	4.44	3.60	3.75
Electricity	0.10	0.01	0,01	0.04	0.32	0.25	0.92	0.14	0.00	0,01
Construction	1.49	0.44	0.45	1.84	11.95	4.16	5.88	20.56	0.16	0.15
Trade	42.09	19.42	12.41	11.10	25.34	4.84	11.82	3.95	5.27	11.88
Transportation	8.89	1.41	0.39	2.22	6.62	5.02	6.17	6.12	0.22	0.26
Finance	0.09	0.01	0.01	0.22	0.41	0.63	3.05	0.06	0.01	0.01
Services	6.88	2.91	0.91	5.99	11.69	25.02	36.33	11.91	1.81	1.16
Other	1.53	1.31	0.19	1.59	2.40	2.57	2.24	2.60	4.47	0.73
Total	100	100	100	100	100	100	100	100	100	100
Number (000)	24,165	14,824	14,204	1,541	3,572	1,3607	34,746	12,715	10,447	15,444

Source: BPS (1972, 2012).

Table IV.2 enriches our understanding of this issue in greater detail. The AA, characterized as an absolute number of working class members, has more than doubled from 13.6 million in 1971 to 34.7 million in 2010. However, the percentage share of active working class members to the total working population has marginally declined from 33.66 percent in 1971 to 33.14 percent in 2010. Members of the industrial working class employed in manufacturing, on the other hand, have increased dramatically in percentage and in number. These statistics, however, do not reflect the significant formation of the working class as a whole. The vast majority of the country's rural population, who have already left traditional agriculture, remain working outside of modern capitalist sectors. This implies that a large proportion of the remaining working class was initially RAL. If "self-employed," "self-employed assisted by unpaid temporary employee," "casual worker," and "unpaid family worker" are categories of vulnerable employment and thus also RAL, these workers roughly contributed to around 63.45 percent of the total working population in 2010, rising marginally from 62.52 percent in 1971. In absolute terms, the number of workers in the RAL category increased dramatically from 25.27 million in 1971 to 66.5 million in 2010.

Since RAL also conceptually includes the unemployed, the number of individuals in this category must be even larger than the above-mentioned figure. With the addition of these unemployed individuals, for example 8.32 million in 2010 (BPS, 2010), the RAL constituency reached 75 million in 2010. If we use Neilson and Stubbs' (2011) categorization of the RAL, the workers classified in this category would have reached approximately 130 million RAL 15+ (persons aged 15 years and older) and 198 million for the whole RAL by 2010 (see Table IV.3).

Table IV.3: Indonesia: Reserve Army of Labour by 2010

	RSP (15+)	RSP	Active Army (AA)	Working Population (15+)	Total Population	RSP (15+)/AA	RSP/AA
	134,291,084	202,894,347	34,746,979	104,928,049	237,641,326	3.86	5.83
Male	61,423,106	96,721,986	22,908,927	66,787,947	119,630,913	2.68	4.22
Female	72,867,978	106,172,361	11,838,052	38,140,102	118,010,413	6.15	8.96
Urban	60,750,326	93,333,648	24,986,608	48,900,712	118,320,256	2.43	3.73
Rural	73,540,758	109,560,699	9,760,371	56,027,337	119,321,070	7.53	11.22

Source: Derives from BPS (2012)

It is important to now address two important aspects of the contemporary faces of Indonesia's working class: the feminization of the workplace and the urban-rural divide. First, the significant number of female workers already employed and counted in AA statistics means that the available number of female relative surplus population (RSP) is larger than of male RSPs. As the feminization of workplaces becomes a common feature of capitalist exploitation, the large number of female RSPs also becomes more vulnerable to exploitation. Second, it seems that while most of the AA population is concentrated in urban areas (around 71.91 percent), the RSP is predominantly rural in nature. This divide implies that the supply and availability of labour from rural areas plays a central role in preventing wage increases in urban areas.

1. Features of Colonial Exploitation

The expansion of capitalism to Indonesia necessitated the formation of a working class. In this respect, we might consider the Cultivation System as the root of working class formation, despite the long process to destroy the old pre-capitalist society during the colonial period. The commodification of labour gradually took off after the Dutch colonial government introduced the System, and the resulting appearance of free workers is indicative of capitalism's development. If the separation of peasants from the means of production is a special condition for the formation of the wage-earning class under capitalism, though, this was already sporadically occurring in colonial Indonesia in the early decades of nineteenth century, especially in Java. It is important to note that the potential proletariat was also already in existence in the same period, due initially to peasant differentiation within Javanese society. Knight (1982:125) indicates the differentiation as follows:

> A two-fold picture of the peasantry of the north Java littoral in the early years of the nineteenth century begins to emerge. On the one hand, landed cultivators who were themselves differentiated in terms both of quantity and quality of *sawah* [or paddy fields] which they held. On the other, an amorphous group of landless peasants (some of whom apparently alternated with the landed) bound by a whole series of arrangements, including wages and share-cropping, to those who had a right to land.[39]

These landless peasants (e.g., *keriks*) in Java's countryside had nothing to sell to survive except for their labour in an environment controlled by the external pressure of colonial power.[40] Thus,

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[39] Carey also discusses Javanese peasant differentiation between the eighteenth century and the early nineteenth century (1986).

[40] The fact that these landless peasants did not immediately morph into the modern working class under the growing

it is safe to argue that to some extent, the landless peasants of Javanese society constituted a latent segment of the reserve army of labour who had the potential to sell their labour power to capitalist entrepreneurs.

The growing numbers of free wage earners in this period indicates an important feature of capitalist relations of production. An early adopter was Fransen van de Putte, a sugar factory administrator during the 1850s who paid wages directly to the workers rather than purchasing labour through the village elite's middlemen. When he later became the Minister of Colonies for the Netherlands in 1863, he revoked the government ordinance of 1838 (*Indisch Staatsblad* 1838) that permitted foreign contractors' collective agreements with local elite for procuring labour. Van de Putte introduced a new regulation requiring sugar contractors to employ individual workers through labour contracts. During his tenure, van de Putte also gave an official order requiring contractors to provide free labour (workers who sell their labour power without restrictions in exchange for wages) for cane cutting, transport and factory-related tasks. Although not all forced labour practices were terminated under van de Putte's term, the number of individuals being paid as free wage earners increased. We then witness the spread of this trend to the sugarcane industry in Java. In 1886, officials in the Java sugar industry purchased approximately ƒ1.9 million worth of labour, while the payment of land leases was about ƒ669,000 (Bosma, 2013:124–29). This amount increased significantly by the first half of the twentieth century. From data provided by Polak (1943:46) for the period of 1921–39, we can estimate that sugar plantations in Java and Madura annually paid wages amounting to around ƒ65 million, while the annual average for land lease payments was about ƒ20.1 million. Like in the sugar industry, wages paid to workers increased significantly across sectors. In the outer islands (outside Java and Bali), employers' average annual payments in wages and salaries to Indonesian mining and plantation workers was ƒ88.3 million. In the manufacturing sector as a whole, total wages and salaries paid to workers in the Netherlands East Indies (NEI) in 1940 reached ƒ46.6 million; workers in Java received 67.8 percent with the rest paid to employees in the outer islands (Segers, 1988:114 Table X). I am not, however, conflating the wage payment and the purchasing of labour power under capitalism since historically, remuneration also existed in non-

demand for global-based commodity production is due to the constraints of other forms of exploitation in Java's countryside. The appearance of labour services for traditional authority or for the Dutch administration is discussed in Knight (1982).

capitalist relations. Rather, I want to address capitalism's development in the archipelago as evidenced by the gradual appearance of free workers since the Cultivation System's inception.

We then witness the exploitation of the modern working class by growing capitalist relations of production in the NEI. As Chairman of the Communist Party of Indonesia during the Dutch colonial period, Semaun argued that "the growth of capitalism had brought the exploitation of the natives, and with this their proletarianization" (Semaun, 1966:5). In terms of the AA, we see a growing number of these labouring subjects working on plantations, in mineral production, manufacturing, communication, trade and finance, professions, and in government service in the NEI. Although at the beginning, non-native workers provided the bulk of the skilled labour, this position were gradually transferred to natives following the introduction of the so-called "Ethical Policy" implemented from about 1901 and was in place until the Japanese occupation. The policy's major aim was to develop an educated native population that could then serve as the main source of labour to meet the growing needs of the government and the private sector. Education was also supposed to draw the native into the realm of modernity (Shiraishi, 1990:27–40). The growing railway industry in the early twentieth century onwards was the best example of an industry in which many skilled Indonesian workers came to replace their European counterparts. As early as the mid-1910s, Indonesian employees took over some technical and administrative tasks that were previously assigned to Europeans (Ingleson, 1981b:488–91). The mobilization of native employees increased significantly during the First World War as the pool of skilled employees from the Netherlands shrunk (Ingleson, 1981a:57). However, it must be borne in mind that less-educated employees, especially a large number of plantation workers and those employed in manufacturing, initially occupied the growing AA. For example, data from a 1926 survey in Surabaya reveals that among the significant number of permanent employees engaged in manufacturing, only a few had formal schooling (Ingleson, 1981b:489–90).

At this juncture, it is appropriate to discuss some important points in terms of the labouring subject employed in the manufacturing sector. First, we can consider the portion of the Indonesian population employed in the manufacturing sector in 1930. The national census reveals that of the 14.4 million workers in Java, 11.46 percent were engaged in the sector, compared with 7.7 percent of the 5.8 million-strong workforce in the outer islands (see Table 4). The faster growth in Java was due to the asymmetric development of manufacturing that was simply less developed in the outer islands. Second, of the 2.2 million workers in the NEI by 1930, almost 77 percent worked in Java (Segers, 1988:82). The majority of these employees were Indonesian, unskilled and working in temporary, low-paid jobs (Ingleson, 1981b:487–88). This is confirmed by Factory Act data, which reveals that in the same year, there were only 153,132 Indonesian employees in this sector (Segers, 1988). The 1905 Act referred to factories utilizing mechanized power and employing ten or more workers. Moreover, the 1910 iteration of the Act had an added clause the meant factories would be monitored in order to protect the human body from extreme workplace exploitation. By 1908, the number of factories and workshops included under the Factory Act reached 1,312. By 1940, the number had surged to 7,429. The enterprises in the manufacturing sector that the Act encompasses included: estate factories (i.e., coffee, sugar, tea, rubber, tapioca, etc.), those that produced cigarettes, paper and paperboard, machines and oil as well as repair shops, railway and tramway workshops, weaving mills, etc. (Segers, 1988:59, 61). Finally, it is relevant to highlight that Indonesian female workers outnumbered their male counterparts by more than double. The 1930 Census revealed that female workers' overall share of the hired labour force was 66.78 percent in Java and 61.56 percent in the outer islands (Segers, 1988:82). Given that women were paid less than men, we can infer that it was the low cost of female labour that was feeding the feminization of the labour force on Indonesia's manufacturing floors.

The wage-earning class was also expanding in sectors outside of manufacturing. By 1930, workers in the processing sector of the petroleum industry reached 25,000 strong, and all but 2,000 were Asian. This is an increase of 1,000 workers a year on average from 10,000 in 1915 (Segers, 1988:150–51). This number is likely lower than the actual number of employees given that workers in related industry tasks are not included in this count. For example, Royal Dutch employed 3,000 refining workers in Pangkalan Brandan, North Sumatra in 1914; by 1929, this number had climbed to 8,550 plus 1,500 oilfield employees. In the same year, 27,000 oil workers in Palembang, South Sumatra, were employed by Bataafse Petroleum Maatschappij (BPM), a colonial petroleum company and subsidiary of Standard Oil and the Nederlands-Indische Aardolie-Maatschappij (NIAM), a joint venture owned by the BPM and the colonial administration. In the oil production centre of East Kalimantan, there were about 9,300 refinery workers and 8,400 oilfield workers (Lindblad, 1989:58–59). If we include members of the working class employed outside of the manufacturing and mining sectors, the numbers of workers must be double. In Java, the sugar industry was also an important industry, and by 1921, companies employed 74,500 workers of which 26.88 percent were employed year round and the remainder were seasonal workers. The former increased to 86,196 workers by 1930, but the percentage of regular workers dropped slightly to 25.42 percent (Segers, 1988:141). Deli Maatschappij, a plantation company, employed around 40,000 coolies by 1920, primarily local Javanese and Chinese migrant workers (Lindblad, 1998:58). Outside of manufacturing and agriculture, one of the largest working class populations in the NEI was railway employees. By 1929, the state railways employed 43,341 workers, most of which were temporary or casual day-wage employees; only 6,335 were permanent workers (Ingleson, 2014:6–7).

Since the early decades of twentieth century, the demand for cheap and unskilled Javanese labour increased as productive capitalist enterprise expanded, including in the agricultural, mining, and petroleum sectors, especially in the outer islands. The demand for workers in these locales was fed by impoverished and landless or land-poor Javanese who crossed the sea to find work where local labour remained attached to the land and enormous reserves of waste agricultural land existed. It is important to note that Java's reserve army of labour also benefited from labour shortages in other Pacific region countries. By the mid-1920s, for example, between 3,000 and 4,000 Javanese workers travelled annually to Malaya, North Borneo and New Caledonia with official government permission (Houben, 1995:96). Others snuck aboard outgoing ships and travelled abroad clandestinely. It was not uncommon for workers recruited for employment in the outer islands to instead travel to British Borneo (Spaan, 1994:95). By the 1930s, there was a growing influx of free Javanese coolies who initially took up work in Malaysia’s rubber plantations; by 1937, this population was about 15,000 workers (Thompson, 1947:79).

One peculiarity of the growing working class was associated with imperialism and colonialism. Capitalism’s expansion from the Global North to the Global South in search of profits simply refers to a super-exploitation of the wage worker in the workforce and tight political control over worker politics. In this sense, such development of the working class does not mean that the capitalist class—the owners of capitalist enterprises—only employed free workers in the course of “double freedom.” Officials of Western enterprises based in the outer islands, for instance, generously employed what was officially known as a “coolie contract” in their export-based commodity production, up until the final decade of Dutch colonial control, the

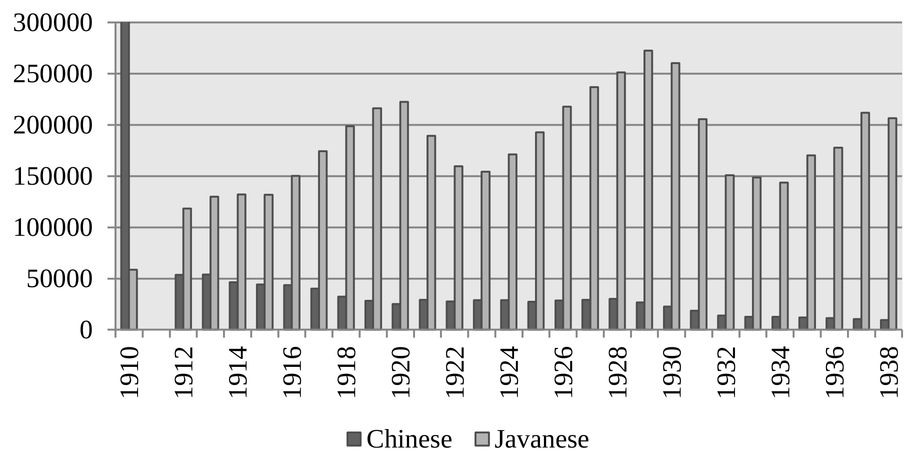
1930s. This special method of labour control referred to the so-called "penal sanction." For decades, the sanction applied to employees who were assigned to work under the Coolie Ordinance, a draconian 1880 labour law designed to increase profits. The Ordinance stipulated work periods of three years between employers and workers with certain conditions. Unlike free workers, contract coolies were prohibited from selling his/her labour power to other (higher) bidders for the contract's duration, and they provided capitalists with an effective control over workers. As inter-island recruitment added to the cost of investment, the penal clause made it cost-effective for the capitalists to exploit the existing coolies. Practically speaking, the contracts prevented coolies from escaping. Workers caught at large without the required permit would be consider deserters and punished by the law. While this extra-economic means of the penal clause offered a way to discipline migrant coolies in the workplace, the Ordinance also required employers to follow employment standards that included paying a minimum wage, offering acceptable working conditions, and providing housing and medical care. In other words, the colonial government provided corporations with certain conditions for labour exploitation. The Labour Inspectorate was formed in June 1908 and tasked with supervising the conditions under which coolies worked and to curtail the atrocious workplace conditions resulting from extreme exploitation. Indeed, the purpose of 1880 Ordinance (and the following ordinance series) was the provision of labour—Java's relative surplus population (rural unemployment and underemployment)—for enterprises in the outer territories where locals' connection to the land meant a local shortage of workers available for non-agricultural industries. Like the Javanese, Chinese migrant workers on commercial plantations and engaged in mining operations in the outer islands were also employed under such settlements. In East Sumatra, a significant proportion of the working population was Javanese workers and Chinese coolies (see Figure 3).[41]

Indeed, we should situate this sort of labour exploitation within the course of a peculiar historical development of capitalism in the NEI. Put differently, this modern system of labour exploitation subjugated to itself coolie contracts as a contingent feature of capitalist development. While the exploitation of workers employed under coolie contracts was much more ruthless when compared to that of free workers, that situation just reflects a special form of labour control in peripheral capitalism in a particular historical circumstance. It implies that the

[41] By the late 1880s and associated with the tobacco boom, around 20,000 Chinese coolies arrived annually in the East Sumatra. By the same time, small numbers of Javanese coolies reached the region before this population of migrants soared in the early decades of twentieth century (Reid, 1979:40).

employment of coolies was nothing more than an attempt by the exploiting class to gain "super-profit". In this vein, as the exploitation of workers under capitalism constitutes surplus value, the super-profit rising from surplus value just reflects an extension of exploitation. In the context of "double freedom," the coolie workers enjoyed a half-freedom—they were not free to leave during a stipulated period of work (three years) but they were free in the sense that as landless peasants, they had nothing to sell but their labour power. Thus, it is possible to analyze this arrangement following a framework that considers the accumulation of capital as relying on a colonial face of exploitation. This is what Marx characterizes as "capital invested in colonies . . . [to] yield rate of profit . . . due to backward development, and likewise the exploitation of labor, because of the use of slaves, coolies, etc." (1981). Therefore, I would argue that the employment of these contract coolies did not delegitimize capitalism's existence during this period. It can even be said that the exploitation of this type of labour became the foundation of further capitalist reproduction in which the gradual replacement of this labour with free labour has been the case.

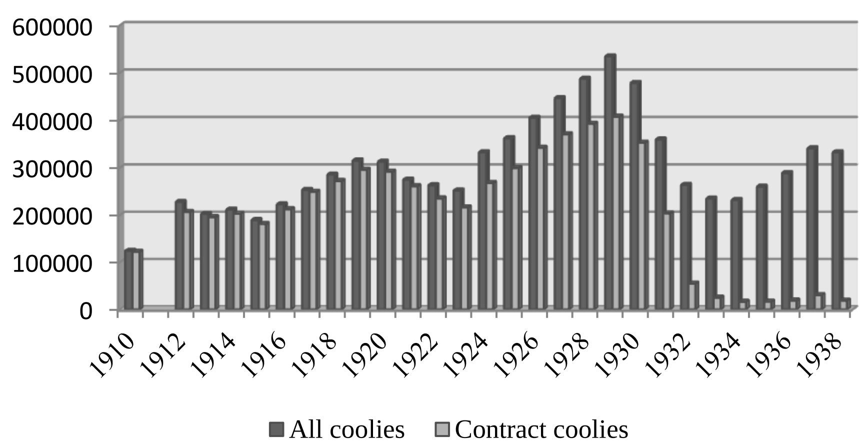
Figure IV.2: Number of Javanese and Chinese Coolies in East Sumatera, 1930-38



Source: Derives from Lindblad (1999:72, Table 7)

Due to the asymmetric expansion of Western enterprises in the outer islands, the use of contract coolies was heavily concentrated in a particular region—the East Sumatra estates—where about 80 percent of the Javanese contract workers had migrated by 1888 (Houben, 1995:95–96). Table IV.4 compares the distribution by1929 of contract coolies and free coolies (i.e., free to sell their labour without restrictions) in the outer islands. The table summarizes the uneven distribution of coolies based on the country's main islands. Most private companies producing resource-based global commodities generated profits from the exploitation of contract coolies. Two American companies—the Goodyear Rubber Company and the United States Rubber Company—employed thousands of contract workers on their rubber plantations in Sumatra. The raw materials collected from these sites became one of the main supply sources for the companies' factories in the United States (Vandenbosch, 1931:319). In 1931, there were 359,633 plantation workers in the outer islands, of whom 203,366 were registered as contract workers (Furnivall, 1939:356). In short, the exploitation of contract coolies not only generated dynamic capitalism in the NEI but also paved the way for capital's concentration and centralization in the hands of a few members of the transnational capitalist class.

Figure IV.3: Number of Contract Coolies and All Coolies in the Outer Islands, 1910-38



Source: Derives from Nierop (1999:178, Table 33).

As noted earlier, the use of coolie contracts diminished dramatically in the closing decade of the colonial period. Figure IV.4 clearly summarizes this trend, which followed the massive uptake of coolie employment over a 20-year period. Of course, many interconnected factors contributed to this decline and eventual abolition, foremost of which was a 1936 colonial state regulation that requested all companies located in the outer islands and established before 1921, to employ free workers after 1 January 1940. It also suggested that not all estates established between 1922 and 1927 must employ the penal clause. By October 1939, a new ordinance abolished the penal clause for all contract renewals, reduced three-year contracts to two years, and restricted the coolie contract system to agricultural and industrial sectors (Thompson, 1847:155). Criticism of this form of employment grew among the Dutch community at home and in Indonesia from 1890. The success of modern estates outside Java also resulted in a growing supply of local free workers that reduced the need to import migrant coolies. It is safe to add that international pressure also contributed to the abolition. This includes International Labour Organisation (ILO) attempts to place the issue on the international stage through international labour conferences and the Blaine Amendment of the United States' Tariff Law. The latter, though, seems to be nothing more than a protectionist measure as it applied only to the importation of the NEI tobacco, which was cheaper due to the use of forced labour in its production (Vandenbosch, 1931:318–24).

Table IV.4: Netherlands East Indies: Geographical Distribution of the Coolie Population in the Outer Islands by 1929

	Contract	Free	Total	Major commodities
Sumatra	**392,096**	**98,359**	**490,455**	
East Sumatra	261,619	41,084	302,703	Tobacco, rubber, palm oil
Palembang	14,339	26,517	40,856	Petroleum, coffee, rubber
Bangka & Belitung	34,932	4,752	39,684	Tin
Aceh	25,326	4,614	29,940	Rubber, coffee, palm oil, petroleum
West Sumatra	23,051	2,537	25,588	Coal, tea
Bengkulu	14,542	1,959	1,6501	Coffee, rubber, copra
Lampung	7,036	8,949	15,985	Coffee, rubber, copra
Riau	5,137	4,955	10,092	Rubber, copra, petroleum
Tapanuli	6,114	1,208	7,322	Rubber, coffee, palm oil
Jambi	0	1,784	1,784	Rubber, petroleum
Kalimantan	**12,684**	**25,074**	**37,758**	
SE Kalimantan	11,713	24,627	36,340	Petroleum, coal, rubber
West Kalimantan	971	447	1,418	Rubber
Sulawesi	**1,266**	**863**	**2,129**	
Manado	1,188	861	2,049	Copra, coffee
Other Sulawesi	78	2	80	Copra, coffee
Maluku	1,351	2,493	3,844	Nutmeg, copra
Total	**407,397**	**127,117**	**534,514**	

Source: Derives from Lindblad (1999:101, Table 13)

Above all, the most influential factor in the abolition of coolie contacts was the worldwide capitalist crisis in the 1930s. The fall of exports and imports paralyzed the NEI's national economy. In 1929, total exports reached ƒ1.5 billion and total imports were ƒ982 million. Within five years, these numbers dropped dramatically to ƒ487 million and ƒ292 million, respectively. The economic depression accordingly meant a decline in total wages. In the sugar industry, for example, the total value of wages dropped from ƒ101.8 million in 1929 to ƒ9.7 million in 1934 (De Wilde, Moll, Gooszen, 1936:41, 48, 50). To survive the crisis, most companies reduced their labour force and in Indonesia, this meant a decline in contract workers, in part because they constituted the largest percentage of the working population. Instead of offering three-year contracts to coolies, the corporations preferred the flexibility of recruiting free workers whose contracts, by law, were one year only. In East Sumatra between 1931 and 1932, 75,000 coolies were either shifted to free workers with shorter contacts or their contracts were revoked outright. There were also labour force reductions in the tin mining industry in Bangka and Belitung, from a peak of up to 40,000 people in the 1920s to only 15,000 by the end of the Great Depression in 1939 (Leenarts, 1999:149–46; Heidhues, 1992:127–31). Thus capitalism provided methods to deal with the downturn: transforming the AA into a "floating reserve army" and liberating unfree employees. The latter can be considered as a contingent strategy of exploiting labour under a particular circumstance.

However, it is important to bear in mind that the termination of coolie contracts did not reshape the principal feature of the social relations of capitalism—the exploitation of labour. As indicated by Stoler, labour conditions for Indonesia's wage workers did not change following the formal abolition of coolie contracts (Stoler, 1985:45). Of course, there were qualitatively different forms of labour control when comparing the employment of contract coolies and free workers. However, the differences between the two were contingent within the general framework of capitalist exploitation. One feature was the wage difference; free workers received significantly better wages and benefits, between 50 and 200 cents a day or ƒ15 and ƒ60 per month. The minimum wage set for coolie contracts was 25 and 45 florin cents a day or about ƒ7.50 to ƒ13.50 per month (Leenart, 1999:133), which reflected the employers' strategy of lowering the production cost by depressing the price of labour input.

Another striking difference was the discipline meted out in the workplace. As previously mentioned, the application of penal clauses distinguished the treatment of free workers compared to contract coolies. Coolies who refused to work, were violently provocative, insulting or threatening to overseers, or those who unsuccessfully deserted were subjected to a corporal punishment regime. In 1914, 11,458 or 16 percent of the coolies in East Sumatra, the country's largest population of this workforce, received a form of corporal punishment. By 1938, there were only 14 cases or 0.02 percent of total workers. The penal clauses were principally meted out against workers who ran away from duty; desertion was a common occurrence with 2,861 cases (1.5 percent) in 1915 with a small drop to 2,200 (one percent) by 1938 (Lindblad, 1999:76). The punishment of contract coolies in Western capitalist enterprises during the colonial period reflected the production of exchange value that relied on a specific form of labour control. The image of docile coolies revealed an important face of colonial-based labour exploitation under Dutch rule.

It is equally important to note that the value production process in the Dutch colony was also closely associated with various forms of identity discrimination. Race-based exploitation appeared in the form of unequal compensation for workers of a particular race. Capitalists' compensation to Chinese workers was much higher than to Javanese employees. Between 1923 and 1925, Javanese coolies in East Sumatra employed by BPM received between 60 and 108 cents a day, while Chinese coolies earned 170 cents per day (Leenart, 1999:133, 141).

With the feminization of the workplace developing in parallel to that of modern enterprises, it is also important to discuss the exploitation female workers. Female workers were initially more willing to work and easier to discipline, which inevitably resulted in their facing various forms of workplace discrimination. In the outer islands, the gender-based pay gap was commonplace. By the close of the 1930s, male tobacco plantation workers on Sumatra's east coast received a daily wage of around 50.67 cents, while female employees earned 35.22 cents (Polak, 1979:43). It is obvious from this data that value making in the NEI relied on identity—race and gender—discrimination.

The Japanese occupation of the archipelago during the Second World War heralded the exploitation of forced labour or *romusha*. Shigeru Sato indicates that Java alone had about 2.6 million *romusha* by November 1944, and more than 85 percent laboured for the military administration. Many were tasked to support the enhancement of agricultural productivity under the so-called “construction of new Java.”[42] Others worked for the railways and in mining and manufacturing on the island (Sato, 2003). The Japanese regime also shipped many Javanese *romusha* across the sea to other occupied lands including Singapore, Thailand, Malaya, Indochina, etc. The numbers may be no less than 150,000 people (Poeze, 2005; Sato, 1994:160). In the eastern part of the archipelago, the Japanese naval administration also employed a kind of forced labour, recruiting from the islands of Sulawesi, the Moluccas, and New Guinea (Raben, 2005). Japanese records on this subject are poor but a recent work suggests that more than 300,000 Indonesian died as Japanese coolies (Hovinga, 2005). It is fair to say that Japanese occupation plundered the Javanese population, reflecting an important face of the imperialist war.

2. The Post-colonial Faces of Exploitation

Following the bourgeois revolution in 1945, labour exploitation under capitalism entered a new phrase in Indonesia. The colonial Dutch and Japanese versions of forced labour were no longer in existence. However, the principal characteristic of peripheral capitalism—the exploitation of cheap labour—remained steadfast, especially given that the number of modern working class members within the active army remained small amidst a sea of relative surplus population. Indonesia’s rural population has remained largely employed in the traditional agriculture sector as smallholder producers, rural semi-proletariat, and landless daily workers, making them the primary labour supply for commodity production. By the same token, as capital can benefit from any investment deriving from available cheap labour, the vast majority of urban dwellers remain in the large and diverse informal sector as urban seasonal workers, the Lumpenproletariat or unemployed. Economic downtowns increase the size of the reserve army of labour and exploitation ensues, despite a healthy active working class. As earlier mentioned, the active working class percentages were only marginal, meaning that the Indonesian working class continues to face a remarkable rate of exploitation.

With the great peculiarity of labour control following the bloodbath of 1965–66, in which the privileged political power of the working class was totally paralyzed, some general features of capitalist exploitation in a post-colonial environment are immediately apparent. First, as the

[42] The construction of the new Java refers to “defense buildup, strengthening the economic war potential, and devotion of the entire population to the war effort” (See Sato 1994:154–58, 61).

human body has physical and mental limitations, the duration of work is an essential aspect of the living body. Lengthening working hours affects one's ability to work and in the long term can lead to the degradation of workers' physical and mental capacity. In order to enhance surplus value, the capitalist class must always break such limitations. The extension of normal working hours represents just one of the capitalist class' strategies to exploit more labour power for generating more surplus value. Another strategy is to increase the intensity of work through the introduction of labour-saving devices for enhancing productivity. The transition from the first strategy to the second is initially mediated by class struggle.

For the purpose of the present discussion, I would briefly highlight the average workweek in Indonesia so the reader can consider an empirical feature of labour exploitation in the country. In this context, state regulation concerning working days, as a condition of work in general, becomes central. By the 1950s, the government passed some regulations concerning labour such as the Labor Code, the Labor Disputes Acts of 1951 and 1957, the Worker's Compensation Law, and the Collective Agreement Law. In terms of working days, the Labor Code permitted firms to employ their workers seven hours per day or 40 hours per week. According to Everett D. Hawkins, it was likely difficult to enforce the law, especially for small-scale enterprises, due initially to the shortage of government personnel to supervise the companies. However, the large corporations generally obeyed the law (Hawkins, 1971; 1963). This was due in part to the existing political climate that favoured the general interests of the working class. It is important to note that by the 1950s, a growing class struggle had become influential. In the post-colonial period, there was a growing demand for trade unions, especially the leftist unions, to protect workers' interests in the workplace. I will return to this issue later.

In the post-Sukarno period, working days became a general issue. Although the regulation stated that workers were allowed to work 40 hours per week, some corporations compelled employees to work overtime. With growing export-oriented industrialization in the early 1990s, some workers experienced an extreme lengthening of the working day; some worked between 18 and 20 hours a day producing export goods (Lambert, 1999:90). In the post-Suharto era, workers have encountered similar experiences. A newspaper article published in 2011 provides an example of enduring worker exploitation in export-oriented product manufacturing:

> Excessive overtime was the "norm" in sportswear and leisurewear factories in Indonesia; workers in all the factories surveyed were doing between 10 and 40 hours of overtime a week. There were incidents of mental and physical abuse when workers failed to reach production targets—in one factory, 40 workers were locked in an unventilated room without access to toilet facilities, water and food for over three hours as a punishment (*The Guardian*, 28 April 2011).

According to Act No. 13 (2003) concerning manpower, the normal workweek in Indonesia is 40 hours, the universal standard for working hours. However, as the country has not ratified the Forty-Hour Week Convention (ILO No. 47, 1935), the Act does not prevent employers from expecting employees to work more than 40 hours per week. The Act permits additional hours with a strict limitation on supplementary work of three hours a day and 14 hours a week with overtime pay. Badan Pusat Statistik (BPS) or Statistics Indonesia conducts an annual national labour force survey (NLFS), which between 2008 and 2015 indicated that the average workweek of Indonesian working class members was above the normal of 40 hours (See Table IV.5). BPS recently suggested that 25.97 percent of workers are overworked, meaning they work more than 48 hours a week (BPS, 2016:32). In some sectors, according to this survey, workers often work around 50 hours or more per week. Workers employed in wholesale trade, retail trade and the service industry are an important case in point with an average of 50.25 hours worked weekly. Looking closely at the available official data, we can see that across the sectors, workers in sales and service spend more time at work. In the mining and quarrying sector, for instance, by 2015 the average workweek was 58 hours, while sales workers spent 53 hours per week at work (BPS, 2015c:255–56). This figure meets with the Ministerial Decree of Manpower and Transmigration, Decree 234 (2003) concerning working hours in the energy and mineral resources sectors, which permits employers to expect their employees to work more than eight hours per day.

Second, the tendency toward the super-exploitation of Indonesia's working class has remained constant with low wages as the lynchpin. Earlier studies have shown that wages paid to the working class in the early 1950s onward was crucial. Papanek (1980) for instance, notes the decline of real wages from the 1950s to the mid-1960s in the midst of favourable conditions for worker politics. This situation then improved by the late 1960s onwards. Under the New Order, some studies have shown a trend of increasing real wages during this period (e.g., Manning, 1994). However, looking from a different window, the exploitation of cheap labour especially benefited the export-based manufacturing sector during the New Order (Lambert, 1999). Other studies have shown that the minimum wage rate leaves workers far short of meeting their living standard (Hadiz, 1997). The All Indonesian Workers Union (SPSI) and the Asian-American Free Labor Institute conducted a survey in 1989 that revealed that 56 percent of 1,017 corporations in the Jakarta region paid workers less than the minimum wage. The Institute Teknologi Bandung (ITB) and the Asian-American Free Labor Institute also reported that South Korean companies producing Nike shoes for America and Europe markets also underpaid their employees (*Far Eastern Economic Review*, 20 June 1991). Furthermore, by early 1992, the value of minimum wage in Jakarta covered just 70 percent of the minimum physical calorific needs of workers (*Far Eastern Economic Review*; 2 April 1992). The World Bank-coined "Indonesia economy miracle" indeed originated from this form of super-exploitation.

Table IV.5: Indonesia: Average Weekly Working Hours of Male and Female Workers by Sector Origin, 2008-15

	2008		2009		2010		2011		2012		2013		2014		2015	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Agriculture	43	33	40	34	41	31	42	34	42	35	42	35	41	34	41	34
Mining	50	41	48	39	50	37	50	42	49	39	49	39	49	44	49	40
Manufacturing	47	45	46	45	47	44	47	45	46	44	46	44	46	43	46	44
Electricity	43	42	43	42	45	41	45	41	44	40	44	40	44	42	45	40
Construction	46	45	45	44	45	42	46	44	46	45	46	45	45	43	45	41
Wholesale	51	51	51	51	52	50	50	50	50	50	50	50	50	49	50	49
Transportation	49	46	49	46	49	46	49	46	48	43	48	43	45	49	48	42
Finance	47	42	46	42	46	42	46	42	47	41	47	41	46	42	45	42
Services	42	44	42	45	42	42	41	38	41	38	41	38	41	38	41	38
Average	46	44	45	45	45	43	45	42	45	42	45	42	45	41	45	41

M = Male; F = Female.
Source: BPS (2008–15)

In the post-Suharto era, the situation was initially unchanged—transnational corporations continued to use low-cost labour to produce consumer goods for the global market via subcontracting and outsourcing relationships with foreign and Indonesian companies who actually employ the workers to produce often-famous brands. This results in the super-exploitation of workers. Let us use Nike as an example. In 2011, one of the company's subcontractors, a Taiwanese corporation called the Pou Chen group located in Sukabumi, West Java, was paying its 10,000 employees, mostly female workers, only US$ 50 cents an hour. An employee told the *Associated Press* that a supervisor had kicked her due to a minor mistake in the workplace. Some employees filed complaints and had their employment terminated, while other employees reported repeated incidences of verbal abuse from the supervisor of the company that produces Converse products for the global market (*Daily Mail,* 13 July 2011).

Table IV.6: Percentage of Employees by Net Wage/Salary per Month Under and Over Provincial Minimum Wage, 2006-2015

	Under	Over
2015	51.71	48.29
2014	47.81	52.19
2013	48.12	51.88
2012	40.76	59.24
2011	37.9	62.1
2010	39.8	60.2
2009	44.6	55.4
2008	37.7	62.3
2007	34.0	66.0
2006	32.6	64.4

Source: BPS (2005-15)

Wages vary considerably between different regions in Indonesia since each region sets its own minimum wage, which is the lowest rate that an employer can legally pay a worker. Although the process of setting the minimum wage initially goes through tripartite consultation (trade union, employers' association, and the state), a disputable result is often the outcome. As the state has a broader interest in attracting investment to the archipelago, it generally pushes for competitive minimum wage rates. The term itself implies that the wage is far from a living wage and receiving this rate, let alone increasing it, is a yearly battle. Statistics Indonesia suggests that many firms pay their employees below legal minimum wage (see Table IV.6). Indonesia's low-pay rate refers to workers who receive less than two-thirds of the median wage. By 2014, the median was IDR 950,000 (US$ 79 per month) and almost one-third of workers (32.39 percent) received a low-pay rate, according to Statistics Indonesia (BPS, 2016a).

It is also important to explore the connections between pay rates and the feminization of the workplace. In February 2015, female employees accounted about 35.28 percent of the 46.6 million working class Indonesians across all sectors (BPS, 2015c:110). More women were employed in manufacturing than any other sector—4.02 million of the 11.06 million workers (BPS, 2015c:145, 153). Among the 16.4 million female workers across all sectors, just over one-third (35.35 percent) had a junior high school education or less (BPS, 2015d:114). Limited education and the related circumstances brings these women to sell their labour power at a lower wage, usually also lower than male workers in the same circumstances. Foreign-owned manufacturers use these circumstances to their advantage, hiring female workers in garment, textile and footwear industries producing products for the international market. The gender pay gap is an important factor in labour exploitation. The increasing number of industrial zones in the country are prime locations for the super-exploitation of female workers. Kawasan Berikat Nusantara (KBN) Cakung, a zone in the heart of Jakarta, is one of the best examples. According to Suara Buruh, a workers' grassroots media outlet, the zone has served corporations for more than 20 years, employing nearly 100,000 workers with a wage that does not meet their subsistence needs. The workers (who are mostly female and temporary employees) also endure unsafe working conditions, including poor indoor air quality. Workers reside close to the factories in overcrowded slum areas with unsanitary and unhygienic living conditions (*Suara Buruh*, October 2013).

Indonesia's experiences in capitalist exploitation include the use of child labour with children as young as nine entering the workforce. Based on the 1971 population census, Statistics Indonesia registered 480,000 10 to 14-year-olds as wage workers, compared to 1.3 million unpaid family workers in the same age range (BPS, 1974:186). The use of child labour was common on Northern Sumatran estates in the 1970s, and Stoler cites a *Tempo* magazine story that indicates that the American Uniroyal Company in Asahan employed child labourers aged seven to 12 years of age, either directly via a contractor or indirectly as helpers to their parents. The story reveals that these child workers conveniently disappeared during inspections, quickly returning to work once officials had left the site (Stoler, 1995:170–71). By the early 1990s, a *Tempo* magazine cover story was still reporting on the continued widespread use of the practice in manufacturing, under poor working conditions in the industrial regions in Tangerang, Surabaya and Medan. The exploitation was exacerbated by under-payment and longer working hours (*Tempo*, 25 September 1993).

The casualization of workplaces contributes to the current labour exploitation. For those in the working population who are not able to find permanent jobs, this type of employment is common. The vulnerable position of these workers means increased profit for the capitalist class because lower wages can be paid, related costs like pensions and health insurance are avoided, and the employer assumes less risk. Let us consider the use of this labour in the plantation industry in North Sumatra in the early 1950s. In the post-independence period, the government put in place legislation to better protect permanent workers. As a result, many firms turned to non-permanent employees to do the work of topping rubber and harvesting palm oil, jobs permanent workers held before legislation was introduced. Cost savings aside, employers chose to employ non-permanent workers in a bid to eradicate the influence of SARBUPRI (Estate Worker Union), a left-wing trade union that fought anti-temporary employment (Stoler, 1985:187–88). By the 1970s, Stoler shows that the government and private estates in Sumatra employed large number of temporary workers, called *buruh lepas* or *buruh borong* (Stoler, 1985:168–69). The growing casual employment trend also arises from the introduction of machinery, a specific aspect of capitalist development. Its use reduces the need for workers' labour while at the same time enhancing productivity. The use of machinery became common practice in the 1970s in conjunction with the employment of temporary workers in Sumatra's plantation belt (Stoler, 1985:168–72.). Recently, the palm oil industry, as an example of one of many agricultural industries, relies mainly on the exploitation of temporary labour to make it one of Indonesia's major export products. Official statistics show that millions of casual workers work in agriculture and non-agriculture sectors (see Table IV.7). Rural, female seasonal workers prop up this industry, with the super-exploitation situation mentioned earlier becoming this growing industry's backbone. Firms hire these workers to labour under precarious conditions of underpayment and overwork and these female workers are also more vulnerable to the health effects of pesticides and fertilizers—spraying the crops is largely a female job. Most of these workers remain close to traditional rural agricultural production as smallholder peasants, thereby representing a kind of semi-proletariat in the rural areas.

As I have discussed in this chapter thus far, the major faces of labour exploitation in the current development of capitalism in Indonesia are compulsory overtime work, low wages and casual work or temporary/short-term contracts. We can extend this matter to include occupational health and safety issues in the workplace, which is part of the larger labour exploitation picture. In this vein, we can consider construction as the riskiest sector, with large-scale dams as one of the major causes of death among workers (Aditjondro, 1993:247). Overall, occupation-related accidents are growing. *Tempo* Magazine reported that by 2010, there were about 98,000 occupational accidents that resulted in the deaths of 1,200 workers. A year later, the number had doubled—99,000 accidents and 2,218 workers' deaths (*Tempo*, 15 January 2013).

Table IV.7: Main Employment Status of the Indonesian Working Class, 1990-2015

Year	Employees	Casual Employee	
		Agriculture	Non-agriculture
2015	46 617 534	5 076 013	6 803 128
2014	43 348 961	4 739 310	6 750 395
2013	41 561 419	5 001 220	6 423 026
2012	38 135 062	5 356 265	5 970 608
2011	34 513 624	5 575 925	5 158 700
2010	30 724 161	6 324 719	5 284 598
2009	28 913 118	6 346 122	5 151 536
2008	28 515 358	6 130 481	4 798 856
2007	26 869 051	6 278 470	4 267 064
2006	25 972 945	5 886 366	4 244 130
2005	25 741 089	4 982 713	4 057 924
2004	25 459 554	4 449 921	3 732 838
2003	23 829 112	4 555 248	3 258 550
2002	25 049 793	4 513 600	3 559 927
2001	26 579 000	3 633 126	2 439 035
2000	29 498 039	n/a	n/a
1999	29 383 548	n/a	n/a
1998	28 745 471	n/a	n/a
1997	30 208 924	n/a	n/a
1996	28 650 070	n/a	n/a
1995	n/a	n/a	n/a
1994	26 739 373	n/a	n/a
1993	24 123 058	n/a	n/a
1992	22 729 472	n/a	n/a
1991	22 044 477	n/a	n/a
1990	20 798 440	n/a	n/a

Source: BPS (1990–2015)

Migrant workers, although not employed in Indonesia, remain a critical working class issue in the country's current development of capitalism. Due primarily to a lack of jobs in Indonesia, millions of migrant workers are employed abroad as domestic workers, caregivers and plantation workers, among others.[43] They face various forms of threats related to physical safety and legal vulnerability. Most are unskilled labourers who have repeatedly reported experiences of brutal exploitation, physical torture, sexual abuse, sex trafficking, and other forms of physical

[43] Take Malaysia, one of the most popular destinations for Indonesia migrant workers, as an example. By November 2007, the country hosted around 1.5 million Indonesian migrant workers, of which 23.16 percent were plantation workers, 18.55 percent were domestic workers, 18.25 percent were employed in construction, 17.91 percent in manufacturing, 8.88 percent in agriculture, and 3.47 percent in the service industry (see Kaur, 2010).

threats (*Deutsche Welle*, 27 June 2011). Recently, local non-profit human rights organization Justice Centre Hong Kong released a study that shows about 95 percent of migrant workers in Hong Kong, mostly from the Philippines and Indonesia, were likely experiencing some aspect of forced labour. The average workweek in Hong Kong is 71.4 hours and only 6 percent of workers received a salary above the minimum wage, which is around US$ 1.86 per day (*Forbes*, 18 March 2016). By 2015, 281 migrant workers from Indonesia were facing the death penalty, the majority in Malaysia, Saudi Arabia and China (*The Jakarta Post*, 10 October 2015).

Source: Derives from BPS (2000–17)

Above all, what I want to highlight is the empirical evidence of labour exploitation in the country from the point of view of labour theory of value. In this respect, I restrict my attention to voluntary labour-power transactions between the worker and the capitalist. A worker sells his/her labour-power to a capitalist in exchange for a wage for a given period of time. The wage must be equivalent to the value of the material requirements that necessitate the worker to reproduce his/her physical and mental ability to work—food, housing, etc. This is what Marx refers to the idea of "necessary labor time." In order to generate surplus, then, the capitalist must work the employee longer than the "necessary labor time." In other words, the capitalist takes the worker's surplus labour without paying for it. The empirical evidence of this extreme level of exploitation can be counted using the official Statistics Indonesia data on the medium and large-scale manufacturing sector. Employing the data within the framework of the value of labour-power, which is $v/(s + v)$ (v as variable capital and s as surplus value) (Foley, 1986:46), Figure IV.4 illustrates a trend of declining wages paid out in the sector as a percentage of the value of the commodity being produced. For 2015, that percentage, v/(s+v), was an extremely low 2 percent. When this percentage is translated into a 40-hour workweek (0.2 x 40), we see that members of the Indonesian working class in the manufacturing sector worked eight hours per week for their own subsistence needs (wages) and 32 hours per week to benefit the capitalist class as surplus labour time.

C. The Class Struggle

Capitalist exploitation—the everyday appropriation of surplus value by a tiny minority from the labour of the majority—engenders pain and leads to continuous disputes. As mentioned earlier, this exploitation necessitates the presence of class struggle—unreconciled social relations between the exploiting and the exploited classes—and is the objective condition that constitutes the struggle. Subjective condition—exploited population's consciousness—is another factor that makes the struggle possible. Although the exploited classes feel that they are being exploited, it does not necessarily lead to struggle. They may believe that the exploitation is undeniable or that the existing order is unchangeable. If there are any reactions to the exploitation, it is always spontaneous in nature. This reflects what Gramsci calls "common sense" or worldview, reflecting the uncritical engagement of the working class with philosophy.[44] Due to the lack of class-consciousness among the masses of the exploited class, it is necessary for "a criticism of common sense" (Gramsci, 1971:330–31). In this respect, as earlier mentioned, it is the intellectuals' task to bring class consciousness to workers from without (Lenin, 1902). For intellectuals, there is the possibility of a classless society that would appear through class struggle.

In the context of Indonesia, we have witnessed growing class struggles since the early decades of the twentieth century. Spontaneous resistance of the exploited population has been the norm, given the lack of class consciousness among the proletariat. Resistance has appeared in different forms, including collective action demanding changes to working conditions to individual campaigns, e.g., direct attacks on corporate managers. In the next section, I will focus

[44] It is the "philosophy of the non-philosophers . . . the conception of the world which is uncritically absorbed by the various social and cultural environments in which . . . the average man is developed" (see Gramsci, 1971).

my attention on resistance related to class-based politics, which has seen significant growth thanks to the widening modern political consciousness among the population challenging their exploiters. This type of consciousness was introduced by a new generation of professional politicians. In colonial times, this generation included members of the middle class with aristocratic origins who received a Western-style education under the Dutch's so-called "Ethical Policy."[45] Using their own logics, colonialism and capitalism created their own enemy in the masses.

If one created a list of ideologies that underpinned anti-colonial movements before independence from the Dutch in Indonesia, then Islamism, Marxism and nationalism would be at the top of the list. As leading Southeast Asia historian, Anthony Reid, observes, "Marxism was the major ideological training for Indonesian politicians as a whole" (Reid, 1974:6). In this vein, unlike their predecessors, during the late colonial period a new generation of professional politicians broached new kinds of class-consciousness concerning the dark sides of colonialism and capitalism and injected them into the consciousness of the poor masses. Combining modern forms of political mobilization with centralized and urban-based leadership, an international outlook, and the use of media as a propaganda tool, this generation laid out the principal foundation of anti-colonialism and anti-imperialism in Indonesia.

The establishment of the Communist Party of Indonesia (PKI) was a striking example. Its formation was a natural evolution in a climate of growing anti-colonial and anti-imperialist struggles of the early twentieth century. Founded on 23 May 1920, just three years after the Bolshevik Revolution, the PKI became a revolutionary vehicle to challenge the existing colonial exploitation of Dutch rule. The party emerged from the Indies Social Democratic Association (*Indische Sociaal-Democratische Vereniging* or ISDV), a socialist group formed by Dutch, Eurasian and Indonesian supporters on 9 May 1914.[46] The PKI was also rooted in the *Sarekat*

[45] One of the key motivations for this policy was the provision of an educated native population to serve the growing demand for labour from government bureaucracy and state-owned and private enterprises. This education was also supposed to bridge the native to the realm of modernity (see Shiraishi, 1990:27–40; see also Niel, 1960:31–46).

[46] A prominent figure who played a pivotal role in the ISDV's formation was Hendricus Josephus Franciscus Marie Sneevliet. Prior to the ISDV's presence, Sneevliet was a former chairman of a Dutch railway worker union (NVSTP) that the Netherlands Social Democratic Workers Party (SDAP) controlled. He joined Vereeniging voor Spoor-en Tramwegpersoneel (VSTP, Railway and Tramway Workers' Union), a union for rail and tramway personnel and one of the oldest unions in the NEI, and proceeded to radicalize it (see McVey, 1965:14). Its native members such as Semaun, Muso, Alimin and Tan Malaka were well-educated sons of middle-class families with aristocratic origins. Most of the union's members were railway workers (see Hüsken, 2009:19). For a comprehensive overview of Sneevliet, see Saich and Tichelman (1985).

Dagang Islam (SDI) or the Islamic Commercial Union's 1911 creation of the *Sarekat Islam* or Islamic Union (SI). The SDI itself was created in order to strengthen the interests of Javanese batik merchants for whom the Chinese were the major commercial competitor. It morphed into SI a year later and inclusively addressed the social and economic interests of Indonesian society as a whole (McVey, 1965:8). It is important to note that ISDV played a decisive role in radicalizing the young SI members by utilizing what it called the "bloc within" strategy. Semaun, who later became a prominent PKI member, is a product of this training (McVey, 1965:22–23; Shiraishi, 1990:98–103). This radicalization led to the division of SI into two camps: the red SI associated with communism and the white SI linked to the Islamic movement (McVey, 1965:115–16, 157). In short, a long discussion led the ISDV leadership to transform itself into the PKI, which became one of the country's leading political parties, and one with widespread support (McVey, 1965:47).

After its establishment, the PKI quickly became central in local and national efforts to raise class-consciousness among the population and insert socialist consciousness into the milieu of the working class and peasants' growing grievances. PKI transformed the spontaneous attitudes of both the trade unionism of the working class and the peasants' traditional romanticism into the revolutionary ideology of class struggle. Despite its successes in raising socialist consciousness, any PKI manoeuvres for insurrection were generally failures. The revolts that took place in Banten, West Java in November 1926 and on the west coast of Sumatra in January 1927 were also failures (McVey, 1965; Benda and McVey, 1960; Benda, 1955). The authorities crushed the uprisings and took strong measures against participants, including executing or imprisoning involved leaders.[47] Within a decade, the Party's power had declined significantly and it was relegated to an illegal existence for several decades, until independence.

After its official rebirth in October 1945, just months after independence, the PKI's resurgence was slow but with profound political consequences for modern Indonesian history (McVey, 1957:9). It began with the Madiun Uprising in 1948 that led to the killing of prominent Party leaders like Muso (or Musso), a veteran of the uprisings in 1926 and 1927 who had been exiled to the USSR, and ex-Prime Minister Amir Syarifuddin (Hindley, 1964:121). Some authors

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[47] The authorities suppressed the uprisings, arrested 13,000 suspects, imprisoned 4,500 people, and sent 1,308 of them to a concentration camp in West Papua before declaring the PKI an illegal party. This level of rebellion resulted in the PKI's decline, causing it to go underground. Although the Party never appeared as a significant political force until 1945, its anti-Dutch colonialism stance since the 1920s placed it in a position of honour in the country as the first modern nationalist martyr at the hands of Dutch colonialism (Hindley, 1964:18–19).

claimed that the uprising was probably linked to "Moscow's instructions" (e.g., Kroef, 1965:36) but recently declassified documents show no evidence of Soviet involvement. Efimova writes: "Among the materials available to the researcher we could find no traces of any definite 'Moscow's instructions' to Musso" (Efimova, 2003). Regardless of the future debate over Efimova's assessment, it is clear that the 1948 uprising isolated the Party from national politics for a while. By the early 1950s, the Party had reorganized under new leadership; Dipa Nusantara Aidit successfully consolidated the Party. Membership skyrocketed from 7,000 by early 1951 to 150,000 three years later (Mortimer, 2006:41–42). When Indonesia's first general election took place in 1955, the PKI became the fourth largest party in Parliament (Mortimer, 2006:66). While the 1948 uprising may have been undertaken without Soviet involvement, the PKI's great achievement in these first elections was under Moscow's direction.[48]

Following Joseph Stalin's recommendations, the Party focused on exploring the peculiarities of Indonesia as an agrarian society. This was why the notion of "the liquidation of feudal property of the land and the transformation of the land into the property of the peasants" became one of the Party's major concerns. Stalin also suggested the idea of "a united national front," with workers and peasants as the engine of the initiative to eradicate Dutch imperialism in particular. He also suggested dropping armed struggle from the Party's program, due to the archipelago's geographical condition and the absence of its own army. He also highly recommended economic and political strikes (Efimova, 2005:114–16). We can then consider these actions as the Party's theorization of society's existing class relations, which highlighted Indonesian society in the course of its "semi-colonial and semi-feudal" thesis.[49] This characterization implies that the first aim of an Indonesian revolution should be to undermine the big capitalists based in imperialist countries, and the landlord feudal class, through bourgeois democratic revolution, before initiating a socialist revolution—the revolution's second stage. This two-stage process permits the participation of the national bourgeoisie (i.e., middle and petty bourgeoisie) in a political force that enables the Party to smash the imperialist and feudal classes. This involvement, according to the PKI, is possible because their links to the imperialist

[48] From recently declassified documents, it seemed that by 1950, a few years after Stalin directed the PKI—via the China Communist Party and through close discussion with PKI leaders—the party reformulated its program based on that line in its fifth congress took place in March 1954. Efimova discusses Stalin's direction to the PKI looking at Stalin's declassified documents, which offer us a better understanding of the PKI's political attitude after 1950 (see Efimova, 2005).

[49] Mao initially developed these theses, which argues that Chinese society has been transferred to semi-colonial and semi-feudal society since the Opium War in 1848 (see Zedong, 1965).

and feudal classes do not outweigh the abuses that these classes meted out. This conflict thrust the national bourgeoisie into an ambiguous position as it took part in both the Indonesian Revolution but also the toppling of the 1948 revolt (Aidit, 1964; Kroef, 1964; Kroef, 1962).

Post-independence, the PKI's influence grew until it became one of the country's major political forces, in part due to its size. A month prior to the start of the 1965 pogroms, Aidit claimed that the Party's membership had reached 3.5 million, and PKI forces numbered over 27 million when counting the Party's affiliated organizations (Mortimer, 2006:366). This confidence in its decisive role in Indonesian modern politics was quashed when in the mid-1960s, a US-backed Suharto counterrevolution concluded the story of one of the world's largest communist parties.

The New Order, under Suharto, whose members harboured deeply hostility towards communism, effectively eliminated class-based politics for a period after the Revolution. It took more than two decades following the Cold War to break the silence. In the mid-1990s, Indonesian activists formed the People's Democratic Party (PRD). A large portion of its membership, undergraduate student activists enrolled at prominent Indonesian universities in Java, learned "the classical works of Marxism," Lenin and Mao, etc. through translated works that were circulated clandestinely due to the country's official ban on Marxism and Leninism. At the time, the PRD's establishment seemed to be a revival of the country's revolutionary force. The government, though, considered this party and its affiliated organizations illegal. The PRDs origins lie in lessons partially learned from the failures of the post-1966 student movements, mostly characterized as "moral force" or simply non-political in nature (Budiman, 1978). Additionally, its formation was a response to the inability of the new (to Indonesia) social movements, which took the form of capitalist donor-driven, non-governmental organizations (NGOs), to cope with contradictory features of peripheral capitalism. In order to challenge Suharto's dictatorship, which underpinned the peripheral face of the capitalist system, the use of street protests, live-ins with peasants and workers, strikes and united front tactics became the PRD's common political activities. Prior to and during the economic and political turmoil of 1997–98, the Suharto regime asserted it power against the Party, arresting, kidnapping, torturing and killing some of its key figures. After Suharto stepped down in 1998, the Party reemerged but spawned several small leftist parties. Although fascist elements within the post-Suharto regime have continuously fabricated hostility towards communism, the PRD and other tendencies of leftist parties have endured. The Left is still alive (see Lane, 2008; La Bots, 2001).

I have briefly discussed the long struggle of organized workers and peasants from the colonial period to the 2010s. In the past two decades, plentiful literature employing diverse theoretical backgrounds has been published on the struggles of (organized) workers (e.g., Kammen, 1997; Hadiz, 1997; Ford, 1999), peasants (e.g., Lucas, 1992), and social movements (e.g., Aspinal, 2005) in contemporary Indonesia. As such, I have restricted my attention to the movements with links to class politics.

1. The Worker Movement

1.1. Trade Unions

The presence of trade unions in the country, as vehicles for class struggle, emerged from colonial exploitation. Beginning with the formation of the State Railway Union in 1905, unions as the battlefront of workers against their employers began to appear in earnest from the 1910s onwards. Like the majority of unions worldwide, the major function of these new bodies was largely economic in nature; negotiating employment terms—reducing working hours, increasing wages and housing provisions—were the unions' major demands. Their members were also concerned about race-based exploitation defined by the indiscriminate favouritism of European over native employees.

The unions' motors were mostly skilled native workers who were chiefly permanent employees and thus better paid workers with job security. However, their numbers were miniscule when compared with the sea of unskilled, low-paid employees without job security (Ingleson, 1981). There were significant numbers of unionized workers in both public and in private sectors. In 1920, the number of trade unions reached 100 with a 100,000 combined membership. The unions were organized based on branches of industries or services such as the Union of Sugar Mill Employees, the Dockers' Union, the Union of Native Pawnshop Officials, the Union of Indies Employees of Extractive Industries (petroleum, coal, etc.), and so on. There were also union federations whose membership comprised the country's organized unions. For example, after the successful formation of the General Federation of Netherlands East Indies

Labour Unions, this federation split up into two camps in 1921, one influenced by the PKI and the other under the direction of SI (Semaun, 1966; Ingleson, 2014; Tedjasukmana, l958).[50]

Trade unions remained primarily economic organizations, and it was only working class politics that would bring unions beyond their narrow economic demands. This offered working class politics an alternative idea to capitalism, since it is impossible to overthrow exploitation through the economic character of a union. Thus, politics remains the alternative vehicle. The pivotal roles of ISDV and later PKI leaders to radicalize unions like the VSTP are the best example. VSTP was an urban-based union whose membership consisted of state and private railway employees, including all races and all rank positions. By the 1921, VSTP's membership reached 15,769 (Semaun, 1966; McVey, 1965). After a large strike in May 1923, the membership dropped significantly before the organization was revived to around 8,000 by April 1926 (Ingleson, 2014:75). In addition, ISDV and then PKI also brought political conciseness to other workers who were members of the Dockers' Union, Printers' Union, Union of Indies Employees of Extractive Industries, Union of Forestry Employees, and other unions where left wing members was significant, like the Union of Sugar Mill Employees. The unions were shifting to a more radical stance due to the introduction of external socialist consciousness.

After the surrender of the Japanese, the influence of leftist unions significantly declined over the following decades, and most of their activities took place clandestinely. The PKI's defeat in 1926–27 initiated this trend after thousands the PKI members were arrested and some prominent leaders imprisoned in Digul, West Papua (Tedjasukmana, 1958:14). These underground political activities continued after the outbreak of the Second World War and during the course of Japanese occupation, though it was now underground due to Japanese suppression.

[50] The first consisted of VSTP, the Dockers' Union, Printers, the Union of Indies Employees of Extractive Industries, the Union of Forestry Employees, and the left wing members of the Union of Sugar Mill Employees and others forming the Revolutionary Trade Union Federation under the influence of the Communist Party of Indonesia. The latter established the Federation of Labour Union under the direction of the right-wing Sarekat Islam. The members of this federation included the Union of Netherlands Indies Teachers, Union of Teachers' Training School Employees, Union of Assistant Teachers, Union of Native Public Work Employees, Union of Sugar Mill Employees, Union of Native Pawnshop Officials, and others. By September 1922, the two union federations reunited with a new name, Persatuan Vakbonden Hindia (PVH, Federation of Indonesian Trade Union) (see Semaun, 1966; Ingleson, 2014; Tedjasukmana, 1958).

Immediately after independence in November 1946, the formation of the union federation called *Sentral Organisasi Buruh Seluruh Indonesia* (SOBSI) or All Indonesian Central Organization of Labor, marked the resurgence of leftist unions. Its leadership principally supported the government administration of Sutan Sjahrir who was the Socialist Party leader (*Partai Sosialis*) (Tedjasukmana, 1958:18–23). Around 1946, SOBSI represented 28 unions with members numbering around 1,500,000. The Plantation Workers' Union (SARPUBRI), with around 850,000 in Java and Sumatra, was one of the major affiliated unions (Moes, 1959:19). Prior to the 1965–66 pogroms, SOBSI's membership climbed to 3.5 million (Mortimer, 2006:366). In sum, we can credit PKI with rebuilding the revolutionary tradition of unions in postwar Indonesia before the mass killings in the mid-1960s.

It was during Suharto's authoritarian regime when the country experienced a significant expansion of the working class under sweatshop-based capitalist development, and state-sponsored unions became central in subduing workers' consciousness. Suharto's New Order encouraged trade unions for promoting economic progress (Hadiz, 1997: Ford, 1999). The government recognized but controlled the SPSI as an official union that misrepresented the real interests of workers. Other unions such as the Solidarity Free Trade Union or Serikat Buruh Merdeka Setiakawan (SBMKS) established in 1990 and the Indonesian Prosperous Labour Union or Serikat Buruh Sejahtera Indonesia (SBSI) established in 1992 were active, but they were solidly under government control. The resurgence of socialist consciousness among workers occurred with the creation of the Indonesian Labor Struggle Center (Pusat Perjuangan Buruh Indonesia, PPBI) in 1994; it later affiliated with the PRD. As with their predecessors in the union movement, undergraduate student activists initially led the PPBI, actively organized mostly manufacturing workers in industrial centres on Java and the outer islands. Suharto's Indonesia, however, was hardly the environment for an ambitious revival of the leftist tradition.

After the collapse of the New Order regime in the late 1990s, trade unions blossomed, the fruits of the *Reformasi*, the political struggle to bring freedom to Indonesia. By 1998, the new regime ratified ILO Convention No. 87 concerning the Freedom of Association. This was followed with the introduction of Law No. 21 (2000) on trade unions. In this new political climate, organized workers had a space to emerge (Ford, 2000; Hadiz, 2002). Part of this shift included the replacement of PPBI with the Front Nasional Perjuangan Buruh Indonesiam (National Front for Indonesian Labor Struggles or FNPBI), which was led by former student activists. Like its predecessor, FNPBI's focus was organizing primarily female garment workers (Botz, 2001). The formation of (new) trade unions and federations of trade unions, including dozens of progressive wings, has also become more common.

1.2. From Strikes to Street Mass Protests

The experience of daily capitalist exploitation awakened workers' consciousness. Under Dutch colonial rule in Indonesia, worker consciousness manifested in widespread grievances among workers that brought about various forms of resistance including individual attacks on managerial-level staff to collective strike action. The former were common in the outer islands, meted out by contract coolies who received legal physical punishments. Stoler points out that the "physical abuse of workers and bodily assault on managerial personnel were part of estate labour relations" on Sumatra's east coast plantations (Stoller, 1995:53). Collective action as a primary form of resistance in post-colonial Indonesia was carried out in the form of strikes or mass street protests, etc. Given the large body of literature that explores this topic in great detail, for the present discussion, I want to draw our attention to collective actions for resistance with a connection to leftist politics.

As a historical product of exploitation, strikes began occurring frequently in early twentieth-century Indonesia, initially to grieve low wages and long working hours as well as to demand better working conditions and higher wages. Seamen working for the Semarang Steam and Sail Boat Company initiated one of the earliest collective actions in July 1913. Their demands for increased wages, an additional allowance, and the employment of more permanent workers resulted in some concessions between the two parties (Ingleson, 1983:461–62). By the late 1910s, Java was witnessing an increasing number of strikes. Semaun, a prominent leftist activist of the period, provided statistics revealing the jump in the number of striking workers over a three-year period: 7,000 in 1918 reached 66,000 a year later, and about 83,000 in 1920. The strikers included workers employed at dockyards, printing presses, sugar plantations and for the railway; they mostly voiced economic demands. The Union of Sugar Mill Employees organized the largest number of unionized strikers—30,000 in 1919 and 50,000 a year later (Semaun, 1966). Strikes also occurred in the outer islands. In May 1920, for example, around 1,000 Chinese workers went on strike at BPM's oil field in Balikpapan, Kalimantan. They demanded Chinese holiday pay, eight-hour working days, and a 30 percent wage increase

(Nierop, 1999:173–74). In the second half of the 1930s, there were about 103 strikes with 6,713 workers taking part (Thompson, 1947:160).

Above all, as a capitalist crisis always deteriorates the living conditions of the wage-earning class, it is important to highlight the crisis that creates the conditions for strikes. For this purpose, let us consider the May 1923 railway workers' general strike in Java. The post-First World War global capitalist downturn had worsened economic lives in the NEI. As an important indicator of business sectors in Java, the railway corporations (both state and privately owned enterprises) suffered, primarily due to a decline in profits resulting from a downtrend of export goods and passenger mobility. This forced the corporations to lower their operating costs, including terminating workers' living allowances and reducing other benefits (Ingleson, 1981a:62). Workers' bitterness escalated, especially among native employees. The VSTP, one of the NEI's oldest unions, called its members out on strike after the government provokingly arrested Semaun, who was an advisor for the strike (Ingleson, 1981a:69–70; McVey, 1965:150). On the strike's culminating day, 13 May 1923, 10,000 out of 50,000 railway and tramway workers went on strike across cities in Java (Ingleson, 1981a:74).

In the post-colonial period, amidst growing anti-colonialism and anti-imperialism sentiments, there was a class struggle underway, a significant number of workers with various economic and political demands. Immediately after the Japanese surrender and the declaration of Indonesia's independence, the workers' movements revived. Of course, the working class did take part in the revolt during the national revolution by establishing worker militias (*Laskar buruh*). These militias evolved from a growing desire among Indonesian workers to take direct control over the ex-Japanese-led corporations. This syndicalism action of workers seemed to be under the influence of Tan Malaka, a prominent pre-war PKI leader. Workers were supposed to operate the corporations that they seized for their own interests. Some BPM (Royal Dutch Shell) oil field installations in Kangewa (Central Java) and in North Sumatra came under workers' control (Reid, 1974:124–25).

By the 1950s, organized workers were increasingly resisting the existing order through organizing strikes. The struggle was deteriorating foreign capital. For instance, foreign-owned plantation companies in North Sumatra faced pressures due to the growing number of workers' strikes and protests (see Stoler, 1995:125–61). As shown in Table IV.8, the 1950s was the peak decades for strikes when compared with the following decades. It was during this time that big

Dutch corporations, especially plantations, sugar industry enterprises, and other large firms, were under attack due to the growing demands of increased wages and better working conditions. While the enterprises rejected the workers' demands, the Dutch Council of Employers accused trade unions of attempting to undermine Dutch corporations. In reaction, 700,000 plantations workers in Java and in Sumatra went on strike in August and September 1950 and January and February 1951 (Tedjasukmana, 1955; Feith, 1962:174). Sarbupri, a plantation union and member of SOBSI, led most of the strikes. As a result, the government called for the companies to offer plantation workers a new minimum wage (Hindley, 1964). In the 1950s alone, foreign companies' economic losses due to strikes reached approximately ƒ216 million (Lindblad, 2008:155–56). Strikes occurred frequently in the 1950s given the favourable political climate for the labour movement, as shown in Table IV.8.

The devastating overthrow of the Left by the mid-1960s paralyzed the unions, and there was a decline in the number of strikes during the early years of the New Order. This period then witnessed a widespread expansion of the class struggle due to the exploitation of cheap labour. Taking the form of strikes, as shown in Table IV.8, the struggle mostly occurred in Java where the growing manufacturing sector housed in industrial zones was heavily reliant on cheap labour. It is undeniable that disputes over wages was the most common cause of strikes. But the strikers also demanded bonuses, contracts, transportation costs, allowances, Eid bonuses along with requests related to female workers' needs like maternity leave and menstruation leave (Manning, 1993: *Far Eastern Economic Review*; 2 April 1992). Beyond that, demands of union freedom also emerged. Under the authoritarian regime, in its earlier stage of development, the struggle was dominated by the idea of pressing the corporations and the state to create better legislation that would improve working conditions and protect workers' minimum rights. One of the major strikes during the New Order period took place in mid-July 1995. Led by students and PPBI, a PRD-affiliated labour organization, around 13,000 PT Great River Industries (GRI) workers in Bogor went on strike (Lane, 2008:278).

Since the fall of Suharto, workers' movements have blossomed. Mass street protests, where workers make specific economic demands such as a regional minimum wage, social security, and the elimination of outsourcing employees, etc., have become common. May Day celebrations also occur annually across the country, bringing millions of the working class to the streets on May 1. Strikes also happen across the country on this day. In 2011, mine workers of a subsidiary of Freeport-McMoRan, the US mining giant, led one of the longer strikes to date, including an eight-day work stoppage in July and a three-month long strike in late 2011 December. The striking workers demanded wage increases and other benefits (*BBC*, 14 December 2011: Freeport-McMoRan, 2012:44). More than 1,000 open mine workers in Grasberg went to strike, from late September to early October 2016. This ten-day work stoppage strike in support of bonus increases paralyzed the open mine production. The corporation reported that it lost 900,000 tons of gold and copper production as a result (*Kompas*, 3 Oktober 2016; Freeport-McMoRan, 2017:47).

Strikes reflect a kind of class war between the exploited and the exploiting classes. In order to deal with workers' resistance, the capitalist class responds in various ways. During Dutch colonial rule, the exploiting class responded firmly to strikers with actions ranging from breaking contracts to violence against workers. The latter included the utilization of the repressive state apparatus to smash workers' blossoming struggles. An example of the Dutch authority's strict measures against unionized workers can be seen in their response to the VSTP general strike in May 1923; the government arrested the strike leaders, prohibited union meetings, and criminalized all forms of strike propaganda (Ingleson, 1981a:77–79; McVey, 1965; Tedjasukmana, 1958). By 1928 in East Sumatra, due to the increasing number of strikes and unrest within two major planters' associations—Deli Planters Verenigings (DPV) for tobacco and Algemene Vereniging van Rubberplanters ter Ooskust van Sumatra (AVROS) for rubber planters—a spy for the Indies Intelligence Bureau was engaged and reported on the political activities of plantation workers who leftist and nationalist political activists had infiltrated and radicalized (Stoler, 1995:71; Stoler, 1986).

Table IV.8: Strikes in Indonesia, 1953–97

Year	Number of Strikes	Workers involved	Days Not Worked
1996-97	580	366,806	3,746,851
1991-95	1,115	671,068	6,587,054
1986-90	227	82,048	613,843
1981-85	560	135,308	710,515
1976-80	320	56,002	105,292
1971-75	24	7,029	3,786
1966-70	10	1,771	1,925
1961-65	199	116,527	211,140
1956-60	846	1,487,091	2,407,710
1953-55	1,068	816,034	1,613,660

Source: ILO (2003, 1995, 1985, 1975, 1974, 1965, 1957)

During the New Order, the state and corporations took strict measures ranging from killing to criminalizing worker activists as the labour movement expanded. I cite three examples of these measures. The first is the brutal murder in Java of Marsinah, a 25-year-old female worker in May 1993 that attracted national and international criticism (*Far Eastern Economic Review*, 26 August 1993). The second is the five-year sentence handed down to left-inspired worker/activist Dita Sari, chair of PPBI, which is a PRD-affiliated worker organization. This occurred following a massive PRD/PPBI-led strike and demonstration in Surabaya on 10 July 1996 (Lane, 2008:157). The scapegoating of worker activists as communists was also common and we take the case of Muchtar Pakpahan, the SBSI Chairman, as the third example. Following worker unrest in mid-April 1994 in Medan, Bukit Barisan, the regional military commander (*Kodam*), charged Muchtar, claiming he had links with the PKI and insisting that Muchtar's father was a key figure of BTI, a peasant organization affiliated to PKI (*Forum Keadilan*, 11 May 1994).

In the post-Suharto era, state and capitalist responses to the growing number of strikes have not substantially changed. Violence has been an outcome of the security forces' attempts to break strikes. In response to a deteriorating situation brought on by a huge miners' strike at Freeport in Papua, Indonesian security force killed three striking workers and wounded at least six others in October 2011 (*Financial Times*, 17 October 2011; *Financial Times*, 21 October 2011; *The Atlantic*, 29 November 2011). There is also evidence that capitalists employ vigilante organizations or gangsters to counter worker movements. In March 2001, armed gangs attacked striking workers of PT Kadera in East Jakarta, causing two workers' deaths and the wounding of others (Quinn, 2003:48). PT Kadera demanded that workers end the strike, which was in support of an increased monthly minimum wage (*The Jakarta Post*, 31 October 2013). A street clash between striking workers and members of Pemuda Pancasila (PP), a New Order-sponsored paramilitary youth organization, occurred in the Cikarang Industrial Zone, West Java on 31 October 2013; four workers and four security guards were wounded. As members of such organizations are mainly unemployed and Lumpenproletariat, it simply means that capitalists employ a strategy to divide the working class population for the sake of capital. Thus, unlike the role of this Lumpenproletariat—like *jawara* in the revolutionary moments during the PKI pre-colonial period—in the current moment, the Lumpenproletariat reflects what Marx calls the “dangerous class” who serves the interests of capitalist class in battles against the working class (Marx and Engels, 2008).

Capital-labour disputes would generate a spatial-fix of capital by relocating investment to territories with the highest profit or the lowest labour cost. Recently, responding to increasing worker movements, business associations’ representatives speak of relocating production sites to other Asian countries where a higher rate of profit can be generated. Disputes over regional minimum wages have also become very common recently, and every year masses of workers from across industrial regions take to the streets to demand wage hikes, insisting that high inflation is increasing the cost of living. These demands have brought workers into direct confrontation with corporations and regional governments. As a result, some foreign-owned firms have closed down and relocated to other countries. In October 2006, for instance, two shoe factories owned by South Korea investors were shuttered due to labour issues. Around 18,000 workers lost their jobs following the closure of these factories that produced shoes under contract for Adidas. The details about the factories’ relocation were unclear but at the time, the president of the Korean Chamber of Commerce in Jakarta indicated that Vietnam offered cheaper wages and more certainty in regulation in comparison to Indonesia (*The Wall Street Journal*, 6 December 2006). By late 2013, due to workers’ growing protests for wage hikes across the manufacturing sector in Java, Sofyan Wanandi, Indonesian Employers Association’s (APINDO) chairperson, claimed that several companies had laid off around 200,000 workers, adding that Korean and Taiwan companies relocated their operations to Myanmar and Kampuchea (Cambodia) (*Kontan*, 30 October 2013). The chair of the Indonesian Shoe Manufacturers' Association, Eddy Widjanarko, claimed that 48 mostly Korean and Taiwan factories have been relocated to other Asian countries since 2012 due to the government’s approval of wage hikes (*The Jakarta Post*, 1 November 2013). A couple of months later, Widjanarko reported that the minimum wage increase drove 11 Korean and Taiwan-owned factories in Jakarta and Tangerang to relocate to Vietnam in 2013 and 2014, leaving thousands of workers unemployed (*Detik.com*, 17 March 2014). The relocations were not only international as owners also relocated factories to locations within Indonesia—from Jakarta to lower minimum wage regions, for example (*Gatra*, 5 December 2012). In 2014, the media reported that other Korean and Taiwanese-owned shoe factories planned to relocate their operations from the capital and the province of Banten to the provinces of East Java and Central Java where the minimum wage was lower (*Detik.com*, 17

March 2014). Suryadi Sasmita, APINDO general secretary, said in 2013 that employers did accept annual minimum wage increases. In his comments, he seemed to speak of 'spatial fix,' stating that employers would prefer to relocate the production site or replace workers with machines rather than increase the minimum wage (*Detik.com*, 6 November 2013).

2. The Peasant Resistance

As peasants are members of the reserve army of labour, it is important to consider the appearance of peasant resistance in the context of capitalism's historical development. First, peasant populations are far from homogenous—to one degree or another, there is differentiation among them. A peasantry reflects class relations, implying the presence of the exploiting and the exploited class, and either pre-capitalist social relations or capitalist relations. When capitalism arises from agriculture or other resource-based extraction industries, the necessary condition that precedes it is the disruption of the latent faction of reserve army labour—traditional agricultural masses or small-scale independent agricultural producers with ties to the land. This is a peculiar feature of historical capitalism in its relation to the peasantry.

With this in mind, the story of capitalism under Dutch colonialism in the archipelago is, to some extent, merely about the disruption of peasants. Several wars during the colonial period, including the Java War, had agrarian dimensions (Carey, 1986; Carey, 1976). By the late nineteenth century onward, wars arising from Dutch military expeditions to the outer islands such as Aceh also reflected peasantries' resistance (Reid, 1974:23). Peasant wars even occurred in the outer periphery of Dutch control. Interior Poso, Central Sulawesi was the site of bloody wars in the early twentieth century following Dutch military expedition to this area that was occupied by minority ethnic groups who practice shifting cultivation (Schrauwers, 2000). These examples enrich our knowledge of the decisive effects of Dutch colonialism on the peasantries and the resulting resistance actions.

I would like to briefly highlight the growing class-consciousness among the peasantries that would challenge the regime of exploitation under the Dutch colonial government. Semaun attended the First Congress of the Toilers of the Far East in Irkutsk in November 1921 and in Moscow in January and February 1922, where he reported that the peasantries in the archipelago accounted for around 95 percent of the total population, adding that majority were in the "primitive communism" stage (Semaun, 1966:51; McVey, 1965:127). If by this term he means a pre-class society, Semaun is seemingly trivializing this sector of society. Agricultural societies in Java were differentiated among their members by the early nineteenth century, and small sections of these societies were kept alive through the perpetual production of others (e.g., Knight, 1982). Whatever the development stage of the archipelago's societies in the early decades of the twentieth century, we should not conceive them in isolation but rather in terms of their relations to the existing capitalist order. In this regard, the subjugation of the peasantries as a whole, both poor and rich, to the Dutch regime, reflects the appropriation of agricultural surplus. Under this circumstance, it was not the spontaneous consciousness of the exploited peasants to become involved in anti-colonial struggles. Rather, it was the injection of peasant consciousness from without as a phenomenon of this period. Indeed, this injection was the PKI's pivotal role. The Party considered the political potentiality of the peasantries for a class war in the course of the colonial question due to the agrarian peculiarity of Indonesian society. The revolution "must not rely on the proletariat alone" in a narrow sense, and it suggested working closely with non-communist groups including peasants (McVey, 1965:278). The formation of Sarekat Rakjat (People's Union), in which the PKI worked from within to represent peasants, workers and shopkeepers interest, was a striking example. In addition, the establishment of the *S*arekat Tani (Peasant Union) was another way in which the PKI attempted to heighten class-based interests with the peasantries (McVey, 1965). In sum, the PKI advanced class-consciousness among the peasantries in order to encourage them to take part in the Party's revolutionary actions against colonialism and imperialism.

The 1926 PKI-inspired, peasant-based insurrection in Banten, northwest Java, one of the fastest growing communist regions during this period, provides an opportunity to examine the PKI's role in mobilizing the peasantries. It is a striking example of peasant resistance led by revolutionary ideology. There were some interrelated factors that fueled the uprising—a disappointing harvest, falling agricultural earnings, and a lack of available employment—but the most important trigger was taxation. The Dutch colonial government had been attempting to increase its revenues through taxation in the 1920s, especially by increasing the land rent paid by peasants. Banten's peasants actually paid higher taxes when compared to the average tax paid by their Javanese counterparts. Under such circumstances, the PKI's role of encouraging revolutionary consciousness within the peasantry was central to the fight against increased rents. The Party's increasing influence in the area substantiated their role (Williams, 1982). By 1926, a

Dutch authority estimated that PKI has around 20,000 supporters in Banten, while another source counted around 50,000 peasant Party members in the area (Williams, 1982:232). Working in a region where the role of Islamic leaders in society was central, the PKI was able to revolutionize these leaders' political views. The PKI also gained support from those who are locally called *jawara* (bandits), radicalizing the class-consciousness of this Lumpenproletariat and subordinating them into revolutionary tasks (Williams, 1982:233). The insurrection began in mid-November 1926 with the murders of a police officer and selected civil servants. Only one Dutchmen was killed by insurgents—a railway supervisor. Within a few days, the Dutch launched a counterattack and restored order. Members of the military and of the police raided villages, arresting around 1,300 insurgents. Later, many of the insurgency's leaders were imprisoned. Some prominent PKI leaders in Banten were transported across the sea to Boven Digul, New Guinea, a Dutch internment camp (Williams, 1982). Despite the insurrection's failure, the Banten uprising proved that inspiring class consciousness among peasants from without paved the way to the rise of class struggle as a form of political action.

The PKI's pivotal role in bringing revolutionary consciousness to the peasants undertaking uprisings was substantially different when compared to the preceding peasant resistance movements during the Dutch colonial period. First and foremost, previous movements seemed to lack a long-term strategy and an alternative ideology about the future. This factor has received a good deal of attention from scholars of Indonesian colonial history. In his inspiring study of rural protests in Java, Sartono Kartodirdjo, for instance, observes the significant role of messianic ideology that underpins the resistance movements (Kartodirdjo, 1973). The notion of *Ratu Adil* (Just King) was a powerful influence over the Central and East Java populations (Kartodirdjo, 1973:65). The prince of Diponegoro became a charismatic leader among Java peasants who characterized him as the *Ratu Adil* in the Java War (Carey, 1986; Carey, 1976). In the historical record of revolts in Banten, whose residents have a strong eschatological spirit, the peasant rebellion of 1888 against the Dutch is telling (Kartodirdjo, 1966). The traditional religious leaders who inspired and led the resentful peasants in the uprising obviously reflected such spirit. The rebellion, which lasted from 9 to 30 July 1888, reveals the leaders' pivotal role in guiding the insurgents. Prior to the uprising, the charismatic leaders utilized religious events such as *tarekat* (a sort of gathering and praying together) to discuss the planned rebellion (Kartodirdjo, 1966). As with earlier uprisings, the colonial regime crushed this outburst and successfully restored order, arresting more than 200 rebels, releasing some but engaging 89 men as forced labourers for 15 to 20 years, while giving 11 principal leaders the death sentence (Kartodirdjo, 1966:264). The revival of messianic and religious spirits expressing discontent with Dutch colonialism is the key difference between the 1926 insurrection and the preceding wars and incidents of unrest.

Hindley states that although the PKI initially neglected the peasantries during the 1945 Revolution, its peasant wing was strengthened in the post-independence period when it came to the Party's attention in 1948. The Party further drew national attention to the peasantries, which comprised the majority of Indonesia's population. The Politburo then underlined that "without the support of the peasants, the national revolution will certainly be defeated" (Hindley, 1964:160). The Party created the Indonesian Peasant Organization, or Barisan Tani Indonesia (BTI), which by mid-September 1953 was a fusion of three organizations: Indonesian Peasants' Union (Rukun Tani Indonesia, RTI), Peasants' United Front (Front Persatuan Tani, FPT), and the Indonesian Peasants Association (Sarikat Tani Indonesia, SAKTI). BTI claimed to have 800,000 members by March 1954 and reached more than 3.3 million members by the end of 1955. Its members were concentrated in Java, especially in Central Java and East Java; outside of these areas, membership was just less than 400,000 (Hindley, 1964:165–67). By August 1965, the Party claimed that BTI had nine million members (Mortimer, 2006:366).

Since the New Order repression, the peasantries as an important component of potential revolutionary forces have been totally paralyzed. This deterioration, however, has not reduced the number of protests by peasants (and urban dwellers) across the country over the past decades, largely due to growing land-based investments (see, e.g., Lucas, 1992). This expansion is not just in productive industries such as mining, forestry and agriculture, but also for infrastructure projects like dams that displace rural populations from or prevent their access to traditional land and its resources. The state has played a crucial role in this displacement through its implementation of regulations and even the employment of its violent apparatus. The result is spontaneous or semi-spontaneous protests among the peasantries. With the significant deterioration of the left-inspired peasant mobilization, peasant resistances have become increasingly associated with a new but growing form of social movement that is post-Marxist in nature (Laclau and Mouffe, 2001). The remarkable presence of NGOs advocating for peasants' rights from the 1990s onwards is the best example (see, e.g., Aspinal, 2005:86–115). This includes, for example, the deployment of identity politics that embody an idealized past of *masyarakat adat* (indigenous people) (see, e.g., Li, 2007).

It is also important to note that in the early stages of the post-Suharto period, activists attempted to reestablish peasant organizations on a national scale, including Serikat Tani Nasional (National Peasant Union or STN), Aliansi Gerakan Reforma Agraria (Agrarian Reform Movement Alliance or AGRA), and Federasi Serikat Petani Indonesia (Federation of Indonesian Peasant Unions or FSPI). Despite their differences, STN and AGRA have had some successes in bringing class consciousness to the peasantries. Both utilize methods similar to that of NGOs, focusing on human rights concerns. They are different from NGOs in that the former represent a left style of anti-imperialism movements. Such left-inspired organizations reflect increasing attempts to protect the interests of what Lane (2008) characterizes as "popular classes," including peasants from capitalist penetration into the rural areas.

D. Conclusion

My conclusion about the long trend of labour exploitation and class struggle in Indonesia can be summarized as follows. First, the emergence of wage workers, who freely sell their labour power to the owners of capital under the capitalist mode of production, came about following the Culture System's abolition in the mid-nineteenth century. This phenomenon emerged from the growing cane and sugar industry in Java. Javanese peasants had been gradually transferred into sugarcane production for the global market. It was western sugar enterprises that generated this transformation who benefited from the available rural segment of relative surplus population. Of course, this development was also facilitated by the liberal government of the Dutch who favoured purely free capitalist exploitation instead of corvée labour exploitation. Following the growth of modern economic activities, especially in Java, since the early decades of the twentieth century, a mass population of working class emerged from Indonesia society. Capitalist enterprises, either state capital or private capital, employed this exploited class; among them were significant numbers of female workers.

Second, the development of the free workers does not mean that there was a single regime of labour within capitalist enterprises in the Dutch colony. Modern economy sectors operating in the Netherlands East Indies employed unfree workers until the earlier decades of twentieth century. Mines and oil and plantation companies operating outside Java used large numbers of the so-called contract coolies. The Dutch colonial state provided a "penal sanction" to enforce their employment in workplaces before its gradual termination in the closing decades of the Dutch colonial period, largely triggered by the 1930s capitalist crisis. Thus capitalist enterprises generated super-profits by extra-economic means. We had a special feature of capitalist accumulation in the Dutch colony of Indonesia: a white capitalist class exploiting coloured workers.

Third, as the Indonesian Revolution simply transferred political power without the abolition of the existing class structure, post-colonial Indonesia reflects a continuation of capitalist exploitation. Amid strong anti-colonial and anti-imperialist struggles, the Sukarno administration tended to protect the working class from brutal capitalist exploitation, for example by providing the Labor Code and the Labor Dispute Act. The bloody counter-revolution in the mid-1960s paved the way for a growing inward flow of foreign investment, reconstituting capitalist exploitation. The Suharto dictatorship facilitated exploitation by suppressing workers' protests with violence and subordinating trade unions under state control. This situation generated the super-exploitation of Indonesia's working class, including in the manufacturing sector dominated by foreign investments. Political reform in Indonesia in the post-Suharto period has not protected the Indonesian working class from super-exploitation. Using a framework of labour theory of value, I indicate that workers in manufacturing in this era tend to be more exploited than during the Suharto period. The massive employment of female workers and the casualization of workplaces under neoliberal norms contributes to this face of capitalist exploitation. It must also be underlined that the significant size of the relative surplus population accounts for the working class' exploitation in the peripheral capitalism of Indonesia. Above all, the factor that generates such exploitation is the growing ratio of dead labour to living labour in this sector. I will return to this feature of super-exploitation in the mining sector in the next section.

Fourth, since capitalist exploitation leads to class struggle, we witness a long trend of class struggle taking place in Indonesia. The struggle started during Dutch colonialism. The formation of trade unions in the early 1900s indicates a growing class consciousness among the Indonesian working class. Strikes then frequently occurred in the Netherlands East Indies. The formation of the Communist Party of Indonesia enforced class consciousness among Indonesia's modern proletarians. The Party also became one of the prominent political organizations in the archipelago to advocate for Indonesian liberation by waging anti-colonialist and anti-imperialist struggles. During the post-colonial period, the class struggle continues, including the incorporation of peasantries into a wider struggle against capitalism. During the first 15 years of the post-colonial period, workers' organizations demanded that economic needs be combined with political struggles attacking imperialism. In the midst of Suharto's dictatorial rule, the working class' economic struggle endured, especially in the 1990s. After his fall, it blossomed and the peasantries continue their fight against capitalist dispossession in the countryside.

SECTION THREE: THE ACCUMULATION IN MINING IN INDONESIA

This section deals with historical investigations about Indonesia. It is widely recognized that while Indonesia is rich in mineral resources, they are unevenly distributed across the archipelago. Mining has been one of the key sectors within the archipelago's modern economy since the Dutch colonial period. Mining capitals, supported by the state, have invested in this lucrative sector since the late nineteenth century. This long history tells us one important thing: Mining capital makes much of its money at the expense of the working population. In this respect, this section will elaborate on this discussion through three chapters. Chapter V examines the state and mining capital in Indonesia. In Chapter VI, I will discuss the condition underpinning state-mining capital relations in Indonesia— labour exploitation and its implication for class struggle. Chapter VII scrutinizes the accumulation of capital taking place in the country's nickel industry. My discussion is largely based on official raw data compiled by public agencies, private sectors and scholars. I also use a series of government regulations and mainstream and non-mainstream media as sources of interpretation. Lasty, I benefit from a series of interviews and focus group discussions.

CHAPTER V: THE STATE AND MINING CAPITAL

A. Introduction

In this chapter, I aim to provide an understanding of the long trend of special features of state sovereignty in relation to mining capitals in Indonesia and to interrogate historical contingencies between capitalist types of states and mining capital that have emerged in Indonesia. To that end, for a manageable discussion, I will trace the transformation from the early decades of the Dutch colonial period up to the present. The first section of the chapter will deal with the colonial period and address the emergence of the colonial state's sovereignty over mineral resources in relation to the internal process of capitalist accumulation leading to capitalist concentration indicated by oil corporations' vertical integration. In the second part, I will scrutinize historical features of sovereignty under post-colonial states in the midst of the global face of capitalism. I will emphasize the ways in which the mining sector has been internationalizing in Indonesia. However, this does not mean that the process of accumulation in this sector has been void of a national character. Rather, we initially see a peculiarity of accumulation due to capitalism's historical development in the country.

B. Colonialism, State Sovereignty and Accumulation

1. The Emergence of Modern State Sovereignty

Mining extraction in the archipelago has existed for a long time. Oil extraction was recorded in 954 AD (Ter Braake, 1977:66–67), long before its first appearance in a Dutch report in 1569 (Gerretson, 1953:20–22). Earlier sources also confirm that prior to the arrival of the Dutch, the activity of breaking up soil for minerals occurred in many places across the country. For instance, Tomé Pires' book, the *Suma Oriental*, written in Malacca between AD 1512 and AD 1515, mentions the presence of gold mines around Minangkabau in Sumatra (Cortesão, 1944:164–65). By the first half of the sixteenth century, the Kingdom of Aceh controlled gold mines in its hinterland and perhaps tin mines in the Malay Peninsula, which were worked by slaves who arrived from many other places through a slave trade (Perret, 2011:161). In the eastern part of archipelago, the population around Lake Matano and its neighbour Bungku, located in Central Sulawesi, had already mined, smelted and traded nickel-bearing iron around the sixteenth century (see Pelras, 1996:48).[51] Archaeologists David Bulbeck and Ian Caldwell concluded that iron smelting and export occurred in this region near Katue around the Gulf of Bone by AD 1. It was therefore not surprising when people carried out commercial-based iron mining and smelting around Lake Matano in about AD 1500 (Bulbeck and Caldwell, 2000:97; Henley, 2005:70–71). The archipelago's long and rich mining history reflects a pre-capitalist mode of mineral extraction.

Pre-capitalist mineral extraction continued in many places in the archipelago after the Dutch's arrival. By the early eighteenth century, the VOC attempted to control the Batavia tin trade. By the mid-1740s onward, the amount of tin delivery slightly increased, especially after the Dutch imposed on the local king—who controlled tin production around Bangka Island—an exclusive contract to trade with the company (Heidhues, 1992:1–10). In the eastern part of archipelago, David Henley provides data on how the VOC orchestrated the growth of Gorontalo, in northern Sulawesi, as the main source of gold for export since the late 1730s. There is evidence that the population extracted and traded gold in this area before the Dutch took control over the trade. In terms of production methods, there is proof of the use of hydraulic and underground techniques for gold mining in the region at this time. Henley (2005:71, 97–98, 169–70) also shows that in 1734, a significant seasonal population of miners died from malaria—four out of every 10—dramatically reducing the gold for export that year. High fatality rates continued until the early decades of the nineteenth century. It seemed that highly intensive work sites and poor working conditions weakened these gold miners' health, men who were initially slaves from neighbouring locales. As Boomgaard (2003:86) implies, both local and European rulers preferred to use this unfree working population instead of employing free workers.

Despite the fact that pre-capitalist social relations of mineral extraction existed in the archipelago over centuries, the capitalist form of social relations underpinning the extraction emerged later. Historical evidence indicates that since the Dutch arrived, the capitalist state has held exclusive mineral rights. In other words, sovereignty over resources has been uniquely associated with the state, and that state therefore excluded other property claims, including customary claims. In the period of its colonial conquest, the Dutch empire obviously ignored land owners' rights to mineral wealth (Ter Braake, 1977:21–29; Kropveld, 1911:70). Rather, the

[51] Before the arrival of the Dutch, Bungku had become a source of export for iron tools and weapons to other parts of Sulawesi and other regions such as Java and Maluku over the centuries (See Henley, 2005:70-71).

colonial state exclusively controlled all of the NEI's mineral wealth under the modern system of landed property. Prior to the state issuing its first concession in 1852 to a private company—Billiton Company (NV Billiton Maatschappij) for tin exploitation on the island of Belitung—the colonial government had an exclusive right to such exploitation. The government also ran most mines in operation in NEI during the second half of the nineteenth century (Ter Braake, 1977:21).

The colonial administration passed a special mining law to regulate mineral extraction in the late nineteenth century, following the discovery of oil reserves and private companies' growing interest in exploiting these deposits. The Dutch Mining Law of 1899 regulated all mining investment in the NEI. This Law granted prospecting licenses and concessions for exploitation. For the former, a maximum area of about 10,000 hectares was allocated for a three-year period with an allowable two extensions of one year each. The exploration fee was 2.5 Dutch cents per hectare. Prospectus would be terminated if the license was inefficient active. Prospecting license holders could apply for a concession, which offered mineral exploitation rights. Under the law, a maximum concession of 1,000 hectare was offered for a period of 75 years. In return, the government received annual rents of 25 Dutch cents for a concession. The government also appropriated 4 percent of the local value of the mineral being extracted. The Law was amended in 1910 and again in 1918 to increase state profits. A 1918 amendment largely related to the introduction of the well-known "Article 5a", which shortened the 40-year contract limitation and set a production tax of 4 percent. Prospecting licenses and concessions were offered to Dutch citizens, to men resident in the Netherlands or the NEI, and to Netherlands or NEI legal-based corporations where the majority of directors were Dutchmen or men living in the NEI (Ter Braake, 1977:21–29; Kropveld, 1911:70–75).[52]

During the Dutch colonial era, this form of exclusive state sovereignty made possible mining corporations' accumulation of capital. The extension of the colonial state's sovereignty over geographical space was no more than a historical process that paved the way for secure capital accumulation. This process was typically carried out by force. The Dutch subjugation of Aceh and the penetration of the oil industry into this region by the late nineteenth century is the

[52] In the regions where the Dutch administration applied indirect rule—the local ruler controlled their population but was subjected to Dutch government rule—growing modern investment, including in mining, meant that the local rulers benefited from significant royalties. In this situation, the corporation paid rent to both the Dutch government and to the subjugated local ruler(s) (see Reed, 1958:46; Gerretson, 1955:129).

best example. Frederik Carel Gerretson, a Dutch historian and a proponent of Dutch colonialism who endorses a one-sided view of the industry's historical development, argues that:

> [t]he actual history of the establishment of the petroleum industry on the east coast of Aceh is indeed very different from the legend which we have recounted. It will be seen that far from being an act of coercion of the will of the ruler and people, the opening up of the country was applied for as a favor. Instead of being a violent conquest by military force, as a means of allowing foreign enterprise to penetrate, what took place was the peaceful arrival of the entrepreneur, at the risk of his own life and property, assented to an encourage to penetrate, by Dutch authorities, who were bent upon defending at all costs the interests of native population, even at the expense of the legitimate claims of western industry (1955:140–42).

In fact, the reverse was true. It is impossible to depict the issuance of oil concessions and the Royal Dutch oil company's entrance to northern Sumatra (Gerretson, 1953, 1955, 1957a, 1957b) without highlighting the colonizer's brutality during the 40-year Aceh War that began in 1873. The conflict, which resulted in around 100,000 causalities (Kreike, 2014; Groen, 2014), created order as an essential condition for capitalist expansion and accumulation. It is representative of one of the important historical moments of capital expansion, as Marx (1976:874) writes: "conquest, enslavement, robbery, murder, in short, force, plays the greatest part." The War mirrored a brutal expansion of capital.

Furthermore, the rise of the colonial state's sovereignty was an imperial affair. Dutch control over resource-rich Sumatra emerges from the Anglo-Dutch Sumatra Treaty of 1871 (Reid, 1969). The treaty was part of the division of Southeast Asia as a result of the growing competition in the region between Western powers. It is then undeniable to state that the extension of Dutch sovereignty in the area resulted from the partition of the non-capitalist world among Western empires for political and economic ends. In this respect, the Aceh War reflects the bloody extinction of pre-capitalist society in the region, paving the way for the presence of capitalist social relations in oil and other extractive sectors. This was a historical task of the Dutch colonial state and its Western counterparts.

2. Accumulation in Mining

2.1. Capital Investment in the Netherlands East Indies

Indonesia entered into the global accumulation of this resource-based economy in the late nineteenth century. Dutch colonialisms role in capitalism's development and expansion in the archipelago implies that transnational capital predated post-colonial rule here. For more than a century, the mineral-producing archipelago—led by mining firms as the agency of transnational capital—have exported either unrefined or semi-processed minerals. Tin, oil and coal were the key minerals extracted during the Dutch colonial period.

Capital investment in the mining industry took hold at the turn of nineteenth century and grew consistently from this point forward. As foreign direct investment promotes capital accumulation, the inflow of capitals generated mining investment in this Dutch colony. In 1860 when the Billiton Company was established, the estimated value of capital inflows was ƒ5 million (Korthals Altes, 1987). The guilder value of mining investment, including oil and gas, grew at a remarkable rate from the late nineteenth century, rising from ƒ2.8 million in 1883 to ƒ134.9 million in 1898 and to ƒ443.9 million in 1913 (Campo, 1995:57). Table V.1 summarizes a significant inflow of capital in this sector. Investment in the oil industry impressively increased in the 1920s. In 1927 alone, the country's capital imports reached ƒ216.9 million—the petroleum capital share was 11.47 percent (Korthals Altes, 1987). Following its domination of Dutch capitals in earlier decades, US-based capital investment gradually expanded in the oil industry from the mid-1910s. The value of US investment in the industry reached US$ 85 million by 1939, skyrocketing from US$ 500,000 in 1914 (Gould, 1961:79).

Table V.1: Estimated Capital Imports in the Petroleum and Mining Sectors in the Netherlands East Indies (ƒ million), 1880-1927

Year	Petroleum	Mining
1920-27	181.4	0.3
1910-19	26.8	8
1900-09	35.5	15.4
1890-99	36.4	20
1880-89	0.2	2

Source: Derives from Korthals Altes (1987:129-33)

In the 1800s, mining operations were mostly carried out by the state. The NEI government operated some tin (Bangka) and coal (Ombilin in West Sumatra and Pulu Laut in South Kalimantan) mines, and had significant shares in oil and other mineral production with companies operating under joint ventures (Ter Braake, 1977; Heidhues, 1992; Allen and Donnithorne, 1957:1968–80; Erwiza, 1999). The state first granted mining rights to the private sector in 1852 for a 40-year period; the first recipients were a group of explorers with close links to Dutch's aristocracy (Furnivall, 1939:202–03). Private oil companies were first granted extraction rights in 1883 (Ter Braake, 1977:66–76), among which Royal Dutch Shell, a Dutch-British petroleum company (Gerretson, 1953, 1955, 1957a, 1957b) and Standard Oil Company, an American enterprise (Reed, 1958; Gould, 1961:45–66) became the dominant industry players during the colonial period (Hunter, 1966; Gould, 1961). The East Borneo Coal Mining Company began operations in 1882 as a private enterprise, while another private enterprise operated rich coal mines at Pulu Laut were relinquished to the state in 1913 (Erwiza, 1999:13; Furnivall, 1939:327). From the end of nineteenth century, a large number of mining enterprises were incorporated to search for mineral deposits or for extraction. The numbers reached 191 by 1913 compared with only three in 1883 (Campo, 1995:49–50).

Despite the fact that the production of some minerals had been taking place since the mid-nineteenth century, the progressive expansion occurred in the early decades of the twentieth century. Bangka Island operations produced 86,000 piculs of tin in 1852, while Belitung Island miners dug up 632 piculs in 1853. Bangka's production reached 107,000 piculs in 1890, while Belitung generated around 96,000 piculs in the same year (Heidhues, 1991:80). The NEI accounted for 342,000 piculs by 1913 (Furnivall, 1939:329). Since the mid-nineteenth century, the government has extracted most of the archipelago's coal. The first coal mine began operations in 1849 in southeast Borneo. The government-owned mine produced around 300,000 tons during its 36 years of operation (Ter Braake, 1977:59). The milestone of coal production, however, was the presence of the Ombilin coal mine near Padang, which had been in operation since 1891 (Ter Braake, 1977:59). Total coal production in the NEI rose sharply from 8,000 metric tons in 1880 to 203,000 metric tons in 1900. The production then reached 567,000 metric tons in 1913 (Furnivall, 1939:329). The 1890s saw growing investment in oil, but only a small volume was produced. The country produced 363,000 metric tons of crude oil in 1900. This production then grew significantly, surpassing 1.5 million metric tons in 1913 (Furnivall, 1939:329). In 1938, all of the 7.4 million tons of crude oil produced domestically was also refined in domestically (Arndt, 1983:136). Mine operators were also extracting other minerals such as gold, silver, bauxite, manganese, sulphur, nickel and small amounts of copper.

Mining investments generated significant profits. Investing ƒ5 million in 1852, which was gradually reduced to ƒ1 million, Billiton Tin Co. had net earnings of ƒ54 million during its

40 years in operation (Furnivall, 1939:326). An estimation of annual Dutch return from the petroleum industry was 6 percent, *ƒ*30 million in average (Keller, 1940:15). Total income from oil investment must have been greater than the Dutch return since British and the US capital also invested in this fossil fuels industry. For instance, a petroleum company called BPM, a subsidiary of Royal Dutch Shell, paid dividends of *ƒ*53 million in 1935 to its parent company, an increase from *ƒ*39 million in 1935 (Hauser, 1937:286). Korthals Altes (1987) provides statistics that are useful for predicting the long-term investment benefits of mining capitals in the NEI. As I summarize in Table V.2, a portion of surplus value—dividends—were distributed annually to the owners of mining and petroleum capitals for nearly 40 years. However, the estimated dividend figures are considered to be lower than the actual amounts paid since the dividends of non-Dutch corporations, among others, were excluded from the collected data (Korthals Altes, 1987:40). In addition, since transnational money capitals also funded colonial mining investments (Korthals Altes, 1987:120–26), a large portion of surplus value— interest—was assumed to be distributed to global financial centres, particularly in the Netherlands. In short, capitals gained significant profits from mining investments in the NEI.

The colonial state benefited handsomely from growing accumulation in the mineral industry. The state earned revenues from corporate tax, duties, concessions, dividends and profits of state-run mining enterprises. By 1939, the government's annual income from the mining sector comprised 11.94 percent of its total revenues. The government earned *ƒ*21 million in 1939 originating from mining concessions, oil and tin dividends, and oil levies (Ter Braake,1977:104). As the Dutch colonial state also participated in mineral production, significant revenues directly emerged from sites of mining production. In this regards, the government's mining enterprises earned combined profits of *ƒ*12.9 million in 1921, of which their operations in Bukit Asam (coal), Pulu Laut (coal), Ombilin (coal) and Bangka (tin) accounted for *ƒ*1.8 million, *ƒ*1.9 million, *ƒ*5.1 million and *ƒ*4.0 million, respectively (Kaur and Dieh, 1996:119). Government-run tin and coal mines contributed *ƒ*22.4 million to its coffers by 1939 (Ter Braake, 1977:104). Working from wealth data collected in *Government Revenue in the Netherlands East Indies 1848–1940* (Mellegers, n.d.), I conclude that the Dutch government generated total revenues of *ƒ*2.9 billion from mining investment between 1881 and 1940 (see Table V.3). Since Mellegers' data separated "companies tax," or corporate tax, from other forms of government revenues, I assume that the Dutch administration also captured additional gains, as a part of surplus values, from the mining sector. While the gains were uncalculated in the sector, they were counted as combined "companies tax" of diverse modern sectors. Mining income can also be extended to include export and import taxes from which the government profited in the NEI (Booth, 1980:92–94).

Table V.2: Estimated Dividends from Mining and Petroleum in the Netherlands East Indies (*f* million), 1890–1926

Year	Mining	Petroleum
1926	6.8	79.9
1925	6.4	67.1
1924	6.1	3.7
1923	3.7	67.1
1922	1.7	60.7
1921	1.0	59.4
1920	3.9	112.9
1919	4.6	118.0
1918	4.7	93.9
1917	4.2	45.9
1916	3.1	36.5
1915	2.1	37.4
1914	2.0	37.5
1913	2.8	33.9
1912	2.9	21.6
1911	3.2	17.0
1910	3.5	17.9
1909	3.4	17.7
1908	4.2	17.8
1907	3.8	16.6
1906	4.1	6.2
1905	2.2	9.8
1904	2.0	5.9
1903	1.8	6.2
1902	2.4	3.7
1901	2.0	2.0
1900	2.7	2.8
1899	1.2	1.7
1898	0.6	1.1
1897	0.7	3.3
1896	0.3	2.1
1895	0.3	1.4
1894	0.3	0.3
1893	3.0	0.1
1892	2.9	0.1
1891	2.9	0.1
1890	2.3	0.0

Source: Derives from Korthals Altes (1987:138-41)

Table V.3: Government Revenue in the Mining Sector in the Netherlands East Indies (*ƒ* 000), 1887–1940

	1931–40	1921–30	1911–20	1901–10	1891–1900	1881–90	Total
Coal	82,750	158,993	82,263	27,133	*12,100	*314	363,553
Mine Concessions	69,328	51,740	*5,480	n/a	n/a	n/a	126,548
Petroleum	330,868	214,714	72,700	45,817	29,329	n/a	693,428
Profit Billiton	23,100	54,366	24,538	23,705	8,829	1,587	136,125
Tin	279,285	503,824	369,221	221,595	150,613	55,754	1,580,292
Total	785,331	983,637	554,202	318,250	200,871	57,655	2,899,946

*Revenue from coal represented the years 1881 to 1884 and 1893 to 1900;
*Revenue from mine concessions covered the years 1918 to 1920
Source: Derives from Mellegers (n.d.)

2.2. The Emergence of Centralized Capital in the Archipelago: The Case of the Oil Industry

The petroleum industry is a striking example of the increasing expansion of extractive capital in the archipelago, related to capitalist competition and leading to capital's concentration and centralization. This largely refers to two prominent players who were both global oil giants—Royal Dutch's Petroleum Company (Koninklijke) and the Standard Oil Company of New Jersey. Their commanding presence generated petroleum production's expansion in the archipelago. Starting with small production amounts of crude oil by 1890, production boomed over the next decades. This expansion historicizes the underlying face of capitalism, especially in the mining industry, which consisted of competition among corporations to secure control over oil reserves. This then led to capital's concentration and centralization in this sector, since the two corporations later became powerful transnational corporations in the petroleum industry through cross-border mergers and acquisitions—a classic example of the centralization of capital taking place on a global scale.[53]

The Royal was established on 28 May 1890 with working capital of *ƒ*1.3 million, which it used to exploit a rich oil concession in North Sumatra. In order to deal with the growing competition to control oil in the archipelago, in 1907 the company merged with the Shell Transport and Trading Company, a major British trading corporation. The Royal controlled 60

[53] This global concentration and centralization of capital can be interrogated by looking at the nature of the internationalization of these companies' production. Taking the Standard Oil Company of New Jersey and its affiliated companies as an example, we can see these processes. By 1927, this corporation operated across the globe—it had 10,597 employees, with a greater percentage working outside of the US. The geographical distribution was: US (46.84 percent), Canada (15.55 percent), Latin America (7.78 percent) and other countries (29.81 percent). In the same year, the company's total net crude production reached 189.9 million barrels annually; the domestic production accounted for 59.13 percent while the rest emerged from overseas production. This figure is derived from Gibb and Knowlton (1956:677, 686).

percent of shares and Shell accounted for 40 percent (Sluyterman and Winkelman, 1993:162–63). Prior to this merger, both companies had signed a production agreement sign in 1901 and then formed the Asiatic Petroleum Corporation to sell their products. Through its operating company, the Bataffsche Petroleum Maatschappij (BPM), the Royal Shell group monopolized oil production in the NEI. For decades, the group invested in and expanded through the acquisition of smaller independent oil companies, including the oldest and one of its major competitors in the NEI—the Dortsche Oil Company, otherwise known as the Dortsche Petroleum Maatschappij (or DPM), which was founded by Adriaan Stoop, a Dutch businessman (Gerretson, 1957:298–355; Gerretson, 1955:102, 202–27). In 1911, with its 44 concessions, including 19 in Sumatra, 18 in Java and seven in Borneo, the BPM became the sole producer of petroleum in the NEI, producing 1,700,000 metric tons annualy, which was 3 to 7 percent of world production. Unsurprisingly, Royal Shell retained this monopoly for decades. In 1924, there were about 119 oil concessions in the archipelago, of which BPM controlled 95 percent; the Netherlandsche Koloniale Petroleum Maatschappij (NKPM), a subsidiary of the Standard Oil Company of New Jersey, controlled the remainder. The two giants—BPM and the NKPM—monopolized oil production in the Dutch colony. By 1938, the former controlled 72 percent of oil production and the latter's share was 28 percent, respectively (Hunter, 1966). Placing these figures in a global context, by 1927 the Royal Dutch Shell produced roughly 328,000 barrels of crude oil daily, while its major rival, Standard Oil, produced approximately 189,900 barrels per day.[54] Due to its success in global expansion through further cross-border mergers and acquisitions, it is unsurprisingly that by 1930, the Royal Dutch Shell topped the Dutch industrial company ranking by assets employed (Sluyterman and Winkelman, 1993:177–79). In short, the concentration of capital as a major face of imperialism was in progress in the NEI.

The fundamental role of the state, stemming from the value relations of its mineral deposits, was central to the competition discussed earlier. In this respect, with the Dutch administration and political parties' growing concerns in the late nineteenth century about the US as a serious petroleum competitor to the Dutch in the NEI (Kuitenbrouwer, 1991:252–53), Royal Dutch Shell's efforts to control oil resources in the archipelago included the elimination of its

[54] By that time, the worldwide distribution of Royal Dutch Shell's production included 127,000 barrels in the US, 83,000 barrels in Venezuela, 29,000 barrels in Mexico, 12,000 barrels in Romania, 61,000 barrels in the Dutch East India, 13,000 barrels in Sarawak, and 3,000 barrels in other countries. At the same time, the Standard's daily global production covered 112,400 barrels in the US, 36,700 barrels in Colombia, 21,000 barrels in Peru, 9,500 barrels in Mexico, 4,200 in Romania, and 3,400 in the Dutch East Indies (see Larson, Knowlton and Popple, 1971:38).

international oil competitors in order to gain concessions. This obviously occurred in relation to the US-based Standard Oil, which had struggled for years to gain rich oil concessions in the NEI due to the Dutch's protectionist policy (Reed, 1958). By 1898, Standard Oil failed to purchase any stakes in Royal Dutch's oil production because the latter only offered 1,500 "preference shares" to existing Board members, which came with stock transfer restrictions (Wilkins, 1970:84). Since the Mining Law limited concession ownership to Dutch firms, it was impossible for Standard to obtain access to, let alone exploit, petroleum in the archipelago. In order to contend with this barrier and after failing to purchase some established Dutch-owned companies, Standard set up the NKPM in 1912 through the American Petroleum Company, a marketing subsidiary of Standard in the Netherlands (Hidy and Hidy, 1955:501–02). Although this manoeuvre offered the chance for the corporation to operate in the NEI, over the following years it failed to gain the rich concessions that it was seeking. A series of attempts failed, including US diplomatic efforts to influence the Dutch decision to permit the American company to explore a rich oilfield in Jambi, Sumatra. However, the NKPM failed to gain the concession and the Royal gained this Jambi license (Reed, 1958; Anderson, 1975:28–29). The so-called "Jambi Incident" was initially a Dutch attempt to eliminate the overseas operations of the government-backed US oil corporation (Reed, 1958:328). Unsurprisingly, the Dutch state advocated for the interests of Dutch capital and the Americans did the same.

Responding to the nationalist treatment of state sovereignty over resources, in the midst of the increasing global dependency on oil as the major source of energy-based production and circulation, the Standard then complained to the US State Department. This was followed by diplomatic exchanges between the US government and the Dutch Government concerning Dutch discrimination against this US corporation.[55] In response, the US government took the same measure and blocked Dutch corporations from operating on US soil. The US administration then used the Mineral Leasing Law of 1920, which stipulated that it was unacceptable to lease public land to foreign companies whose home country discriminated against the rights of US corporations, to block the Dutch corporations.[56] The US government took further steps, including

[55] Replying to the US administration's protests, the Dutch government claimed that the US government, in alienating Royal Dutch Shell from naval preserves, was employing the same measures. Gibb and Knowlton (1956) noted that in this diplomatic irritation, the Dutch neglected the fact that while Standard only produced limited raw oil in the NEI for further processing in a refinery with the capacity of 100 barrels/day, the Royal Dutch produced over five million barrels of crude oil annually.

[56] This restrictive clause results from growing pressure from US mining business communities on the US

those in 1922 by Albert B. Fall, Secretary of the Interior, to label the Netherlands as a "non-reciprocating country," thereby alienating Roxana Company, a subsidiary of Royal Dutch Shell, from leasing federal land in Wyoming.[57] These reactions, of course, risked Dutch investment in the US, including that of Royal Dutch Shell, which was one of the Dutch's major investors.[58] After long-standing diplomatic lobbying and pressure from the US administration, the Dutch government granted the Standard remarkable concessions in exchange for the aforementioned reciprocity country status. In December 1928, the Ministry of Colonies issued additional concessions of 360,000 hectares to the NKPM in Sumatra that covered Aceh, Indragiri and Palembang as well as Manado in North Sulawesi.[59] Bearing all of these facts in mind, this situation exemplifies the process in which states and capitals merge, leading to what Chris Harman (1991) terms as a "mutual interdependence of each national state and a few large capitals," adding that this "gives rise to a tendency for the boundaries between the state and the capitals to break down."

What then followed from such a historical process was the further enforcement of the concentration and centralization of oil capital in a few hands, which typifies imperial expansion. For the NKPM, of course, the additional concession was a great accomplishment because prior to the deal, the company's acreage was just 68,737, while the BPM controlled 5,000,000 acres (Gibb and Knowlton, 1956:393). This expansion paved the US oil corporation's way to

government to take action on aggressive foreign policies related to US corporations' interests. They had been encountering restrictive policies in other countries in relation to their global expansion since the end of the First World War. The American Petroleum Institute represented the business interests of US oil industrialists; Walter C. Teagle was chair of the Institute`s committee on foreign relations. He also served as President of the Standard Oil Company of New Jersey. In responding to Teagle's report to the Institute's board of directors, in September 1919 the board made a resolution calling on the US government to use diplomatic approaches to protect American companies from non-discriminatory treatment in other countries, just as foreign companies received in the US. DeNovo examines this in the context of public discourse on the increasing dependence of military and commerce forces on oil after the First World War. For detail, see DeNovo (1956). The US President signed the Law on 25 February 1920. One clause states that "citizens of another country, the laws, customs, or regulations of which, deny similar or like privileges to citizens or corporations of this country, shall not be stock ownership, stock holding, or stock control, own any interest in any lease acquired under the provisions of this Act" (Department of State, 1936:285).

[57] Reed makes an argument that Standard's success in gaining concessions in Indonesia can be generally explained as a product of diplomatic exchanges between the company, the US government and the Dutch government. He also noted that in March 1923, the US Asiatic fleet, with its eight destroyers, reached Jakarta (Reed, 1958:330). This might be a part of the US's manoeuvre to protect US companies' interests in the NEI (see Nash, 1968:60–68).

[58] Wilkins notes that by 1914, Dutch investment in the US reached US$ 650 million, of which portfolio investment accounted at least 80 percent and the rest was foreign direct investment. In June 1941, there were 179 Dutch-affiliated companies in the US with the value of investment about US$ 336 million. During the same period, the Dutch were ranked third in terms of foreign direct investment in the US behind the United Kingdom and Canada (Wilkins, 2005:214).

[59] For details on these diplomatic exchanges and the results, see Reed (1958) and Gould (1961:55–62).

becoming one of the major monopoly players in the hydrocarbon industry in the NEI. In 1939, the NKPM produced 43,350 barrels per day. From 1934 onward, it operated under a new parent company, the Standard-Vacuum Oil Company (Stanvac), a Delaware-based enterprise that was formed after Standard Jersey agreed to merge its fields and refineries in Asia with the Socony-Vacuum marketing arm in Asia, South and East Africa, New Zealand and Australia. Each parent company held 50 percent of Stanvac shares.[60] Adding to this, Standard Oil of California (Socal) established the Netherlandsche Pacific Petroleum Maatschappij (NPPM) in 1930 as a subsidiary under Dutch law and was granted its first exploration rights in Rokan, Sumatra in 1936. Within a year, NPPM's ownership was transferred to California Texas Oil Corporation (Caltex) after Socal began collaborating with Texaco (Gould, 1961:65–66).

By 1940, three major oil companies controlled oil production in Indonesia. BPM, the subsidiary of Royal Dutch produced 35 million barrels annually. This company had operation areas in North and South Sumatra, East Java, northeast and east Borneo, and Ceram. The second largest producer was NIAM, a joint venture between the NEI Government and Royal Dutch. NIAM made 10 million barrels annualy and had operation areas in South Sumatra (Jambi) and Pulau Panjang (North Sumatra). Lastly is NKPM, owned by Standard-Vacuum, which produced 16.2 million barrels annually. NKPM operated in Midden-Sumatra and West Java (Bee, 1982:6).

The outbreak of the Second World War ended minerals exports from the NEI led by these monopolistic transnational corporations. As Japan had relied on the NEI as a major source of resource-based commodities for a long time prior to the war, under its occupation, the Japanese administration prioritized mineral production, particularly oil, as a major business. This was due to the growing consumption of raw materials for industrial purposes in Japan, for which it relied on other countries including Indonesia.[61] However, due to the serious damage to mine installations, the production of minerals and black gold, in particular, never recovered to their impressive pre-war levels. Oil production declined sharply, from 6.8 million metric tons in 1941

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[60] Socony-Vacuum was renamed Socony Mobil Oil Company in 1955 and became Mobil Oil Corporation in 1966. Standard Oil Jersey converted into Exxon Corporation in 1972 (see Anderson, 1975:203–06). In 1999, Exxon and Mobil Oil merged and became ExxonMobil, which has had a footprint in the archipelago for more than a century. In 2016, Forbes ranked ExxonMobil as the world's largest oil company, and it was the ninth-biggest corporation in the world based on Forbes' Global 2000 (26 May 2016).

[61] For instance, prior to the Second World War, Japan`s major raw material imports were increasing. In 1936, bauxite imports totaled 24,762 metric tons, skyrocketing to 280,189 metric tons by 1940. Most of this bauxite came from Bintan in the NEI. Japan's nickel imports also rose significantly, from 1,850 metric tons in 1936 to 27,674 metric tons by 1941. A portion of this nickel originated in the NEI. Japan also imported 6.6 million metric tons of iron ore by 1941, up from 4.6 million metric tons in 1936 (see Cohen, 1949:16, 114, 148).

to 2.8 million metric tons in 1944 (Morris-Suzuki, 1980:59–60, 74). Unlike other commodities, bauxite production significantly increased in comparison to its pre-war production level.[62] As one of the major objectives of Japan's offensive in Southeast Asia was to gain raw material sources to protect its interests in China and Indochina, the Japanese also wanted to develop new mines for a variety of minerals including bauxite, nickel, copper, chrome, mica, manganese, phosphate ore as well as rehabilitate existing mining installations (Benda, Irikura and Kishi, 1965:19–20). The occupying force allocated mining rights and turned over production to Japan corporations, while oil extraction remained under the Japanese military's direct control.[63]

This short summary provides a historical background to help us understand the post-independence feature of the global vertical domination of transnational oil and gas companies in the archipelago.

C. The Post-colonial State and Mining Capital

Indonesia's war of independence gave birth to national sovereignty but it failed to overthrow the existing class structure that global capitalism dominated. While there have been upward and downward trajectories of anti-colonialism and anti-imperialism, the existence of the peripheral capitalist state springing from peripheral class-based capitalist society with its institutional and legal frameworks has constituted possibilities for society's uninterrupted integration into the globalized capitalist order. The political influence of the Dutch eroded in the early days of the Republic of Indonesia, and although intense contestations were occurring at the superstructure level of politics between various factions, including class-based politics on the left, there was at least common ground between the factions. It was about the central role of the nation-state. In terms of global capital commandeering resource wealth, there were increasing demands by Indonesia to put the nation's resource wealth into state hands. As was the case during the colonial period, the spirit of state sovereignty over the land and the subsoil under the framework of capitalist rhythms was the reality. To articulate the strong nationalist desires emerging from the ongoing revolution, the Indonesian Constitution of 1945 states that all land, water, air space and

[62] By 1940, the production of this commodity reached approximately 275,345 metric tons (Davis and Trought, 1948:183), and was predicted to arrive at 649,760 metric tons by 1943 (Mote and Kurtz, 1951:177).
[63] For instance, Mitsui Kosan took over coal mines in Bukit Asam, Sumatra, Hokkaido Rail and Steamship Co. seized the Ombilin coal mine in Sumatra, and Nohon Seitetsu operated Pulu Laut in Borneo. While Mitsubishi Kogyo took tin from Banka in Sumatra, Furukawa Kogyo handled Bauxite in Bintan and Bangka, while Sumitomo operated nickel mines in Pomalaa in Celebes (see Morris-Suzuki, 1980:70–71).

resources are under state control and must be utilized to ensure the people's welfare. It implies that the state has the exclusive right to these resources' management and utilization. If there are other claims related to land or sub-soil resources, the Constitution principally subordinates these for the sake of the broader national interest. Therefore, although large pieces of land may be in the hands of citizens, mineral wealth belongs to the state who can exploit it under a capitalist logic.

We witnessed this arrangement in the decades following independence. Heated debates have repeatedly occurred when such constitutional remarks on state sovereignty are used to dispute global mining capital. The nationalization of foreign mining companies and the enactment of a series of laws and regulations related to mining activities in late 1950s and early 1960s reflect a striking expression of upward pressure on transnational capital. While remaining in the peripheral orbit of global capitalism, the government turned the country towards strong economic nationalism in the extractive sector. In the post-Sukarno period, amidst capital's increasing globalized integration and the changing ideological environment since the mid-1970s, we have seen the market's upward pressure on the state. The state has done its best to create and maintain the momentum of capital accumulation in the mining sector in order to fix cyclical economic crises as a whole with their implications for state fiscal crises.

In this section, I will examine and analyze the interplay between the post-colonial state of Indonesia and capital in the mining sector. Regardless of inherently securing the accumulation process as the capitalist state generally does, the post-colonial state's character, for example, has been qualitatively different when interrelated with mining capital in that process. In this regard, I restrict my inquiry to the oil and gas industry that gave birth to Pertamina, the state oil enterprise (SOE), its remarkable role in the Indonesian economy, and the ways in which this SOE operates in the globalized monopolistic role of transnational oil corporations. I will then discuss the non-oil and gas industry to highlight the profound role of transnational mining corporations in Indonesia.

1. State Capital and Oil and Gas Industry

Following the Indonesian Revolution against the reentrance of the Dutch military between 1945 to 1949, mining corporations attempting to open the colonial-based contract fields faced certain barriers and uncertainties. The acknowledgment of property was the major concern of transnational mining corporations during this period. As mentioned in the previous chapter, in the midst of Dutch attempts at recolonization, most Indonesian political leaders took the stance of protecting foreign property and appreciating foreign capital. In terms of mining, a positive signal came from Sutan Sjahrir, Prime Minister and the leader of Indonesian Socialist Party, who took power in November 1945. After a meeting with Edward Leibacher, Stanvac's manager for Indonesia, and Walter Foote, American Consul in Jakarta, Sjahrir convinced the men that the new Republic welcomed foreign investment and encouraged the US private sector to become involved in Indonesia. The new Indonesian administration respected the existing oil concessions and promised to return all oil installations to their pre-Second World War owners. Sjahrir guaranteed that the nationalization of foreign oil companies was unnecessary due partly to technical matters of this advanced industry. The government was most concerned about improving workers' wages and standard of living (Aden, 1985:61–63). Put differently, with effective control over the living and dead labour of this industry, the centralized faction of transnational oil corporations gained the advantage against the new state.

However, the battle between Indonesian and Dutch interests for control of existing mineral production restricted attempts to resume mining corporations' operations. The situation on the ground was also hampered by mining installations' (plants and fields) destruction during the Second World War and Indonesia`s war of independence. Despite the fact that foreign mining corporations had resumed operations in 1945, they were struggling to reopen their own installations or to revive normal production levels due initially to political instability. Under so-called "Police Action," the Dutch government restored oil corporations' operations. Under an agreement called "Let Alone," negotiated with the Dutch colonial government in 1948, the pre-war concessioners of Caltex Pasific Oil Co. (owned by Standard Pacific California and Texaco Inc.), Stanvac Indonesia (owned by Standard Oil Co of New Jersey), and BPM/Shell (owned by Dutch-British interests) resumed their operations. In order to generate sufficient capital for rehabilitation and reconstruction, the oil corporations obtained certain incentives as the agreement suggested, including allowing these entities to retain foreign exchange generated from oil sales abroad during a particular period under the condition that the corporations should restore their oil and refinery installations (Hunter, 1966:64–65; Aden, 1985:87–88). The colonial government added other incentives, approving in 1948 Stanvac and BPM/Shell's applications to have new concessions or to enlarge existing concessions (Aden, 1985:89). As a result, Stanvac, Caltex and BPM resumed their operations in Sumatra and Borneo, except BPM-owned fields in Aceh and Cepu, between 1945 and 1949.[64] This revival continued monopolistic oil production in Indonesia in the hands of few large petroleum producers.

Table V.4: Production of Major Minerals in Indonesia (in Tons), 1936-2015

Year	Oil (million barrel)	Natural Gas (MMMSCF)	Coal (000)	Bauxite (000)	Gold (kg)	Tin (000)	Copper (000)
2015	287.9	2,547.4	406,539.0	471.6	92,171	52.1	2,303.7
2014	289.9	2,808.5	402,551.8	2,556.4	69,023	52.0	1,571.4
2013	265.8	2,967.4	458,462.5	57,023.7	123,109	59.4	1,909.5
2012	279.4	2,982.8	452,318.0	31,443.3	247,829	44.2	2,385.1
2011	289.9	3,256.4	415,765.0	40,643.8	227,173	90.0	1,472.2
2010	300.9	3,407.6	325,325.7	27,410,3	335,040	98.0	993.1
2009	301.7	2,887.9	228,806.8	14,720.3	359,451	56.6	973.3
2008	314.2	2,791.0	178,930.1	16,791.3	226,051	79.2	655.0
2007	305.1	2,805.5	188,663,0	11,663.1	268,967	64.1	796.8
2006	313.0	2,948.0	162,294.6	7,270.0	138,992	79.1	817.7
2005	341.2	2,985.3	149,665.2	2,502.6	142,894	78.4	3,553.8
2004	354.4	3,026.1	128,479.7	1,331.5	86,855	73.1	2,812.6
2003	339.1	2,142.6	113,525.8	1,262.7	138,475	74.3	3,238.3
2002	351.9	2,289.4	105,539.3	1,283.4	140,246	88.1	2,851.1
2001	432.6	3,765.8	71,072.9	1,237.0	148,528	69.5	2,418.1
2000	434.4	2,845.5	67,105.6	1,150.7	109,612	56.4	3,270.3
1995	478.2	2,966.8	39,935.6	899.0	64,032	38.4	1,516.6
1990	464.3	2,158.6	8,020.3	1,205.7	487	30.1	437.3
1985	431.1	1,579.8	1,861.3	830.5	234	27.0	197.3
1980	404.8	781.6	207.6	952.4	176	25.2	133.7
1975	477.0	222.2	206.3	992.5	331	25.3	201.2
1970	311.5	n/a	n/a	1,229.1	237	19.0	0
1965	21.9	n/a	91.7	668	n/a	14.9	0
1960	20.5	n/a	77.6	400	n/a	21.6	0
1955	11.7	n/a	84.9	260	n/a	33.4	0
1950	6.8	n/a	56.3	530	n/a	32.1	0
1940	60.4	0	2,001	275.2	2,798	44.4	0
1936	49.6	0	1,147	133.7	2,230	32.1	0

Note: 1950–65: (in 000 tons)
Source: Oil production from 1970 to 1975 and from 1980 to 2013 derive from BPS (2016a:327-8) and from 2014 to 2015 from BPS (2016b:99); Panglaykim and Arndt (1966:42); Hunter (1966:62); Hunter (1968:77); Erwiza (1999:228). The period of 1936 to 1940 derives from Ter Braake (1977).

By the early 1950s, the government faced growing pressure from Indonesians to nationalize foreign corporations' existing assets. Corporations' production suffered in this new

[64] Following the Japanese surrender that ended the Second World War, BPM/Shell regained in mid-1945 its production facilities in Borneo that distributed revenues to the Dutch administration. By 1946, Stanvac and BPM had reactivated some stations in South Sumatra; the rest were reactivated later. In December 1948, BPM and Caltex reopened their operations in Jambi, while BPM's installations in North Sumatra were not reinstalled (see Aden, 1985:48–49, 56).

political environment, especially that of BPM. An oil worker's cooperative appropriated BPM oil fields around Cepu refinery in Central Java. In North Sumatra, workers controlled one of BPM`s rich oil installations, which was then transferred to the North Sumatra Oil Industry, which later became state-owned Pertamina (Hunter, 1966:63). In essence, BPM faced difficulties under such political pressure. While the nationalization of its staff—as the Dutch and the Indonesians suggested as part of the Roundtable Conference Agreement—took place smoothly, political factions inside the Indonesian government were divided on this issue. One camp demanded the nationalization of BPM's assets and the other side wanted the reverse (Sutter, 1959:831–46). On the ground, its oil fields in North Sumatra had not resumed operations because people rejected the decision to return the oil fields. At the end of the day, the government offered the Indonesian military's services to seize the oil fields, paving the way for Pertamina's establishment as a state-owned enterprise; it became very powerful over the following decades. The declaration of Martial Law in 1957, in reaction to the so-called "unconcealed US sympathy for the Sumatran and Sulawesi 'Colonel Revolt in 1957 and 1958,'" (Jones, 1970:67) allowed the military to carry out this lucrative business. Major General Abdul Haris Nasution, the Indonesia Army chief of staff, then appointed his second deputy, Colonel Ibnu Sutowo, to run Pertamina (Crouch, 1978:118–20).

In response to growing nationalist sentiment, the government attempted to take effective control of mining production in the early 1950s. An initiative to implement a new mineral law to replace the Dutch mining law also began in the same period, starting with the formation of a State Commission on Mining Affairs. Its task was to draft a new law that should be congruent with the spirit of independence and in the national economy's interest. The Commission was also supposed to submit a plan on tin mines and to look thoughtfully at the growing contestation over petroleum production. However, the Commission failed to accomplish its task (Sutter, 1959: 819–26). Its efforts to generate more benefits (e.g., by increasing taxes) from oil revenues originating from corporations' existing pre-war concessions was not easy. Over some years, the government's efforts to take control of ex-BPM concessions in Aceh, Southern Sumatra and Cepu were fruitless. According to Aden, the underlying factor that protected the petroleum enterprises from government pressures was: "the continuing dominance of international oil industry by the oil oligopoly, of which the companies operating in Indonesia were a part, and intervention by the US State Department in support of the major oil companies' interests" (Aden, 1985:106–07). The “big three”—Shell, Stanvac and Caltex—remained the dominant players in oil production in Indonesia. This occurred after these agencies of monopolistic oil capital renewed their contracts with state oil companies following the termination of “Let Alone” agreements (Sutter, 1959:826–29). By 1957, Caltex, Shell and Stanvac accounted for 90 percent (47 percent, 23 percent and 20 percent, respectively) of the country’s total crude oil production. By 1963, the big three accounted for 92 percent of total crude oil production, of which Caltex, Shell and Stanvac shared 55 percent, 26 percent and 11 percent, respectively. NIAM and Pertamina contributed 3 and 5 percent, respectively (Hunter, 1966:40). This stark reality reflects the monopolistic face of the transnational petroleum corporation as a manifestation of imperialist power in the early decades of post-independence Indonesia.

By the late 1950s, in the midst of US involvement in Southeast Asia during the Cold War, attempts to realize an exclusive sovereignty of the state over mineral production prevailed. Under Guided Democracy, the Government of Indonesia passed Law 10 (1959) concerning the Cancellation of Mining Rights, which stipulated that both prospecting and concession mineral rights put in place prior to 1949 must be terminated if exploration and exploitation was no longer taking place on said concessions (*State Gazette* 1959, No. 24). This termination of the colonial concession system was followed by the enactment of two separate laws in 1960—the Government Regulation in Law 37 on Mining (*State Gazette* 1960, No. 119 and *Supplement to State Gazette*, No. 2055) and the Government Regulation in Law 44 on Oil and Gas (*State Gazette* 1960, No. 133 and *Supplement to State Gazette,* No. 2070). Both laws specified that all minerals are a part of national wealth and are thus state-controlled. The laws also stipulated that only state companies could conduct mining activities— general survey, exploration, exploitation, refining, transportation and sale—in Indonesia. In order to meet the growing domestic need for petroleum products, the government also enacted Law 2 (1962), then replaced by Law 15 (1962) (*State Gazette* 18 of 1962 and *Supplement to State Gazette*, No. 2430). The laws reflect an ideological justification of state capitalism, with direct state involvement in the production of value. Emerging from the growing campaign against imperialism within the course of class struggle, the laws paved the way for the emergence of state capital while sacrificing the private sector.

Table V.5: Historical Share of Oil and Gas of Total National Export, 1945-2016

Year	Percentage	Year	Percentage
2016	10	1982	82
2015	12	1981	82
2014	17	1980	74
2013	18	1979	65
2012	19	1978	69
2011	20	1977	68
2010	18	1976	70
2009	16	1975	75
2008	21	1974	70
2007	19	1973	50
2006	21	1972	51
2005	22	1971	39
2004	22	1970	40
2003	22	1969	45
2002	21	1968	41
2001	22	1967	36
2000	23	1966	30
1999	20	1965	38
1998	16	1964	37
1997	22	1963	38
1996	24	1962	33
1995	23	1961	33
1994	24	1960	26
1993	26	1959	31
1992	31	1958	40
1991	37	1957	32
1990	43	1956	28
1989	39	1955	23
1988	40	1954	26
1987	50	1953	24
1986	56	1952	20
1985	68	1951	14
1984	73	1950	18
1983	76	1945	26

Source: BPS (2006:81); BPS (2013:90); BPS (2015c, 110); BPS (2016a:110)

In the oil and gas sector, the Indonesian government assigned state company responsibilities to contractors as far as the former was not capable of doing certain tasks due initially to both capital and skills constrains (*State Gazette* 1960, No. 133 and *Supplement to State Gazette*, No. 2070). Thus, it authorized contractor status to foreign oil companies, allowing them to work for state-owned oil enterprises under the Contract of Work (*Perjanjian Karya*) scheme (*State Gazette*, 1960, No. 133 and *Supplement to State Gazette*, No. 2070). In this relationship, foreign enterprises were not private owners of concession areas and not exclusive holders of discovered reserve minerals. The law also suggested that concessions existing prior to the law's promulgation should be returned to the government. The big three suffered from this new law. However, after long and tough talks, the government settled contract agreements with each corporation. The agreement resulted from the Tokyo Negotiation on 1 June 1963 (*The New York Times,* 2 June 1963).[65] The big three signed contracts with state oil companies in 1963: Caltex and Pertamina, Stanvac Indonesia and Permina, and Shell and Permigan (Hunter, 1966:72–3). Law 14 (1963) then promulgated these contracts, which reflected strong nationalist sentiments at the time (*State Gazette,* 1963, No. 110 and *Supplement to State Gazette,* No. 2599). They included the replacement of colonial concessions with contractors of state-owned oil enterprises, the mandatory transfer of refinery assets from foreigners to domestic entities within 10 to 15 years, of marketing and distribution facilities within five years, and the division of profits in a 60:40 ratio in the government's favour (Hunter, 1965; Hunter, 1966). What we learn from such circumstances is that this move by the new Indonesian government was nothing more than an attempt to generate increased revenues from oil production by pursuing national economic interests in the hydrocarbon sector. At the same time, in their struggles over access to oil, the transnational monopolistic corporations seem to have lost some privileges. However, significant contributions to government revenues, technical advancements, and their worldwide market network gave rise to the "exceptionalism" of the big three, which permitted them to resume new contracts with the government by the early 1960s (Redfern, 2010:1963–65). It is also important to recognize the political and economic roles of government in the corporations' home countries that have long supported the overseas operations of oil corporations such as Shell and Stanvac (Barnes, 1972). In sum, despite unfavourable political conditions—the increasing pressure to nationalize foreign corporations as occurred with the big three during Sukarno's confrontation with British-backed Malaysia (Redfern, 2010) during the Cold War—transnational petroleum enterprises likely benefited regardless. *The New York Times* (2 June 1963) reported:

> . . . Western oil specialist here said that "pragmatically" the foreign companies had lost little and gained much. They said the chief gains were the prospect of orderly operations in Indonesia and the long-range possibility that the companies and the Government would benefit enough to want to renew the contract after 20 years.

[65] Howard P. Jones, US ambassador to Indonesia from 1958 to 1965, pointed out that the US government took the initiative to bring the companies and the Indonesian government to the table in Tokyo. Jones was one of the US diplomats directly involved in the successful negotiation (see Jones, 1970:277).

Table V.6: Oil and Gas Revenues: Government and Contractors' Share after Cost Recovery (in US$ Billion), 2003-15

Year	Gross Revenues	Cost Recovery	Government Share	Net Contractors Share
2015	29.4	13.4	11,9	4.1
2014	51.2	16.3	26.8	8.2
2013	56.5	15.9	31.2	9.4
2012	61.3	15.5	35.4	10.3
2011	61.3	15.2	35.9	10.2
2010	45.9	11.8	26.5	7.6
2009	35.7	10.1	19.9	5.6
2008	54.4	9.0	35.3	9.9
2007	38.7	8.5	23.7	6.2
2006	36.2	7.8	22.6	5.5
2005	32.0	7.4	19.7	4.6
2004	24.1	7.4	13.6	3.0
2003	18.5	5.6	10,8	2.1
2002	16.6	5.0	9,6	1.9

Source: BP Migas (2008); SKK Migas (2012, 2015)

Alongside the contract of work, the government also introduced the production-sharing contract (PSC), and its first partner was a Japanese corporation. The 1960 contract, regarding an ex-BPM concession in Sumatra, was between Pertamina and the North Sumatra Oil Development Company (Nosodeco), a Japanese government-established corporation. As per new Indonesian government regulations, the Japanese corporation acted as a Pertamina contractor. Due to Pertamina's insufficient currency reserve, the settlement also consisted of a credit of about ¥18,845 million (US$ 52.3 million) from the Exim Bank of Japan for a 10-year period and supplied machinery, materials and technical assistance in exchange for 40 percent of the extracted oil (or approximately 5.6 million kilolitres) over the same period. In exchange for running this project, in 1961–62 Nosedeco gained ¥750 million from Japan's Overseas Economic Cooperation Fund (Nishihara, 1975; see also Gibson, 1966). Despite the fact that the giant transnational corporations monopolized oil production in the country, the presence of Japan in this business made "an important historical contribution" (Nishihara, 1975:120). The value of Japan's crude oil imports from Indonesia reached US$ 87.9 million by 1964, having increased significantly from US$ 18 million in 1956 (Nishihara, 1975:120). What we learn from this contract is that insufficient capital, including a lack of advanced technological methods and of organizational and administration expertise, restricted the state, forcing it to request better conditions for the contract. It thus prevented the state from pumping out an extraordinary amount of revenues.

As the 1960s massacre of millions of people signaled, counterrevolutionary forces battled back, and soon afterward these forces gave birth to an increasing integration of resource extraction into the global flow of capital. The capitalist state of the New Order and the succeeding regime employed the PSC as a contractual framework for the upstream oil and gas industry and agreements between foreign oil firms and the government, meaning oil companies just acted as government contractors. The PSC generally necessitated the splitting of production output between the government and the contractor, and the terms and conditions changed a couple times (see also Fabrikant 1975; Barnes, 1995). PricewaterhouseCoopers (PwC) concluded that the percentage share of production after tax between the two parties was as follows. For oil, the pre-1985 PSC was 85:15 with a 56 percent tax rate; the PSC of 1985–94 was 85:18 with a 48 percent tax rate; the PSC of 1995 was 85:15 and 65:35 (for the Eastern provinces) with a 44 percent tax rate; the new contract varies with a 40 percent tax rate. For gas, the after-tax share is generally 70:30 for the government and the contractor, and the tax rate is similar to the earlier generations of PSC in oil as already mentioned. From 1995 in the Eastern regions, the share was 60:40 for the government and the contractor, respectively (Winzenried, 2016). I want to underline that the government portion does not really represent rent because under the contract scheme, oil companies can recoup this value from government funds spent on exploration and exploitation. What is called "cost recovery" is no more than a reimbursement to the company for the cost of production outlaid in a given period. In this regard, Table V.6 shows the distribution of revenues between the government and the oil and gas corporations based on their PSC contracts, which somewhat mirrors the distribution of surplus value taking the form of profit and rent. Converting it into a percentage for revenue distribution between the two parties, this distribution was 40 percent and 14 percent, respectively, in 2015. At the same time, the corporation's cost recovery was 46 percent of the gross revenues.

The government indeed utilized the PSC, not only as a vehicle of national interest for benefiting from this industry, but also as an attractive contract that made profit for transnational oil companies. Under the PSC's legal framework, the Suharto administration attracted significant investment in this sector. With terms and conditions that fluctuated slightly over time, Pertamina and the Independent Indonesian American Petroleum Company (IIAPCO) signed a PSC contract in the late 1960s (Fabrikant, 1975). In 1967, Conoco entered into a PSC agreement for an oil field in East Kalimantan; it was followed by new contracts with two other US oil companies—Union Oil and Sinclair Oil. In 1968, Caltex extended its area in Central Sumatra under the old PSC terms and conditions (Barnes, 1995:40–41), while Mobil Oil Indonesia, Inc. (MOI) signed a PSC for exploration and extraction in Aceh (Schulze, 2007:187). I highlight here that in a manner similar to the Dutch colonialism, Aceh became one of the bloodiest provinces in the country due to the Indonesian military's counterinsurgency activities against the Aceh liberation movement (Gerakan Aceh Merdeka, GAM). Central to this violence was that in order to secure accumulation in oil and gas production, MOI (then Exxon Mobil Oil Indonesia, EMOI) was implicated in military violence through a protection racket (Schulze, 2007; McCulloch, 2005:15; Kell, 1995).

I now consider the importance of Pertamina's formation as a single state oil enterprise (SOE). The government during the New Order deliberately established Pertamina in order to produce value in a sector with a high rate of return; the company operates as a state capitalist enterprise. Giving a monopolistic role in the oil and gas business to the state enterprise, the government expected that Pertamina would become a vibrant source of government revenues. For its creation, the new administration began to merge the existing national oil companies in 1968. Suharto's military regime promulgated Government Regulation (GR) No. 27 (1968) on the Establishment of the National Oil and Gas Mining State Company called P. N. Pertamina (*State Gazette* 44 of 1968 and *Supplement to the State Gazette*). This was followed by the enactment of Law 8 (1971) concerning State Oil and Natural Gas Mining Enterprises (*State Gazette* of 1971, No. 76 and *Supplement to the State Gazette*, No. 2971). This paved the way for the government to transform Pertamina into a single national oil company (NOC) representing the national interest in this hydrocarbon industry. Under the law, Pertamina had a privileged status as a producer and a regulator. The company also became the only wholesale distributor of oil products and the only major retailer. At the same time, the law generated new contracts with attractive terms and conditions for foreign oil enterprises. This simply means that the government considered coexistence between state capital and monopolistic factions of transnational private capital in this sector. Putting Pertamina forward as a major source of government revenue, the law also regulates relations between the government and the company. It necessitated that Pertamina pays the treasury 60 percent of its net operating income, 60 percent of net operating income from PSCs, and 60 percent of any bonuses received from PSCs. Pertamina's establishment in parallel with the PSC arrangement reflects a special feature of capital accumulation in this sector—a partnership between state-led national capital's oil monopoly and the powerful faction of transnational oil companies.

Over the decades, this industry has garnered significant revenues for the government from oil and gas exports. Between 1967 and 1970, the government generated IDR 48.3 billion from oil taxes. This figure jumped sharply to IDR 347 billion between 1974–75 (Glassburner, 1975:1102). With the rising international oil price, the government was able to significantly increase its domestic revenues. Although Indonesia's dependence on oil revenues has lessened since the early 1980s due to the long-term trend of price per barrel decline, this hydrocarbon industry remains one of the country's major sources of foreign exchange. Despite the fact that the percentage of oil and gas shares continues to decline, it is evident that, as Table V.7 summarizes, oil and gas concessions have been a major source of domestic/government revenues over more than four decades. We should also keep in mind that in the midst of the oil production decline, the production of gas in Indonesia has increased since the mid-1980s. Thanks in part to this increase, the government has continued to generate healthy revenues, especially after the commencement of Mobile Oil Indonesia's extracted Liquid Natural Gas (LNG) Arun in Aceh (1978) and LNG Badak, Bontang in East Kalimantan (1977). More recent operations include British Petroleum (BP)-operated Tangguh LNG in West Papua (2009) and the Mitsubishi-led Donggi-Senoro LNG in Central Sulawesi (2015). Table V.4 presents the production of oil and gas together with other mineral commodities. The dollar value of the gas share to total oil and gas exports has dramatically increased over the past three decades—from 14.52 percent in 1980, to 46.11 percent in 2000 and 55.60 percent as of 2015 (Dickie and Layman, 1988:75; BPS, 2002:97; BPS, 2016b:120).

The tremendous rent stemming from oil and gas concessions has empowered the government to spend its revenues on a wide range of goods and services. This initially included public services like primary education and medical clinics. It has also allowed the government to subsidize Indonesian oil consumers through low prices for refined oil products. The government has used these funds for infrastructure projects (e.g., roads, airports, dams, telecommunications, power grids, etc.,) and for issuing credit to finance such projects. The revenues also helped to push forward the country's industrialization. The funds' use was, at times, not transparent or accountable. Ibnu Sutowo, a close ally of Suharto and Pertamina's President Director, utilized and misused his authority and concentrated power to engage in other projects. Pertamina revenues were used to invest in steel, aviation, petrochemicals, telecommunication, shipping, real estate, etc. Sutowo also turned the company into an unregulated borrower of foreign loans, which led to a short-term debt burden. The corporation's debt reached US$ 10.5 billion in the midst of the 1970s world recession, leaving Pertamina in a crisis (McCawley, 1978).

Table V.7: Historical Oil and Gas Contributions to Government/Domestic Revenues (in IDR trillion), 1967-2017

Year	Domestic Revenue	Oil and Gas	Percentage of Contribution
2017	1,654.7	132.1	7.9
2016	1,546.9	80.1	5.1
2015	1,496.0	127.9	8.5
2014	1,545.4	304.3	19.6
2013	1,432.1	296,2	20.6
2012	1,332.3	205.8	15.4
2011	1,205.3	193.5	16.1
2010	992.2	152.7	15.4
2009	847.1	125.8	14.9
2008	979.3	211.6	21.6
2007	706.1	124.8	17.7
2006	636.2	158.1	24.9
2005	493.9	103.8	21.0
2004	403.1	85.3	21.2
2003	340.9	61.5	18.0
2002	298.5	60.0	20.1
2001	300.6	81.0	26.9
2000	205.3	66.7	32.5
1999-2000	187.8	45.5	24.2
1994–99	498.1	121.5	24.4
1989–94	221.2	74.0	33.5
1984–89	99.4	49.7	50.0
1979–84	57.6	39.2	68.1
1974–79	14.6	7.9	54.1
1969–74	2.6	0.8	30.8

Note: From 1969 to March 2000 the fiscal year was designated as beginning in April and ending in March; For 2000, figures reflect contributions from April to December.
Source: 1969–2012 data derives from Badan Pusat Statistik (2016a:354); 2013–17 derives from Bank Indonesia (2017a).

It is also important to note that powerful stakeholders initially interfered in the affairs of this state-owned enterprise. For instance, among others, two corporations associated with Suharto's son pumped out annual commissions of more than US$ 50 million in 1997–98, generated from oil exports and imports for Pertamina. The firms also benefited from a markup on oil exports and imports, which accounted for an additional US$ 200 million annually from the 1980s to the mid-1990s. The Smiling General's family owned corporations also took advantage of contractor status, securing from Pertamina about 170 contracts related to insurance, food supplies and other services. One source close to the Suharto family told *Time* magazine, "[t]hey milked Pertamina like a cow" (24 May 1999). In addition, Indonesia's Corruption Eradication Agency (KPK) jailed Rudi Rubiandini, the chief of SKK Migas (a regulatory body created in 2013 to replace Pertamina) for seven years. Rubiandini was involved in alleged bribery amounting to around US$ 1.5 million (*The Jakarta Post*, 29 April 2014). Regardless of this predatory behaviour, we can conclude that this hydrocarbon industry has had a profound effect on the county's economy since the rise of Suharto's New Order.

After nearly four decades of waiting and faced with a deep crisis of capitalism in the late 1990s, liberal ideology came to restrict Pertamina's monopolized position and put forward the private sector as a major player for accumulation. The attack against the state-owned enterprise had just begun. In order to rescue the country from the downturn, the government undertook a fundamental regulatory reform in the hydrocarbon sector. Introduced as part of a structural reforms package under the auspices of the International Monetary Fund (IMF), the post-Suharto leadership attempted to promote the oil and gas industry under neoliberal logic. On 20 January 2000, the Ministry of Finance, Coordinating Minister of Economy, Finance and Industry, and Indonesia's Central Bank Governor sent a letter, or the so-called "Letter of Intent," to Michel Camdessus, IMF's Managing Director, with an attachment, a "Memorandum of Economic and Financial Policies." This highlighted one of the government's initiatives as follows: " . . . the government is firmly committed to the following actions: replacing existing laws with a modern legal framework; restructuring and reforming Pertamina; ensuring that fiscal terms and regulations for exploration and production remain internationally competitive; allowing domestic product prices to reflect international market levels . . . " (Government of Indonesia and Bank Indonesia, 2000).

The effort began with the enactment of Law 22 (2001), which concerned Oil and Natural Gas and replaced Law 44 (1960), Law 15 (1962), and Law 8 (1971) (*State Gazette* of 2001, No. 22 and *Supplement to State Gazette*, No. 4152). Law 22 initially deregulated upstream and downstream oil and gas industries that were eroding the government's privileges over the oil industry with Pertamina as the major target. The Law forced the state-owned oil enterprise to relinquish its role in granting new oil development licenses and limited the company's monopoly in upstream operations. In this regard, the introduction of GR 42 (2002) concerning the Upstream Executive Body of Oil and Natural Gas (BP MIGAS) (*State Gazette* of 2002, No. 81 and *Supplement to State Gazette*, No. 4216) as an implementing regulation was central to these neoliberalizing reforms. In essence, this body took over Pertamina's upstream regulatory function as well as the management of oil and gas contractors. In other words, the regulation gave BP MIGAS the right to represent the government in regulating, managing and signing contracts with oil and gas companies. The Law's principal aim was to prevent the potential conflict of interest that originated from Pertamina's overlapping responsibilities as a producer and as a regulator. This was followed by the introduction of GR 67 (2002) concerning the Regulating Body of the Supply and Distribution of Oil and the Natural Gas Pipe Transportation Business Activities (*State Gazette* of 2002, No. 41 and *Supplement to State Gazette*, No. 4253). Pertamina itself then became a Limited Liability Company after the government instituted GR 31 (2003) concerning the Change of Status of the State-owned Oil and Gas Company (Pertamina) into a Limited Liability Company (Persero) (*State Gazette* of 2003, No. 69). This series of actions brought to an end Pertamina's monopoly over downstream oil distribution and the marketing of oil products. In other words, it opened up the downstream oil and gas distribution and marketing area for competition. However, in late 2012, the Constitutional Court of Indonesia decided to abandon some articles of Law 22 (2001) insisting that BP MIGAS' establishment violated the country's Constitution, making it no longer relevant (The Constitutional Court of Indonesia, 2012). This move shocked the oil and gas business community due to the legal implications for the industry (*Oil, Gas & Electricity Asia*, 20 December–20 January 2014). In response to the decision, the government immediately issued Presidential Regulation (PR) 9 (2013) on the Special Working Unit on Upstream Oil and Gas Activities (SKK MIGAS) that substantially transferred the functions of BP MIGAS to SKK MIGAS (*State Gazette* of 2013, No. 24; See also *Tempo,* 20 November 2012). In sum, a market-driven oil and gas industry continues to serve the country.

Monopolistic transnational corporations have remained major players in upstream oil and gas production in the archipelago. For instance, over the decades, Caltex (now known as Chevron) became and retained its status as the main producer of crude oil production in the country; in the same role, Pertamina's contribution was marginal (Arndt, 1983:63). In 1974, of the 50.1 million barrels of crude oil produced monthly, Caltex, Pertamina, Stanvac and other oil companies shared 66 percent, 30 percent, 3 percent, and 0.34, respectively (BPS, 1978:705). In 1997, Caltex accounted for 50 percent of domestic oil production (*Asian Wall Street Journal*, 28 July 1997). After the collapse of the New Order and between 2002 and 2013, the major contributors of oil production in Indonesia were Chevron (PT Chevron Pacific Indonesia, Chevron Indonesia Company, Chevron Makassar Limited) at 42 percent, Pertamina EP at 15 percent, Total E&P Indonesia at 8 percent, ConocoPhillips (ConocoPhillips Indonesia Inc. Ltd. and ConocoPhillips [Grissik] Ltd.) at 5 percent, and CNOOC SES Ltd. at 4 percent. A similar situation was occurring in gas production. In 1993, Mobil contributed 45.3 percent of natural gas production, Vico's (Huffco) share was 20.5 percent, and Pertamina accounted for 9.6 percent (Barnes, 1995:110). The major producers between 2002 and 2013 were Total E&P Indonesie (22 percent), ConocoPhillips (16 percent), Pertamina EP (13 percent), VICO Indonesia (5 percent), and ExxonMobil Oil Indonesia (4 percent) (SKK Migas, 2013:43–45). It is clear that the transnational oil and gas enterprises were continuing to play a decisive role in value making or profit making in this industry, a role that they had excelled at for over a century.

Nevertheless, under the conditions in which global concentration and centralization in this industry prevails, Pertamina held its own. In addition to being the country's largest state-owned enterprise, *Fortune Global 500* ranked the corporation at 230 on its list of the largest global companies and in 2015 listed it as the world's fortieth largest energy company based on revenue (*Fortune*, 22 July 2015). Given its long-standing monopoly in this lucrative sector, Pertamina recently became the parent company for about 23 entities operating in various related sectors including exploration, exploitation and production, export and import, drilling service, shipping, insurance, hotel, aviation, etc. The government remains Pertamina's only stakeholder. In 2015, it employed nearly 28,000 employees and held assets valued at US$ 45.51 billion. With revenues reaching US$ 41.76 billion in 2015, the company reported net profits of US$ 1.42 billion (Pertamina, 2015). In short, Pertamina is a striking example of state direct investment in a productive sector, which significantly contributes to the state's revenues.

2. Transnational Corporations in Non-Oil and Gas

Since the New Order era, the state has been shaped by the capitalist reconfiguration of class relations taking place globally, state policies, a reliance on liberal economic doctrines, and foreign direct investment, all of which are reinforced by the inflow of capital including extractive capital. The post-Sukarno era is characterized by the reorganization of the Indonesian state towards capital accumulation. Soon after the PKI's total defeat and the new regime's subsequent reintegration into the Western orbit during the Cold War, the pace of capitalist development was enhanced under politically oppressive conditions. This is an era in which state sovereignty was being substantially eroded in relation to the external pressures of foreign capital. Since the rise of the Suharto regime, what has followed is an increasing role for the nation-state in facilitating and protecting particular internationalized factions of capital in the mining sector. For the sake of the expanded reproduction of capital, the state constituted a legal framework for the liberalization of mineral extraction, calling for a large-scale penetration of transnational capital. The entire legal system of the New Order underpinned mining investment, relying upon special interests of monopolistic transnational mining capital. During the economic downturn in the second half of the 1960s, Indonesia's Western-oriented military regime attempted to revive the capitalist order, introducing monetary, fiscal and investment policies, among others, which favoured the global inflow of mining capital. This extension of imperialist power has, therefore, continuously undermined the nation-state's sovereignty since the early years of Suharto's tenure.

In order to portray a peculiar characteristic of state-capital relations in the non-oil and gas sector under the New Order, I will pay close attention to the struggle over the distribution of surplus value. I will examine the topic in two sections. First, I will deal with a very liberal feature of mining policy that has favoured global accumulation in the country, while in the second, I will scrutinize the emergence of the current, post-Suharto state struggle demanding fairer benefits but dubbed as resource nationalism.

2.1. Imperialist Rent as a Keyword

It is undeniable that the capitalist state of the New Order favoured conditions for global accumulation in the mining sector by providing an attractive investment environment. This process began with the promulgation of Law 1 (1967) concerning Foreign Investment, guided by the imperial United States ([see Simpson, 2008:234] and Law 11 [1967) concerning the Basic Provision of Mining [*State Gazette* of 1967, No. 1 and *Supplement to State Gazette*, No. 2818; *State Gazette* of 1967, No. 22 and *Supplement to State Gazette*, No. 2831]). The laws offered globally competitive conditions to foreign mining capital. If PSC refers to a contractual concession of oil or gas, Law 11 (1967) stipulates different types of contract for corporations involved in metal, mineral and coal mining. The legal framework underpinning the operation of miners is the Contract of Work (COW) and the Coal Contract of Work (CCOW) between the Government of Indonesia and foreign-owned corporations. While COWs/CCOWs are related to foreign investment, the 1967 Mining Law also offered mining rights to domestic corporations, otherwise known as *Kuasa Pertambangan* (KP), which included state-owned enterprises and firms owned by Indonesian nationals. The state-owned mining corporations include PT Aneka Tambang, which produces nickel, gold, bauxite and silver, and PT Tambang Batubara Bukit Asam and PT Timah, which produce coal and tin, respectively (PT Aneka Tambang, 2016; PT Bukit Asam, 2016; PT Timah, 2016).

COWs/CCOWs were initiated to attract foreign mining investment. In this vein, the government determines the legal status of these contracts to be *lex specialis.* This means that the contract's terms and conditions overrule the general laws, implying that regardless of any future regulatory changes, the government must obey the contract. The policy paved the way for an influx of mining capital orchestrated by transnational corporations. In short, the policy created and shaped the social, economic, political and environmental landscape of capital accumulation in this sector.

The attractive policies of the New Order that were just discussed initially arose from two interrelated fundamental conditions. First, they resulted from a very contingent feature of class relations taking place at a global scale, specifically the reemergence of imperialism following the PKI's dissolution as a historical result of class struggle. Providing transnational mining corporations with an attractive investment climate displayed such a power shift in class relations. The New Order state of Suharto under the direction of the imperial state of America was clearly placed at the service of transnational mining capital. Second, the policies reflected the fundamental nature of capitalism related to the mining industry. In this vein, it is common that mining investment necessitates a greater proportion of the fixed elements of constant capital (buildings, machinery and infrastructure) due to distinctive technical characteristics of mineral extraction—modern technology and methods of production that make the mining industry capital intensive. The industry depends on technical and financial aspects of investment—resources—that are lacking in a third-world country like Indonesia. Although capital intensity itself is nothing but a result of social labour, as an alienated past labour of the working class as a whole, it reflects an objective power of monopolistic capital. This objective power has emerged alongside political power to enable capital to take increased profit by lowering the rate of rent.

Table V.8: Mining Corporations in Indonesia: Revenue, Expenses and Surplus Value (US$ million), 1996-2011

Year	Net Sell Revenue	Cash Operating Expenses	Distribution of Surplus Value			
			Government Revenue 1	Net Profit 2	Interest 3	Total 1+2+3
2011	31,368	19,412	6,738	6,355	796	13,889
2010	26,673	15,152	5,911	6,323	864	13,098
2009	23,180	12,839	6,026	5,966	157	12,149
2008	17,123	11,660	3,563	3,028	126	6,717
2007	17,670	9,087	4,799	5,154	132	10,085
2006	13,882	8,162	3,426	3,122	288	6,836
2005	11,411	6,510	2,691	2,662	226	5,579
2004	8,067	4,966	1,691	1,542	149	3,382
2003	6,333	3,911	1,177	945	184	2,306
2002	5,374	3,373	1,003	742	225	1,970
2001	5,010	3,241	837	538	273	1,648
2000	4,811	2,978	817	391	371	1,579
1999	3,841	2,148	864	585	251	1,700
1998	3,540	2,096	655	559	129	1,343
1997	3,665	2,524	659	417	109	1,185
1996	3,582	2,281	629	571	97	1,297

Source: Derives from PricewaterhouseCoopers (2006 and 2013)

Under such conditions, capital requests a contract with an ideological justification dubbed as an incentive. The status of *lex specialis* is thus nothing more than an incentive under which mining corporations could protect themselves with legal certainty for long-term investment and therefore generate super-profits. Technically speaking, in order to offset the riskiness of foreign direct investment in the mining sector, the COWs/CCOWs provide secure, lengthy and lucrative concessions. This type of contract allows transnational mining corporations to have control over large plots of land with rich mineral endowments in the archipelago. It also offers the corporations long-duration concessions. This type of contract is therefore no more than an attempt by the New Order to allocate fixed mineral deposits to secure the accumulation process led by transnational mining corporations. Obtaining the rights to mineral wealth does not mean that the companies will take immediate steps to extract the minerals. Rather, it just secures the centralized corporations exclusive right of mineral property (Bina, 1985:231). It also prevents competitors from gaining any opportunity to take control of those mineral deposits. As a result, profits can be secured from a potential decline in the mineral's value stemming from an abundance of the commodity on the market. This is a major feature of state-capital relations in the mining industry—the exclusive right to a potentially large-scale mineral deposit.

In return, the government receives royalties (based on minerals mined or sold or on sale revenue) and various forms of taxes, including income tax, value added tax (VAT), withholding taxes on dividends, interest, rents, taxes on land and buildings, stamp duty, import duty, and dead rent based on the number of hectares in the concession area. COWs/CCOWs have generally offered stable tax requirements. They have provided tax and fiscal incentives in some instances such as tax holidays, reduced tax rates, and exemptions from various forms of taxes. During the military-dominated government of the New Order and after, adjustments to the terms and conditions of COWs/CCOWs have frequently occurred to maintain the favourable climate for the sake of global mining investment competitiveness. At the same time, they have also served state interests in terms of better rent. The adjustments, or generations, of COWs/CCOWs in later iterations tended to benefit the state a bit more in terms of raising various form of taxes. In general, since "tax systems are simply particular forms of class power" (O'Connor, 2002:203), the COWs/CCOWs are simply a reflection of the imperative power of transnational mining corporations in relation to the post-1965 state.

The abovementioned global capitalist integration policies have helped to make Indonesia one of the major destinations for global-scale mining capitals. Thus, the policies extend capitalist relations over geographical space under the hierarchy of global capitalism in this extractive sector. The handful of transnational mining corporations operating through subsidiary companies—Freeport-McMoRan Copper and Gold, Rio Tinto, Newmont and Inco, for example, have benefited from the policies. In the early years of Suharto's tenure, two large-scale extractive projects under a COW were underway. With the support of the imperial state of America, the process began with the issuance of the first generation of COWs in April 1967 to Freeport Sulphur (now Freeport-McMoRan), a US company operating in West Papua, one of the country's underdeveloped provinces. Arizona-based Freeport-McMoRan Copper and Gold orchestrated the region's incorporation into the global accumulation regime, and the province became the most militarized region in the country by adding fire to the already simmering Indonesian army counterinsurgency against the West Papuans in their long struggle for independence. Interestingly, in order to attract foreign direct investment to this area, the Suharto administration accepted the first version of the contract that PT Freeport Indonesia (hereafter PT-FI) offered.

Since the COW was concluded prior to the enactment of Law 11 (1967), the terms and conditions of the contract itself were derived from Law 1 (1967) concerning foreign investment. Law 1's most important feature was that the contract protected PT-FI from nationalization threats as foreign-owned companies experienced under the Sukarno regime. The COW also stated that any unreconciled disputes between the government and PT-FI would be resolved through the supranational mechanism—international arbitration. Following the issuance of the COW's, PT-FI Indonesia then ratified the Convention on the Settlement of Investment Disputes between States and Nationals of other States in June 1968 through Law No. 5/1968 (*State Gazette* of 1968, No. 32 and *Supplement to State Gazette*, No. 2852). Secure with a contract for more than 250,000 acres over a 30-year period, the corporation benefited from extraordinary privileges. These included exemptions from land rent and royalties, a three-year corporate tax holiday, no required divestment, non-compulsory compensation to the displaced local population, and unrestricted environmental standards. In 1991, the two parties renewed the contract for a further 30-year period, which will expire in December 2021. The first generation of COW terms and conditions were replaced by that of the fifth generation for the new contract, which requires a partial divestiture to domestic entities and construction of an in-country smelter (Leith, 2003:60–61, 68). The current area of the COW covers 212,950 hectares, reduced from 2.6 million hectares based on the second COW of 1991. By December 2015, PT-FI as one of the largest corporations in this country, controlled copper and gold reserves valued at 28 billion pounds and 26 million ounces, respectively (Freeport-McMoRan, 2015a). Freeport-McMoRan owns a 90.64 percent stake in Freeport Indonesia (Freeport-McMoRan, 2015a). The parent company was the ninth-largest listed mining company in the world measured by market capitalization in 2014 (Walker et al., 2015:42–43). It claimed that it had already spent US$ 8.6 billion since the early days of its operations in one of the world's largest gold, silver and copper mines. PT-FI mainly trades its mine products with other companies affiliated to Freeport-McMoRan. It sells its copper concentrate to PT Smelting, located in Gresik, East Java, in which PT-FI has a 25 percent share and the remainder is held by a Mitsubishi-led Japanese consortium. Another customer of PT-FI is Atlantic Copper, SA, in Spain, which is wholly owned by Freeport-McMoRan. Third parties purchase the rest of the copper from PT-FI's mine (Freeport-McMoRan, 2015b).

The second transnational mining corporation benefitting from this new climate of investment is the Canada-based Inco Limited, one of the world's largest nickel producers in the last century. Generous government policies were not the only factor, though, in creating a favourable environment—monopolistic competition was also key. As the world's leading nickel producer for more than 50 years, Inco entered tough competition from the late 1960s onward. Since the 1970s, with the ratio of the global production of laterite to sulphide increasing, Inco's contribution to the world's refined nickel production has declined (Cairns, 1984). In line with this decrease, the company decided to enter into the laterite countries of Indonesia and Guatemala in 1960s as part of its strategy to cope with growing internal pressures concerning labour unrest, financial costs, and crisis in its home country (Bradbury, 1985). This results from an unresolved contradiction between capital and labour as it empirically occurred in the midst of the growing struggles of Inco's employees in Canada. Since the 1950s, a series of strikes occurred in Inco's mines and at processing plant sites. Among these was a three-month strike in Sudbury and Port Colborne, Ontario in late 1959. Around 14,500 mill, smelter and mine workers went on strike, demanding wage increases and fringe benefits. In late 1969, more than 15,800 steelworkers in Local 6500 of Inco in Sudbury began a four-month strike. Again, the striking workers demanded wage and benefit improvements (Minister of Supply and Service Canada, 1978). Thus, the global expansion of Inco might be in line with Harvey's view of how "spatial fixes" can cope with periodic events of over accumulation (Harvey, 2006b; Bradbury, 1985). It is clear that the expansion displays precisely the competing capitalist classes reacting to "the uneven spatial development of class struggle" (Peet, 1984). By offshoring capital to countries with a greater rate of return due to super-exploitation under the conditions of a restrictive power, the corporation could pump out super-profits.

Unlike Freeport, Inco obtained its first-term COW under the second generation of terms and conditions after winning against other major bidders—a combination of Société Le Nickel of France, US-based Kaiser Aluminum Co., and Sumitomo. Inco proceeded through tough negotiations over several months (*The Globe and Mail*, 29 January 1968). Securing the contract in the late 1960s, a leading Canadian newspaper characterized this investment as "an important part of the test for international capitalism in Indonesia" (*The Globe and Mail*, 31 December 1970). The government gave Inco mining rights for a huge concession area on the nickel-rich eastern island of Sulawesi where Sukarno had recently defeated the US-backed regional insurgency of Permesta and the Islamic-inspired insurrection of Darul Islam Indonesia in the early 1960s (Harvey, 1974; Harvey, 1977). By 1968 PT Inco Indonesia (hereafter PTI), a subsidiary co-owned by Inco Limited (75 percent) and Japanese companies (25 percent) (*The Globe and Mail*, 21 June 1975) signed a COW with the Indonesian government for 6.6 million hectares on Sulawesi for a 30-year period that commenced from the commercial production stage. PTI had been developing an integrated mines and plant project including roads, hydro dams, ports etc. in Sorowako, South Sulawesi since the 1970s (Robinson, 1986). By 1996, the company entered into a COW extension agreement with the Suharto administration for another 30 years, ending in 2025. The current concession area is approximately 118,435 hectares, of which 59.9 percent is in South Sulawesi, 20.9 percent is in Southeast Sulawesi, and 19.2 percent is in Central Sulawesi. Having a monopoly on this huge area with proven laterite nickel ore reserve estimated at 100.8 million tons in 2014, the company has been mining and smelting nickel-in-matte, an intermediate product. This product has been shipped to Japan since the mid-1970s for its customers, who are the major shareholders of PT-VI—Vale Canada Ltd and Sumitomo Metal Mining Co., Ltd. Soon after the historical Vale acquisition of Inco Limited in 2006, PTI became PT Vale Indonesia (hereafter, PT-VI), a subsidiary of Vale Canada. By 2017, Vale Canada held a 58.73 percent stake and Sumitomo Metal Mining Co., Ltd. held a 20.09 percent stake, while over 20 percent had been trading on the Indonesia Stock Exchange since 1990 (PT Vale Indonesia, 2017:31). Within the trend towards global concentration of ownership in the mining industry, with this merger, PT-VI became one of the world's largest nickel companies.

As the investment in large-scale mining projects is capital intensive and long term, the role of financial capital in loans for those engaged in the sector is central. It suggests that mining firms develop very particular relations to all kinds of financial capital that are transnational in character. In other words, global financial capital is very closely related to the development of this productive capital. Since the New Order, the impressive accumulation of mining capital has significantly relied on cross-border involvement of financial capital. PT-VI, among others, has illustrated this since the early phases of its project in Sulawesi. North America financial capital firms involved in directly financing the project include: the Bank of Montreal, Citicorp, Toronto-Dominion Bank, Bank of Nova Scotia, Morgan Guaranty Trust, and the American Exim Bank, among others. The Canadian government also took a significant role through the Canadian Export Development Corporation (EDC) (Swift, 1977:94–95; *The Globe and Mail*, 17 October 1974), which is characterized as sovereignty wealth funds (SWFs). In addition, a syndicate of banks and other financial institutions provided senior credit facilities amounting to US$421.25 million in 1996. The EDC, the Japan Bank for International Cooperation, and a consortium of banks also provided US$ 200 million, US$ 140 million and US$ 81.25 million, respectively (PT International Nickel Indonesia, 2006:71–2). Furthermore, taking the mining industry as a whole, we have witnessed an increase in outstanding bank credits. The value of outstanding foreign exchange increased from IDR 479 million (US$ 20,780) in 1995 to IDR 5.6 billion in 2005 (US$ 612,088) and IDR 110.3 billion (US$ 8.8 million) in 2014 (BPS, 2005:43; BPS, 2016b:78). The latest data from 2017 shows that of the US$ 142.2 billion in total outstanding, private, non-bank, external debt across all economic sectors, the mining sector's share was 16.34 percent (Bank Indonesia, 2017).

Following a series of stock market reforms that took place from the late 1980s onward, mining corporations listed their businesses on the Jakarta Stock Exchange (JSE) in order to widely reinforce their capital bases. PT Inco was one of the earliest companies to list and trade its own stock on the JSE, beginning in the mid-1990s with an offering of 49.6 million shares at a par value of IDR 1,000 (Chia et al.,1992:223). By December 2016, there were 40 listed mining companies on the Indonesia Stock Exchange (IDX, formerly the JSE before its 2007 merger with the Surabaya Stock Exchange) with market capitalization of IDR 285.7 trillion. Table V.9 summarizes mining companies listed on the IDX.

Table V.9: Selected Mining Companies Listed on the IDX: Closing Price, Listed Shares and Market Capitalization, December 2016

Company	Closing Price	Listed Shares	Market Capitalization (IDR Billion)	Types of Commodities
Adaro Energy	1,695	31,986	54,216	Coal
Bumi Resource	278	36,627	10,182	Coal
Bayan Resource	6,000	3,333	20,000	Coal
Golden Energy mines	2,700	5,882	15,882	Coal
Indo Tambangraya Megah	16,875	1,130	19,067	Coal
Tambang Batubara Bukit Asam	12,500	2,304	28,802	Coal
Medco Energy International	1,320	3,332	4,339	Oil and gas
Aneka Tambang, Tbk	895	24,031	21,508	Metal and mineral
Citra Mineral Investindo. Tbk	900	3,371	3,034	Metal and mineral
Central Omega Resources	334	5,638	1,183	Metal and mineral
Vale Indonesia Tbk	2,820	9,936	28,020	Metal and mineral
All mining companies		402,791	285,744	Metal and mineral

Source: IDX (2017)

It is important to mention that the result of the COW/CCOW arrangement is impressive. Wealth in this industrial sector is constantly expanding. Over the decades, transnational mining corporations have made significant profits, originating from this nature-based labour exploitation. Working from a PwC survey, we can see a fuller picture: the total profit of mining corporations before interest and tax under COWs/CCOWs increased dramatically from US$ 979 million in 1996 to US$ 10.9 billion in 2011 (2006:54; 2013:69). PwC also concluded that the profitability ratios of the transnational mining corporations operating in the country were extraordinarily high in comparison to the top 40 mining companies across the globe. Within an average of 10 years (up to 2011), the profitability ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) margin was 40 percent compared with 30 percent of the top 40. It also shows that the ratio of net profit margin was 20 percent to 19 percent, the return on capital employed was 26 percent versus 15 percent, and the return on shareholders' funds was 35 percent compared to 21 percent (PwC, 2013:8). This is an impressive feature of profitability. In the case of PT-VI, the average nine-year (up to 2012) profit rate, measured by pre-tax profit over market capitalization, was high—15.22 percent. In a single year, 2007, in the midst of a world price boom for nickel, the rate of profit reached 16.30 percent. The average 10-year (up to 2011) return on capital employed in PT-VI was about 34 percent. For 2007, the return skyrocketed to 108.2 percent (PT-VI, 2012:30; PT-VI, 2011a:27; PT International Nickel Indonesia, 2006:2). All of these figures might represent what Higginbottom (2014) considers as "imperialist rent" associated with "extra profit" emerging from unequal relations between the North and South under global capitalism.

Given that profits emerge from the exploitation of labour, it is relevant to highlight that the abovementioned figures mirror a feature of super-exploitation. The extra profit results from super-exploitation taking place in the production of surplus value. No longer a feature of normal profits, instead, they show the presence of super-profits or profit above the normal level. If we measure the super-profits based on the number of employees (Higginbottom, 2014:25) PT-VI generated tremendous super-profits. The company's 2010 Annual Report, *Working Smarter: Growing Stronger*, reveals that the average pre-tax profit per employee reached US$ 185,377. In comparison, Freeport-McMoRan's 2013 Annual Report, *Strength in Resources*, showed a per employee profit of US$ 115,138. The *real* subordination of labour to capital, as a major feature of mining industries as well as other political conditions of capital labour relations, gives rise to the super-profits that transnational mining corporations in the archipelago appropriate.

As this extractive industry reveals a peculiar relation between capital and state in the course of value production, we must take into account the flow of rent to the state. Significant amounts of surplus value appropriated from the mining industry have been distributed to the landlord state of Indonesia. Since some of the surplus value also goes to different factions of capital, the PwC survey on minerals in Indonesia may help to indicate the distribution of the appearance of surplus value in the mining sector. Table V.8 illustrates the distribution appropriated by government (rent), productive capital (profit), and financial capital (interest). Table V.10 summarizes rent that emerges from the mining sector originating from Mining Business Licenses (MBL) and COW/CCOW. Working from official corporate reports, we can also examine the issue at the level of individual corporations. For instance, PT Inco concluded that its contribution to the Indonesian government between 1968 and 2007 reached US$ 1.3 billion: US$ 993 million in corporate taxes, US$ 127 million in royalties, US$ 86 million in value-added taxes, US$ 73 million in water levies, and US$ 27 million in other taxes (International Nickel Indonesia, 2007:167). By 2015, PT-FI concluded that since 1992, it has contributed about US$ 16.1 billion to the Indonesian government: US$ 1.2 billion in government dividends, US$ 1.7 billion in royalties, and US$ 13.8 billion in taxes (Freeport Indonesia, 2016a). Despite the absence of significant data series for the early years of production, we can see that from 1975 to 1978 and 1982 to 1986, the government generated US$ 28.2 million in taxes, royalties and dividends from Freeport. The high price of copper meant that the corporation contributed US$ 271.1 million in 1990. The US-based company was also the largest corporate taxpayer in country at the time (*Far Eastern Economic Review*, 4 July 1991).

With the state directly appropriating its share of surplus value in the form of rent (i.e., taxes and royalties) generated by capital accumulation, it is important to explain how revenues were shared at different levels of the state. This distribution is primarily influenced by the state's historical development. Unlike the centralized character of the New Order administration, the decentralized state of the post-Suharto regime delivered mostly resource-based revenues back to the local government. This practice began in the early years of reformasi after the enactment of Law 22 (1999) on Regional Government (superseded by Law 32 [2004]) and GR 25 (2000) on the Authority of Government and the Authority of the Province as an Autonomous Region (Rasyid, 2003). The laws provide greater roles and responsibilities to regional governments. As their budgets are in large part provided by the central government, these laws also offered a fairer distribution of rents between the central and regional governments. It is GR 55 (2005) on Balancing Funds (*Dana Perimbangan*) that details rent distribution in relation to mining. Articles 17 and 18 regulate types of rent (i.e., land rent and royalties) and redistribute these rents to local governments through revenue-sharing funds (RSF, *dana bagi hasil—pertambangan umum*), especially for general mining (non-oil and gas) RSF. The GR states that significant portions of mineral royalties and land rents are designated for regional governments that are responsible for the territory from which the minerals are extracted. In this respect, the central government takes 20 percent of rents generated from mining and transfers the remaining 80 percent to regional governments. This 80 percent allocation is then to be distributed to provincial governments (16 percent), and to regencies and municipalities (64 percent). The latter is equally split between the producing regency/municipal and other regencies/municipalities within the province (see *State Gazette* No. 60 and *Supplement to State Gazette*, No. 3839; *State Gazette* of 2004, No. 125 and *Supplement to State Gazette*, No. 4437; *State Gazette* of 2000, No. 54 and *Supplement to State Gazette*, No. 3952; *State Gazette* of 2005, No. 137 and *Supplement to State Gazette*, No. 4575). From an official 2014 report, for instance, the total RSF distributed to regional governments was about IDR 14.9 trillion—IDR 14.4 trillion in royalties and IDR 548.4 billion in land rent (Extractive Industries Transparency Initiative, 2017).

Table V.10: Land Rent and Royalties from Mining Investment in Indonesia (IDR Billion), 2009-2014

	Land Rent				Royalties			
	MBLs	COWs	CCOWs	Total	MBLs	COWs	CCOWs	Total
2014	512	25	34	571	7,293	1,268	9,437	17,998
2013	398	25	33	456	7,446	1,268	9,438	18,152
2012	263	17	29	309	6,370	934	8,135	15,439
2011	200	15	21	236	5,624	2,026	9,922	17,572
2010	118	18	25	161	3,536	2,110	7,408	13,054
2009	95	20	23	138	2,066	1,631	6,347	10,044

Source: MoEMR (2015a:101)

As mining activities operate in particular territories, the distribution of rents to regional governments is also highly concentrated in particular regions. The province of East Kalimantan and its regencies, for instance, host mostly coal mines and there is a significant flow of RSFs into this region. In 2014, the province received 40 percent of total national RSF distribution. While the RSF emerges from land rent and royalty, the province generated 19 percent and 40.43 percent of total national distributions of land rents and royalties, respectively. Of the IDR 5.9 trillion that the province and its regencies received as rent, the provincial government of East Kalimantan appropriated IDR 1.1 trillion, while two prominent regencies—Kutai Kartanegara and East Kutai—appropriated IDR 1.07 trillion and IDR 1.044 trillion, respectively. The rest was distributed to the eight other regencies (Extractive Industries Transparency Initiative, 2017).

I would like to mention here some of the factors that have a negative impact on the state's ability to appropriate a larger portion of surplus value. The neoclassical view narrowly highlights the presence of rent seeking that restricts the state from taking more benefit from this industry. Concerning the COW renewal of PT-FI in 1991, for instance, there was a suspicion of cronyism in relation to the required divestment of an additional 10 percent stake for national entities. A high-ranking member of the corporation's management team claimed that PT-FI initially preferred to sell its stakes on the JSE, adding that Ginandjar Kartasasmita, who served as Minister of Mining and Energy (1988–93), treated the divestment differently. He stated that the government decided on three domestic entrepreneurs to deal with the corporation on the divestment. At the end of the day, Aburizal Bakrie, an indigenous entrepreneur and close ally of Kartasasmita, was elected (Leith, 2003:68–69). In response to my questions in an interview that took place more than 20 years later in 2013, Kartasasmita, who was then serving as a presidential advisor to Susilo Bambang Yudhoyono, entirely rejected the story, claiming that he opted for the government to purchase the stake. However, Finance Minister Sumarlin denied it. "On behalf of the government Sumarlin released an official letter rejecting to purchase the stake." He argued that he then suggested choosing indigenous entrepreneurs without a special preference to particular names.[66] Whatever the real story, cronyism is widely believed to be common and widespread across the archipelago, especially in the post-Suharto era (*The Economist,* 7 May 2016). Rampant corruption in local bureaucracies has become common, ranging from bribery, extortion, embezzlement and other abuses of power. It has been widely argued that corruption related to mining emanates from messy decentralization leading to the growing presence of what are widely known as "local kings." These kings could be governors, regents, majors or other local jurisdiction officials who have the authority to issue mining permits but misuse the power entrusted to them for their own interests. It is not surprisingly that PwC's 2013 survey indicated that so-called corruption, collusion and nepotism were major concerns among corporations that

[66] Ginandjar Kartasasmita, interviewed by A. Sangadji in Jakarta, 28 August 2013.

arguably gave a negative image to mining investment in the country (PwC, 2013:41). As this issue displeases the wider population, mining companies like PT Newmont Nusa Tenggara (PT-NNT), which operates the Batu Hijau copper and gold mine in Sumbawa, deliberately published revenues paid to the government, adding that it was as a part of its accountability measures to the local population and government. In doing so, one of the overseas subsidiaries of the Denver-based Newmont attempted not only to eschew the local population's growing demands for jobs and infrastructure but also to empower the local government to request fairer revenue sharing of funds distributed by the central government (Welker, 2014:88).

The abovementioned indicates that corruption is not to be considered as an internal problem within the system emerging from the appropriation of surplus labour. Rather, it just refers to power holders or officeholders who misuse their legal authority for their personal interest. With transnational corporations as the motor of capitalism's global expansion, corruption is often narrowly characterized as a problem of the nation-state, or more precisely, the problem of states in the Global South that pressures profit margins. Within the logic of competing capitalist classes, including the state, to appropriate surplus, corruption in various manifestations just adds to production and circulation costs, thereby jeopardizing profits. Thus, corruption's eradication in relation to domestic power holders is necessary to normalize the market. This limited sense of corruption has failed to help us look at the ways in which global capitalism works. Even problematizing corruption under this deficient view just "[. . .] pave[s] the way for imperial expansion" (Bratsis, 2014:125). Therefore, instead of just questioning such a surface manifestation of corruption, we should consider its underlying aspects, which derive from capitalist virtue greed and have a significant impact on state revenues.

Let us look at two major problems that the state in Indonesia faces nowadays. First, fiscal capacity, which is the ability to generate revenues, is low. In 2016, the ratio of tax collected compared to GDP was barely 10 percent (World Bank, 2017); Indonesia's government loses significant annual revenues generated from potential taxpayers due to the widespread existence of tax evasion. Indonesia's Corruption Eradication Commission (KPK) indicates that between 2003 and 2011, the lost government revenues generated from royalties and land rent were potentially about IDR 6.7 trillion in the mining sector. KPK also assumed that the potential loss from coal between 2010 and 2012 and minerals in 2011 reached US$1.2 billion and US$ 24.6 million, respectively (KPK, 2013:106–08). KPK reported that until 2017, the government's non-tax revenue arrears were at IDR 25.5 trillion (KPK, 2018:5). The weakness of the tax-collection system and lack of transparency contributes to these ineffectual revenues. In addition, many mining companies in Indonesia did not hold required taxpayer identification numbers or *Nomor Pokok Wajib Pajak* (NPWP). For instance, of the 7,519 MBL holders in the country, only 84 percent have a NPWP (KPK, 2018:5). These companies can thereby avoided paying taxes. This does not necessarily mean that the companies have no legal basis to operate. Instead, they are registered companies but do not meet all of the specific legal requirements for one reason or another. Evading taxation through the non-adoption of a taxpayer identification number means that one could illegally keep these companies' non-distributed profits.

Table V.11: Transfer Pricing: PT Inco Indonesia/PT Vale Indonesia (in US$ 000) 2004-2017

Year	Payment to Inco Canada/ Vale Canada	As Equivalent to Corporate ax (%)	As Equivalent to Employee Cost (%)
2017	5,752	74.22	6.77
2016	5,663	173.76	7.37
2015	6,766	35.00	10.02
2014	9,171	14.18	10.32
2013	8,760	52.12	5.73
2012	4,658	19.46	4.39
2011	19,851	16.74	18.37
2010	22,974	15.95	30.19
2009	9,013	13.59	13.54
2008	18,424	17.72	25.35
2007	41,862	8.31	46.20
2006	24,079	10.39	38.11
2005	15,932	13.78	33.19
2004	14,257	11.64	29.24

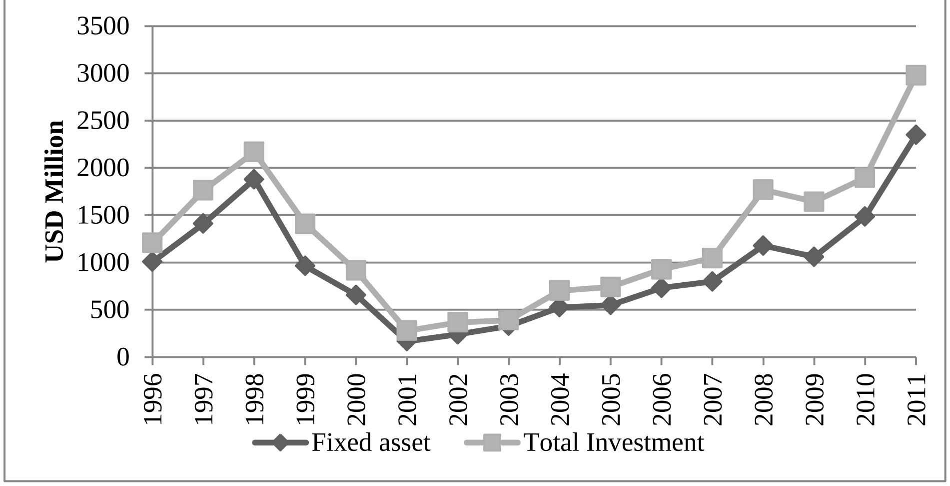
Source: Derives from PT Inco/PT Vale (2004–2017)

Second, under uneven global capitalism, the aptitude of transnational corporations (TNC) to prevent Third World states from gaining more benefits is central. The tax system has become an important vehicle for TNCs who can legally avoid taxation. One of the major features of tax avoidance is global transfer pricing, which is a device to shift profits through their manipulation under intra-firm transactions across borders. For instance, a parent company charges its subsidiaries and affiliated firms for given services, general administration, insurance, loans, etc. It is indeed an effort to offset risk by reducing/avoiding tax and optimizing subsidy (Murray, 1981:157–58). In the mining industry, a high degree of global integration, with mining, smelting and refining stages of production being owned and operating by the same company, means that intra-firm transactions leading to transfer pricing is common. It takes place through arrangements ranging from exports of oil and ores under market price, loan agreements between parent and subsidiary companies, and intra-firm supplies of services and equipment (Palan et al., 2010:176–79). In this regard, PT-VI is a striking example. Working from the corporation's official reports, we can see the outflow of payments crossing Indonesia's border, indicating the presence of transfer pricing. This company, for example, paid US$ 207.1 million between 2004 and 2017 to its major shareholder, i.e., Vale Inco Limited Canada/Vale Canada, for "management and technical assistant fees" (see Table V.11). The amount is on average equivalent to 34.06 percent of the corporate income tax paid to the Indonesian government and 46.13 percent of employee cost at the time. The amount itself excludes international inter-firm transactions or value distribution with other Inco/Vale entities. This international mechanism of profit distribution initially mirrored the TNCs ability to multiply their own profits. The state acts to guarantee this process of profit repatriation under the existing legal framework.

2.2. The Illusion of Resource Nationalism

In the wake of the late 1990s crisis of capitalism in East and Southeast Asia and the downfall of the Suharto regime, Indonesia immediately entered into unstable economic and political reforms. In parallel with electoral politics dominated by widespread corruption and political violence, which included episodes of ethnic and religious-based manipulated violence and apparent terrorist threats, the reforms included remarkable regulatory changes. While the IMF guided the post-Suharto regime to liberalize its oil and gas industry, the regulatory changes in other industries, however, have mostly enhanced investment risks for transnational corporations who benefited from favourable conditions through industry policies during the Suharto administration. Since access to deposit minerals is a necessary condition for the accumulation process, what we have witnessed so far is that the post-Suharto state has posed conditions that restrict the influx of capital in this sector. By increasing its control over the production and circulation of minerals, the state reshapes its good relations with TNCs. We have witnessed a strong deterioration of such relations over the last decade.

Figure V.I: Trend of Mining Investment in Indonesia, 1996-2011



Source: Derives from PwC (2006, 2013)

Since 1999, economic and political institutions have changed considerably. Unlike during the Suharto period, the new regime has set in place several regulations to restrict the mining industry. Soon after the New Order's collapse, among other things, two important policies became the most troublesome for accumulation. First, Law 41 (1999) on Forestry prohibited open-cut mining in "protected forest areas," which generated anxiety among mining investors and corporations (*State Gazette* of 1999, No. 167 and *Supplement to State Gazette*, No. 3888). In contrast to the Law, the Contract of Work (CoW) arrangement allowed this activity. The new legislation together with growing pressure from environmental NGOs became a barrier for mining companies who had exclusively benefited from existing concessions. This policy of tightening environmental restrictions meant a significant reduction in the corporations' estimated mineral reserves, which in turn affected companies' medium and long-term mining plans. B. N. Wahyu, who was Chairman of Indonesian Mining Association (IMA), declared that the policy resulted in huge overlapping areas between the existing deposits of minerals and protected forest. He claimed that the overlapping areas covered about 53 percent of Sumatra, 33 percent of Kalimantan, 39 percent of Sulawesi, 50 percent of Maluku, 68 percent of Papua, 24 percent of West Nusa Tenggara/Lombok, and 27 percent in East Nusa Tenggara (Wahju, 2002:18). According to Simon Felix Sembiring, who served as Director of the Directorate Geology and Mineral Resource in the Ministry of Mines and Energy in 2003, the policy led to project suspensions for 24 mining corporations with a total investment cost of US$ 12.2 billion. By July

2003, around 150 mining corporations faced one or more barriers related to this policy (Sembiring, 2009:87–88). Among them, 13 firms, mostly existing transnational mining companies, suffered from the prohibition of open-pit mining in protected forests and thus generated disputes with forestry authorities (*Petrominer* 15 April 2003). However, after a long dispute, including a call for a policy review emerging from the Indonesian Chamber of Commerce, the government amended the law (GR in Lieu of Law 1 [2004]). The regulation exempts from the ban mining corporations under concessions approved prior to the enactment of the Forestry Law of 1999 (*State Gazette* of 2004, No. 86 and *Supplement to State Gazette,* No. 4412; *State Gazette* of 2004, No. 29 and *Supplement State Gazette,* No. 4374). The amendment was then followed by Presidential Decree 41 (2004) that authorized legitimate activities in the existing areas for the 13 corporations in this circumstance.[67] However, this did not mean that the corporations were immediately tolerated and could operate in those areas. Instead, the Ministry of Forestry provided another barrier. In order to be able to engage in mining operations in protected forests, the corporations still had to apply for the so-called "Forest Land Borrow and Use Permit" (*Izin Pinjam Pakai Kawasan Hutan*, IPPKH), authorized by the Forestry Minister (*Peraturan Menteri Kehutanan* [Regulation of the Minister of Forestry] No. 12 Tahun 2004). Such uncertain policies, unsurprisingly, helped the Fraser Institute, a Canadian think tank à la cheerleader of the free market, to rank Indonesia as the eighth lowest-ranked country out of 64 regions in terms of mining in protected areas in a global survey on mineral policy (McCahon, 2005:35). This lack of harmony in the regulatory landscape has become an irritating matter among mining companies.

Second, some local regulations stand out as heavy restrictions on corporations. Evidence indicates that there has been a growing demand among the lower levels of the state to generate benefits for themselves. As a result of regional autonomy changes, the demands appeared in policy changes related to mining operations at the regional level. Although regulations pertaining to regional autonomy respect all mining contracts signed prior to the issuance of the regional autonomy law, many local governments implemented their own policies that only affected mining companies. In order to be able to get a fairer rent, local governments tried to generate

[67] These included Freeport (West Papua), Karimun Granit (Riau Islands), Inco (Central, South, and Southeast Sulawesi), Indominco Mandiri (East Kalimantan), Aneka Tambang (North Maluku), Natarang Mining (Lampung), Nusa Halmahera Minerals (North Maluku), Pelsart Tambang Kencana (South Kalimantan), Interex Sacra Raya (East Kalimantan and South Kalimantan), Weda Bay Nickel (North Maluku), Gag Nikel (West Papua), Sorikmas Mining (North Sumatra), and Aneka Tambang (Southeast Sulawesi) (*Presidential Decision* No. 41 of 2004).

more benefits by imposing additional charges on corporations. This reflects an attempt by locals to have greater control over mineral resources within their jurisdictions. Local governments in South Sumatra and Bangka, for instance, issued their own mining regulations, which included additional charges on mining companies. A representative of a tin mining company in Bangka predicted that mining corporations would pay around US$ 85 million for the right to commence exploration activities. Other local governments also requested that mining companies pay additional taxes for infrastructure like street lighting or government-use vehicles. Minahasa regency imposed taxes on PT Newmont Minahasa Raya (PT-NMR), a subsidiary of the Colorado-based Newmont Mining Corporation that was operating a North Sulawesi gold mine, to pay for materials that the company used to build a public road close to its mine facility (*Far Eastern Economic Review*, 18 July, 2002, 38–40). While GR 32 of 1969 on the Implementation of Law No. 11 of 1967 on the Basic Provision of Mining (*State Gazette* of 1969, No. 22 and *Supplement to State Gazette*, No. 2831) authorizes the central government to issue, administer and regulate domestic capital in the mining sector (*Kuasa Pertambangan)*, the promulgation of GR 75 of 2001 (*State Gazette* of 2001, No. 141 and *Supplement to State Gazette*, No. 4154), transfers some of this authority to local governments (provincial, regional and municipal levels). The policy change deteriorates conditions of production. Mining companies consider this shifting allocation of authority without a clear legal framework to be one of the major frustrations for investors. In this respect, red tape, extortion and bribery have become important concerns for corporations (*Far Eastern Economic Review*, 8 February 2001).

Even though significant time has passed since the end of the Suharto administration, for mining corporations, Indonesia has maintained significant and wide-reaching foreign mining investment restrictions. Policy uncertainties have continued to undermine investment. In the midst of broader liberalization in the country, there has been growing pressure to update or create a new mining law. Although a draft law has been ready for discussion since the first half of the 2000s, the government has never passed it to the House of Representatives. The Director General of Geology and Mineral Resources, Simon F. Sembiring, claimed that the proposed law was ready to submit to the House. Unfortunately, the bill did not become the law due initially to the 2004 general election (*Petrominer*, 15 February 2004). It took several years to make the new law. In 2009, the Indonesian Parliament passed a new mining law (Law 4 [2009]) concerning the Mining of Mineral Resource and Coal to replace the law passed in 1967 (*State Gazette* of 2009, No. 4 and *Supplement to State Gazette*, No. 4959). Unlike the previous law, the new Law 4 (2009) authorizes a single-model license for both foreign investors (COW/CCOW) and domestic investors (mining rights). This single license consists of *Izin Usaha Pertambangan* or an MBL and *Izin Usaha Pertambangan Khusus* or Special Mining Business License (SMBL). Law 4 (2009) allows the central government and local administrations (governors, regents and majors) to authorize the issuance of MBLs for exploring and exploiting spatially fixed mineral riches inside their territories.[68] Authorities may issue an MBL depending on the location of the proposed mine. It is the authority of the central government to issue MBLs/SMBLs and Foreign Direct Investments in proposed cross-border province areas. The provincial authority issues MBLs/SMBLs for cross-border regencies, while regents and major authorize the MBLs in their territories. In order to generate revenue, these local authorities immediately raced to issue MBLs, which led to the rapid growth of mining activities across the archipelago. Soon after the issuance of the 2009 law, the total number of MBLs for minerals reached 6,311 holders across the archipelago in 2011 (Directorate General of Mineral and Coal, MoEMR, 2011:33–34). By February 2014, the Ministry of Energy and Mineral Resources (MoEMR) concluded that during the period of 1945–99, there were about 600 mining permits; this number skyrocketed in a five-year period to 10,918 mining permits under MBLs after the implementation of regional autonomy. Table V.13 roughly shows the geographical distribution of mining permits in the archipelago (Direktorat Jenderal Mineral dan Batubara, 2014a). As a result, exports of key minerals such as nickel ore increased extraordinarily. China's rapid economic growth benefited from this boom since the country became the major importer of ores. *Bloomberg* reported that more than half of nickel ore exported to China was from Indonesian mines (*The Jakarta Post*, 15 January 2014).

The glut of permits has generated public criticism. Given the fact that environment degradation and land disputes with local populations have commonly occurred over the past several decades, overlapping mining concessions have increasingly become a major issue under the MBL regime. PT-VI, for example, suffered from this overlapping concession situation since

[68] While the MoEMR authorizes an MBL in instances where the concession area covers more than one province, the Governor can issue an MBL for a concession that includes more than one regency/city, but is inside one province. Regents or Majors provide an MBL where the concession is located in a particular city or regency. By June 2015, the MoEMR announced that there were 10,432 MBL holders across the archipelago, of which 6,156 were classified as "clear and clean" while the rest was non-clear and clean. According to the regulations, any MBL can be classified as clean and clear only if it meets with certain requirements, including a non-overlapping concession area, exploration report, feasibility study, and environmental documents.

the Regency of Morowali in Central Sulawesi issued MBLs inside the company's concession areas.[69] As this situation is widespread across the archipelago, the MoEMR is attempting to deal with the issue through the reauthorization of MBLs. With the issuance of what is called “Clean and Clear,” the Ministry concludes that MBL holders with this status are assured that their concession(s) are, among other things, safe from the issue of overlapping and can be reassured when engaging in legitimate activities on their concessions.

Table V.12: The Geographical Distribution of Mining Permits in Indonesia, 2014

	CoW	CCoW	MBL Metal	MBL Non-Metal	MBL Coal	Total
Sumatra	10	15	1,498	544	991	3,058
Kalimantan	9	60	737	414	2,687	3,907
Sulawesi	10	-	1,076	393	106	1,585
Java	1	-	307	1,020	6	1,334
Bali and Nusa Tenggara	2	-	340	124	1	467
Maluku	2	-	401	23	12	438
Papua	7	-	112	7	119	245
Total	41	75	4,471	2,525	3,922	11,034

Source: Directorate General of Mineral and Coal (2014a)

In this regard, following the termination of the COWs/CCOWs’ attractive terms and conditions, we should look closely at two crucial aspects of the new policy. First, although the government acknowledges the existing COWs/CCOWs, all new or renewed contracts must be completed under the MBL/SMBL arrangement. For any extensions, the Law compels the holders of COWs/CCOWs to divest their shares. This requirement appears in GR 77 (2014), as amended to GR 23 (2010). GR 77 stipulates that COW/CCOW holders that were in the production stage for less than five years prior to the issuance of the GR 77 are compelled to sell their shares gradually, starting from 20 to 51 percent of stakes. COW/CCOW holders who were in the production stage for more than five years prior to the GR 77’s issuance have to divest 20 percent of their stakes no later than 15 October 2015. They were also required to sell between 30 and 51 percent of stakes by 2019. A corporation without its own processing installation was required to divest an additional 51 percent of its stakes, while a corporation with a smelter/refinery needed to divest an additional 40 percent of its stakes. Lastly, a corporation with underground mining activities was required to release an additional 30 percent of its shares (*State Gazette* of 2014,

[69] Nico Kanter, interviewed by A. Sangadji in Jakarta, 5 August 2013.

No. 263 and *Supplement to State Gazette*, No. 5597). The regulation requires a foreign investor who holds an MBL operation or Special MBL operation for underground mining to divest its shares from 50 percent to 30 percent. It also extends the divestment period from the tenth year of production to the fifteenth year for corporations with underground operations or those with downstream processing facilities. For those without, the corporation is required to divest its stake to 49 percent within 10 years (*State Gazette* of 2014, No. 263 and *Supplement to State Gazette*, No. 5597).

Second, mining corporations were also compelled to add value to their mining products with certain government-defined minimum processing requirements. For decades, only nickel, tin and aluminum were processed domestically with the involvement of transnational capital before their export overseas. Japan and recently China, as Asian mineral processing countries, have mostly imported ores, concentrates and semi-processed minerals from Indonesia for the past decades. It seems that the government is encouraging mining companies to build in-country processing and refining facilities since the percentage share of these processed minerals to the total value of national exports has been marginal. In doing this, the government has banned the overseas shipments of raw minerals since early 2014. After a long debate with mining business communities, the ban on exports of unprocessed minerals, or requirements to process minerals, were put in place on 12 January 2014. The government issued GR 1 (2014) as the Second Amendment to GR 23 (2010) on the Implementation of Coal and Mineral Mining Business Activities. It requires that COW and MBL holders have in-country processing and refining facilities (*State Gazette* of 2014, No. 1). The government promulgated an implementing regulation called the Regulation of the Minister of Energy and Mineral Resources 1 (2014) concerning the Upgrading of Added Value of Minerals through Mineral Processing (*Official Gazette* of 2014, No. 35). This was replaced by the Regulation of the Minister of Energy and Mineral Resources 8 (2015) concerning the Amendment of the Regulation of the Minister of Energy and Mineral Resources 1 (2014) concerning the Upgrading of Added Value of Minerals through Mineral Processing (*Official Gazette* of 2014, No. 349). It imposed regulations on mineral producers to either purify or to smelt raw ores or concentrates at minimum percentage requirements before their export. The ban was thus designed to encourage the construction of in-country mineral processing plants. As a result, the overseas shipment of raw ores such as nickel and bauxite, among others, became completely unacceptable. Consequently, most MBL holders closed down their operations, leaving thousands of mine workers out of a job. Prior to policy's implementation, Natsir Mansyur, a Deputy Chairman at the Indonesian Chamber of Commerce and Industry claimed that 800,000 workers would be unemployed—directly or indirectly—because of the ban (*The Jakarta Post*, 17 December 2013). It was the working class who paid the cost.

The government does permit mining companies to ship certain concentrates albeit with punitive export taxes. For instance, it required mining companies to pay export levies up to January 2017. The Minister of Finance promulgated Regulation 6 (2014) compelling a higher levy on certain raw material exports. The levy is set to increase biannually until the end of 2016. For example, the export of copper concentrate is permitted but with an export tax of 25 percent in 2014, of 35 to 40 percent by 2015 and of 50 to 60 percent in 2016 (Minister of Finance, 2014). Mining corporations seemed unhappy with the regulation. Soon after its issuance, business associations argued that the policy on progressive tax affected mining companies' cost of production. The Indonesian Chamber of Commerce and Industry demanded that the government revise the policy, otherwise the Chamber would file suit against the government in the Supreme Court (*Kontan*, 6 Februari 2014). However, the government has consistently expressed a strong commitment to the policy's implementation.

Here I would like to highlight that its in-country smelting and refinery policy has led the government into years-long unresolved negotiations with at least two prominent foreign-owned companies. PT-FI and PT Newmont Nusa Tenggara (hereafter, PT-NNT) are key examples. Both corporations have expressed their unwillingness to implement the regulations, foremost the obligation to process minerals domestically.[70] Unlike nickel, the domestic copper production is concentrated in the hands of these two corporations. In 2015, PT-FI and PT-NNT produced 752 million pounds of copper and 494 million pounds of copper, respectively (Freeport-McMoRan, 2016a:43; Newmont Mining Corporation, 2016a: 37). The Colorado-based Newmont, as a major owner, mostly controls PT-NNT, which mines copper and gold in Batu Hijau in Sumbawa. Since the downstream processing of minerals became compulsory, starting with the concentrate ban in early 2014 mentioned previously, the two corporations have often faced off against the Indonesian government in legal disputes, even for several months prior to the ban's start date.

[70] Martiono Hadianto, PT-NNT President Director, interview ed by A.Sangadji in Jakarta, 29 August 2013; Syahrir AB, Executive Director of Indonesian Mining Association [IMA], interviewed by , Jakarta, 20 August 2013; see also *Geo Energi*, August 2013; *Tambang*, September 2013, 72–73.

While the government persuaded companies to obey the regulations, representatives of transnational mining corporations were trying to persuade the government to review the ban before its implementation (*Geo Energi*, August 2013, 64–5). Due to unsuccessful talks between the parties on the export restriction policy, in September 2013, the President Director of PT-NNT sent an internal memorandum to his employees explaining an emergency shutdown plan for the company in the following year (*Kontan*, 20 September 2013). PT-NNT halted its operations since early June 2014 causing thousands of job losses. As Indonesia has ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (*State Gazette* of 1968, No. 32), the company immediately brought a claim against the Government of Indonesia at the International Centre for the Settlement of Investment Disputes (ICSID). However, before commencing arbitration proceedings, PT-NNT withdrew its claim in late August 2014 (PT Newmont Nusa Tenggara, 2014). On 4 September 2014, PT-NNT sent out a press release announcing that it had reached a memorandum of understanding (MoU) with the Government of Indonesia. It was only then that the company took steps to resume its normal operations. The MoU consists of, among other things, the company's commitment to provide a US$ 25 million assurance bond for smelter development. It also compels the company to pay higher royalties of 4 percent for copper (an increase from 3 percent) and 3.75 percent for gold (elevated from 1 percent) (PT Newmont Nusa Tenggara, 2014). Recently, Newmont sold its shared in PT-NNT for US$ 1.3 billion to PT Amman Mineral Internasional (PTAMI) for its 48.5 percent stake and then changed the brand to PT Amman Mineral Nusa Tenggara (PTAMNT) on 2 November 2016. Medco Energy, owned by an Indonesian superrich, controls 82.2 percent of PTAMI (Newmont Mining Corporation, 2016a:3; Newmont Mining Corporation, 2016b; Medco Energy, 2016). At present, PTAMI and PT Pukuafu Indah control stakes in this Batu Hijau mine with 82.2 percent and 17.8 percent, respectively.

In terms of in-country smelting and refinery, one of the most common criticisms among corporations are economic matters. Representatives of transnational mining corporations in Jakarta argued that the policy of in-country mineral processing could only be acceptable for particular minerals, e.g., nickel ore, but not for all. They claimed that for economic purposes, it is unreasonable to implement in-country process for copper concentrate.[71] The President Director

[71] Martiono Hadianto, interviewed by A. Sangadji in Jakarta, 29 August 2013; Syahrir AB, interviewed by A. Sangadji in Jakarta, 20 August 2013.

of PT-FI, Rozik B. Soetjipto, stated, “We sometimes find it difficult to convince the shareholders to build a smelter, which according to them is uneconomical” (*Tambang*, Desember 2013). It seems that, for corporations, the word “uneconomical” mostly refers to capital requirements for investment and over capacity of world copper refineries (*Engineering and Mining Journal*, July 2012).

Table V.13: The Value Export of Semi-processed and Mineral Products, 1988-2015

Year	The Value Export of Semi-Processed or Metal Products (in US$million)				Metal Share of Industrial Export (%)	Metal Share of National Export (%)	Unprocessed Mineral Share of National Export (%)
	Tin	Nickel	Aluminum	Total			
	1	2	3	4 (1+2+3)	5	6	7
2015	1,235.1	806.1	538.3	2,579.5	2.41	1.71	12.91
2014	1,813.7	1,058.0	664.8	3,536.5	3.01	1.44	12.98
2013	2,129.1	941.6	693.6	3,764.3	3.33	2.06	17.06
2012	2,132.1	993.4	783.9	3,909.4	3.36	2.05	16.48
2011	2,438.8	1,218.1	869.6	4,526.8	3.70	2.22	17.02
2010	1,734.7	1,435.9	772.0	3,942.6	4.02	2.49	16.93
2009	1,268.0	584.0	527.0	2,379.0	3.26	2.04	16.90
2008	1,993.5	1,429.5	865.3	4,288.3	4.85	3.12	10.87
2007	1,034.2	2,355.4	868.2	4,257.8	5.56	3.73	10.41
2006	926.6	1,266.2	862.5	3,055.3	4.69	3.03	11.10
2005	920.7	972.2	612.9	2,505.8	4.89	2.92	9.27
2004	617.9	725.3	490.9	1,834.1	4.0	2.56	6.65
2003	295.9	195.3	372.8	864.0	1.92	1.41	6.54
2002	224.5	3.3	369.5	697.3	1.53	1.21	6.54
2001	192.8	160.3	407.3	760.4	1.69	1.35	6.33
2000	233.4	267.7	452.3	953.4	2.12	1.82	4.89
1999	250.2	191.2	277.7	719.1	1.56	1.47	5.39
1998	281.1	108.1	351.4	740.6	1.55	1.51	5.53
1997	274.6	173.2	400.1	847.8	2.42	1.58	5.81
1996	276.2	218.7	421.0	915.9	2.85	1.83	6.06
1995	239.4	284.1	475.1	998.6	3.40	2.19	5.92
1994	118.4	227.7	322.3	668.4	2.60	1.66	4.49
1993	90.8	150.9	268.7	510.4	2.22	1.38	3.97
1992	163.8	156.7	265.3	585.8	2.98	1.72	4.27
1991	149.5	219.6	225.7	594.8	3.94	2.04	3.05
1990	173.2	188.4	262.4	624.0	5.25	2.43	2.47
1989	251.1	314.7	380.7	946.5	8.58	4.27	2.26
1988	181.6	352.1	328.6	862.3	9.31	4.48	1.81

Source: BPS (2006:81; 2013:90; 2015c:110; 2016a:110)

The toughest negotiation was between the government and PT-FI. The government requires PT-FI to have a new smelter, although PT-FI has invested in a copper smelter and refinery operating under PT Smelting in Gresik, East Java since 1996. In 2012, PT-FI shipped 52 percent of its copper concentrates to PT Smelting. In 2016, this smelter produced 255,700 metric tons of copper anode and its refinery produced 241,700 metric tons of copper cathode (Freeport-McMoRan, 2016b:22). PT-FI and the Government of Indonesia reached an agreement and a MOU was signed on 25 July 2014. This includes, among other stipulations, that the corporation is also required to provide a US$ 115 million assurance bond related to the corporation's commitment to smelter development (Freeport-McMoRan, 2015:114).

A new government was installed on 20 October 2014, led by President Joko Widodo. This administration has hardly tackled the renegotiation for COW extensions, with PT-FI in particular, since national pressure over the contract of work had widely arisen. This included a critical debate among members of the Jokowi administration inner circle which was the dispute between the Coordinating Minister of Maritime and Resources and the Minister of Energy and Mineral Resources (*Reuters*, 16 October 2015; *Reuters*, 13 October 2015). Among other things, the unresolved matters of renegotiation have mainly consisted of divesting a 51 percent stake in PT Freeport Indonesia and constructing a smelter as conditions for the contract's extension. Since January 2017, the government has halted the export of copper. As a result, over 4,600 mine workers temporarily lost their jobs—1,190 permanent employees and 2,457 contractor workers (*CNN Indonesia*, 24 April 2017). Following the growing tensions, the mining company declared that an arbitration mechanism under the United Nations Commission on International Trade Law (UNCITRAL) may be the only option for resolving the issues as suggested by Article 21 of the COW, unless both parties could settle the disputed matters by 17 June 2017. On 17 February 2017, Freeport offered formal notice to the Government of Indonesia listing disputes in which the government violates the law:

> Restrictions on PT-FI's basic right to export mining products in violation of the COW; Imposition of export duties other than those taxes and other charges expressly provided for in the COW; Imposition of surface water taxes in excess of the restrictions imposed by the COW (refer to Note 12 for further discussion of these assessments); Requirement for PT-FI to build a smelter, while such requirements are not contained in the COW; Unreasonable withholding and delay in granting approval of two successive ten-year extensions of the term of the COW; and Imposition of divestment requirements that are not provided for in the COW (Freeport-McMoRan Inc, 2017:45).

Faced with uncertainties, Freeport mine workers took to the streets on 20 April 2017, clashing with Indonesian police. Perhaps unsurprisingly, soon after the visit of the US Vice President Mike Pence in April 2017 to discuss this matter with President Jokowi, the Indonesia government permitted the resumption of the company's copper exports. The Jokowi-Pence meeting took place on the same day as the protests; PT-FI also submitted an application for an export permit on this date. The Directorate General of Foreign Trade, the Ministry of Trade, issued the permit the following day (*Kontan*, 22 April 2017). As reported by *Reuters* (22 April 2017): "hours after a state visit by U.S. Vice President Mike Pence, who discussed the copper miner's dispute with Jakarta, Indonesia's trade ministry issued Freeport with a permit to export 1.1 million tons of copper concentrate up to February next year."

In sum, as in colonial times, when the US government intervened to protect the interests of its oil company in the NEI, the case of PT-FI is nothing more than a manifestation of the fused state and capital. This is imperialism at work in this industry.

Unlike PT-FI and other companies, PT-VI amended its contract on 17 August 2014 under the Susilo Bambang Yudhoyono administration. After a series of negotiations over several years, the amendment included four crucial points, which are as follows: Both sides agree to resize areas of COW, which declines from 190,510 hectares to 118,435 hectares; to set royalty rates for 2 percent of sales and for 3 percent adjustment if the average nickel price on the basis of the London Metal Exchange (LME) price is greater or equal to US$ 21,000/ton; to require divestment of 20 percent of the company shares by 15 October 2019; and to allow the company to submit an application for a new operating permit twice in each 10-year period (PT Vale Indonesia, 2015).

Faced with restrictive features of policy change, business interests generally argued against the state. An annual survey of global mining companies conducted by the Fraser Institute ranked Indonesia as third-lowest out of 64 regions in terms of "policy potential," which is linked to conditions for investment in this industry (McCahon, 2005:5–9). This simply means that the country's policy framework was unable to attract mining investment. In this regard, alongside the growing political risk following a messy democratic transition in the country, all policies simply deteriorated the mining industry. Investment in the extractive sector plunged remarkably from the late 1990s to the early 2000s as shown in Figure V.1. Since most of the investment was related to capital expenditures on fixed assets (mining infrastructure, construction, support facilities, etc.), the figure shows that the annual average expenditure on fixed assets dramatically dropped from US$ 1.4 billion from 1996–99 to US$ 348 million between 2000–03. In addition, as exploration is central to how the industry deals with resource depletion, PwC's survey demonstrates that the average expenditure of greenfield exploration in the country declined from US$ 40 million in 1995–97 to about US$ 19 million in 1998–2000, and US$ 7 million between 2001–04 (PwC, 2006). Another source claimed that around 170 exploration undertakings were temporarily prevented from operating or were abandoned (*Far Eastern Economic Review*, 18 July 2002). Furthermore, Wahyu, Chairman of the Indonesian Mining Association and representing the interests of transnational mining corporations, declared that three mining companies had withdrawn about US$ 3 billion in investments due to unfavourable conditions (*Petrominer*, 15 February 2004). Due to the current policy on mining investment, the leading TNCs have seriously suffered due to the restrictions on their existing monopolistic power. Unsurprisingly, this policy has been the subject of dispute for years. Characterized as an uncertainty policy, a negative perception among foreign mining investors was generated when the Indonesian government immediately started to call for the renegotiation of all contracts. The policy change has affected the world's leading TNCs such as PT-FI, PT-NNT and PT-VI. In sum, the country was risking its mining capital.

Why have post-Suharto administrations employed restrictive policies on mineral investment? Most criticism of the recent tendencies towards mining investment following the new mining law and its implementing regulations is that it mirrors nationalistic tones. Amid a host of uncertainties due to the policies, there was also a growing public sentiment against the domination of foreign ownership in this sector. The nationalistic tones manifested, as previously mentioned, in the form of the prohibition of exporting unprocessed ores and the mandatory in-country ore processing and refining, the partial but significant divestiture of foreign investors to Indonesian's corporations, and the imposition of higher royalties and export tariffs on certain minerals. Some COW/CCOW proponents argue that Law 4 (2009) substantially undermines favourable conditions for mining investment (Gandataruna and Haymon, 2011). It is fair to point out that these government-enacted policies restrict the inflow mobility of transnational capital. Commentators have blamed predatory behaviours of rent seeking and corruption as the prominent factors that underpin the restrictions (*The Wall Street Journal*, 1 October 2013). At the same time, many pro-market pundits (Wilson, 2015; Warburton, 2017) and institutions (USGS, 2016; UNCTAD, 2017) have pointed out the state's attempts to take effective control over this nature-based labour exploitation as a part of "resources nationalism," which Ernst & Young ranked as the riskiest factor for global mining investment in 2011 and 2012 (2011). The government's policies on in-country processing and domestic ownership are counted as risks and major subjects of resource nationalism in Indonesia (Ernst & Young, 2011:9–10; Ernst & Young, 2014:20–21). This kind of nationalism would be true only if one views it from its surface appearance.

The notion of resource nationalism is revealed to be misleading if we investigate further in order to depict the underlying factors that give rise to its surface appearance. First, emphasizing the policies of resource nationalism insights or other views eschew the basic contradiction under capitalism—between capital and labour that constitutes unpaid labour resulting from exploitation of the latter by the former. This is the principal face of corruption. This then leads to the struggle between the state and transnational mining capital in appropriating the surplus. The idea of resource nationalism generally ignores the distinctive feature of accumulation, relying on nature in which the landlord state plays a vital role in imposing conditions for production. In other words, the state policy is nothing but an attempt to appropriate a fairer distribution of revenue originating from surplus labour. In this vein, the growing demand for pumping out more benefits for the state (national and local levels) obviously reflects the rationale of the 2009 mining law. In other words, the government is seeking to extract greater value from this industry. In addition, since anti-capitalism has never appeared among post-Sukarno era policymakers, the new policy has nothing to do with a struggle against the destructive face of imperialism in this sector. Rather, it just reveals a distribution-based competition between the state and global mining capital for their individual benefits. As mining investment entails other factions of capital—finance and commerce—it necessitates the distribution of surplus value across the factions. The state policy to increase rents from mineral extraction and processing thus affects the capital return.

Second, in the middle of such competition, the state's ability to impose its own interests by collecting fairer rent relies on the configuration of "class forces" inside the state and an objective condition of "global class struggle" (Nwoke, 1984). Under the global hierarchy of capitalism, states in the Global South have limited power to challenge the imperialist power of the North. As a moment of capitalist crisis would deteriorate the balance of payment and lead to a crisis of public finance, the policy related to this resource-based extraction would favour investors. The presence of the COW/CCOW regime emerging from crisis in the second half of the 1960s helps us to articulate the historical sense of this. Conversely, the new MBL/SMBL regime, to some extent, shows the state manoeuvring to eschew the pressures of TNCs, since Indonesia's dependence on the semi-processed minerals has relatively decreased. For instance, as illustrated in Table V.13, the contribution of metal exports to total national exports has declined since the late 2000s.

Third, as competition is the underlying motor of capitalist development, we must take into account the competition among mining players taking place globally as a prominent factor that has generated the messy policies of mining investment. The nickel industry is a striking example of this feature, since the monopolistic power of transnational nickel mining corporations have faced serious competition stemming from the growing presence of the low-cost production of nickel pig iron (NPI) in China. In this respect, by the late 2000s onwards, Indonesia together with the Philippines have become the major suppliers of nickel ore. The MBL boom, following the enactment of the 2009 mining law, led to an influx of nickel ore into the Chinese market. The transnational nickel mining corporations blamed MBL nickel producers, arguing that the overproduction of Indonesian nickel ore coming from MBL nickel producers, with low labour costs, led to a decline in the global nickel price, which directly affected the companies.

As we know, PT-VI has played the most important role in nickel production in the archipelago by controlling significant deposits in Sulawesi for more than four decades. Like other giant transnational nickel corporations, PT-VI's profits are hindered by overproduction. The company claimed that the decline in the global nickel price is due to the oversupply of nickel ore in China that originated in Indonesia (*Bisnis Indonesia*, 27 November 2013). Not surprisingly, PT-VI and the transnational mining association in Jakarta accepted the policy on in-country processing of nickel ore.[72] Even high-ranking officials of other transnational mining corporations such as the Russia-based Norilsk Nickel and Switzerland-based Glencore-Xtrata visited Jakarta, meeting with senior government officials in support of the export ban on nickel ore (*The Jakarta Post*, 2 August 2013; *Bloomberg Businessweek*, 13-19 Januari 2014; *Sindo Weekly*, 18 Desember 2013). By endorsing this ban, these TNCs were attempting to pressure the profitability of national mining corporations, since the latter had poured nickel ore into the Chinese market, ore that originated from MBLs low-cost production mine sites. In doing this,

[72] Martiono Hadianto, interviewed by A. Sangadji in Jakarta, 29 August 2013; Syahrir AB, interviewed by A. Sangadji in Jakarta, 20 August 2013. *Resource*, a magazine published by the IMA, blamed the nickel ore export boom to China on ore smuggling. As a result, this media claimed that the Indonesian government's loss reached IDR 4.5 trillion in 2010, IDR 15.5 trillion in 2011, and IDR 17.2 trillion in 2012 (see *Resources*, November 2013).

these giant corporations can save themselves from losing control over mineral production and keep nickel availability under their control. This strategy of asking for legal protection from the Indonesian state prevented these companies from an acute decline in profits, generated from super-exploitation. In this respect, transnational nickel mining corporations advocated this nickel processing policy to secure control over production and the market by eliminating national companies from production.

A significant debate existed as to whether the policy fosters or suppresses national mining corporations' interests. As mineral processing is highly capital-intensive and subordinate to a higher economic scale, most national corporations were opposed to this unfair policy, blaming the central government for failing to protect them from foreign mining corporations' interests.[73] The smaller nickel mining companies failed because they could not find the necessary capital to invest in processing plants; they were just defeated under competition as an underlying logic of capitalism. Since almost all nickel mining projects operate in remote locations, poor infrastructure (e.g., electricity, roads, etc.) is one of the key reasons that restricted mining companies from investing in smelting plants. While some companies have shown interest in smelter development, it seems that only a few firms have constructed processing plants for either ferronickel or NPI. As a result, the firms had to deal with foreign investors to raise funds due to the nature of capital-intensive projects, including for key investment in infrastructure. In essence, the big fish ate the small one—national nickel mining companies suffered and capitalist competition triumphed, gaining exclusive control over mineral deposits.

D. Conclusion

Historical evidence indicates that since the Dutch colonization of Indonesia, mineral rights have been exclusively in the hands of the state, which is a capitalist state. In other words, sovereignty over mineral resources has been uniquely associated with the state under capitalist social relations. The Dutch colonial state excluded non-capitalist claims on minerals, paving the way for the emergence of the colonial state's sovereignty over minerals under capitalist logic. Having

[73] The Chief of the Association of Indonesia Mineral Entrepreneurs, Poltak Sitanggang, argued that the ban on nickel ore prevented the country from developing the national industry, thereby supporting small and medium-scale mineral companies. He claimed that the policy only benefited transnational corporations like Vale and forced national corporations' closures (see *Sindo Weekly*, 18 December 2013; *Geo Energi,* February 2014; *Kontan*, 10 January 2014; *Tambang*, January 2014; *Geo Energi*, January 2014).

colonized the archipelago, the Dutch also restricted other empire powers from accessing exploitable minerals here. This capitalist feature of state sovereignty remains in place in post-colonial Indonesia. During this period, various types of capitalist states enforced state sovereignty over minerals.

Such conditions of state sovereignty permit capital accumulation to take place in the mining sector in Indonesia. From the very beginning, the Dutch colonial state was directly involved in mineral production, especially tin and coal. The state capital involvement was obviously vital for generating significant revenues for the colonial state. After independence, state-owned enterprises have played a dominant role in the mining industry—from oil and gas to coal. They have also become a major source of state revenues.

At the same time, the state encourages private sector participation. The Dutch colonial state stimulated private sectors to invest in the mining industry, which in turn benefited the state as a major revenue source. The first 20 years after independence saw growing anti-colonial and anti-imperialist sentiments that constrained foreign mining investment. The nationalization of foreign assets was one of the major risks that transnational mining capitals faced in this period. Only after years of instability and the US-supported bloody purge of Indonesian communist members, were foreign mining capitals able to gain new momentum. The Suharto administration strongly favoured inward foreign direct investment in the mining sector. However, the fall of Suharto's dictatorship paves the way for the introduction of restricted policies on mineral extraction, especially since the late 2000s.

What I learn is that the states, either the colonial state or the post-colonial state, are nothing but modern landlord states that provide the right for mining capital in return for a surplus value share. Since both the state and mining companies rely on mineral-based value production, the struggle between these two parties determines the distribution of surplus value. This struggle results in contingent outcomes relying on a historical trajectory of capitalist development in each country. In this respect, the nation-state's sovereignty formally reflects effective control over all of the resources within its territory. However, this is not the case. Under the imperative nature of global capitalism, such sovereignty is indeed contestable: between the state—the capitalist state—and factions of transnational capital. The long decades of colonial and post-colonial Indonesia exemplify this contestation. What has been recently dubbed as "resource nationalism"—the central role of the capitalist state in regulating resources—would be useless since the law of value taking place globally effectively determines the value creation. Under the logic of capital, this kind of nationalism must be questioned as the nation-state does not have the effective power to dictate the flow of capital. Due to its dependency on capital accumulation, thus under the competitive pressure of globalized capitalism, the nation-state has been internationalized for the sake of accumulation. From the perspective of the distribution of surplus value, this narrow view of nationalism is nothing more than a form of competition among capitalist classes, including the capitalist state, to take more benefit from the mining industry. Indonesian history reflects a series of such contestations. The Royal Dutch-Standard Oil competition for concessions in the Netherlands East Indies was the best example. The untouchable power of centralized foreign oil enterprises amid Sukarno's nationalization project is another great example. Suharto was nothing but a puppet of transnational mining capital. The notable determinant of foreign mining capitals in the midst of growing nationalist pressures on mineral resources under the post-Suharto regime is just a part of the aforementioned capitalist imperatives. All of these reflect a hierarchical feature of monopolistic transnational capital that has been the motor of this accumulation for over a century.

The discussion in this chapter has characterized a conflict between the internationalized faction of the productive capitalist class that orchestrates the nature of mobile capital and the capitalist state that controls fixed mineral deposits. For capital, secure access to minerals as means of production determines the commercial exploitation of minerals. In order for productive capital to have access to the resource, the state should provide a principal condition for accumulation, which in most cases refers to a contract. The state, due to its monopoly over land and the minerals in it, can restrict capital's access to the land and convert it as a means of production. In this respect, the state's monopoly affects the distribution of the surplus value between the state and mining capital. However, the state also relies on the flow of capital into the national territory—without the accumulation of capital, the state would be unable to maintain its power. This is because the state in capitalist societies typically derives its budget from the taxation resulting from the accumulation process. This reflects class struggle between the capitalist state as a modern landowner and the mining capitalist classes over the distribution of surplus value (rent and profit).

Therefore, we need to seriously take into account a critical notion of state sovereignty over mineral resources under capitalism. We should not consider sovereignty as the exclusive control of the state (national and local levels) but rather in dynamic relation with capital. Under the global hierarchy of capitalism, we witness an erosion of state sovereignty over minerals that has increasingly occurred in the midst of the transnational flow of mining capital. Despite the state's attempts as landlord to impose its own interests or class interests on domestic mining capital, as has recently prevailed, it should be characterized under the framework of global competition of capital as a contingent process.

CHAPTER VI: EXPLOITATION AND CLASS STRUGGLE

"Without workers willing to do the dirty, dangerous work of underground mining, there would be no profit for the companies . . ." (Erkan et al., 2016:201–02)

A. Introduction

The objective of this chapter is to analyze a specific feature of labour exploitation in the mining sector and the class struggle emerges from it. In doing so, my interpretation reveals historical contingencies deriving from the development of Indonesia's mining industry.

B. Labour Exploitation in Mining Sector

1. Semi-forced and Forced Labour

In the course of historical colonial-labour exploitation in the mining sector during Dutch colonialism, we can identify some underlying points related to conditions for super-exploitation. In the first place, the mining industry's development necessitates the presence of mine workers. The percentage of the population working in the mining sector was very small. The first census in the NEI took place in 1930 and shows that of the 20.2 million working population, only 0.80 percent worked in mining and quarrying (see Table VI.1). As shown in Table VI.1, 74 percent of the total population working in this sector worked in the outer islands, highlighting the industry's geographic concentration outside of Java. The following example gives us a taste of the development of the working class in this sector during the colonial period. Table VI.2 shows workers in the petroleum industry's processing sector. The number seems to be fewer than the actual numbers of employees given that workers employed in related tasks were likely excluded from the statistics. For instance, Royal Dutch employed 3,000 refining workers in Pangkalan Brandan, North Sumatra in 1914 and the number climbed to 8,550 plus 1,500 oilfield employees by 1929. In Palembang, South Sumatra, by 1929 the total number of oil workers reached 27,000 employed by BPM, Colonial Petroleum Company (a subsidiary of Standard Oil), and the Nederlands-Indische Aardolie-Maatschappij (NIAM), a joint venture owned by BPM and the Dutch administration. At the same time, in the oil production centre of East Kalimantan, there were about 9,300 refinery workers and 8,400 oilfield workers (Lindblad, 1989). On the islands of Belitung and Bangka, large numbers of Chinese migrant workers were engaged in tin extraction

(Heidhues, 1992; van den Berg, 1999). There were 8,842 mine workers on Bangka in 1940 (Heidhues, 1992:129). Two centres of coal production—Ombilin in West Sumatra in 1924 and Pulu Laut in Southeast Kalimantan in 1920—shared mine workers, around 10,034 and 2,750, respectively (Houben, 1994:201; Nierop, 1999:176).

Table VI.1: Geographical Distribution in the NEI of the Number and Percentage of the Population Working in the Minerals Sector based on Race (000) in 1930

	Indonesian	European	Foreign Asiatic	Total
By Number:	116	4.5	47.2	167.7
-Java & Madura	42	1.4	0.6	44
-outer provinces	74	3.1	46.6	123.7
By Percentage:	100	100	100	100
-Java and Madura	36	31	1	26
-outer islands	64	69	99	74
-Of All Occupation	0.57	5.33	9.32	0.80
All Occupations	20,280	84.3	506	20,870.3
Total Population	59,138	240.4	1.348.7	60,727.1

Source: Derives from Mansvelt (1979:96–97).

What I need to highlight is that as the mining sector typically operated in specific regions of the outer islands where labour shortages existed, corporations recruited and transported mine workers from Java and other locations, including China. Employing these migrant workers under different forms of labour controls such as contract, convict and free workers, mining corporations could squeeze as much profit as possible from these workers, relying on intense discipline and control. As the employment of contract coolies (known as an 'A-contract'), who were subjected to corporal punishment as a coercive form of labour control, became a common feature of labour exploitation in the NEI, most mining companies generated benefits from this form of exploitation. While it had advanced productive forces as a special feature, the oil industry also widely employed this type of coolie. For instance, Royal Dutch already employed 2,200 contract workers in Pangkalan Brandan by 1 July 1905. Over the following three years, the company released 2,600 contract workers and reemployed 1,967 among them as free workers (Gerretson, 1957:74). However, in its oil site in Southeast Kalimantan in 1918, BPM, as a Royal Dutch subsidiary, employed 5,092 contract coolies (Nierop, 1999:176). Adding to this was the mobilization of a significant number of the coolies in coal mines. In 1920, there were 2,686 contract coolies who worked at the Pulu Laut coal mines in Southeast Kalimantan (Nierop, 1999:176). While it engaged a significant number of contract coolies by the 1910s, the state-owned Ombilin coal mine in West Sumatra employed over 4,400 workers of this sort by 1925 (Empel, 1999:206; see also Houben, 1994:201).

Convicts were also engaged as forced labour, largely criminals whose crimes included murder or theft but also political prisoners who initially revolted against the Dutch. Indonesian historian Erwiza (1999:37–38) indicates that by the late nineteenth century, the government-operated Ombilin coal mine used large numbers of convict workers, including workers of Javanese, Balinese and Buginese origins. By 1921, 45 percent of the 10,421-strong labour force in the Ombilin mine were convicts (Houben, 1994:201).

Table VI.2: Number of Petroleum Workers in Processing Facilities in the NEI, (in 000), 1915-40

Year	Number of workers	Year	Number of workers
1940	22	1927	23
1939	37	1926	19
1938	23	1925	17
1937	24	1924	15
1936	20	1923	14
1935	19	1922	13
1934	16	1921	15
1933	11	1920	17
1932	17	1919	15
1931	17	1918	11
1930	25	1917	10
1929	36	1916	8
1928	26	1915	10

Source: Derives from Segers (1987:150–52)

As already mentioned, the main distinction between free workers (known as "B-contract") and contract coolies and convicts was the application of penal clauses. Workers in the latter category would be punished for a variety of reasons, including violence against overseers, refusal to work, provoking, insulting and threatening overseers as well as desertion. By 1918 in Southeast Kalimantan, BPM punished 9 percent of its 5,092 contract coolies. In the same year in that region, 36 percent of 2,280 contract workers at Pulu Laut, a coal company, were penalized (Nierop, 1999:176). Beating by rattan was a common form of punishment. By the first decade of the twentieth century, thousands of contract coolies and convicts in the Ombilin coalfields experienced rattan sentences (Erwiza, 1999:202). In the seven years preceding 1922, 64.9 percent of workers experienced this type of physical violence in the Ombilin mine (Erwiza, 1999:76). In the Bangka tin mines, the use of penal sanctions remained in practice, particularly against Chinese migrant workers, until the late 1930s (Heidhues, 1992:115-16).

It is undeniable that mining companies employed mine workers as cheap and docile labour during the colonial period. Poor working conditions, death and illness, and poor housing and sanitation conditions generally reflected the colonial face of labour under Dutch colonial rule (Houben, 1995; Houben, 1994; Nierop, 1999; Gibb and Knowlton, 1956:98). Billiton Maatschappij benefited from low-paid Chinese labour who endured miserable working conditions in tin mines. Around 700 Chinese workers died, most of beriberi in February and March 1860. Sixty Chinese deaths in a week were also reported in 1865 (Derks, 2012:299–330). The oil industry also manifested the same conditions. NKPM of Standard Oil hired coolies for an exploration project who worked under very extreme conditions. Nierop (1999:165) cites *Bataviaasch Nieuwsblad*:

> This company started explorations in 1915 at Kutai on the east coast . . . [t]here was no housing at all at the drilling locations. Coolies slept in the forest without shelter and there were regular cases of abuse by overseers, e.g., hitting and beating up. The workload was extremely heavy and unhealthy, the drinking-water was unclean, malaria and dysentery were rampant, and working knee-deep in the mud caused skin disease.

Long working hours as a strategy of extracting absolute surplus value is often a reality of labour exploitation. By the early twentieth century, coal mine workers in Ombilin worked an excess of ten hour per day, which was reduced to an eight-hour day from about 1910. At the mine site, the rate of mortality among contract coolies and convicts reached 29.6 percent and 34.5 percent in 1904, which increased to 38.7 percent and 38.8 percent in 1924 (Empel, 1999:185, 207). In terms of wages, we see expected differences across both the sector and different regions. Wages in the oil industry were typically better than in other industries. In Palembang during the 1920s, companies involved in the oil sector paid coolies around 55 to 90 cents per day. In the Ombilin coalfields prior to 1932, workers earned 55 cents a day for surface tasks and 65 cents a day for work underground (Leenarts, 1999:146). Furthermore, we should consider how one's race affected compensation. Between 1923 and 1925, Javanese male coolies and Chinese male coolies in East Sumatra received between 60 and 108 cents and 170 cents of guilders per day for their work for BPM (Leenarts, 1999:133, 143).[74]

[74] The condition of workers at the NKPM site was terrible. By 1918, between 10 and 20 percent of workers has been incapacitated due to illness (see Gibb and Knowlton, 1956:98).

During the Japanese occupation, the employment of forced labour or *romusha* was widespread across the archipelago. This also included the mobilization of forced labour to work in the mines. In West Sumatra, the Japanese military administration used forced labour in the Ombilin coal mine, which was operated by the Hokkaido and Steamship Company Limited (Sato, 2003:102–03; Erwiza, 1999:120–28). In Western Borneo, around 3,000 men were forced to work in Pantek's diamond mines, located close to Ngabang. The Japanese administration also resumed oil production in Tarakan with around 500 to 600 workers from Balikpapan and Surabaya working in this centre of hydrocarbon production in the archipelago (Raben, 2005:206–07). In the highlands of Central Sulawesi, in the district of Kulawi, the Japanese administration mobilized local farmers to work in the mica mine under terrible and harsh working conditions. Some of these local workers died at the mine site, killed by a landslide brought on by the improper use of dynamite (Aragon, 1996).

One dimension of the underlying features of the mine proletariat during the Dutch and Japanese colonial periods that I would like to highlight is semi-forced and forced labour taking the form of contract coolies and convicts. The contract coolie was a position of semi-forced labour in the sense that the individual had an obligation to perform work within a given time period under penal sanction. An individual labouring under the forced labour designation of convict or *romusha* was working involuntarily. All three forms of labour control generated high rates of return for the imperialist powers, who racialized the working class in Indonesia, including mine workers. Racism, as suggested by McNally, "was devised as means of disciplining a labour force . . . it became the ideology of classical imperialism, legitimizing violence and plunder on extraordinary scale" (McNally, 2006:168).

2. Post-Colonial Feature of Free Mine Workers

After Indonesia's independence, while forced labour and corporal punishment as special faces of labour control had ended, the general features of mine workers' exploitation under capitalist social relations remained steadfast. Nevertheless, the capitalist social relations that extended mine workers' employment without freedom of work was no longer occurring. In other words, mining companies employed free workers in a fully modern working class. As plenty of labour was available, workers had more control over their labour and employment shifted to a more voluntary basis—subject to economic compulsion, that is, the need to sell labour power to survive associated with primitive accumulation. In the early years of independence, the mining industry faced difficulties in its operations. Many transnational mining corporations did not attempt to resume their operations due to the destruction of installations during the Second World War. The returning Dutch and growing attempts to nationalize foreign-owned properties also restricted the companies' attempts to normalize to a pre-war operations level or to expand. All of these factors affected the growth of the working class in this sector.

Especially since the New Order in the late 1960s when Indonesia experienced growing investment in the mining industry, we have witnessed some features of the working class' exploitation in the course of the general nature of class relations. In order to extract surplus value, mining capital employs a series of strategies related to supply, wages, productivity and workers' politics. This can be done properly since the state plays a pivotal role in controlling labour by suppressing trade unions and regulating the flexibility of labour exploitation. These features of labour control will be discussed in the following section.

2.1. Number of Mine Workers

As the accumulation of capital requires purchased labour power, the mining industry's development necessitates a labouring class of mine workers. Only in this way is the production of surplus possible. According to the 1961 national census, the companies engaged in mining oil, tin, bauxite, manganese and coal employed only 0.3 percent of the 32.7 million people working in the mining and quarrying sector. The number of modern mine workers would actually be smaller than the census numbers as not all of this segment of the working population worked in the modern mining sector.

Following independence, mine workers immediately entered mine production. It is difficult to determine the numbers of mine workers employed in the early years of independence, but we can make some educated guesses. In March 1947, the number of Sentral Organisasi Buruh Seluruh Indonesia (SOBSI)-affiliated mine workers reached 26,000 (Hasibuan, 1968:41), and this federation of unions was the largest of its kind during this period. More than 27,000 mine workers were affiliated to registered unions or 11 percent of total membership registered union membership (Hadiz, 1997:51) in the mid-1950s. This shows that a smaller labour force is required for a similar capital-intensive investment in the large-scale mining sector. The fact that only 11 operating mines and 13 operating oil fields were dubbed capital-intensive enterprises in

1958[75] may also help us to estimate the number of modern mine proletariats. In this respect, the available data emerging from individual mining companies or different branches of the mining sector can help to situate the presence of mine workers. In the case of tin, the fall in the global price of tin in the early 1950s and Indonesians' inability to run the nationalized Dutch tin mining companies affected production (Heidhues, 1992:210), which also restricted the expansion of employment opportunities in this sector. Following the rehabilitation of Bangka's tin mines in 1947, the total workforce here reached almost 13,400—3,952 Indonesians and 9,435 Chinese workers (Heidhues, 1992:188). There were around 1,200 oil workers in Cepu, Central Java prior to the Madiun Affair of 1948 (Barlett III et al., 1972:75). During the 1950s in the Ombilin coal mine, the average numbers of workers was 1,900. After recovering from the war, the company fired some workers because of their involvement in strikes after 1953. The numbers of workers expanded again from 1955 up to 1958, but then decreased by the end of the 1950s when some workers joined a regional rebellion called the *Pemerintahan Revolusioner Republik Indonesia* (PRRI) to wage war against the Sukarno administration (Erwiza, 1999:162–63). The numbers of workers in the Ombilin coal mine in the 1950s, therefore, declined significantly when compared to those employed during the colonial period. For example, there were 10,034 coal mine workers in 1924 (Houben, 1994:201). Petroleum was the first industry to recover in the post-war period and was also likely the largest employer at this time. In the early 1950s, in Balikpapan, one of the country's oil production centres, *Bataafsche Petroleum Maatschappij* (BPM) had about 6,000 mine workers who were involved in unions in the early 1950s (Sulistyo, 2013:160). In the mid-1950s, the company probably employed about 20,000 workers in the archipelago (Lindblad, 2008:161), while Stanvac had around 41,000 workers (Sutter, 1959:828). While the exact number of oil workers is difficult to ascertain, the growth of unions and their membership figures offer us a solid working estimate. In this regard, I offer the Union of Petroleum Workers (*Persatuan Buruh Minyak*, Perbum) as an example. It was affiliated with the Communist Party of Indonesia-directed union federation called All Indonesian Central Labour Organization (SOBSI). In 1957, Perbum claimed to have 36,000 members, while the Oil Worker Union, affiliated to the All-Indonesian Congress of Labour (*Kongres Buruh Seluruh Indonesia*, KBSI), a non-communist union federation, claimed to have 5,000 members in 1955 (Tedjasukmana, 1958:32,

[75] Of the 11 operating mines, two were located in Java, six in Sumatra, two in Borneo, and one in Sulawesi. Nine of the operating oil fields were in Sumatra, three in Borneo, and one in Java (see Paauw, 1963:175).

35). The fact that there were two other major confederations at the time—*Serikat Buruh Islam Indonesia* (SBII) and the Democratic Workers' Union of Indonesia (*Kesatuan Buruh Kerakyatan Indonesia*)—means that the number of workers was probably larger than the abovementioned.

Nevertheless, in the midst of growing feelings of Indonesian nationalism, we also witness Indonesian nationalist leaders' attempts to nationalize corporate personnel with the Indonesian working class. In the early 1950s and from the outset of the intensification of nationalist ideology within elite circles, the Sukarno administration put pressure on mining capital to implement workforce nationalization or *Indonesianisasi* at the management and operating staff levels of their companies. In a meeting with high-ranking BPM officers in August 1950, Sukarno requested that the company take the matter of *Indonesianisasi* seriously. More than five years later, BPM declared that the company had taken a significant step towards gradually replacing its foreigner workers with indigenous workers in management and other relevant positions. At the time, BPM employed about 2,220 workers at this level or 10 percent of its total labour force in Indonesia (Lindblad, 2008:161). While the nationalization of the jobs related to domestic sales, public relations and related staff positions was a quick and easy transition, the nationalization of highly skilled workers was more complicated. In response to this government-required transformation, the Big Three (Stanvac, Caltex and Shell) provided scholarships to train Indonesians to enter fields like geology, petroleum engineering, electrical engineering and chemical engineering, among others (Barlett III et al., 1972:117–18).

Since the New Order started in the late 1960s, Indonesia has remained on the periphery of global capitalist development and although its mining industry has played a pivotal role in the country's economic development, the share of this sector to the labour force has been insignificant. The ratio of the population working in the mining industry to the whole labour force has marginally changed, increasing from 0.76 percent in 1971 to 1.07 percent 2010 (BPS, 1972:58; BPS, 2011:19). Over the past two decades, as shown in Table VI.3, the mine workers' population has been relatively small. When analyzing this workforce population data, one must keep in mind a few limitations. For instance, the increase we see in Table VI.3 seems to include non-modern mining and quarrying, or small-scale mining (SSM), which is very labour intensive. But many among them are dubbed illegal miners or *Pertambangan Tanpa Izin* (PETI, mining without permits).[76] SSM workers are best characterized as members of the relative surplus population since most of them are semi-proletarians in nature. Working in a sector with a high level of uncertainty, SSM workers are largely members of the peasantry and urban-based informal proletariats. In this respect, Table VI.4 more accurately represents the reality of the Active Army in this sector than the earlier figures. The numbers in the table could include mine workers of state-owned enterprises, COW/CCOW holders and MBL holders.

Nevertheless, the official data in Table VI.4 underestimate the whole segment of mine workers. First, the table excluded a non-permanent segment of mine workers who may be hired either by mining companies or by outsourcing companies. Table VI.4 may also misrepresent the actual numbers of mine workers when we compare to other official sources representing mine workers of the combined companies. As a comparison, by 1990 the COW and CCOW holders as well as state-owned mining companies employed 55,328 workers, which included 702 foreign workers.[77] A different situation is revealed when we look carefully at the figures for individual mining companies. At the time, among the 101 holders of a COW, PT Freeport Indonesia (PT-FI) employed 3,705 mine workers and PT Inco (PTI) employed 2,194 employees. Of the 11 CCOW holders, PT Kaltim Prima Coal (KPC) employed 1,173 miners, while the four state-owned mining enterprises—PT Tambang Timah, PT Aneka Tambang (Antam), Perum Batubara, and PT Tambang Batubara Bukit Asam—employed 25,405, 5,595, 2,263, and 3,735 miners, respectively (Departmen Pertambangan dan Energi, 1992:49–52). In 2014, the total national labour force of the 36 COW holders and 77 CCOW holders was about 46,097 and 120,974, respectively, of which two major mining corporations, PT-FI and KPC, employed 11,161 and 4,962 workers, respectively (Ministry of Energy and Mineral Resources, 2015a:24–25, 65–66). The numbers still excludes workers who were indirectly employed by the companies. For instance, PT-FI hosted more than 18,000 individuals who worked for the company's contractors in 2014 (Freeport-McMoRan, 2015c:13). In addition, by 2014 three state-owned mining companies—PT Bukit Asam, PT Timah and PT Antam—employed 2,903, 4,541 and 2,548 permanent workers,

[76] For example, there is a claim that 35,000 miners work in SSM in the Poboya Area of Palu, Central Sulawesi (Ismawati dan Petrlik, 2013:3). A 2000 survey of the SSM workforce indicated between 2,700 to 3,000 small-scale miners in Talawan, North Sulawesi, comprising 1,250 mine workers, 1,080 trammel workers, 250 transporters, and 120 miscellaneous workers. See Aspinall, 2001:9).

[77] Of the 55,328 mine workers in 1990, 15,430 worked for COWs, 2,901 for CCOWs, and 36,997 for state-owned mining enterprises. The numbers included 644 foreign workers who worked for COW holders, 57 served CCOWs, and 1 worked for state-owned enterprise (see Departemen Pertambangan dan Energi, 1992:49–52).

respectively (PT Bukit Asam, 2014:117; PT Timah, 2014:105; PT Antam, 2015:191). Pertamina, the largest state-owned enterprise, employed nearly 28,000 workers in 2015 (Pertamina, 2015).

Table VI.3: Population Aged 15+ Who Worked During the Previous Week by Province in Mining and Quarrying, 1990-2015

Province	1990	1996	2000	2005	2010	2015
Aceh	6,240	7,700	4,281	3,030	11,591	14,708
North Sumatra	18,606	11,571	5,034	882	26,088	28,274
West Sumatra	6,881	15,822	14,352	10,785	24,738	31,254
Riau	32,006	18,192	9,003	52,534	31,585	38,417
Jambi	2,583	5,040	10,979	25,625	24,769	26,732
North Sumatra	36,821	74,184	4,914	12,326	27,988	57,481
Bengkulu	2,948	2,764	-	3,928	8,825	11,262
Lampung	19,994	4,470	3,467	883	17,596	28,875
Bangka Belitung	-	-	-	124,500	117,020	76,399
Kepulauan Riau	-	-	-	-	11,855	13,992
DKI Jakarta	7,786	4,152	10,696	5,906	19,184	28,788
West Java	90,597	138,264	26,944	94,271	113,056	136,943
Central Java	90,438	186,094	59,043	99,710	117,048	124,545
D.I. Yogyakarta	8,758	14,662	5,427	9,056	14,069	15,702
East Java	81,832	115,494	126,535	160,555	133,892	125,813
Banten	-	-	-	13,736	29,506	29,998
Bali	7,980	23,579	5,439	14,426	7,042	8,597
West Nusa Tenggara	11,800	22,154	34,999	72,093	62,373	34,544
East Nusa Tenggara	2,016	3,136	1,159	25,629	30,166	18,435
West Kalimantan	10,080	13,195	34,536	35,520	53,729	37,312
Central Kalimantan	12,747	22,309	17,912	12,059	55,850	66,846
South Kalimantan	12,608	19,942	18,144	42,622	76,011	70,855
East Kalimantan	19,871	22,159	39,529	46,557	115,862	135,417
North Kalimantan	-	-	-	-	-	10,352
North Sulawesi	9,762	9,310	1,296	6,934	17,224	18,532
Central Sulawesi	5,925	2,682	1,675	7,915	24,905	24,035
South Sulawesi	7,981	5,970	4,887	6,959	16,902	25,256
Southeast Sulawesi	1,412	1,844	4,288	1,684	21,432	22,809
Gorontalo	-	-	-	4,933	9,186	14,330
West Sulawesi	-	-	-	-	2,295	4,877
Maluku	2,026	3,507	-	1,098	3,929	5,649
North Maluku	-	-	-	764	6,357	11,874
West Papua	-	-	-	-	6,757	6,940
Papua	3,804	3,021	6,032	7,315	15,671	14,623
Indonesia	511,452	751,217	950,399	904,194	1,254,501	1,320,466

Source: BPS (1990-2015)

Furthermore, it is fair to state that large numbers of employees of MBL holders were ignored in the statistics. Although it's difficult to provide an exact number, it could be as high as

10,000 workers who have poured into the mining industry since 2010. In addition, an Indonesian Chamber of Commerce and Industry Deputy Chairman, for example, claimed that it could be as many as 800,000 workers who lost their jobs prior to the ore export ban in January 2014. His number derives from individuals who were directly and indirectly associated with mining companies across the archipelago (*The Jakarta Post*, 17 December 2013). Many mine workers did lose their jobs after the ban. For instance, two mining companies—PT Central Omega Resources and PT Harita Prima Abadi Mineral—fired 2,000 and 4,500 mine workers, respectively, following the policy's implementation (*Kontan,* 19 Februari 2014).

Table VI.4: Number of Permanent Mine Workers, 1980–2014

Year	Oil and Gas	Non-oil and Gas
2014*	21,148	113,106
2013	21,316	143,091
2012	20,784	121,856
2011	21,710	94,792
2010	23,580	54,106
2009	25,529	64,215
2008	26,255	58,219
2007	25,868	41,814
2006	25,531	39,096
2005	25,266	45,252
2004	26,183	41,272
2003	20,596	41,130
2002	22,200	45,629
2001	21,346	41,462
2000	17,514	39,044
1999	15,653	39,282
1998	18,796	38,741
1997	18,664	39,057
1996	18,297	41,656
1995	18,277	39,768
1990	18,598	39,627
1985	19,905	39,035
1980	19,102	34,810

*estimated
Source: BPS (2016a:329)

In sum, the number of mine workers in the country must be higher than the figures illustrated in Table VI.4, since the table only represents permanent mine workers. However, the growth of mine workers is uneven in the sense that due to the capital intensive feature of the mining sector, fewer workers are employed in this industry when compared to other industries.

The growth also reflects uneven geographical development and the distribution of mine proletariats as this industry is only located in certain territories.

2.2. Primitive Accumulation

When mining capital expands to the frontiers, mining companies often face difficulties in securing an adequate supply of local workers. Further, the industry mainly necessitates skilled workers, and their availability is uneven across regions. It often takes a couple of years before local working populations, who are mostly traditional cultivators or engaged in backward agricultural employment, are prepared to work in this modern industry. This situation can be solved by small-scale primitive accumulation, bringing the state and transnational mining companies into dispute with the agriculture segments of relative surplus populations. This typically occurs via the acquisition of land and mine-induced local environmental degradation, both which deteriorate the peasantry's livelihood. Land acquisition can mean peasants' loss of agriculture land and control over traditional forest lands. Open-pit mining or opencast mining also devastates local populations since mining companies often externalize the environmental cost of production in order to maximize profits; an example is disposing of waste or other materials in local communities' water sources. The existence of vast areas of mining operations in or near villages always put pressure on the reserve army of rural inhabitants, including small and medium-scale independent peasantries. Operating in a country with a record of disastrous human rights violations and/or poor environmental standards, this extractive industry generates land and environmental confrontations as has commonly occurred with subsidiaries of giant transnational mining corporations in Indonesia since the establishment of the New Order. I can offer many examples: PT-FI in West Papua (Leith, 2003), Mobile Oil Indonesia in Aceh (Schulze, 2007), PTI in South Sulawesi (Robinson, 1986; Tyson, 2010:101–28), PT Newmont Minahasa Raya (PTNMR) in North Sulawesi (*MBM Tempo*, 12 September 2004; *Down to Earth*, No. 63, November 2004; *Down to Earth*, No. 67, November 2005; *Down to Earth* , No. 73, May 2007), PTNNT in Nusa Tenggara Barat (*Detik.com*, 27 Januari 2011), and so many others that substantiate the realities of local inhabitants who struggle against this kind of primitive accumulation.

Among the TNCs, PT-FI, a subsidiary of Phoenix-based Freeport-McMoRan, has been involved in the most mining scandals in the country. It has attracted national and international attention over the decades due primarily to massive environmental pollution incidents, forced displacement of indigenous populations, and brutal human right violations (Leith, 2003; Abrash and Kennedy, 2001; Marr, 1993; *Far Eastern Economic Review*, 4 July 1991; *Far Eastern Economic Review*, 10 March 1994; *Far Eastern Economic Review*, 27 May 1999; *Far Eastern Economic Review*, 27 December 2001–3 January 2002). The most significant of these incidents took place in West Papua, which was incorporated into Indonesia in 1963. Since Jakarta sponsored a plebiscite in 1969, the region has become the home base for *Organisasi Papua Merdeka* (OPM, Free Papua Movement). Jakarta deployed the initial presence of the Indonesian military around a PT-FI site following an OPM attack on the mine in 1977. Soon afterwards and into the 1980s, the number of murdered local indigenous Amungme population skyrocketed. The Indonesian army then escalated its control over the region by conducting a series of violent operations following the discovery of rich ore in the Grasberg district in 1988 (Ballard, 2002:15–16).To ensure secure accumulation, PT-FI continue to maintain a close deal with Indonesian security forces. Their operations in PT-FI areas generated national and global criticism, mainly due to their payments for security protection. The thousands of military and police personnel deployed to the area between 2002 and 2016 under the so-called "government-provided security" cost PT-FI almost US$ 209 million. The payment included "various infrastructure and other costs such as food, housing, fuel, travel, vehicle repairs, and allowances to cover incidental and administrative costs, and community assistance programs conducted by the military/police" (Freeport-McMoRan Copper & Gold Inc, 2003:15). In a written response to *The New York Times* in 2005, Freeport-McMoRan, the holding company of PT-FI, called the payment a part of "ordinary business activities" (*New York Times*, 27 December 2005). This bloody task indicates that one of the major issues of land-based capital intensive investment is extra pay to a certain state apparatus in order to keep operations profitable. This link with security forces also suggests that the distinction between the 'war against Papuan's insurgents' and the 'war against opponents of Freeport' related to indigenous displacement and labour exploitation was not clearly defined. However, putting it all together within a broader sense of capitalism, we should deal with the underlying face of this industry as a race for technology-driven productivity, reflecting the law of competition in an endless pursuit for profit. In this vein, mining operations are thus always associated with progressive pressures on nature and labour, including relative surplus population surroundings. All of these dimensions require state-provided security surveillance.

The underlying feature of primitive accumulation takes place not only in the course of expropriating lands owned by traditional or independence peasantries. It is also carried out against small-scale mines (SSM), artisanal mines, or the like, which typically employ thousands of workers in precarious or under dangerous conditions. This, for instance, occurred in East Kalimantan with PT Kelian Equatorial Mining (KEM), a subsidiary of Rio Tinto. A leading Indonesian NGO, the Indonesian Forum for the Environment, reported:

> There were more than 7,000 alluvial miners inhabiting the upper Kelian river before PTKEM—a subsidiary of Rio Tinto—was granted a Contract of Work by the Indonesian government. From 1990–1994, these alluvial miners were forced to resettle with miniscule compensation. Relocation involved military intimidation, violence, torture and even arson. Promises made during relocation [were] not met by the management. High level managers [were] involved in sexual harassment, one of the survivors has to bear having a child without the father (Hafild, 2002:6).

What this violent dimension of primitive accumulation reveals is that the deployment of security forces in the service of mining capital to deal with disputes has repeatedly led to bloody violence against local populations who attempt to resist.

Table VI.5: PT-FI Payments to Indonesian Security Forces and the Number of Security Force Personnel Employed in and around PT-FI Operations, 2001-16

Year	US$ (Million)	Number of Security Forces
2016	20	n/a
2015	21	n/a
2014	27	n/a
2013	25	n/a
2012	22	n/a
2011	14	n/a
2010	14	n/a
2009	10	3,000
2008	8	1,850
2007	9	2,100
2006	9	2,625
2005	6.9	2,400
2004	6.9	2,400
2003	5.9	2,300
2002	5.6	n/a
2001	4.7	n/a

Source: Freeport-McMoRan Copper & Gold Inc. (2003–15)

What needs to be underlined here is that the individuals who lose their land because of a mine or its operations do not immediately become mine workers. It is more accurate to say that most never become mine workers. They remain outside capitalist social relations as members of the relative surplus population. Meeting the skill requirements is just one reason why many individuals are kept out of the industry. The displaced rural populations can enter into the industry's labour force only if they are free to sell their labour power. Since 'free' can be seen in terms of nothing to sell except their labour power, most displaced populations remain tied to other plots of land in the same area. It's not surprising that in the early years, most mine workers were migrants from other parts of Indonesia. Robinson's characterization of the early stage of Inco project development in a remote region of South Sulawesi, to some degree, reflects this account (Robinson, 1986). Very few unskilled members of the local indigenous population of Sorowako and other from neighbouring villages worked for the company. This situation continued until the early 2000s, which led to widespread feelings of injustice among the local population. H. A. Amiruddin, ex-governor of South Sulawesi who served as a commissioner for the company, stated that due to technical matters, PT Inco required skilled workers and the local population was less educated and failed to meet the necessary criteria. As a result, the company mostly hired workers from outside. Therefore, local inhabitants perceive themselves as victims of injustice (Abubakar and Asdar Muis RMS, 2003:80). Although, as cited by Singawinata (2006:147), Inco claimed that nearly 70 percent of the local population of Sorowako were working for the company in 2005. At present, many Sorowako inhabitants work for the corporation, including skilled workers, high-level managers and qualified staff. They belong to the second and third generation since the company established itself in the area. Others are working for subcontractors serving the mining enterprise or have become small-scale suppliers or contractors, as two community leaders who have been prominent PT-Vale Indonesia (PT-VI) critics for decades claimed.[78] Other small indigenous populations, including the Karunsi'e, Padoe and Tambee, claimed in 2013 that their people claimed about 200 jobs among the thousands of PT-VI positions.[79] Speaking on a regency scale, PT-VI asserted in 2011 that it recruited 82.8 percent of its labour force from the Regency of Luwu Timur in South Sulawesi, which is the corporation's host base (PT Vale Indonesia, 2011b:82). Some among the new generation from Sorowako and their indigenous neighbours also benefited from Vale's Industrial Training Program, which offers various skills training for jobs related to the mining industry, such as

[78] Andi Baso, interviewed by A. Sangadji in Sorowako, 27 July 2013; Andi Karman, interviewed by A. Sangadji, in Sorowako 25 July 2013.
[79] Hardon, interviewed by A. Sangadji in Wowondula, 27 July 2013.

heavy equipment mechanics/technicians, heavy equipment operators, and process plant operators. Starting from 2004, the company claims that this program graduated hundreds of trainees who went to work not only for PT-VI and its contractors around Sorowako, but also for other mining companies across the country. In addition, the Soroako Technical Academy (ATS) also provides courses for the local population to gain the skills required to work in the industry. ATS emerged from the Inco–Sumitomo Technical Training Center (ISTC), which Inco Ltd. and Sumitomo Metal Mining Co., Ltd. established and co-financed in 1991.[80] At the same time, many young people, some university graduates, would like to work for the company while others participate in various formal and informal service and commerce sectors that have grown in the area since the nickel company's arrival.[81] Coupled with an influx of migrants who have attempted to benefit from the mining company's presence but mostly work in various informal sectors, the local indigenous population remains part of the reserve army of labour in the area.

Since most mining corporations begin their operations in remote areas, they typically rely on the inflow of a working population from other regions. Geographically speaking, like in the colonial period, inter-island or cross provincial border migration has become a major source of mining labour across the archipelago. The vast majority of mine workers at PT-FI's Papua operation arrived from other parts of the archipelago. In the early decades of its operation, instead of employing Papuans, the corporation preferred to hire cheap labour supplied by the reserve army of Javanese transmigrants and others from outside the province. Among other reasons, the company's support of in-country migration stems from the fact that the local Papuans initially came from "traditional hunter-gatherer societies" with unskilled and less-educated origins (Leith, 2003:119–20). As Papuans held a marginal share of the labour force, in the mid-1990s the company adopted a "positive discrimination" effort in order to encourage the company's hiring of more Papuans, Amungme and Komoro indigenous peoples in particular. After providing some training for the locals, the company claimed that it employed 1,523 Papuans in 2000, climbing from 640 in 1996. Taking another measure, by the early 1990s, 95 percent of PT-FIs 7,400 workers were of Indonesian origins; Papuans were about 13 percent (Marr, 1993). After waiting for decades, the share of Papuans in the PT-FI workforce increased significantly. Of the 12,085 PT-FI workers were Papuan, 35.76 percent worked directly for the

[80] Andi Erwin, interviewed by A. Sangadji in Sorowako, 27 July 2013.
[81] Andi Baso, interviewed by A. Sangadji in Sorowako, 27 July 2013; Andi Karman, interviewed by A. Sangadji, 25 July 2013.

company by 2015 (Freeport Indonesia, 2016). If we include members of the Papuan working class who indirectly serve PT-FI as contractor employees, the number increases. What we have learnt is that while the vast majority of Papuans work in backward agriculture, they have been increasingly incorporated into a new form of class relations as modern proletariats. The presence of PT-FI indeed encourages the development of the productive force of Papuans as a part of the globalized exploitation of proletariats.

This situation is slightly different if we compare labour force arrivals with other mining companies operating in other regions since they started operations later than PT-FI and PT-VI. For example, PTNNT began operations at its Batu Hijau mines in the province of West Nusa Tenggara (NTB) in 2000. During the New Order, the population in NTB, as in other provinces, benefited from government spending on basic education. To some extent, this provided the reserve army of local populations with a certain level of required education that allowed individuals to enter into the labour force. While prioritizing the hiring of locals with required skills,[82] many had the opportunity to work for PTNNT. Without detailing their employees' local origins, PTNNT even claimed that of its 4,311 mine workers in 2013, locals accounted for 67 percent and outsiders, 33 percent (Newmont Nusa Tenggara, 2013).

2.3. Labour-saving Technology

In order to increase surplus value, mining capital tends to constantly revolutionize the engagement of dead labour. As a result, unlike petty commodity SSM producers, the large-scale mining industry largely consumes less living labour. This emerges from the logic of capital accumulation that permits this industry to use advance technology in the production process in order to gain a competitive position. This is vastly different than the situation of SSM, with its low technology and sometimes pre-industrial equipment, which necessitates crowds of manual labour in the form of diggers to produce absolute surplus value. The constant technological changes are special because of the natural character embraced by this industry in which increasingly advanced technology is employed for improving productivity while simultaneously requiring less living labour (Clement, 1981:112–27). The use of heavy equipment and automation, global positioning system (GPS), and computing systems etc., help to consume less

[82] Martiono Hadianto, President Director of PT Newmont Nusa Tenggara, interviewed by A. Sangaji in Jakarta, 29 August 2013.

labour and save time. Coupled with improved management coordination, all of these innovations can increase productivity.

The use of labour-saving technologies implies two things. First, only the most powerful capital steps in after smashing its competitor. Second, mining capital reduces living labour (mine workers) and increases dead labour (machines) to augment labour productivity. This results in the human cost of jobs lost as machines replaces workers. Thus, labour exploitation in this sector initially refers to the appropriation of relative surplus value. Therefore, advanced technology must be situated under social relations as technological change is largely the result of class struggle. Measured as mineral output per employee, we can see employee productivity of an individual mining company. PT-VI's labour productivity reached 26.12 tons per employee in 2015, an increase from 20.84 tons per employee in 2011. In the same period, the number of permanent workers decreased from 3,210 in 2011 to 3,107 in 2015, while nickel in matte production increased from 66,900 tons in 2011 to 81,177 tons in 2015 (PT-VI, 2015:112).

2.4. Casualization

In the era of global accumulation, we have witnessed the significant decrease in the power of labour with low-wage workers in the Global South being compelled to accept short-term contracts as mining-related tasks are increasing being assigned to sub-contractors or other companies. These tasks include exploration, production, construction and security as well as other services. In 2016, for example, PT-VI's contractors/suppliers were composed of 295 locals, 441 nationals and 222 internationals entities. The total value of procurement was US$ 159.8 million, which was split between the three categories as 21 percent, 59 percent, and 20 percent, respectively (PT-VI, 2016:52). These figures reveal more about the indirect relationship between PT-VI as a principal corporation and those who work for a contractor or supply company. As the workers are mainly temporary workers or contract workers, the logic behind this tendency is simple. For the purpose of capturing higher profit, the principal corporation takes advantage by eschewing the workers' requirements—job security and better wages—and making it easier to reduce the company's labour force in times of falling profits.

On a national scale, contract work has increasingly become dominant—a trend in the casualization of mine proletariats is apparent. In 2014, about 46 percent of the 46,097 workers employed by COW holders were hired on contract, while 80 percent of the 120,974 coal mine workers that CCOW holders employed were contingent employees (Ministry of Energy and Mineral Resources, 2015a:24–25, 65–66). In the case of individual mining companies, data in Table VI.6 show that PT Inco's workforce is divided equally between permanent and contractor workers. About 63 percent of PT-FI's 32,416 mine workers in 2015 were actually employed by contractors (PT-FI, 2016), and were therefore outsourced employees. In 2013, PTNNT claimed to have 4,311 workers while its contractors employed another 5,071 workers (PTNNT, 2013). PTKPC employed just 1.52 percent of its 4,802 workers in 2015 under fixed-term contracts or specified period contracts (PTKPC, 2016:121).

State-owned mining companies have adopted this neoliberal tenet of casualization. Official data shows that around 70 percent of coal miners in 2015 and 72 percent of coal miners in 2016 who worked for PT Bukit Asam were outsourced (PT Bukit Asam, 2016:118). In 2014, 24 percent and 10 percent of the 6,924 PT Timah employees were outsourced and turned into contract workers (probably PKWT, or fixed-term employees), respectively (PT Timah, 2014:105). The casualization of the workforce as it occurs in the mining industry reflects the general logic of accumulation and helps mining companies' profits to skyrocket. Casualization is thus nothing but a part of class struggle, carrying on from the side of capital and aimed at crippling the working class.

Table VI.6: Number of Permanent and Contractor Workers Employed by PT Inco/PTVale, 2006-15

Year	Permanent Worker	Contractor Worker
2015	3025	3107
2014	3067	3122
2012	3183	5153
2012	3161	4234
2011	3210	5511
2010	3136	3006
2009	3319	2705
2008	3610	3420
2007	3735	3879
2006	3440	3200

Source: PT Inco/PT-Vale (2007–16)

Among others, three important things need to be addressed at this juncture. First, temporary workers are a floating reserve army of labour in nature since many among them move from one job to another for short periods. Others work for contractors/suppliers for longer periods of time. However, both have an ardent desire to work directly for a mining company as a permanent worker, primarily for the better wages and other benefits.[83] Second, many among these temporary mine workers employed by contractors/supplier companies are retired permanent mine workers. This experience makes it easier for them to find a new job in the sector. Some sell their labour power because they feel that their ability to work remains strong and powerful. However, most indicate that continued employment is for economic reasons. This is implied in a mine worker's quote found in a PT-VI's internal publication: "I have seen and heard stories of Vale employees who live a heartrending life after retiring. In the end they choose to be reemployed by contractors. They come to the decision not because they are physically fit but because of economic pressure" (*Halo Vale*, September 2013). Third, such temporary workers are vulnerable to being laid off, which typically takes place in moments of crisis. PT Inco, for example, ended contracts with certain contractors/suppliers after the fall for global nickel demand in the 1980s. As a result, its labour force was reduced from 4,200 to 3,700. Inco's permanent workers then took over these tasks (*The Globe and Mail*, 26 January 1982; *The Globe and Mail*, 28 February 1986; *The Globe and Mail*, 29 November 1985).

2.5. Feminization

The feminization of the low-wage labour force in manufacturing (Hadiz, 1997:112) has spread to the mining industry and as the industry grows, companies are increasing employing female mine workers. The mining industry's expansion goes hand in hand with this increase. The underlying logic for accumulation is that in order to keep profits high, the cost of labour must be kept low. As an increasing number of women enter the labour market, more also enter the industry, and not just in staff or clerical positions. Rather they take on 'masculine' jobs like heavy equipment operator. Due initially to the constant evolution of heavy devices as instruments of production, hiring female mine workers to replace male mine workers is not a new phenomenon. Marx (1976) already reminded us of this face 150 years ago in the course of the growth of large-scale industry. What remains relevant nowadays is not significant changes in observable facts but the method of inquiring on the historical conditions that permit the appearance of the contemporary phenomenon. This brings us to consider the law of value that regulates technological progress under capitalism. In this respect, feminization indeed results from technological changes that permit female workers to enter historically male-only occupations and tasks. On the other hand,

[83] Bachtiar, interviewed by A. Sangaji in Sorowako, 26 July 2013.

technological change also results in the increased flow of female workers into the job market, increasing job competition among the working population. Mining companies benefit from this increasing trend of feminized labour. Indonesian Statistics conducted a National Labor Force Survey (NLFS) in February 2015. It revealed that of the 791,537 employees in mining, 7.93 percent were female. This is an increase from 4.03 percent working in the sector a decade earlier. In absolute terms, the numbers of female workers also expanded from 21,348 in 2005 to 62,799 in 2015 (BPS, 2005; BPS, 2015). We should keep in mind that NLFS defines these labourers as both permanent and casual workers.

Looking at individual firms, we could estimate the feminized features of mining operations. In the early years of its operation, PT Inco employed a few female workers who were not directly involved in mine production. By November 1980, 5.97 percent of PT Inco's 3,447 workers were female. Most among them classified as skilled labour were employed as teachers and nurses. There were also 72 unskilled female workers who served as cleaners and tea girls (Robinson, 1986:54). Recently, we witness increasing numbers of female workers in better positions in the company. They also engage in mine production (see Table VI.7). By 2016, PT Vale employed 3,033 workers— technicians, specialists and supervisors—of which 8.63 percent were female. The most common occupation in mining is technician—PT-VI employed 226 female technicians or 8.37 percent of total technicians (PT-VI, 2016:65–6). Among the female operators are those who serve as dump truck operators. This nickel company has given this job, informally called "ranger pink," to female workers since 2006. In 2015, of the 460 dump truck operators, 9.34 percent were female workers (Suryaningsi, 2017:21, 26). A female worker stated that her job is higher risk than, for example, clerical work (*Halo Vale*, Edisi Khusus 2014:49).

Table VI.7: Distribution of PT Vale Employees by Sex, 2016

Position	Female	Male	Total
Director	1	3	4
Senior Manager	1	11	12
Middle Manager	2	50	52
Supervisor	7	111	118
Specialist	29	187	216
Technician	226	2,473	2,699

Source: PT Vale (2016:65)

We should bear in mind that the replacement of human muscle with machines has nothing to do with technological determinism—technological changes that determine capital-labour relations—but emerge from class struggle. Marx (1976:65–66) points out that "[m]achinery, by this excessive addition of women and children to the working personnel, at least breaks the resistance which the male workers had continued to oppose despotism of capital throughout the period of manufacture." An investigation of KPC, one of the largest coal mining enterprises in the country, suggests that for company executives, it's much easier to keep female mine workers 'under control' than to deal with male mine workers, especially in relation to labour disputes (Lahiri-Dutt and Robinson, 2008). Thus, the intention to employ female workers in this heavy industry originates from the capitalist strategy of keeping the workplace under control.

2.6. Risk Tasks

Working conditions reflect a specific manifestation of class relations. Exploitation in the space of production for capturing a higher rate of profit is central to this and thus puts pressure on workers. Shortening lives, generating disease and causing accidents are surface manifestations of exploitation. They are part of what Harvey describes as the violent nature of exploitation at the scale of body, which "so frequently violates, disfigures, subdues, maims, [and] destroys the integrity of the labouring body" (2000:108). In this regard, it is not our task to blame individual morality on the capitalist class because they are being conditioned by the law of competition. For this reason, we should consider the working conditions during the labouring process in relation to occupational health and safety (OHS) "since mining remains one of the most hazardous occupations worldwide" (Saleh and Cummings, 2011).

Work-related accidents in the process of mining metals and minerals are a critical issue. Mining is situated as one of the most dangerous occupations since work-related accidents for the sake of accumulation in this sector are common. Official statistics can help us to understand the trend of work-related accidents regardless of some limitations, including the gulf between recorded/reported and unrecorded/unreported occupational accidents. The Indonesian Manpower and Transmigration Minister (2009–14) stated that work-related accidents are partially reported by companies (*Ekplo*, October 2010:112–13). While reported work-related accidents across all sectors in the country reached 14,519 in 2014 (Kementerian Ketenagakerjaan, 2015:33–34), official data as shown in Table VI.8 illustrates accidents in the mining sector. This total would increase significantly if we included accidents that occur in the oil and gas industry. By 2014, of 202 accidents in this industry, 131 among them were minor, 49 were of medium seriousness, 16 were severe, and six were fatal. These figures exclude accidents in the downstream oil industry, which in the same year saw 10 accidents: two fatal, one whose condition was severe, two medium, and five of minor severity (Ministry of Energy and Mineral Resources, 2015a:55–56). Although individual mining companies that belong to large-scale TNCs seem to be paying attention to the government-regulated OHS guidelines,[84] we witness that over the past two decades that mining accidents have remained a big problem (see Table VI.8). While poor government control and additional costs to companies, especially small-scale companies, are important factors, many also argue that mine workers' behaviour is also an issue.

Table VI.8: Work-related Accidents in the Mining Sector in Indonesia, 1984-2015

Year	Accident				
	Minor	Major	Fatal	Total	Frequency Rate
2015	49	77	25	151	0.22
2014	49	77	32	158	0.21
2013	75	111	46	232	0.31
2012	82	105	29	216	0.34
2011	94	101	22	217	0.35
2010	100	94	15	209	0.40
2009	176	83	44	303	0.69
2008	162	74	19	255	0.68
2007	104	83	19	206	0,70
2006	141	81	27	249	0,79
2005	59	61	23	143	0,64
2004	101	51	22	174	0,66
2003	153	84	31	268	1,32
1990	211	61	18	290	2.10
1984	212	53	20	285	1.83

Frequent rate = accident number x 100,000/cumulative working hours in one year.
Source: Derives from MEMR (2015a:103;2010:37); Departemen Pertambangan dan Energi (1992:53).

Rather than singling out workers' behaviour, it would be better to consider the accident patterns that are unique to this industry. Looking at the experiences of individual corporations, in particular the large-scale transnational mining companies, we would find certain features of mining accidents. Table VI.9 shows the accident statistics for different companies with distinct types of mineral commodities. Despite advanced equipment and refined mining methods, mining proletariats still face high risks to their living body. In this regard, Grasberg minerals district at around a 3,000-metre elevation with three existing mines (open-pit, the Deep Ore Zone [DOZ] underground mine, and the Big Gossan underground mine) seems to be a killing field for PT-FI

[84] Law 13 (2003) concerning Manpower and Law 1 (1970) concerning occupational safety.

mine workers. The experiences teach us about the different work-related accidents emerging from distinctive methods of mining. Underground mine accidents are widely studied, especially in relation to rock fall (Leger, 1991). PT-FI, in my knowledge, experienced this kind of accident three times during a one-year period. On 14 May 2013, a tunnel collapse at Big Gossan killed 28 (including three female workers) and injured 10 workers employed by PT-FI and contractor companies (*MBM Tempo*, 2 June 2013; Freeport-McMoRan, 2014:57). This may be one of the worst mining accidents in several decades, not only for the company but also for the country. In its official report, Freeport-McMoRan (2015a:53) responded to the accident, saying: "[n]o assurance can be given that similar events will not occur in the future." In the same month, on 31 May 2013, a fatal accident occurred at the DOZ, one of the world's largest underground mines, when a driver was killed after his truck became buried in mud. Due to these work-related deaths, the company halted its operations and only resumed production activities after a government-conducted investigation. The company then resumed open-pit mining and underground mining in June and July, respectively (*Kompas*, 30 Mei 2013; *The Jakarta Post*, 31 August 2013; *Kontan*, 22 June 2013; *Kontan*, 24 June 2013; *Republika*, 2 June 2013; Freeport-McMoRan, 2014:57). On 1 December 2013, another work-related accident at the DOZ killed a truck driver and injured another worker after both were hit by collapsing material (*The Jakarta Post*, 2 December 2013). Lastly, on 12 September 2014, another accident occurred at the Grasberg underground mine in the West Muck Bay area, killing a jumbo drill operator who was buried by falling materials (*MBM Tempo*, 14 September 2014; also see Freeport Indonesia, 2014).

Occupational accidents in the mining sector are not limited to those transpiring during underground mining activities as surface mining accidents also commonly occur. Accidents at open-pit mines are also a major issue. PT-FI, a Freeport-McMoRan subsidiary, also has a bad reputation in this area. One of the most dramatic accidents occurred on 9 October 2003 when a landslide hit the Grasberg open-pit mine. This accident, which the company dubbed as a "slippage of materials," caused eight deaths and five injuries among the workers (Freeport-McMoRan, 2003:26; *Down to Earth*, No. 59, November 2003). "Equipment-related to fatal accidents" is also a major issue in the mining industry (see Kecojevic et al., 2007). On 25 July 2015, a PT-FI mine worker fell down to a conveyor belt and died after being caught in the machine (*Kompas*, 26 July 2015). In 2000, a horrific accident occurred at a PT-VI mine. Hamzah Baso, a PT Inco haul master operator, was burned to death when the vehicle he was driving, which was used to dispose of molten slag smouldering at 1,000 to 1,500 degree Celsius, skidded and fell along with its haul master into landfill (Sangadji, 2002). With this kind of accident, we should add surface haulage into the high-risk accident list. On 27 September 2014, a crash between a haul truck and a light vehicle carrying nine PT-FI mine workers caused four deaths and five injures (*Kompas*, 27 September 2014; Freeport Indonesia, 2014). Another vehicle accident occurred on 24 January 2015 where a contract mine worker was hit by a truck driven by his counterpart (*The Jakarta Post*, 25 January 2015). Deaths also occur in the processing plant. In late August 1990, one of PT Inco furnaces in Sorowako exploded, leading to the deaths of ten proletariats who were contractors' employees (Marr, 1993:91; *The Globe and Mail*, 20 September 1990). Working in a smelter plant is one of the most dangerous activities in mining (Clement, 1981:233). All of the work-related accidents that I have pointed out show a special face of the hazardous human-nature relations in the course of labour exploitation in the mining sector. This is the concrete manifestation of what Marx points to as the underlying nature of wealth creation under capitalism: "Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, the torment of labour [. . .] at the opposite pole" (1976:799).

Furthermore, work-related accidents just reflect one side of OHS. There also exists the risk of occupational illness. Among other health problems, miners often suffer from hearing loss and lower back pain, especially those who operate heavy equipment, namely load-haul-dump (LHD) mining vehicles. My interviews and focus groups revealed that these were the most common ailments from which nickel mine workers in Sorowako and Morowali suffered.[85] A survey conducted at a PT-VI-owned Inco hospital in 2012 illustrated this matter, revealing that of 2,741 company employees, 17 percent of processing plant employees and 10 percent of mine workers suffered from hearing loss and lower back pain, respectively.[86] In terms of lower back pain, Dr Kristiawan Basuki, an occupational health specialist at Inco Hospital, acknowledged that " . . . many patients [i.e., mine workers in PT-VI] who complain of lower back pain [LBP]; many of them are heavy equipment operators." Whole-body vibration (WBV) can cause decreases in the functions of the heart and respiratory system, a slow metabolism, digestive problems, and vision loss (*Halo Vale*, August 2012:68). In this respect, critical studies have

[85] Bachtiar, interviewed by A. Sangadji in Sorowako, 26 July 2013; Hardon, interviewed by A. Sangadji in Wasuponda, 27 July 2013 and FGD.

[86] PT-VI has a hospital in Sorowako. This hospital has been serving its own employees and communities in the region since 1977 (see *Halo Vale*, February 2014:5–11).

shown that WBV caused lower back pain, and that other diseases are not the main causes (Seidel, 2005; Seidel, 1993). The survey also shows that 30 percent of respondents were living with a high risk of heart, stroke and kidney issues. Experts, though, claim that these generative diseases were emerging because of mine workers' lifestyles and were not work-caused illnesses (*Halo Vale*, February 2014:5–11). Two miners—operators of heavy equipment who are permanent PT-VI employees—pointed out that many of their colleagues go to Makassar, South Sulawesi's capital, on an annual basis in order to receive better treatment for acute lower back pain.[87]

Table VI.9: Mining Companies and Work-related Accidents, 2013

Company	Minor	Major	Fatal	Minerals	COW/CCOW
Antam	3	2	0	Nickel, Gold	Mining Right
Timah	1	1	5	Tin	Mining Right
Agincourt Resources	1	0	0	Gold, Silver	COW
Ensbury Kalteng Mining	1	0	0	Gold	COW
Freeport Indonesia	11	30	30	Gold, Copper	COW
Karimun Granite	11	0	0	Granite	COW
Kalimantan Surya Kencana	5	0	0	Gold, Copper	COW
Kasongan Bumi Kencana	0	2	0	Gold	COW
Newmont Nusa Tenggara	2	7	0	Gold, Copper	COW
Natarang Mining	0	1	0	Gold, Silver	COW
Nusa Halmahera Mineral	0	4	0	Gold, Silver	COW
Sorik Mas Mining	2	0	0	Gold	COW
Vale Indonesia	0	5	0	Nickel	COW
Bukit Asam	1	1	0	Coal	Mining Right
Adaro Indonesia	0	8	2	Coal	CCOW
Arutmin-Asam-asam	0	2	0	Coal	CCOW
Arutmin-Batulicin	0	1	0	Coal	CCOW
Asmin Koalindo Tuhup	6	2	0	Coal	CCOW
Bahari Cakrawala Sebuku	0	1	0	Coal	CCOW
Bangun Banua Persada	1	0	0	Coal	Mining Right
PD Baratama	1	0	0	n/a	n/a
Kaltim Prima Coal	5	9	0	Coal	CCOW
Indominco Mandiri	2	2	0	Coal	CCOW
Gunung Bayan Pratama	2	3	0	Coal	CCOW
Insani Bara Perkasa	0	1	1	Coal	CCOW
Lahai Coal	0	0	1	Coal	CCOW
Sanglurus Pratama	1	1	1	Coal	CCOW
Tanio Harum	0	0	2	Coal	CCOW
Trubaindo Coal Mining	1	3	2	Coal	CCOW
Cibaluing Sumberdaya	2	5	0	n/a	n/a
Indonesia Chemical Alumina	2	2	1	n/a	n/a
Katadin-Embalut	1	2	0	n/a	n/a

Source: Derives from Detik.com (1 Oktober 2014)

[87] Hardon, interviewed by A. Sangadji in Wasuponda, 27 July 2013; Benny, interviewed by A. Sangadji in Wowondula, 27 July 2013.

All of the above discussions show that the capitalist class in the mining industry accumulates enormously objectionable wealth to the detriment of its workers' living bodies. In this vein, it is too narrow if one just blames this on the individual morality of the capitalist class regardless of the greedy characters "and the drive for self-enrichment" as their passion (Marx, 1976:741). Indeed, the law of competition is conditioning individual behaviours, which regulates their interests for maximizing profits. Marx (1976:381) argued:

> Capital therefore takes no account of the health and the length of life of the worker, unless society forces it to do so. Its answer to the outcry about the physical and mental degradation, the premature death, the torture of over-work, is this: Should that pain trouble us, since it increases our pleasure (profit)? But looking at these things as a whole, it is evident that this does not depend on the will, either good or bad, of the individual capitalist. Under free competition, the immanent laws of capitalist production confront the individual capitalist as a coercive force external to him.

2.7. Working Hours and Wages

Long working hours is indicative of labour exploitation. The state regulates working hours. In 1951, Indonesia established the Labor Code (Condition of Employment), which specified a seven-hour working day and 40-hour working week. As most large companies already employed these hours (Hawkins, 1963:263), it was assumed that mining companies would also adhere to the Code. Recently, the Indonesian Labor Law—Act 13 (2003)—restricts working hours to the aforementioned, but the national average in the mining industry is higher than other industries.

As already mentioned, the exploitation of labour in the mining sector typically refers to the appropriation of relative surplus value. This means that in the space of the production process, the owners of capital attempt to squeeze surplus value through the employment of labour-saving technologies or dead labour. The purpose is to increase productivity in an efficient manner, generating more surplus value from a shorter time period. This is the class interest of the capitalist class. In this respect, working hours become central to generate surplus. The average weekly working hours of a male mine worker in 2015 was 49 hours, higher than all other sectors of the economy except the wholesale sector. This does not mean, though, that the working hours are longer as measured by labour productivity, it could be shorter. Nevertheless, a shortened time period requires a higher intensity of work because competition for increasing productivity typically commands capitalist production. This is as Marx (1976:667) points out that "[t]he more the productivity of labour increases, the more the working day can be shortened, and the more the working day is shortened, the more the intensity of labour can increase."

The intensity of labour effort that workers perform necessitates strict surveillance in the space of production. In this respect, the targets of this surveillance are both variable capital and constant capital, meaning surveillance over workers, means of production, and the commodity. As outlined by Christian Fuchs, the surveillance methods are very complex—from workplace surveillance technologies and Taylorism to security guards—all to ensure that capital owners' attempts to capture surplus value through workers' intense exploitation can be done perfectly (2013). Characterized as capital intensive, the mining industry necessitates close surveillance. In the first place, disciplining workers during the production process overseen by a supervisor is important and thus prevents the workers from being unproductive (Fuchs, 2013:8–9). Employing technological advancements in the supervision of the production process is central nowadays. In the mining sector, removing minerals from the earth and transporting ore and waste materials by shovel and truck system necessitate tight supervision since the distance between points of origin and points of destination for the materials means a time-consuming operation and therefore costly activities. In this respect, in order to increase efficiency and productivity, most mining companies use LHD vehicles with GPS. Mining companies therefore can control their mine operators during the labour process by monitoring vehicle movements. This prevents inefficient uses of vehicles due to worker behaviour related to wasted time at work and route violations. A PT-VI LHD operator pointed out that "regardless of feeling overpressure and tired, I should discipline myself in order to keep the target of production."[88]

Surveillance of property is commonplace in capitalist society. This lies in the need to protect the constant capital ranging from means of production to commodities. It is also commonplace to hire security guards, whether they are employed by the company itself or outsourced from a private security firm. For example, PT-FI's internal civilian security department cost the company about US$ 58 million in 2016, skyrocketing from US$ 6.8 million in 2001. The total expenditure for internal security for this period was about US$ 461.3 million (Freeport-McMoRan, 2002–16). In addition, as already mentioned, the massive militarization of PT-FI's operation area is part of this property surveillance. Since 2007 the Ministry of Energy and Mineral put PT-FI's operation area on the list of strategic installations classified as "national

[88] Hardon, interviewed by A. Sangadji in Wasuponda, 27 July 2013.

vital objects" (NVOs), following the issuance of Presidential Decree Number 63 (2004) concerning the Security of National Vital Objects (*State Gazette* of 2004, No. 79; Ministry of Energy and Mineral Resource, 2007; Ministry of Energy and Mineral Resource, 2008; Ministry of Energy and Mineral Resource, 2012). Among other things, these NVOs require state violence agencies, like the national police force supported by the Indonesian army, to conduct surveillance on any threats to business entities that are assumed to make significant contributions to state revenues. The operation areas of PT-FI and other transnational mining company subsidiaries such as Mobil Oil Indonesia, ConocoPhillips Indonesia, PT-VI and PT-NNT in Sumbawa have received NVO status. Of course, NVOs and the required presence of Indonesian police and military as part of surveillance cannot be narrowly characterized in the liberal view of protecting and maintaining order for secure investments, especially in regions where armed conflict is taking place. In this sense, the notion of "fabricating good order and security" as the tasks of police institution are nothing but "euphemisms for the protection of private property, commodity circulation and accumulation" (McMichael, 2017:119). Therefore this should be widely understood as a part of class war—between the capitalist class and the working class.

As wages reflects labour exploitation, the mining industry is a high-priority sector for job seekers as it tends to offer better wages and other benefits in comparison to other sectors that attract the working population. While wages are determined by many things, the underlying factor that plays a decisive role in the determination of wage rate is economic class struggle over the rate of exploitation. In Indonesia, transnational mining companies generally pay their employees higher than the required minimum wage that the provincial governments update annually through multi-stakeholder assessments of *Kebutuhan Hidup Layak* (Reasonable Cost of Living). PT-VI's permanent mine employees, for example, generally receive better wages and other benefits under the collective labour agreement (CLA) between the company and the relevant unions, which sometimes goes through tough negotiations, while their counterparts—the temporary workers who work for outsourcing companies—generally receive less wages.[89]

A better wage leads to tough competition among individual members of the working class in wider society with different levels of education and technical skills since this industry typically restricts in hiring more workers. On these grounds, racial identity is often a factor for

[89] Andi Karman, Chairman of the Union for Chemical, Energy, and Mining Unit, Kerja Inco, interviewed by A. Sangadji in Sorowako, 26 July 2013.

those seeking job opportunities with a mining company. Faced with displacement due to mining activities and tough competition in the mining sector job market, racial tensions often arise between companies and local populations. Community leaders often express resentment in the early years of a mining project when the company inevitably hires fewer locals. While acknowledging their limited skills for employment in this sector, the locals initially demand that companies have affirmative action to prioritize local residents for jobs. Even decades after PT-VI first arrived in Sorowako, its residents are still requesting that the company offer jobs to locals, including the existing permanent mine workers who are local inhabitants.[90] As capitalism has pushed workers into competition with each other, alongside the influx of external job seekers, this local demand turns into a job competition—locals versus outsiders. What needs to be highlighted is that this competition among the labouring population for "life and death" is "the sharpest weapon against the proletariat in the hand of the bourgeoisie" (Engels, 1984:103–04). One of the major implications is that the competition among divided proletariats causes a decrease in wages as the ratio of relative surplus population is much higher than that of existing active workers.

Table VI.10: Value of Final Commodity: PT Vale Indonesia (in US$ 000), 2012

Value of Final Commodity	**C + V + S**	**967,327**
Wage (Variable Capital)	V	105,979
Purchases of Inputs:	C1	
-Fuels and Lubricants		305,979
-Auxiliaries		131,974
Depreciation	C2	102,286
Constant Capital	C=C1 + C2	539,583
Total Capital	C + V	645,562
Surplus Value	S	321,765
Value Added	S + V	427,744

Source: Derives from PT Vale Indonesia (2012)

In order to have a better understanding of exploitation under capitalism in this sector and following Foley (1986:44–46), I would characterize labour exploitation in PT-VI from the framework of the labour theory of value. As this nickel mining company is an example of the concentration and centralization of globalized capital, this company's experience empirically confirms that the nickel industry rests on the appropriation of relative surplus value. The data

[90] Andi Baso, interviewed by A. Sangadji in Sorowako, 28 July 2013; Andi Karman, interviewed by A. Sangadji in Sorowako, 26 July 2013; Hardon, interviewed by A. Sangadji in Wasuponda, 27 July 2013.

shown in Table VI.10 is the basis for measuring how exploitation or the appropriation of surplus value occurs. First, with reference to the rate of exploitation, S/V, it shows the high rate of exploitation in PT-VI, which is at 3.03 or 303 percent. Second, by looking at the value of the working class' labour in a limited sense, V/(S+V), it indicates that this world-class nickel mining company undervalues its mine workers' labour. In 2012, the company only compensated about 0.24, or 24 percent of the value of its workers' labour. In other words, PT-VI only paid the workers at 24 percent of the total value of living labour—76 percent the company pumped out as surplus value. In other words, Vale Indonesia only pays its labour force 24 percent of the value of their work for reproducing their labour power. Third, if we convert the value of this labour power in a standard working week, it reveals an extreme gulf between paid labour and unpaid labour within the company. In 2012, 40 normal standard working hours per week to produce nickel matte, 0.24 x 40 or 9.6 working hours per week are needed to reproduce their ability to work, while 30.4 hours per week was a gift to the mining company's owner. To put it differently, of the 40 hours worked weekly by PT-VI mine workers, 30.4 hours were unpaid. Third, with reference to the formula of the composition of capital, V/(C+V), PT-VI spent a small percentage of wage expenditures to total capital—only 16.41 percent of the total capital as wages.

C. The Struggles of Mine Workers

The accumulation of capital taking place in mining industry, like in other branches of industry, cannot be done unless it is able to exploit mine workers' labour. As discussed above, in order to increase surplus value, capital must control the supply of labour, the production process, the wages and other benefits in order to increase surplus value capital. As mining industries are typically capital-intensive, the underlying feature of labour exploitation in this industry lies in the appropriation of relative-surplus value. As the state is internally related to exploitation, all of the above discussion of exploitation and the conditions that underpins it become an objective condition of the struggle. The objective condition means that the exploited labourers potentially become the "gravediggers" of the exploiting system and replace it with a new society.

The objective condition is just one side of struggle. A principal factor that makes struggle possible is *a subjective condition*, which is the working class' consciousness. Even though mine workers may feel that they are under exploitation, this does not necessarily lead to active struggle. Since capitalism always develops unevenly, there is also an uneven development of class consciousness. Due primarily to this unevenness, mine workers often believe that exploitation is irresistible or the existing order is unchangeable. This emerges from the “common sense” of the ordinary member of society who “‘feels’ but does not always know or understand” (Gramsci, 1971:418).

Dealing with such unevenness in consciousness is the task of intellectuals who have the ability to bring a critical consciousness from the outside. This consciousness is a “product of theoretical work by intellectuals” (Shandro, 2014:115), and I believe that it should be conceived on the basis of capitalism as a determinant system in our time, one that regulates the entire life of any society. Therefore, it is impossible to overcome the problems encountered by mine workers without drawing close attention to the capitalist system. This implies that any struggle emerging from the mining industry should be carried out within the framework of criticism against capitalism.

Working from this framework, I will highlight the collective struggle of mine workers in Indonesia from the colonial period to present time. My aim is to look first at the development of mine workers’ class politics. My discussion will also highlight the conditions that limit the development of mine workers’ revolutionary nature in the present time. The struggles can be spontaneous or revolutionary. They can include mass demonstrations, strikes or the expropriation of property, etc. They can be organized by mine-based unions, local, regional or national unions on the basis of specific demands related to mine workers’ economic interests. They can also be organized by political parties on the basis of wider political demands ranging from reformist to revolutionary voices.

In the relevant literature from the colonial period, there are few examples that explore mine workers’ collective struggles. Among them, Erwiza shows the presence of spontaneous protests among Chinese migrant workers in the tin mines in Pangkal Pinang. The worldwide decline in the price of tin in the late 1920s generated, directly or indirectly, growing protests among the mine workers due primarily to prosperity. In 1930, there was a series of attacks against high-ranking managers of mining companies and strikes occurred. It seems that the growing protests also resulted from the important role of Chinese intellectuals—those who arrived in the region as school teachers—in raising awareness among migrant coolies. It seems that these intellectuals cultivated an ideology of Chinese nationalism among the migrant mine workers (Erwiza, 2013:269–74).

As a backward capitalist country with the mining industry as its major modern economy, Indonesia was vulnerable to imperialist pressure. The role of revolutionary mine workers—leftist working class members—as a destabilizing force for colonial power cannot be ignored. Nevertheless, in the middle of the domination of bourgeoisie ideology, it was difficult for progressive mine workers to articulate revolutionary ideals, such as anti-imperialism. In fact, workers' direct involvement in political struggle reflected the revolutionary attitudes of Indonesian mine workers during decolonization. This tendency, especially among left workers, became stronger during the Cold War. But many among them became causalities of war following the intensification of ideological contestations. This occurred, for example, during the Madiun Affair incident where many SOBSI leaders were involved in a rebellion to express their anti-imperialism campaign (Brackman, 1963:80–101). Railway and oil refinery workers affiliated to communist forces fought against central government troops, which led to the death and arrest of thousands of revolutionists (Tedjasukmana, 1958:145). Central to this moment was the role of the Union of Oil Workers (*Serikat Buruh Minyak*, SBM) in supporting the Affair. Nearly 50 percent of the union's members supported the People Democratic Front (*Front Demokrasi Rakyat*, FDR) (Barlett III et al., 1972:75–76), which was composed of PKI, *Partai Sosialis*, *Pesindo* and SOBSI-affiliated unions. Half of its members left the federation after the Affair but membership was revived after 1951 (Kroef, 1965:203).

Mine workers' attempts to take control of mining operations emerged during the early years of independence. Immediately after the surrender of the Japanese, ex-oil and refinery employees took over oil fields and refineries in Central Java, South Sumatra and North Sumatra. As most ordinary people-based revolutionists formed their own militias, these oil workers organized themselves as *Laskar Minyak* or oil militia (Barlett III et al., 1972:67–69). Oil workers took over BPM's oil fields in Cepu in Central Java and the BPM oil field in North Sumatra before they were transferred to national authorities (Hunter, 1966:63). Workers' actions were seemingly stimulated by growing nationalist feelings. Following the implementation of Guided Democracy, this workers' action became predominant but the occupied companies were then transferred to and run under military management. It therefore reflected the state-led operation of nationalized foreign properties rather than workers' control of nationalized companies. Theoretically speaking, the two are completely different in nature since the former mostly refers to state capital while the latter means collective (workers) welfare-oriented enterprises. What happening with Guided Democracy (1957–65) was the nationalization of state capital within various branches of industry with union support rather than workers' self-management or proletarian control of occupied enterprises.

Unlike during the Dutch colonial period, the new republic supported the direct involvement of unions in politics (Tedjasukmana, 1958:23–24). This resulted from unions' struggle against an oppressive system of labour control that was integrally part of national liberation in the course of anti-colonialism and anti-imperialism activities. This cultivated workers' consciousness to embrace either reformist politics or revolutionary ones, thus permitting the significant growth of unions, including those of mine workers. As unions become the most important vehicle of the working class in protecting their interests against their exploiters, their pivotal role was to negotiate the terms of exploitation under capitalism. In this respect, as was widely acknowledged among trade unions, SOBSI (the communist-controlled trade union confederation) became a successful confederation at the time (Törnquist, 1984:145).

The presence of Perbum, a member of the communist-led SOBSI, was the best example. Faced with the country's backwardness and the working class' low levels of education and illiteracy, Perbum provided a theoretical and practical understanding of communist views to its members. The general goal was to raise class consciousness. In this respect, while the left's extra-paramilitary forces expressed their progressive ideals at times, the PKI program in 1955 also demanded the improvement of terms of exploitations, including wages and length of working days. For instance, the program requested a six-hour working day for mine workers and others in hazardous work (Hindley, 1964:157). By the late 1950s, while actively demanding better wages and benefits, the communist-affiliated Perbum also struggled against the transnational oil industry's increasing use of automation that resulted in worker layoffs (Kroef, 1965:208.). All reflect trade union struggles in pursuing better conditions for workers within the space of capitalist industrial relations. This form of economic class struggle, of course, cannot be isolated from politics. But conceptually, we can make this division.

Along with such economic forms of class struggle, especially during the period of Guided Democracy under the PKI's growing anti-imperialist power, we should take into consideration the vital role of trade unions in transforming the struggles into political ends. In this regard, PKI leader Aidit characterizes the presence of US imperialism in place of Dutch imperialism as taking the form of the trio of giant companies' (Shell, Stanvac and Caltex) (1963:36–37) increasing investment in the industry that paved the way to the militant union of Perbum by demanding political commitment associated with the struggle against existing transnational oil companies—an agency of global monopolistic capital. Employing walkouts, strikes and other vehicles of direct action, Perbum expressed its demand for the government to nationalize the existing monopolistic oil enterprises, leading to incidents and tensions in the years leading up to the 1965–66 mass killings in the country (Barlett et al., 1972:198). Of course, this originated in the PKI's political agenda in its response to political contingencies. Following the growing confrontation between Indonesia and British-supported Malaysia (Jones, 1999; White, 2012), the PKI leader demanded that Sukarno oppose a compromise position against Malaysia when he met US Attorney General Robert F. Kennedy in January 1964 in Tokyo to discuss a ceasefire. As *Harian Rakyat*, the PKI-owned newspaper, circulated Aidit's demand, oil workers entered Shell-owned property in Jakarta and raised the red flag (Kroef, 1965:281–82). The British covertly took part in efforts to undermine the PKI's growing influence in the archipelago—an action that is best characterized as political in the Cold War context. Following the growing demands of the left-affiliated union to expropriate oil properties then under government control, Aidit encouraged oil workers to take progressive action to secure a takeover of foreign oil properties during a speech in the Congress of Perbum in mid-1965 (Hunter, 1971:273–75).

The bloodshed in 1965 and the years that followed was a total annihilation of the left working class. Ibnu Sutowo, who served as Minister of Migas in the early days of the 1965, officially prohibited the activities of Perbum and other SOBSI-affiliated unions in this industry. The Indonesian military played a pivotal role in the PKI's overwhelming defeat, beginning with the Indonesian Special Forces' takeover of the Tjepu oil field and refinery. About 90 percent of the 3,500 oil workers were Perbum members, and at least 350 who were listed as Perbum cadres were arrested—the Forces allowed the remainder to continue working (Barlett III, et al., 1972:267–78). As the Indonesian military increasingly attempted to annihilate the PKI and affiliated organizations, regional military commanders in other central oil production areas swept up Perbum members. In Balikpapan, East Kalimantan, for example, the military arrested many PKI-affiliated oil workers (Sulistyo, 2013:170–71).

The PKI's annihilation in the mid-1960s, orchestrated by imperialist powers, was also the end of the militant character of the Indonesian working class—Indonesian mine workers were defeated. The anti-imperialist legacy of Indonesian mine workers had been effectively decimated. Mine workers' resistance has a reputation of spontaneity. Taking the form of mine-based struggles, class struggle is largely associated with demands for improved living conditions, including wages and benefits. The struggle almost always emerges from issues around the exploitation rate. Although national unions of mine workers exist and voice the local struggles of mine workers as national and collective demands, the struggle is politically insignificant. Soon after the downfall of the New Order, the Indonesian working class benefited from the new political climate. While the presence of traditional unions remained, the establishment of independent unions surged, including unions that represented mine workers' interests. We have seen that mine workers' struggles—led by unions or unorganized workers—have been on the rise since the early 2000s. Nevertheless, as the working class' resistance is increasingly institutionalized, the current tendency reveals little interest among mine workers in revolutionary ideals as compared to during the decolonization period. While the different levels of government of the host country enjoy benefits deriving from various forms of rents in this sector, the mining industry also urges on the growing class struggle that workers are expressing through massive strikes, roadblocks and the like.

The economic class struggle as a prominent face of the current struggles of mine workers largely relates to their demands to lower the rate of exploitation. Amid skyrocketing nickel prices in 2007, around 2,500 miners at PT International Nickel Indonesia (PT Inco) started an 11-day strike on November 15. The striking mine workers offered to return to work on November 26 after winning the battle. PT Inco accepted their demands to pay a third-quarter 2007 bonus. However, the 2008 production bonus would be determined by nickel prices. Mine workers would receive a 12 percent monthly bonus only if the nickel price reached US$ 13 per pound. PT Inco also accepted to offer education scholarships for employees' children (*Koran Tempo*, 20 November 2007; *Antara*, 25 November 2007; *World Socialist Web Site*, 8 December 2007). Due to the strike, the company claimed a production loss of 2,268 metric tons of nickel. However, PT Inco won another battle. Following the strike, PT Inco decided to deduct pay from the striking workers. The decision originated from the existing collective agreement, which is based on the principle of "no work, no pay." The decision brought both sides to an industrial dispute. At the end of the day, the mediator in the settlement process concluded that the company's policy on the salary deduction was lawful (PT International Nickel Indonesia, 2007:91).

In October 2011, more than 12,000 PT-FI mine workers went on strike, closing down the firm's operations for a month. The workers, who are paid as little as US$ 1.50 an hour, demanded a wage increase. The strike ended after the intervention of Indonesian government and the Obama administration. A meeting between the US Ambassador to Indonesia and the Indonesian Minister of Energy and Mineral Resources took place in Jakarta to handle the issue (*World Socialist Web Site*, 3 November 2011). During this strike, Indonesian military and police, who the company had financed in the past, were deployed to the area where they opened fire, killing two workers (*The Jakarta Post*, 11 October 2011; *The Guardian* 10 October 2011; *World Socialist Web Site*, 13 October 2011).

Strikes also frequently take place at PT Newmont Nusa Tenggara, an Indonesian unit of Newmont Mining Corporation. On 5 February 2004, around 200 mine workers went on strike. The copper mine workers demanded payment for overtime stretching back to 1999. The company halted its operations and began negotiating with the workers. Two days later, Phil Brumit, PT NNT general manager, told the media that the company had resumed its operations after negotiations with its workers. The company permitted the Regional Manpower Office to recount workers' demands (*Tempo*, 6 February 2004; *Tempo*, 7 February 2004.).

Between 1 and 6 August 2010, 1,500 NNT mine workers at Batu Hijau gold and copper mines were on strike after three weeks of unresolved talks. The dispute began after the company took legal action against the decision of the Manpower and Transmigration Ministry of West Nusa Tenggara Province on overtime wages to some 1,919 mine workers. The company was ordered to pay the workers around IDR 126 billion (US$ 13.8 million) for work from June 2008 to June 2010. The strike ended after both parties agreed to take a judicial interpretation of the dispute (*The Jakarta Globe*, 2 August 2010; *Tempo*, 29 July 2010; *Metal Bulletin Daily*, 2 August 2010). However, 300 workers resumed the strike on 15 November for three days in 2011 to once again demand overtime wages, this time for hours worked in 2010 and after SPSI-represented workers lost the dispute against the company in Industrial Relation Court (*Pengadilan Hubungan Industrial*) (*Tempo*, 16 November 2011; *Sumbawa News*, 18 November 2011).

As mergers and acquisitions (M&A) become an underlying feature of the reorganization taking place in capitalist firms, there are various implications for the working class—from layoffs to lost benefits. However, M&A also generate worker demands for bonuses. From 29 August 2003 to 16 September 2003, two-thirds of 3,000 mine workers employed by Sangatabased KPC in East Kalimantan went to strike, after Rio Tinto and British Petroleum transferred their stakes to PT Bumi Resources Tbk in July 2003. The coal workers demanded bonuses—15 percent of the profit (around US$ 75 million) from the total sale of company shares valued at US$ 500 million, while the Indonesia's biggest coal mine company offered the workers just US$ 5.5 million in bonus. Instead of protesting to the KPC management, the striking mine workers addressed their demands directly to Rio Tinto and British Petroleum as the shareholders. The strike caused operations to halt, and the company was losing the opportunity to produce 60,000 tons of coal per day at an average price of US$ 25 per metric ton. The company claimed that it was losing about US$ 1.5 million per day. As the government received about 13.5 percent in royalties from coal sales, Wimpy S. Tjetjep, director general of Mineral Resources and Geology at the Ministry of Energy and Mineral Resource, noted that the government was losing revenues of around US$ 120,000 per day. After tough talks, mine workers returned to work after reaching an agreement, which included company-paid bonuses valued at around US$ 6 million (*Petrominers*, 15 September 2003; *Tempo*, 16 September 2003). Following Vale's purchase of Inco for US$ 17.6 billion in late 2006, mine workers went to strike (*Engineering and Mining Journal*, December 2006). Again, they demanded a bonus related to the purchase deal.

D. Conclusion

Mine workers epitomize a peculiar contradiction of capitalism. Their labour comes into contact with nature that then becomes a source of wealth for those who exploit them. The living labour of mine workers also shares the life force of the state, which in exchange conserves the system of modern exploitation by utilizing the revenues (i.e., rent and profit of state capital) that the mine workers produce. Historical accumulation in this sector indicates that the distinctive feature of exploitation is associated with imperialism, which reflects the global scale of class exploitation. As I have discussed, the empirical evidence of mine workers in Indonesia since the 1900s reflects general and unique features of capitalist exploitation. Mining capital during the colonial period obviously relied on super-exploitation of semi-forced and forced labour in order to generate super-profit. This face of exploitation remained in place during post-independence in 1945 with some exceptions under the Sukarno regime. During the 32 years of Suharto dictatorship, transnational mining capitals mainly pumped out super-profits by pushing wages below the value of labour power and transferred the profits to their home countries. The Suharto administration strictly protected the relations of production and class relations within the mining industry by regulating industrial relations. Low wages, longer or intense working hours, state-dictated trade unions, and worker oppression were common features of labour conditions under the New Order state. Super-exploitation in mining sector remains in place in the post-Suharto period. This exploitation takes place in several ways: through neoliberal norms of workforce casualization; technology-induced feminization of workplaces in the mining sector; high surveillance of mining property, class relations, and labour processes; and profit transfer to mining corporations' home countries. All of these generate high rates of exploitation in this sector. Displacement of the agriculture segment of relative surplus population becomes a frequent problem, emerging from land claim disputes and mine-induced local environmental degradation. Mining capital pressures on nature is the motor behind this displacement,

Such exploitation results in mine workers' resistance, which is deeply established in the special conditions of life and work in this industry. Resistance ranges from more radical class struggle to less militant class struggle, both of which reveal the necessary outcome of exploitation. While the former initially associates with the objective class interest of the working class in pursuing the socialist program to end exploitation, the latter refers to the working class' economic interests in its negotiable demands for a lowered rate of exploitation. It also reveals the ways in which exploited Indonesian mine workers have attempted to deal with such exploitation. During the colonial period, mine workers engaged in spontaneous resistance activities. During the first 15 years of the post-independence period, mine workers' resistance turned into class politics under the Communist Party of Indonesia's strong influence. The Suharto regime fought back, using every means at its disposal to control mine workers and annihilate radical sections. In regions that host mining corporations, mine workers' resistance activities have significantly increased since the fall of Suharto amid increased state surveillance using security forces. The state response involves violent actions against mine workers' struggle including security forces opening fire on striking mine workers. In short, the class struggle waged by the capitalist class has largely defeated mine worker resistance in Indonesia.

CHAPTER VII: ACCUMULATION IN THE NICKEL INDUSTRY IN INDONESIA

A. Introduction

The purpose of this chapter is to examine from a historical perspective how the accumulation of capital takes place in a specific mining industry in a specific geographical space as well as the resulting resistance. As the nickel industry was only developed in some regions within the national context, this discussion will focus on a specific region, which is the Regency of Morowali, in the province of Central Sulawesi, to make the study more manageable.

This region was chosen as it is reflective of the national context. First of all, Morowali has represented a major feature of resource-based industries in Indonesia since colonial times, which is the production of cheap raw materials, generated by transnational capitals, for the global market. Production relies heavily on nature-based exploitation of cheap labour. Morowali was a backward regions outside Java that has been rapidly developed since the late 2000s when nickel mining commenced in the regency. Becoming one of the largest nickel mines in Indonesia, the region was a major source of the global supply of nickel ores before the Government of Indonesia banned the export of unprocessed ores in January 2014. While the export ban was intended to push Indonesia-based mining firms to develop their own domestic processing plants to refine nickel ores, the policy immediately generated a rush of powerful factions of Chinese capitals into Morowali to invest in this capital-intensive industry and to incorporate vertically domestic mining capitals under control. The region currently hosts the Indonesia Morowali Industrial Park (IMIP). With its highly developed nickel-based processing plants, it is also one of the prime hubs for stainless steelmaking in Southeast Asia. Morowali represents a local face of global accumulation in nickel-based industries.

B. Historical Features of the Nickel Industry

1. Global Concentration and Centralization of Capital

Nickel exists naturally as either sulfide deposits (such as those found in Russia, Canada and Australia) or laterite deposits (including those found in Indonesia, Philippines, New Caledonia and Cuba). While sulfide ores derive from volcanic or hydrothermal processes, laterite ores are formed near the Earth’s surface, typically in tropical climates or dry regions of central Western Australia or southern Africa where extensive weathering occurs. The latter can only be extracted using open-pit mining, as they are located in large deposits in the ground's top layer, while for sulfide ores, either underground mining or open pit mining are commonly employed (Mudd, 2009).

Nickel becomes the raw material for the production of other derivative commodities. To do so, it must be converted into intermediate products that subsequently undergo further processing before they become finished products, such as turbine blades, toaster ovens and boat propeller shafts (and increasingly, batteries). Every year, engineering and construction industries use hundreds of thousands of these nickel-containing goods, especially stainless steels.

There are three complicated stages in nickel production: mining, smelting and refining. Global nickel mine production is distributed among different countries, and this distribution is shifting all of the time. Indonesia and Philippines accounted for a combined 32.91 percent of global production in 2017, increasing from 10.04 percent in 1994. In contrast, the global percentage share of the two major producers—Russia and Canada—decreased (see Table VII.1). The global processing of nickel (i.e., chemicals, ferronickel, metal, oxide sinter and unspecified products), though, mostly takes place in western or industrialized countries. In 1994, 819,000 metric tons was processed in four countries (Canada, Russia, Japan and Australia), which accounted for 56.89 percent of total world production—Indonesia's share was only 0.70 percent (Kuck, 1995:21). In 2016, the quartet's contribution declined to 34.45 percent with Indonesia's contribution rising slightly to 1.05 percent. China is the variable that has changed the industry. It produced 620,245 metric tons or 32.13 percent of the world's production in 2016 (USGS, 2016). The data suggests that while mining is taking place in developing countries with rich deposits, processing is concentrated in industrialized countries.

The contemporary nickel industry, like other large-scale branches of the mining industry, uses advanced technology, which requires large financial investment for mining and processing machineries, a high volume of fossil fuels as well as infrastructure, such as power plants, roads, ports, etc. Therefore, the general tendency in the nickel industry is towards a higher value of constant capital over variable capital. Put differently, this industry relies heavily on the appropriation of relative surplus value. As such, we have witnessed increased vertical integration—rising from upstream to the downstream, from mining to refining. Mining corporations face many barriers if they run a separate, non-integrated nickel business. Historically, it was difficult for corporations operating refineries to generate normal profits if they purchased the raw material from other parties. It is harder for a mining corporation to reach higher profits if they do not have their own processing plant. The largest and most integrated corporations would easily beat smaller and unintegrated firms (Sandvik, 2009). This advantage reveals the nickel industry as representative of the historical face of contemporary capitalism, which is capital's concentration and centralization on a global scale. Main was right when he suggested that "[a] study on [the] nickel industry is essentially a study of monopoly" (Main, 1955:124).

Table VII.1: Country Shares in World Nickel Mine Production and Nickel Reserve (metric tons)

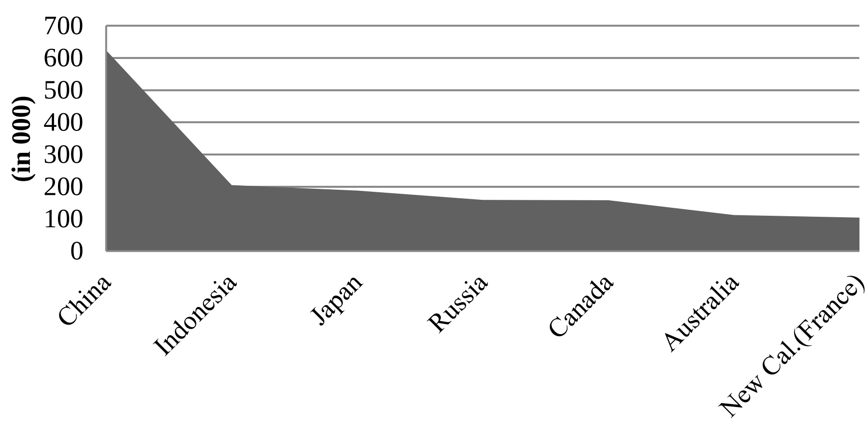
Country	1994		2013		2017		Reserves	
	Volume	%	Volume	%	Volume	%	Volume	%
Russia	240,000	26.49	275,000	10.45	214,000	9.90	7,600,000	8.53
Canada	150,000	16.55	233,000	8.85	214,000	9.90	2,700,000	3.00
New Caledonia	96,000	10.59	164,000	6.23	215,000	9.95	-	-
Indonesia	81,200	8.96	440,000	16.74	345,000	15.97	21,000,000	23.59
Australia	79,000	8.71	234,000	8.89	179,000	8.28	19,000,000	21.34
Brazil	32,000	3.35	138,000	5.24	78,600	3.63	11,000,000	12.35
Philippines	9,860	1.08	446,000	16.95	366,000	16.94	4,800,000	5.39
Others	218,140	24.07	700,000	26.61	548,400	25.38	22,000,000	24.71
World	906,000	100	2,630,000	100	2,160,000	100	89,000,000	100

Source: Derives from USGS (1994, 2014, 2019)

Historically, only a few transnational corporations (TNCs) have controlled nickel production across the globe. International Nickel Company Limited (Inco Ltd) is a striking example. Being a dominant pre-war player (White, 2006), by 1950 Inco controlled 88 percent of worldwide nickel sales. Several decades later, it shared control of the industry with a few other corporations. By 1979, Inco controlled 36 percent, Falconbridge controlled 15.3 percent, and Japanese corporations shared 14.1 percent (Bradbury, 1985). While nickel production is expanding geographically into different countries (see Table VII.1 and Figure VII.1), only few major companies continue to control global production (see Figure VII.2). When world primary nickel production was 2.184 metric tons in 2018 (INSG, 2019a), a limited number of comprising Vale SA, MMC Norilsk, Jinchuan, BHP Billiton, Glencorn, Sumitomo, Sherritt International Corp, and Eramet controlled 46 percent of total nickel production. Most of these organizations are running their business integrally—mining, smelting and refining—in different countries. Vale, for instance, operates in Canada, Indonesia, New Caledonia, Japan and other countries. Glencorn has mines, smelters and refineries in Canada, Australia, Europe and New Caledonia.

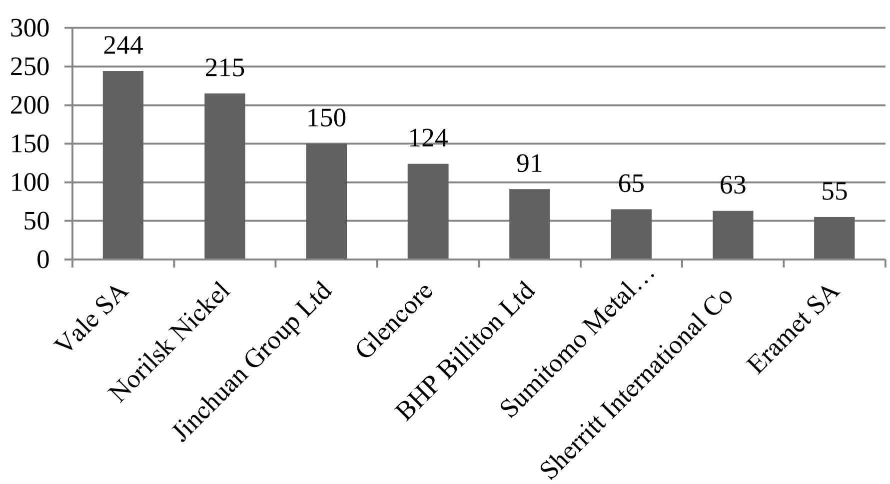
Sumitomo has operated mines and smelters in Philippines, Indonesia and New Caledonia and has smelters and refineries facilities in Japan. BHP Billiton operates an integrated mine and smelter of laterite ferronickel in Colombia and an integrated sulphide mining, concentrating, smelting and refining operation in Australia. Norilsk operates in Russia, Finland, Botswana, South Africa and Australia. Eramet operates in New Caledonia, France and Indonesia. Sherritt has mines and refineries operating in Canada, Indonesia and New Caledonia. These companies have expanded their overseas operations mainly through capital exports.

Figure VII. 1: The World's Leading Primary Nickel Producers by Countries (000 metric ton) in 2017



Source: INSG (2019b:15)

Figure VII.2: The World's Largest Nickel Producers by Companies (000 metric ton) in 2018



Source: Vale SA (2018); Norilsk Nickel (2018); Jinchuan Group International Resources Co. Ltd. (2018); Glencorn (2018); BHP Billiton Ltd. (2019); Sumitomo Metal Mining Co., Ltd. (2019); Sherritt International Corporation (2018); Eramet (2019).

In line with this, cross-border M&As play a pivotal role in the global concentration and centralization of capital in this capital intensive industry. Inco Limited is the best example. By the 1920s, as the oligopolistic face of the nickel market, three giant nickel corporations—Inco (Canada), Mond Nickel Company (Britain) and La Nickel Mining Company (France)—operated a cartel through an agreement on nickel prices, despite a rivalry among them to control the market and to develop nickel products. Mond attempted to gain influence in the American market, which Inco traditionally controlled. In 1929, due to tight competition, Mond surrendered and took steps towards merging with Inco. At the end of the day, Inco and La Nickel became the major industry players. By 1929–30, the two produced more than 95 percent of the world's nickel (Sandvik, 2009).

Ironically after having controlled this industry for nearly 100 years, Vale, a world-class mining company, formerly a state-owned Brazilian enterprise, purchased Inco in 2006–07 for US$ 17.1 billion. It is important to note that this acquisition initially resulted from the global trend in the 1990s of neoliberal structural adjustment. "The neoliberal state" under President Fernando Henrique Cardoso privatized Vale in 1997 in a transaction worth US$ 3.14 billion (Petras, 2013; Marshal, 2015; Machado, 1997; Hegenberg, 1997). At the time of the sale, Inco owned one of the world's largest integrated mining operations in Sudbury, Ontario, Canada, consisting of underground mines and refinery plants; it also operated other mines and processing operations in the country. After the acquisition, Inco entities across the globe were transferred to Vale, including PT Inco Indonesia, which ran an integrated mines and semi-processing nickel laterite operation in Sorowako, South Sulawesi. In the 2010s, Vale was a diversified mining and metallurgical group that produced nickel as well as other metal products—it is one of the largest corporations in the world. In 2013, *Forbes*, the pro-business magazine, ranked the company at 87 among 2,000 listed companies across the globe (see Table VII.2). Another example of M&A with regard to the growing stream of neoliberalism is Norilsk Nickel, a privatized, state-owned enterprise formed in post-communist Russia in the 1990s. This diversified mining and metallurgical company became one of the largest transnational mining firms in the world in 2007 after purchasing the OM group, which owned nickel operations in Finland, Australia and Botswana (Glazunov, 2013; Humphreys, 2001).

One of the major mergers in this industry was between Glencore International PLC and Xstrata PLC in 2013. The merger formed Glencore Xstrata PLC, which became the fourth-largest mining corporation in the world (Xstrata, 2012; Glencore, 2014; *The Wall Street Journal*, 2 May 2013). Prior to this merger, Xstrata took control of Falconbridge, a leading Canadian nickel company, by buying an 80 percent stake in the company for US$ 17.3 billion in 2005 (*Canadian Mining Journal* 128 No. 1, 2007:145*; Canadian Mining Journal* 127 No. 5, 2006: 11–13).

Table VII.2: Transnational Companies Engaged in Nickel Production Classified in the World's 2,000 Leading Companies (in US$ Billion), 2013

Company	Country	Number of Workers	Sales	Profit	Assets	Ranking
BHP Billiton	Australia	46,370	72.2	15.4	129.3	44
Vale	Brazil	85,305	45.7	4.8	130.4	87
Xstrata	Switzerland	40,391	32.3	1.2	83.1	202
Norilsk	Russia	83,900	12.8	3.3	18.8	385
Sumitomo Metal Mining Co., Ltd.	Japan	8,658	10.2	0.8	13.9	822

Source: Derives from *Forbes* (17 April 2013)

2. Internationalization of Production: Indonesia

Tropical laterite abounds in Indonesia in the form of high-grade saprolite or low-grade limonite ores (Elias, 2013; Arif, 2018:69–70). Non-capitalist mining and production of iron ore with rich nickel content was already under way in Sulawesi before the arrival of the Dutch (Reid, 1988:110; Henley, 2005:70–71; Pelras, 1996:69). In contrast, modern laterite nickel production on the island is relatively new, beginning in the late 1930s. In the later years of the decade, Mijnbouw Boni Tolo began mining nickel ores in Southeast Sulawesi; most was sold to Japan but also to Germany. Data shows that in 1938, the exported volume was 20 metric tons, increasing to 23,535 metric tons in 1939 and 55,540 metric tons in 1940 (Ter Braake, 1977:80–88). Meanwhile, in 1941 in Sorowako, Mijnbow Maatschappij Celebes (hereafter MMC) established an operations centre in what is now known as 'old camp'. MMC trained Indonesian workers (from Java and Manado) and built housing for several Dutch workers as well as facilities such as offices, laboratories and clinics. MMC prospected for and mined small amounts of nickel ore. It was estimated that half of the men in Sorowako worked for MMC (Robinson, 1986:79). But the company's presence in this area was short-lived as from 1942–45 during Japanese occupation, Sumitomo Metal Mining Co., Ltd. took over Mijnbow Boni Tolo's mining operations. At time, the estimated production of nickel (content of the ore) in Indonesia was 1,200 metric tons, both in 1942 and in 1943 (Davis, 1950:887).

Immediately after independence, although there was growing interest from foreign investors in this industry, there was very little progress in mining development in Sulawesi. During Dutch occupation and under the Netherlands Indies Civilian Administration (NICA), MMC personnel resumed operations for about three years from 1946 (Robinson, 1986:80). The East Borneo Company also started exploration in Sulawesi in the late 1940s but was forced to stop its activities and pulled out its workers due to political uncertainties (Davis, 1953:861–62). In addition, Sumitomo Metal Mining Co., Ltd. attempted to resume its operations in Kolaka, Southeast Sulawesi, in the mid-1950s (Davis, 1958:855). By the 1960s, though, post-war commercial production resumed, as shown by Table VII.3, with Japanese investment in the industry. In the early 1960s, state-owned PT Pertambangan Nickel Indonesia (PT Nikel Indonesia) signed a production sharing contract with Sulawesi Nickel Development Cooperative Co. (Sunideco), a company formed by five major Japanese smelter companies. In 1965, Japanese companies imported 87,578 tons of nickel ore from Indonesia, a significant increase from 52,855 tons in the previous year (Lynde, Jr, 1966:691). Under this contract, nickel ore production reached 170,600 metric tons in 1967, increasing from 10,700 metric tons in 1962. PT Nikel Indonesia was in control of management in this arrangement. In 1963, the company received mining equipment valued at US$ 1.35 million from the Japanese consortium in return for 40 percent of production output until 1972. The remaining revenues reverted to the government after the deduction of production costs (Hunter, 1968:76–78).

The internationalization of nickel production through foreign direct investment in Indonesia has developed since the late 1960s. The birth of the authoritarian New Order regime marked a new era in the nickel industry. The regime's imposition of pro-market policies was one of the important requirements necessary for this transformation, including policies related to cheap labour and the absence of labour militancy, a lesson that was still fresh after the 1965–66 butchery. These domestic conditions permitted the expansion of Inco into Indonesia in 1968. As I mentioned in Chapter V, other factors also played a pivotal role. *First*, competition as the main driving force of global mining companies spurred the industry's global expansion after the Second World War. Inco's arrival in Indonesia was a part of this era of "overexpansion syndrome." In an atmosphere of intense competition, Inco became the second company to obtain a COW after Freeport Indonesia. Inco obtained the contract after winning a tender against other foreign companies, namely, La Nickel (France), Kaiser Aluminum and Chemical Corporation (USA), and a consortium of Japanese companies. *Second*, the monopolistic mining capital extended its global domination over nickel production by controlling rich laterite nickel deposits in the archipelago. By doing so, Inco had the advantage in accessing the Japanese nickel market. *Third*, expensive production costs and the growing militancy among mine workers in Canada also likely contributed to the company's decision to expand into Indonesia.[91] In this respect, Inco's expansion thus reflects the constraints of capital to accumulate in the home country and to fix the barriers by internationalizing production or exporting productive capital to a region where accumulation is possible.

With its production of semi-processed nickel, Inco's presence marked a new era of nickel production in Indonesia. In one of the world's largest laterite ore countries, the company has built an integrated mining and smelting operation. This occurred after Inco, through its subsidiary PT Inco Indonesia (later changed to PT Vale Indonesia), built a processing plant and supporting infrastructure, such as roads, hydroelectric power plants, airports, offices, etc. in Sorowako, South Sulawesi. Ten years after receiving its COW, Inco started to produce nickel in matte, which contains 77 percent to 80 percent nickel. Production reached about 4,500 tons for commercial purposes by April 1978, a period that was immediately followed by a huge seven-year deficit, which accumulated to US$ 450 million (*The Globe and Mail*, 19 May 1994). Facing difficulties related to the fall in the world nickel price and subsequent job losses in the early years of production (*The Globe and Mail*, 26 January 1982; *The Globe and Mail*, 9 October 1984; *The Globe and Mail*, 28 February 1986), the company successfully increased its production of nickel matte (see Table VII.4). Under its long-term sales contracts, Vale Indonesia sells all of its nickel in matte to its principal shareholders—as much as 80 percent to Vale Canada Limited (VCL) and the remainder to Sumitomo Metal Mining Co., Ltd. (SMM).

[91] From the 1950s up to the late 1970s, there were an increasing number of strikes by Inco mine workers around Sudbury, Ontario and Thompson, Manitoba. There were at least 13 large strikes of nickel miners between 1954 and 1979 in these areas. Among them was a 91-day strike in 1969 involving 15,854 workers and a 170-day strike involving 11,000 workers 10 years later. The company responded to these strikes with layoffs. For example, Inco reduced its Canadian labour force from 18,000 in 1972 to 11,000 in 1979 (see Bradbury 1985:136; Clement; 1980). Swift provides a complete historical overview of the militancy of Sudbury-based Inco mine workers since the 1950s (1977:52–60). Also see Lowe (2006).

Table VII.3: Indonesia: Historical Production of Nickel Mine (metric tons of nickel content), 1938-2016

Year	Ore	Year	Ore
2016	198,900	1985	44,463
2015	129,000	1984	52,474
2014	177,100	1983	54,430
2013	834,200	1982	50,578
2012	228,000	1981	53,848
2011	297,000	1980	33,895
2010	235,800	1979	34,212
2009	202,800	1978	34,628
2008	219,300	1977	36,468
2007	229,000	1976	31,716
2006	157,000	1975	21,193
2005	135,000	1974	28,251
2004	136,000	1973	22,946
2003	144,000	1972	24,738
2002	123,000	1971	21,800
2001	102,000	1970	17,200
2000	98,200	1969	8,404
1999	89,100	1968	8.663
1998	74,063	1967	5,642
1997	71,127	1966	4,335
1996	87,911	1965	3,935
1995	88,183	1964	1,850
1994	81,175	1963	1,760
1993	65,757	1962	491
1992	77,600	1961	694
1991	71,700	1960	440
1990	68,308	1959	237
1989	62,987	1943	1,200
1988	57,982	1940	2,222
1987	57,764	1939	753
1986	59,171	1938	500

Source: Derives from USGS (1938–2016)

PT Aneka Tambang, one of the country's prominent state-owned companies, also carries out the production of semi-processed nickel.[92] In 1997, the company offered a 35 percent stake in their company on the Indonesia Stock Exchange, and used the funds generated through this offering for the development of a ferronickel III project. This diversified mining and metal company has operated a nickel mine and ferronickel plant in Pomalaa, Southeast Sulawesi since 1976; it also has mining permits and projects in other provinces. Its ferronickel plant I (FeNi) began commercial operations in 1976, followed by FeNi II in 1995 and FeNi III in 2007. Antam

[92] The company was formed on 5 July 1968 and named State Company (PN) Aneka Tambang. The company is a merger between seven state-owned companies: PT Nikel Indonesia, PN Bambang Tambang Indonesia, PN Logam Mulia, BPU State Mining Companies, Intan Martapura Mining Project, PN Tjikotok Gold Mine, and Logas Riau Gold Project. The merged company has developed the industry in an integrated manner (mining and smelting) by producing FeNi since 1976 after previously only mining nickel ores for export (see PT Aneka Tambang, 1976).

recently built a ferronickel plant in East Halmahera, North Maluku, with a production capacity of 13,500 tons of nickel. Furthermore, this state-owned enterprise also has a 10 percent interest in a joint venture of an integrated project with Eramet S.A. (ESA) to develop a nickel and cobalt mine and processing plant at Weda Bay, Halmahera Island, North Maluku. Operating under the banner of PT Weda Bay Nickel (PT WBN), Eramet S. A. through Standard Minerals (Indonesia) holds a 90 percent stake while Antam controls the remaining 10 percent, but with the option to increase its share to 26 percent. The project's planned annual production capacity is about 65,000 tons of nickel and 4,000 tons of cobalt. Table VII.4 illustrates Antam's ferrous nickel production over the past 40 years; the nickel division is a major source of the company's revenue. The sale of FeNi in 2016, for example, reached IDR 2.78 trillion or 31 percent of Antam's total net sales.

Table VII.4: Indonesia: Semi-processed Nickel Production (000 ton), 1976-2017

Year	Ferronickel	Nickel Matte	Year	Ferronickel	Nickel Matte
2017	21.7	76.8	1996	9.5	39.5
2016	20.2	77.5	1995	10.7	45.5
2015	17.2	81.1	1994	5.7	45.3
2014	16.8	78.7	1993	5.2	34.4
2013	18.2	75.8	1992	5.5	36.3
2012	18.3	70.7	1991	5.3	34.4
2011	19.6	66.9	1990	5.5	24.9
2010	18.6	75.9	1989	5.4	29.3
2009	12.5	67.3	1988	5.4	28.8
2008	17.5	72.3	1987	1.8	26.5
2007	18.5	76.7	1986	4.9	27.9
2006	14.4	71.7	1985	5.2	24.9
2005	7.3	76.4	1984	5.3	22.8
2004	7.9	72.2	1983	5.3	18.2
2003	8.9	70.2	1982	5.5	13.7
2002	8.8	59.5	1981	5.1	19.9
2001	10.3	62.6	1980	4.6	20.5
2000	10.1	59.2	1979	4.4	8.7
1999	9.2	46.4	1978	4.9	0
1998	8.4	35.3	1977	5.4	0
1997	9.9	32.0	1976	4.2	0

Note: The figures exclude nickel pig iron, which has been produced since 2015.
Source: Data for 1976–96 derives from USGS (1997–18), Antam (1997–18), and Inco/Vale (1997–2018)

While Indonesia's share of the global production of processed nickel was insignificant, the development of an integrated nickel industry in recent years is significantly changing this reality. The huge change occurred in early 2014 after the Government of Indonesia imposed in-country processing on nickel mining companies. The policy has led the country to become the main producer of global primary nickel after the significant inflow of foreign direct investment in the nickel processing industry since 2015. As a result, Indonesia produced around 205,000 tons of primary nickel. The archipelago ranked second to China as the world's primary nickel producer, the latter which produced 624,000 tons as of 2017 (see figure VII.1). Indonesia also dominates the global nickel trade as the leading exporter of lower-purity charge nickel (or nickel class II) such as nickel pig iron (NPI). The country's shares of the export were 38 percent in 2016 and 63 percent in 2017 (INSG, 2018:39). China is a major importer of Indonesia's ferronickel and NPI. In the first eleven months of 2016, the country shipped 683,000 metric tons of ferronickel and NPI from Indonesia, a sharp jump from 212,000 metric tons in the same period of 2015. Indonesia accounted for 76.47 percent of China's total import of ferronickel in November 2016 (Shanghai Metals Market, 2017).

Table VII.5: Existing Intermediate Nickel Smelters in Indonesia

Location	Product	Production Capacity per Year (ton)	Technology	installed Capacity of Power plant (MW)			Company
				SFPP	Hydro	Diesel	
Sorowako, South Sulawesi	Nickel matte (78% Ni)	80,000	RKEF	25	365	53	Vale
Pomalaa, Southeast Sulawesi	FeNi	27,000	RKEF	60	-	136	Antam
Morowali, Central Sulawesi	NPI (10-% Ni)	300,000	RKEF	130	-	-	SMI
Morowali, Central Sulawesi	NPI (10% Ni)	600,000	RKEF	300	-	-	GCNS
Morowali, Central Sulawesi	NPI (10% Ni)	500,000	RKEF	700	-	-	ITSS
Morowali, Central Sulawesi	NPI	500,000	BF	130	-	-	TSI
Morowali Utara, Sulteng	FeNi	100,000	BF	15	-	-	CORII
Konawe, Southeast Sulawesi	NPI (10–12%)	800,000	RKEF	525	-	-	VDNI
Gebe, North Maluku	NPI (10–16% Ni)	120,000	BF	300	-	-	FBLN
Obi, North Maluku	FeNi	161,740	RKEF	150	-	-	WP
Obi, North Maluku	FeNi	264,202	SAF	285	-	-	MSP
Gresik, East Java	NiOH	21,601	n/a	n/a	-	1.6	GIN

Notes: SFPP (steam-fired power plant); RKEF (rotary kiln electric furnace); BF (Blast Furnace); RKSAF (rotary kiln submerged arc furnace); SMI (Sulawesi Mining Investment), GCNS (Guang Ching Nickel and Stainless Steel), ITSS (Indonesia Tshing Shang Stainless Steel), TSI (Tsingshan Steel Indonesia); FBLN (Fajar Bhakti Lintas Nusantara); VDNI (Virtue Dragon Nickel Industry); WP (Wanatiara Persada); MSP (Megah Surya Pertiwi); CORII (Central Omega Resources Industri)
Source: PT Central Omega Resources (2019); PT IMIP (2018); Direktorat Jenderal Mineral dan Batubara Kementerian Energi dan Sumber Daya Mineral (2019).

The Ministry of Energy and Mineral Resources reported the construction of 29 nickel smelters, mostly less than 50 percent complete in 2014 (Direktur Jenderal Mineral dan Batubara Kementerian Enegri dan Sumber Daya Mineral, 2014). As shown in Table VII.5, only a few of these projects were at the completion stage as of 2019. Since investment in a smelter requires capital input on a scale inaccessible to purely domestic mining capital, most of the companies investing in smelters are subsidiaries of foreign-owned companies. For instance, in Central

Sulawesi, the Tsingshan Group, China's world-class stainless steel enterprise, controls PT Sulawesi Mining Investment (SMI), PT Indonesia Guang Ching Nickel and Stainless Steel Industry (GCNS), PT Indonesia Tsingshan Stainless Steel (ITSS), and PT Tsingshan Steel Indonesia (TSI); the latter operates at the Indonesia Morowali Industrial Park (IMIP) in Morowali Regency (PT IMIP, 2018). In North Maluku, PT Fajar Bhakti Lintas Nusantara (FBLN) is an Indonesian subsidiary of China's Zhenshi Eastern Stainless Steel Co (*Metal Bulletin*, 3 May 2017). In addition, a Chinese firm, Xinxing Ductile Iron Pipes, holds an 80 percent interest in ferronickel smelters operated by PT Mega Surya Pertiwi (MSP) on Obi Island, South Halmahera, North Maluku province. The rest are held by the Harita Group, a domestic company (*Tempo*, 15 June 2015; *Yicaiglobal*, 28 June 2018). The recent developments in Indonesia's nickel industry reflect a growing vertical integration of processed nickel production. This internationalization of production indicates a progressive expansion of China-based mining and metal capital in this branch of the mining sector.

3. Overproduction

As detailed earlier, the production of lateritic nickel ore for the global market has taken place in Indonesian territory since the colonial period, but remained limited in terms of volume of production and export. The massive production of nickel ore for the global market is a new phenomenon in recent years, especially after the issuance of Law No. 4 (2009). While governors, regents and mayors have the authority to issue natural resource-based business licenses, this Law permits local governments to authorize mining business licenses (MBLs). In regions rich in mineral deposits, it also instigates a competition between local governments in the issuing of MLBs. In the context of nickel, this initially occurred in Southeast Sulawesi, Central Sulawesi and North Maluku, the provinces rich in nickel ore deposits. Exploiting the available cheap labour, the production of nickel ores on a national scale surged, accompanied by skyrocketing exports of ores to the international market in recent years. The export volume of Indonesia was 1.2 million tons in 1988. Exports then increased significantly to 64.8 million tons in 2013, of which 90.43 percent was shipped to China (Kuck, 2016:51–58). The US dollar value of these exports also climbed sharply—from US$ 39 million in 1988 to US$ 1.6 billion in 2013. In comparison, the export volume of semi-processed nickel reached 100,500 thousand tons in 2014, rising from 58,800 tons in 1988. The US dollar value of semi-processed nickel exports grew year on year from US$ 352.1 million in 1988 to US$ 1 billion in 2014 (see Table VII.6).

While by 2014 only Vale Indonesia and Antam had in-country integrated mining and processing operations, the Indonesian nickel ore production and export boom is related to the development of downstream nickel processing overseas, especially in China. China's steelmaking growth is based on the exploitation of cheap labour and requires a significant supply of raw materials for the smelting and refining industry. One of China's advantages is its production of NPI or FeNi as the raw materials for stainless steel supply chains. In 2015, China became the world's largest producer of stainless steel, contributing 52 percent of the world's supply—a dramatic increase from 13 percent just a decade earlier (ISSF, 2016). NPI production is a much cheaper alternative to pure nickel for stainless steelmaking. China is also a leader in refined nickel production, and the country's share of the global market in 2011 was 25.87 percent. In addition, NPI production in China has been heavily dependent on laterite imports from two main sources—Indonesia and Philippines—since 2007 (INSG, 2012). *Resources*, citing the Central Bureau of Statistics, reported that in 2012, Indonesia exported about 43.09 million metric tons of nickel ore to China, an increase from 36.1 million metric tons in 2011, and a large jump from 14.3 million metric tons in 2010 (*Resources* Edisi 10, November 2013). In 2013, Indonesia's ore export accounted for 54.11 percent of total Chinese primary nickel production in 2013, increasing from 39.77 percent in 2011 (Lennon, 2014:10). In addition, China's consumption of processed nickel has surged in the last decade, primarily due to the increased need for stainless steel, which is the raw material for other industries including automotive, electronics and construction among others. In 2015, China shared 51 percent of world's primary nickel consumption, a significant increase from 17 percent in 2005 (Norilsk Nickel, 2015:15).

What we then witness is that the logic of anarchist capitalist production—that is, production for the sake of production and accumulation for the sake of accumulation—is leading to overproduction. Growing nickel production operations in China, relaying on low-cost ore production in Indonesia and Philippines, resulted in a significant and persistent increase in nickel supply to the global market. This led to a global nickel surplus that created a glut in the market and adversely affected the mineral's value. By the end of 2012, the nickel supply in the London Metal Exchange (LME) warehouse reached 140,690 tons, up from 90,516 tons in 2011. This depressed the price of nickel, which in 2012 was at an average of US$ 17,526 per ton, having fallen 23 percent from the previous year (PT-VI, 2012:23–24). As a result, mining companies' revenues decreased. Vale Indonesia pumped out revenues of US$ 967 million in 2012 compared with US$ 1.2 billion in 2011 (PT-VI, 2012:30).[93] By 2013, Vale Indonesia sold 77,180 tons of nickel matte in 2013, compared to 71,379 in the previous year, but with an average price of US$ 11,939 per ton in 2013, its revenues slumped to US$ 921.6 million. Vale's net profit fell by nearly half, from US$ 67.4 million in 2012 to US$ 38.6 million in 2013 (PT-VI, 2013:62). The fall in the nickel price also hit MBL holders. In September 2013, the Secretary General of the Indonesian Nickel Association (ANI), Anton R. Santoso, stated that 70 percent of the Associations' 150 members had been forced to temporarily suspend operations due to the price decline (*Kontan*, 9 September 2014). At the global level, the annual reports of transnational mining companies such as Norilsk, Vale and Xstrata reveal lost revenues or lost sales in their nickel businesses. In 2012, Norilsk's sales were US$ 5.2 billion, down from US$ 6.7 billion in the previous year (Norilsk Nickel, 2013:204). Vale's revenue in 2012 was US$ 5.9 billion, US$ 2.2 billion less than the company earned in 2011 (Vale SA, 2013:15). Xstrata suffered the same fate with revenues falling from US$ 2.6 billion from US$ 3.1 billion in the same 12-month period (Xstrata, 2013:5).

One of the domino effects of this price decline was job losses. In September 2012, Xstrata Nickel Australasia, a subsidiary of Xstrata, announced the temporary closure of Cosmos mining in Australia. The company reduced its labour force by about 150 positions, laying off both permanent and temporary workers (*Australian Mining*, 5 October 2012; *Mining Weekly*, 26 September 2012). Vale closed its Frood Mine in Sudbury, Canada, which had been operating for about 100 years. This closure did not lead to layoffs as the company was able to assign the effected workers to other units in different cities. The workers did complain about this situation. After working together for many years, the mine workers were a family and they were unhappy about being split up due to the closure (*CBC News*, 19 October 2012).

To protect their revenues and prevent an even deeper plunge into crisis, the transnational corporations asked the government of Indonesia to implement a nickel export ban.[94] On 12

[93] Vale Indonesia claimed that the abundant export of nickel ore from Indonesia and the Philippines to China affected processed nickel produced by companies like Vale (see *Halo Vale*, July 2013).

[94] In August 2013, a Norilsk Nickel leader met with senior officials in Jakarta where he confirmed that there was a guarantee from the Indonesian government to impose a ban on nickel ore exports in early January 2014. In mid-November 2013, Ivan Glasenberg, Xstrata's leader, met with the Minister of Industry, Coordinating Minister for Economic Affairs, and Minister of Energy and Mineral Resources in Jakarta. According to the Minister of Industry, M. S. Hidayat, Xstrata Plc. expressed interest in building smelters for bauxite processing, nickel ore and copper. The company requested that the Government of Indonesia implement the export ban policy (see *The Jakarta Post*, 2

January 2014, the Government of Indonesia issued Government Regulation No. 2014, which initially prohibited the export of raw minerals, including nickel ore. Hundreds of MBL holders through national mining associations and unions opposed this erratic policy. The desired impact was achieved—the supply of nickel ore to China dropped from 41 million tons in 2013 to 10.6 million in 2014 (*Reuters,* 27 June 2016). The policy also led to the closure of national companies that did not have downstream processing facilities. The national mining companies that wanted to survive needed to build smelter plants, which meant dealing with foreign companies. PT Bintang Delapan Mineral (BDM) is a great example of a collaboration with the aforementioned Tsingshan Group. The two companies formed PT Sulawesi Mining Investment (SMI) to build a nickel smelting plant in Morowali, Central Sulawesi. By late October 2013, Mang Faisal Emzita, a member of ANI's board of directors, said that at least 15 MBL holders had transferred majority stake in their companies to foreign entities, entirely due to the substantial funds needed to construct smelters (*Kontan*, 28 Oktober 2013; *Kontan*, 9 September 2013). In late September 2013, the General Director of Mineral and Coal Energy, Thamrin Sihite, acknowledged an increase in the foreign control of MBLs, adding that this was mostly happening in Sulawesi in relation to nickel commodities.[95]

This shows that the factions of capitalist class that did not have vertically integrated nickel operations were highly vulnerable to global competition. They were easily kicked out of competition. In order to survive, they needed to merge with or be acquired by larger companies to survive. Indonesia’s halt to nickel ore exports in 2014 resulted in the destruction of medium-scale mining companies controlled by national entities. It did, however, accelerate the global integration of national capital into transnational capital. This permitted monopolistic companies to have exclusive access to available nickel reserves.

August 2013; *Bloomberg Businessweek*, 13-19 Januari 2014; *Sindo Weekly*, 18 Desember 2013; *Coal & Minerals Asia*, 20 December–20 January 2013–14).

[95] Anticipating the sales of MBLs in September 2013, the Minister of Energy and Mineral Resources (MEMR) issued Regulation No. 27 of 2013 on Procedures and Determination of Share Divestment Pricing and Changes of Capital Investment in Coal and Mining Sectors in Mineral and Coal Mining Businesses. Article 18 states that the change of domestic investment status to foreign investment for the explorations of MBLs and SMBLs is permitted only if foreign ownership is no more than 75 percent. Additionally, foreigners are only allowed a maximum 40 percent share of MBL and SMBL production..

Table VII.6: Indonesia: Volume and US$ Value of Nickel Exports and Nickel Price, 1988-2014

Year	Ores		Semi-processed		Nickel Price (US$/MT*)
	000 tons	US$ Million	000 tons	US$ Million	
2014	4,160.1	85.9	100.5	1,058.0	16,670
2013	64,802.9	1,685.3	97.0	941.6	15,021
2012	48,449.3	1,489.1	91.9	993.4	17,548
2011	40,792.2	1,428.0	83.1	1,218.1	22,894
2010	17,565.9	532.5	112.7	1,435.9	21,808
2009	10,437.2	277.6	69.3	584.0	14,656
2008	10,592.8	524.3	104.7	1,429.5	21,068
2007	9,027.0	608.7	119.0	2,355.4	37,216
2006	4,394.1	217.8	98.4	1,266.2	24,243
2005	3,700.5	140.0	104.6	927.2	15,679
2004	3,259.0	108.4	104.4	725.3	13,830
2003	2,525.8	59.6	33.0	195.3	9,141
2002	2,640,1	50.7	1.1	3.3	6,780
2001	2,245.0	55.3	36.1	160.3	6,117
2000	1,444.4	42.2	48.0	267.7	8,865
1999	1,675.3	25.8	54.4	191.2	4,429
1998	2,215.0	27.6	35.2	108.1	4,585
1997	1,899.2	38,3	41.8	173.2	7,413
1996	1,791.2	43.0	46.1	218.7	7,410
1995	1,733.1	40.8	55.7	284.1	8,246
1994	1,498.0	27.3	63.8	227.7	6,339
1993	1,444.4	31.0	46.9	150.9	5,302
1992	1,493.5	36.2	36.1	156.7	7,006
1991	1,697.2	41.4	42.3	219.6	8,185
1990	1,364.8	39.7	34.9	188.4	8,920
1989	1,081.5	62.7	42.2	314.7	13,376
1988	1,252.6	39.3	58.8	352.1	13,635

*Yearly average price (MMER)
Source: BPS (1999, 2005, 2016b)

C. Accumulation at the Margin: Morowali in Central Sulawesi

The province of Central Sulawesi is a peripheral region within the national context of capital accumulation in Indonesia. Although the Dutch directly controlled this region since the early twentieth century and despite their interest in the area's resources, they made no significant attempts to incorporate the region into their large-scale capital accumulation. At the same time, the region's violent subjugation, Christian conversions from paganism, the commodification of rice production, the region's commercial integration of forest production into the international market, the resettlement of shifting cultivation populations, and the imposition of taxes all reveal how deeply colonial ideology penetrated society in this region (see Schrauwers, 2000; Henley, 2005; Aragon, 2000; Li, 2007a). However, the progression to large-scale capitalist accumulation does not happen overnight. The region's population has and continues to be predominantly engaged in a backwards agriculture-based economy.

Despite its uneven geographical development, large-scale capital accumulation was indeed a new phenomenon in the province following the establishment of the New Order. The development of the logging industry early in this period, followed by an increase in palm oil plantations is more recent evidence of accumulation. It was followed by the development of oil and gas industries during the post-Suharto regime. While the operators of upstream oil and gas industries are associated with national companies such as Pertamina and Medco, foreign investment is responsible for recently established downstream gas industries in the Regency of Banggai, specifically the Mitsubishi Corporation, which has a controlling stake in the Donggi Senoro LNG (DSLNG) project. In August 2015, Indonesian President Joko Widodo inaugurated the US$ 1.2 billion liquefied natural gas (LNG) processing plant and witnessed the first overseas LNG shipment (*The Jakarta Post*, 2 August 2015; *The Jakarta Globe*, 2 August 2015). Although the Suharto administration, as I have already mentioned, had an opportunity to develop nickel processing projects in the early 1970s in Central Sulawesi and on Gag Island in West Papua (Soeharto, 1974:89), the nickel industry's presence in Central Sulawesi only began in the early 2010s with the mammoth production of nickel ore for the Chinese market. This was followed by substantial foreign investment in downstream nickel processing starting in the mid-2010s, especially at Morowali. This Chinese project is one of the largest integrated upstream and downstream mining projects in the country's history, with billions of dollars invested and thousands of workers employed in its construction and operation (*Reuters*, 4 September 2014; *The Jakarta Globe*, 6 March 2017; *The Jakarta Post*, 18 June 2017).

The result is the significant contribution of the mining sector to the regional economy of Central Sulawesi. Although mining operations and processing plants are usually integrated and located at the same site, official statistics often separate the value added into mining and manufacturing (Fine and Rustomjee, 1996:78). This separation, as counted in the gross regional domestic product (GRDP) of Central Sulawesi, reveals the pivotal role of the mining industry in the region (see Table VII.7). In 2013, the mining sector shared 14.33 percent of the province's GRDP, increasing from 8.66 percent in 2010. In 2017, the mining sector shared 14.64 percent. Following the start of NPI production in Morowali in 2015, the basic metal industry shared 3.99 percent of the provincial GRDP in 2017, increasing from 2.79 percent in 2015. In addition, following the commencement of LNG production in Banggai, the industrial sector related to the refined oil and gas industry contributed 3.49 percent of the province's GRDP in 2016, increasing from 1.88 percent in 2015 (BPS Sulawesi Tengah, 2016:119). In this region, the mining industry has become a major motor for economic growth, evidenced by the GRDP surpassing the national economic growth rates. For example, during the nickel ore boom production in Morowali, the province's GRDP steadily grew between 2011 and 2013 at 9.82 percent (2011), 9.53 percent (2012), and 9.55 percent (2013), while Indonesia's GDP declined in 2013 to 5.74 percent after two years at 6.16 percent (2011–12) (Bappenas, 2015:1). While this growth was positive, it also indicates that the province's economic growth is dependent on the production and export of mineral-based commodities.

As capitalism always develops unevenly, what we witness is that Central Sulawesi remains a backward province within the national context of capitalist development. Similarly, the regencies within the province have experienced this uneven spread of capitalist social relations. Morowali is one of the regencies that can be considered as a marginal region in this sense. With a total area of 15,490 hectare, 12 square kilometres or 22.7 percent of Central Sulawesi, Morowali is the province's largest regency but remained once of its least developed regions until the mid-2000s.

Table VII.7: GRDP by Selected Economy Sector (Percentage of GRDP) in Central Sulawesi (in Constant Price, 2010), 2010-17

	2010	2011	2012	2013	2014	2015	2016	2017
1. Agriculture	37.73	36.44	35.22	33.95	34.50	31.76	29.58	28.86
2. Mining Sector	8.62	10.39	12.27	14.33	10.10	11.14	11.80	14.64
2.1 Oil and Gas	1.01	0.98	0.87	0.69	0.66	1.88	2.87	3.84
2.2 Iron/Nickel Ores	3.55	5.40	7.43	9.68	5.01	4.83	4.24	6.57
3. Manufacturing	6.62	6.32	6.09	5.80	5.96	9.81	12.04	12.50
3.1 Oil and Gas Refined	0.00	0.00	0.00	0.00	0.00	1.51	3.49	3.57
3.2 Basic Metals	0.00	0.00	0.00	0.00	0.00	2.72	3.40	3.99

Source: BPS Sulawesi Tengah (2015:101–02; 2020:103–04).

The 2010 Census recorded the regency's population as 206,322 inhabitants, the vast majority of whom remained engaged in subsistence agricultural production on small holdings. In the countryside, new forms of production relations have merely replaced the old structure of tribal relations of production, which includes independent agricultural producers with small-scale plots who rely on family members' labour. There are also relatively rich peasants who either employ daily wage workers or lease their land to landless sharecroppers. Since forest products like rattan and resin have been commoditized, this also constitutes class-based relations of production between forest-product collectors and intermediary merchants. For poor peasants who live in or near the forest areas, the collection of forest products is an important means of generating income. As most of the poor are in debt, merchants can generate significant profits after paying low prices for the products that the peasants collect. In addition, although migration to the area is not a new phenomenon, the growing production of export-based commodities—cocoa, for example—has enhanced inter-provincial migration to the region. This has led to the significant transfer of land in the countryside, where new migrants have been able to buy land from the local population (Li, 2002). Furthermore, the central government-led transmigration project that took place during the New Order has shaped the landscape of social relations—specifically land and labour—in the region.[96] However, the vast majority of this transplanted population remains in the agricultural sector, which is characterized by relatively low productivity.

Table VII.8: GRDP by Selected Economic Sectors (Percentage of GRDP) in Morowali (in Constant Price), 2002-17

Economic sector	2002	2007	2009	2012	2013	2014	2015	2016	2017
1. Agriculture	59.36	50.41	48.81	19.44	16.90	18.75	12.39	11.42	10.36
2. Mining	0.52	16.03	18.25	48.88	53.75	24.07	30.26	31.27	31.48
Oil and Gas	0.00	15.60	16.42	0.00	0.00	0.00	0.00	0.00	0.00
Nickel Ores	0.00	0.00	1.39	45.45	50.78	20.56	27.79	28.70	*
3. Manufacturing	4.19	3.49	3.42	10.88	9.47	10.75	28.08	31.85	33.92
Basic Metals	0.00	0.00	0.00	0.00	0.00	0.00	21.12	25.15	*

Note: 2002, 2007 and 2009 (constant price of 2000) and 2012–17 (constant price of 2010)
*unspecified.
Source: BPS Morowali (2007:43–44; 2012:63–64; 2017:81–82; 2018:113–14)

Splitting from the Poso Regency in 1999 under the guise of the post-New Order reorganization of regional boundaries in the archipelago for the sake of "good governance, democratization, and regional autonomy" (Aragon, 2007), Morowali also suffered from one of the worst instances of bloody regional violence in the country (Klinken, 2001; Aragon, 2001; Wilson, 2005; Dove, 2001; McRae, 2013), which has its origins in the capitalist crisis and political reforms of the late 1990s. While the violence in itself reflects a clash among the poor,

[96] Central Sulawesi province was one of the major regions to host the country's transmigration project during the New Order. The government transmigrated thousands of Javanese, Balinese and families of other populations from East Nusa Tenggara and West Nusa Tenggara to Central Sulawesi (see Sangadji, 2007b:323). The earliest academic work on this project in the province can be found in Davis (1976).

revealing its deep class nature (Sangadji, 2018), it was primarily characterized by Muslim-Christian ethnic tensions (McRae, 2013; Aragon, 2001), which the Regency's formation exacerbated. The vast majority of its population falls on one of two sides of major ethnic and religious divisions—Islam is the religion of most Bungku native people and Christianity is the primary faith of the Mori indigenous population.[97] The group that benefits from the violence and the redistricting process is none other than the Indonesian security forces, who have made personal and institutional gains thanks to their presence—both temporary and permanent—in the region (Sangadji, 2007a). This presence, of course, helps to create conditions for accumulation in the region by protecting investors' interests.

The penetration of large-scale accumulation in this region began in the late 1990s with the transfer to a giant Malaysian corporation of a palm oil plantation owned by the Salim Group. This industry has recently expanded to include the subsidiaries of the major palm oil giants in the country such as Sinar Mas and Astra Agro Lestari. These companies generate significant profits by employing cheap labour, mostly casual employees working in precarious conditions. This kind of cheap labour is semi-proletariat in character since the workers also work in their own fields during their breaks (Sangadji, 2018). Oil exploration revved up in the region in 2000 with the takeover by a Pertamina-Medco Tomori Sulawesi (JOB P-MTS) joint operation of an oil field owned by JOB Pertamina-Arco. Lastly, the Regency hosts nickel-mining operations, which have rapidly and fundamentally shaped the region's population as it is increasingly incorporated into a new landscape of capital accumulation. As a result, the mining sector contributed 53.75 percent of Morowali GRDP in 2013, jumping from 0.52 percent in 2002. Mining's share in GDRP in 2017 was 31.48 percent. To date, the nickel industry has made a significant contribution to Morowali's economy as measured by the share of manufacturing to GDRP. The Regency's GDRP showed that manufacturing accounted for 34.06 percent in 2017, increasing sharply from 4.19 percent in 2002. By contrast, the agriculture sector dropped drastically from 59.36 percent in 2002 to 10.36 percent in 2017 (see Table VII.8).

Fundamental policy changes related to Post-Suharto era decentralization opened up opportunities for the nickel ore production. Following the Law on Regional Autonomy, the 2009 Mining Law has been used to facilitate the expansion of nickel-based capital. The law allows the representative of local states such as governors, regents and majors to authorize MBL, assisting

[97] A long narrative of the native inhabitants of Bungku and Mori can be found in Henley (2005).

nickel-based accumulation in the decentralized regions. This led to the formation of hundreds of nickel companies, mostly operating in Central Sulawesi, to receive MBLs. By May 2011, the Regency of Morowali has granted more than 400,000 hectares to hundreds of MBL holders, of which the areas of at least 15 companies overlapped with Vale's CoW.[98] Rumours circulated among local politicians and journalists in Palu, the capital city of Central Sulawesi, highlighting that the issuances of these MBL concessions were motivated by the regent's rent-seeking behaviour. The overlapped mining area policies exacerbated tensions between government officials in the region. In December 2012, Head of the Department of Energy and Mineral Resource in Central Sulawesi called the National Police Force of Indonesia and The Attorney General of Indonesia to investigate Morowali Regent, Anwar Hafid, who issued 43 MBLs for the areas, which are part of concessions that belong to Vale Indonesia (*MBM Tempo,* 7 Juli 2013). By February 2014, there were about 204 MBLs in Morowali, most of them for nickel (Direktoral Jenderal Mineral dan Batubara Kementerian Energi dan Sumber Daya Mineral, 2014:7). These numbers included the existing MBLs in North Morowali Regency, which split from Morowali Regency in late 2013. By the mid-2014, following the ore export ban, the Ministry of Energy and Mineral Resources revoked 50 MBLs in Morowali, while the Morowali Regent cancelled another 35 MBLs (*Bisnis Indonesia,* 2 Juni 2014). Most of the MBL holders neither expressed intensions to build smelters nor held clean and clear certificates.

The Regency of Morowali became one of the new regions in Indonesia to host nickel ore production in the late 2000s and production has increased significantly since its inception. Other important regencies include Konawe Utara (Southeast Sulawesi province), and East Halmahera and South Halmahera (North Maluku province). As shown in Table VII.9, 12 companies operating in Morowali produced about 8.3 million metric tons of nickel ore in 2013. As the

[98] In 2012, a senior officer at Vale showed a document indicating that MBL holders had been operated inside of PT Vale's CoW area. These companies included: PT Pan China (Bahumotefe and One Pute Jaya villages, Bungku Timur sub-district), PT GSMI (One Pute Jaya village), PT Cipta Perkasa Sejati (Lalampu village, Bahudopi sub-district), PT Kayu Kreasi Meridien (Lalampu village), PT Tridaya Jaya (Lele village, Bungku Timur sub-district and Lalampu and Bahumotefe), PT Ping Xiang (Siumbatu village, Bahudopi sub-district), PT Ang and Fang Brothers (Lalampu village), PT Sumber Permata Selaras (Ganda Ganda village, Petasia sub-district), PT Bangun Bumi Indah (Ganda Ganda), PT Hoffmen (Ganda Ganda), PT GSMI (Ganda Ganda), PT Integra Service Nusantara (Tamanusi village, Soyo Jaya sub-district), and PT Cipta Hutama Miranti (Tamanusi village, Soyo Jaya sub-district). The overlapping mining concessions have been a central issue in the mining sector since the 2009 Mining Law came into force. This situation came about due to a wide range of crucial problems including local government's attempts to raise local revenues, corruption among regional government officers, the technical skills of local government officials related to the use of mapping systems, etc. Nico Kanter, interviewed by A. Sangadji in Jakarta on 5 August 2013. See also Vale (n.d.)

product is for the international market, nickel exports from this regency reached 8.06 million tons or a 17 percent share of national nickel exports by 2012. This number increased from 6.07 million tons or 15 percent of national exports in 2011. The US dollar value of the exports in those two years was approximately US$ 253 million and US$ 214 million, respectively.

Table VII.9: Morowali: Producers and Exporters of Nickel Ore, 2013

Company	Volume (Tons)
Ang and Fang Brother, PT	161,684
BimaCakra Perkasa Minerallindo, PT	268,004
BintangDelapan Mineral, PT	3,755,833
BumiMorowaliUtama, PT	260,390
Cocoman, PT	561,200
HengjayaMineralindo, PT	327,808
Itamatra Nusantara, PT	93,565
Pam Mineral, PT	55,450
Mulia Pacific Resources, PT	238,614
Pixiang Mining Industry Group, PT	114,100
Sinosteel Indonesia Mining, PT	184,574
Tri Daya, CV	2,215,403
Total	8,346,355

Source: Direktoral Jenderal Mineral dan Batubara Kementerian Energi dan Sumber Daya Mineral (2014b).

Following the aforementioned 2014 policy on in-country downstream mineral processing in which the central government started to ban unprocessed mineral exports including nickel (i.e., *Ni* content <4 percent), most MBL holders with no domestic smelters closed their operations with thousands of mine workers losing their jobs. Many small-scale mining corporations questioned this as an unfair policy, and several could no longer meet the level of capital required to invest in in-country processing. This made them vulnerable to competition and some failed. Since almost all nickel mines operate in remote locations, poor infrastructure (e.g., electricity) is the biggest hurdle restricting mining companies from investing in smelting plants. Although some companies have interests in smelter projects, only a few firms have invested in processing plants, which necessitates dealing with foreign investors due to the capital-intensive nature of such projects. In Central Sulawesi, for instance, BDM Group is the only company that continues to operate since it entered into a joint partnership with Tsingshan Group, China's major producer of NPI and stainless steel, for constructing smelter plants in Morowali. This China-Indonesia joint venture also set up PT Sulawesi Mining Investment for producing NPI. Starting construction on a smelter in 2013, President Joko Widodo inaugurated this first smelter with a rotary kiln electric furnace (RKEF), with an annual capacity of 300,000 tons (10 percent of Ni), on 29 May 2015. The project included coal-fired plants with a capacity of 2 x 65 megawatts. While the project costs approximately US$ 628 million, the company is planning to spend a total of US$ 2 billion, which includes investment in 730 megawatts of coal-fired plants, which will result in around 1.2 million of NPI produced annually. BDM Group has a 21,695-hectare nickel mining concession covering nine villages, i.e., Bahomoahi, Bahomotefe, Lalampu, Lele, Dampala, Siumbatu, Bahodopi, Keurea and Fatufia that will expire in 2025. In 2017, based on total consumption of 15.2 million tons of nickel ores in the IMIP, BDM was a prominent supplier of high-grade nickel ores to smelters in the park (PT IMIP, 2018:126). The rest came from other nickel mining companies operating in Morowali regency and other places in Indonesia. The regency is currently hosting 37 nickel mining concessions covering 92,000 hectares (Table VII.10).

By February 2014, the MEMR reported that five other companies had smelter project plans. Among the five, COR Industri Indonesia (Central Omega Group), PT Nusajaya Persadatama Mandiri, and PT Genba Multi Mineral planned to produce NPI, while Aquila Nickel and PT PAM Metalindo were projected to produce ferronickel (Direktoral Jenderal Mineral dan Batubara Kementerian Energi dan Sumber Daya Mineral, 2014:24). However, only COR Industri Indonesia has built a processing project. This company has two MBLs in the Regency of Morowali Utara, Central Sulawesi through its subsidiaries—PT Mulia Pacific Resources and PT Itamatra Nusantara. Prior to the export ban's implementation, PT Mulia Pacific had mined around 4,780 hectares since 2011, while PT Itamatra has mining rights to approximately 1,769 hectares. Since the ban came into effect in January 2014, these two companies stopped exporting but also mining nickel ore (*Kontan*, 20 Januari 2014). By June 2015, the DKFT reported that it received loans valued at US$ 25 million from PT Bank Panin Tbk that were used to finance smelter construction in the Regency of Morowali Utara. The whole project is expected to cost about US$ 400 million and will give the company the capacity to process 300,000 tons of NPI annually. For this project, Central Omega set up a joint venture company with PT Macrolink Nickel Development, a part of China's Macrolink Group. In this joint venture, called PT COR Industry Indonesia (CORII), Central Omega has a 60 percent stake with Macrolink holding the remaining 40 percent (Suara Tambang, August 2015:56)

Table VII.10: Holders of MBLs for Nickel Mine Production in Morowali (clear and clean)

Mining Company	Hectare
PT Alaska Dwipa Perdana	480
PT Ang and Fang Brother	1,113
PT Bima Cakra Perkasa Mineral Indo	199
PT Bintang Delapan Ebergi	4,902
PT Bintang Delapan Mineral	21,695
PT Bumi Routa Mining	5,690
PT Hengjaya Mineral Indo	6,249
PT Indo Berkah Jaya Mandiri	196
PT Lanona Tama	4,311
PT Mega Nur	200
PT Mineral Morowali Indonesia	154
PT Mitra Karya Agung Lestari	743
PT Mitra Sulawesi Bersama	606
PT Nursajaya Persadatama Mandiri	1,825
PT Oti Eta Abadi	3,339
PT Pam Mineral	198
PT Persada Agung Sentosa	1,397
PT Pinxiang Mining Industry Group	40
PT Prima Nusa Sentosa	175
PT Sulawesi Resources	1,440
PT Teknik Alum Service	1,301
PT Total Prima Indonesia	1,142
CV Tridaya Jaya	984
PT Wosindo Mineral Jaya	395
PT Wosindo Perkasa	477
PT Bumi Morowali Utama	2,008
PT Dua Rajawali Proenergi	5,041
PT Kencana Bumi Mineral	2,549
PT Labota Bahodopi Sorajai	608
PT Laroenai Bungsel Sorajai	256
PT Mahligai Artha Sejahtera	514
PT Makarti Padobaho Sorajai	1,135
PT Raihan Catur Putra	688
PT Topogaro Bungbar Sorajai	148
PT Dongsi Surya Mandiri	17,640
PT Indoberkah Jaya Mandiri	1,776
PT Sambalagi Mineral Prima	990
Total	92,604

Source: Derives from Dinas ESDM Provinsi Sulawesi Tengah (2018)

Mining operations began in the Regency in the early 2010s, and the integrated mining and processing of NPI commenced in 2015. This was preceded by the establishment of the Indonesia Morowali Industrial Park (IMIP) in the Regency in 2013. In October 2013, witnessed by China's President Xi Jinping and the Indonesian President Susilo Bambang Yudhoyono in a summit meeting, the heads of these companies signed a cooperation agreement to establish the industrial park. The park project is an economic cooperation zone financed by the China Development Bank, Export Import Bank, and several other financial backers (PT IMIP, 2018).

This joint project between Shanghai Decent Investment (Group) Co. Ltd. and Bintang Delapan Investama will bring the Regency into a new resource-based industry landscape. Decent, a part of Chinese's Tsingshan group, holds a 49.69 percent stake in the industrial park, while SMI controls 25 percent and Bintang Delapan Investama 25.31 percent. IMIP is an excellent example of the significant power of transnational capital in controlling natural resource-based industry, which is vertically integrated. The key transnational power player in the IMIP project is Tsingshan Holding Group. In this way, the park's suppliers and smelters are interconnected such that nickel-based processes are carried out not only with efficiency but also at lower expenditures. Rather than local metal companies, giants in the global extractive industry like Tsingshan wield greater advantage owing to the leverage of transnational capital. The group controls park management, nickel processing facilities, and their derivative industries through effective dominations in voting shares of various entities within the park (PT IMIP, 2018).

At present, the IMIP houses processing plants (i.e., NPI, stainless steels, ferrochrome, etc.), seaports, an airport with a 1,800-metre runway, and a telecom network, among others, in its 2,000-hectare compound (PT IMIP, 2018). IMIP hosts one of the world largest investments in NPI with the RKEF smelting method (Keskinkilic, 2019). Tsingshan's subsidiaries' smelters in IMIP have supplied NPI to stainless steel factories from within the same park since 2015. Funded by FDIs, these factories have further concentrated value chain production around IMIP, reducing costs otherwise incurred by offshore processing and thus generating more profits for companies within the park. The industrial park has provided more than 26,000 jobs by 2020 to serve the integrated upstream and downstream nickel-based industries in the Regency. This includes Tsingshan Holding Group's intentions to spend between US$ 4–5 billion to build a carbon steel plant with an annual capacity of four to five tons of alloy (*The Jakarta Globe*, 6 March 2017; *The Jakarta Globe*, 6 March 2017; *The Jakarta Post*, 18 June 2017). In short, China's capital turned Morowali into a world class nickel industrial park.

The park has benefited the provincial economy as measured by growing exports. Morowali's processed nickel has become a main export driver for Central Sulawesi. After the first nickel smelter in the province, which is in Morowali, started its operation in 2015, the share of processed nickel to the province's total exports reached 37 percent in that year (BPS Sulawesi Tengah, 2016:15). In 2016, 50.93 percent of Central Sulawesi's total exports were generated from processed nickel valued at US$ 797.03 million (BPS Sulawesi Tengah, 2017b). In 2017, the contribution of the processed nickel and derivative nickel products to the province's total exports increased to 61.73 percent with the export value of these commodities at US$ 1.8 billion (BPS Sulawesi Tengah, 2018:15).

1. The Formation of Working Class

A major condition for the emergence of a working class in a rural area is the separation of the rural population from the means of production, which is land. The individuals who lose control over parcels of land will need to enter the job market to sell their labour power, transforming them from independent producers into a modern proletariat. This feature of Marx's (1976) "primitive accumulation" gives birth to the historical development of capitalism. As modern primitive accumulation of the twentieth century occurs at a national scale in China and Russia (Holmstrom and Smith, 2000), what happens in other places is a sort of primitive accumulation with small-scale experiences. The latter mostly emerges in the Global South where capitalist social relations develop unevenly. The progressive expansion of industrial capitalism into rural areas that takes the form of resource-based, large-scale industries usually leads to the displacement of a rural population and opens opportunities for these displaced people to join the modern proletariat.

In the next section, I am going to highlight a process in which a proliferation of nickel mining operations in the frontier of Morowali led to changes in property social relations. Along with transfers of land into the hands of mining capital, the working class emerges as a necessary condition for nickel production but at the same time, the mining-affected population remains in place in the village to serve the system as relative surplus population.

1.1. Land Expropriation

As resource-based capitalist production requires secure access to land and resources as a necessary condition for its own reproduction, any form of spatial barrier must be eliminated. One of the major barriers is the presence of pre-capitalist property claims on land. As for mineral extraction in general, the principal condition of nickel mining is the expropriation of land that belongs to the local population. Although the population has benefited from traditional land access for their livelihoods, nickel companies easily displace these populations, whose land claims the company ignores. Many independent reports as well as academics have examined the effects of the early stage of PT Inco activities on communities in Sulawesi. In Sorowako, South Sulawesi, an integrated mining and smelting operation alienated indigenous people from their traditional land as soon as the company began its operations (Robinson, 1985). The company initially took the local population's land without fair compensation, leading to land disputes that lasted for many years. The company had a dispute with a tiny group of indigenous people, the Karonsi'e Dongi, who claim ownership of parcels of land in the concession area (see Tyson, 2008:194–225). In Central Sulawesi, especially in Bungku area of the Regency of Morowali, approximately 80 kilometres from Sorowako, Inco's presence has caused land disputes with the indigenous To Bungku in the village of Bahumotefe. The major conflicts have been over Inco's use of traditional land following an expansion project that has been widely discussed among residents since 1994. Tensions with the To Bungku arose when traditional lands were expropriated for exploration activities (i.e., drilling and sampling) and road construction. Bahumotefe residents, who produce food crops, plant cash crops, and collect forest products, mostly relying on household labour, were forced off their lands with little compensation for lost crops. The company simply ignored traditional land claims (YTM, 2010).

Since the state controls land allocation, another barrier frequently encountered during resources-based capitalist production is overlapping state policies on land use. One of these overlapping policies was associated with a government-sponsored and multilateral bank-financed, large-scale transmigration program that moved millions in the reserve army of labour or landless peasants from densely populated areas in Java, Madura, Bali and Lombok to the archipelago's outer islands. National and local NGOs have criticized the program as causing, among other problems, significant deforestation and the expropriation of local populations' land without consent or (fair) compensation. Further questions persist about transmigration as a vehicle for ethnic tension. What happened in Central Sulawesi, one of the major destinations for the transmigrated population, was the overlapping of the program site with PT Inco's mining concession area. By the early 1990s, the New Order administration transmigrated approximately 4,000 people from their homes in Java, Bali and West Nusa Tenggara to the coastal area of Morowali, which was home to Bungku inhabitants in Bahumotefe and Bahudopi villages (YTM, 2010). Each household that participated in the transmigration project received two hectares of land. In the area of overlapping land titles, the government decided to relocate the new arrivals rather ask Inco to move. By 1995, the Ministry of Transmigration and Settlement of Forest

Squatters agreed to relocate the people and the local government provided a location called Saembawalati, located in an upland, marshy plain near Tomata in the sub-district of Mori Atas (now the Regency of North Morowali). By the mid-1990s, the local government proposed a resettlement project costing approximately IDR 11 billion (US$ 4.8 million), which then increased to IDR 17.5 billion (US$ 1. 7 million) by 2001. PT Inco was supposed to finance at least IDR 13 billion (US$ 1.2 million) of the cost. The project began in March 1998 with the reclamation of the aforementioned wetland for settlement, and the construction of 300 of the planned 700 houses. The government then claimed to have relocated about 200 households, of which 40 families came from One Pute Jaya, ex UPT-Bahumotefe (Unit Pemukiman Transmigration [UPT] or Resettlement Unit for Transmigration), and the rest from the former UPT-Bahudopi (YTM, 2010).

However, the resettlement project itself was unsuccessful, largely due to poor planning. After visiting the site to see for themselves, One Pute Jaya community leaders argued that Saembawalati was an extremely unfavourable location to live. According to them, the land was too swampy to grow crops and clearly impossible for them to live on; they rejected the move. The government claimed that the area would be drained before the arrival of the transmigrated farmers. Although land reclamation was undertaken, in the rainy season it was still very wet and oversaturated. Many workers who undertook the reclamation process over a period of one year said that it was nearly impossible to reclaim the land because it lies at the same elevation as Lake Temui. When it rained the lake water spilled over onto the land (YTM, 2010).[99] The 1998 Asian political and economic crisis further devastated the entire project's viability. Insufficient funding meant that the government could no longer finance relocation. A domino effect of the crisis appeared in the form of regional violence in Poso that destabilized the region (McRae, 2013; Aragon, 2001). In the end, the government halted the resettlement project in the late 1990s. But dozens of people had already been relocated to Saembawalati, a Christian area (YTM, 2014).[100] When the violence escalated in the region in 2000, the relocated villagers were forced to move to Kolonodale, a coastal town with a Muslim majority population. Although the government attempted to again relocate these villagers, their attempt failed.

[99] Makali (One Pute Jaya village community leader), interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.
[100] Makali, interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.

Like most populations in rural Indonesia who encounter uncertainty in security land rights, including the transmigrated villagers of One Pute Jaya, land title uncertainty is of primary concern, made worse by the aforementioned policy that resulted in overlapping land claims. In 1997, One Pute Jaya became an administrative village and local officials should have provided villagers with official land certificates. Unfortunately, due to the overlapping appropriated parcels of land, the government postponed issuing the certificates. It took 10 years for the villagers to receive the certificates. In 2007, *Badan Pertanahan Nasional* (BPN) or the National Land Agency (NLA) of Central Sulawesi handed over the certificates to the landowners in unit one of the village, while the families in unit two received *Surat Keterangan Pemilikan Tanah* (SKPT) or the Certificate Informing Land Ownership. This only occurred after years of One Pute Jaya villagers' demands for land acknowledgement.[101]

However, agricultural land acquisition also takes place through a market mechanism in which the peasants voluntarily sell their land to mining companies. This kind of land acquisition began with an unresolved deal between the One Pute Jaya villagers and the local government/PT Inco. The latter had by 1999 persuaded the villagers to move, but the peasants demanded paid land compensation—IDR 40 million (US$ 5,000) per hectare. The lands were left uncultivated because of the dispute as the government did not allow the villagers to plant crops in the interim, and they lost the chance to benefit from the use of such lands during this period. In 2004, while the government and the company asked farmers to leave their lands, the villagers wanted to sell the lands at IDR 150 million (US$ 16,460) per hectare, which was significantly higher than the average price of land in the region. Following the booming business of nickel in Morowali in which some MBL holders had overlapping mining rights with PT Inco/Vale, there were transfers of disputed lands to MBL holders. On 11 March 2011, PT Pan China International invited seven community leaders to Jakarta, representing the villagers of One Pute Jaya, to discuss the transfer of land. A community leader stated that the company had promised to purchase the land at IDR 35 million (US$ 3,748) per hectare of expropriated land, with IDR 20 million (US$ 2,145) as the first payment and the rest in a second payment. The villagers rejected this scheme and the deal was cancelled. At the same time, the company also had a deal with the Bahumotefe villagers asking for compensation for land expropriation. Unlike One Pute Jaya, the peasants in this village agreed to receive IDR 35 million (US$ 3,748) per hectare for transferring their lands. The

[101] Makali, interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.

One Pute Jaya villagers then dealt with another MBL holder called PT Cipta Mandiri Putra Perkasa (CMPP) that had a 199.8-hectare concession near the village. This company agreed to IDR 35 million (US$ 3,748) per hectare for payments to 500 landowners (*Seputar Rakyat*, No. 5, 2012).[102] The company has another 6,249-hectare concession area that covers the villages of Padabaho, Bete Bete, Pu'ungkeu and Tangofa in the sub-district of Bungku Pesisir.

1.2. Social effects of environmental degradation

Capital accumulation necessarily results in serious degradation of the environment at local and global scales due to the blind desire of capital to reap profits. Such degradation cannot be situated as an external matter to the accumulation. Rather it stems internally from the logic of accumulation. In this regard, we can consider that the use of the opencast method is central to mining nickel laterite ores. It is used because ore is located close to the earth's surface, and land clearing and excavation of a large amount of materials must take place first. The removal of millions of tons of the earth's surface and the extraction of ore damages the natural environment. This method of mining relies on highly mechanized techniques and employs heavy machinery like bulldozers, loaders, haulers and dump trucks that burn fossil fuels, both of which increase labour productivity, decrease ore grade in the short-term, and speed environmental degradation. Therefore, environmentally speaking, nickel (in particular laterite compared to sulfide) production is a large contributor of greenhouse gas (GHS) emissions (Mudd, 2010: Norgate and Jahanshahi, 2011), an important contemporary issue that attracts global concern.

What needs to be highlight here is that open-pit nickel mine operations necessitate land-use changes. Despite the wider geographical scale of the problem that one could consider,[103] I want to pay attention to the local scale of environmental degradation related to nickel mining operations and their effects on the population living around the mine areas. Although most companies have officially committed to market-based environmental policies and claim to carry out environmental rehabilitation activities such as site restoration and reclamation, including post-mining revegetation, environmental destruction still occurs. At the local scale, it is due primarily to unsustainable open-pit mining in tropical forests with rich biodiversity.

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[102] Makali, interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.
[103] For example, using 2005 data to analyze the global land-use changes related to nickel mining and production, a study indicates that the changes in Indonesia reached 243,000m^2 from which the changes generated from Japanese final consumption of nickel changes accounted for 177,804m^2 or 73.17 percent (see Nakajima et al., 2017).

For this discussion, I will briefly highlight environmental degradation related to large-scale nickel mining operations by looking at the unacceptable effects on peasants' livelihoods. Open-pit nickel mining devastates land, vegetation and living organisms. Since open-pit mining mostly take place in the uplands, it generates downstream effects for rural populations whose farmland and residential areas are in the lowlands. In Morowali, all nickel companies hold concessions that overlap with tropical forests. By February 2014, the MEMR stated that the overlap between mining concessions and forest areas in Morowali reached 398,553 hectares: 145,163 hectares of conserved forest, 141 hectares of protected forest, and 253,249 hectares of combined forests called production forest, limited production forest, and convertible production forest. Thus, these large-scale nickel mining operations necessitate a considerable deforestation of uplands through topsoil removal, the excavation of overburden, and the construction of roads and other infrastructure. Consequently, in the rainy season, rivers flow across the landscape with brown alluvial sediment affecting small-scale agricultural lands. Without seizing the land, open-pit mining methods undermine agricultural productivity. For example, C. V. Tridaya, a MBL holder, mined a forest area near the village of One Pute Jaya. In the rainy season, muddy floods dismantled the village's paddy fields; some farmers were unable to harvest their crops. The villages of Bahumakmur, Keurea and Fatufia in the Bahudopi sub-district, where BDM mines around the villages' upland area, suffered the same fate. By late July 2010, flooding had damaged some houses, paddy fields and gardens; farmers suffered from livestock fatalities. About 200 families experienced the 1.5 metre flood waters, and villagers became angry with the company. By early June 2015, floods reoccurred in Bahumakmur, Bahudopi and Keurea. Local NGOs claimed that 10 houses were destroyed and 30 cows were missing or dead in Bahumakmur village. Other livestock reportedly disappeared in Bahudopi and Keurea. From the "green mining" perspective, all of these occurrences happened on sites where mining operations did not undergo a proper Environmental Impact Assessment (EIA). The head of the Morowali Environmental Agency stated that the government issued an MBL to BDM in 2010 without an EIA, and only SMI's smelter project underwent an EIA (*The Jakarta Post*, 23 May 2015).

Other socio-ecological impacts of nickel mining operations can be listed. Around the village of Gandaganda, near Kolonodale (the North Morowali Regency capital since 2013), 10 MBL holders had mining operations. As a result, 556 households (1,650 people) faced clean water shortages in the dry season. They were forced to travel about three kilometres in order to collect clean water in Kolonodale. A village leader accused the companies of operating without environmental standards. In the rainy season, mudflow poured into the sea because nickel ore production areas are located close to the shore.

In the same vein, we need to consider the impacts of nickel mining and production on coastal and marine ecosystems. Morowali regency includes a cluster of small islands with rich marine biodiversity. There are at least 168 small islands that the local government has included in the Coastal Area and Small Islands Planning Zone (*Rencana Zonasi Wilayah Pesisir dan Pulau-pulau Kecil*, RZWP-3K). Some islands are located near mining areas and are impacted by these operations. Coastal populations rely on fishing as income and as a food source but the companies made no attempt to conduct an EIA with coastal livelihoods in mind. Fishermen who have been plying Morowali's coastal waters for over 35 years told the author that mining operations had seriously affected many fishing grounds, adding that the operations had resulted in fish migration away from these shores.[104]

As a great deal of strip mining happens in nickel ore extraction areas, land rehabilitation is becoming an issue. Indonesian regulations state that mining companies are required to implement reclamation projects. Some seem to follow the law but many leave behind unrehabilitated holes when extraction is complete. BDM, for example, claimed to meet social and environmental performance indicators in its strip mining operations. During an official mid-2014 visit to mining locations 30 kilometres down a permanent haul road in the jungle, a senior BDM officer showed me a nursery as well as land reclamation sites. He insisted that the company reclaimed and revegetated around 120 hectares, adding that the company expected to complete between 150 and 200 hectares in 2014. He claimed that the company implemented what it calls "good mining practices," emphasizing its IDR 800 million (US$ 64,516) expenditure for these activities.[105] Visiting the sites of other mining companies after the export ban, it seems that many of them made weak attempts at revegetation programs. PT Hang Jaya, for example, which mined the forest area throughout the roadsides between Bete-bete village, Bahudopi sub-district and Tangofa village in Bungku Pesisir sub-district, was executing improper reclamation and revegetation. Visiting mine sites at about 300 metres above sea level, I witnessed how company employees planted *gliricidia sepium* randomly in the area, leaving

[104] EM Nima, interviewed by A. Sangadji in Pungkuelu village, 12 August 2013.
[105] Bahariawan Siagian, Administration and External Relations Manager, PT BDM Group, interviewed by A. Sangadji in Fatufia, 9 March 2014.

behind other unrevegetated holes in the period just before the government imposed the nickel ore export ban in January 2014.

We are witnessing nickel mining operations' large-scale environmental destruction of forests and coastal areas.[106] This seriously affects the rural-based reserve army of labour whose labour remains outside of the growing presence of capitalist social relations. Instead of bringing more individuals into the industry, nickel mining operations have instead kept large numbers of the rural population outside of the industry's opportunities and the accompanying environmental degradation has deteriorated their livelihoods.

1.3. Nickel Mine Workers

Historically speaking, the "active" army of labour in productive sectors in Central Sulawesi is very small in number as the province has remained a peripheral territory as capitalism has developed in the country. Indonesian Statistics shows that in February 2013, the province's working population characterized as vulnerable workers reached 68.61 percent and marginally increased to 69.78 percent in February 2016 (BPS Sulawesi Tengah, 2017c). This reveals that the vast majority of the working population belongs to the reserve army of labour as most of them belong to the traditional agriculture sector. In 2016, 45.89 percent of total working population in the province were in this category (BPS Sulawesi Tengah, 2017c). The historical development of modern capitalist social relations in this region has been associated with resource-based industries. By the early 1970s, the modern proletariat was immediately apparent with the growth of the logging industry. Over the past two decades, this working class has been involved in the growing palm oil industry in the province, including in Morowali. Since the late 2000s, the nickel mining industry has become one of the major resource-based industries in the area, employing a significant number of mine workers. This has been a phenomena of certain

[106] Unfortunately, although the government initially recognized that nickel mining operations in Morowali caused ecological damage, there were no significant actions to deal with the issue. For instance, an official team representing the Ministry of Environment of the Republic of Indonesia, the Environment Agency of Central Sulawesi, and the Environment Office of Morowali conducted a field investigation in Morowali, reporting that 15 MBL holders caused water pollution in the regency. These companies included: PT. Sumber Permata Selaras, PT. Hoffmen International, PT. Global Atlantic Ocean, PT. Integra Service, PT. Integra Technology Nusantara, CV. Amindo Surya Perkasa, PT. MerantiCiptaUtama, PT. RizkiUtama, PT. Sulawesi Resources, CV. Tridaya Jaya, PT. Ang and Fang Brother, PT. Kayu Kreasi Meredian, PT. BangunBumi Indah, PT. Citra Perkasa Sejati, and PT. SumberGraha Mining. The Ministry of Environment then considered the companies as having violated Law No. 32 (2009) on Environmental Protection and Management. By November 2013, the Ministry of Environment called for the Regent of Morowali to temporarily shut down these companies' operations. The Regent, however, did not take any action until the government's ban on unprocessed mineral exports began in January 2014.

regencies—Morowali, North Morowali and Banggai—where thousands have been working for nickel mine companies. Adding to this is the presence of the modern proletariat in the oil and gas industry in Morowali and Banggai from the mid-2000s onwards, following the development of the Pertamina-Medco oil project in Tiaka, Regency of North Morowali as well as Mitsubishi's control of the Donggi-Senoro LNG (DSLNG) project in the Regency of Banggai. Unlike nickel mining, the oil and gas industry requires fewer employees. In also considering mining and quarrying workers in the total, it shows that this sector represented just 1.89 percent of the province's total working population in 2016 (BPS Sulawesi Tengah, 2017c).

The emergence of nickel mining companies in this backward province has had significant consequences on the formation of the modern working class. The industry created a high demand within the active labouring population for skilled and unskilled mine workers. The demand was initially met by an inflow of job seekers from outside Morowali since the Regency's population initially reflected the "latent" form of the reserve army of labour who depend on the backward agriculture sector. This army consists of mostly indigenous people of Bungku and thousands of Javanese, Balinese and Sasak from Lombok. The latter migrated to the region more than 20 years ago under the government's transmigration project scheme. The population's members are involved in household-based subsistence farming, fishing and gathering non-timber forest products with low productivity. A few are rich peasants who employ daily wage workers with low wages. A small part of this population became a source of the "active" working class in the region's growing nickel mining industry. As discussed in previous sections, some within this population were displaced from their land due to nickel mining operations. This generally means that the expansion of land-based investment in the rural areas has pushed the reserve army of agriculture producers to sell their labour power. This has not always been the case. It is fair to state that many villagers have opportunities to sell their labour power to mining companies. However, labour-saving technological innovations in this industry keep most of the displaced rural population as relative surplus population. Some take the opportunity to be involved in the informal sector or in a family business serving consumer demands as the population grows in the mining area. These sectors include boarding houses, *warung* or small stalls (e.g., restaurants and kiosk), cafés and to some extent, small-scale businesses related to leisure and covert prostitution. With vast numbers of reserve armies in other territories of Sulawesi, the mining industry's development in Morowali attracted its own, many of whom are internal migrants seeking a better life. This leads to competition among the armies for jobs.

It has been difficult to count the number of mine workers in the area. By 2013, official data from the Regency's Department of Labor showed that there were about 3,829 mine workers in Morowali. However, during the peak of ore production by 2013, this record was not valid. Official sources in mining companies stated that the official numbers were much smaller than the actual numbers. A former employee of PT Pam Minerals, an IUP holder operating in the Regency of Bungku Coast, for example, estimated that the company had about 600 employees. In contrast, the local government list included 300 mine workers. My interlocutor claimed that:

> Many among my comrades who worked for the company had no contract or other official employment agreements. So the company doesn't want to release actual numbers of [their] labour force. A major reason is that the company avoided to be taxed for employees tax and other requirements related to labour issues. Another reason comes from [the] government. The local government officials were too lazy to monitor and to evaluate the company's labour force. Maybe they do not have enough money for travelling to mine areas. Therefore, these employees were not recorded on the local government's list.[107]

This also occurred at PT Cipta Mandiri Putra Perkasa (CMPP), an MBL holder operating in East Bungku that officially employed 315 workers. The company recruited most of the workers without contract agreements, especially in the final months before the January 2014 ban. At that time, the company tried to multiply the amount of mined ore. Not surprisingly, in contrast to the data compiled by the Department of Employment in Morowali, workers stated that their colleagues numbered around 600.[108] By that time, the largest company in the area, BDM, officially employed about 1,600 workers and around 400 worked for BDM contractors.[109] Meanwhile, the Spartan (National Solidarity of Mine Workers), a national organization that strongly rejected the government's export ban, claimed that the number of mine workers in Morowali was 7,000 prior to the export ban.[110] Despite the significant job decline following the ban, however, we witness that Morowali has become one of the regencies in Central Sulawesi that is hosting significant numbers of the active working class.

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[107] Albar, interviewed by A. Sangadji in Bungku, 8 April 2014.
[108] Setyoko, interviewed by A. Sangadji in One Pute Jaya village, 7 March 2014; Budiawan, interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.
[109] Bahariawan Siagian, interviewed by A. Sangadji in Fatufia village, 9 March 2014; *Seputar Rakyat*, No. 5, 2012.
[110] Personal communication with Aim K. Labungasa, prominent Spartan activist, 4 February 2014.

Mine workers with lower-level skills generally arrive from villages around the mining area. Their families are small-scale landowners and landless farm workers. The peasant background generally does not represent the capitalist relations of production, or feudal ones, but instead is closer to what Marx (1976) called a "hybrid subsumption of labor." This does not mean that the selling of labour for wages has not been apparent, since the exchange of labour power for wages takes place in the backwards agriculture sector. What I want to highlight here is that workers were forced to sell their labour power in the modern mining sector for a variety of reasons. Among the reasons is the low productivity and low wages in non-capitalized agriculture, which result in unsatisfactory livelihoods. They are mostly the first generation of their families to join the industrial working class. They become productive workers with less expertise and experience in the mining industry. These mine workers, in large numbers, occupy lower positions in the industry, filling roles such as security guards, helpers, flagmen, kitchen workers and the lower level of clerical staff. An official BDM source told me that 70 percent of company workers come from villages across the Regency of Morowali, adding that most initially occupied low positions in the organization of production due to a lack of experience and skill.[111] However, a few local individuals with university degrees occupy middle management roles and perform clerical tasks and other non-productive work.

Second, workers with adequate basic skills such as operators of heavy vehicles (e.g., excavator, grader, dozer, loader, dump truck), mechanics, electricians, foremen, grade control officers, surveyors and stockpile employees, generally come from outside Morowali. Many, especially those arriving from South Sulawesi, have experience in various large-scale industries such as mining, plantation work and in construction across the eastern part of the archipelago.[112] My survey in the area took place during a period of growing unrest among mine workers at BDM/SMI in early 2014. I found that 68 percent of the protesting mine workers came from South Sulawesi. Most of them represented the kind of workers characterized as technicians. They had initially arrived in Morowali within three years prior to the unrest. The remaining 32 percent with similar expertise arrived from other regions, both inside Central Sulawesi and outside the province across the archipelago.

[111] Bahariawan Siagian, interviewed by A. Sangadji in Palu, 4 March 2014.
[112] BDM/SMI mine workers, FGD, Keurea village, 9 March 2014; Paturusi, interviewed by A. Sangadji in Fatufia village, 10 March 2014.

Third, following the government's policy on the in-country processing of nickel, the contractors of smelter and power plant projects in the village of Fatufia, sub-district of Bahudopi, employed hundreds of Chinese migrant temporary workers. This hiring generated criticism among local mine workers. With many in the local population looking for jobs, they criticized the company's decision as completely unacceptable. Many rumours circulated among mine workers and the local population including a claim that the company employed illegal migrant workers. Some among the workers were assumed to have entered Indonesia illegally aboard ships used for transporting machineries and equipment for the ongoing smelter construction. Mine workers claimed that the numbers of workers reached between 300 and 400.[113] An official source in BDM/SMI confirmed the employment of the Chinese workers, adding that they were legally employed. In January and February 2014, their numbers reached between 200 and 300, but they were employed on a temporary basis and the majority returned home to China.[114] In mid-March 2014, the Immigration Office in Palu confirmed that SMI only officially employed 42 Chinese nationals. Recently PT COR II employed about 500 workers on its construction projects in the village of Ganda-Ganda in the sub-district of Petasia, Regency of North Morowali. Among them are 150 foreign workers. By late October 2016, the governor of Central Sulawesi called for an investigation following the rumour of the presence of 50 other Chinese nationals who were accused of illegally entering Indonesia to work on this project (*Moriwana.com*, 12 November 2016). Heightened criticism around Chinese migrant workers in the past two years is also linked to the Indonesia Morowali Industrial Park (IMIP). Rumours were widespread among the local population about the Chinese migrant workers who have been employed illegally and given unjustly higher wages. In late October 2017, one of my interlocutors, an IMIP worker and an ex-leader of a local union, set forth to convince me of the employment of thousands of Chinese nationals (between 7,000 and 8,000) employed in the IMIP. He suggested that this represents half of the total labour force in the industrial park.[115] In the midst of growing nationalist impulses in domestic politics, the inflow of migrant workers from China has cultivated a national debate among politicians whose use Morowali as a strong example. Geographically speaking, the region's growing nickel industry relies on labour supply originating from the local environs and elsewhere.

[113] BDM/SMI mine workers, FGD in Keurea village, 9 March 2014.
[114] Bahariawan Siagian, interviewed by A. Sangadji in Palu, 4 March 2014.
[115] Rasyid, interviewed by A. Sangadji in Palu, 10 December 2017.

2. Labour Exploitation

We could consider the ways in which the extraction of surplus value has become the hallmark of the growing nickel industry in Morowali. In this respect, I will discuss mine workers' exploitation by looking at some important aspects. First, under the logic of neoliberal labour flexibility characterized as lowering labour costs and supressing labour militancy, the mining companies mostly employ temporary workers. Unlike permanent workers, temporary workers are vulnerable workers. In general, this type of worker signs a labour agreement for a certain working period called a *Perjanjian Kerja Waktu Tertentu* (PKWT, Certain Period Employment Contract). In Morowali, the PKWT scheme has become the most common type of labour agreement. During my fieldwork, in the absence of a collective labour agreement, major companies such as BDM and SMI use this form for most of their workers.[116] This practice has generated widespread criticism. Some argue that it is unacceptable to use this agreement scheme for tasks that are permanent and continuous. In other words, PKWT cannot be applied to workers who have repetitive tasks.[117] However, the companies seem to exploit mine workers by flouting their employment status. The workers could work today but face uncertainty tomorrow. In doing so, mine corporations pump out more profits by weakening mine workers' bargaining position.

Second, mining firms exploit the working class through the extension of normal working hours. Law 13 (2003) on manpower allows for a 40-hour workweek plus 14 hours of overtime weekly with the worker's approval. Thus, the law allows a maximum of 54 hours of work per week. In Morowali, my interviews and focused group discussions revealed that in order to maintain high productivity, mining companies initially employ mine workers for longer working hours, more than seven hours each day during six working days. For example, since 2010, the productive workers of the BDM group (BDM and SMI), particularly those dredging and transporting nickel ore, worked about 11 hours a day, six days a week. This is substantiated by official payroll documents of BDM/SMI mine workers. The company thus employed workers for 66 hours a week, or 17 hours longer than the national average for mine workers in Indonesia, which was 49 hours per week in 2011.[118] The mine workers worked 12 hours longer than the working hours allowed by law. The mine workers in smaller firms such as CMPP have endured

[116] BDM/SMI mine workers, FGD in Keurea village, 9 March 2014.
[117] A BDM mine worker Sudarman, interviewed by A. Sangadji in Fatufia village, 9 March 2014.
[118] BDM/SMI mine workers, FGD in Keurea village, 9 March 2014.

even worse experiences, some working over 15 hours per day, six days a week.[119] In short, we are witnessing the fact that nickel mine employees in Morowali were experiencing long working hours than the average in both the mining and quarrying sector, and the entire extractive sector generally as well, exceeding the maximum hours set down in Law 13 (2003).

To pump out more value, the capitalist class seeks to intensify workload in a certain period or the intensified use of labour power during certain working hours. They induce the working class to work more intensively in a shorter period, but with higher productivity. This scenario occurred at a BDM site for a few months in late 2013. While the company put an end to 11-hour days, replaced by seven-hour days, the numbers of daily tasks was not reduced. In this respect, the company introduced an incentive wage called *upah borongan*. For example, dump truck drivers earn IDR 1,000 (US$ 0.07) per ton for transporting ore. Over a seven-hour working day, they usually carry 25 tons of ore.[120] To earn more money and increase the volume of nickel ore transported, the drivers carry more than 30 tons at one time, exceeding the truck's carrying capacity, and they drive over the speed limit. Apparently, the company was inducing its employees to work harder in fewer working hours. However, if any accidents or technical problems occur due to the operation of vehicles beyond safety standards, the worker is responsible for all related expenses, ranging from the cost of spare parts to an employee-warning letter.[121]

Third, employers exploit the working class by depressing the nominal wage. The mining industry often provides higher nominal wages than other sectors. By 2013, the national average wage in this sector was IDR 3 million (US$ 250) a month. Despite the differing wages across mining corporations, the experience of mine workers in Morowali offers the best example. The average wage of heavy equipment operators at BDM was around IDR 5.5 million (US$ 458) per month. At the same time, the average wage of an unskilled mine worker, like a helper, was around IDR 2.5 million (US$ 208) per month, above the provincial minimum wage, which was

[119] My interlocutor showed me his own official payroll document, which revealed that for 16.5 hour working days, seven hours are calculated as regular hours and 9.5 hours as overtime work. When workers work on official holidays, five hours of work are considered regular hours while 14.5 hours are considered overtime (Budiawan, interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.
[120] This figure is based on the carrying capacity of a dump truck travelling at 40 kilometres per hour for a distance of 50 kilometres for a round trip.
[121] BDM/SMI mine workers, FGD in Keurea village, 9 March 2014; Sudarman (a BDM dump truck driver), interviewed by A. Sangadji in Palu, 26 March 2014.

IDR 995,000 in 2013 (US$ 82.91) and IDR 1.25 million (US$ 104) in 2014.[122] However, one must carefully observe the facts. The higher wages mostly emerged from longer working hours. For example, the take home pay of an operator excavator employed by PT CMPP was IDR 7 million (US$ 583) per month. However, as indicated in official payroll documents, the employee worked around 411 hours per month or 15.80 hours per day for this salary.[123] The more hours they work, the more pay they will receive.

It is also important to note that for mine workers, higher wages in the region fail to accurately reflect the effective purchasing power of mine workers, those necessary for the reproduction of their labour-power. High inflation in the mining area affects mine workers' standard of living, especially those who live with family members. "Sometimes rich, sometimes poor, it is a [daily life of] mine worker," is the message in graffiti painted by a mine worker on a boarding house wall. During my fieldwork, I visited the rooming houses of the men that I interviewed, including Fatufia village. Semi-permanent rooming houses, at least six by eight feet, is typical of a mine worker's living situation. A rooming house usually consists of two rooms. In order to offset the rent, two or three unmarried mine workers usually shared one room, while married employees with a wife and kid(s) take another one. Living in a tiny, crowded space in unsanitary conditions, BDM/SMI mine workers also face many psychological issues. In the living room of one house that I visited, there were no chairs and no tables—visitors sat on a plastic-covered floor. At night, mine workers slept in the same space. Most of the workers living in such conditions were skilled and semi-skilled technicians (heavy equipment operators and electricians). A 38-year-old BDM mechanic with five years of mining experience told me:

> I have to share a rooming house with friends of workers in order to save money. Because I have to finance the basic needs of my family. Here all items such as rice, sugar, eggs, fish, vegetables, gasoline and cigarettes are very expensive. But I have to buy. I also have to buy my baby's milk in addition to breastfeeding. I must pay my motorcycle loan instalments every month. I also send some money to my parents in my village in South Sulawesi. They are too old. They can no longer working hard on our small farmland. So, money [monthly payroll] goes in my bank account that much goes out too. Working hard here is just enough to survive for a month.[124]

In short, the mine workers in the region earn far less than their basic survival costs.

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[122] BDM/SMI mine workers, FGD in Keurea village, 9 March 2014.
[123] Wawan, interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.
[124] Bahmid, interviewed by A. Sangadji in Keurea village, 10 March 2014.

Under such conditions, I found that mine workers faced serious risks to their health. For example, heavy mobile equipment operators, including those who drive heavy haul trucks, scrapers, graders, dozers and loaders faced numerous health issues. This includes whole-body vibration (WBV), hearing impairment, fatigue and decreased work performance, lower back pain, disturbances of cardiac function, respiration, metabolism, digestion and eyesight. Lower back pain disorders are the most common complaints of heavy equipment operators in Morowali. Some also claim to have temporary hearing loss related to excessive noise exposure. Furthermore, with open-pit excavation and the transportation of ore material, dust particles and their effects on the body lead to common health issues in Morowali, especially respiratory issues. Some of my interlocutors told me that they don't have time to seek medical care, saying that they took generic antibiotics to deal with acute respiratory infection: "We just take amoxicillin pills, buying from kiosks," one convinced me. They said that they were neither trained nor informed about working conditions related to health risks of respiratory and other occupational and work-related diseases. None of my interlocutors were provided with respirator masks, while some supervisors who had the masks were not wearing them properly or continually.[125] In addition, the prevalence of respiratory diseases among the population in this mining area is high. Data that I collected from the Community Health Center of Bahodopi, the mining district in Morowali, shows that 46 percent of those who availed of the local health services in 2017, or around 1,907 patients, suffered from acute respiratory infection (ARI).

The major effects arising from long and intense working hours are physical and mental fatigue. A CMPP foreman told me that workers under his supervision often fell asleep during work hours. Every day he found operators who had stopped their engines and fell asleep for a few minutes inside their heavy equipment. If this occurred, the foreman rushed to wake them up. "I know they are too tired to do their works every day for long hours . . . My job is to supervise them. They are paid for their work. So they must work. Discipline is number one here"[126].

Since the mining industry is among the most dangerous of all industries, it is essential to note that occupational accidents, which involve bodily damage resulting from working, are common occurrences in the mining industry. In Morowali, equipment-related accidents in the nickel mining production arise from various causes. Haulage accidents are a key issue. Since the

[125] BDM/SMI mine workers, FGD in Keurea village, 9 March 2014.
[126] Prasetya, Interviewed by A. Sangadji in One Pute Jaya village, 7 March 2014.

primary haulage method in open-pit mining is mine trucks, it is common for dump trucks to overturn while transporting overburden or ores to dump sites or stockpiles. Mine workers often blamed hydraulic failures of haul trucks as a major cause. The haulage accidents were also caused by slippery haul roads. Other causes emerged from truck drivers who lost control of the vehicles.[127] Mine workers told me that this kind of accident has led to fatalities and serious injuries. They claimed that at least three workers had died since the BDM began its operations in Morowali in 2009.[128]

Recently, reports have revealed details about occupational accidents at a PT SMI site. According to *Serikat Pekerja-Sulawesi Mining Investment Pabrik* (SP-SMIP, SMI Factory Union), 20 occupational accidents occurred in the workplace across all departments in 2015 (*Seputar Rakyat*, No. 1, 2016). Work-related fatalities have been more frequent since the presence of nickel smelting facilities. In late April 2016, for instance, a Chinese worker was killed after a container exploded in the IMIP (*The Jakarta Post*, 27 April 2016). In May 2017, Joko Hama Ngadi, a 50-year-old SMI worker, was crushed to death by a bulldozer (*Sultengterkini.com*, 21 May 2017). In December 2017, Tahrir Latola, a SMI mechanic, died when a machine he was cleaning was somehow turned on by his co-worker (*Sultengterkini.com*, 9 Desember 2017). In February 2018, Shan Kha, a Chinese worker at ITSS, died after falling into a vat of slag, or waste products from smelting, which was heated to 1,400°C (*Bilitamorowali.com*, 14 Februari 2018). Workers in Morowali are vulnerable to safety hazards.

3. Local Resistance/struggle

Given the discussed exploitation of mine workers and the displacement of the rural population as objective conditions, significant resistance has emerged from these subjects of population. While mine workers' struggle refers to the accumulation of capital regarding capital and labour relations, peasants' resistance is largely about primitive accumulation. Demanding a lowered rate of exploitation is a common feature of workers' resistance, while rejecting dispossession or displacement is a principal feature of the peasants' struggle. This all reflects much localized dynamics of resistance. The ways in which the struggle takes place and the result arising from it rely heavily on objective and subjective conditions.

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[127] Sudarman, a BDM mine worker, interviewed by A. Sangadji in Palu, 26 March 2014; Budiawan, a CMPP mineworker, interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.
[128] BDM/SMI mine workers, FGD in Keurea village, 9 March 2014.

The localized scale of the struggles in the study sites was actually coordinated at higher scales—regional and national. This emerges from the deep involvement of what is called "new forms of social movement," which have served to articulate the interests of peasants, workers and other segments of society over the past two decades (Li, 2007a). One of the special features of the social movement in Central Sulawesi is a close collaboration between civil society-based organizations, or NGOs, and leftist organizations. This relationship has nothing to do with the subordination of one to the other. Rather, it initially emerges from the activist roots of many NGO workers in Central Sulawesi who belonged to leftist organizations such as PRD or affiliated organizations such as LMND (*Liga Maha Nasional Demokrasi*), FNPBI (*Front Nasional Perjuangan Buruh Indonesia*) or others. This connection has resulted in a very dynamic NGO movement in the province since the late 1990s. In addition, the PRD and its affiliated organizations have actively organized peasants and workers who initially found themselves in disputes regarding land or labour issues with government-supported corporations. Unlike NGOs, PRD/FNPBI/LMND have advocated for peasants and workers by raising their consciousness beyond the concrete disputes of accumulation and displacement. Without neglecting the spontaneous faces of the disputes, the organizations teach the peasants and workers to consider abstract problems regarding capitalism and alternatives. They teach the latter about the demands of forming organizations in order to resolve problems.

Only within this framework should the growing resistance/struggle in Morowali following the expansion of the nickel mining industry be considered, but without neglecting many other initiatives, including spontaneous grassroots resistance. In this respect, attempts to develop class-consciousness among workers in Morowali can be interrogated from the lens of FNPBI, which was involved in the resistance. Following an industrial relations dispute in the early months of 2014, some BDM and SMI mine workers joined FNPBI. These workers then established FNPBI-based unions for BDM and SMI employees. PRD and its affiliates appeared in the region in the early 2000s. Some of the PRD's activists or ex-activists have experience in organizing peasant resistance in the Regency.

3.1. The Resistance of Peasants

The progressive flow into Morowali of resource-based investments, including oil and nickel, has resulted in various kinds of (violent) conflict arising from displacement practices. Nickel mining has disrupted villagers' livelihoods, which, in turn, has fueled organized resistance among peasants. While NGOs such as *Jaringan Advokasi Tambang* (JATAM or Mining Advocacy Network) are highly critical of the environmental impact of nickel mining operations in the region, peasant resistance should be considered the spontaneous resistance of displaced peasants. Resistance at the local level has risen significantly around nickel mining project sites despite the local population receiving some benefits from companies through corporate social responsibility programs, for example. Although mining projects have also created modern wage earners, only a few villagers have become part of this active working class. In many ways, the opposition at the village level to these projects shows not only a manifestation of fear of land seizures and environmental degradation because of enclosure, but is also an expression of defending their lands from the progressive expansion of mining capital.

Morowali is an empirical example of this sort of dispute, and peasant resistance to nickel-mining capital has endured since the mid-1990s with the reinvention of indigenous people's rights in response to the growing expansion of resource-based industries. This expansion has been displacing farmers who have lived in the region for generations and claim land used for subsistence farming or export-based crop production. The farmers who have lost land draw on customary land claims when they face the corporation's land claims, which are based on the government's official record of land property. Local farmers then present these customary claims under the banner of indigenous peoples. Indigenous language is a contestable term (Li, 2007b), however, in which the identification of indigenous people comes from a wide range of actors including the World Bank, governments, local politicians as well as NGOs—all with different intentions. In this respect, I strongly reject an essentialist characterization of indigenous people as "a group that possesses a genealogy in a specific geographical area, as well as a distinct system of value, ideology, politics, economy, culture and territory" as the Indigenous Peoples Alliance of the Archipelago advocate (Sangadji, 2007b:321).

However, I would argue that the employment of this identity must be acknowledged as the greatest advantage for the locals in their arguments to defend their rights. In my view, the major tendency of the application of customary identity in making a land claim is not merely a kind of romanticization of the past. Rather, it rejects the authoritarian character of capitalism, which threatens all of the locality's unique characteristics, including ethnic identity, household-based small-scale agriculture, non-capitalist land uses, and customary land rights. By converting significant sections of formerly agriculture and forest land into mining concessions, the creation of the new landscape of capitalist production system threatens the locals. This is a material reason why farmers come to use the language of customary rights— it increases the likelihood of successful claims to resources. In Morowali, farmers mostly refer their claims to the home places of two major ethnic groups—the Bungku and the Mori. It is also not surprising when farmers go beyond limiting their claims of ownership to their own parcels of farming land and extend their claim to the forest. The latter provides forest products, and in many cases these forests have been used since the time of one's ancestors for shifting cultivation. Making custom-based land claims, therefore, enlarges and complicates the scale of resource disputes. This mostly leads to direct conflict with government forestry officials over policies that initially ignore traditional claims to the forest. However, while issuing a license to a company, the government employs the mindset that all forests are state owned and fully government administered. This is one of the most significant problems in contemporary resource politics in Indonesia, which subordinates customary land and other non-state resource claims into state policies for investment purposes (Fitzpatrick, 2007). Thus, from the position of peasants who oppose their displacement, the language of identity is employed to counter this sort of state-led enclosure. In this respect, the opposition must be understood as a part of struggles against capitalism. As the use of indigenous identity in land claims has grown since the mid-1990s (Li, 2007a), peasants in Bahumotefe has used the legal system to reject Inco/Vale exploration projects as a threat to their livelihoods.

As the region also hosts an inflow of agricultural migrants, peasant opposition to the expansion of mining capital emerged from land disputes. The transmigrated villagers of One Pute Jaya had for years resisted the resettlement project related to Inco's expansion in the area. Since the mid-1990s, residents of Bahumotefe and One Pute Jaya have repeatedly employed various methods, including official letters and direct action, to express their short-term demands to the government. On 10 February 2009, 100 villagers took direct action at Vale's field office in Lele village, Morowali. They demanded IDR 150 million (US$ 12,573) per hectare as compensation for their lands. In the next two days, 200 villagers protested at the Office of the Regent, calling for a moratorium on Vale. Some of the protests led to violence, similar to the outcome of a February 2012 action when 300 protesters burned down a Vale camp, five of the company's vehicles as well as equipment at "Kilometer 9" near One Pute Jaya village. They demanded that the company withdraw from Morowali because Vale's presence had alienated local farmers from their lands (YTM, 2012).

During the nickel mining expansion under the MBL program in recent years and its disruption of the lives of locals and their communities, similar resistance has frequently erupted. A major protest in Bahumakmur village followed a devastating 2010 flood. As BDM mined in village uplands, the residents demanded that the corporation take responsibility for the disaster. The transmigrated peasants crowded into BDM's office and angry protesters then destroyed some of the facilities. The company estimated the losses at around IDR 7 billion (US$ 882,167). This protest led to the criminalization of community activists after the police arrested four villagers, accusing them of being provocateurs.

3.2. The Growing Resistance of Mine Workers

My fieldwork indicated sophistication in the mine workers' struggles in Morowali. Faced with the objective conditions of exploitation, mine workers had a little choice but to spontaneously resist mining capital. This study also found that mining capital and state apparatus reactions to the struggles were largely based on intolerance. It was true that capital made a few minor concessions, but they had a little impact on mine workers' living conditions.

Morowali's mine workers have participated in organized struggles since 2012, opposing the labour exploitation that is prevalent in the nickel mining industry. In early 2012, a number of BDM mine workers lodged complaints concerning issues such as uncertainty over employment contracts, overwork payment, independent union formation, and social insurance for employees. Some mine workers in the heavy equipment division also questioned the long working hours; they work on average 11 hours daily, six days a week in two shifts—the day shift (6:00 am to 6:00 pm) and the night shift (6:00 pm to 6:00 am), implying one hour is a transition shift. These issues have become major concerns among the company's hundreds of workers.[129] Mine workers in other companies mostly demanded wage increases. These objectives and peculiar conditions of life and work have cultivated mine workers' resistance.

While class struggle manifests in various ways, one of the most prominent is the labour strike. This vehicle of struggle can occur spontaneously due to occupational resentment. Beginning in May 2012, about 400 mine workers, mostly locals from Morowali, went on strike.

[129] Sudarman, interviewed by A. Sangadji in Fatufia village, 9 March 2014; BDM/SMI worker, FGD in Fatufia village, 9 March 2014.

They claimed to be members of a local union called *Serikat Pekerja Lingkar Tambang* (SPLT), and paralyzed the mine operations to call on MBL holders to implement an employment contract for all workers in light of their paltry wages and prospects of layoffs. They asserted their rights to form or join independent unions and demanded just compensation for overtime work and social insurance, among other demands. In response, only BDM and a few other companies granted their workers accident, life and retirement insurance. After the strike, two unions immediately appeared—SPLT and the Union for BDM Group—that served the growing participation of mine workers and as a collective strategy for improving their living conditions.[130] However, while most mine workers are nonunionized, the unions are footless organizations in nature. Strikes also took place in smaller mining companies led spontaneously by nonunionized workers. These included workers demanding a shipping bonus who went on strike in Tridaya in December 2012. Their actions paralyzed overseas ore shipping for some weeks.[131] CMPP workers were on a two-day strike in the mid-March 2013 demanding wage increases. The striking workers returned to work after arriving at an agreement that reflected their demands.[132]

Widespread disputes between mine workers and their employers were immediately apparent following the government's export ban announcement. Most workers were disappointed with their companies' new policies anticipating the ban's implementation. By mid-August 2013, hundreds of BDM mine workers went on a week-long strike in response to the company's plans to implement a three-month contract work scheme scheduled to last until December 2013. The employees rejected the scheme, arguing that they had worked for the company for years but this loyalty was being disregarded with these short-term contracts. Workers argued that the company just needed their cheap labour until the export ban deadline on 12 January 2014. They also opposed the long working hours prescribed in their contracts. The short but effective strike crippled the company's operations. Only under the local government's intervention, through the so-called "Tripartite" consultation, were the issues resolved, if only for the short term. The company was compelled to extend the contracts, implement a seven-hour working day rather than the hitherto eleven-hour working day. BDM issued a new contract for most workers under a new scheme for permanent workers called "*perjanjian kerja waktu tidak tertentu*" (PKWTT or

[130] Suryadi, a SLTP leader and strike organizer, interviewed by A. Sangadji in Keurea village, 20 December 2012.
[131] Moh. Safar (a Tridaya worker), interviewed by A. Sangadji in Bahumotefe village, 20 December 2012.
[132] Budiawan, a CMPP worker, interviewed by A. Sangadji in One Pute Jaya village, 10 March 2014.

an employment agreement for an indefinite period). It seemed that the workers won the battle.[133] However, it was very difficult for the company to continue to employ the workers after the export ban when they had to cease production of nickel ore until processing facilities were ready to operate. At the time, though, smelter construction was less than 50 percent complete. To keep its workers on the payroll, the company preferred to offer them jobs related to nursery, reclamation and infrastructure projects in other divisions. The termination of these workers' contracts, though, would come. By early March 2014, the company terminated about 200 mine workers' contracts.[134]

The peak period of workers' protests occurred post-export ban. On 6 February 2014, more than 1,000 protesters—nonunionized mine workers and locals under the banner of Spartan (*Solidaritas Para Pekerja Tambang Nasional* or National Solidarity of Mineworkers)—led by ex-LMND and FNPBI activists—rallied in Morowali's local parliament in Bungku. Protesters called on the government to take responsibility and pay compensation for the 1,000 workers in the industry who were laid off following the imposition of Government Regulation No. 1 (2014). The protesters also demanded that the government revise the regulation to avoid further layoffs. They asked members of the local parliament to write a letter to Indonesia's president describing the policy's deteriorating effects on the Morowali economy (*Sulteng Post*, 7 Februari 2014).[135]

BDM, the only company that was operating, encountered further labour unrest. Heavy equipment workers waged protests after management transferred them to other divisions, as mentioned earlier. Some rejected the move, knowing that they had no experiences in their proposed new jobs.[136] In response to this dispute, the company laid off 17 workers. Among them were key organizers of the previous strike. Some dialogue and negotiations with the workers and management did take place—facilitated by ex-FNPBI and LMND activists—but these mostly ended without results. Workers then scaled up their protests to the regency and provincial levels. By 3 March 2014, the workers and student activists protested at the Regional Office of Manpower and Transmigration Department in Palu, Central Sulawesi's capital. Some PRD and FNPBI activists stood with the workers. The protesters rejected the BDM's unilateral actions. The officer promised the protesters that he would call the company to resolve workers' issues.

[133] BDM/SMI workers, FGD in Fatufia village, 8 March 2014.
[134] Bahariwan Siagian, interviewed by A. Sangadji in Palu, 4 March 2014; BDM/SMI mine workers, FGD in Fatufua village, 8 March 2014; Sudarman, BDM mine worker, interviewed by A. Sangadji in Palu, 23 March 2014.
[135] Aim K. Labungasa, personal communication via phone call, 7 Februari 2014.
[136] BDM/SMI workers, FGD in Fatufia village, 8 March 2014.

By 12 March 2014, the Governor of Central Sulawesi and the Regent of Morowali visited the SMI smelter plants under construction. About 300 BDM and SMI workers waged an angry protest at its entrance gate. The workers expressed several demands including compensation for laid-off workers, no discrimination in treatment for all workers, and a lawsuit against perpetrators of sexual harassment against female workers in the workplace. At the same time, they forced the company to repatriate its Chinese workers and give priority to Indonesians. While dozens of police officers, armed soldiers and intelligence officials placed the protesters under close surveillance, I was there when a leader for the striking workers gave a speech in the front of his comrades:

> We have given our sweat, blood and tears to the companies. We just demand justice. We reject the way companies lay us off. The company must provide compensation according to the law. Shame, we were laid off, even though hundreds of Chinese workers were brought here. We want the governor and regent to hear our voice, not only the voice of the company.

Some regional NGO activists, student activists, and leftist-style activists joined the protest. Adi Priyanto, chair of PRD in Central Sulawesi, gave a speech to the crowd of protesters. Expressing solidarity with the protesting workers, he also brought up broader issues, including the need to develop what he called the “national industry.” This attracted the workers’ attention. More than half of the protesters kept on the strike for a couple more days to include in their demands the repatriation of some 400 Chinese workers who were reportedly illegally employed. Meanwhile, most women workers decried sexual harassment at the workplace and threatened lawsuits. All of them protested against low wages and, in a show of force, crippled the ongoing smelter construction. The protest led to some violent incidents that further crippled the project. More smaller-scale protests followed. By the end of March 2014, more than100 workers and some student activists returned to the Parliament to raise their concerns.

Following the construction and later operation of the SMI-owned smelter that opened in 2015, there have been a series of strikes. The majority of the employees in Morowali, however, have yet to collectivize in unions. Nevertheless, many nonunionized workers have joined massive strikes. On 2 March 2015, 1,500 workers went on a one-day strike, demanding increased regional minimum wages (for BDM employees), bus transportation for workers to and from the workplace (requested after accidents had occurred during workers’ commute to the site) as well as a bus stop for each village where workers lived. The mine workers also called for the company to provide protective equipment including special clothing for workers who spent their days in the smelter's extreme heat. The company did not accept their workers' demands. Less than a month later, on 28 March 2015, more than 1,000 workers went on strike. Workers called for the company to withdraw Bahariawan Siagian from his job as a human resources manager; they accused him of having an anti-worker attitude. This was followed by a 1 May 2015 strike when 3,000 workers from all divisions went on strike during the night, leaving only a few workers on the night shift. They blocked the smelter plant's access road, partially paralyzing its activities. The mine workers called the strike "1,000-candle light protest," demanding that the company show humanity to its employees. By 25 June 2015, 320 BDM mine workers followed suit, striking to demand a wage based on the Regency's minimum wage, which was IDR 1.8 million (US$ 138) per month in 2015. The company was reportedly paying foremen and heavy equipment operators around IDR 1.5 million (US$ 115) per month (*Seputar Rakyat*, No. 1, 2016).[137] Prior to the strike, FNPBI members in BDM, a PRD-affiliated union, attempted to resolve the wage issue, calling for a Tripartite Meeting. However, the Regency Office of Manpower and Transmigration did not respond to the request and at the same time the company completely rejected the demand for increased wages.

Workers continued to demand better pay and working conditions during 2016. A massive strike occurred on 15 January 2016. Workers were calling for a wage hike to IDR 2.3 million (US$ 167) per month and for a new minimum wage for the Regency. This time, the company was ready to accept the workers' demands. However, Governor of Central Sulawesi rejected it, arguing that the amount was too high. At that time, the minimum wage for the province of Central Sulawesi was IDR 1.6 million (US$ 116). The strike resulted in the accommodation of workers' demands. The governor revised the decree by introducing a sectoral minimum wage for the Regency of Morowali. The two-and-a half day strikes were mostly attended by nonunionized workers. However, trade unions such as FNPBI, SP-BDM, SP-SMIP, and Gerlita initiated and led the strikes. On 1 June 2016, BDM workers went on strike protesting the overtime policy, arguing that it conflicted with the Labour Law (2003). By 2 October 2016, BDM workers were once again on strike demanding overtime payment. In response, the company fired 159 workers, which generated a protest on 15 November 2016 when workers demanded their colleagues return to work. The company accepted this demand, but did not put in place any concrete steps to

[137] Syaiful, a BDM prominent union activist, personal communication via phone call, 12 September 2015.

implement it (*Seputar Rakyat*, No. 1, 2016).[138]

While on strike, the workers faced conditions and situations that were more complicated than what the majority of strikers would have expected. Police came to the site when the factories closed. As tension increased, some strikers were arrested. On this battleground, workers found themselves fighting not just against the direct exploiter but also against political representatives of capital such as government officers, the police and army troops. Reacting to the mine workers' growing militancy in Morowali, dozens of armed soldiers and police officers appeared on the scene during the protest against SMI on 12 March 2014. Over the next two days, SMI workers counted around 20 soldiers and 115 police officers protecting the plant and surrounding area under construction. A number of local people, allegedly sponsored by security forces through covert operations, attacked mine worker activists in a rooming house, the base of the workers' resistance, in Fatufia village. Manipulating existing racial tensions, they accused individual workers who led the protests as migrants from South Sulawesi. The attackers blamed the workers, misleadingly accusing them of resisting the smelter project that would benefit the local population. It seems that the officers employed cockfight tactics among the working population in order to weaken the protesters. The *Polres* (Morowali's sub-regional police) also arrested and detained Kasmat, a 19-year-old SMI worker, for over a month on charges of threatening behaviour during a strike that occurred on 13-14 March 2014. SMI then unilaterally fired seven workers following the strike (YTM, 2014). It seems that in order to overcome growing worker resistance, the first target and scapegoat of both security officials and the company was the individual mine worker.

Furthermore it seems that the growing disputes between mine workers and corporations have potentially turned the industrial park in Morowali into a militarized zone. In order to protect the growing investment in Morowali, rumours regarding military surveillance have circulated since 2016. These included a government plan to deploy a military base close to the park, which would include an infantry battalion and navy. In addition, in early March 2017, according to a Ministry of Industry press release, the Indonesia Morowali Industrial Park asked the Government of Indonesia to assign the park status as a national vital object (Kementerian Perindustrian, 2017). This implies that in order to protect capitalist property and capitalist relations of production, protests in the park will be prohibited according to Law No. 9/1998 (*State Gazette* of

[138] Hendy (a SMI worker), personal communication via phone call, 24 December 2016.

1998, No. 181 and *Supplement to State Gazette*, No. 3789). As a vital object, according to Presidential Decree No.23/2004, the Indonesia police force can be deployed to protect the park.

D. Conclusion

The overall process discussed here is one of global monopolistic capital becoming the major face of accumulation in the nickel industry. We have witnessed the increasing globalization of nickel production in a particular place. The rise of China as a global economic powerhouse has generated a growing need for cheap raw materials such as ores and processed nickel supplied by resource-rich countries like Indonesia. As it has recently occurred in a nickel-rich frontier region like Morowali, the IMIP's current development as a world-class industrial centre is its integration of the upstream segment of nickel mining with the downstream facilities for diverse processing facilities. Together, they form a value chain production for multiple commodities generated within a short spatial distance with reduced production costs, which could be offered at low prices. An array of factors contributes to the overall coordination and management of this supply chain. The central problem is that the underlying characters of this globalized accumulation have been accused of displacing local populations, of tremendous exploitation of cheap labour, and of environment abuses.

Accumulation leads to class struggle, which is a war between capital and labour over the production of surplus value. The impressive progress of the nickel industry in Morowali has also triggered the increasing collective struggles taking the form of strikes, protests, roadblocks and the like demanding economic needs. The mine workers in Morowali generally reject the existing rate of exploitation, demanding better wages and living conditions. These have taken the form of economic struggles. Morowali has been witnessing the growing resistance of nickel mine workers. Their collective struggles indicate a growing consciousness of sharing common outrages perpetrated by the exploiters.

However, the struggle is still too weak to threaten mining capital. Most mine workers in Morowali, who always take part in struggles, are nonunionized workers. This implies that an objective condition of exploitation in the workplace generates common grievances among workers. However, uneven development of mine workers' consciousness limits the struggle for being radical. This weakness is rooted in the absence of radical unions or progressive elements of the working class to raise class consciousness among the working population. The sporadic and ad hoc features of the mine workers' struggle in Morowali reflect subjective features of the limitation of the workers' struggle against exploitation.

The accumulation of capital in nickel mining also generates a variety of forms of intense conflict due to the associated displacement of peasant producers comprising "primitive accumulation" and/or "accumulation by dispossession." Land expropriation as a principal condition for accumulation and socio-ecological disruption at the local scale that emerges from environmental degradation affects the livelihood of the rural segment of the relative surplus population. These have led to spontaneous and localist features of peasantry resistance. Peasants' losses on the local battleground against mining operations reflect the capacity of mining capital to overcome land-based barriers related to non-capitalized agriculture.

Capital accumulation, class struggle and other forms of resistances, as they occur in the growing nickel industry in Morowali, must be understood through the lens of the larger-scale existing order of the country's political economy, which is integrally part of global capitalism. This hierarchal scale of political economy serves capital accumulation and its dominant political and cultural aspects to the detriment of mine workers and peasantry. These structural settings restrict significant changes in mine workers' living conditions and peasants' livelihoods. Therefore, future possibilities for a great transformation of better living conditions among working populations necessitate not only a battle over wages, working hours and working conditions but also a battle for toppling the capitalist system of production. This necessary war can only be facilitated by large-scale political struggle that brings together all segments of subordinate classes—workers and peasants. The struggle must be on multiple spatial scales, ranging from local to global resistances.

SECTION FOUR

CHAPTER VIII: CONCLUSION

A. Introduction

I have to make some important qualifications before drawing some conclusions from the materials that I have analyzed. I began this dissertation with a set of basic research questions: How should we theorize the state and its relationship to capital accumulation in the mining industry? Why does that theory of rent fit to bridge the relationship between the state and accumulation in the mining industry? How does class struggle link to the theory of rent? How should we theorize historical capitalism in Indonesia? How have state and mining capital interacted under the historical development of capitalism in Indonesia? What specific conditions underpinned the accumulation of mining capital in the country? In answering these questions, the objective of my dissertation is not to construct a theory of state and capital accumulation. Instead, I have attempted to develop a conceptual framework concerning relations between the state and capital accumulation in the mining industry from the lens of Marx's theory of rent. This framework, however, consists of many different but interrelated parts that cannot to be covered in a single research project. What I have been concerned with is to add class struggle to this theory of rent and to historicize this framework into the mining industry within a broader context of capitalist development in Indonesia. In this respect, this dissertation also provides a specific conception of historical capitalism for Indonesia.

B. Capitalist Development, State and Capital Accumulation in the Mining Industry in Indonesia

After investigating and analyzing the special features of the mining industry and its historical dynamics under the historical development of capitalism in Indonesia, I will limit my concluding notes to a few key points.

1. Historical Results of Investigation

Since global capitalism exists in the peripheral economy of Indonesia, it is very important to scrutinize its historical development. The country's capitalist development is associated with Dutch colonialism. The archipelago's incorporation into the world capitalist system started in the early days of Dutch colonialism in early seventeenth century via the Dutch East India Company (EIC), a Dutch "merchant warrior" (Brandon, 2015). A long-term series of bloody clashes orchestrated by Dutch colonialism in the archipelago (e.g., Zanden, 1993; Kemasang, 1982; Reid, 1969; Groen, 2014; Carey, 1986; Nordholt, 2002) reflect a long process of pre-capitalist societies' destruction alongside their gradual integration into the capitalist mode of production. This can be concluded as a long process of primitive accumulation, the pre-history stage of capitalist social relations, in the archipelago. Capitalism's emergence in Western Europe (Rodney et al., 1976; Aston and Philpin, 1987; Wood, 2002; Dimmock, 2014), including its internal dynamic development in Holland (Bavel, 2007, Bavel, 2010; Brandon, 2011, 2015) and its expansion to the archipelago via Dutch colonialism must be understood as a global dynamic of historical capitalism. In this way, one can develop a better understanding of capitalim's historical development, not only in the centre of world capitalist countries but also in ones on the periphery like Indonesia.

It must be noted that a capitalist society and capitalist social relations began to emerge in the archipelago in the mid-nineteenth century, referring to the exploitation of free workers in the production of sugar in Java for the global market (Knight, 1982, 1988). The large investments being realized in the late nineteenth century onwards in diverse productive capitals (such as petroleum, minerals and plantations), financial capitals, commercial capitals and other fixed capitals for railways, ports, etc., intensified the appropriation of surplus value in the archipelago. Needless to say, capitalism exploits all segments of the working class all over the world. The super-exploitation of cheap labour based on a labour regime of colonial oppression became central to producing resource-based commodities—mostly raw materials for the global market (e.g., Houben et al., 1999). In this respect, the colonial state played a central role. The state guaranteed the whole process, including the use of violence to deal with various forms of spatial barriers ranging from principal conditions for investment to economic and political forms of class struggle. In short, this colonial experience has contributed to the long process of Indonesian society's integration into the global hierarchy of capital accumulation.

The Indonesian National Revolution of 1945, as a bourgeois revolution, gave birth to an independent nation that was a peripheral country within the geographical structure of global capitalism. During the first 20 years of the post-independence period, global accumulation in the country encountered barriers related to the war for independence, Cold War-driven regional insurgencies, and growing class struggle. However, in the midst of the Cold War, the massacre in 1965–66 marked an official end to the Indonesian Revolution, which returned the country to a state where it was regulated by the market. The most important part of this was the reconsolidation of the capitalist state of the New Order along the line of the market imperative. The counter-revolutionary state of the New Order supported the production of unprocessed and semi-processed raw materials for the global market ranging from minerals to agricultural products and the production of manufactured products (durable and non-durable goods). A large mass of the reserve army of labour in the country provided available cheap labour for the production of such commodities. This specific capitalist development relied heavily on the export of capitals arriving from developed countries, supported by imperial states, seeking a high rate of profit. This feature of exploitation was supported by the authoritarian Suharto regime's deep political oppression across all segments of society. In this sense, capitalist exploitation in this territory is mainly associated with imperialism. This simply means a ruthless exploitation of labour orchestrated by monopolistic factions of the transnational capitalist class. As a result, the country experienced remarkable economic growth for decades.

Following a cyclical crisis of capitalism in the late 1990s, the neoliberal doctrine was used to fix the slump. Multilateral market institutions imposed economic reform policies that enhanced global accumulation, as confirmed by the influx of foreign direct investment and cross-border mergers and acquisitions. Despite its messy transformation, the so-called (political) Reformasi is nothing but a principal condition for accumulation. Global capitalism is increasingly regulating the post-Suharto state. Providing conditions for flexible accumulation, the state is playing a central role in pushing economic growth. Regional and local states compete with each other to promote and host new investments.

An important note should be made. Under the tremendous economic growth since the New Order, we witness the growing capitalist class in Indonesia that we can call the domestic or national capitalist class (see Robison, 1986). During Suharto's authoritarian, a few tycoons benefited from close connections with Suharto or his family members. Some have expanded their business operations outside of the country. Indeed, the significant growth of this passport-based capitalist class is not merely a domestic affair in isolation. Rather it has resulted from the rapid integration of the national economy into global networks of production, finance and commerce over the last several decades. We should also characterize a special feature of capitalist development in Indonesia—a remarkable presence of state-owned enterprises (see, e.g., Robison, 1986; Siahaan, 2000). State capital is involved in the production of value in diverse lucrative economic activities. In spite of the strong presence of the state in accumulation via state capital, it is undeniable that private capitals (domestic and transnational capital) are key players in capital accumulation.

Nevertheless, such a growing capitalist class obviously reflects a principal contradiction of capitalism. Indeed, the capitalist class' abundant wealth is nothing to do with the close connection between the bourgeoisie class and the power holders. Rather, it results from a direct exploitation of labouring class. In this respect, we witness a widespread inequality, indicated by a vast majority of the labouring population living under conditions of absolute poverty (Marx, 1973:296). Large numbers of the reserve army of labour, including backward agricultural producers in the rural areas and informal proletariats in the urban as well as the unemployed and the lumpenproletariat, become a determining factor in regulating capital-labour relations, which keeps wages down, creates uncertainties in jobs, and brings a vast majority of the working population under precarious conditions. A very low wage reflects an exploitative face of mostly female workers in the hubs of textile/garment industries in Java. In the outer islands, the exploitation of low wage workers mostly occurs in the resource-based industries, such as mining and plantations. This is all exacerbated by the fact that a vast majority of the Indonesia working class has been underrepresented in politics; they were totally oppressed under Suharto's dictatorship. In post-New Order of liberal democracy, the working class remains politically excluded.

Given that all of these features reflect the historical features of global capitalism in the country, the mining industry in Indonesia cannot be analyzed in isolation from such a peculiar historical capitalism. Mining is one if not the only sector that on the one hand has played a decisive role in Indonesia's modern economy, but on the other hand has reflected the most destructive face of historical capitalism in the country. The following conclusions involve empirical and theoretical reflection.

Firstly, the relations between state and capital accumulation show that more than a century of mining production in the archipelago has proved that the state—the colonial state and the post-colonial state—is central to the accumulation process. The long trend of dynamic state-capital relations in the mining industry confirms long-term historical evidence of the struggle between the landlord state and mining capital in the country. The Dutch state restricted a US-based oil enterprise from entering rich oil fields in the archipelago in favour of Dutch-based corporations. In the middle of growing anti-imperialist sentiment, the post-colonial state of Sukarno attempted to nationalize foreign mining corporations. The state hindered foreign mining investment. As a part of 1965–66 counterrevolutionaries, the New Order state, supervised by the US, waived foreign mining restrictions. This military authoritarian regime issued new regulations that favoured transnational mining capitals in the early years of Suharto's tenure. The fall of Suharto, a 32-year regime, paved the way for the state to hamper transnational mining corporations. Being increasingly integrated into the global capitalist economic order, the post-authoritarian state issued a new mining law in 2009 that put in place protectionist measures against foreign mining investments. The existing monopolistic mining enterprises such as PT Freeport Indonesia and PT Vale Indonesia have faced pressure from this protectionist risk. With the exception of Suharto's early tenure, all of these pictures reflect the state's ability to exercise its formal sovereign power over mineral extraction.

The imperative feature of global accumulation remarkably erodes the state's sovereignty (Emel, Huber and Makene, 2011). Nevertheless, access to this "free gift" of nature necessitates mining capital to have exclusive rights over the land and the subsoil as the fundamental condition of accumulation. The Indonesia mining industry has reflected this long-term contestation between the landlord state and mining capital since the colonial period. At the end of the day, the state has been subjugated to market imperatives. Under the hierarchical face of global capitalism, the state in colonial and post-colonial Indonesia has mainly derived its material power from accumulation (as a source of state revenues in the form of rent), which is mostly orchestrated by transnational mining capitals. This situation allowed the Indonesian state, under pressure from imperialist states, to provide favourable conditions for accumulation. By acting as regulator, allocator, administrator and guarantor of private property, the state generally permitted global accumulation in the mining industry. In this regard, the colonial state and the post-colonial state in Indonesia share the general feature of the capitalist state, which is "nothing but a committee for managing the common affairs of the whole bourgeoisie" (Marx and Engels, 1998).

Whatever difference of features there may have been in the Indonesian state over time, transnational mining enterprises have persistently accumulated in the country for more than a century. Large-scale mineral and fossil fuel production for global exchange in Indonesia reflects the central role of transnational mining enterprises under the support of imperial states. Due to the US-Dutch diplomatic exchanges, US-based Standard was permitted to access for extraction purposes the rich oil fields in the Netherlands East Indies. After independence, during the growing political campaign against imperialism, the Government of Indonesia settled contract agreements with the Big Three (Shell, Stanvac and Caltex) after critical US government interventions. More recently, PT Freeport Indonesia and PT Vale Indonesia have increasingly faced investment barriers since the introduction of the new mining law in 2009 after enjoying favourable policies for long-term accumulation under the Suharto administration. In fact, as they are implemented in specific branches of the mining industry, including nickel, the policies related to in-country mineral processing permit the country's mining industry to be vertically integrated to the powerful factions of transnational mining and metallurgical capital. This results from the industry's capital-intensive structure, which prevents domestic capital from gaining any control. As it has occurred in the Regency of Morowali, the 2014 ban on unprocessed nickel exports has benefited only those that possess huge capital assets, including mostly Chinese-owned firms, and who were thus able to build smelters and additional plants in the Regency. Thus, instead of defending state sovereignty in ways that benefit domestically owned corporations, the state favoured foreign capital because the state would pump out lucrative gains in the form of rent, which is a portion of surplus value.

Given that the modern mining industry is a capital intensive sector, the concentration and centralization of capital in the hands of a few mining corporations at a global scale are major industry features in Indonesia. Since colonial times, powerful factions of transnational mining capitals have dominated the mining industry for more than a century. Royal Dutch Shell and Standard Oil monopolized the hydrocarbon industry in the country prior to Indonesian independence in 1945. During the Sukarno administration and under the condition of a campaign against imperialism, the Big Three (Shell, Stanvac and Caltex) commanded petroleum production in the country. During the period of Suharto's authoritarianism, Freeport-McMoRan and Inco Limited controlled the mining sector. Although Indonesia's state oil enterprise, Pertamina, became one of the most powerful oil companies in the world, Caltex (now Chevron) and Mobile Oil (now ExxonMobil) played a decisive role in hydrocarbon industry in Indonesia. The situation has not changed since the fall of Suharto. Transnational companies remain the major players in the mining sector. This includes the recent rise in world-class Chinese nickel and metal companies that control the upstream and downstream nickel industry in the archipelago.

The result is incredible. The empirical evidence, as shown in Chapter V, indicates that over the history of the mining industry in Indonesia, both the capitalist state and mining capitals have generated a remarkable portion of surplus value. Despite their struggle over the distribution of the surplus, which has been diverse in forms and substances due to specific historical circumstances, the state has pumped out from the mining industry a significant amount of rent confirmed by annual state revenues. At the same time, the monopolistic faction of mining capitals has earned windfall profits.

Secondly, mining rents under historical capitalism reflect a hierarchal form of the planetary exploitation of labour, but also the historical class struggle that emerges from it. Therefore, state action is central. Historically speaking, we can say that states in what is now Indonesia have changed over time, and thus differ from each other's in relation to accumulation in the mining sector. The Dutch colonial state, as a foreign power, provided the conditions for the super-exploitation of mine workers under unhealthy working conditions combined with racial oppression. The direct extra-economic coercion, including penal sanctions to discipline mine workers under colonial capitalism, was epoch-making. Colonial state action also reflected a manifestation of imperialism as transnational mining firms, supported by imperial states, have largely occupied this industry. The state under Sukarno was different. State-issued threats against these mining capitals prior to the butchery in 1965–66 were a part of ongoing class struggles. The use of brute force via Suharto's military terror, supported by imperial states, exterminated the left wing, paving the way to effective control of Indonesian mine workers for the sake of accumulation led by transnational mining enterprises. His New Order state favoured these entities by ensuring the availability of cheap and abundant labour, poor environmental enforcement, and strong political and security protection. During the post-Suharto regime, brute violence against mine workers remained in place, for example, as it occurred at the PT Freeport Indonesia site in Papua. This violence happens alongside the application of neoliberal norms in capital-labour relations resulting in high exploitation rates in the mining sector. In short, Indonesian mine workers have been super-exploited by transnational mining capitals under political oppression for more than a century.

We then have the struggle from side of the working class. As I have shown in this study, the struggle has its political and economic demands with national and global dimensions. We witnessed spontaneous acts of resistance by mine workers during the colonial period. During the first 15 years of independence, mine workers' resistance turned into growing class politics under the Communist Party of Indonesia's strong influence. Mine workers' struggle drastically declined under Suharto's authoritarian regime. In regions that host mining firms, mine workers' resistance activities have been widespread since the fall of Suharto amid increased state's violence and surveillance. The struggle involves waves of strikes and street protests demanding wage increases and better working conditions. However, in short, the class struggle waged by the capitalist class has largely defeated mine workers' resistance efforts in Indonesia.

Some aspects of mining issues discussed here are applicable outside of Indonesia. Similar processes related to the global expansion of transnational mining capital, supported by imperial states, occur elsewhere. Many other scholars have examined the geographical distribution of this expansion, including Tetreault, who considers how imperialism in the mining sector fabricated anti-imperialism during the neoliberal era in Mexico (2014). Gordon and Webber portray growing anti-imperialist struggles against Canadian mining capitals in Latin America (2008). All of these studies open up possibilities for future research projects related to inter-continental comparisons of state, capital accumulation and class struggle in the mining sector.

In addition, a possible area of future research involves the growing scholarly analysis of China's significant development under global capitalism (e.g., Li, 2008; Hart-Landsberg and Burkett, 2007) and the emergence of the "sub-imperial" or "sub-imperialism" associated with BRICS (Brazil, Russia, India, China, and South Africa) (see, e.g., Bond and Garcia, 2015; Bond, 2004; Valencia, 2017). This dissertation discussed the roles of Chinese and Brazilian transnational mining and metal companies in recent nickel mining developments in Indonesia. However, there is a gap: the questions of the rise of China and the sub-imperial or sub-imperialism employing to this industry, or other industries, needs to be filled.

2. Theoretical Points of Departure

Theoretically speaking, first and foremost, the state and accumulation must be understood ontologically as entities in their dynamic relationship with other parts of society as a whole within the existing mode of production. From this principal view, I took the law of value as a general framework for understanding the state (i.e., capitalist state) and accumulation, two different moments of many determinations under the capitalist mode of production. In other words, this study examines the state and accumulation within the general theory of value, which can be viewed as "a theory of class . . . or a theory of exploitation" under capitalism (Saad-Filho 2002:43). The principal features of the state and accumulation must be understood from a vantage of class relations of exploitation, which is the exploitation of labour by capital. This exploitation makes accumulation possible. By doing this, the capitalist extracts surplus value from the worker. The surplus value is then distributed to all factions of capital including the capitalist state. The state in this sense is a member of factions of capital, representing capital as a whole in relation to the working class. It is also important to note that exploitation always leads to class struggle, and the state and accumulation are the sites of this struggle. This struggle involves political oppression since the capitalist state permits the existence and continuation of class exploitation (Das, 2017:239).

As capitalism is a world system of labour exploitation, the relations between the state and capital accumulation always take place at multiple scales. We then talk about the global hierarchy of accumulation and of the state system, which involves a lower scale of accumulation and the national state, respectively. Of course, one cannot ignore an individual national state, which protects the interests of its own capitals under global competition. But such a state should be viewed from the lens of "the set of nation-states" as a global executive committee for enabling global accumulation (Barker, 1978).

From the above general theorization of the state and capital accumulation, I turn to a specific concrete form of theory of the relation between the state and capital accumulation in the mining industry. Needless to say, this relation is possible to characterize from the vantage of state-capital relations. For instance, theories of resource nationalism examine this by addressing how nationalist policies restrict the influx of foreign capitals for the sake of more revenue (e.g., Wilson, 2015; Warburton, 2017; Kaup and Gellet, 2017). Marxist political economists develop Marx's theory of rent to highlight the class struggle between the landlord state and mining capital over the distribution of surplus value (e.g., Nwoke, 1987; Bina, 1985). Geographers Emel and Huber examine the state's disadvantage in capturing more rent under the neoliberal epoch (2008). Higginbottom highlights labour exploitation within the framework of imperialist rent (2014).

In this dissertation, I differed myself from the above scholars of resource nationalism. I rejected resource nationalism theories. The shortcomings of the prevailing notion of resource nationalism essentially emerge from methodological issues. This theory suffers from a dualist approach of state-firm relations that reduces such relations as a unity into two separated moments. If the two interact, it must be a contingency, not a necessity. From this principal inquiry, we then find nothing in the theory of resource nationalism about capital and labour relations as the foundations of wealth (corporate profit and state taxes), which the state and capital compete to capture. The implication is that there are no theoretical accounts concerning the ways in which capital exploits labour. It also examines firm-state relations in a one-sided manner. While attacking the state's attempts to gain increased benefits from the mining industry, the approach omits the ability of transnational mining capital to capture unfair surplus value and to evacuate the surplus outside the host country. While I learned from the works of Higginbottom (2014), Nwoke (1987), Bina (1985), Fine (1994) and Emel and Huber (2008), among others, I found something important was missing or underdeveloped in their arguments, which is class struggle. This dissertation filled this gap by incorporating the struggle into Marx's theory of rent.

I have argued that Marx's theory of rent or capitalist ground rent (Marx, 1981) is the most fruitful to study state-capital relations in mining. The state's monopoly over land and mineral endowments, and capitalist investment in these resources, brings about the struggle for the distribution of surplus value (rent and profit). Within the framework of the production of value, we can look closely at the relations between the capitalist state and mining capital. The state—either the colonial state or the post-colonial state, either the state in advanced capitalist countries or the state in peripheral capitalist countries—substantively acts as a landlord in relation to the use of land and any mineral wealth exploitation arranged by mining capital. Through this exclusive monopoly of land and secure access to valuable raw material deposits on the land, the state can restrict the inflow of capital into the land. Since the state generates revenue from these rents, it certainly relies on the accumulation that mining capital orchestrates. This situation leads to a struggle between the state and capital to expropriate surplus value each for their own benefit. In a specific historical moment, for Nwoke (1984:86), the ability of the state in developing countries to appropriate rent relies not only on the special characteristics of "global class struggle" but also on the configuration of "class forces" inside the state. In general, faced with an unequal global power struggle, Third World states are subordinate to transnational mining corporations (Nwoke, 1987).

We should first recognize that a very distinctive characteristic of the mining industry is its constant employment of advanced dead labour, or high technology, representing the real subordination of labour to capital. This logically leads to the "concentration and centralization of capital" (Marx, 1976) in the hands of a few monopolistic factions of mining capital. Historically, this implies the central role of transnational mining capital emerging from the Global North. With labour as the necessary condition for accumulation, mining capital mostly refers to the main feature of labour exploitation, in which exploitation is reliant on the appropriation of relative surplus value from nature, orchestrated by imperial capital. Since rent is nothing but the result of class relations of exploitation, as a portion of surplus value, originating from surplus labour, mining rents are crucial to labour exploitation. Central in the sense that under the competition between capital and labour over the rate of surplus value, the state is a part of capital as a whole. The state and capital are internally or necessarily related to each other as "the sum of individual capitals" (Marx, 1992:97). Regardless of its indirect involvement in the accumulation process, the state is an institution of exploitation. Monopolistic mining capital and the landlord state have the same interest to appropriate nature-based surplus value.

With labour exploitation, orchestrated by imperial mining capitals, necessarily lead to class struggle, the struggle should be multiple scales. It runs across local, national and global scales. The struggle has two combined faces. Economic struggle demands wage increases and better working conditions while political struggle attacks the institution of oppression and of exploitation (via rent), which are united in the hands of the state. In this respect, we must look at class struggle taking place on a global scale. For developing countries, this necessary struggle originates from the fact of super-exploitation as the principal face of "imperialism rent" (Higginbottom, 2014), in which transnational mining capitals as the monopolistic agency of transnational capital, supported by the imperial state, attempt to pump out super-profit and evacuate it to their home countries. All of these features reflect the need for a global scale of class struggle.

C. Summary

This dissertation made two broader arguments. First, it argued that Marx's theory of rent within the course of the capitalist mode of production is valuable to use in order to understand capital accumulation and the state in the mining industry. Second, using Indonesia as a window, this dissertation examined such theory by contextualizing the industry within historical capitalism in the country.

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APPENDICES

APPENDIX A

Table A. Government Expenditure in the Netherlands East Indies (in *f* million), 1848-1940

	1848-60	1861-80	1881-19	1901-20	1921-40
Government and High Colleges	9	16	24	27	64
Department of Justice	21	57	107	192	377
Department of Finance	188	72	340	948	3776
Department of Civil Service	77	938	365	663	1622
Department of Education & Religion	11	33	134	472	1321
Department of Agriculture, Industry, and trade	331	593	306	504	395
Ministry of Public Work	35	92	433	1549	2525
Department of Government Factories	43	146	177	634	972
Department of War	186	372	590	954	1588
Department of Navy	53	61	145	336	950
Decentralization	0	0	0	114	461

Source: Derives from Mellegers (n.d.)

APPENDIX B

Table B. Indonesia: GDP Sector Composition in Percentage (in current price), 1960-2010

Sector	1960	1970	1980	1990	2000	2010
Agriculture	53.92	47.15	24.84	21.55	17.23	15.29
Mining & Quarrying	3.70	5.17	25.68	13.35	13.86	11.16
Manufacturing	8.35	9.33	11.64	19.89	24.90	24. 80
Electricity, Gas, and Water	0.28	0.45	0.50	0.64	1.31	0.76
Construction	2.01	3.00	5.55	5.50	6.05	10.25
Retail, Hotels, and Restaurants	14.29	18.52	14.06	16.87	15.74	13.69
Transportation and Communications	3.72	2.87	4.32	5.62	4.93	6.56
Finance, Real Estate, and Business Services	2.99	2.95	4.29	6.74	6.36	7.24
Services	10.74	10.41	9.11	9.83	9.63	10.24
Total	100,00	100,00	100,00	100,00	100,00	100,00

Source: (BPS, 2016:284-86)

APPENDIX C
Table C: Indonesia: Financial Institutions

	1984		2014		
	Number of companies (bank offices)	**Assets in IDR B**	**Number of companies (bank offices)**	**Assets in IDR B**	**Net profit IDR B**
State-Owned Bank	5 (824)	23,766	4 (17,430)	1,758,873	54,375
Foreign Exchange Commercial Bank	10 (23)	2,714	38 (9,154)	1,962,539	20,675
Non-foreign Exchange Commercial Bank	59 (204)	1,757	29 (2.234)	162.457	2,316
Regional Development Bank	28 (178)	208,3	26 (3.524)	389.964	9,667
Joint Venture Bank	1		12 (285)	290.219	4,538
Foreign Owned Bank +	11 (19) (64)	2,353	10 (112)	390.415	6,121
Rural Banks (BPR)	5,867	80	1,643 (4,895)	89.878	n.a
Insurance*	66	758	413	897,68 T	6,518.4B
Pension Fund		612	267	192,90T	14,938.9B
Financial Institution±	68	386	204	420,44T	12,22 T
Specialized Financial Institution**			4	116,6 0 6B	3,815B

Note: B stand for billion and T stand for trillion
*For 2014, these include 141 insurance and reinsurance companies, and 272 related insurance companies (i.e., insurance and reinsurance brokers, loss adjusters, actuarial consultants, and insurance agents). For 1984, the Asset data are estimates.
**This consists of Indonesia Eximbank (LPE), PT Pegadaian (Persero), Guarantee Institution, and PT Sarana Multigriya Finansial (Persero).
+ (64) were the representative offices of foreign banks from 17 countries.
± For 1984, the leasing companies and the assets is estimate.
Source: Data for 1984 is taken from Dickie and Layman (1988: 40). For 2014 see, OJK (2016a); OJK (2014a, 2014b, 2014c); OJK (2015a)

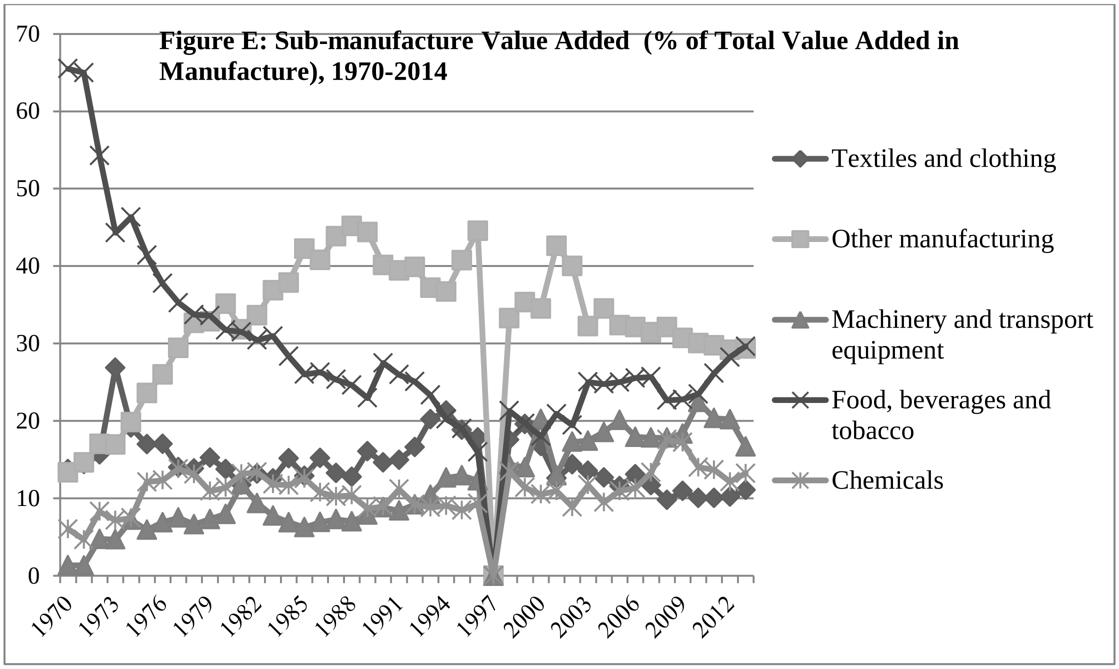
APPENDIX D

Table D: Value of Indonesia as a Destination of Japanese and American FDI outflow and as a Percentage of their Total Worldwide Outflow, 1994–2015

Year	Japan		USA	
	Value (US$ M)	Percentage of Total Outflow	Value (US$ M)	Percentage of Total Outflow
2015	3,560	2.61	46	0.01
2014	4,933	3.65	1,786	0.61
2013	3,907	2.89	440	0.14
2012	3,810	3.11	2,301	0.72
2011	3,611	3.31	1,926	0.48
2010	490	0.85	315	0.11
2009	483	0.64	1,000	0.34
2008	731	0.55	1,750	0.56
2007	1,030	1.40	2,925	0.74
2006	744	1.48	771	0.34
2005	1,185	2.36	n/a	
2004	498	1.60	n/a	
2003	484	1.68	n/a	
2002	307	0.95	n/a	
2001	481	1.24	985	0.78
2000	585	1.85	683	0.47
1999	199	0.89	505	0.24
1998	916	3.71	461	0.35
1997	1,570	6.02	21	0.02
1996	1,494	6.37	956	1.13
1995	946	2.18	519	0.56
1994	n.a		2,061	2.81

Source: UNCTAD (n.d)

APPENDIX E



Source: World Bank (2017)

APPENDIX F
Table F: Indonesia: The Value of Export (USD million), 1945-2016

Year	Non-Oil & Gas	Oil & Gas	Total	Year	Non-oil & Gas	Oil & Gas	Total
2016	132,080.7	13,105.5	146,186,2	1982	3,929.2	18,399.1	22,328.3
2015	131,791.9	18,574.4	150,366,3	1981	4,501.3	20,663.2	25,164.5
2014	145,961.2	30,018.8	175,980.0	1980	6,168.8	17,781.6	23,950.4
2013	149,918.8	32,633.0	182,551.8	1979	5,426.4	10,163.7	15,590.1
2012	153,043.0	36,977.3	190,020.3	1978	3,657.8	7,985.4	11,643.2
2011	162,019.6	41,477.0	203,496.6	1977	3,474.5	7,378.1	10,852.6
2010	129,739.5	28,039.6	157,779.1	1976	2,542.4	6,004.1	8,546.5
2009	97,491.7	19,018.3	116,510.0	1975	1,791.7	5,310.8	7,102.5
2008	107,894.2	29,126.2	137,020.4	1974	2,214.9	5,211.4	7,426.3
2007	92,012.3	22,088.6	114,100.9	1973	1,602.1	1,608,7	3,210.8
2006	79,589.1	21,209.5	100,798.6	1972	864.6	913.1	1,777.7
2005	66,428.4	19,231.6	85,660.0	1971	755.7	477.9	1,233.6
2004	55,939.3	15,645.3	71,584.6	1970	661.8	446.3	1,108.1
2003	47,406.8	13,651.4	61,058.2	1969	470.8	382.9	853.7
2002	45,046.1	12,112.7	57,158.8	1968	433.2	297.5	730.7
2001	43,684.6	12,636.3	56,320.9	1967	425.8	239.6	665.4
2000	47,757.4	14,366.6	62,124.0	1966	475.3	203.4	678.7
1999	38,873.2	9,792.3	48,665.5	1965	435.7	272.0	707.7
1998	40,975.5	7,872.2	48,847.7	1964	457.7	266.5	724.2
1997	41,821.1	11,622.5	53,443.6	1963	429.1	268.7	697.8
1996	38,093.0	11,721.8	49,814.8	1962	447.9	215.8	663.7
1995	34,953.6	10,464.4	45,418.0	1961	527.3	260.9	788.2
1994	30,359.8	9,693.6	40,053.4	1960	620.0	220.8	840.8
1993	27,077.2	9,745.8	36,823.0	1959	645.3	285.7	931.0
1992	23,296.1	10,670.9	33,967.0	1958	475.5	315.2	790.7
1991	18,247.5	10,894.9	29,142.4	1957	651.6	302.8	954.4
1990	14,604.2	11,071.1	25,675.3	1956	670.9	255.3	926.2
1989	13,480.1	8,678.8	22,158.9	1955	729.7	215.8	945.5
1988	11,536.9	7,681.6	19,218.5	1954	639.4	227.1	866.5
1987	8,579.5	8,556.1	17,135.6	1953	635.6	204.6	840.2
1986	6,528.4	8,276.6	14,805.0	1952	743.0	191.3	934.3
1985	5,868.8	12,717.9	18,586.7	1951	1,106.5	183.5	1,290.9
1984	5,869.7	16,018.1	21,887.8	1950	652.6	147.1	799.7
1983	5,005.2	16,140.7	21,145.9	1945	364.7	126.6	491.3

Source: BPS (2016, 2004, 1998, 1977–78)

APPENDIX G
Table G: Indonesia: Number of Age 15+ Employers Assisted by Permanent Workers, based on the 2010 Population Census

Sector	(1) Urban	(2) Rural	(3) Urban and Rural (1+2)	(4) 15+ Total working population	As Percentage of Age 15+ Total Working Population (3:4x100)
Rice, roots and tubers	133,159	376,110	509,269	25,880,411	1.96
Horticulture	16,032	28,818	44,850	2,289,105	1.95
Estate and plantation	27,328	154,584	181,912	9,885,243	1.84
Fishing and aquaculture	56,255	75,979	132,234	1,945,786	6.79
Livestock	17,926	25,430	43,356	2,113,698	2.05
Other agricultures	4,020	16,527	20,547	385,462	5.33
Mining and quarrying	22,923	47,470	70,393	1,128,924	6.23
Manufacturing	304,720	165,651	470,371	11,299,254	4.16
Electricity and gas	8,760	2,865	11,625	381,524	3.04
Construction	251,362	175,833	427,195	5,538,783	7.71
Wholesale and retail trade	555,427	230,771	786,198	17,135,428	5.83
Hotel and restaurant	93,865	25,358	119,223	2,162,986	5.51
Transportation and storage	113,812	94,855	208,667	4,761,178	4.38
Information and communication	23,870	4,103	27,973	647,937	4.31
Financial and Insurance	12,199	2,492	14,691	1,113,050	1.31
Education services	24,596	14,274	38,870	4,243,179	0.91
Health care services	17,180	3,544	20,724	1,142,827	1.81
Public services and personal service activities	251,608	106,447	358,055	11,155,520	3.20
Others (real estate, water supply etc.)	60,346	25,720	86,066	1,717,754	5.01
Total	1,995,388	1,576,831	3.572,219	104,928,049	3.40

Source: BPS (2012)

APPENDIX H

Table H: Indonesia: Number and Value of the Inflow of Cross-border Mergers & Acquisitions (USD million), 2003-15

Year	Number	Value	Year	Number	Value
2015	52	3 082.8	2002	38	930.2
2014	69	801.8	2001	55	2 198.0
2013	81	1 837.9	2000	53	173.1
2012	117	477.1	1999	38	627.6
2011	170	6 827.7	1998	42	705.9
2010	130	1 383.6	1997	38	283.6
2009	118	747.1	1996	45	365.5
2008	98	2 743.7	1995	31	226.9
2007	82	731.0	1994	16	196.6
2006	54	420.7	1993	19	- 273.6
2005	82	6 375.0	1992	11	- 127.1
2004	66	883.4	1991	17	45.8
2003	62	- 119.4	1990	5	

Source: UNCTAD (WIR, annex table 9,10,11,12)

APPENDIX I

Table I: Indonesia—$C0_2$ Emissions by Sector (as percentage of total fuel combustion), 1971-2014

Year	Transportation	Manufacturing	Electricity and Heat Production	Residential buildings and commercial and public services	Other sectors
2014	31	18	44	5	1
2013	33	18	42	5	2
2012	31	18	43	5	2
2011	29	20	44	5	2
2010	27	25	40	5	3
2009	24	26	40	6	3
2008	22	27	40	7	3
2007	20	30	39	8	3
2006	20	31	38	8	3
2005	22	26	39	10	3
2004	22	25	39	10	4
2003	22	24	39	10	4
2002	24	21	39	11	4
2001	24	23	36	12	4
2000	25	23	35	13	4
1999	22	26	36	12	3
1998	24	21	41	11	3
1997	26	23	38	11	3
1996	25	24	36	12	3
1995	24	25	36	12	3
1994	25	23	36	12	3
1993	24	22	38	13	3
1992	25	21	37	14	3
1991	25	21	37	14	3
1990	24	23	36	15	3
1989	26	26	27	17	3
1988	25	29	28	16	2
1987	26	27	29	16	2
1986	24	30	27	17	2
1985	25	29	25	19	3
1984	27	25	24	21	3
1983	27	29	19	22	3
1982	27	28	19	23	3
1981	27	29	18	24	3
1980	26	29	18	24	3
1979	27	27	18	25	3
1978	28	25	19	26	3
1977	29	21	21	27	3
1976	32	21	16	29	3
1975	31	21	19	27	3
1974	30	17	25	25	3
1973	29	18	27	24	3
1972	31	19	23	24	3
1971	32	20	22	23	3

Source: World Bank (2017)

APPENDIX J

Source: Derives from World Bank (2018)

APPENDIX K

Table K: Indonesia: State Owned Enterprises (IDR billion) in 2015

Industry	Number	Asset	Equity	Tax	Net Profit
Agriculture, Forestry, and Fishing	1	123,293	56,139	0,592	-1,17
Mining	4	681,323	300,292	21,947	20,492
Manufacturing	31	251,504	115,135	3,727	6,067
Electricity & Gas	2	1,403,521	846,281	21,464	11,554
Water Supply	2	1,241	0,908	0,056	0,130
Construction	9	106,954	33,956	1,018	3,606
Wholesale & Retail	4	33,914	9.618	0,782	1.,384
Transportation & Storage	21	244,028	99,821	3,673	10,647
Accommodation & Food Services	1	1,277	0,012	0,000	0,113
Information & Communications	3	166,350	93,475	8,029	23,328
Financial & Insurance	19	2,817,888	386,164	17,018	65,931
Real Estate	5	2,407	2,117	0,026	0,198
Professional, Scientific & Technical	10	5,285	3,559	0,135	0,428
Total	118	5,841,890	1,947,485	35,544	142,492

Source: BPS (2017a)

APPENDIX L

Table L: **Mining Companies: Holders of Contract of Works (2014)**

Company	Status	Generation of COW	Concession Area (hectare)	Commodities	Location (Province)
Agincourt Resources, PT (d/h Newmont Horas Nauli, PT)	Active	VI	163,927.00	Gold & silver	North Sumatra
Citra Palu Minerals, PT	Suspension	VI	138,889.00	Gold	Central Sulawesi
Dairi Prima Mineral, PT	Suspension	VII	27,420.00	Zinc	
Ensbury Kalteng Mining (Placer), PT	Active	VI	19,394.00	Gold	Central Kalimantan
Gag Nikel, PT	Active	VII	13,136.00	Nickel	Papua
Galuh Cempaka, PT	Active	VII	7,470.00	Diamond	South Kalimantan
Gorontalo Minerals, PT	Active	VII	36,070.00	Gold and copper	Gorontalo
Freeport Indonesia, PT (Blok B=Exploration)	Active & suspension	V	10,000.00 202,950.00	Coal, gold, silver	Papua
Gorontalo Sejahtera Mining, PT (d/h Newcrest Nusa Sulawesi, PT)	Active	V	14,570.00	Gold	Gorontalo
Indo Muro Kencana, PT	Active	III	47,940.00	Gold	Central Kalimantan
Irja Eastern Minerals Co., PT	Suspension	V	180,930.00	Copper	Papua
Iriana Mutiara Idenburg, PT	Active	VI	108,600.00	Gold	Papua
Iriana Mutiara Mining, PT	Active	VI	16,470.00	Nickel	Papua
Jogja Magasa Iron, PT		VII	2,987.79	Iron sand	Jogjakarta
J Resources Bolaang Mongondow, PT ((d/h Avocet Bolaang Mongondow, PT)	Active	VI	58,150.00	Gold	North Sulawesi
Kalimantan Surya Kencana, PT	Suspension	VI	61,003.00	Gold & copper	Central Kalimantan
Karimun Granite	Active	II	2,761.00	Granite	Riau
Kasongan Bumi Kencana, PT	Active	IV	12,380.00	Gold	Central Kalimantan
Kelian Equatorial Mining, PT	Active	III	6,670.00	Gold	East Kalimantan
Koba Tin	Active	II	41,344.26	Tin	Bangka Belitung
Kumamba Mining, PT	Suspension	VI	125,500.00	Base metal	Papua
Masmindo Dwi Area, PT	Active	VII	14,390.00	Gold	South Sulawesi
Meares Soputan Mining, PT	Active	IV	8,969.00	Gold	North Sulawesi
Mindoro Tiris Emas, PT	Active	VII	9,235.00	Gold	South Sumatra
Nabire Bakti Mining, PT	Suspension	V	199,504.00	Gold	Papua
Natarang Mining, PT	Active	IV	10,540.00	Gold & silver	Lampung
Newmont Minahasa Raya, PT	Mine closure in progress	IV	237.11	Gold	North Sulawesi
Newmont Nusa Tenggara, PT	Active	IV	87,540.00	Copper & gold	NTB
Nusa Halmahera Minerals, PT	Active	VI	25,852.00 2,168.00 1,602.00	Gold Gold & base metal	North Maluku
Paragon Perdana Mining, PT	Suspension	IV	6,318.00	Zeolith	Lampung
Pasifik Masao Mineral, PT	Active	VI	20,840.00	Gold	Central Kalimantan
Pelsart Tambang Kencana, PT	Active	VII	96,420.00	Gold	South Kalimantan
Sorik Mas Mining, PT	Active & suspension	VII	66,200.00	Gold	North Sumatra
Sumbawa Timur Mining, PT	Active	VII	19,260.00	Gold	NTB

Tambang Mas Sangihe, PT	Suspension	VI	82,080.00	Gold & silver	North Sulawesi
Tambang Mas Sable, PT	Suspension	VI	23,500.00	Gold	Aceh
Tambang Tondano Nusajaya, PT	Active & suspension	VI	598.00	Gold	North Sulawesi
Vale Indonesia, PT	Active	II	190,513.00	Nickel	South, Southeast, and Central Sulawesi
Weda Bay Nickel, PT	Active	VII	54,874.00	Nickel	North Maluku
Westralian Atan Minerals, PT	Termination	IV	15,062.00	Gold	East Kalimantan
Woyla Aceh Mineral (Barrick Mutiara Woyla), PT	Active	VI	24,260.00	Gold	Aceh

Source: MoEMR (2015a:7)

APPENDIX M
Table M: Status of Coal Contract of Work (January 2015)

Company	Status	Generation of CCOW	Area (hectare)	Province
Adaro Indonesia, PT	Production	I	35,800.80	South Kalimantan
Arutmin Indonesia, PT	Production	I	58,898.24	South Kalimantan
Berau Coal, PT	Production	I	118,400.00	East Kalimantan
Indominco Mandiri, PT	Production	I	25,121.00	East Kalimantan
Kaltim Prima Coal, PT	Production	I	90,938.00	East Kalimantan
Kendilo Coal Indonesia, PT	Production	I	1,869.00	East Kalimantan
Kideco Jaya Agung, PT	Production	I	50,921.00	East Kalimantan
Multi Harapan Utama, PT	Production	I	46,062.65	East Kalimantan
Tanito Harum, PT	Production	I	35,757.35	East Kalimantan
Antang Gunung Meratus, PT	Production	II	20,666.00 1,767.00	South Kalimantan
Bahari Cakrawala Sebuku, PT	Production Suspension Suspension	II	5,871.00 3,251.00 5,121.00	South Kalimantan
Barasentosa Lestari, PT	Production	II	24,385.00	South Sumatra
Borneo Indobara, PT	Production	II	24,100.00	South Kalimantan
Gunung Bayan Pratama Coal, PT	Production		15,690.00 8 ,365.00	East Kalimantan
Indexim Coalindo, PT	Production	II	24,050.00	East Kalimantan
Jorong Barutama Greston, PT	Production	II	9,556.00	South Kalimantan
Kartika Selabumi Mining, PT	Production	II	4,600.30 12,949.70	East Kalimantan
Mandiri Inti Perkasa, PT	Production	II	9,240.00	East Kalimantan
Marunda Graha Mineral, PT	Production	II	12,880.00 5,204.00	Central Kalimantan
Riau Baraharum, PT	Production	II	24,450.00	Riau
Trubaindo Coal Mining, PT	Production	II	23,650.00	East Kalimantan
Abadi Batubara Cemerlang, PT	Suspension	III	18,950.00	Riau
Adimas Baturaja Cemerlang, PT	Suspension Suspension	III	20,370.00 1,013.00	South Sumatra
Asmin Bara Bronang, PT	Production	III	24,980.00	Central Kalimantan
Asmin Bara Jaan, PT	Production	III	7,298.00	Central Kalimantan
Asmin Coalindo Tuhup , PT	Production	III	21,630.00	Central Kalimantan
Astaka Dodol, PT	Production	III	25,000.00	South Sumatra
Bangun Banua Persada Kalimantan, PT	Production	III	6,960.00	South Kalimantan
Bara Pramulya Abadi, PT	Construction	III	20,000.00	South Kalimantan
Baramarta, PD	Production Production	III	1,001.00 1,633.55	South Kalimantan
Banjar Intan Mandiri, PT	Production	III	6,625.00	South Kalimantan
Baramutiara Prima, PT	Construction	III	19,340.00	South Sumatra
Batu Alam Selaras, PT	Production	III	8,139.00	South Sumatra
Batubara Duaribu Abadi, PT	Construction Construction	III	6,524.00 17,054.50	Central Kalimantan
Batubara Selaras Sapta, PT	Exploration	III	68,360.00	East Kalimantan
Baturona Adimulya, PT	Production	III	25,000.00	South Sumatra
Bharinto Ekatama , PT	Production	III	22,000.00	Central and East

Company	Status	Generation of CCOW	Area (hectare)	Province
				Kalimantan
Bumi Laksana Perkasa, PT	Feasibility Study	III	11,330.00	East Kalimantan
Delma Mining Corporation, PT	Construction	III	20,160.00	East Kalimantan
Dharma Puspita Mining, PT	Production	III	2,811.00	East Kalimantan
Ekasatya Yanatama, PT	Production	III	5,587.00	South Kalimantan
Firman Ketaun Perkasa, PT	Production Construction	III	2,490.00 10,220.00	East Kalimantan
Insani Bara Perkasa, PT	Production Production	III	1,005.30 23,472.30	East Kalimantan
Interex Sacra Raya, PT	Construction Production	III	14,875.50 774.50	South and East Kalimantan
Intitirta Prima Sakti, PT	Suspension Production	III	47,680.00 494.80	Jambi and South Sumatra
Juloi Coal, PT	Feasibility Study	III	95,590.00	Central Kalimantan
Kadya Caraka Mulia, PT	Production Production	III	1,575.00 3,053.00	South Kalimantan
Kalimantan Energi Lestari, PT	Production	III	6,261.00	South Kalimantan
Kalteng Coal, PT	Feasibility Study	III	45,250.00	Central Kalimantan
Karya Bumi Baratama, PT	Production	III	15,420.00	Jambi and South Sumatra
Lahai Coal, PT	Feasibility Study Construction	III	41,833.00 4,787.00	Central and East Kalimantan
Lanna Harita Indonesia, PT	Production Construction	III	14,690.00 6,580.00	East Kalimantan
Mahakam Sumber Jaya, PT	Production	III	20,380.00	East Kalimantan
Mantimin Coal Mining , PT	Production Suspension	III	4,545.00 1 ,964.00	South Kalimantan
Maruwai Coal, PT	Construction	III	24,990.00	Central and East Kalimantan
Multi Tambang Jaya Utama, PT	Production	III	24,970.00	Central Kalimantan
Nusantara Termal Coal, PT	Production	III	2,832.00	Jambi
Pari Coal, PT	Suspension	III	38,040.00	Central and East Kalimantan
Pendopo Energi Batubara, PT	Production	III	17,840.00	South Sumatra
Perkasa Inakakerta, PT	Production Construction	III	10,110.00 9,927.00	East Kalimantan
Pesona Khatulistiwa Nusantara, PT	Production	III	21,875.00	East Kalimantan
Ratah Coal, PT	Suspension	III	36,490.00	Central and East Kalimantan
Santan Batubara, PT	Production	III	24,930.00	East Kalimantan
Sarwa Sembada Karya Bumi, PT	Construction	III	25,000.00	Jambi
Selo Argodedali, PT	Construction	III	12,010.00	South Sumatra
Singlurus Pratama, PT	Production	III	24,760.00	East Kalimantan
Sumber Barito Coal, PT	Suspension	III	44,650.00	East & Central Kalimantan
Sumber Kurnia Buana, PT	Production	III	10,920.00	South Kalimantan
Suprabari Mapanindo Mineral,	Production	III	23,940.00	Central Kalimantan

Company	**Status**	**Generati on of CCOW**	**Area (hectare)**	**Province**
PT				
Tambang Damai, PT	Production	III	3,831.00	East Kalimantan
Tanjung Alam Jaya, PT	Production Production	III	1,232.00 4,806.00	South Kalimantan
Teguh Sinar Abadi, PT	Production Suspension	III	2,404.00 3,434.00	East Kalimantan
Wahana Baratama Mining, PT	Production	III	7,811.00	South Kalimantan
Yamabhumi Palaka, PT	Suspension Suspension	III	4,400.00 56,930.00	West Kalimantan

Source: MoEMR (2015a:67-8)

APPENDIX N

Table N: Government Revenues Generating from the Holders of CoW and CCoW (USD million). 1995-2011

Year	Direct Tax (income and Royalty)	Indirect Tax, Levies, and Local Tax	Revenue
2011	5,649	1,136	6,785
2010	4,993	918	5,911
2009	4,777	1,249	6,026
2008	2,576	987	3,563
2007	3,473	1,326	4,799
2006	2,445	981	3,426
2005	2,022	669	2,691
2004	1,271	420	1,691
2003	849	328	1,177
2002	681	322	1,003
2001	532	304	837
2000	411	406	817
1999	457	406	864
1998	367	287	655
1997	334	324	659
1996	368	261	629
1995	388	214	601

Source: Derives from PwC (2005 and 2013)

APPENDIX O

Table O: Pre-Tax Profits of PT Vale Indonesia/PT Inco Indonesia and PT Freeport Indonesia

Year	Vale Indonesia / Inco Indonesia			Freeport Indonesia		
	Profit before income tax* (USD million)	Number of Employee**	Profit per Employee (USD)	Profit before income tax* (USD million)	Number of Employee**	Profit per Employee (USD)
2016	5	3,101	1,612	1,027	12,200	84,180
2015	70	3,025	23,140	449	12,100	37,107
2014	237	3,067	77,274	719	12,000	59,916
2013	55	3,183	17,279	1,420	12,300	115,447
2012	91	3,161	28,788	1,298	12,700	102,204
2011	452	3,210	140,809	2,916	12,300	237,073
2010	581	3,136	185,267	4,099	12,200	335,983
2009	237	3,319	71,407	4,034	11,900	338,991
2008	463	3,610	128,254	1,307	29,300	44,607
2007	1,676	3,735	448,728	3,033	25,400	119,409
2006	745	3,440	216,569	2,721	15,098	180,222
2005	384	3,368	103,325	2,257	14,269	158,175
2004	407	3,341	121,819	785	14,105	55,654
2003	379	2,982	127,095	819	13,856	59,107

*Income tax refers to corporate income tax

**Number of employee refers to the number by the end of December each year

Source: Derives from PT Vale Indonesia/Inco Indonesia (2003-2016) and PT Freeport Indonesia (2003-2016)