Emergence of Military-Based Oligarchy in Reformation Era
(The Case Study of Rivalry between SBY and Luhut B. Pandjaitan in the Nationalization of PT Inalum)

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Abstract
This article analyzes the rivalry between President SBY and Luhut Pandjaitan in the nationalization of PT. Inalum. The rivalry has confirmed the perceived emergence of oligarchy in Indonesia, as proposed by Winters. In addition, the process of the growth of oligarchy has resulted in the resurgence of patrimonialism. It implies that both of the groups survive and establish military patrimonialism in reformation era. Both groups are two different entities competing in several matters, including the nationalization of PT Inalum. This study employs two main theoretical frames of oligarchy and patrimonialism. It argued that the competition between the two oligarchic groups reveals the resurgence, growth, and development of oligarchy after the initial emergence in the New Order. This study reveals that reformation has transformed patron-client relationship initially established in the New Order and later grown and strengthened in reformation era to become oligarchy. The oligarchy has resulted in competition for economic resources among oligarchic groups.

Key words: Oligarch, patrimonialism, Oligarchic conflict, Indonesia, political economy.

INTRODUCTION
To understand contemporary political condition in Indonesia we may learn from the fact that extreme material inequalities may result in extreme political inequalities. Both in democratic system and authoritarian system, wider gap of inequalities of resource distribution may lead to more exaggerative power and influence of the oligarch. Consequently, material inequalities will become more intensely influence the political motive and objective of the oligarchs. In spite of other relatively well distributed power resources in the community such as one-person-one-vote in Indonesian democracy or mobilization and direct actions of activists and laborers, extreme discrepancy in material power has led to the establishment, domination, and distortion of Indonesian politics as a whole. Theory of oligarchy has vividly described that extreme power and resource concentration in Indonesian economy and policy has confirmed the role in social formation.[13]

Former Chief of Team of Oil and Gas Management Reformation Faisal Basri has found the fact that a number of national private elites occupying in governmental positions have abused the BUMD (local-owned enterprises) for their personal interest. Further, Faisal Basri, appointed by President Jokowi the chief of the oil and gas management reformation.[21] Such an oligarch phenomenon is apparent in the case of PT Toba Sejahtera. The company has gained the power to suppress the municipal and provincial government in North Sumatera to create a perception as if PT Toba Sejahtera played an important role in the acquirement of the shares of PT Inalum. The influencing power to suppress local governments resulted from political lobbies of Luhut B Pandjaitan.

Regardless, that Inalum nationalization has proved the emergence of oligarch phenomena in Indonesia. In addition, the birth of the oligarchy also spawned patron-clients within contemporary military political groups. Because, in the nationalization, President SBY supported Alumni Akabri 73 and the Democratic Party became a barrier Luhut Pandjaitan acquired shares of PT Inalum, even though he...
through PT Toba Sejahra has binding MoU with North Sumatra Provincial Government to cooperate in divestment PT Inalum. As described above, PT Toba Sejahtra is a Luhut-owned company that houses the retired alumni general of the 1970 Ground Force Akabri alumni.

RESEARCH METHODOLOGY

This study employs qualitative method to analyze research findings with the main perspective being oligarchy theory and patron-client theory

THEORETICAL FRAMEWORK: Oligarchy and Patrimonialism

The aforementioned section has revealed that oligarchy is the phenomena currently apparent in Indonesian political life. The emergence has become an interesting scientific study. To understand better the issue, it is necessary to have good understanding about oligarchy. Jeffry Winters (2011) described Oligarchy as follow:

A theory of oligarch and oligarchy centered on wealth defense is prone to far less dissent and conflict on the core set of political objectives linked to securing property and preserving wealth and income. Oligarch may disagree about many things, and depending on the situation, they may even fight violently to grab each other's fortunes.[12]

The power of oligarchy is the worst impact of democratic decentralization in Indonesia after the collapse of the regime of the New Order. Richard Robison and Vedi R. Hadiz describe oligarchic power as follow:

The critical achievement of the oligarchy was its metamorphosis within a new political democracy and within the framework of new political alliances with political and business interests, local officials, fixers and even criminals formerly operating on the fringes of the Soeharto regime as these now flooded into the new political arena. [10]

According to Winters, the work of oligarchy in political activities is associated to wealth defense. Winters explicitly described it in the following notion:

The core set of political objectives linked to securing property and preserving wealth and income.[12]

The specific work pattern of oligarchy constitutes an important part of the business operation of Toba Sejahtra in encouraging the nationalization of PT Inalum. Toba Sejahtra has combined business intensive and political influence to assure the provincial government of North Sumatera to approve the proposed set scheme of partnership.

In the case of PT Inalum, Luhut has also successfully ensured loan from BNP Paribas and Deutsche Bank although the funding scheme was at high risk for national interest by local government added national legislatures. As in the case of divestment of the shares of PT Newmount Nusa Tenggara (NNT), the partner of the provincial government of West Nusa Tenggara (NTB), Multi Capital (the subsidiary of Bakrie Group), has put the shares of NNT as the collateral in Credit Suisse Bank. [25] Therefore, in case a problem occurs in the BUMD, which was the venture company of the provincial government of North Sumatera and Toba Sejahtra, the shares would be under the ownership of the two banks. Consequently, it endangers national interest.

The political history of Indonesia reveals that the Indonesian Army (TNI AD) has a strong political influence in Indonesia since Guided Democracy period. The influence derives from the fact that politically, Indonesia is characterized by patrimonialism. The thesis of Ben Anderson and Harold Crouch on bureaucratic patrimonialism reveals that the military group has such a character. Harold Crouch suggested that the influence has been a global phenomenon in the developing countries. [2]

Therefore, the conflict between SBY and Luhut Pandjaitan in the nationalization of PT Inalum can be described from the perspective of patrimonialism. Both SBY and Luhut are the patrons of their own military groups. SBY was the patron of the class 1973 alumni of Akabri (the Indonesian Armed Forces Academy) [22], while Luhut was the patron of the 1970-class alumni of Akabri[26]. Most of the top-executives of PT Toba Sejahtra were the infantry alumni of Akabri Ground Force of 1970-class
alumni of Indonesian armed forces academy.[18]

Discussing Toba Sejahtra cannot be separated from the influence of Bakrie Group. Bakrie is a Holding Company whose majority shares are controlled by the Bakrie family. And, the most influential figure of Bakri Group is Aburizal Bakri. Aburizal Bakri aka Ical is the Chairman of the Golkar Party (2009-2016). And in that position, he then appointed Luhut Pandjaitan as the Deputy of the Golkar Party DPP Consideration Board.

Therefore, the presence of Bakri Group in PT Toba Sejahtra can be seen from two sides, the first side is the political relationship and the second side is the business. From political side, for ARB or Ical, Luhut figure is a military politician who is considered to support his political action in the face of Indonesian politics that is still influenced by military groups. It is natural that ARB appoints Luhut as the representative of the Golkar Party Advisory Council, a prestigious post.

While on the business side, it is undeniable that Luhut business pattern has many similarities in Aburizal Bakrie’s business pattern through Bakri Group, at least it has a similar pattern in the method of acquiring the company’s desired shares. Good when Toba Sejahtra wants shares of PT Inalum and when Bakrie Group wants shares of PT Newmont Nusa Tenggara in cooperation with NTB Provincial Government of PT Newmont shares gain effort.

The bridging and business schemes between Toba Sejahtra and Bakrie Group have similar operations, both in business operations, funding schemes, and lobbying to local governments. Proximity may occur in other companies, but the similarity between Toba Sejahtra and Bakrie Group is not just an example, but more than that. Both are like teachers (Bakrie Group) and students (Toba Sejahtra). Because there is an emotional connection, as revealed by Luhut that the divestment of PT Newmont Nusa Tenggara shares inspires him. Thus, although Aburizal Bakrie does not have the capital in Toba Sejahtra, but Luhut Pandjaitan and Aburizal Bakrie’s business relationships are inevitable.

So basically giving room or floor in Wisma Bakrie, not just lease relationship, as explained by Luhut Pandjaitan. The relationship, however, is a teacher-student relationship (patron-client), in which Aburizal provides guidance, motivation, examples while Luhut is a newcomer to the business world, absorbing examples of business governance, networking, and business operations. Luhut cloned Aburizal Bakrie’s business and implemented it in Toba Sejahtra. James C. Scott classified patron-client relationship into two. The first model is patron-client cluster. In this model a patron has association to a number of clients. [11]

The second model is patron-client pyramid. This model combines a number of groups of patron-client led by the highest patron. The highest position derives from the fact that the patron has the power over life resources, has high and respectable social or governmental position, and has strong financial resources needed by the clients.

In principal, as Scott suggested [11], the patron-client relationship is usually closely associated to patrimonialism and primordialism. Therefore, the core of the relation of patron-client is the exchange of goods and services. Patron with the political and economic power meets the need of the clients in the form of the provision of goods. In return, the patron expects services from the clients in the form of support and loyalty of the clients to the patron. The services are needed by the patron to strengthen political and economic resources of the patron.

Scott’s proposition has confirmed why Aburizal Bakrie has allowed his business cloned. Even better, Aburizal Bakrie provided facilities, protection and networking because Aburizal Bakrie expected to get support and loyalty from Luhut in the winning of Partai Golkar and the Presidential Candidacy of Aburizal Bakri in Presidential Election 2014.

As a result, in the frame of patron-client relationship, it is normal that Luhut was involved in the Success Team for the Presidential Candidacy Run for Ical in 2014. As a form of support from Luhut Pandjaitan to Aburizal Bakrie, the Tim Begawan (the Expert Team) was established to support Aburizal Bakrie in the Presidential Candidacy. In the team, Luhut has proven to...
the patron that he had the capacity to combine support from the former high-rank military figures.[18] The Tim Begawan (the Expert Team) served the function of providing political analysis for the sake of Aburizal Bakrie.
TABLE 1. OLIGARCH IN INDONESIA

<table>
<thead>
<tr>
<th>Politician</th>
<th>Oligarch</th>
<th>Support of Oligarch</th>
<th>Media</th>
<th>Owner/Leader /Buyer of Political Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aburizal Bakrie (11% from television)</td>
<td>Yes</td>
<td>Self</td>
<td>TVOne, Visi Media Asia, Vivanews.com (Anindya)</td>
<td>Yes/Golkar</td>
</tr>
<tr>
<td>Susilo Bambang Yudhoyono</td>
<td>Yes (Hidden)</td>
<td>Dahlan iskan (also related to SBY)</td>
<td>Jawa Pos Group (Radar, Television network) Media Nasa Pradana (national journal), Trans Corp (TransTV, Trans7), Ddetik.com Lippo Media, Berita Satu Media, saham (Suara pembaharuan, Jakarta Globe, Investor Daily, beritasatu.com)</td>
<td>Yes/Partai Demokrat</td>
</tr>
<tr>
<td>Surya Paloh (36% from television)</td>
<td>yes</td>
<td>Self Hashim (relative)</td>
<td>MetroTV, Media Indonesia</td>
<td>Yes/Nasdem</td>
</tr>
<tr>
<td>Prabowo</td>
<td>yes</td>
<td>Self (Cendana?)</td>
<td>Attempted to purchase a TV station</td>
<td>Yes/Gerindra</td>
</tr>
<tr>
<td>Wiranto</td>
<td>yes</td>
<td>Hery Tanusoedibyo (has relationship with SBY, then with Surya Paloh)</td>
<td>MNC Group, RCTI Global TV, MNC TV, Radio Sindo, Seputar Indonesia, Okezone.com</td>
<td>Yes/Hanura</td>
</tr>
<tr>
<td>Megawati</td>
<td>Hidden</td>
<td>Taufik Kiemas Arifin Panigoro</td>
<td>_________</td>
<td>Genetic/ PDIP</td>
</tr>
<tr>
<td>Jusuf Kalla</td>
<td>yes</td>
<td>Self</td>
<td>_________</td>
<td>Yes Golkar 2004, 2014?</td>
</tr>
<tr>
<td>Luhut B. Pandjaitan*</td>
<td>yes</td>
<td>Aburizal Bakrie</td>
<td>_________</td>
<td>yes/Golkar 2009-2014</td>
</tr>
</tbody>
</table>

Source: Jeffry A. Winter, Prisma Vol. 33, No. 1, 2014, (*add to by author, Processed.)
Therefore, as the table reveals, it is understandable that SBY was categorized into an oligarch as defined by Jeffry A. Winters. The political victory of Partai Demokrat (the Democratic Party) in 2009 has assigned Partai Demokrat ruling party in Indonesia, including in North Sumatera. The political superiority was characterized by the majority chairs (26 of 100 chairs) in the local parliament of North Sumatera. As it has been mentioned in the law, Partai Demokrat reserved the right to lead the Provincial Parliament of North Sumatera for the period of 2009-2014. The Fraction of Partai Demokrat of the DPRD of North Sumatera appointed H. Saleh Bangun the Chairman of DPRD of North Sumatera.

Therefore, as the patron, initially SBY was supported by his colleagues of class 1973 alumni of Akabri. However, after winning the contestation of Presidential Candidacy in 2004, he had larger number of clients including the businesspeople (see the table above) and certainly the administrators of Partai Demokrat from national to local offices, including in North Sumatera

RESULT, CONFLICT OF OLIGARCHS AND MILITARY GROUP

Military is one of the respectable groups in political contestation in Indonesia. The presence of SBY as the representation of a military group in Indonesian political contestation implies that military groups play an important role. However, there are other military groups other than SBY’s group. Luhut belongs to another military group. This study found a rivalry between President SBY and Luhut Pandjaitan in the nationalization of PT Inalum. The rivalry clearly described why the Provincial Government of North Sumatera failed to obtained majority shares in the nationalization of PT Inalum.

According to Harold Crouch[2], Indonesian military groups, particularly the Indonesian Army (TNI AD) is a political group established by the patronial New Order. Consequently, patronialism develops along with military development in Indonesia. Such is also the case for the class 1973 alumni comprising the class 1973 alumni (SBY’s class) and the class 1970 alumni (Luhut’s class). The two groups survived and developed military patronialism in reformation era.

The two groups are two different entities competing in various aspects, including the nationalization of PT Inalum. The contestation ended with the political decree of President SBY supported by DPR RI. Therefore, nationalization of Inalum, in intergroup conflict perspective, is SBY’s way to show his power as the ruler to his political rival, particularly Luhut.

Jeffrey A. Winters’ theory of oligarchic power seems to be able to describe the phenomenon of Luhut’s group. Winters suggested 2 (two) propositions concerning oligarchy power. First, oligarch and oligarchy develop their power based on their material wealth. Second, the scope of oligarchic minority is dominated by an exclusive group that controls crucial decisions. However, accumulation and concentration of wealth on particularly limited persons or elites may lead to material injustice that will result in political injustice in democratic state system.[12]

Luhut’s group is an influential oligarchy group in Indonesia. The group had the capacity to exercise verbal pressure and advice. Luhut described to President SBY about the figure of Prabawo, who was considered inappropriate to succeed SBY as the President of Indonesia.

The meeting between Luhut’s group and President Susilo Bambang Yudhoyono implied that Luhut’s group is one the oligarch respected by President SBY. In general they were considered to have independent financial and economic resources. With such independence, the group had bargaining position to SBY’s regime.

Nevertheless, the influence of Luhut had not fully been successful in resulting in pressure to President SBY. As a result, in the nationalization of PT. Inalum, the negotiation between the Provincial Government of North Sumatera and Luhut was not relatively encouraging since the Provincial Government of North Sumatera only obtained 30% shares[14], although Luhut had taken the necessary ways to meet President SBY[37] and a number of ministersto get his wish met?[19]

Actually Luhut as an influential oligarch expected to have a strong bargaining position to the government in the negotiation. He expected that his partnership
with the Provincial Government of North Sumatera would gain positive response from President SBY. Therefore, with the framework of relationship between Luhut and the government, the group had influential capacity to secure the shares of PT Inalum after the nationalization.

There were a number of reasons why the Provincial Government of North Sumatera secured 30% of shares. First, the Provincial Government of North Sumatera was considered by President SBY to be affiliated to Luhut Pandjaitan. Consequently it only secured 30% of the shares of PT Inalum.[19] The low percentage of shares resulted in protest from the local elites since it was considered to be underrepresentation for local governments. Nevertheless, the government persisted and shared only 30% to the local government. Most of elites of the central government considered that the local governments in North Sumatera were subordinates of PT Toba Sejahtera.

Therefore, Luhut Pandjaitan was considered as dangerous or disadvantageous oligarch by the elites of the central government such as President SBY and a number of legislators in DPR RI. They worried that he would endanger their political interest. Therefore, he did not deserve large proportion of shares.

The second reason is that in Indonesian political system, President SBY had the legitimate power deriving from the direct Presidential election. Consequently, he was fully confident that Luhut as a political patron would not endanger his regime. Although President alleged a probable coup d’état by Luhut’s group.[18] It was later known to be a mere warning to the society and his people about the existence of a group in opposition to President SBY. Since it was not considered dangerous, the government did not arrest nor investigate any body for subsersive allegation.

Third, most of the retired military generals behind Luhut were proponents of SBY[18] in the Presidential Elections 2004 and 2009. It implies that politically, they were not the rivals of SBY. They were just like opportunists. Therefore, SBY did not seriously consider the political influence of the retired military generals. Therefore, although Luhut had accommodated retired military generals since 2007 in PT Toba Sejahtera, as a political group, they had not had strong influence on national political constellation. However, the condition had put Luhut’s group in the opposition to President SBY.

DISCUSSION

This study reaffirms the notion that oligarchs in Indonesia are composed of patron-client relationships, but the relationship is based on profit and loss, so that it is liquid and not solid and can change depending on the emerging ruler, whether by democracy or not. This means the oligarch will seek to preserve its wealth by being part of the ruling group. So the policy decided by the rulers to benefit the oligarch. Thus, the oligarch's material resources are safe and sustainable. Therefore, oligarchs and oligarchs as a group working together to defend wealth will try to find a way to secure their material wealth, always approaching the authorities.

Meanwhile, the battle between the oligarchs between SBY and Luhut, based on the beginning of SBY’s decreased of power approaching the end of the period of power of President SBY in 2014. So Luhut approaching the year 2014 seeks to find a way to find a reliable ruler to maintain material wealth, because SBY powers are considered to start Subsided by Luhut. If previously in the reign of SBY (2004-2014) Luhut become part of the group Aburizal Bakrie and Golkar Party associated with the coalition of supporters of SBY. So when the period of SBY power runs out, Luhut looking for new roads approaching potential rulers who potentially win the election. So naturally he became part of Jokowi's government now.

CONCLUSION

However, political inequality can lead to conflict. According to Maswadi Rauf, political conflict among elites usually derives from the desire to show political identity to the political opponents.

Maswadi Rauf suggested that conflict among political elites with different interests may be resolved in consensus. Political consensus may be secured from general election, deliberation, or voting.[8] This study found that consensus secured in the conflict among the oligarchs is the consensus between the government and Commission VI DPR RI to assign 30% of
shares to the Provincial Government of North Sumatera.

This study proves that patrimonialism still exists in political life in Indonesia. This is apparent in the phenomenon that clients leave the patron who has lost the power. In the case of Luhut, knowing that Aburizal Bakrie had little chance to become President of Indonesia, he tactically sought new patron, which was Joko Widodo who had higher chance to become President of Indonesia. According to Scott [7] the relation of patron-client is based on benefit and loss.

Therefore, as an oligarch, Luhut will always try to be close to the ruler in order to retain the wealth he possesses. While SBY on the eve of the end of his period of power. Trying to keep showing as existence as President of RI which still have power. Therefore, he needs to secure his political decisions to benefit himself as well as eliminate his political rivals including in this case Luhut.

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