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## A False Start? Indonesian Business Associations as Democratic Actors in the Immediate Post-Soeharto Era

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Despite the mass demonstrations and economic turmoil that marked the end of Soeharto's 32 year rule of Indonesia in 1998, it only became clear that the autocrat would fall when the country's top political and economic elite began to desert him. In the final days of the New Order, Aburizal Bakrie, the head of the country's peak business association, the Chamber of Commerce (KADIN), joined the calls by some political heavyweights for Soeharto to resign. As head of one of the largest conglomerates in Indonesia, Bakrie's business operations also represented the type of close political and economic relationships that had supported Soeharto's reign and made a handful of well-connected elites rich.

As the transition unfolded in the immediate post-Soeharto period, Bakrie was soon re-elected as the leader of KADIN. At a time when *reformasi* meant everything, Bakrie had already cultivated a reformist image from his 1994 election as KADIN's head when he was not regarded as Soeharto's favoured candidate. In reality it was later reported that all of the candidates, including Bakrie, had been broadly acceptable to Soeharto. But by 1998, political capital was gained by distance from the Soeharto name, and Bakrie's reformist image helped him win the KADIN leadership once more.

But did KADIN, and the business association community more generally, reform? Would the breakdown in the pact between economic and political interests that had ultimately sealed Soeharto's fate lead to a new role for the business association community? Would they respond to the newly democratic environment and begin channelling representative business interests into the policy process? Would they play a part in recalibrating the personalistic relations of corruption that had so far characterised relations between business and politics?

According to the standards set out in the academic literature on civil society and business associations' contribution to democratisation, the business representation sector did indeed show initial signs of reinvigoration. Within the first three years, the number of new trade associations (TAs) increased dramatically,<sup>1</sup> and KADIN, the state-sponsored face of the New Order regime, was confronted with an unprecedented level of criticism and debate. But did this mean that these potentially important actors in the democratic process were now fulfilling this role?

This paper seeks to answer this question, while at the same time testing some of the methods and assumptions of the academic literature on civil society and BAs' contribution to democracy. After a brief review of the literature, the following section highlights the way that the structure and functions of the BA community in Indonesia have evolved in response to its economic and political context. The next section shows how one of these functions – securing a foothold in the process of government

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<sup>1</sup> Trade associations (TAs) are business associations which represent producers from individual sectors. The term 'business associations' (BAs) is used as a generic identifier which is inclusive of both TAs and KADIN.

procurement – was the priority for the BA community in the immediate post-Soeharto period rather than any move to become democratic actors. While arguing that it is these fundamental functions that affect the degree to which a BA contributes to democratisation, the conclusion points to the development of several important building blocks which may yet prove to strengthen the democratic potential of BAs.

### **Civil society, business associations and democratisation**

In recent years, the concept of civil society has become increasingly contested. In reaction to the idea that civil society is a virtuous agent in the democratisation process, more recent literature moves away from purely normative expectations of civil society towards an increasingly analytical use of the term. Two main trends have formed in a bid to better understand the relationship between civil society and the democratisation process. One calls for a more inclusive view of civil society to capture the heterogeneity and complexity of associational life (Foley and Edwards 1996; Van Rooy 2000; Chandoke 2001) while the other seeks to prioritise the environment of civil society organisations (CSOs), usually focusing particularly on their socio-historical context (Armony 2004; Castiglione 1994; Howell 2000). The first is definitional – a question of which organisations should be included within an analysis of civil society. The second seeks to understand more fully the conditions under which CSOs contribute to democratisation.

Based on notions of civil society that stretch back hundreds of years, the contemporary literature sees three main ways in which CSOs can contribute to democratisation. The first can be traced back to John Locke and his distinction between the public and the private spheres and the need to balance the two for effective governance. In this context, CSOs can potentially provide a counterweight to the state, especially in newly democratising countries where the state has been historically repressive. Civil society is expected to ‘impose limitations on the state’s capacity to pervade and control society’ (White 1993: 65; see also O’Donnell 1999). Secondly, following de Tocqueville, the habits of associational life are seen as fostering civic engagement, which in turn creates a kind of community spirit essential for a democracy to function fully. In other words, the activities involved in any kind of non-state association are to be valued as ends in themselves, no matter what the nature of that association may be. It is probably Putnam’s work which best exemplifies this idea (1993; 1995), but it is otherwise prevalent in the literature on civil society. The third main way in which civil society can positively impact on democratisation is by channelling civil society interests into the policy process, thereby making public policy more representative and ultimately more effective. Traced back to Hegel’s work on interest mediation, civil society has the potential to ensure that government is in the interests of a broad range of the populace rather than a narrow section of elites (Dahl 1972; Diamond 1999; Edwards, 2009).

Trade associations (TAs) are important subjects in a consideration of civil society’s role in the democratisation process because of their potential to replace the close relationships between individual business people and the state, which are so often the hallmark of authoritarian regimes. Theoretically, TAs can channel businesses to participate in an open and more representative policy process to avoid business interests being expressed through relationships of corruption. Bernstein and Berger (1998: 6) also contend that ‘particularly in the context of a transition to democracy, BAs can generate policy when the old organs of policy formation become ineffective and the new rulers are either unwilling or incapable of addressing issues of

governance'. They thus have the potential to fulfil all three indicators of a CSO contributing to the democratisation process: they can act as a counterweight to the state, channel interests into the policy process and provide the grounds for the development of associational habits.

TAs, and business associations in general, are sometimes absent from analyses of civil society. There can be some ambiguity over whether organisations associated with business really form part of civil society, given the Tocquevillian distinction between the state, business and voluntary sectors, where the latter is defined as civil society in opposition to the first two. However, the defining characteristic of business in relation to civil society is that it is profit-making and since business associations are business *representatives* (which do not seek a profit) rather than actual businesses, many theorists consider them to be part of civil society. They appear in definitions of civil society from academic institutions (London School of Economics 2012) and international organisations (Saurugger 2007) and increasingly in country studies as civil society drivers in democratisation (White 1993; McMenamin 2002; Duvanova 2007; Onis and Turem 2001). They are usually categorised as mass-based groups which are dependent on membership in contradistinction to constituency-based groups, which are less formal, and trustee groups, such as organisations working on environmental issues or defending human rights, which work on behalf of another constituency (Blair 2004; Carroll 1992).

Another objection to the analytical inclusion of business associations in civil society is their structure. If business associations are considered to exhibit internal vertical networks of patron-client arrangements as opposed to horizontal networks of reciprocity, trust and communication, they are sometimes excluded from the analysis of civil society. Popularised by Putnam in *Making Democracy Work* (1993), this idea of restricting definitions of civil society based on the internal organisation of groups has been heavily criticised in recent years. Others contend that such narrow conceptions of civil society pervert the analysis of *actual* civil societies in favour of normative expectations of how a civil society *should* function (Foley and Edwards 1996; Armony 2004; Henderson 2000; Kopecky and Mudde 2003). Kopecky and Mudde, in particular, argue that such restrictions on the definition of civil society preclude the possibility of evolution from an 'uncivil' towards a more 'civil' version of an organisation and/or ignore the idea that CSOs often have multiple functions – some civil and some uncivil (2003: 4).

There is a relatively small body of literature which specifically aims to uncover the conditions under which BAs can contribute to democratisation. For example, in order to explain the capacity of TAs to be representative, Lucas (1997) looks at organisational indicators such as their level of internal centralisation, the degree of government influence within a TA and the level of a TA's resources. Similarly, building on the work of Streeck and Schmitter (1985), Doner et al (1998) suggest that TAs have the potential to contribute to democratisation and development by representing businesses in the policy process, monitoring the implementation of policies and providing collective goods such as industry standards or collective bargaining. They then highlight various organisational features, such as the scope and inclusivity of membership, the level of resources and the capacity to induce compliance from members, suggesting that each of these features influences the degree to which a TA can actually fulfil these potential contributions (Doner et al 1998: 129-131).

In the only major published work to look at Indonesian business associations, MacIntyre (1991) identifies a handful of TAs that were found to be effective

representative policy advocacy vehicles in the 1990s. How far they were effective depends, he says, on some features of the businesses that make up a TA's membership, such as their commercial scale, concentration of their production and geographic spread. Additional factors influencing their policy advocacy role include the quality of their leadership, the importance of the issue under contention and whether the businesses represented are state or privately owned.

Thus, according to the more general literature on civil society, a CSO can be said to be contributing to democratisation if it can (1) act as a counterweight to the state (2) engage in associational activities (3) represent interests in the policy process. When focusing exclusively on TAs, the literature here suggests that internal organisational attributes associated with the kind of members a TA has, how those members are organised within the TA and the level of its resources are important indicators of its potential to contribute to democratisation. Otherwise, the degree of government influence within a TA and the types of issues they engage in can also have an effect.

### **The evolution of business associations**

When measured against these terms of analysis, Indonesian BAs in the immediate post-Soeharto period looked like they could be showing signs of being new democratic actors. The levels of associational activities rose as multiple new TAs representing private businesses were established.<sup>2</sup> There were indications that these new TAs were acting as a counterweight to the state as they engaged in high levels of criticism of both the government and the state-sponsored peak organisation KADIN. Even the regional branches of KADIN, the KADINDAs, which had previously been considered passive and pliant entities (MacIntyre 1991: 48) began challenging KADIN's authority for the first time. New opportunities also opened up for BAs to increase their resources by taking over the delivery of a service to private businesses which had previously been under the control of local government. But, as we shall see in the next section, BAs in the immediate post-Soeharto period were in fact far from fulfilling the expectations that the literature about civil society places on representative non-state actors in the policy process.

While the BA literature offers some insightful, empirically based observations, the methods used in it are incomplete and so have the potential to be misleading. By searching for indicators of a CSO's contribution to democracy in their internal organisational dynamics, this literature undervalues the importance of the political and economic context. An exclusive focus on the organisations themselves, as if isolated from the historical processes that created them, is simply too narrow to capture the degree to which they are contributing to democratisation.

Taking into account the historical process of how Indonesian BAs developed reveals the way their structure evolved as a reflection of their original functions. They were originally set up during the New Order period, not as policy advocacy vehicles, but rather to *contain* the business sector through a system of state control

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<sup>2</sup> The chairman of the TA section in KADIN estimated that 45 new TAs were formed from 1998 – 2001 across all sectors (interview with Arfan Sofyan, November 2001), while Thomas Darmawan, Chairman of the Indonesian Food and Beverages Association (GAPMMI) estimated that 95 new trade associations were formed from 1998-2001 in the food and beverage sector alone (interview November 2001).

known as corporatism.<sup>3</sup> This process had an impact on the structure of the BAs' funding, which in turn fed back into the nature of their aims and functions.

Where BAs operate to represent the broad interests of their members in the policy process, they are more likely to be funded by membership subscriptions. In contrast, both KADIN and the sectoral TAs have always had problems with obtaining membership dues. The 1987 law which gave KADIN a legal basis, also rather grandly proclaimed that all private and state-owned businesses as well as TAs in Indonesia were KADIN and KADINDA members. The law did not, however, follow this principle through to its logical conclusion by making provisions to impose penalties on businesses or TAs which have not become fully paid up members of KADIN. Instead, the funding of its activities was effectively dependent on donations from a few board members.

Sectoral TAs also had difficulties sustaining themselves financially. In a 2002 survey of Indonesian TAs, 81 per cent of all respondents were found to have an annual income of less than Rp 500 million (at that time approximately US\$50,000) (Hicks 2004: 139). In comparison, the average annual income for a British TA in 1999 was £848,000 (Fairclough 1999: 8). When a purchase power parity calculation is applied to equalise the cost of living in the UK and Indonesia, the average income of an Indonesian TA is approximately one fifth of the income that a British TA receives in real terms.<sup>4</sup> Other research on Indonesian TAs has also confirmed the insufficiency of TA funding from the New Order period through to *reformasi* (LP3ES et al 2000).

Rather than being created as policy advocacy vehicles, during the Soeharto period, Indonesian BAs mainly operated as classic Olsonian 'rent-seeking' bodies. Where a few very large conglomerates controlled most of the business in a strategic sector, they often acted as price-fixing cartels.<sup>5</sup> For medium-sized businesses, BAs mainly served as an institutional base for gaining access to government contracts, which in 2001 was worth in the region of US\$10 billion annually (World Bank 2001: 3).

Up until 2000, the *formal* role of TAs and KADIN in the government procurement process was only as a site of advertisement for the tenders, in addition to the national media. However, in practice, businesses had to be a member of KADIN and one of three TAs before they were considered by the heads of government projects for a contract. These three TAs – INKINDO (the Indonesian Association of Consultants), GAPENSI (Indonesian Contractors Association) and ARDIN (Association of Indonesian Suppliers) – covered large swathes of the economy and

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<sup>3</sup> Corporatism is defined by Schmitter as 'a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and support' (1974: 13).

<sup>4</sup> Purchase power parity conversion factor of 0.2 was obtained from the World Bank website in December 2003. This is the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as a US dollar would buy in the United States.

<sup>5</sup> Some well-known examples were the cement and paper sectors where companies tended to be very large with a high concentration of ownership. One company in the Association of Indonesian Pulp and Paper (APKI) controlled 72% of production capacity in print paper, while the Indonesian Cement Association (ASI) contained one company that controlled 28% of the cement market with only five other companies accounting for the rest.

had substantial memberships.<sup>6</sup> Since their establishment, INKINDO, GAPENSI, ARDIN and KADIN all became known as clubs where their senior members worked in partnership with government officials to extract a share of the value of a government contract as payment for their recommendation to win a tender. It has been reported that this share usually amounted to around two to five per cent of the total value of the contract.

Then, as now, BAs served a number of different purposes. Not all of them were involved in price-fixing cartels or illegally channelling government contracts to preferred businesses. Some played valuable roles in providing managerial and technical support to their members, while others fulfilled the ideal liberal notion of BAs as policy advocacy vehicles, providing a voice for business in negotiations on trade tariffs or promoting their members' products. Often a BA served a number of different functions at the same time. Yet, with one long-time head of a TA estimating that more than 50 per cent of all TAs operate exclusively for the benefit of the board members' companies in obtaining government contracts (interview, October 2001), their role in the corruption of government procurement is crucial to understanding their motivations and modus operandi.

Over the years, the structure of Indonesian TAs evolved in response to this role. It shaped the very fundamentals of their organisation, encouraging the creation of TAs which cover multiple sectors of the economy rather than specific sectors. If TAs were formed to become policy advocacy vehicles then they would be much more likely to organise around specific industries with specific problems. But it is clear that the successful TAs were those which covered multiple sectors in order to have a high degree of involvement in as much government procurement as possible. It is hard to see how TAs such as these could act as the ideal representative of interests in an open policy process if they represent businesses from a variety of different sectors. Apart from the difficulties of keeping up with all the issues in each economic sector, the occasion would most likely arise where one of a TA's constituencies developed interests which were counter to another of the same TA's constituencies. Under these circumstances, TAs were prone to irregularities and corruption in the struggle for influence and direction, a characteristic that was to leave its mark on the way TAs operated in the post-Soeharto period.

### **Business Associations in the Post-Soeharto Period**

It is within this context that the signs of invigoration within the BA sector in the immediate aftermath of Soeharto's downfall should be understood. The proliferation of new TAs as well as the increased criticism and debate among KADIN, its regional branches, the sectoral TAs and the government did not represent a new role for BAs in the democratic process, but rather a conflict over the share of access to government contracts.

After the fall of Soeharto, reform in the government procurement regime became a major issue for donors, the Indonesian government and domestic and international business alike. One aspect of this reform process was the introduction of a new regulation in 2000, KEPPRES 18/2000. This regulation covered topics such as basic principles and ethics of procurement, tasks of project heads, systems of evaluation and qualifications and classes of potential providers. It abolished the

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<sup>6</sup> INKINDO had membership of 3,450 and GAPENSI had 43,000 members (World Bank 2001). ARDIN had 8,000 members in Jakarta alone (Anonymous, "ARDIN Mengacam Revisi KEPPRES soal Pengadaan Barang dan Jasa." *Kompas*, 6 September 2002).

practice of direct assignment of contracts, clarified the responsibilities of project managers and adjusted the authority to grant contracts according to the worth of contracts (World Bank 2001).

The biggest effect of this new regulation on the BA community was contained in a clause which stated that the certificates previously provided by the local government to enable companies to participate in government procurement were from then on to be issued by TAs. Subsequent implementing regulations stated that KADIN's new role would be limited to assessing the competence of TAs to give these certificates to companies. If KADIN decided that the TAs were up to the job, then they could be accredited by KADIN to certificate companies in their sector who were interested in obtaining government contracts.

These directions seemed clear enough. The formal and informal benefits of involvement in the government procurement process which the three TAs and KADIN had previously enjoyed were to be distributed to a wider variety of TAs. In comparison, KADIN's role was to be relatively minor, effectively limited to setting up the system. However, there was a grey area in the implementing regulations that allowed KADIN back into the process mainly for the benefit of their regional KADINDAs and led to much acrimony from the sectoral TAs.

Just a few weeks before the new regulation was to come into force there was a meeting between the Chairman of KADIN and two senior bureaucrats from BAPPENAS (State Economic Planning Board) and the Ministry of Finance, which resulted in the issuance of an implementing regulation (Hariyadi et al 2000). This regulation stated that if KADIN did not consider a TA to be capable issuing certificates to companies in its sector, or if there was no obvious TA which covered a particular sector, then the certificates could be issued temporarily by KADIN. Since it is largely the regional KADINDAs that deal with individual companies, the KADINDAs set about forming centres where certification could take place.

These centres were called Panitia Bersama Sertifikasi Propinsi (PBSP) (Joint Committee for Provincial Certification) and were touted by KADIN as organisations of co-operation between TAs and KADINDAs in the awarding of certificates to companies. But it soon became apparent that it was the KADINDAs who controlled these new institutions. All certificates had to be signed by only the head of the KADINDA and the head of the PBSP, which meant that certificates could be issued without the acquiescence or even knowledge of sectoral TAs. Moreover, while 10 per cent of the profit-share from certification went to KADIN Indonesia, the remaining 90 per cent was left to be 'organised' by each KADINDA and PBSP (Anonymous 2000). This degree of latitude in profit-share from certification with which the KADINDAs found themselves led to variations across the country. In some provinces, the KADINDAs seem to have offered enough to some TAs to make it worth their while to participate in the PBSP and a protracted conflict was avoided. In others the battle between TAs and KADINDAs over who had the right to provide certification continued for years.

Another implementing regulation was later released by the Ministry of Finance and BAPPENAS clarifying that it should be TAs and not KADIN who provide certificates to companies. But the KADINDAs claimed that they had already invested a great deal in setting up their PBSPs and refused to comply, pressuring KADIN Indonesia to support their position.

And the stakes were indeed high. One source suggested that there were around 50,000 companies that needed certification and that KADIN was charging between Rp 250,000 to Rp 4 million (US\$ 25 to US\$ 400) for each certificate (Hariyadi et al

2000). If this was indeed the case, the total sum involved was around US\$10 million per year. Another source estimated that there were two million companies in need of certificates that cost an average cost of Rp 30,000 (interview with Elias Tobing, Chairman KADIN UKM, November 2001). This translates to around US\$6 million per year. Whatever the real figures, it is clear that every year certification was formally worth something in the region of several million US dollars, which is quite substantial in view of the average TA income of US\$ 50,000 or under.

In addition to the formal costs of certification to companies, there were also reports of informal costs or bribes that companies had to pay to the PBSPs or the TAs in order to have their application processed. Then there were the other rent-extraction opportunities which inevitably presented themselves once a foothold in the bureaucratic chain of decisions on government contracts was established.

The potential gains in both formal and informal funding were not the only issues for TAs. The three big TAs which had been involved in certification under the previous procurement regime had the most to lose if they could not regain control over the certification process. For example, the Jakarta branch of ARDIN complained in 2002 that its membership in Jakarta had fallen from 8000 to 600 because the PBSPs had taken over certification (Anonymous 2002). In addition, two of these three TAs were suddenly beset by newly established rival associations. GAPENSI, the construction association, faced a challenge by a new construction association called the Indonesian Construction Association (GAPEKNAS) and in some cases, suspended its own members if they were seen to be involved with their new rival. Similarly, there was a new rival association to ARDIN in the provision of government goods and services sector, called the Indonesian Supplier and Distributor Association (AS PANJI). Again, the establishment of a rival to ARDIN produced many reports in the press of intrigue and manipulation surrounding the relative power of, and control within, the two associations.

In effect, the establishment of new sectoral TAs had been largely in response to these new opportunities to gain a share of government procurement through both the formal routes of certification fees and the informal ones of corruption. Similarly, the very acrimonious debate which ensued among different sections of the BA community and the government was primarily the result of the new procurement regime.

At the time, individual sectoral TAs, loose coalitions and more formal federations filled Indonesian newspapers with statements of discontent with KADIN and particularly its handling of the certification issue.<sup>7</sup> Federations such as the National Forum for Cooperation between Associations (FNKA) and the Chamber of Commerce for Small Business (KADIN UKM) were formed around the issue of certification, whilst others such as the National Forum for Small Business (Fornas UKM) concentrated on other perceived inadequacies of KADIN. Indeed, the exchanges between ARDIN and KADIN became so heated at one point that the powerful Jakarta branch of ARDIN had its KADIN membership temporarily frozen due to its 'anti-KADIN feelings'.

Criticism of KADIN also came from a more unexpected quarter, the regional KADINDAs. In the early 1990s, MacIntyre described the KADINDAs as 'passive and pliant organisations' which could be 'orchestrated without great difficulty' (1991: 48).

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<sup>7</sup> Some of those which made separate and joint public statements were AS PANJI, ARDIN, the Organisation for Weak Businesses (HIPLI), the Association of Electronic Services and Goods (ABE), the Association of Indonesian Pharmaceutical Businesses (GP.FARMASI), the Federation of Medical Instruments and Laboratories (GAKESLAB), INKINDO and GAPENSI.

However, the certification issue galvanised the KADINDAs into action since it was the KADINDAs who were set to benefit most from KADIN taking over the certification.

At the end of 2000 and throughout 2001, KADIN came under enormous pressure from KADINDAs to maintain control of certification. Despite circulars that KADIN sent to KADINDAs to remind them that they only had authority to certify companies which did not belong to a TA, the KADINDAs maintained their position and even attacked particular KADIN members for conspiring with the government to take away this 'right'. It was also the KADINDAs who reportedly pressured KADIN into suspending ARDIN's membership.

The source of the KADINDAs' power to exert this level of pressure on KADIN comes from their position within KADIN's overall decision-making structures. For it is the KADINDAs, rather than individual companies or sectoral TAs, who can vote for the Chairman of KADIN and who can call special meetings to hold the board of KADIN to account. Thus, coded threats to exercise these rights were made by some KADINDAs through the press and no doubt more explicitly to the KADIN board themselves. In the end, the KADINDAs received the requisite support from KADIN to continue their certification operations.

The support from KADIN's central headquarters for certification was also the source of some contention with BAPPENAS which had some overall responsibilities for procurement. At the time, BAPPENAS itself was under immense pressure from the political transition as its authorities over government budgeting and procurement were being transferred to other government departments. The struggle between KADIN and BAPPENAS ended in a very public dispute as both organisations accused each other of being the site of corruption in government procurement under Soeharto until eventually the new president, Megawati Soekarnoputri, stepped in to back BAPPENAS' view with a new regulation making KADIN's certificates optional.

## Conclusion

The above analysis shows that Indonesian BAs did not fulfil pluralist notions of becoming democratic actors in the first five years of a post-Soeharto transition. By using a method which prioritises historical development of functions within a wider political and economic context, we can see that BAs were primarily concerned with defending their role in the government procurement process, no matter how they were internally organised.

In some ways, this was inevitable. BAs could hardly be expected to become actors in a transparent policy process at a time when most economic policy and some social policy was effectively dictated by the IMF through the very detailed 'letters of intent'. BAs were also perfectly reflective of the more fundamental economic structure. Historically, government procurement, and hence the private sector's reliance on it, fluctuated during the Soeharto period depending on the levels of state income from natural resources. And although the size of government procurement as a percentage of GDP is much less in developing than developed countries (Audet 2002: 178-179), in sectors such as construction and oil and gas, it is crucial. In an economy where companies in particular sectors are dependent on public procurement and where corruption is the modus operandi, it would be a surprise to find BAs acting in any way other than as rent-seeking coalitions. Where the liberal interpretation of civil society insists on its analytical separation from the state and economy, these factors are central to how political economists in the tradition of Hegel, Marx and

Gramsci understand civil society. As representatives of economic actors, BAs are on the frontlines of these intersections and can do little more than reflect their nature.

In the ten years since this research was first undertaken, BAs are still consumed with the struggle to secure a role in the government procurement process. Although never reaching the heights of the early 2000s conflict presented here, the issue has rumbled on through two more changes in government regulations in 2003 and 2010. KEPPRES 80/2003 drastically curtailed both KADIN and the sectoral TAs role in government procurement by making the certificates they had been issuing to companies optional. Despite strong lobbying by BAs, PERPRES 54/2010 confirmed this stand. However, as government procurement has become more local with decentralisation, in some cases regional KADINDAs have evidently persuaded local authorities to insist that companies gain certificates of KADINDA membership as a pre-requisite to bidding for government contracts, even though it is not supported by government regulation (Anonymous 2011; Hendri 2010).

Nevertheless, some sections of the BA community are now acting much more in line with the ideal pluralist notion of representative actors engaging in the policy process. There has yet to be any new comprehensive research on the activities of the business association community in the past five years, but anecdotal evidence from KADIN insiders, NGOs and some donors suggests that the sector is professionalising – in parts. There are also indications that BAs are becoming less relevant to the process of government procurement. Transparency Indonesia reports 'a new phenomenon' where many private companies no longer use BAs for access to government contracts, as reform in public procurement processes in general continues (Transparency International 2006: 115).

In some ways, the degree to which BAs contribute to democratisation usually reflects preconceived notions about their nature, with the literature divided between public choice theorists who suspect them of rent-seeking and pluralists who think they are crucial to improving public policy. In a complicated and fast changing environment, such as Indonesia, the idea that 'uncivil movements can become civil' is probably the most valuable. As presented above, the reinvigoration of the BA sector was more about rent-seeking than the development of a new set of democratic actors, but it may still have produced some developments which could prove useful to a more democratic future. The proliferation of new TAs and the breaking apart of old ones resulted in a new cohort of TAs covering more specific industrial sectors – putting them in a better position to represent sectoral interests in the policy process than the multi-sectoral associations that previously prevailed. Similarly, the rise in KADIN's regional branches broke down central KADIN's dominance of the Chamber of Commerce, further pluralising the voices in the environment. While these developments did nothing for democratisation where they were motivated by gaining a foothold in the government contract loop, they could yet serve as building blocks towards a more democratic role in the future.

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