Economic Corridor Policy, Land Concentration and ‘Social Exclusion’
Java’s Economic Corridor Policy Implementation, Indonesia

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Disclaimer:

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<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>APBD</td>
<td>Anggaran Pembelanjaan dan Pendapatan Daerah (Regional Budget)</td>
</tr>
<tr>
<td>APBN</td>
<td>Anggaran Pembelanjaan dan Pendapatan Negara (National Budget)</td>
</tr>
<tr>
<td>APKASI</td>
<td>Asosiasi Pemerintah Kabupaten Seluruh Indonesia (Indonesia’s Association of District Governments)</td>
</tr>
<tr>
<td>BI</td>
<td>Bank Indonesia (Bank of Indonesia)</td>
</tr>
<tr>
<td>BKPM</td>
<td>Badan Koordinasi Penanaman Modal (the Investment Board Coordination)</td>
</tr>
<tr>
<td>BMAP</td>
<td>Belfast Metropolitan Area Plan</td>
</tr>
<tr>
<td>Bocimi</td>
<td>Bogor-Ciawi-Sukabumi</td>
</tr>
<tr>
<td>BPS</td>
<td>Badan Pusat Statistik (Center of Statistics Board)</td>
</tr>
<tr>
<td>BUMD</td>
<td>Badan Usaha Milik Daerah (Regional’s SOE)</td>
</tr>
<tr>
<td>CPL</td>
<td>Central Processing Facilities</td>
</tr>
<tr>
<td>DKI Jakarta</td>
<td>Daerah Khusus Ibukota Jakarta (Special Region of Jakarta)</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Products</td>
</tr>
<tr>
<td>GMS</td>
<td>Great Mekong Sub-Region</td>
</tr>
<tr>
<td>GoI</td>
<td>Government of Indonesia</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>Jabodetabek</td>
<td>Jakarta-Bogor-Depok-Tangerang-Bekasi</td>
</tr>
<tr>
<td>JEC</td>
<td>Java Economic Corridor</td>
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<tr>
<td>JK</td>
<td>Jusuf Kalla</td>
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<tr>
<td>KPI</td>
<td>Kawasan Perhatian Investasi (Focused Investment Area)</td>
</tr>
<tr>
<td>MP3EI</td>
<td>Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia (Indonesia’s Master Plan for Acceleration and Expansion of Economic Development)</td>
</tr>
<tr>
<td>NAR</td>
<td>Neoliberal Agrarian Restructuring</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organization</td>
</tr>
<tr>
<td>NTB</td>
<td>Nusa Tenggara Barat (West Nusa Tenggara)</td>
</tr>
<tr>
<td>Perhutani</td>
<td>Perusahaan Kehutanan Indonesia (Indonesian Forestry Company)</td>
</tr>
<tr>
<td>Perpres</td>
<td>Peraturan Presiden (Presidential Regulation)</td>
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<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
</tr>
<tr>
<td>RJPMN</td>
<td>Rencana Jangka Panjang Menengah Nasional (Long-and Medium Term of National Planning)</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>RTRWN</td>
<td>Rencana Tata Ruang Wilayab Nasional (National Spatial Planning)</td>
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<tr>
<td>SBY</td>
<td>Susilo Bambang Yuhdoyono</td>
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<td>SEZ</td>
<td>Special Economic Zones</td>
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<tr>
<td>Sislognas</td>
<td>Sistim Logistik Nasional (National Logistic System)</td>
</tr>
<tr>
<td>Sistranas</td>
<td>Sistim Transportasi Nasional (National Transportation System)</td>
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<tr>
<td>SoE</td>
<td>State-Owned Enterprises</td>
</tr>
<tr>
<td>TJT</td>
<td>Trans Jabar Tol (West Java’s Highway)</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nation Development Programme</td>
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Abstract

The economic corridor policy can be seen as an attempt to create the location, condition and an expansion target of capital to be circulating. The characteristic of capitalism, which always looks for new areas to invest its surpluses, is the key-word to understand the logic of ‘the economic corridors policy’. Meanwhile, within a country, the need for development and improved economic growth rates are the justification for implementation of the economic corridor’s policy such as the Indonesia’s Master Plan for Acceleration and Expansion of Indonesian Economic Development (MP3EI). To encourage the MP3EI’s policy initiative, the need for massive economic development, which will create growth, meets the interests of capitalists which must be rotating their capital in order to accumulate surplus value of capital.

This study focuses on the grand scheme of economic corridor policy, which leads to land grabbing, land concentration and social exclusion and/or adverse incorporation in Java, Indonesia. Instead of seeing only the economic growth targeted in this scheme, this study will focus on the process that this scenario of economic corridor policy causes on land use. A capital-driven model of economic growth includes in this scheme the symptoms of land grabbing as a process within the operation in which land concentration and social exclusion will be additional results. Based on the indications of Java Economic Corridor implementation, it can be seen that land concentration will occur because of an economic development policy that emphasizes economic growth. In this case, production activities and growth are preferred over the welfare of the people. While ‘social exclusion’ is happening, not merely because of the fact people have been expelled from their territory, but in this study, more people are being converted into productive workers (adverse incorporation) in the productive sector developed through development projects.

Keywords

Economic corridor policy, land grabbing, land concentration, capital-driven growth, social exclusion, adverse incorporation
Chapter 1
Introduction

The focus on economic corridors has become a trend of development strategies in various countries in the world. The economic corridor refers to economic development targeted to increase economic growth in a certain period and in specific areas (AGII, 2000, p. 2). The pre-condition of these plans is mostly infrastructure development, both in terms of transportation facilities and telecommunication as well as in electricity (Bafio & Ruiwen, 2010). These large-scale development plans stand for a form of modernization that obviously reflects thinking of the ruling elites and corporate capital. The main characteristic of the plans is involving a huge amount of capital, undertaken by entrepreneurs, and promoting growth, which fruits ironically, cannot be accessed by large parts of the population. While economic corridor development might generate a very good result, measured by reaching significant economic growth levels, the impact of such modernization, in particular through land control and changing land use, may lead to land concentration and social exclusion.

What is exactly driving factor in the corridor economic policy leads to land concentration? What is the motive of capital owners to invest in the Economic Corridor Scheme, or is there other larger scheme that is running concurrently with the development of Economic Corridor policy? This study will answer these questions by looking at capital circulation that led to land concentration, which is according to Harvey, is available capital surplus that could be or should be reinvested to gain a further benefit and surpluses as part of an unstoppable process of capital accumulation (Harvey, 2010, p. 41).

The economic corridor policy can be seen as an attempt to create the location, condition and an expansion target of capital to be circulating. Characteristics of capitalist that always look for new areas to invest their surpluses are the key-word to understand the logic of ‘the economic corridors policy’. Meanwhile, within a country, the need for development and improved economic growth rates are justification for implementation of an economic corridors policy such as Indonesia’s Master Plan for Acceleration and Expansion of Indonesian Economic Development (MP3EI) (Coordinating Ministry of Economic Affairs, 2011). To encourage the MP3EI’s policy initiative, the need of massive economic development, which will create growth, meets the interests of capitalist which must be rotating their capital in order to accumulate surplus value of capital.

The construction of ‘capital circuits’ will occur through various facilities in the MP3EI (Coordinating Ministry of Economic Affairs, 2011, p. 43). The development of circuits of capital takes care of improved mobility of capital, goods and labour force between or among determined corridors. Corridors are supposed to facilitate the flow of those resources between the area that is identified as a centre of extraction and a centre of economic activity (Chapman, Pratt, Larkham, & Dickins, 2003). This MP3EI’s economic corridor policy has also other objectives. i.e. consolidating of capital, including mobilization of land and labour, those become a new form of exploitation in Indonesia. As long as capital can continue to dominate the main resource, namely land, in which its land concentration is unavoidable.
Nevertheless, an economic corridor policy also leads to ‘exclusive economic growth’, growing inequality and it is linked to the phenomenon of land grabbing. The main important issue is this economic corridor policy heavily relies on the role of investments in the implementation of development projects and infrastructure construction. As a main prerequisite of economic corridor policy, development of infrastructure, such as roads, telecommunication and electricity, can lead to land grabbing, which is explained by Zoomers (2010), who argues that some countries in Asia have released areas in order to form Special Economic Zones (SEZ) and create infrastructure. In practice, this will depend on the market, because the holder of this scheme is corporate capital. Compensation has been based on formal titles of land ownership. Meanwhile, in Indonesia, land titles have still been a big problem, due to a majority of landowners not having land certificates. Therefore, it will lead to imbalanced land transactions and generate ‘development-induced displacement’ (Zoomers, 2010).

In spite of the target of economic growth in the MP3EI, it will not guarantee to have equity of growth in every corridor and reflect in living condition of people within a country. As the main players are corporate capital, infrastructure development and other economic, in one side, will be under control and serve the corporate economic interests and are likely to neglect people’s land rights, at the other.

Land grabbing most often leads to land concentration. When corporate capital invests, it requires a large-scale land and it will impact on land control. It is simply capital accumulation that tends to massively convert land use. Land ownership and control are concentrated in a small group of people or companies (Fairhead, Leach, & Scoones, 2012), even more in some cases it generates absenteeism, which is land controlled by a group of people who are not physically living in the same area or do not relate directly to that land. Even though people already had (high) compensation from land transactions, they have difficulties to access to development project (Zoomers, 2010), and exclusion and/or adverse incorporation occurs (McCarthy, 2010).

The State can be seen also as capitalist as it accumulates surplus through tax collection that not aiming to pay for health, education, pensions and other social services. The tax mechanism, theoretically, should be returned mainly as infrastructure services the public then generates the next tax collection by the use of infrastructure services provided (Harvey, 2010, p. 40). Yet within the context of economic corridor policy, infrastructure is mainly built by private sectors concerned to accumulate a surplus from its investments. This condition allows the continuation of the so-called “accumulation by dispossession” to form a continuous power of capital by the state (Harvey, 2010, p. 49; 2003, pp. 145-152).

1.1 Economic Corridor Policy within Agriculture and Rural Development Narrative

On the MP3EI implementation (MP3EI), several institutions have conducted studies that are assessing the projections or trends that would occur. For instance, study of changes in land use due to the massive expansion of investment in the plantation and forestry sector (Taufik, 2012), which is studying that
this policy will not be successful without good cooperation between central and local government\textsuperscript{1}, including an analysis on economic calculation on growth level that will be reached.

Meanwhile, studies on land grabbing, land concentration and social exclusion are less mentioned in relation to the issue of regional corridor development policy. The newest studies on land grabbing have specifically discussed the criticism on the corporate land deals\textsuperscript{2} described as a new form of dispossession, which is due to the massive infrastructure development for the establishment of corridor and of SEZ\textsuperscript{3} (Ishida, 2009).

This study is therefore important because it is trying to show clearly that the policy of the economic corridor is a result of land grabbing led to land concentration and social exclusion. Furthermore, this study will look at the impact of this development strategy such as what is actually needed by the nation/country, so that the benefits are for the welfare of its people. ‘Land grabbing is essentially control grabbing’ (Borras & Franco, 2012; TNI, 2012, p. 2) that has not been only deal with the extent of the lands controlled by a small group of people, but more important is how to control the production process of economic development on large-scale land. Economic corridor policy, which emphasizes strategies to improve economic growth based on the capital interest, has been essentially ignored a main target and reason of development itself: people within communities.

\section*{1.2. Research Problem and Objective}

Despite the claims of the Indonesian government of the economic corridor policy being a good strategy for rural development and economic growth, it leads to land grabbing, followed by land concentration and social exclusion. Capital and corporations take an essential role in the process of corporate land concentration, through the MP3EI policy, i.e. the power of capital with state legitimacy, possibly to transform land control into the hands of a small group. Meanwhile, people are excluded from their land, including through the land transaction process, and they could be integrated into particular development project or expelled from their origin area. This dynamics is the main issue in this research.

This paper is led by a main research question: “\textit{To what extent the capital driven growth in the economic corridor policy in Indonesia leads to land concentration and social exclusion?}”. To narrow down both data collection and analysis, some specific questions also guide the research:

\begin{itemize}
  \item What is capital-driven growth and who are the actors involved?
\end{itemize}

\textsuperscript{1} Statement of Chair of APKASI (Indonesia’s Association of District Government), August 2012 in \url{http://majalahtopik.co.id/readnews.php?id=420} accessed on September 13, 2012.

\textsuperscript{2} Journal of Peasant Studies Vol. 39, Issue 3-4, July to October 2012 was presenting many studies of the cases occurred in several countries (White, Borras, Hall, Scoones, & Wolford, 2012). For the case in Java (Indonesia), see Suryana and Bachriadi (2012).

\textsuperscript{3} In particular, some of the other literature review on the SEZ, such as on India (Lieven, 2011), and practices on a large land acquisition for agriculture that are analyzed as the phenomenon of land grabbing (Kaarhus, 2011).
2. What is the form of land concentration resulting from economic corridor policy? Which groups are involved and with which dynamics this process is taking place?

3. What are the factors and forms of social exclusion and/or adverse incorporation?

1.3. Methodology

This study will focus on the grand scheme of economic corridor policy, which leads to land grabbing, land concentration and social exclusion and/or adverse incorporation in Java, Indonesia. Instead of seeing the economic growth targeted in this scheme, this study will focus on the process of the scenario of economic corridor impact on land use. A capital-driven model of economic growth includes in this scheme the symptoms of land grabbing as a process within the operation and land concentration and social exclusion will be additional results.

The first part will see the relationship between economic corridors policy and land grabbing phenomenon. Due to different discourses and disciplines, economic corridor concepts are analysed within the economics discourse, land grabbing could be seen as political science and agrarian studies discourse. However, both of them address to the same object in practice, which are land and people. Capital-driven growth becomes a key critical analysis.

It is continued in a second part, where the capital-driven economic growth concept will be used to analyze the three possibly unexpected results of economic corridor policy implementation. It also search interlinked and correlation between capital driven, which manifest in the building of capital circuits in economic corridor policy, and land concentration and social exclusion conditions.

Method of Data Collection

The method in this research is qualitative. To follow the aims of this research, which are explaining how capital driven growth, land grabbing and ‘social exclusion’, this research uses, firstly, a relationship between economic corridor policy and land concentration through land grabbing symptoms; and secondly, is the dynamics of capital driven growth as main factors and ‘social exclusion’ as an impact.

The first set of data will be obtained through secondary data analysis and review. Mainly, as much as documents related with economic corridor policy and agrarian politics and policy will be examined. For this analysis, the method of (partly) critical discourse analysis will be essential to see the direction of development policy Post-Suharto’s era (1998 and after). In order to have a figure of land grabbing in Indonesia, some data on this issue will be collected and analysed. It will be related with the data on investment (both foreign and domestic investments) that are provided by government or national NGO that concern in this issue.

The second set of data will include several cases areas of study, in which capital-driven policies are involved. From those specific locations, this research needs to collect some information about land use change and demographic
dynamics, such as from official document of land use/landscape change as well as land structure change.

This paper will be divided into 4 chapters; the first chapter will provide a description of the problems of land concentration that is driven by capital (capital-driven land concentration). This part will explain a relation of capital circulation and land grabbing and the impact on social exclusion in the implementation of economic corridor policy in Indonesia. In the end of this chapter, there is a briefly explanation of significance this research, research objective, methodology as well as structure of this paper are provided.

The second chapter explains about the theory and concept of economic corridor policy and land grabbing phenomenon. Those will be connecting to the explanation of capital-driven as a main analysis in this study. This chapter also explains how Land Grabbing phenomenon leads to land concentration and impact to social exclusion in Economic Corridor Policy implementation.

Narrowing down those theories and concepts explained in chapter 2, chapter three will analyse a form and work of economic corridor policy and capital-driven on land concentration in Java, Indonesia. This chapter is supported by some relevant data and information about capital mobility and raising some development project held by corporation that will contribute to land concentration. Some briefly cases will be provided to strengthen each explanation. Economic corridor policy, particularly in Java is a reconsolidation process of some existing development projects and also as a new opportunity for a number of new development projects. Due to that phenomenon, land concentration and social exclusion inevitably occur, according to several predictions and projections, by seeing tendencies that has happened in Java, such as, by examining an indication of land control trends in Java since before the economic corridor implemented and projection during its implementation. Data on labour absorption and form of appropriation are also essential to be analyzed and projected during MP3EI policy implementation in Java. The last chapter (chapter four) will draw the conclusion.
Chapter 2
Capital Driven Economic Corridor Policy and Land Concentration

The need for economic growth improvement meets with speculation characteristics of capitalism in an arena of policy implementation of (economic) corridor. Economic growth will be determined by highly production activity in various areas massively with an adequate support of infrastructure means. Principally, well-developed infrastructure is the most important, due to a transaction cost reduction in a production process (Ellis, 1992; Stiglitz, 1986). As described by Harvey, the capitalism needs two major components in order to find ‘extra means of production’: infrastructure (‘machinery and fixed capital equipment’) and various forms of support for production activities (‘intermediate products’) (Harvey, 2010, pp. 66-67). In addition, the availability of labour is also important. Labour either mobilized or are available in the surrounding area will also support the process of expanding into other areas (Girling, 1987, p. 8). Those are needed to ensure the sustainability of capital flows, because capital itself also functions as expansion.

Two things that are required and cannot be separated in capitalist mode of production are land and labour. Strategic location for production activities as well as adequate infrastructure will require vast land and the availability of labour supply. Economic corridor policy becomes an embodiment for the efforts to expand the capital circulation through a scheme of infrastructure development, as well as a strategy to fulfill the need of areas’ expansion within a capital accumulation framework. Opening new areas and connecting with one another to form a current production and distribution is a comparable scheme with capital circulation’s terminology, as explained by David Harvey (2003; 2005; 2010). Throughout economic growth, economic corridor’s concepts will build an unstoppable of capital circulation through the building of economic growth circuits. In this vein, the Economic Corridors deal with the Neoliberal Agrarian Restructuring (NAR) project as explained by Akram-Lodhi, Kay and Borras (2009, p. 219). The implementation of this economic corridor strategy, particularly the land use changes and the relations of production of the lands then lead to the inevitable land grabbing phenomenon. This was frequently followed by the involvement of local people that were transformed into workers at project sites on a large scale, possibly on a form of adverse incorporation (McCarthy, 2010; Hickey & du Toit, 2007).

This study will show the processes of a massive influx of capital demanding adequate land area and enough labour. Java, the Indonesia’s most populated island, was chosen because it had the indications in which the owners of capital look for the availability of land and labour at once. While Java has become a major centre of economic activity in Indonesia, the policy remains a priority economic corridor in the island. It is a big question mark when connecting to the economic development of Indonesia as a whole (explained further in chapter 3), because the other islands in Indonesia should have had more attention than Java. Here is the start of an analysis Capital-Driven Economic Corridor Policy, which will explain on the Indonesia’s MP3EI policy implemented in Java, since the policy can be said not to be motivated for economic...
development for the people's welfare, but only to look for strategic locations for investment.

Searching for strategic locations will impact the practice of land grabbing. Specifically, in Java, land grabbing is not only the land acquisition for production activities, but also for the development of infrastructure (roads, communication systems and power installations). The focus in this paper is how infrastructure is then indirectly providing opportunities for the further practice of land grabbing in the surrounding areas. Development of infrastructures – at least on the fixed state’s plans – will be a requirement of business groups when they invited to invest in an area (or country) in order to stimulate the economic growth. Then, development of infrastructures itself can be an object for private investment. In its turn, development of infrastructures will attract more investors to invest their capital with new land transactions. The rise of the land transactions would most likely then lead to land concentrations in a small group of entrepreneurs.

Compensation schemes prepared for the people around will give local people the opportunity to be involved in development projects. Surely, this will be related to their ability and capacity. The concerns are the levels of education and expertise, which are insufficient to meet the criteria to be acceptable in production activities that use high technology. The level of education and expertise can be a bottleneck, that what people gain is a non comparable to what have been taken away from them, namely control over a plot of land or their previous livelihood in a small farming sector. Rapid flow of capital into their territory, forcedly derive them to have no choice but to be involved in such scheme even though with a very small revenue.

Essentially, the practice of economic development in Java will show how capital-driven economic corridors work and that is not intended solely for ‘national economic development’ interest but rather the formation new spaces for capital to generate a new surplus. In practice, it will impact into massive land grabbing practices leading to land concentration, and a surrounding community integrates into existing extensive production activities. The rest of this chapter will describe, firstly, theory and concept of the economic corridor as well as its implementation; secondly is the concept of land grabbing practices leading to land concentration and the process of integrating the local community to be a part in the process of large-scale production (adverse incorporation as part of social exclusion).

2.1. Economic Corridor (Policy)

Theory and Concept

Economic Corridor is a major step forming part of the regional corridors, which are intended to strengthen cooperation among countries in one particular region. In essence, the word 'corridor' is the keyword that was then translated in accordance with the priority needs in each country. In accordance with the concept of 'the economic geographic' in which each country would establish policies based on their function and purpose of existing conditions (Isono, 2010, p. 334), therefore its implementation requires a different way as a means to achieve the goals of each country (Chapman, Pratt, Larkham, & Dickins,
At least, there are three things to understand the concept of 'corridor' here. Firstly, to set the infrastructure to connect the areas that have been developed (McEldowney & O’Connel, N/A) and also the area that has been projected to be built (Marrian, N/A; Chapman, Pratt, Larkham, & Dickins, 2003).

Secondly, to construct various areas with their respective objectives and specialization, according to its condition and potential (Chapman, Pratt, Larkham, & Dickins, 2003; Bender, 2001). Thirdly, corridor is to accelerate the development process and to increase the rate of growth and to expand employment (Nevin, 2006; AGIL, 2000, p. 2; McEldowney & O’Connel, N/A). The ultimate goal is to develop economic activity in areas that have potential and can support economic growth at national level. To meet these objectives, then it becomes important to develop a remote area that has the potential to be developed, and facilitate the movement of goods, capital and people as a means of main supporting. In the implementation of a corridor policy, infrastructure development is the main foundation; both means of transportation (land, sea and air) and telecommunications infrastructure.

Infrastructure development connects areas that have grown economically and that still need to be given economic development attention. In particular, the areas that are less populated and populated ones, as experienced in South Africa and Mozambique (Maputo corridor), the government have build a direct road between two regions (Marrian, N/A; Nevin, 2006); while in the UK was built an integrated transportation system in the UK’s region to enable an equitable distribution of economic activity growth (Chapman, Pratt, Larkham, & Dickins, 2003)⁴. In Indonesia where the economic corridor policy that effectively has started in 2011⁵, it requires development of infrastructure, both roads and communications infrastructure in the six main islands and between the islands (Coordinating Ministry of Economic Affairs, 2011).

Infrastructure development reinforces the establishment of areas based on its function. As in Latin America, there are three kinds of regions that are interlinked functionally with each other: Areas that serve as a source of raw materials and services, regions that serve to transform raw materials into value-added products, and areas that are functioning for distribution activities through the development of market access for distribution at the national and international level (Bender, 2001). Including for the purpose of providing supplies for the cities that are considered as metropolitan, from economic activities generated in surrounding areas, as in Belfast Metropolitan Area Plan (BMAP)⁶ (McEldowney & O’Connel, N/A) as well as to create a huge opportunity for industrial and commercial activities (Nevin, 2006). In Indonesia, MP3EI formulates specialization scheme in each 6 main islands (Sumatra, Java, Kalimantan, Sulawesi, Bali-and-Nusa Tenggara, and Papua-Maluku) that then so called as six main islands of economic corridor (Coordinating Ministry of Economic Affairs, 2011).

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⁴ It is similar experience in Ireland through the development corridor between Dublin and Belfast (McEldowney & O’Connel, N/A) and in Asia by Great Mekong Sub-Region (GMS) project (Bafoil & Ruiwen, 2010; Srivastava, 2011).

⁵ Based on Perpres (Presidential Regulation) No. 32/2011 on MP3EI 2011-2025

⁶ Belfast is one of important city in Ireland that has great potential to connect the UK region with the mainland of Europe.
Development begins by looking at potential linkages between and within regions that leads to an acceleration process to raise a country's economic growth rate. Infrastructure development will also opening job opportunities in targeted areas, because it is followed by an adequate investment strategy through incoming investment and supported by infrastructure facilities that are deserved. It is sometimes defended as an inclusive development strategy, as it allows absorbing a lot of labour as well as opening up new employment (Osmani, 2002; McKinley, 2008; United Nation Development Programme, 2011). Connectedness in some countries in the region also makes the distribution and marketing of value-added production will also be well ordered (Kumagai, Gokan, Isono, & Keola, 2007). So that the target of economic growth and opening up job opportunities can be achieved as the main objective of development of this corridor, as well as efforts to raise public capital to be invested as well as the deployment of labour in certain areas (Isono, 2010; Nevin, 2006; Fung, Garcia-Herrero, & Ng, 2009). However, reality might be different (it will be explained on the next chapters).

**Implementation of Economic Corridor Policy**

Here, following Harvey’s argument on the ‘space’ in capitalist mode of production (Harvey, 2010, pp. 143-155; 2001, pp. 242-249), economic corridor policy, which is part of a regional development, will be interpreted as specific efforts to create ‘space’ in order to perpetuate the course of circulation of capital in a trajectory of capitalism. Harvey mentioned seven ‘activity spaces’ that interrelated each other as characteristic of capitalism paths, which are “technology and organizational form, social relation, institutional and administration arrangements, production and labour processes, relation to the nature, the reproduction of daily life and of the species and ‘mental conception of the world’” (Harvey, 2010, p. 123). Interrelated ‘activity spaces’ then creates – even establish – a ‘crisis’ (or crises) that important for the continuation of capital accumulation. Harvey argued that it is because of different purposes and gap of understanding between one and other activity spaces itself, such as an application of new technologies against existing social relations and impact to damage of labour organization structure (2010, pp. 123-124). However, tensions and conflicts among ‘activity spaces’ are an opportunity to be interpreted and then formulated into operational policy, such as policies that can be categorized as the concept of economic corridor and/or regional development corridor that has been described in the previous section.

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7 There are two understandings of crisis in capitalism chain, firstly, as Marx argues that crisis was created by the capitalists themselves for the purpose of opening spaces of economic activity, and Schumpeter considers that the crisis is very useful to be tricked and creating new spaces for new capital accumulation activities (Harvey, 2010, pp. 71-72).

8 ADB's strategy for regional development corridors in Asia has 5 elements; there are development of transportation corridor (land, sea and air), development corridor for trade facilitation, logistic corridor development, urban development corridor and economic corridor (Srivastava, 2011, p. 2). By seeing natural condition in targeted areas, thus finding the appropriate technology or adapted it becomes requirements to carry out the policy of the corridor Development. As a transportation corridor implemented in Maputo Corridors and Great Mekong Sub-Region, a technology to develop means of transportation become a main task of each local government in Mozambique and in countries within Mekong river area.
In terms of infrastructure development, both transport infrastructure and communication, capitalists have two things in consideration. They are necessary to have a machinery provision (with the newest technology) and fixed capital equipment, including factory building and means of transport infrastructure (road, river, and sea as well as air) to bear production activity (Harvey, 2010, pp. 66-67). In order to maintain their capital and its surpluses, capital should continually be circulated, so that infrastructure means is needed in order to get and find a new location for capital circulation. When new locations collide with the territorial boundaries of a State, then the capitalists will use the authority of the State or even weaken the role of the State in order to maximize the potential of the target area. During the time, reading the role of the State becomes easier, whether state becomes act as an instrument or will control of circulation of capital (Harvey, 2010, p. 51; Grindle, 1996).

The most dominant hassle in explaining the role of the State in capital circulation is financing related. David Harvey uses a terminology of State-Finance nexus (2010, p. 51), which is firstly, the main task of state that manages benefits from tax revenue of infrastructure development in order to build another public infrastructure for people. To fulfil this obligation, the state often gives an opportunity to private sectors to monopolize control of that development through various forms of contract. The Public-Private-Partnership concept is the World Bank induced concept to accelerate process of development, particularly infrastructure development project, with private sectors involvement (World Bank, 2004, p. 67). In this scheme of partnership, the state’s responsibility and shares then is only giving facilities, including allocate the public/state land, for private sectors who have been granted an agreement to develop infrastructure. These facilities also includes devise various regulations would require people to pay taxes through the use of highway road and other public facilities.

Secondly, state provides security investment. A number of government regulations is created to make it easier of investment or even to invite investors to invest their capital (Lall, 2004, pp. 1-2). As it has happened in Indonesia, since the post-Suharto era, which started on 1998, some laws and regulations on agrarian and natural resources management, investment, labour and taxes or subsidies have been revised or changed toward more appropriate and fit in investment climate (Rosser, 2002). It was justified to recover economic growth in Indonesia after economic crises in Asia in 1997-1998, especially to increase and improve economic growth rate.

Therefore, the focus of major development under a capitalist agenda, in addition to the development of infrastructure, it is necessarily to develop new urban areas (Harvey, 2010, p. 166; 2012, pp. 6-17). Urban development intends to absorb the labour force from rural areas or to transform rural areas into urban. The focus of corridor development, either that started from transport corridor or economic corridor, as it has been framed by the ADB in Asia, is an effort to create a labour market that is ready to be used in the circulation of

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9The PPP is a scheme that involves a (or a group of) private sector and a government to construct one development project. It is necessary to build regarding a lack of government budget condition or acceleration certain development projects. (Bovaird, 2004)

10See again note number 8 above.
capital. For the state, these are two that development becomes a target for accumulation of surpluses, which generate tax revenues (Harvey, 2010, p. 85). At macro level, the state will perform its productivity due to managing the tax system and impact on state revenues derived from the public\(^1\) through state obligations giving basic services and means of infrastructure and urban development.

2.2. Implementation of Economic Corridor Policy and Its Consequences on Land Grabs and Concentration

The phenomenon of Land Grabbing is marked by two essential changes following the extraction of agrarian resources on a large scale, which are land use change and change of production relation on a production activity (Borras & Franco, 2012; 2011; 2010; Borras, Franco, Kay, & Spoor, 2011). A development strategy that uses economic corridor policy, as explained above, generates land grabbing that relate to those two main changes. This section will focus on discussion of land grabbing concept led to land concentration started with development of vital means, which is infrastructure development. Then, it will describe how land concentration will influence surrounding community social livelihood.

In economic corridor policy, three things that possibly need to be examined as a mark of occurring land grabbing are (a) large-scale land and capital intensive investments, (b) lack of government budget to cost development projects, and (c) the imperative role of corporate capital. Corporations will search new locations of agrarian resources in order to invest/reinvest their capital. While lacks of government budget for development often become a reason for private capital to wish to work and get into a country. For the government it is solving their problems in order to accomplish their duty to do the development. Then they will provide certain regulations and mechanisms for investment as well as physical infrastructure means or plans for infrastructure development that private investors are possibly to involve.

It is very interesting to see how the state provides opportunities for the private sector to take over the full development of physical infrastructure. This is related to the analysis of the phenomenon of land grabbing is a deprivation of access and control (TNI, 2012, p. 2). The reason for the lack of a budget for the construction of transportation facilities requires an acceleration process by inviting investors (Kumagai, Gokan, Isono, & Keola, 2007) through Public-Private Partnership scheme. In fact, the investors’ mind-set is merely related to economic calculations to get a surplus on the infrastructures’ constructions. Speculation in the concept of investment in infrastructure is followed by the calculation of exposure new chambers of production after the establishment an adequate infrastructure facility (Harvey, 2010, p. 162). Areas with well-infrastructure facilities, in fact, would be easier to be accessed, which means

\(^1\) ‘Theory of productive state’ works here, as Keynes argued indicated by an increasing tax revenue resulted positive response from capital owner through infrastructure development (Harvey, 2010, p. 87).
the control and arrangement of resources, e.g. land, within those areas would be easier being transferred to the capital forces (local, national and foreign investors) as well. Those lands are possibly a public land or state land, or even private land belongs to local people. In other words, expansion of the commercial interests is not just limited to the land required for the construction of infrastructure, but extends to the surrounding areas, which possibly lead to the land speculation, change of land value and land use within the areas.

Role of the state is significant in the process of the land concentration by corporations, particularly through the allocation of state or public lands for commercial purposes. In Indonesia, both national and local governments make easy transfer over the state/public lands control to the corporations. This facilitation is not only limited to the application process of concession over the land targeted for development of highly economic activity purposes, such as permit for plantation, mining or leisure places as well as tourism areas. Since the New Order era until now, the government and the parliament revise many regulations and laws related to the land and natural resource control, spatial zoning, and location permits in order to facilitate business interest to control the lands for investment.

Labour issues are also important in the expansion. As David Harvey explained that capitalism strategy is also talking about people mobilization and transforming them into proletarian, the main target is peasant groups and rural inhabitants (2010, p. 60). As already revealed by Karl Marx that the existence of non-human technology that will do not mean anything, because actually human labour was the most prolific (Girling, 1987, pp. 5-8). Thus, arrangement of labour is very important, including inserting them into the labour market regimes (Harvey, 2010, p. 58). In terms of a process of fulfilling a condition of capital investment, it will be enough to run through a huge amount of labour availability. Due to that development, local people will lose their agricultural land or other lands that use for socio-cultural-and ecological purposes, and they will be transformed into wage labours that are ready to work on various development projects.

Local people involvement in the development projects with a labour market scheme is crucial to analyse in order to see the ‘adverse incorporation’ phenomenon. According to Hickey and du Toit, ‘adverse incorporation’ is “captures the ways in which localized livelihood strategies are enabled and constrained by economic, social and political relations over both time and space, in that they operate over lengthy periods and within cycles, and at multiple spatial levels, from local to global. These relations are driven by inequalities of power.” (2007, pp. 2-3). In this sense, ‘adverse incorporation’ phenomena can be seen as kind of social exclusion that has not only occurred in the form of total eviction of the local people from their land. Even after people lost their control over land, they are possible to involve in the newly large-scale commercial projects as the wage labour or contractual farmers with limited – frequently have no more – freedom to live along with their appropriate social life (McCarthy, 2010; Sen, 2000, p. 17; TNI, 2012, p. 11). So even though economic corridor policy is targeted to absorb a great number of employment as well as open a new job opportunity (as mention in the “inclusive development strategy”), it is possible bring out the social exclusion symptoms (United Nation Development Programme, 2011, p. 87).

According to Hickey and du Toit, social exclusion refers to ‘the process through which individuals or groups are wholly or partially excluded from society in which
they live’ (2007, pp. 2-3). In this instance, social exclusion regards to availability or unavailability or being limited someone’s access over resources for livelihood within a society. In agrarian-based society social exclusion simply means the lost or limited access to the land and/or other natural resources through various mechanisms. This process of exclusion occurs when (a) already-existing access to land is maintain by the exclusion of other potential users; (b) people lose the land; and (c) people who totally have lack access and are prevented from getting it (Hall, Hirsch, & Li, 2011, pp. 7-8). As Derek Hall, Philip Hirsch and Tania Li argue then that in land issues, power is the main element of exclusion, in which covers four elements of power: regulation, force, the market, and legitimacy (2011, pp. 15-18). They also explained that all the responses cannot stand-alone or one of them will either be influencing or impacting to another.

In the context of existence of the development projects within a society, social exclusion can be find in two ways: local people lost their land for the projects, and/or their (local people) only have limited access to gain a job opportunity in that development projects, as well as an access to earn a deserve wages. Generally, local people will only have an opportunity to work according to their skill and because of their minimum ability or skill; therefore, the job that possible to be had is limited in a low-wage labour work. When they have a higher skill, they should compete with other workers who are coming or sent from out of their area. However, both options are indicating that local people only have an access to earn minimum access, which is as a low wages labour, than having an opportunity to collect further surpluses from those economic activities (Ribot & Peluso, 2003).

Social exclusion (including ‘adverse incorporation’) occurs in the implementation of economic corridor policy will explain the so-called ‘relative poverty’, which is in line with or a continuity of inequality condition. Hickey and du Toit theorizing that ‘relative poverty’ occurs due to the policy target only addressed to improve the rate of economic growth performance at a national level (2007, p. 1). When an economic activity grows generated from infrastructure development followed by large-scale control over surrounding lands/areas for commercial/business interest, the rate of economic growth will increase just on the paper. Nevertheless, socio and economic impacts in society will show the opposite way. Inequality access to a deserved wages and even more to gain surpluses by local people is not equal compare to the surpluses earned by corporations through their investment projects. Inequality of landholding structure explains an inequality in a higher level, due to the transfer of the land use and ownership and control of land to the small groups, such as entrepreneurs, who have capital (Borras & Franco, 2010). Therefore the implementation of economic corridors policy that strongly lead to land concentration or large-scale land control by the corporate will make the existing unequal landholding structure in Indonesia worse.

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12See also Hall, Hirsch and Li, 2011, (p. 4).
Chapter 3
Economic Corridor Policy, Capital-driven Growth, and Land Concentration in Java, Indonesia

To analyze a Java Economic Corridor (JEC) policy, it is necessary to scrutinize how Indonesia has been as a potential location target of investment. Since the New Order era and after lot of obstacles have existed and tried to be dismissed until the Economic Corridor Policy was regulated by the end of 2011. However, it does not mean that no capital has been working in Indonesia, at the same time, the broad wave of neoliberal capitalism agendas has been trying to omit all of barriers or at least to be minimized. In Indonesia’s experience, capitalist used the crisis condition in order to change the Indonesia’s social, politics and economics circumstances, including some changes after the 1997 Asia financial crisis until the establishment of liberal democracy in 2004. Later, it has continued to limit the state’s intervention in the economic development. Encouraging democratic system is essential. It makes openness conditions that everyone can take an opportunity to involve in economic activities; while the liberalism treats the corporate entities equal to the individual. Then liberal economy was strengthened as well since that time. Afterward, the main physical problem of Indonesia, the infrastructure, can be straightened up. The national framework of economic corridor policy (MP3EI), in the essence, is to ease capital flows. The private sector involvements are important by the acceleration of economic development reason, even on the other side, it will occur a privatization in various sectors.

The financial crisis that hit Asia in the late 1990s has lowered the investment growth, either domestic investment or foreign investment. Especially in 1997, almost all countries in Asia experienced a difficult time in the economic development, including Indonesia (Molnar & Lesher, 2008, p. 335). In the data provided by the Bank of Indonesia, the decrease in domestic investment was 50%, while foreign investment has dramatically decreased nearly 70% in 1998, and it has happened in a few years after. However, it had recovered in 2000 and drastically jumped in 200713, which the value has exceeded the existing investments’ value in the period before the crisis in 1997 (Graph 3.1.). At the time, Indonesia was one of the countries that experiencing an enormous collapse that has been closing a number of financial institutions and an inability to pay debt (Robison & Hadiz, 2004, p. 6; Rosser, 2002, p. viii; 2004).

13 “[...]The positive trends that supported the overall balance surplus continued up to 2007. This success was partially attributable to the government’s role in actively supporting non-oil/gas exports by promulgating several conducive policies, but also due in part to the soaring global oil price that quickly boosted foreign exchange revenues stemming from the oil sector”. (Goeltom, 2008)
In fact, during the crisis in Asian countries, seen from an investment figure above, it has not shown such long difficult condition. What has really happened in Indonesia since the end period of 1990s, until now? A narrowing analysis regarding a political event of 1998 will be argued as a piece of scenario within a bigger mainstream to change social, economic and political order in Indonesia. Even though the common analysis of that event was political occurrence to subvert New Order Regime (Nyman, 2006, pp. 1-2; Luhulima, 2001; Forrester & May, 1998; Aritonang, 1999) by a global economic analysis, it is considered as a process of laying back or realignment social, economic and political order in Indonesia, in order to create a liberal democracy circumstance that possibly for investment or capital flows works more freely.

In Indonesia, based on some analyzes, liberal economic policies have been implemented since the New Order Government, in the mid of 1980s (Rosser, 2002, pp. 3-4; Malarangeng, 2002, pp. 36-38). The government of Indonesia has followed a suggestion from World Bank, which was necessary to directing economic policy more open to foreign investment and began eliminating some market protections (Bachriadi, 2010, p. 71). However, it was difficult to be implemented in the New Order era, because, Suharto, President of Republic Indonesia at that time, actually did not want a system suggested by World Bank. Suharto preferred to choose his cronies to control economic development in Indonesia, rather than to be equally opened and controlled by public. Thus, the advice given by the World Bank was running by a half-hearted; such as deregulation that was not fully implemented, still exists an uncertainty of law in economic sectors, and the most important is policies in the banking sector led to a policy that gives freedom to the family and his cronies to dominate Indonesia's capital resources (Robison & Rosser, 1998; Robison & Hadiz, 2004; Rosser, 2004; Thee, 2002, pp. 213-214).
The condition in 1980s until just before 1997, however, was incompatible condition with neoliberal capitalism, because of economic control was widely in elite groups and Suharto’s cronies as well as still much state intervention in economic sectors. By seeing a side of economic growth performance in the two decades could be seen as an adequate condition (see in Table 3.1.), but what was needed is efficient ownership, either individually or corporative, in order to create more economic spaces to circulate capital (Harvey, 2005, pp. 64-66). It was indicated by an agrarian structure and the structure of business in Indonesia, which was dominated by corporate groups, namely business group that has been strong linked to elite power. Meanwhile, existing policies has been directed to strengthen the economic power of the minority groups, thus become an obstacle of capital movement toward surplus generated.

Table 3.1. Economic Growth in Indonesia, 1965-1996 (Average Annual Growth Rate (%))

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>7.0</td>
<td>6.1</td>
<td>7.7</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.3</td>
<td>3.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Industry</td>
<td>11.9</td>
<td>6.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12.0</td>
<td>12.6</td>
<td>11.1</td>
</tr>
<tr>
<td>Services</td>
<td>7.3</td>
<td>7.0</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Source: Thee, 2002 (p. 198)

The liberal view on the role of the state is quite simply, which should do security of economic activities in order to create profitable activities with a favourable investment climate could run well. Thus, state only appears for law enforcement and institution building needed to ease capital circulation. While, during the Suharto, the state’s authority of monopoly in law enforcement and institutional arrangement to build the circuit for capital were widen and misled to the involvement and control the economy itself. Even more the Suharto regime has distributed this economic power limited to his cronies, as well at the same time this regime strengthened the bureaucratic rent seeking mechanism within the state bureaucracy machines. Within this condition, competition atmosphere is not fully conducive, particularly for foreign capital. Due to some potential sectors to invest that had not fully opened for foreign investment, or they had not been able to be fully operated, such as mining, forestry, agriculture sectors and food production that considered as the biggest potential for investors to circulate their capital and generate surplus.

Therefore, there was a small room and opportunity for capitalist to change the economic situation in Indonesia, either to change the monopoly system and rent-seeking bureaucracy that already running or to replace the authoritarian-bureaucratic regime. Establishment of a democratic system was needed, because it was assumed having better understanding for the meaning of competition; free trade and foreign involvement in Indonesian’s economic development. Because of that, the Asian financial crises in 1997 could be the best path to overhaul an existing order, while the capitalist thought that it was an important part for the resumption of open spaces or a process for the formation of the new capital circuits (Harvey, 2010, p. 50). Chaotic situation in Indonesia at that time also led to the resignation of President Suharto's leader-
ship and political change from authoritarian regime to democracy occurred, called the Reformasi 1998’s events.

The next important milestone was in 2004, after the first direct president election, which has generated a new characteristic of democracy and economic development in Indonesia and has performed a significant level of economic growth in 2007 (Table 3.1.). A new government led by Presiden Soesilo Bambang Yudhoyono (SBY) and vice president Jusuf Kalla (JK) have been considered as a couple that has more understanding of an importance of fully open economic development in order to establish a free market economy.

The story along 1980-1990s economy has also affected to agrarian condition in Indonesia: Groups of conglomerate, mostly are Suharto’s cronies, controlled the land and agrarian resources in various form land concentration for the so-called ‘development’ of large-scale plantations, forestry, mining, including land control over development of luxurious housing and golf course.

Table 3.2.
General Overview of on Land Concentration and Control by Corporate Groups in Indonesia

<table>
<thead>
<tr>
<th>Land Allocation</th>
<th>Total Land Allocated (ha)</th>
<th>Number of Companies</th>
<th>Average Land Holdings (000 ha)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large scale extractive forestry resources projects (by 1999)</td>
<td>61.6 M</td>
<td>420</td>
<td>146.6</td>
<td>12 groups of companies controlled 16.7 million ha (34.8%) These included a state-owned forestry company, PT Perhutani that have been controlling over 2.5 million ha Forest Land in Java</td>
</tr>
<tr>
<td></td>
<td>28 M</td>
<td>285</td>
<td>99.3</td>
<td></td>
</tr>
<tr>
<td>Large scale mining projects (by 1999)</td>
<td>264.7 M</td>
<td>555</td>
<td>477</td>
<td>Total land allocated for large-scale mining exploration and exploitation here is based on accumulative concession areas provided for each company as recorded by the Investment Coordination Board (BKPM). This indicates that concessions had (1) the potential to overlap with land allocation for other purposes; (2) mining concessions are only based on potential of underground operations without recognizing the total land area used by the mine. Data for the actual land used by these mining operations is not available.</td>
</tr>
<tr>
<td>(by 2011)</td>
<td>64.2 M</td>
<td>375</td>
<td>171.2</td>
<td></td>
</tr>
<tr>
<td>Large scale plantation projects (by 2000)</td>
<td>3.52 M</td>
<td>2,178</td>
<td>16</td>
<td>New development of oil palm plantations; up to 2002 around 6M ha has been allocating for oil palm, GoI plans to expand up to 20M ha in 2015 for oil palm plantations</td>
</tr>
<tr>
<td>New towns and luxury housing development projects of 10 big</td>
<td>65,434</td>
<td>10 holding property companies</td>
<td>6.5</td>
<td>Jabodetabek, a metropolitan area around Jakarta, which is part of three provinces (DKI Jakarta, West Java and</td>
</tr>
</tbody>
</table>
conglomerates only in “the Jabodetabek area” (1998)

The result study of the department of City Plan and Real Estate Tarumanegara University (2011: 28), new towns in Metropolitan area of Jakarta or Jabodetabek have been controlled by 5 holding property companies (Bakrieiland Development, Sinarmas Land, Jaya Real Property (Pembangunan Jaya), Lippo Group and Ciputra Group).

Golf Course (Jabodetabek area only, in 1995)

<table>
<thead>
<tr>
<th></th>
<th>11,200</th>
<th>32</th>
<th>0.4</th>
</tr>
</thead>
</table>

By 2000, 119 golf club companies and courses had been developed throughout Indonesia.

Large scale industrial estate projects (by 1998)

|         | 25,254 | 74 | 0.3 |

Source: Bachriadi & Wiradi, 2011 (pp. 9-14); Bachriadi, 2010 (p. 54) and his update version (2012)

It is a strong contrast to compare figure of land controlled by corporations in the '80-'90s in Indonesia as mentioned in table 3.2 above with land controlled by peasant households on the same period. According to BPS data, from 1983 to 2003, total land controlled by the peasants in Indonesia is less than 22 million hectares (1983: 16.8 million ha; 1993: 17.1 million ha; and 2003: 21.5 million ha). While, in the same period, total number of peasant households increased: from 23.8 million households in 1983 to 30.2 million in 1993, and 37.7 million in 2003 (Table 3.3). Growth of the land available for small cultivators always lower than growth of the peasants. As the result, from time to time, average land control by peasant is still less than 1 hectare per household and number of small peasants and landless had increased. It is should bear on mind that is not all the peasants is landholders (only 79% in 1983, 70% in 1993, and 64% in 2003); some of them are landless. So in the same period percentage of absolute-landless peasants has increased; from 21% in 1983 to 30% in 1993, and 36% in 2003.

Table 3.3.
Peasant’s Landholding Structure in Indonesia, 1983-2000

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1993</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total land holds by peasant landholders (million ha)</td>
<td>16.8</td>
<td>17.1</td>
<td>21.5</td>
</tr>
<tr>
<td>Total number of farm households (million)</td>
<td>23.8</td>
<td>30.2</td>
<td>37.7</td>
</tr>
<tr>
<td>% of ‘Peasant landholders’</td>
<td>78.9</td>
<td>70.0</td>
<td>64.5</td>
</tr>
<tr>
<td>% of Absolute-Landless</td>
<td>21.1</td>
<td>30.0</td>
<td>35.5</td>
</tr>
</tbody>
</table>

Source: Bachriadi & Wiradi, 2011 (p. 15)

The next problem after regime change, from authoritarian-bureaucratic regime to democracy, and an openness Indonesia economic to free investment and competition is how to recover inadequate infrastructure condition. Meanwhile, in order to reach areas that have the potential of natural resources for investment activities and to support the production-distribution activities, a well-constructed infrastructure becomes main precondition. Among the
ASEAN countries, World Bank reported in 2005 that Indonesia’s ranking for various kinds of infrastructure was around 8 to 12 of 11-12 ASEAN countries.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Indonesia</th>
<th>ASEAN Regional Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrification Rates (%)</td>
<td>53</td>
<td>11 out of 12</td>
</tr>
<tr>
<td>Fixed Telephone Lines (%)</td>
<td>4</td>
<td>12 out of 12</td>
</tr>
<tr>
<td>Mobile subscribers (%)</td>
<td>5</td>
<td>9 out of 12</td>
</tr>
<tr>
<td>Access to improve sanitation (%)</td>
<td>55</td>
<td>7 out of 11</td>
</tr>
<tr>
<td>Access to improve water (%)</td>
<td>78</td>
<td>7 out of 11</td>
</tr>
<tr>
<td>Road network (Km / 1000 pop.)</td>
<td>1.7</td>
<td>8 out of 12</td>
</tr>
</tbody>
</table>


The World Bank analysis that has been used by the government of SBY-JK and has been tried making various efforts to fix infrastructure condition. Their efforts can be interpreted in two aspects that both are mutually supportive. Firstly and mainly is actually to facilitate a flow of investment for production process, and secondly is to improve the infrastructure condition itself. By those two double aspects, a scheme of Public-Private-Partnership (PPP) becomes stronger. Processes of infrastructure development and improvement are not only faster because of the financial support flows from private sector, investments for production will be also created further, then automatically will be opening new economic activity spaces.

Legalization of a new economic development policy (MP3EI) is a culmination of various efforts to infrastructure development combined with mapping areas that are having potential to be exploited. This policy emphasizes an economic corridor concept are intended to connect areas as a center of economic activities to areas as a source of production. The MP3EI has a main target to stabilize Indonesia’s economic growth between 6% and 9% (Coordinating Ministry of Economic Affairs, 2011), through an equal development in a whole area of Indonesia that divided into six corridors in MP3EI. There is two others strategy that includes in this policy, which is a development of the national connectivity system (locally and internationally) and strength-

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14 SBY-JK conducted the Infrastructure Summit 2004 in order to attract investor to involve in infrastructure development in Indonesia. Besides, they has also revising and renewing some laws and regulations that indicate giving more spaces to investors, such as regulation in investment and natural resources management (water, plantation, and mining as well as oil and gas.


17 National connectivity consist of 4 (four) national policy elements i.e. National Logistic System (Sistem Logistik Nasional/Sislognas), National Transportation System (Sistem Transportasi Nasional/Sistranas), Regional Development and Spatial Planning (RPJMN/RTRWN), and Information and Communication Technology (ICT). These policies were combined in order to create an effective, efficient, and integrated national connectivity (Coordinating Ministry of Economic Affairs, 2011, p. 33).
ening human-resource capacity and national science and technology to support the development of eight main programs, which consist of 22 main economic activities.\(^\text{18}\)

Each corridor, based on its resources and the existing development potentials, has its own development theme. Sumatra Economic Corridor as a “centre for production and processing of natural resources and as nation’s energy reserves”; Java Economic Corridor as a “driver for national industry and service provision”; Kalimantan Economic Corridor as a “centre for production and processing of national mining and energy reserves”; Sulawesi Economic Corridor as a “centre for production and processing of national agricultural, plantation, fishery, oil & gas, and mining”; Bali – Nusa Tenggara Economic Corridor as a “gateway for tourism and national food support”; and Papua – Maluku’s islands Economic Corridor as a “centre for development of food, fisheries, energy, and national mining” (Coordinating Ministry of Economic Affairs, 2011, pp. 46-47).

3.1. The Island of Java as a Main Economic Development Area in Indonesia

Java Island has the highest priority in economic corridor policy, yet Java nationally remains as the biggest contributor for macro growth at national level.

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\(^{18}\) Those are shipping, textile, food beverage, steel, defence equipment, palm oil, rubber, cocoa, animal husbandry, timber, oil and gas, coal, nickel, copper, bauxite, fishery, tourism, food agriculture, Jabodetabek area, Sunda straits strategic area, transportation equipment and ICT, that includes in the eight main activities (agriculture, mining, energy, industrial, marine, tourism, telecommunication, and the development of strategic areas). (Coordinating Ministry of Economic Affairs, 2011, p. 22).
Undoubtedly, Java can be reliable to maintain Indonesia’s growth between 6 and 9%, because Java has attracted a huge of investment and investors, has been the density population and relatively adequate infrastructure (compared to other islands). It explains that the policy do not address an equal of social and people welfare in Indonesia.

In the framework of Indonesia economic development, Java is the most important island, eventually since the independence, the island’s development has dominated Indonesian economy. Currently this has been demonstrated by the contribution of national GDP form that exceeds 50% from Java’s island in 2008-2010, which respectively was 57.7%, 58.6% and 58% (BPS, p. 17; p. 20)). Developments of capital-intensive industries are centered in Java, by relying on the supply of raw materials from other islands. To support the ability of Java as the heart of Indonesia’s economic development, infrastructure development in Java precedes the other islands in Indonesia. The framework of this development would have an impact to employment, which is also very high in Java, and distribution of population that are relatively concentrated in Java (around 60% of the Indonesia’s total population). Meanwhile, gradually, a dynamic of land use in Java tends to be allocated for large-scale industries, either manufactures or agro-industries and large-scale plantations. At the end, with excellent soil conditions for fulfillment of national food supply, Java has started to change its development scheme to be a national food-processing area. In fact, Java for a long period has become a main contributor to the foodstuffs production in Indonesia. This tendency has given consequences to the land control and land holding structure in Java.

According to data collected by the Ministry of Trade and Industry, at least there is 78% of all numbers of companies in Indonesia located in Java (Table 3.5.). Even since 1998, a number of industrial projects in Java have always been over 60% of all Indonesia’s industries, and always increased up to 66% in 2006\(^{19}\).

\(^{19}\) Based on a description in Appendix Book No. II, Presidential Regulation No. 5/2010 on Long and Medium Term of National Planning, p. II.3-30.
Table 3.1.
Number of Agriculture and Non-Agriculture Industry in Java

<table>
<thead>
<tr>
<th>No.</th>
<th>Province</th>
<th>Non-Agriculture</th>
<th>Agriculture</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banten</td>
<td>177</td>
<td>3</td>
<td>180</td>
</tr>
<tr>
<td>2</td>
<td>DI Yogyakarta</td>
<td>34</td>
<td>1</td>
<td>35</td>
</tr>
<tr>
<td>3</td>
<td>DKI Jakarta</td>
<td>100</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>West Java</td>
<td>310</td>
<td>14</td>
<td>324</td>
</tr>
<tr>
<td>5</td>
<td>Central Java</td>
<td>89</td>
<td>14</td>
<td>103</td>
</tr>
<tr>
<td>6</td>
<td>East Java</td>
<td>455</td>
<td>21</td>
<td>476</td>
</tr>
<tr>
<td></td>
<td>Total in Java</td>
<td>1165</td>
<td>53</td>
<td>1,218</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(78.72%)</td>
<td>(66.25%)</td>
<td>(78.08%)</td>
</tr>
<tr>
<td></td>
<td>Total in Indonesia</td>
<td>1,480</td>
<td>80</td>
<td>1,560</td>
</tr>
</tbody>
</table>


Similarly, in the value of investment, both domestic and foreign, since 2008 to 2010, each percentage was more than 50% located in Java. Although percentage of the number of projects and value of investment in 2010 had declined, those numbers had risen significantly. The number of domestic direct investment projects in 2010 was 397 projects (of 875 projects in Indonesia); it was only 179 and 174 (of 239 and 248 projects in Indonesia) in 2008 and 2009. Of these investment figures, the value of foreign investments operating in Java was more than 70% of the total investment in Indonesia in the period 2008 to 2010. It is not surprising, in 2009, 95% of the total value of foreign investment was recorded operated in Java. It was caused by economic crises in developed countries that resulted many investments in other islands, primarily on the mining and plantation sectors, has reduced.

Table 3.2.
Investment in Java, 2008-2010

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>183</td>
<td>12,230.5</td>
<td>174</td>
<td>25,766.6</td>
<td>397</td>
<td>35,136.4</td>
</tr>
<tr>
<td>Foreign</td>
<td>947</td>
<td>14,871.4</td>
<td>946</td>
<td>9,370.5</td>
<td>1,976</td>
<td>11,498.7</td>
</tr>
</tbody>
</table>

Source: [Statistical Yearbook of Indonesia 2011](http://www.kemenperin.go.id/direktori-perusahaan?what=Industri&prov=0) and [Statistical Yearbook of Indonesia 2011](http://www.kemenperin.go.id/direktori-perusahaan?what=pertanian&prov=0) (accessed on September 3, 2012)

Investment in infrastructure construction has become main reasons for development in Java since 1980s. Up to 2010, even though Java is the smallest island of the five biggest islands in Indonesia, percentage of road constructions in Java was around 24% of whole constructions in Indonesia (Statistik Indonesia, 2012, pp. 348-350). It is also infrastructure to connect areas separated by river that were more intensive developed in Java, other islands such as Kalimantan that are having more river watershed areas. Since 1970s, there have been 1,725 bridges of 3,810 constructed in Indonesia, and until 2009, almost 25% of bridges developed in Java (Department of Public Work, 2009). As well as telecommunication and electricity facilities, among other islands in Indonesia, since 1970s, Java Island had priority.
Economic conditions of Java Island attract jobseekers in Indonesia. An assumption that Java Island has more job opportunities, based on a brief description above, is relevant. A huge job opportunity in agro-industry and manufactures become a magnet and generate Java Islands as the most populated island in Indonesia. Table 3.7. below shows more than 50% of Indonesia’s population has living in Java and more than 60% of Indonesia’s labour was absorbed in Java. Nevertheless, labour absorption in non-agriculture sectors has not strongly increased; it was only moving around 65% to 70%. On the other hands, a gradually increase has happened to the number of people who work for agriculture sectors between 2006 and 2010. It has existed because of land conversion from agriculture land to other purpose, mainly industrial area.

Table 3.7.
Percentage of Java's Population and Labour Forces of the Total Numbers in Indonesia's

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>58.44</td>
<td>58.44</td>
<td>58.44</td>
<td>58.44</td>
<td>57.49</td>
</tr>
<tr>
<td>Total Labor Forces</td>
<td>68.84</td>
<td>66.36</td>
<td>69.16</td>
<td>65.03</td>
<td>64.22</td>
</tr>
<tr>
<td>Agriculture Labor</td>
<td>66.74</td>
<td>65.39</td>
<td>64.92</td>
<td>58.94</td>
<td>58.03</td>
</tr>
<tr>
<td>Non-Agriculture Labor</td>
<td>69.37</td>
<td>66.60</td>
<td>70.26</td>
<td>66.76</td>
<td>65.73</td>
</tr>
</tbody>
</table>

Source: Calculated from Trends of Selected Socio-Economy Indicators of Indonesia 2011, Table 2.3. (p. 13); Labor Force Statistics 2006, Table 17.5. (p. 91); 2007, Table 17.1. (p. 90); 2008, Table 12.1. (p. 90); 2009, Table 12.1. (p. 92); 2010, Table 12.1. (p. 92).

The tendency of land use in Java, for more or less 20 years since 1983 to 2000 has reflected that land allocation for industrial activities and development of a new area for housing had increase, but for people agricultural land and large plantation were relatively stable (Bachriadi & Wiradi, 2011, p. 37). However, paddy harvest areas in Indonesia have declined since 1990s impacted to declining of paddy production20. In earlier 1990s, almost 50% of harvest areas in Indonesia have located in Java, which has been covering 50% of national production. Some studies, in 1995, demonstrated that 22.6 thousand hectares of agricultural land in Java were converted to non-agricultural land. In fact, the conversion from agricultural land into non agriculture purposes in Java already happened since the 80s: For instance, from 1986 to 1989, paddy field areas in Java had declined by 2.3% yearly (Bachriadi & Wiradi, 2011, p. 35).

According to ARC’s data (ARC, 2011), the Gini Coefficient of land control by peasant households in the six provinces in Java, as calculated from the 2003 Agricultural Census data, are around 0.45 to 0.66 (DKI Jakarta: 0.66, West Java: 0.53, East Java: 0.49, Banten: 0.48, Central Java: 0.46, and DIY: 0.45). Compared to Gini Coefficient of the two similar censuses results conducted in 1973 and 1983 as calculated by Booth, which were 0.49 and 0.47 (Booth, 1988, p. 59), it reflects stagnant inequality conditions in Java (Bachriadi & Wiradi, 2011, p. 18). Therefore, since 1970s, development strategy implemented in Java has had no impact to reduce inequality of land control by peasant households in this island.

3.2. Java’s Economic Corridor in MP3EI Policy

One of the corridors in MP3EI is Java Economic Corridor (JEC) directed to development of “Driver for National Industry and Services Provision.” In practice the JEC can be seen as an effort of the business community to convince provincial governments in facilitating investments. Likewise the MP3EI in national level, the JEC does not prioritize the lack of attentive areas. The form of focused investments area (KPI) connects various cities that have had investment’s flows and the investors have faced kinds of legal and technical problems. Through the JEC planning, all of the KPI’s areas will be well-connected to the five cities (Jakarta, Bandung, Semarang, Jogjakarta and Surabaya) as center of economic activities in Java as well as to the port and airport that has framing in MP3EI. These five leading cities covering six main economic activities, there are food and beverage, textile, shipping, defence equipment, transportation and ICT, plus two non-economic activities, which are oil and gas, and steel, as well as one development area, Jabotabebek area (Tim Kerja MP3EI Jawa, 2012, p. 5). As stated in planning document, JEC has the greatest indication of investment value, which is 32% from the total investment indication needs in MP3EI. With a land area that is smaller than the other corridors, the biggest indication of investment value in Java demonstrates a density of an investment in Java with the MP3EI. As the whole target of MP3EI, JEC expects to gain its GDP around 13%, which is similar with a target that has planned in the Long and Medium-Term of National Planning (RJPMN) 2010-2014.

JEC formulates series of projects that includes in National Program, MP3EI. There are two main activities, development of real sectors and infrastructure. To be able to achieve a very high commitment from the private sector, besides doing the so-called ‘debottlenecking’ regulations, government is required and obliged to build adequate infrastructure facilities to running industry in the real sectors. It is also part of a whole framework of MP3EI that is connectivity building inter and within corridors, including in JEC. Likewise, the demands put forward by the private sector where such commitments will be accomplished if infrastructure facilities, such as roads, ports, railways, and electricity are already available. In fact, an acceleration scheme has occurred in JEC, because a number of projects in the real sector and infrastructure are an existing plan and only to do a process of alignment with MP3EI. A distinction between the planning that is already underway and the MP3EI presence in Java is new industrial activities in the real sector gaining more support from the government, especially to support licensing and other necessary means.

On the origin program plan for the 15 years mission (2011-2025), the fund and investments needed for the first five years of JEC implementation (2011-

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21 Followed by Kalimantan Economic Corridor 24%, Sumatra Economic Corridor 18%, Papua-Maluku Islands Economic Corridor 15%, and Sulawesi and Bali-NTB Economic Corridor, respectively 8% and 3% (Coordinating Ministry of Economic Affairs, 2011, p. 49).

22 “[…] Under the MP3EI, the growth of JEC will be pegged as stated in the RPJMN” (Coordinating Ministry of Economic Affairs, 2011, p. 47).

The current RJPMN was regulated by Presidential Regulation No. 5/ 2010 on RJPMN 2010-2014.
2014) is around 1,290 trillion rupiah, which is the biggest fund and investment needed among the all corridors. Of this total amount, around 66.4% (856 trillion rupiah) is needed to develop the infrastructure facilities and the rest or 33.6% (around 446 trillion rupiah) is needed to develop the main industries (Coordinating Ministry of Economic Affairs, 2011, p. 49 and 92). While on the ongoing implementation report, in May 2012, the JEC Committee had reported that commitment of investment and fund for the main industries in this corridor declined to 260 trillion rupiah (equivalent with around 26 billion USD). This commitment came from various sources: government budget (APBN/APBD), state-owned enterprises (SoE), private sector and joint funding between government and private sectors. The biggest committed funding proportion is the private sectors, which is 54% (Table 3.8). On the contrary, fund and investment for infrastructure projects increased from 446 trillion rupiah on the original plan to 1,200 trillion rupiah: 33% came from government budget and SoE investment, 28% from PPP scheme, 35% from fully private investment, and the rest (4%) is still on the negotiation process (Tim Kerja MP3EI Jawa, 2012, p. 9).

### Table 3.8

Committed Investment on the Main Economic Activities in JEC, up to May 2012

<table>
<thead>
<tr>
<th>Main Economic Activities</th>
<th>Number of Projects</th>
<th>Committed Value of Investment (Billion IDR)</th>
<th>Commitment (Billion IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Government</td>
<td>SoE</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>42</td>
<td>26,109</td>
<td>-</td>
</tr>
<tr>
<td>Defense Equipment</td>
<td>14</td>
<td>1,663.6</td>
<td>-</td>
</tr>
<tr>
<td>Textile</td>
<td>23</td>
<td>12,080</td>
<td>-</td>
</tr>
<tr>
<td>Transportation</td>
<td>3</td>
<td>36,405</td>
<td>-</td>
</tr>
<tr>
<td>Shipping</td>
<td>5</td>
<td>809.0</td>
<td>-</td>
</tr>
<tr>
<td>ICT</td>
<td>2</td>
<td>163</td>
<td>63</td>
</tr>
<tr>
<td>Steel</td>
<td>18</td>
<td>7,252</td>
<td>-</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>8</td>
<td>175,186</td>
<td>-</td>
</tr>
<tr>
<td>Total Commitments</td>
<td>115</td>
<td>259,667.6</td>
<td>63</td>
</tr>
</tbody>
</table>

**%** 0.02% 45.12% 54.11% 0.74%

Source: *Tim Kerja MP3EI Jawa* (2012, p. 7)

The construction of infrastructure facilities in JEC is aimed to develop some areas in Java that targeted as “focused investment area” or KPI (*Kawasan Perhatian Investasi*) and to connect them.

KPI is a term for some cities in Java Island that are having a real sector capacity to be developed as main economic activity areas, including *Jabodetabek* area and few cities that has a potential for oil and gas as part of non-economic activities. There are 34 areas that have been identified as KPI that scattered throughout the provinces in Java\(^{23}\). Judging from its background, the existences in those areas are not a newly formed scheme, but the industry has been established and has developed their economic activities before MP3EI was designed as a national policy in Indonesia.

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\(^{23}\) Due May 2012, JEC team work has identified 13 cities in West Java province, 4 cities in Banten, 6 cities in Central Java and 10 cities in East Java and 1 city in DKI Jakarta (*Tim Kerja MP3EI Jawa*, 2012, p. 14).
Table 3.9.
Focused Investment Areas (KPI) by Main Economic Activity in Java

<table>
<thead>
<tr>
<th>No.</th>
<th>Main Economic Activity</th>
<th>Focused Investment Areas (KPI)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>West Java</td>
<td>DKI Jakarta</td>
</tr>
<tr>
<td>1.</td>
<td>Food and beverage</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>Textile</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>Shipping</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>4.</td>
<td>Defense equipment</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>Transportation Equipment</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>6.</td>
<td>ICT</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>Oil and Gas</td>
<td>1</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Result of Coordination Meeting, Java Economic Corridor Team (2012, pp. 44-55)

The main target of infrastructures development in JEC is to connect or to facilitate industries in between and within the KPIs in order to ease movement of goods, capital and people, especially to transport the products from production places to the major ports or airport within island, inter-islands or overseas distribution. Therefore, development of the transport infrastructure is not only to build roads, but also railways, sea-ports and airports. However, in Java, due to a condition and availability of the existing ports and airports, construction of the toll roads is more needed. In this context, the Ministry of Public Work has been planned a number of the new toll ways in Java to add to existing toll roads in order to make the 34 KPIs interconnected.

Figure 3.2.
Toll Road Development in Java

Source: Ministry of Public Work, 2012
Investors also asked the JEC to build some specific infrastructure facilities within and around certain KPIs, such as improvement of the existing roads, new construction for the power, fuel and water supply facilities, and so forth. In some cases the new investors are complaining about the costs and procedures on land acquisition and getting the permits to build the industrial estates.

Some investors argued that the issue of infrastructure is not just a matter of existence but also its maintenance. In many industrial locations, road facilities are either inadequate or badly damage, or just have a single way to an industry location with a density condition, therefore, is necessary to widening the roads thus production movement will be faster. Similarly, to ensure the supply of industrial raw materials, electricity, water and gas for production processes. The last issue is a labour provision that is generally existing industries required labour with certain specifications, for example, labours that are having special skills or graduated from a particular education level, but sometimes, local people cannot meet the needs of workers in existing industries. Those things are requested to MP3EI implementing agencies, especially the JEC Committee to fix as soon as possible (KP3EI Jawa, 2012).

Although many of, either potential or ongoing, investment projects rely on the extraction of natural resources in Java, scheme of the JEC prefer to encourage new developments of the non agro-forestry and mining industries, especially in Southern of Java Islands. As explained above, reason for the acceleration of economic development has been a justification for only encourage existing economic activities, while the improvement and development of infrastructure in Java are relatively an easy thing to do because, basically, Java’s infrastructure has been built since a long time ago. Thus, JEC will actually hit the target faster and easily measure as planned by the MP3EI.

### 3.3. Infrastructure Development and Land Concentration in Java

However, good economic growth strategy in MP3EI will generate a process of land concentration. In the developments of large-scale extraction industries, such as mining and large plantation\(^{24}\), some parcels of land shall concentrate in the hands of corporations or capital owners soon after the land allocated for those purposes, frequently, in several resource-based extraction businesses allocated in the adjacent areas. Therefore, often those extractive activities do expansion in the same area to enlarge their land control continuously. Consequently, many infrastructure developments are not fully integrated but follow the appearance of those extractive activities. While land concentration that occurred through the implementation of MP3EI’s economic corridors, such as JEC, will exist on the other way. In case of JEC implementation, land will be concentrated in two interlinked processes. Firstly, it caused by the infrastructure development plans, especially the transportation infrastructures, to support formation of new ‘focused investment areas’ or KPIs. However, massive projects on the transportation infrastructure network within the island,

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\(^{24}\)In the MP3EI’s scheme it mainly develops in Sulawesi, Kalimantan and Maluku-Papua Economic Corridors.”
which private investment involved, either through the PPP scheme or direct investment, will make private corporations control the land in a huge scale in order to build those projects. Secondly, land concentration by the corporations will occur soon after the specific area designated as the KPIs, which is in a case of the JEC, is the 34 areas scattered in 5 provinces.

It is stated in the beginning, that the characteristic of capitalism is to obtain surpluses then to reinvest in other forms of economic activity. By seeing budget compositions sharing that almost 60% of infrastructure development financing in Java derive from private sector, theory of capitalism that work is investors will take into account the new benefit from these activities. Investment in toll road constructions, for instance, based on the currently regulation on the toll road, a company that has built a toll road will have another concession for a certain period in order to manage the toll road\textsuperscript{25}. Because of that, many toll roads developed in Java, each user will be charged, intended for maintenance costs\textsuperscript{26}. In the scheme of financial management, cost to each user is included in the scheme of non-tax revenue, through sharing agreements between operators of toll roads and the government to give some of its profits as state revenue. Nevertheless, proportions that coming to state treasury is not as big as profits earned by toll road’s operators.

Scheme imposed by levies from users of toll roads, in one side, will show the level of public awareness to build the country through tax payments. Therefore, financial performance, especially in Java, has shown a good activity, in terms of usages and revenues of toll roads. In 2010, the national GDP increased to 6.1% with the greatest contribution of all activities in the economic sector. The highest growth is coming from the transport and communications sector at 13.5\%\textsuperscript{27} (BPS, Agustus 2011, p. 21). It is assumed that a better infrastructure in Java, which is the large number of highways, will remain the biggest contributor to the economic growth of Indonesia.

On the other hand, concessions for toll road maintenance to the private sector have made certain areas controlled by a group of investors\textsuperscript{28}. Due to the concessions granted are not only for the management of toll road areas, but also in some parts of the adjacent toll road areas. It offers openly to prospective partners with the specific qualifications to run a commercial area on the highway with a profit-sharing scheme. Up to now, there are 26 rest areas operated along the toll roads in Java under a profit-sharing scheme between the toll roads’ operators (PT \textit{Jasa Marga}) and rest area operators\textsuperscript{29}. With a density of toll road lane in Java, which is more than 200 thousand vehicles daily traversed on average\textsuperscript{30}, economic activities in the rest areas become high. Thus, capital cir-

\textsuperscript{25} Regulation of Ministry of Transportation

\textsuperscript{26} Decree of Public Work Ministry No. 277/KPTS/M/2011 on Toll Road Tariff

\textsuperscript{27} And the lowest was agricultural sector, which was 2.9\%.

\textsuperscript{28} Jasa Marga presently owns 13 concessions of fully operated toll roads and nine toll roads whose concessions are owned by its Subsidiaries. For the past five years, the number of vehicles passing toll roads keeps increasing significantly. (http://www.jasamarga.com/en_/hubungan-investor.html, accessed on September 6, 2012).


cuit also occurred not only because of the use of the toll road, but also due to businesses located on-site at the toll-road’s rest area.

However, a more interesting is during, before or after the construction of a toll road which led to land speculation phenomenon in the surrounding area. As the construction will begin, a speculative economic attitude of a group of people, who live in those areas, will appear soon. Land transaction process begins, and land brokers began to appear. According to various experiences happened during the toll road construction, a Land transaction is not only happened on a single holder owned a large-scale land, but they also maintain a lot of small plots of lands controlled by a group of people. The goal is to plan a large-scale economic enterprise located near to the toll roads’ access. Through the massive development of toll-road in the framework of JEC policy, it will continue the old story about the land speculation around a toll road.

Box 3.1.
Land Speculation in Entire Bocimi’s Toll Road

PT Bakrie Toll Road is the largest shareholder for Bogor-Ciawi-Sukabumi (Bocimi) toll road construction31, which is 60%, while the remaining is hold by Regional (West Java) SoE (BUMD Jabar), which is 25% and PT Bukaka Teknik Utama (BTU) is 15%. The operator will be given to PT Trans Jabar Tol (TJT)32. Development planning has been begun since 200533, mainly for road of Bogor-Sukabumi, as PT Bakrie Groups has agreed to finance. On the other hand, in addition to PT Bakrie strives for toll road infrastructure, around the area to be constructed is also planned to be built tourism areas consist of luxurious residential, eco-tourism’s areas and sport facilities. Both of those initiatives, which are toll-roads construction and tourism areas, meet with the needs of new areas for investment. Toll road construction to be feasible to be proposed considering the track of Sukabumi, Bogor, Jakarta and Bandung is a main lane to and from production areas (Sukabumi and Bogor34) to/from the center of economic activity’s

31 Included in this toll-road development is Sukabumi-Ciranjang-Padalarang lane (http://www.neraca.co.id/2012/07/04/ruas-ruas-jalan-tol-baru-untuk-buka-konektivitas/ (accessed on September 6, 2012).
32 (http://www.inilahjabar.com/read/detail/1808672/pembangunan-tol-ciawi-sukabumi-dipercepat, accessed on September 6, 2012)
34 Both are part of KPI in West Java.
In the meantime, an attractive of toll road construction will also be a magnet for a number of investors to invest in the surrounding areas, which is not only a single corporate (like PT Bakrie Group), but also various outsiders even foreign investors. Compounded by scheme of establishment of KPIs in JEC, the land concentration would be expected to further concentrate to investors in the name of economic development. Many examples of the construction of toll road to be followed by a number of factories, housing, or other recreational facilities constructions and pressures of infrastructure improvements will continue to be sustained while the government budget is inadequate. PPP is a way out and deserves to be executed the result is a long-term control in the hands of private sectors, while the primary purpose of a business group that is getting surplus from investment activities, even investment in the construction of public facilities such as road transport.

In conclusion, the development of infrastructure through the framework of economic corridors is one way to the consolidation of a number of development projects that will run and at the same time open up new opportunities to new projects. In other words, JEC has opened the widest activity spaces to economic activities with the support of government authorities to issue a policy, which actually is intended to solve a number of barriers that previously occurred.

3.4. Local People’s Dilemma

Land concentration and then running smoothly in the presence of this JEC policy, and will also present a wider social exclusion symptom systematically. A symptom of social exclusion is a phenomenon that always follows land concentration, particularly if the land allocated for large-scale economic activities related to the agricultural land owned by the people. Due to extensive land requirements for mega projects in JEC, invariably promises new jobs for the surrounding community. Opportunities to acquire new job by considering the certainty of income every month to engage in existing projects, become the best option for the people rather than cultivating their land with inadequate outcomes. In many cases, the community have welcomed the arrival of investors because of economic reasons or necessity, and made new hope to engage in any small development projects, which is on behalf of such development. For cases like this, that has been happening in Indonesia long before the MP3EI policy, which is a symptom in which the people living around construction projects will be eroded into the existing flow of investment activities,

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35 The Government has issued a concession of Bocimi Toll Road construction to PT JTJ as a Toll Road operator, which is that shareholders are owned by PT Bakrie Toll Road, BUMD Jabar and PT BKU.
and their previous social lives are left. Local people not only suffer evictions in the narrow sense, which they had to find another place to live, but it can also occur evictions in the broadest sense which still has the opportunity to be involved in the activities of existing large-scale investment.

The broadest sense of evictions can be caused by various power; capital strength and power, and buying and selling in a land speculation that occurred in the middle of the rapid flow of investment. Such as a ‘Land-Lord Consolidation’ that offered by PT Bakrieland Development in an effort to get land targeted for toll road construction (Box 3.2.). On the one hand, this scheme will provide a convenience for both the company and the landowner, because resettlement as well as employment opportunities offered for local people in the tourism project area will be running at the same time. The need of labour will be met immediately. On the other hand, land speculation practices occur because local elites will be an intermediary in order to run the scheme. When this happens, communities will experience doubled dependence, namely, reliance on PT Bakrieland Development and on local elites.

The behaviour of local elites turned into speculators because they have a lot of information from the company. Important information owned is how the company will provide a facility for the whole group to be involved in the ‘Land-Lord Consolidation’ scheme. For local people, the certainty of getting compensation is the main thing, because it is, by not realizing it, they will give a fully expectation through the local elite, because they have all information that has been given by the company. It is possibly assumed that occur an equal dealing for all members of the group. Unfortunately, the character of the local elite is more deserved as a middle man in many cases, rather than as local leaders. Thus, the abuses often exist in the hands of local elites, who plays the middle man’s character for its residents, as well as the character of business who just see the agrarian sources, such as a land, and human resources, as a capital that should be circulated and generate surpluses.

**Box 3.2.**

**PT Bakrieland Development and Labour Absorption Scheme**

PT Bakrieland Development in the area of Bogor and Sukabumi has prepared a scheme to involve the people and do not do evictions of local people. It has become part of the work plan that has prepared since the beginning of the two project plans. In particular toll road construction, the administrator arranges two schemes to local people who are their houses’ areas included in the toll road project, firstly, ‘land clearing’ through giving them a compensation, and secondly, land clearing with ‘land lord consolidation’ scheme, which local people who own the land are communally offered a new location that integrated to tourism area that will be built. The second option appears with consideration to the local people are no longer difficult to find a new location for a settlement and also have jobs opportunity in the tourist area to be constructed. To carry out this scheme, PT TJT will work with tourism development administrators, PT Bakrieland Development.


Unlike the cases of land evictions and people' displacement over the area that has the potential of mining and gas in Indonesia, policies will be as a causes of people exclusion. The mining policy allows excluding the people with a legitimacy of the value certain mining sources to the national economy and the
scarcity of it in the world. Both are legitimate reasons that will strengthen the efforts of displacement of a number of local people to other locations, or they are simply given a compensation for their land and cultivated fields.

Land's requirements for oil and gas sector are not only in the entire location that having a source of oil and gas, but also in surrounding areas that possibly finding a new point to be explored and exploited. Because of that, concessions granted by the government to the business entities for mining, as illustrated in Box 3.3., is a wide area that can be across several districts even across provincial boundaries. And for the value-added oil and gas production, the government will also provide new concessions for a plot of land reserved for processing activities. Based on law and regulation provided, the legitimacy of economic development through oil and gas production will deny the existence of local communities, which should also be subject to these regulations\(^{36}\), i.e. should accept the existing mechanisms for relocation or compensation.

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**Box 3.3.**

**Blok Cepu, East Java**

Blok Cepu as part of North East Java Basin located in the district of Blora, Tuban and Bojonegoro, across two provinces, i.e. Central Java and East Java, covering areas approximately 167 thousand hectares. The first oil discovered was in 1800s and since 1920s has been controlled by foreign company, until now. By time to time, the nodes of explorations have been extracted and in 2001 were found a new potential node to be exploited in other parts of Blok Cepu.

Besides exploitation activities as part of mining activities, *Central Processing Facility* (CPF) is planned to be built. Management is handed over to another entrepreneur (PT MCL) with a concession from the government. Land acquisition is done immediately in stages based on the needs of the land area of nearly 1 million ha, which derive from local people land, land village property, and forestry area. Although it was difficult, the land acquisition process can be completed, and local people have got compensations that in general inadequate, as well as they have been required to find other places without an opportunity to be involved in oil extraction activities.

*Source: (Suryana, 2011; Suryana & Bachriadi, 2012)*

Besides all of regulations matters, in fact, a mining industry is a sector that needs particular skills, which the workers should have such a mining knowledge to work in a mining industry. Compared to the case of PT

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\(^{36}\) Laws No. 11/1967 on Mining that has been revised by Laws No. 4/2009.
Bakrieland Development, in Blok Cepu’s case, local people have fewer possibilities to be involved in mining industry considering to inadequate their skill. This is the reason for people evictions in mining areas, including in Blok Cepu, and also in many mining cases, the evictions do not generate a terrible social turmoil.

Undoubtedly, that economic growth in areas that have a high investment value, such as in Blok Cepu and Bogor-Sukabumi, has a significant contribution to the national economy. In the contrary, it will be different if looking at an effect to local people, due to the majority level of the people’ education to be involved in high technology industrial sectors are not deserved. Therefore, in mostly major industries, in order to fulfil labour requirements, the companies should be brought in from outside the area and even from abroad. Even though the number of labour absorption in macro level has increased, as demonstrated in Table 3.7, in fact, local people surrounding industrial area could not fulfil the needs of skilled employment.

This tendency will continue and be exacerbated by the MP3EI policy in JEC because the workings of investment in industry. The giant projects such as PT Bakrieland and Blok Cepu will grow more and more. In addition, that JEC focused to build a ‘centre of national industry and services provision, industries and services’ grown not only to serve production from Java, but also from other islands through development five others corridors.

Land control will be concentrated to allocations of industrial sectors’ development, either for main industries or supporting industry activities. Building of 34 KPI in Java, land’s control will move into a group of corporations, which are having a capital power. The similar cases with PT Bakrie Groups will appear and has existed in many areas in Java. If the infrastructure needs are not met, a company will seek its own way to construct the road. By the development reasons, a company will ask the government to facilitate the effort of roads’ construction, including land acquisition. Hence, public facilities, in this case, will be controlled by private sectors through a concession from the government for a certain period.
Chapter 4
Conclusion

This paper aims to look at how capital driven economic corridor policy in Indonesia can lead to land concentration and ‘social exclusion’ as part of an ‘adverse incorporation’ process. Based on the indications of JEC implementation, it can be seen that the corporate-based land concentration and landlordism will occur because economic development growth is based on corporate capital and investment as main pillars. In this case, commercial production activities are preferred rather than the welfare of the people. Therefore, to facilitate a group that owns a capital is a key strategy in the running of this policy. While 'social exclusion' is happening, not merely because of the fact people have been expelled from their land or territory, but in this study, more people are being converted into wage labour in the real economy developed through development projects.

Indonesia’s economic corridor policy has put priority the island of Java, a mainstay of the national economy to boost growth. Therefore, the strategy is very massive acceleration in Java, which on paper and in fact, the condition is more adequate than the other islands in Indonesia. Acceleration strategy is done by inviting investors, both domestic and foreign, to compete invest in Java. Not only is the investment in the real sector, but also investment in infrastructure development to meet the preconditions required by investors.

Critical analysis in this study is the economic corridor policy that will run on Java, even though the result is increased levels of economic growth, but control over agrarian resources will be concentrated in the corporate circle. The land concentration does not mean that land tenure and control being in the hands of one party or a corporate group alone, but in the hands of a number of entrepreneurs, which is in the practice, they share profits among them. Meanwhile, eviction happening to the local people, it is not be interpreted as a direct expulsion, because the entrepreneur does not only require land as a location to invest, but also requires labour as the support of their production activities. So, the corporate just puts local people as one of the elements to run the production process, in a process of often “adverse incorporation”.

4.1. The actors involved in land concentration

Land concentration occurs due to a massive influx of investment into Java through the establishment of JEC as derivative MP3EI policy. State holds full authority to regulate the area and the people in the territory, and has become an important actor in the process of land concentration, providing a regulatory framework, namely MP3EI. Because these policies provide great opportunities for investors to invest, it can be said in line with the idea that the state, through the policy, has kept the interests of capital owners to carry out production activities in Java through development schemes derived by the JEC. In order to fulfil the lack of capital, then the PPP scheme chosen, in which the private sector will play an active role in the process.
JEC in practice only facilitates the interest of the owners of capital are already in operation and would like to expand its operations in Java. It is also indicated that the JEC did not give more attention to regions where conditions are less of a concern to develop (the southern island of Java). It is a contradiction with the general theory of development of the corridor economy, which one of its aims is to develop the less developed areas through a connection with developed areas, as elaborated in Chapter 1. This reality reflected the real agenda MP3EI, particularly JEC, is not fully for development of the communities and less developed areas within the island, but to recovery and/or re-establish circuits of capital over the most developed area/island in Indonesia that use general argument of the economic growth.

JEC in this case is not an entity that is free from the effects of the owners of capital to run Java MP3EI policy. As described in chapter 3, before setting the 34 KPI’s in Java, the JEC evaluate the number of existing production activities in these areas to collect a number of the needs of investors throughout production. The assessment is then used as an argument to plan infrastructure development such as roads, communication systems and power grids in areas where KPI has been set. Meanwhile, infrastructure development plan is also not a new plan, but a pre-existing plan, including who are the investors. In this case, JEC explained that not doing social-economic development for communities in Java, but is in the process only of acceleration implementation of a number of projects before getting bureaucratic hurdles under the decentralization system.

Ironically, JEC policy does not pursue development in areas where conditions are still lacking of development, but rather chose to move on and concentrate economic activity in areas that have been developed. KPI formation, of which there are 34 KPIs, locates in cities that have been developed since the New Order era, both real industries sector and infrastructure facilities, which are mainly at northern area of Java Islands. If the MP3EI scheme is intended for accelerating the development more evenly across the islands of Java and for welfare of its people, the development should be well addressed in the southern island of Java, which is still less attention. However, there, in terms of the potential of its natural resources, it is also very promising to be exploited. Therefore, corridor's economic policy is just a number of measures to facilitate corporate groups to produce more profits and with the cooperation between the government and the private sector to build infrastructure facilities, in essence, is simply to reduce the transaction costs incurred by industry actor.

The PPP scheme offered to the corporate group is a scheme to accelerate the process of infrastructure development. However, this scheme makes the entrepreneurs group become mastering to a number of facilities intended for public. Such as toll-road construction, when it has been constructed, the government will issue a new concession for maintenance purposes in a certain period. This concession includes setting up an arrangement for financing of toll-road maintenance, by applying the rates of toll road users who also authorized by the related ministries. Thus, the acquisition process and benefits of management activities are considered as spaces of economic activities that generate surpluses for corporate groups, which is systematic and legal.
4.2. The form of land concentration and its dynamics

Development of the KPI through JEC Policy will further strengthen the circuit of capital. Since the establishment of the KPI followed by construction of a more adequate infrastructure to connect to the 34 KPIs, which aim to facilitate easier movement of capital, goods and people to turn the profitable activity. Land concentrations formation might be started from KPI’s setting and its’ encouragement to accelerate infrastructure constructions in JEC’s implementation. The KPIs, formerly, are well-developed areas with a number of economic activities and are proven being the most contributors for Indonesia’s economic growth. Through JEC, industrial and real sectors entrepreneurs within KPIs will be more strengthen and easily expand their activities due to well-developed infrastructure. Moreover, others local-national-foreign investors will come and start doing speculation in order to build a new economic activity.

Infrastructure development will attract other investments, besides investment planned. It is not only a large-scale investment, but also medium and small investment that controlled by local investors. Soon after the infrastructure development plan to be approved as a construction plan, various land speculation and new business investments subsequently appeared, either in the real sector or to open new supporting enterprises to exploit the existence of the factories that have been and will be built in a particular area.

Land speculation appears soon and local elites also involve in this process. Referring to the PT Bakrieland Development case, compensation scheme and relocation of people offered becomes an instrument for a group of local elites to play in land transaction processes. However, people give a trust of land transaction processes to the local elites, and let the information stops at local elite. Thus, the process of people exclusion will happen, mainly due to uncertainty of the processes that will be pursued in the land transaction. For employers, the takeover of land previously owned by the local people, not just to meet the demand for land, but also at the same time will make the urgency condition of local community to the industrial sector. When people’s land has been taking over, they will soon transform into a group of free labours as a source of a labour force in the developing industries.

The appeal of the development projects that rely on these investments also apply to jobseekers from other regions. For the people, presence and the promise of new jobs will provide new hope for certainty survival to obtain a regular income. However, skill that is owned by people (either local people or job seeker from outside) also determines whether promises to engage in existing industries can be met or not. With the level of education is relatively inadequate and skills do not match the needs of a real industrial sector that is present in a particular area, many people then do not get involved in the industrial sector, such as oil and gas mining industry in Blok Cepu. At the same time, the second exclusion occurs, after people exclude from their own land, later they do not accept as a worker in a factory or industrial sectors built.

4.3. ‘Social Exclusion’ in Java’s Economic Corridor

This study keeps using ‘social exclusion’ in terms of explaining on impact to local people. This term is still appropriate because refer to the people who
are not only expelled from their live (their houses and livelihood), but they also who are integrated into the limited of existing job opportunities, for instances, they become a low-wage worker. The massively of production's activities in the JEC's framework will be increasing an adverse incorporation tendency. As the most populated island, Java will be as a good example explaining this phenomenon, due to, actually this policy, instead of taking into consideration that Java still has an opportunity opening new area for productions; the island provides a huge number of labour forces.

However, the reason for the abundance of labour is not coupled with consideration of the feasibility of expertise and education in the communities to be involved in large-scale projects of this magnitude. The general condition of the education background in Java is not considered ready to enter automatically into the production with high technology. However, the technology used will still require a human to run. If these skills are not met, then the employer will seek to bring the outsider experts.

At the end, the provided opportunities are only a low-wage job along with education and skills level owned by people. However, due to the use of technology, these opportunities will be limited, like in some cases, applied technology will replace labour forces. Therefore, the competition among people will exist and it is shrinking its possibilities to be involved to that a large-scale project automatically.

Meanwhile, local people have been scoured and difficult choosing other production activities, because their source of production (such as land) have been sold or turned over into a development area. For them, who have not had any alternative job, it will increase an exclusion symptom of growing existing development projects. Likewise they are having a few of capital, even though they afford to survive in the midst of investment flow, they only gain a little benefit compared to the profit gained by the corporate groups.

4.4. Questions for further research

This study has tried to explain how implementation of the MP3EI in Java, which essentially is kind of capital-driven development plan, stimulated land grabbing, strengthened land concentration, and aggravated the unequal landholding structure that have further consequences on the social exclusion phenomena. However, with certain limitation on the methodology, scope and requirements of this study, several questions are turning up that appropriate to develop in a new research agenda. Those questions are:

1. How is the impacts and dynamics of social change forming in the areas that are not including in the area of the economic corridors, which is in the case of JEC are certain areas in the southern of Java that, in fact, are already less developed for many years before the idea of JEC occurred?

2. Will the impacts and consequences occur in other islands and/or economic corridors being similar or different with Java's experience, which analysed in this study, because MP3EI and its economic corridors are implementing in the five other Indonesia’s main islands at the same time? Moreover in the implementation concept of the MP3EI each corridor designated as different development areas, which showed clearly on the plans of the other 5
economic corridors that its focuses on the exploitation of specific natural resources. In this context, a deeply research to compare the development, dynamics and consequences of the two or three implementation of the economic corridors in Indonesia was considered would be an interesting study to enrich the academic discourse on the relationship between economic corridor policy and land grabbing and its social consequences.
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