Liem Sioe Liong's Salim Group

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Liem Sioe Liong's Salim Group

The Business Pillar of Suharto's Indonesia

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PREFACE

This project on Liem Sioe Liong and the Salim Group was undertaken as an independent venture — neither authorized nor financed by the group or the Liem family. The root was our interest to document the life and times of Liem, a pivotal figure in Asian business who founded a conglomerate that in its heyday was by far the largest in Southeast Asia. As Liem was Suharto's main *cukong* — a Chinese businessman providing funds for Indonesia's military and political leaders while receiving patronage and protection — his story provides an insight to how Suharto was able to stay in power for more than three decades.

There have been a few books published in Indonesian and Chinese about Liem, mostly hagiographies. Significantly, none included the tycoon's direct inputs. Given Liem's desire for a low profile, he had declined previous requests from prospective biographers. Historically, the Salim Group has been highly averse to publicity despite its very public participation in a wide range of businesses during the Suharto regime. Indeed, in many cases, the group chose to ignore inaccuracies in news reports and was content to allow errors in stories to go uncorrected.

Years after Suharto fell from power, we approached Liem's youngest son, Anthony Salim, and said we wanted to write a book on his father and the group. By the mid-2000s, Indonesia had found its footing in the post-Suharto period and Liem had long ago left the driving to Anthony. Currently CEO of the Salim Group, Anthony spent years after Suharto's fall working to avert a collapse of the group due to the massive debts incurred from events in 1997–98.

We requested Anthony and his father to help us tell as accurate and comprehensive a story as we could. We made it clear that we had to retain full control of the manuscript; it was clearly understood that the family and Salim executives could not see any of the text prior to publication.

Keeping the writing project independent and credible was of paramount importance to us. Anthony agreed to our requests. His father talked to us between 2006 and 2007, whenever his health permitted. Anthony, who did not vet our questions to himself or to his father, spent many hours with us over a period of years. This was the first time that both father and son talked to writers on a wide range of topics. Conversations took place in Singapore.

While we started with the idea of a biography of Liem, it made sense to widen the scope to encompass the history of the group, which was important for context. Because of Liem's intricately woven ties with Suharto, and indeed with the top military generals from the beginning of the New Order, his story, in a sense, reflects slices of the country's history.

As journalists, we tried to be even-handed in writing about the business conglomerate so closely tied to the political and economic fortunes of Indonesia under Suharto. Regretfully, by the time we started our conversations with Liem, he was already nearly 89 and in declining health. His memory was weakening, and his recall of recent events was patchy. He seemed to remember the old days better and preferred to talk about the distant past. He was usually in good humour, chatting with us on Saturday afternoons in his old Singapore office, Permanent, in Clifford Centre. No business had been conducted there for some time, but Liem wanted it kept open as it was supposed to live up to its name. Long after the 1998 riots which ended his living in Indonesia, Liem still could not get out of the habit of going to an office. Often, food was brought in for a late lunch, which he insisted we shared. On a few occasions, he was disinclined to answer our questions, preferring to make small talk instead. During the initial sessions, he had long-time Salim executive Benny Santoso sit in with us. When he became more comfortable with us, he was content to chat in private. We conversed in Indonesian and Mandarin, although sometimes, he would break into his Hokchia dialect, which was not understood by us.

Since this project was not a Salim initiative, not all family members and executives wished to talk to us. Even an old friend of Liem, in our presence, warned him about disclosing too much information. Several Salim executives we approached made themselves unavailable.

Although Suharto was no longer the strongman when we started our research, the power he and his cronies were perceived to hold lingered. We encountered instances when people asked if we were afraid of repercussions, if Salim didn't like what we wrote. The group naturally made enemies over the years. To try to get their side of the story, we approached some Salim business rivals but many of them declined to meet us.

Research was conducted in Jakarta, Singapore, Kudus, Semarang, Hong Kong and Fuqing, Liem's hometown in China. Most of Liem's friends had passed away so we didn't have the benefit of their input. We talked to former business partners and politicians. Liem's Indonesian partners, Sudwikatmono and Ibrahim Risjad (both since deceased), were cooperative and pleasant. The fourth member of the "Gang of Four", Djuhar Sutanto (Liem Oen Kian), fell out with Liem and Anthony after the 1997–98 financial crisis. His son Tedy Djuhar declined to give an interview. We are well aware that there are gaps in this narrative, and some readers may have a different opinion of certain events mentioned. We are responsible for any errors or shortcomings.

This project could not have gotten off the ground were it not for Anthony Salim. We thank him for accepting our conditions and for meeting us many times. Benny Santoso, Executive Director of the Salim Group was always responsive to our requests to chase down information. We thank the Salim staff (both current and former) as well as members of the Liem family in Indonesia, China, Hong Kong and Singapore who provided input or helped in some capacity or other. We'd like to make special mention of Hindarto Budiono in Jakarta; his kindness and friendship will always be remembered. We hope we did not place too great a burden on the Salim staff in Jakarta, in particular, Susanna Tan and Sandra Setiadi. For access to Liem family photos, our thanks to Mira Salim, Anky Handoko, Benny Santoso and especially Anthony, for permission to use them.

Two academics, Yuri Sato and Marleen Dieleman, who have done extensive and valuable research on the Salim Group, have been generous in sharing information with us. Marleen made available her doctoral thesis to us before it was published. Masya Spek shared with us her equity reports of listed Indonesian companies. Thee Kian Wie willingly provided us with many of his research papers. We enjoyed his fine company and were deeply saddened to learn of his passing in early February 2014. Our thanks to Keetie Sluyterman of Utrecht University for sending us her impressive volume (co-authored with Joost Jonker) documenting the history of Dutch international trading companies.

We are particularly indebted to our good friends in Jakarta and elsewhere for their unwavering support and encouragement. Roosniati

Salihin deserves special mention for her kind hospitality over the years; we enjoyed her good humour and insights on the Indonesian business scene. On top of other help, Puspa Madani hunted down old Indonesian company registrations and provided valuable translation help for official documents. We are also grateful for the help and amity of Windrati Selby, Manggi Habir and Cesar de la Cruz. Many old friends from our Jakarta days continue to welcome us warmly on our return visits and kept us well plied with delicious Indonesian food and excellent conversation. We would like also to express our gratitude to the many individuals — some mentioned in the text by name, others who requested anonymity — who agreed to be interviewed or simply, met us for chats; we have learnt a lot from them. We apologize for not naming everyone who have provided us with information, assistance and support.

At the Institute of Southeast Asian Studies in Singapore, Ambassador K. Kesavapany (director from 2002 until 2012) approved our proposal for this research. We would like to thank him as well as current Director Tan Chin Tiong. We would also like to acknowledge the friendship and kind assistance provided by the ISEAS staff, particularly in the library and in the publications unit, where senior editor Rahilah Yusuf helped transform the manuscript into a book. Our sincere appreciation goes to the two anonymous reviewers for their helpful and insightful comments.

Last but not least, we thank our family for their forbearance. We honestly did not know this project would take this long, but we learnt much about Indonesian history along the way. A special note of appreciation to Denise: Her assistance, endless patience and understated humour helped sustain us all these years.

Richard Borsuk and Nancy Chng
February 2014

INTRODUCTION

Fifty years after he reached Java's shores from China in 1938 with barely more than the clothes he wore, Liem Sioe Liong was boss of Indonesia's biggest conglomerate and was showing up in magazine lists of the world's wealthiest people. This reflected how much the Salim Group he founded flourished during the long presidency of his friend and patron, General Suharto. At the height of his success, Liem sat atop a vast business empire, estimated by some to encompass 600 affiliated companies — Liem said he didn't know the exact number — and was a force in many strategic industries, including wheat-milling, cement-making and banking.

In the mid-1990s, more than 200,000 people worked for Salim companies in Indonesia and overseas. In 1996, the year before the Asian financial crisis hit Salim — and Indonesia — hard, revenue from group operations was estimated at US$22 billion, nearly three times as large as the second-ranked group, Astra.[1] Liem noted in a Salim corporate profile published that year — the last one issued: "Today, our companies are intimately involved in the day to day lives of literally millions of Indonesian families."[2] Liem's Bank Central Asia grew to become the country's biggest private bank. Indocement, an agglomeration of Salim's cement plants, became Indonesia's dominant cement producer; Bogasari, its flour processing unit, expanded a Jakarta plant into the world's largest mill; and Indofood overtook Nissin Foods of Japan as the world's leading instant noodle manufacturer.

Liem himself didn't like to dwell on indicators of wealth — he was uncomfortable with portrayals of himself as the richest businessman in Southeast Asia (but he didn't object to rankings issued by the Finance Ministry showing him as the No. 1 taxpayer in Indonesia, as he wanted it be known that he paid his dues). In a country where the Chinese have historically been subjected to discrimination and periodic violence, the tycoon understandably preferred to keep a low profile. Liem liked to quote a Chinese proverb: "Tall trees attract the wind. We don't want to talk about how big we are; people get jealous."[3] Until a foreign journalist for the Associated Press mentioned Liem's Salim Group in 1971,[4] very few people outside the country had heard of the man who became Suharto's most important business pillar.

Liem and Suharto (who came into power following the 1965 abortive coup) had much in common, including an abiding interest in making money. For the strongman, money equalled power, and he needed to build his power base. The Chinese businessman stumped up whenever Suharto or his generals needed funds, for political or personal needs. Liem stepped up to the plate whenever he was called on, and was able to deliver. Both men saw their role as vital to the building of a country that was both broken and broke when Suharto claimed the helm in the mid-1960s. The mutual benefits were substantial. Thanks to the patronage he received, Liem become extremely wealthy, while his success helped keep the authoritarian leader in power more than thirty years.

The practice of patronage was not started by Suharto, the republic's second president. Under Sukarno, businessmen — and not limited to the Chinese — also enjoyed special favours. But Suharto honed the practice into an art. His bestowing of favours to cronies was done in the understanding that there was a payback. In some businesses, that meant shares given straight out to family members. In others, *yayasan*, or foundations, under his control benefited. The foundations, which did not publicly publish accounts, received contributions often to the tune of millions of dollars, ostensibly for the benefit of charities, but sometimes funnelled to projects or private enterprises linked to members of Suharto's family. Liem never complained about helping Cendana (as the interests of the First Family were commonly referred to, Cendana being the name of the street where the president lived). Indeed, Liem readily offered shares to the president and his family members, including 30 per cent of his flagship bank. For him, it was the price of doing business in Indonesia, his adopted homeland.

Liem built the Salim Group into one of Southeast Asia's first multinational enterprises. He had an uncanny ability to pick capable partners and was able to tap the extensive network of fellow overseas Chinese to obtain capital as well as expertise. At first, links were with his dialect group with roots in Fujian, the Hokchia community, then with the Indonesian military and of course, the most powerful of them, Suharto. His personality traits stood him in good stead — he combined humility with generosity — two qualities appreciated by Suharto and others who benefited from his largesse. Because of skilled partners, Liem was able to expand into businesses in which he had little if any expertise. He also worked hard to prove his trustworthiness. He was a risk-taker, and emerged from a coterie of wannabe cronies to become Suharto's top financier.

Liem reckoned he first met Suharto in the hills of central Java during the struggle for independence, when Republican units fought the Dutch who were intent on reasserting control on their colony after World War II. Then, Liem was just one of the Chinese traders running supplies of basic goods to the soldiers. Suharto's posting in 1956 to Semarang as commander of an army division rekindled the acquaintance, although by that time Liem had moved to Jakarta. The trust that Liem earned with some of Suharto's top aides came in handy after Suharto became president and was looking for businessmen to work with. In the early days of their link-up, Liem told the president of the Chinese saying that a good leader has to provide his population with the four basic needs — clothing, food, shelter, and transportation. It dovetailed with the Javanese concept of *sandang-pangan* (food and clothing). Liem said to Suharto: You need the funds; I can help raise it. Of his relationship with the president, Liem said: "We were like brothers."[5] Indeed, they were kindred souls. During Suharto's early days as a leader, he conversed often with Liem, who was a frequent visitor to the president's Cendana home. But Liem had the foresight to grow his group beyond his Cendana links. In this, the lead was taken by his capable son Anthony Salim, who pushed beyond the shores of Indonesia. As academic Richard Robison pointed out in 1986 in his seminal work *Indonesia: The Rise of Capital*:

> The Liem group has been able to take advantage of policies designed to protect and nurture domestic capitalists, particularly in import substitution, because of its capacity to secure monopolies and access to the financial and organisational resources of international capital. But the Liem group can no longer be regarded as a client or comprador group hanging onto the coat-tails of Indonesian generals and foreign bankers; it is a major regional and international financial and industrial group with a substantial capital base.[6]

More than a decade after Robison's writing — during which time Salim's size and scope widened — Liem's Jakarta home was burned amid deadly riots and Suharto was toppled. A backlash quickly arose that threatened to crush the Salim Group, which had huge debts. Suharto's enemies bayed for Liem's blood and assets. Before the convulsions of 1998, Liem had handed over the reins of his empire to his youngest son Anthony, who after Suharto's fall shrewdly relinquished chunks of assets to secure Salim's food business, for survival and eventual expansion. Liem's rag-to-riches tale — from poor village migrant to business titan — is interwoven with Indonesia's economic narrative. The Salim Group's journey, explored in this text, aims to tell part of the story of how business was done in Suharto's New Order, and in the early post-Suharto period.

Notes

1. Yuri Sato, "The decline of conglomerates in post-Soeharto Indonesia: The case of Salim Group", *Taiwan Journal of Southeast Asian Studies* 1, no. 1 (2004), p. 25.
2. Salim corporate profile, Jakarta, 2006.
3. Interview with Liem Sioe Liong, 23 September 2006.
4. Frank Hawkins, "Indonesia's own military-industrial complex", *Bangkok Post*, 28 January 1971.
5. Interview with Liem, 12 August 2006.
6. Richard Robison, *Indonesia: The Rise of Capital* (Sydney: Allen and Unwin/Asian Studies Association of Australia, 1986), p. 297.