

**Market Liberalization as a Catalyst for Ethnic Conflict  
in Senegal and Central Java, Indonesia**

**Dennis Galvan**

Associate Professor

Department of Political Science & International Studies Program

University of Oregon

dgalvan@oregon.uoregon.edu

Paper presented at the 97<sup>th</sup> Annual Meeting of the American Political Science Association,  
San Francisco, CA, September 2001 (Panel 11-11)

*Comments welcome. Please contact author before citing.*

Structural adjustment theory suggests that once the state eliminates its monopoly on buying agricultural products, free and efficient formal market institutions will emerge to “normalize” producer prices and thereby increase incentives for farmers to invest in agricultural productivity (World Bank, 1990).

Production will intensify, agricultural technology will grow more sophisticated, yields will rise, profits will gradually accumulate, and the debilitating cycle of rural poverty in the developing regions will finally be broken. Following Bates, the statist agricultural policies that characterized the early post-colonial decades, especially in Africa and Asia, were recipes for corruption and famine. Liberalism is the cure (Bates, 1981).

This paper, based on original research in Senegal’s Peanut Basin and in two rice producing areas in Central Java, Indonesia (Gunung Kidul – the poorest rural district in Central Java, and Sleman, the richest), suggests that we need a more nuanced understanding of the institutional environment of agricultural marketing in the developing world if we are to understand the full consequences of liberalization and state withdrawal. In both West Africa and Southeast Asia, state withdrawal has not integrated producers into efficient, productivity-enhancing market institutions. Informal ethnic marketing networks have filled the void left by the state (Lebanese & Mauritanian commercial networks in Senegal, Chinese in Indonesia). In both cases, these revived informal market networks have breathed life into institutions that have long structured relations between local farmers and commercial “strangers.” These institutions include patterns of exploitation real and perceived, resentment, cheating and violence embedded in dislike for Lebanese, Mauritanian and Chinese commercial groups perceived by local farmers as both alien and avaricious. Structural adjustment and economic liberalism empower local institutions, to be sure. But in Senegal and Central Java, market liberalization had the wholly unintended effect of reestablishing the material bases and regularized practices that foster ethnic resentment and violence.

To understand the full and unfortunate complexities of state withdrawal in these developing societies, in the following section I explore in greater detail the theoretical link between liberalization and ethnic tension. I then turn to concrete illustrations of this relationship from Senegal and Central Java, Indonesia. Concluding reflections emphasize the way nation-building and the *strengthening* of the state can help promote an inclusive, stable process of class formation and capital accumulation in developing societies.

### **1. The Truncated Politics of Liberalization**

The trouble with the well-intentioned logic of state withdrawal, market liberalization and structural adjustment is that its construction of the political dimension of agricultural marketing is too narrow. It has now been twenty years since the famous World Bank “Berg Report” alerted us to the fact African post-colonial states were inefficient dens of prebendal accumulation of personal wealth at the expense of the public sector (World Bank, 1981), twenty five years since the seminal insights of Bates and Ekeh regarding the mechanics and motivations, respectively, of the political misuse of state control over developing agricultural economies (Bates, 1981; Ekeh, 1975). We understand, then, that wholesale and unchecked public-sector control of marketing, the provision of credit and new technology not only inhibits production incentives, but depresses agricultural yield and threatens food security. We also see that there is an almost inherent pattern to this *political* economy: in these (post-colonial) contexts, such a wide and accessible stream of publically-controlled resources is almost invariably diverted toward personal needs, the expansion of clientelistic networks, the imperatives of economies of affection linking real and perceived kinfolk (Hyden 1983; Price 1975).

Indeed, since these and other observers laid the groundwork for the critique of a kind of decrepit statism<sup>1</sup> in “third world” development, we have acquired a more complete sense of the socio-historical context (another way of saying “why it seems to always happen everywhere”) behind the failure of centrally

---

<sup>1</sup> Hyden clearly can be read as a lament for the failure to build an effective and interventionist state. In Africa, the lack of what Eisenstadt calls “stateness” accounts in part for what the failure to do the “historically imperative work” of capitalist accumulation required to jump start true development (Hyden 1983; Eisenstadt, et al, 1988).

administered economic development in regions like Asia and Africa. Young's "Bula Matari syndrome," a kind of historicization of Ekeh's earlier two publics point, gives us a sense of how the post-colonial hypertrophic state – so grotesquely powerful vis a vis "private sector" and "civil society" actors, as well as so inept and clumsy – is both too useful a set of tools to not use to promote development, and too illegitimate not to steal from and thereby render more inept and clumsy (Young, 1994).

Bula Matari broadens a bit the political logic of a statist political economy of development. It should give us pause when we follow the siren call of free market reform, the seductive tune only hummed in the background of Bates and Berg, sung full throat after the end of the Cold War: just get the state out of the business of providing for and buying from farmers. As this lyric goes, states cannot control their own corruption, they will always sell short the economic rationality of the price incentive and efficient resource allocation for the political rationality of grabbing any available resources for the benefit of me and mine. Bula Matari reminds us that there is an historical-structural imperative to stateness after colonialism, and that that we cannot simply will into existence an economically efficient, socially useful set of market mechanisms.

More precisely, there are two particular ways in which the free-market liberalization anthem misses the broader politics in play, both of which make sense when seen in the Bula Matari context. First, as the cases below will show, getting the state out of economic decisions does not create, by some immaculate conception, efficient, effective, value-neutral, beneficent-for-all-concerned free market institutions. The institutions that do emerge – like *all* institutions—have their own embedded political logics. These political logics of market institutions – dare I say it in the presence of economists? – are not entirely or even largely structured around rational responses to price incentives. The political logics of the institutions which emerged in the wake of marketization in Senegal and Indonesia answer other human motivations, like fear, distrust, bigotry and a desire to achieve what may be justice for some, for others the sweet taste of revenge. The characters in the empirical stories told in this paper are not malicious types,

nor are they irrational in any way, and they certainly do not suffer from tribal “backwardness.” But they are – like us – often willing to sacrifice market efficiency and the cheapest price for the sake of a host of other motivations encrusted into their and their families historical experiences, embedded in what they perceive as the “traditional culture” of their communities.

The logic of free market oriented structural adjustment misses a second, wider political logic. Back in the bad old days of state marketing boards, five-year plans, and the general economic emulation of Moscow and Mao, states used their control of developing rural economies to establish, at least in rhetoric, the same services to all regions, ethnic groups and cultural communities within the nation-state in the making.

There was thus a kind of nation-building, integrative political goal behind statist control of the economy. At best, this meant that infrastructure investments, marketing services, and provision of inputs, would reach all regions and groups, providing a material basis for the process of forging a unified nation. This clearly worked to some degree in both Senegal (north of the Gambia) and in parts of Indonesia (especially Java and Sumatra). At worst, there was a rank hypocrisy to these claims, as the rhetoric was all in the lofty heights of national integration and fraternal citizenship, while the practice entailed real biases in favor of the home area, ethnic group or extended kin of heads of state and their cronies. But even this worst-case reality maintained a useful distinction between what was officially sanctioned and legitimate (use of public institutions for building a common political community nominally inclusive of all ethnic and cultural groups) and practices which, although common, could not openly take place out in the officially sanctioned broad light of day. Even as nothing more than rhetoric, nation and political community-building offered minority and stigmatized groups a kind of official recourse – the rules were supposed to work to include them. This is far more than can be said for the rules and practices which would emerge after liberalization dismantled the state.

As the cases discussed below will show, state withdrawal from agricultural marketing and input provision did not leave an institutional vacuum, a kind of tabula rasa on which rational actors would necessarily

build efficient, utility maximizing mechanisms for exchange, distribution and credit. Farmers, entrepreneurs and would-be middle men were not so free to create textbook, idealized economic institutions in part because relations of production, consumption marketing, and exchange in both societies had histories that long pre-dated the statist interventions of the first several post-colonial decades. These historical economic relations featured long-standing patterns and habits of interaction among communities in the regions in question. Indeed, in both cases, historic patterns of agricultural trade and the provision of financial and material services to farmers had helped *create* the mix of ethnic groups and occupational patterns in the region. That is, Mauritians and Lebanese had come to Senegal, Chinese to Java, to fill niches in the agrarian economy which had evolved over many centuries. The magical-realist neo-liberal notion that making the state go away would generate efficient free market institutions to manage and improve the agrarian economy assumed that these historic patterns and ethnic divisions of labor had lost their salience, could no longer pattern behavior, or would simply prove irrelevant. Or it may be that the logic of neo-liberal, structural adjustment reform simply made its way by brute ideological momentum alone, like an out of control freight train, completely oblivious to the historic patterns of economic behavior and economic culture on the ground in “reformed” societies.

This obliviousness cost lives in Senegal and Central Java, Indonesia. Abstract matters of institutional legacies and interest-maximization aside, real people were hurt, raped, killed as a result of market liberalization in these places. With the revival of historic ethnic divisions of labor came the revival of a host of closely associated informal institutions: distrust and vilification of Mauritians, Lebanese and Chinese as untrustworthy, greedy, duplicitous types, who, by engaging in ignoble work (trading, rather than farming) proved themselves to be sullied at best, sub-human at worst. For their part, ethnic minority traders reactivated their old characterizations of the docility, stupidity, and probably criminality of the farming populations to whom they sold goods, made loans and from whom they bought grains. The old habits of mutual suspicion, resentment, antagonism, and petty conflict were re-established as part of the new institutional order. But these relations and institutions resurfaced in a context of the removal of

material support to farmers, as well as a general decline in both prices and standards of living. The resultant hard times naturally aggravated the situation, as both sides (self described “indigenous” farmers and merchant minorities) blamed each other, in their own ways, for economic difficulties, setting the stage for violent outbursts, rioting, looting and the loss of homes and lives in a context of marketization induced ethnic struggle.

## **2. Free Markets in Bigotry, Exploitation and Persecution in Senegal and Central Java<sup>2</sup>**

### *2a. Historical Ethnic Divisions of Labor*

In both our case studies, the Siin region of Senegal and Central Java, Indonesia (Gunung Kidul and Sleman districts), historic patterns of settlement, migration, farming and trade diversification produced parallel ethnic divisions of labor. In both settings, prior to 19<sup>th</sup> century integration into imperial commodity markets, a historically rooted ethnic majority farmed cereal crops for subsistence.

In Senegal, our focus is the Siin region, some four hours drive southeast of Dakar, the heartland of the Serer ethnic group. The Serer had migrated to the region as early as the 13<sup>th</sup> century, possibly to escape the arrival of Islam from the north (Becker, 1984). They developed a complex and intensive mixed farming and herding system, which included a three year rotation of two types of millet (the staple crop), a fallow year when fields were used as pasture land, as well as careful maintenance of nitrogen fixing trees like the acacia albida. Their highly successful farming system yielded some of the highest population densities in pre-colonial Africa, and caught the attention of French colonial administrators. Calling the Serer, the “ideal African peasants,” French administrators used all the tools at their disposal to get Serer farmers to grow peanuts, eventually making the Siin a core part of Senegal’s once revenue-rich “Peanut Basin” (Pelissier, 1966).

---

<sup>2</sup> This section is based on field research conducted in Senegal’s Siin region (arrondissement de Ngayokhème, région de Fatick) in 1992-93 and 1995, as well as research conducted April-July 2000 in the Yogyakarta Special District in Central Java, Indonesia. Work in Senegal was made possible by a grant from the National Science Foundation, as well as funding from the University of California-Berkeley Institute for International Studies. Field research in Indonesia was made possible by a grant from the University of Florida College of Liberal Arts and Sciences.

In Central Java, we look at Gunung Kidul and Sleman sub-districts (kabupaten) in the Yogyakarta Special District, a small province which corresponds to the old boundaries of the last Javanese kingdom to resist the Dutch, still ruled today by its neo-traditional Sultan. Both these districts are part of the historic heartland of irrigated rice production in Java, yet they offer striking ecological and economic contrasts. Gunung Kidul is a dry, highland plateau some 70 kilometers east of the city of Yogyakarta. Situated between volcanic peaks just north of the Indian Ocean coast, it receives comparatively little rainfall (less than 1200 mm, low for Java), has a very limited and unreliable underground water table, and poor soils characterized by a thin surface layer far sandier than most of Java, underneath which lies an impossible-to-till and deep rocky base. Committed yet frustrated rice farmers, peasants in Gunung Kidul have historically struggled to survive, counting on integration into the pre-colonial Sultanate and later, the colonial and post-colonial states, to provide economic alternatives such as labor migration (P3PK, 2000a).

Sleman district, by contrast, is among the richest regions on Java. It is situated along the southern slope of one of Indonesia's most active volcanoes (Gunung Merapi). Soils there are consequently deep and rich with layers of volcanic ash replenished on a nearly annual basis. Water and rainfall are abundant: the district is laced with rivers that flow south from the volcano, through the city of Yogyakarta, to the Indian Ocean. Sleman has historically been the rice bowl of Central Java, and provided the agricultural basis for the historic Sultanate, not to mention an important food source and revenue base for the colonial state (P3PK, 2000b).

Both in millet-farming Senegal and rice-growing Central Java, farmers historically focused on subsistence production, with varying degrees of marketization of surplus, production of specialty crops and handicrafts (greatest diversification and marketing in Sleman, least in Gunung Kidul, with the Senegal's Siin region in the middle). As a result, both the Siin and Central Java were integrated into regional long-distance trading networks. These networks brought farmers in both societies into contact with wider, more ethnically diverse worlds. In particular, integration into long distance trade brought to both case

study regions foreigners, first as itinerant petty traders, later as resident merchants, bankers and economic middlemen (Klein, 1968; Coppel, 1983).

### *2b. Stigma and Capital Accumulation*

The arrival of Mauritanian Arabs and ethnic Chinese in Senegal and Central Java, respectively, long predated colonialism. Their economic role was facilitated by cultural disdain among Serer and Javanese farmers for trading, commerce, and banking (or did the economic division of labor help create, over time, justificatory cultural values?<sup>3</sup>). Regardless of the lines of historical causality, cultural values, habits and the informal and formal rules of the economic division of labor created a mutually reinforcing institutional structure that established quite similar patterns of relations between Serer farmers and Mauritanian traders on the one hand, Javanese farmers and Chinese traders on the other.

In the Serer-Siin region of Senegal, ethnic majority free farmers disdained not only commerce, but all forms of labor not associated with agriculture or pasturing. Thus woodworkers, blacksmiths, weavers, potters and other artisans were relegated to low-status endogamous castes (Guigou, 1993). Oral historical accounts depict these low-caste artisans as either “like a distinct ethnic group” but historically Serer in origin, or as people of historically distinct ethnicities who migrated to the Siin region to take on tasks that Serer free farmers disdained. In either case, the integration of Mauritanian Arabs as petty sellers, agents of long-distance trade networks, and bankers fit into the established precedent of relegating all non-farming (and therefore ignoble) work to people understood as different in cultural identity terms.

Central Java was historically integrated into Chinese-dominated regional long distance trading networks (Suryadinata, 1999). While we do not find evidence of West African organizational creativity in terms of the institutionalization of occupational status, we clearly find a very similar disdain among people of the

---

<sup>3</sup> The questions becomes a replay of the classic Clifford Geertz (1973) vs. Abner Cohen (1971) type of debate on the historical origins of Dyula trading networks – cultures as embedded code which facilitates a specific occupational adaptation, or culture as a malleable, opportunistic response to economic circumstances.

land for traders. This is of course not isolated to West Africa or Southeast Asia, but follows a cultural pattern characteristic of most pre-industrial societies. What makes Central Java especially like sub-Saharan Africa in this regard is the clarity and immutability of the ethnic division of labor, as well as a kind of racialization of difference between the farming majority and the merchant minority. In both settings, these minorities were seen as clear and relatively recent migrants from a distant locale who bore physiological markings of difference in addition to their occupational difference and their associated low status.

Ethno-racial distinctiveness played an important role in capital accumulation in both settings as well. Rural majorities in Senegal and Central Java share common emphases on the economic importance of extended kin networks and life cycle ceremonies. Dating back to the colonial era and up to the present-day, would-be economic modernizers in both societies have lamented the enormous and “wasteful” expenditures peasants devote to marriages, funerals, baptisms and other ceremonies which ease the regular and swift distribution of resources, inhibit the accumulation of capital. Economy of affection like investments in personal networks far eclipse market-like investments in material and financial capital among rural majorities in Senegal and Central Java (Hyden 2001).

Arab and Chinese merchants, by contrast, physically removed from their own extended kin and personalistic networks, stand out for the relatively ease with which they accumulated capital and made the economic investments needed to provide credit and finance long-distance trade. Whereas would-be merchants from the ethnic majority inevitably find themselves overwhelmed with “demands we cannot refuse” from all manner of relations, real and imagined (Diouf, 1995), businessfolk of the resident alien group can more easily say “no.” This has of course been part of the theoretical account for the initial ethnicization of commercial networks (Cohen, 1971). It also adds a lived experiential, everyday social dimension to the embedded sense of distinctiveness that has marked relations between farming majorities and merchant minorities in both Senegal and Central Java.

### *2c. Reification of Difference under Colonialism*

Enter into these historic relations the colonial state, imperial commodity production and the need to establish quick governance on the cheap. Neither the French in Senegal nor the Dutch in Java could really afford to directly administer taxation, labor recruitment, or law and order, let alone the production and marketing of peanuts and rice, in their respective territories. In the search for direct administrative collaborators to serve as judges, tax collectors, local police and petty bureaucrats, both imperial powers undertook rapid and intensive processes of codification of local custom and political authority (Roberts and Mann, 1991; Steenbrink, 1993). Although the process involved a greater degree of reification and “scaling up” in West Africa than in Java (given that pre-existing local states were already larger and more administratively complex in the latter setting), the cases followed the same logic of the search for easy to identify local elites who could serve as collaborators in colonial governance.

A parallel process of identification of useful collaborators, reification and codification of difference took place with regard to managing the rapidly concocted market which forced peasants to systematically commodify their agricultural surpluses. Across French West Africa, but beginning first in the Serer part of the Peanut Basin, ethnic outsiders were encouraged to occupy the new commercial niches generated by the trade in peanuts and imported manufactures (Barry, 1992). Colonial policy came to promote clear ethnic divisions of labor whereby Marseilles trading houses like Buhan et Tessière and Maurel et Prom occupied a top rung with a network of trading houses, points of sale for finished manufactures and final collecting points for agricultural products bound for processing in southern France. Loose and informal networks of Mauritanian Arabs continued to play a role as informal petty traders at the very the lowest rung of the ethno-commercial hierarchy. Peanut marketization, however, required a new, middle level, a network of traders concentrated in major villages to offer seed on credit, sell new farm implements and fertilizer, and of course, weigh and collect the peanut harvest. French policy helped bring traders from Lebanon to serve this role. Lebanese were on the front line of debt peonage, and in indirect ways tax

collection, making them the object of perhaps the most intense anti-foreign resentments in Senegal. They were nevertheless understood as a kind of new and richer ethnic extension of the more familiar Mauritanian Arabs, both of whom were often designated by the slur “Nar” (Dieng, 1993).

In Central Java, the establishment of marketing networks to facilitate commodification built more directly and seamlessly on the existing ethnic division of labor. Dutch policy through the 19<sup>th</sup> and into the 20<sup>th</sup> centuries favored a rapid expansion of the number of ethnic Chinese shopkeepers, traders and merchants in Java. Working in close coordination with state officials, Chinese merchants were encouraged to exponentially expand their already well-established networks for rice marketization, credit provision and the sale of manufactures and imports (Coppel, 1983). Not surprisingly, as the pressures of commodification, indebtedness and inability to satisfy new material needs took their toll on Javanese farmers, the newly enriched and expanded ethnic Chinese community became the targets of resentment. The Dutch were taken aback by the rapidity with which anti-Chinese resentment built up in Java, and consequently were caught unprepared for the devastation of the region’s first wave of anti-Chinese riots, in Batavia (Jakarta) in the early part of this century (Coppel, 1983). This was to be the first in a series popular explosions directly aimed at the Chinese community in Java, but clearly an attack on the most proximate and exploitative direct handmaidens of the entire political economy of colonial rule.

#### *2d. Statism and Culturally Unified Markets*

Both in Senegal and in Indonesia, statist development models of the early post-independence years went far to develop centrally controlled agricultural marketing, credit and input providing institutions (Hesseling 1985; Kahin 1952). These structures effectively displaced or competed with the economic networks of entrenched merchant minority groups. The transformation that seemed to be taking place in this period in material relations, class dynamics and consciousness of political community cannot be overstated. While at a rhetorical level independence was about the nationalization of the commanding heights of the state from European powers, in the actual experience of the rural majority, it had more to

do with a fairly sudden restructuring of long-established patterns of ethnically differentiated commercial exploitation. Ethnically distinct emergent classes lost their material basis for capital accumulation almost overnight.

The new institutions of agricultural marketing, credit, and input provision laid the material foundations for a unitary national political economy. By establishing administrative uniformity across the countryside, the statist phase in both countries' post-colonial experience did establish a more direct lived-experiential basis for the nation. Like Benedict Anderson's itinerant Latin American tax collectors and judges, essentially imagining and inventing in their administrative travels the idea of a Colombia or an Argentina (Anderson 1983), marketing boards and farmers' credit agencies helped bring diverse peasants closer not just to the material resources of the state but to the idea of the nation as a political community manifest in new, liberating and inclusive economic relations.

To be sure, in neither society did this apply uniformly. In Senegal, it worked in the Dakar to Saint-Louis corridor, the Peanut Basin, and the Mouride "New Lands" along the Dakar-Bamako railroad. It conspicuously failed to include Casamance and parts of Senegal Oriental, but these are exceptions that prove the point with regard to the integrative effect of direct material intervention by the state in the basic economic relations of the rural sector – the state simply neglected these regions, especially Casamance, thus contributing to the failure of the national integration project. In Indonesia, national integration of this type has been and remains first the internal integration of Java, along with its cousin, Bali, and second the incorporation of resource-rich satellites or colonies of Java (like much of Sumatra with its oil and natural gas, Ambon's clove plantations, Kalimantan's hardwood forests, the Freeport gold mines in Irian Jaya).

In both cases, post-colonial statism meant that merchant minorities were of course economically displaced. But this took place within a broader rhetoric of their socio-political inclusion. Senegal

retained a close rhetorical adherence to Enlightenment liberal principles of inclusive citizenship, extended especially to the still-commercially important and tax-paying Lebanese minority. Mauritians could be construed as resident aliens of a neighboring state, and so were not so much a part of the rhetoric of socio-political inclusion. This in effect helps explain the *fact* of the 1989 anti-Mauritanian riots, but the *timing* of this explosion cannot be understood without bringing structural adjustment into the story (below).

In Indonesia, those of Chinese descent, although displaced from their privileged role in the commercial economy of colonialism, were an important part of the rhetoric of national inclusivity, secularism and the building of a pan-archipelago syncretic national cultural identity associated with founding President Sukarno (Dahm, 1969). Indeed, it was under Sukarno's decidedly more statist political-economic outlook that those of Chinese descent were most fully welcomed into the nation building project of the post-independence years. Conversely, the neo-liberal, brutally anti-Communist turn which followed Suharto's rise to power in 1965-66 saw a sudden and intense revival of anti-Chinese rhetoric and violence (Feith, 1973). Although a more comprehensive period of neo-liberal economic reform would come three decades later, Suharto's New Order government began the restoration of the long established Chinese place as both commercial middle class and vilified ethnic scapegoat. These roles would become more pronounced as state intervention in the economy, especially the rural economy, was more fully dismantled in the 1990s.

### *2e. Economic Liberalism, State Dismantling and the Revival of Ethnic Conflict*

In Senegal's Siin region, structural adjustment-style market liberalization had been phased-in gradually since the removal of price supports for peanuts in the late 1960s, but took fullest effect after the mid-1980s. What had been direct state provision of tools, seed credits, fertilizer and monopolistic marketing services became an increasingly loose and decentralized network of eroding forms of public support for peasant farmers (Markovits, 1969). By the late 1980s, all that remained of the once holistic network

services was a somewhat ineffective and often bypassed system whereby farmers were officially required to sell their harvest to state sponsored marketing cooperatives (SECCO).

With the gradual withdrawal of the state from the everyday economic life of Serer farmers, Mauritanian small shopkeepers played an increasing role in marketization and in the provision of commercial goods. In the early, more statist years of independence, the Lebanese mid-sized shopkeepers, especially tied to the colonial regime, had already begun to withdraw from the countryside into merchandising and import-export activities in Dakar and the emerging cities of the interior. In rural regions like the Siin, structural adjustment thus offered opportunities for Mauritanian Arabs to expand their commercial presence.

It was no accident then that the 1989 ethnic riots were aimed largely at Mauritanians in both Dakar and in rural settings like the Siin. Ostensibly a popular response to Mauritanian mistreatment of Senegalese nationals in and near the border region, the “anti-Nar” fervor of those months spread with a surprising intensity and aggression (La Guardia, 1989). Mauritanian shops were systematically looted and destroyed in many Dakar neighborhoods. Dozens were killed in the capital. In rural communities like those in the Siin, it was as if local people, learning of what was happening in Dakar, saw a chance to get even for decades of what they saw as mistreatment and exploitation at the hand of “Nar traders.” (Sene, 1992). Mauritanian-run shops throughout the Siin were attacked and taken over in the course of a very few weeks. Farmers who had inherited from their fathers insurmountable debts to Mauritanian shopkeepers were proud of their role in seizing sacks of rice, cooking oil, tools, anything they could take with them from the “boutiques des Nars” (Diouf, 1995). Although there were no confirmed reports of Mauritanian casualties in the Siin, there were widespread rumors of beatings and numerous threats. By the end of that 1989, the once significant Mauritanian minority in the Siin was completely gone.

In the Serer-Siin village of Tukar, for example, prior to the events of 1989, there were four “boutiques,” or small general stores in town. Owned and operated by Mauritanians, some of these were located in the

former *escales*, or weigh stations, run in the colonial days by Lebanese merchants. When the Lebanese moved out in the 1960s, the state had moved in, using some of these buildings for its various extension, credit and marketing entities. But by the mid 1980s, these were gone, replaced by small “Nar shops,” selling rice, oil, batteries, shoes, and a few other light consumer goods. The shops were also important suppliers of credit to farmers, who generally ran up extended, unpaid “tabs” with the Mauritians.

In spite of having lived in the community sometimes for decades, the Mauritians had almost no social contact or integration into the life of the village. They were not seen at the crucial life cycle festivals, and kept to themselves. With their extended families back in Mauritania, many stayed for a few years, and were replaced by brothers or cousins who cycled into Senegal.

When the rioting broke out in 1989, it was not long before every Mauritanian boutique in the village had been forced closed as debtors seized the opportunity to be free of their obligations by driving their creditors out of town and out of the country. Others simply made off with what little remained of the inventory. Over the ensuing years, a number of local families tried to set up shop in the old boutiques. The largest and most successful effort was orchestrated by the local farmers’ self help organization, the *Association des Paysans de Tukar* in 1993-96. The APT, a non-profit community development entity, took over one of the old Mauritanian boutiques as a public service because there were simply no successful commercial ventures left in the community, no place for people to buy rice, tools, batteries, candles, and so forth. Moreover, there was a complete crisis in the form of lack of credit. Not only had the rioting produced a miniature form of ethnic cleansing, it also debilitated the free market structure itself, since no one had any incentive to provide credit or commercial services to this otherwise somewhat remote and extremely poor community.

The APT effort at running a boutique, it is worth noting, failed for the same reason that the efforts of other local families to get into the retail business also failed. The APT members who ran the store found

that they could never deny kin and friends who asked them to keep “running tabs,” wanted merchandise gifts or cash loans. Inventory quickly ran out and could not be replenished. The boutique had to be shut down. The same forces that had brought the Mauritians to the Siin in the first place – the powerful economy of affection networks among local farmers – were inhibiting capital accumulation and creating yet again a need for some extra-community actor to step in and run commerce. In the last few years, some of the Mauritians have in fact started to come back (Faye, 2000).

Marketization in this part of rural Senegal had restored the old ethnically defined commercial networks, setting the stage for an explosion of ethnic tension at a time of pronounced economic hardship. In the aftermath of the ethnic conflict, basic credit and commercialization services, no longer provided by the state, and in no way generated spontaneously out of the idea and rhetoric of the “free market,” simply disappeared. This increased the economic isolation and lack of access to productivity-enhancing inputs in this already marginal agricultural zone. As the Mauritians began to return to the Serer-Siin, the old institutional pattern reasserted itself, setting the stage, perhaps, for another round of destructive inter-group conflict.

In Central Java, similar processes of liberalization-induced ethnic conflict ensued, although in differing ways in the poorer (Gunung Kidul) and richer (Sleman) of our two regions. Beginning under Sukarno and intensifying under Suharto, the state and the ruling party had undertaken fairly direct intervention in the organization of production, marketing, credit and other inputs in the Javanese countryside. At the high point of this state building enterprise, even the village level coordinators of irrigation canal networks – an ancient, customary local office – were appointed representatives of the ruling party (Bowen, 1986).

As Indonesia grew ever more integrated into the Southeast Asian economic boom of the 1980s and 1990s, vestiges of centralized state economic planning were ferreted out in exchange for structural adjustment loans from the IMF (World Bank, 1989). This meant that beginning in the mid-late 1980s, the state

gradually withdrew its supports for agricultural inputs, credit, and eventually, marketing. The process was more gradual in Indonesia than in Senegal because agricultural extension services had been interwoven into the social control mechanisms of the ruling Golkar party (Liddle, 1996). As a result, Indonesia experienced not so much a sudden withdrawal of the state's entire presence in the rural economy, as much as a slow transformation in the real purpose for maintaining a state presence. Economic functions (and benefits to farmers) faded away, leaving instead a fairly dense village-level network for disseminating state propaganda and tracking down potential political dissidents.

Within this framework of change, Chinese merchants and traders, never entirely displaced, took up the slack in providing basic economic services in the countryside. For many years it was as if the revival of the Chinese economic role was hidden by the still omnipresent, but economically moribund state/party rural administrative structure. Javanese peasants in Gunung Kidul, where farming was nearly impossible and times were always tough, had lost the benefit of state services and were paying triple-digit interest on loans from Chinese merchants in Yogyakarta. In Sleman, a different kind of agrarian transformation was beginning to take place. Urban-based Chinese merchants were beginning to buy up rich Sleman rice farming land and converting it to production of fruit crops for export, especially *salakh pondoh*<sup>4</sup>. As a result, many Javanese farmers who once lived in villages and worked community rice paddies were now becoming agricultural wage laborers on Chinese-owned fruit plantations (P3Pk, 2000b).

With the gradual re-emergence of a Chinese commercial, and in Sleman, land-owning class, anti-Chinese ethnic resentments also accumulated. By the late 1990s, sudden economic downturn resulting from the Asian currency panic ignited a delicate situation. Anti-Chinese riots broke out across Java in the spring of

---

<sup>4</sup> Highly prized in neighboring Singapore, *salakh pondoh* or snakefruit is a small, brown, reptilian skinned fruit often described as a cross between an apple and a walnut. It grows at the base of a perennial that can be grown in small plantations. Unlike irrigated rice farming, which requires extensive community-wide coordination of irrigation systems, snakefruit, with its need for regular weeding and picking at harvest time on small plots, lends itself extremely well to individualized wage labor.

1998. Although they were most violent in major cities like Jakarta, Yogyakarta's sister city, Surakarta, saw some of the worst rioting, destruction of Chinese owned property and loss of life (Triono, 1999)<sup>5</sup>.

While the violence in rural districts like Gunung Kidul and Sleman was relatively limited compared to the cities, the social and economic after effects of the riots have been significant. In Gunung Kidul, peasant resentment against Chinese is high, to be sure. But it rarely manifests itself in conflict, perhaps because the ethnic Chinese, along with the state before them, have abandoned the region in economic terms. Access to credit, inputs and marketing is extremely limited in this ecologically difficult region. The market finds no price incentive to do business in Gunung Kidul. A region most especially in need of resource transfer and investment find itself more economically isolated, and therefore, considerably poorer, than before economic liberalization.

In Sleman, the ethnic Chinese presence in the local economy remains significant, and tensions are quite high. There have been a number of clashes between Chinese merchant-land owners and Javanese farmers. Javanese farmers complain of the very high interest rates they must pay Chinese merchants. They have no other sources of credit. This is especially burdensome for those who now spend most of their working hours tending the snakefruit plantings owned by absentee landlords, some of them Chinese based in Yogyakarta. The high levels of inter-group tension since 1998 are having a dampening effect on productivity in Sleman: Chinese merchants are reluctant to expand their investments in an otherwise promising and fertile region for fear of a new wave of ethnic reprisals. Javanese farmers see their prospects limited by the choking effect of the very high price of credit they must pay to Chinese traders.

---

<sup>5</sup> Rioters tried to spread the violence to Yogyakarta, but were confronted by the highly neo-traditional and widely respected Sultan of that city, who implored the would be rioters to spare the ethnic Chinese community in Yogyakarta, and successfully defused the crisis in that city. The mobilization of neo-traditional political authority to prevent ethnic conflict is itself the subject of another paper (Galvan 2001).

### **3. Conclusion: Class Formation & Capital Accumulation within Strong States & Nations**

Marketization in both Central Java and Senegal has had a series of unintended effects. It has revived long institutionalized, ethnically embedded divisions of labor, along with patterns of resentment, mutual mistrust and not-infrequent outbursts of violence between groups. Liberalization has induced ethnic conflict because it was driven by a deductive ideological conviction that the removal of state economic control by itself launches developing societies on the path to market oriented institutional development and economic growth. As we have seen, the revival of deeply resented ethnic divisions of labor in both societies not only produces an immediate blow to civil peace. It also generates investment uncertainty, marginalizes economically unprofitable regions, deepens poverty, and undermines national integration. These increased economic pressures only intensify antagonisms, mistrust and fear across ethnic communities, creating the conditions for more outbreaks of conflict and establishing a textbook vicious cycle of ethnic vilification, inter-group conflict, economic insecurity and more ethnic vilification.

But stepping back a bit from these empirical realities, in both historic terms and in the recent period of neo-liberal reform, it is possible to treat the emergence of an ethnically distinct merchant class as a developmentally process of petit-bourgeois class formation. After all, capital accumulation must begin somewhere, and the Lebanese, Mauritians and Chinese in our case studies succeeded in sufficiently separating themselves from the local economy of affection to begin to amass and invest surplus resources.

But this observation brings us back to the very heart of the issue – the nature of the relationship between cultural identity/nation building and the early stages of economic development. The cases presented here underscore that ethnically stratified class formation is a process loaded with the potential for conflict, for internal violence, instability and uncertainty. Repeated cycles of unrestrained inter-group violence will undermine the process of class formation, capital accumulation and ensuing broad-based economic development. What Senegal and Central Java are missing – in contrast, say to early modern Holland or

England – is the developmentally beneficial effects of a common cultural identity.<sup>6</sup> Ethno-cultural commonality can be an important mechanism to facilitate and ease the strains of class formation in the early throes of economic development.

This was in part why, in the decolonization/political development era, such a profound emphasis was placed on nation-building (Pye and Verba, 1965). Forging a culturally meaningful, morally legitimate national identity (a la the reasonably successful nationalisms of Jawaharlal Nehru, Kamal Ataturk, Gamal Abdel Nasser, even Sukarno, for a time) has the potential to prevent the developmentally dysfunctional overlap or alignment of cultural identity difference with nascent bourgeois class formation. As cases of very early processes of petit-bourgeois class formation (such as rural Senegal and Central Java) suggest, the emergence of a capital-accumulating merchant minority which is seen as alien in ethnic or racial terms can result in an intractable social cleavage.

Moreover, it is critical to note, under structural adjustment, states almost by definition have stripped themselves of the very means they need to address this dilemma. Structural adjustment denies states the bureaucratic-administrative flexibility, not to mention the material resources, to engage in meaningful promotion of a national idea and a political community rooted, like Benedict Anderson's Latin American traveling judges, in the lived experience of the day to day projection of state authority into the everyday practices and modes of production of society.

States stripped down to some idealized neo-liberal minimalism lack the resources to accomplish the three developmentally essential tasks that can only be realized through successful nation-building: 1) contain

---

<sup>6</sup> This applies whether that common cultural identity came into being "organically" or through the coercive violence of state-building. Although a close examination of the experience of the supposedly most organic nation-states, France and Britain, suggests that the Ile de France had to forcibly impose its version of French culture on the rest of the hexagon, and that the Glorious Revolution was nothing less than the bloodiest round in an ongoing struggle to define the common cultural identity that would undergird English political community (Weber, 1976; Anderson, 1974).

the intensity of class conflict in the context of early capital accumulation; 2) block the debilitating alignment of class and cultural identity cleavages; and 3) while achieving (a) and (b) above, also use the nation-building process to, ideally (or is it idealistically?) provide a sufficient sense of shared affective community, bonds of cross-class trust, associationalism and social capital to promote economic sacrifice (especially for the *sake* of the affective community at the *expense* of dominant economic classes). It is this willingness to engage in mutual sacrifice, so obviously absent in relations between farming majorities and merchant minorities in Senegal and Central Java, which can mitigate the exploitative impacts of early capital accumulation/class formation and thereby limit the degree of economic inequality associated with the initial pangs of economic development.

## References

- Anderson, Benedict, 1983. *Imagined Communities*. London: Verso.
- Anderson, Perry, 1974. *Lineages of the Absolutist State*, London: Verso Press.
- Barry, Boubacar and Leonhard Harding, 1992. *Commerce et commerçants en Afrique de l'ouest: le Sénégal*. Paris: L'Harmattan.
- Bates, Robert, 1981. *Markets and States in Tropical Africa*. Berkeley: UC Press.
- Becker, Charles, 1984. *Traditions Villageois du Siin*. Dakar: CNRS-LA.
- Bowen, John R. 1986. "On the Political Construction of Tradition: Gotong Royong in Indonesia," *Journal of Asian Studies*, 45:3, May 1986, 99. 545-561.
- Cohen, Abner, 1971. *Custom and Politics in Urban Africa: A Study of Hausa Migrants in Yoruba Towns*. Berkeley, University of California Press.
- Coppel, Charles A., 1983. *Indonesian Chinese in Crisis*. New York : Oxford University Press.
- Dahm, Bernhard, 1969. *Sukarno and the Struggle for Indonesian Independence*. Ithaca, [N.Y.] Cornell University Press.
- Dieng, Modou, 1993. Interview with farmer, Tukar, Senegal, 4 April 1993.
- Diouf, Saliou, 1995. Interview with proprietor of Serer-run boutique in village of Tukar, Senegal, 7 July 1995.
- Eisenstadt, S.N., Michel Abitbol and Naomi Chazan, 1988. "The Origins of the State Reconsidered," in Eisenstadt, Abitbol and Chazan, eds., *The Early State in African Perspective: Culture, Power, and Division of Labor*. Leiden ; New York : E.J. Brill.
- Faye, Wagaan, 2000. Interview with farmer, Berkeley, CA, 2 May 2000.
- Feith, Herbert, 1973. "Indonesia's Political Symbols and their Wielders," in John T. McAlister, ed., *Southeast Asia: The Politics of Integration* (New York: Random House, 1973), pp. 499-516.
- Geertz, Clifford, 1973. *The Interpretation of Cultures*. New York: Basic Books.
- Guigou, Brigitte, 1993. "Les Changements du Système Familial et Matrimonial: Les Serere du Sine (Senegal) (La Souplesse du Système Patrimonial Lignager)," unpublished Doctorat Nouveau régime, Université de Lille III.
- Hesseling, Gerti, 1985. *Histoire politique du Sénégal*. Paris: Karthala.
- Hyden, Goran, 1983. *No Shortcuts to Progress: African Development Management in Perspective*. Berkeley, U.C. Press.

- Hyden, Goran, 2001. "In Search Of Explanations Of The African Crisis: What Does The Economy Of Affection Tell Us?" paper presented to University of Florida Racial and Ethnic Politics Working Group, April 2001.
- Kahin, George, 1952. *Nationalism and Revolution in Indonesia*. Ithaca: Cornell University Press.
- Klein, Martin, 1968. *Islam & Imperialism in Senegal*, Stanford: Stanford University Press.
- La Guardia, Anton, 1989. "Senegal threat of reprisals over Mauritania riots." *The Daily Telegraph*, April 29, 1989.
- Liddle, R. William, 1996. *Leadership and Culture in Indonesian Politics*. Allan and Unwin.
- Mann, Kristin and Richard Roberts, 1991. "Introduction" in Mann and Roberts, eds., *Law in Colonial Africa*. Portsmouth, NH: Heinemann.
- Markovitz, Irving, 1969. *Leopold Sedar Senghor and the Politics of Negritude*. New York: Atheneum.
- P3PK (Center for Rural and Regional Development Studies). 2000a. "Gunung Kidul: Background Notes for Sustainable Livelihood Research." Yogyakarta, Indonesia.
- P3PK (Center for Rural and Regional Development Studies). 2000b. "Sleman: Background Notes for Sustainable Livelihood Research." Yogyakarta, Indonesia.
- Pelissier, Paul, 1966. *Les paysans du Senegal: Les civilisations agraires du Cayor à la Casamance*. Paris: Imprimerie Fabrègue.
- Peter, 1975. "Colonialism and the Two Publics in Africa: A Theoretical Statement," *Comparative Studies in Society and History*, 17:1, pp. 91-112.
- Price, Robert M., 1975. *Society and Bureaucracy in Contemporary Ghana*. Berkeley: U.C. Press.
- Pye, Lucien W., and Sidney Verba, 1965. *Political Culture & Political Development*. Princeton: Princeton University Press.
- Sene, Djignak, 1992. Interview with farmer, Tukar, Senegal 11 December 1992.
- Steenbrink, Karel A., 1993. *Dutch Colonialism and Indonesian Islam: Contacts and Conflicts, 1596-1950*. Amsterdam, Atlanta, GA: Rodopi.
- Suryadinata, Leo, 1999. *The Ethnic Chinese Issue and National Integration in Indonesia* (Pasir Panjang, Singapore: Institute of Southeast Asian Studies, 1999).
- Triono, Lambang, 1999. "The Anti-Chinese Riots in Surakarta," MA thesis, University of Sydney, Australia.
- Weber, Eugen, 1976. *Peasants into Frenchmen : The Modernization of Rural France, 1870-1914*, Stanford: Stanford University Press.
- World Bank, 1981. *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* ("Berg Report"). Washington, DC: World Bank.

World Bank, 1989, *Indonesia Strategy for Growth and Structural Change*. Washington, D.C.

World Bank, 1990. *Structural Adjustment and Poverty: A Conceptual, Empirical and Policy Framework*. Washington, D.C. : World Bank.

Young, Crawford, 1994. *The African Colonial State in Comparative Perspective*, New Haven: Yale University Press.