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The Geopolitical-economy of Infrastructure Development and Financing: Contesting Developmental Futures in Indonesia

A dissertation submitted in partial satisfaction of the requirements for the degree Doctor of Philosophy in Geography

by

Dimitar Anguelov

2021

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ABSTRACT OF THE DISSERTATION

The Geopolitical-economy of

Infrastructure Development and Financing:

Contesting Developmental Futures in Indonesia

by

Dimitar Anguelov

Doctor of Philosophy in Geography

University of California, Los Angeles, 2021

Professor Helga Leitner, Co-Chair

Professor Eric Sheppard, Co-Chair

In the post-2008 global economy infrastructure development and financing have risen to the top of the development agenda, emerging as a contested field for global investments involving seemingly divergent interests, objectives, rationalities and practices. Whereas multilateral development banks such as the World Bank advocate the market-based Public-Private Partnership (PPP) aimed at attracting private finance and deepening marketized governance, China is forging a state-capitalist alternative through its Belt and Road Initiative. These models are far from mutually exclusive. Through a conjunctural approach, this research examines the broader trade and financial interdependencies in which these models are entangled, and the geopolitical and geoeconomic objectives enframing the emergent infrastructure regime. Developing nations caught in the crosscurrents of these approaches and interests face uncertain risks and possibilities. In Indonesia I show how these approaches are grounded in

infrastructure projects, framed by competition between China and Japan. Specifically, in Jakarta, I examine the coming together of these models, visions and practices as they articulate with the political-economies of city and state, and their path-dependent restructuring precipitated by the speculative 1997 Asian Financial Crisis. I show how political interests and developmental objectives of state and city governments are entangled with the speculative capital accumulation strategies of State-Owned Enterprises (SOEs), shaping the speculative state-space of the post-colonial metropolis. With a number of new rail transit projects in the city-region driving a boom in Transit-Oriented Development, SOEs speculate on market conditions and the 'world-class city' dreams of middle-class residents to leverage their propertied assets. In the territorially and institutionally fragmented landscape of metropolitan Jakarta this financial speculation is equally premised on political speculation around the planning and execution of the projects, enabled by elite informality and statecraft. These speculative state-spaces are also framed by the developmental politics of affordability and accessibility to the city. I examine how these strategies, practices and tensions come together to produce innovative governance arrangements in the provision and management of transport and housing.

The dissertation of Dimitar Anguelov is approved.

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University of California, Los Angeles

2021

To my family.

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INTRODUCTION

In 2015, China's launch of the Asian Infrastructure Investment Bank (AIIB) caught the attention of the West, with the United States in particular seeing it as a challenge to Western-dominated multilateral financial institutions like the World Bank (Wolf, 2015). As the United States' European allies joined the AIIB, the Obama administration's swift rebuke indicated the high geopolitical and geoeconomic stakes at play. With endless caricatures of this stand-off filling newspapers' editorial pages, this moment underscored the (long-anticipated) shifting geopolitical tectonics and center of world power towards Asia (Arrighi, 2007). This shift was punctuated by the North Atlantic Financial Crisis of 2008, which raised questions about the sustainability, credibility and hegemony of Anglo-American neoliberal (and increasingly financialized) capitalism**.** This shift is also driven by competing ideologies of globalizing capitalism and Development, pitting China's state-capitalist model (which has helped it become a global superpower) against the neoliberalizing order of the West. In particular, these tensions and competing ideologies are expressed in competition over infrastructure development and financing, shaping not just the emergent geopolitical order but also approaches to and understandings of Development. [1]

In the recalibrating post-2008 (and now post-pandemic) global economy, marked by slowing and uncertain growth, infrastructure development and financing have emerged as a key mechanism for achieving geopolitical-economic aims: For

[1] I draw on Hart's (2001) distinction between small-d development, reflecting actually existing development trajectories and patterns, and big-D Development, as the normative (neoliberal) path set out by global policy makers (primarily from the global North) for the global South.

creditor states like China, Japan and the US, they have spurred economic growth, and advanced national interests abroad. At the same time, they have been catapulted to the top of the Development agenda as the mechanism for achieving a gamut of socio-economic policy objectives in developing countries, centered on catch-up economic growth (Global Infrastructure Forum, 2017).

Policymakers in advanced and emerging economies alike are urged to upgrade or develop new infrastructure in order to maintain competitive advantages or boost 'catch-up' growth (OECD 2015). However, in the context of austerity politics and scarce public funds, the neoliberal policy consensus is that private finance is necessary to bridge the funding gap: the difference between what governments can afford and what they need to spend on infrastructure.

The dominant policy model promulgated as the solution to this fiscal constraint is the Public-Private-Partnership (PPP) (Siemiatycki, 2013), which seeks to develop 'bankable' projects that offer attractive private sector returns. Through the PPP, multilateral development banks (MDBs) seek to proliferate the marketized provision of infrastructure – creating a market for projects and debt by setting up key intermediaries and mechanisms for assembling infrastructure assets and facilitating infrastructure finance. Thus, beyond offering bankable projects, the PPP model is deployed as an integrated approach to 'market-deepening': institutionalizing regulatory reforms conducive to global investments and instilling market rationality in governance. This market fundamentalism is being challenged, however, as China forges its state-capitalist alternative through the Belt and Road Initiative (BRI), seeking to reshape the global infrastructure investment landscape through its State-Owned Enterprises. For developing countries caught in these crosscurrents, these

models present different opportunities and constraints for development, both on a national level and for the mega-cities driving their growth

This dissertation examines how these competing models of infrastructure development and financing, framed by contested development ideologies and geopolitical-economic ambitions, play out in the current conjuncture of financialized capitalism and its endemic crises. It also examines how these models are shaping development outcomes and possibilities in developing countries. In doing so, it contributes to our understanding of (the geographical political-economy and geopolitical-economy of) neoliberalization and financialization, their mutations, limits and hybrid outcomes as they encounter alternatives, and the multiple spatialities through which these processes are constituted.

The Geopolitical-Economy of Infrastructure Financing

The contested global rollout of infrastructure foregrounds the ways that global capitalism is entangled with geopolitical struggles and strategies (Sparke 2018). For example, multilateral institutions like the World Bank and the International Monetary Fund have long advanced neoliberal policies dominated by the geopolitical influence and interests of the United States, manifest in the (post-)Washington Consensus (Wade, 1996). Using their financial and political power as leverage, these institutions have driven market-led reforms particularly in developing countries. This neoliberal policymaking has long worked to naturalize the artificial division between states and markets, instilling the efficiency of unbridled markets as 'best-practice' governance. Yet, faced by China's spectacular rise, Western market-democratic states themselves are increasingly flexing their geopolitical muscles in order to advance markets abroad and shape the broader rules-regimes underpinning infrastructure financing. For

instance, seeking to extend their national corporate interests – from finance, to technology, technical expertise, and engineering services – the United States, Japan and Australia have formed geopolitical alliance to secure private investments and promote market-based financing in infrastructure.

These geopolitical and geoeconomic struggles around infrastructure also draw attention to how states seek to shape and take advantage of changing political-economic conditions and connectivities**,** through different visions, rationalities and practices of development (Hudson, 2016; Peck, 2016; Dunford & Liu, 2016). Framed by broader ideological competition between the neoliberal (post-) Washington Consensus and the state-capitalist 'Beijing Consensus' (Sheppard and Leitner, 2010; Arrighi, 2007), competing approaches to infrastructure development and financing thus highlight the mutual enframing of geopolitics and D/development (Slater, 1993; Hart, 2001).

On the one hand, neoliberal approaches to Development since the 1980s have been underpinned by market fundamentalism, accompanied and inspired by rapidly changing geopolitical conditions: the demise of communism and the entrenchment of the global 'dollar/Wall street' regime of financial capitalism and market-led globalization (Gowan, 1999; Hart, 2009). On the other hand, amidst a fractured Western hegemony (Mawdsley, 2017), China's 'state-capitalist' approach now appears as an alternative (van Apeldoorn et al., 2012; Economist, 2012) – broadly directing economic activity through state ownership in and control over strategic industrial sectors. Moreover, the Belt and Road Initiative can be seen as more than Chinese industrial redeployment and outward investment. It is also an alternative model of globalization (Liu & Dunford, 2016), rooted in Chinese civilizational and moral values and discourses emphasizing political non-interference, mutual respect

and mutually beneficial relationships with the periphery (Lin, Sidaway and Woon, 2019; Dunford, 2020). This makes it increasingly appealing to developing countries.

Yet, these models are far from mutually exclusive, with states like Japan mobilizing both market-based and state-led modalities of infrastructure financing in order to advance their interests. Moreover, in a globally integrated economy these approaches are entangled in broader trade and financial interdependencies: they articulate with political-economic contexts and in project-specific configurations , combining a variety of institutional forms, private and state actors in configurational hybrids that exceed the rationalities framing ideal-typical models. For example, State-Owned Enterprises often act as the 'private' partner in Public-Private Partnerships, alongside or in competition with private foreign firms.

Understanding the risks and possibilities for developing nations caught in the crosscurrents of these interests and approaches thus requires examining how they function on the ground. In addition to understanding the development implications of this geopolitical economy (GPE) at a national level, it is critical to examine how it unfolds in and through the urban scale. City-regions are at the center of this infrastructure fix; as centers of economic growth and social reproduction they have assumed national geopolitical significance (Jonas and Moiso, 2018). In the global South, mega city-regions like *Jabodetabek* facing challenges posed by rapid urbanization are a particular locus of such infrastructural solutions, steeped in both speculative global-city imaginaries and national(ist) developmental aspirations and strategies aimed at unclogging 'catch up' growth (Roy, 2011; Goldman, 2011). [2]

[2] An acronym for the four regencies in the metro area (and the city of Depok): *JA*karta, *BO*gor, *DE*pok, *TA*ngerang, *BEK*asi

As a backbone of economic growth, infrastructure provision is tied up with the interests of local politico-business elites seeking to secure an amenable investment climate and the physical conditions for urban growth. The variegated ways these interests come together in different urban contexts is shaped by historically contingent multi-scalar governmental relations, and their positionality with respect to changing conjunctures of globalizing capitalism. For instance, under neoliberalism in Europe and the US, city governments adopted entrepreneurial strategies to subsidize private investments and tap financial markets for urban infrastructure projects (Brenner, 1997).

Attention to these processes in the post-colonial context reveals how neoliberalization and financialization encounter (and reproduce) different institutional, state-spatial configurations: the matrixes of public and private sector actors and networks that shape urban development are embedded in historically distinct opportunity structures and trajectories. Contrasting the devolution of infrastructure provision to cities in the Global North, in cities across Asia (post-colonial) states play a prominent role in mediating and facilitating markets for infrastructure and housing. This interventionist state role also articulates with neoliberalizing forces. Urban governance and development is thus replete with 'hybrid assemblages' of neoliberalism and its alternatives, operating in dynamic contradiction (Peck et al; Peck and Zhang, 2013; cf. Hill et al., 2012) with different 'worlding' practices, imaginaries and meanings (Roy, 2011; Roy and Ong, 2011).

Infrastructure in Indonesia

Historically positioned at the intersection of Western and East Asian geopolitical influences and capital circuits, Indonesia offers an ideal case for

examining this contested GPE of infrastructure financing. These competing influences continue as Western, Japanese and increasingly Chinese banks and development agencies offer expertise and finance for Indonesia's infrastructure and 'catch-up' growth. This catch-up process presents a distinct set of challenges compared to the experience of advanced Western economies, with implications for how we understand development at different scales. In places like the US, the Keynesian state established national infrastructure networks in the post-war (post-imperial) period (Brenner 2004; Altshuler and Luberoff 2003), transforming into increasingly locally (sub-nationally) funded projects financed through municipal bonds under neoliberalization (Sbragia 1986; Hackworth 2002; Kirkpatrick and Smith 2011). By contrast, Indonesia's nation-wide road, rail and energy networks are comparatively underdeveloped, and it now faces severe pressure to 'catch up' under vastly different circumstances of its political economy and its positionality in the global economy.

Amidst the competing geopolitical crosscurrents of China, Japan and the West, Indonesia seeks to position itself relative to unfolding geostrategic alliances and fashion its own developmental models and trajectories, leveraging its status as the biggest Southeast Asian economy to attract investments from a variety of actors. While the World Bank (WB) and Asian Development Bank (ADB) have spearheaded the institutionalization of a Public-Private Partnership regime, Chinese and Japanese state-led alternatives also play a significant role in transforming the region's geopolitical economy.

In post-Suharto Indonesia, beginning with Susil Bambang Yodhoyono's administration (2004-2014) newly democratic governments have pushed infrastructure programs as multilateral banks sought to implement infrastructure provision through Public-Private Partnerships. President Joko Widodo (Jokowi),

SBY's successor, has prioritized infrastructural development since his tenure as governor of Jakarta (2012-2014). Since becoming president he has aggressively pushed a national infrastructure program aimed at growth and balanced development. Given the scope of infrastructure needs and insufficient public funds, private investment and the Public-Private Partnership model have been touted as the solution. This policy has largely failed to take hold, however, as it has articulated with the Indonesian political economy and bureaucracy at city and national scales. There are various reason for this, including a complex land tenure regime and the politics of displacement, institutional fragmentation, an uncertain regulatory framework and lack of government fiscal support. Instead, debt-laden SOEs have emerged as key actors carrying out this program, transforming the spatialities of state power: SOEs are building ports, rail and toll roads across the country, aimed at inter/intra-regional and global connectivity and redistributing growth to less-developed regions.

This national effort is critical for understanding urban development in the mega-city region of Jabodetabek. As the center of economic activity in Indonesia, Jakarta is a focus of national geopolitics and the broader infrastructure fix, critical for national economic growth. Jakarta's contemporary geopolitical-economy (GPE) of infrastructure development is shaped by its positionality with respect to the Indonesian and global economy. It is also shaped by historical geographies of speculative urbanism, particularly under Suharto's autocratic New Order, which contributed to the regime's failure amidst the 1997 Asian Financial Crisis, and ushered in the contemporary *Reformasi* era of democratization and political-economic restructuring. This GPE is also shaped by local politics around infrastructural solutions to urbanization, pitting the speculative capital accumulation strategies of SOEs against the urban majority's accessibility and affordability to the city.

Methodology

To understand infrastructure's interweaving with geopolitical-economy and Development rationalities, as well as with their uneven, combined and contradictory manifestations, I undertake a (positional) conjunctural analysis (Sheppard, 2019; Leitner et al., 2019). This implies treating any place/geographical unit (e.g. cities) as historically and geographically situated in relation to structuring political economic contexts, any scale (e.g. urban, national) as relationally constituted with other scales, and each place/geographical unit as a distinctive locus and vantage point situated in, and helping constitute, a broader totality that cannot be reduced to the sum of its parts.

As a methodological orientation, conjunctural analysis aims to situate case studies within/with respect to structuring contexts, in historical moments in which the political-economic contradictions of capitalism are particularly condensed (Hall and Massey, 2010). In the process of working through confounding cases, it seeks to stretch the limits of, problematize, and when necessary revise, extant theories and concepts. Such an analysis is multi-sited or polycentric and relational, working through the spatial, scalar and historical dimensions that shape geographies. Brenner's (2004) spiralling dialectic approach – used to interpret state-spatial restructuring under neoliberalism – offers a useful prescription for analyzing the dialectic between global processes and the localities in and through which these global processes are constituted (and between abstract theory and concrete empirics). This requires examining the (historically contingent) multi-scalar tensions between local, regional and national governments, situated in changing structuring contexts, as well as the role of local actors, their strategies and machinations (Pike et al., 2019). This

approach thus pays attention to the dialectic between structure, agency and strategy (Jones, 1998).

Working across the global, national and urban scales, I examine the conjuncture from the positionalities of China and Japan, showing how geographical interdependencies in the era of financial globalization - particularly the causes and consequences of the 2008 (North Atlantic and then global) financial crisis - shape the emergent geopolitical economy of infrastructure financing and development. As these powers compete for influence across Southeast Asia, it is critical to understand of Indonesia with respect to these processes. Indonesia is not only a vantage point, but a locality through which this broader geopolitical-economy is co-constituted, all the way down to the metropolitan scale where demand for infrastructural solutions, shaped by Jakarta's unique historical geography of urban development, crisis and reconstruction, are a co-constitutive part of the broader geopolitical-economy.

This research is based on fieldwork conducted in Jakarta over 15 months between 2017 and 2019, employing a variety of methods, including

1. Semi-structured interviews with government officials at city and national levels, State Owned Enterprises, Multilateral Development Banks, and various consultancy firms, employing a snow-ball sampling methodology.
2. Content analysis of local news media and media archives, regulations, policy documents and corporate reports.
3. Participant-observation at industry conferences.

To examine the role of development institutions, primarily the World Bank and Asian Development Bank institutionalizing Indonesia's PPP framework, but also the broader contested landscape involving Chinese and Japanese policy banks, I

conducted: (a) Interviews with officials from the Indonesia mission of the WB and ADB to gain insight into the operative language driving programs, and experiences of the process of program implementation. (b) Content analysis of policy documents, project reports and country reports by the WB and ADB, to analyze discursive framings and rationalities behind the new instruments, in such programmatic frameworks as “sustainable and inclusive growth”, “financial deepening” and “market deepening”. (c) Examination of policy documents and technical assistance programs to understand the specific best practices, expert knowledge and financial technologies deployed, and towards what ends. (d) Examination of print and online media and databases to trace the networks of financial institutions underpinning the global rollout of infrastructure, including multilateral development banks, and such policy banks as the Asia Infrastructure Investment Bank, China Development Bank, the Japan Bank for International Cooperation, the Japan International Cooperation Agency, and the Overseas Private Investment Corporation (Development Finance Corporation).

To examine the institutional mechanism, regulatory frameworks, and actors and networks facilitating infrastructure financing and financialization, I conducted: (a) Interviews with officials from newly established financial institutions (*Sarana Multi Infrastruktur*, Indonesia Infrastructure Finance, and Indonesia Infrastructure Guarantee Fund), the financial services authority (*Otoritas Jasa Keuangan*), and the Ministry of Finance as the primary stakeholder in these institutions. (b) Interviews with consultancy firms involved in providing technical assistance and disseminating best-practices, and shaping policymaking, including Tusk, PWC, Deloitte, AIPEG, Castalia, KPMG, and JICA; (c) Content analysis of MOUs, financial agreements, and company annual reports to understand the organizational structure, operational

frameworks and practices carried out by these institutions. (d) Analysis of national regulations to understand the legal basis for Sarana Multi Infrastruktur, Indonesia Infrastructure Finance and Indonesia Infrastructure Guarantee Fund, and regulatory changes by OJK on capital markets, investment instruments, etc. (e) Participant observation at industry conferences such as *Indonesia Infrastructure Week*, *Indonesia Infrastructure Finance Conference* and the *Infrastructure-led large-scale development: TOD, New Town and Transit Oriented Development* conference, bringing together international investors with local and national authorities, policymakers and business interests to examine the informal networks of knowledge exchange and deal making.

To examine infrastructure development and financing in Jakarta , I conducted (a) interviews with local and national officials from planning agencies and ministries[3] to understand the institutional challenges to privately financed rail infrastructure, and the relationship between the bureaucracy and SOEs, (b) interviews with SOEs involved in rail transit development, including rail operators, contractors and banks, to understand their business strategies, linking rail infrastructure with TODs, and specific financing arrangements, (c) interviews with local journalist and consultants specializing in transportation planning, to understanding the broader political landscape, and the specifics of project development; and (d) content analysis of local news media, online media archives, and corporate reports to trace the histories of rail

[3] Such as BAPPENAS (Ministries of National Development and Planning, Coordinating Ministry of Economic Affairs, Ministry of Finance, Ministry of Transport), BPIW (the newly established Regional Infrastructure Development Agency under the Ministry of Public Works), and BAPPEDA (Regional Development Planning Agency of Jakarta).

development, and national and local regulations and policies to examine the regulatory landscape shaping Jakarta's state-space.

Reflections and Challenges:

This research faced a number of challenges reflecting the constantly changing field, my positionality as a Western scholar, and language barriers. The constantly changing field when examining an ongoing process of policy reform and institutionalization made tracking and assembling data more difficult. It was difficult staying abreast of developments as institutions and agencies are established or dismantled, and as policies and regulatory landscape shifted according to changing political dynamics, administration strategies and external (macro-economic) conditions. These changes also impacted the progress of infrastructure projects under investigation: delaying their completion, changing the financing schemes and mechanism used. In Jakarta's dynamic white-collar labor market, informants seeking opportunities and career advancement frequently changed positions and institutional affiliations, making follow up interviews difficult or impossible.

'Studying-up' had benefits as well as challenges: access to some institutions and corporations was relatively straightforward via networking and the WhatsApp culture of business communication in Indonesia. Coming from a well-known academic institutions afforded privilege and access. Using my UCLA credentials, most professionals were interested/eager to share their experience and knowledge with a Westerner who was interested in their work and country ("Why Indonesia?" was the first question in most interviews). Cadres which had been trained in the West (many in the US) were very open, and so were institutions and ministries with more international exposure, particularly finance. Yet there were also limits: being an

outsider meant I was sometimes viewed with suspicion. Some senior management and bureaucrats were difficult to access without (and sometimes with) a connection, and some institutions were particularly closed off and difficult to crack, notably the Ministry of Transport and certain State-Owned Enterprises.

At the same time I was able to strategically draw on multiple social positions in the course of field work: strategic positionality (Reyes, 2020). I used my Bulgarian background as a difference through which to establish a connection with interviewees, as a fellow 'second-world'-er, somehow tied through the collective experience of 'development', being on the periphery of globalization and aspiring for that ever elusive 'transition' to an advanced economy. Interviewees were eager to demonstrate their cultural familiarity by referencing Bulgarian footballers – specifically Stoichkov and Berbatov, who gained superstar status with the European giants Barcelona and Manchester, or by references to bygone eras of communist solidarity. One academic was keen to share the close economic ties between communist Bulgaria and Indonesia in the imports of *Ikarus* buses for Jakarta's transit in the 1960s: they were actually Hungarian.

Yet language and cultural barriers remained a challenge. Though interviews were conducted in English and I had a basic understanding of Bahasa Indonesia, lack of proficiency and understanding of colloquial expressions and cultural norms could make establishing contact, trust and rapport with interviewees/informants more difficult. Analysis of local media, regulations, and reports in Bahasa Indonesia was also more time consuming.

Road map:

The thesis is organized into three chapters formatted as journal articles, respectively framed from the the global, national and urban scales at and through which the geopolitical-economy of infrastructure financing unfolds. Chapter 1 (published in *Area Development and Policy*) examines global level dynamics, as multilateral and bilateral policy banks from the West, Japan and China seek to define the geopolitical force fields and rule regimes through which infrastructure projects are financed. Chapter 2 examines the national level institutionalization of the Public-Private Partnership model in Indonesia, and its hybrid outcomes. Chapter 3 (under review in *Environment and Planning: A*) examines the urban level outcomes of these processes, focusing on the speculative capital accumulation strategies of SOEs as they develop Jakarta's rail transit and housing infrastructure.

Chapter 1: The geopolitical-economy of infrastructure financing

Chapter 1 analyzes the emergent geopolitical-economy of infrastructure financing, investigating the multiple sets of actors, interests and rationalities at play in the global roll-out of infrastructure. It also examines how these approaches are grounded in infrastructure projects in Indonesia, framed by competition between China, Japan and the US.

Following the 2008 financial crisis, various fiscal and monetary policy responses were put in place to fight low and uneven global growth, as nation-states sought to shore up their own economies and influence broader regional and global trade and investment regimes. I examine the contested field in which Multilateral Development Banks and states advance alternative market-based vs. state-led approaches to infrastructure financing. Bilateral policy banks, in cooperation and competition with multilateral banks, shape this contested development agenda.

Mobilizing the discourse of 'scarce public funds', Multilateral Development Banks (MDBs) propagated the market-based Public-Private Partnership model for infrastructure finance in order to attract private capital. A host of National Development Banks and Development Finance Institutions are recruited as partners in this undertaking, building a multilateral consensus around international 'best practices' for privatized project finance.

But in Asia, vying for regional superpower status, China and Japan are driving infrastructure investments and financing as national export stimulus strategies. This infrastructural solution manifests in competition over the export of technology, services and finance, framing broader competition over investment regimes and the modalities through which investments are secured abroad. In Indonesia, these interests are grounded in particular projects, entailing complex assemblages of actors in which the distinctions and divisions between public and private, and state and market, become blurred. Drawing on examples of three infrastructure projects from the Jakarta metropolitan area and Central Java – the Mass Rapid Transit, High Speed Rail, and Central Java Power Plant – I examine the range of strategies that Japan and China mobilize in cooperation with the Indonesian government to finance and develop infrastructure, each fiercely competing to advance its interests.

Chapter 2: The hybrid outcomes of neoliberalization in Indonesia

Chapter 2 digs further into the geographical political economy of infrastructure development and financing in Indonesia. Global policy think-tanks, consultancies and development institutions have presented the country's infrastructure deficit (or "infrastructure gap") as a major impediment to economic growth and development, and the Jokowi government has made infrastructure

development a priority. Yet, the perceived size of this infrastructure gap has also presented the government with a “financing gap”: the difference between what it needs to spend on infrastructure and what it can afford. This has created pressure to attract private sector participation in infrastructure development through PPPs.

I examine the institutionalization of this market-based PPP model**,** and its articulation with the developmentalist legacies, political culture and regulatory regime of the post-colonial Indonesian state. This policy mutates as bureaucrats and policymakers selectively appropriate it in order to achieve developmental goals. The role of the state is conspicuous, not only in bureaucracy but also its nexus with State Owned Enterprises. Indeed, the PPP has been appropriated in the interest of (SOEs), enabling what industry professionals have begun calling ‘Public-Public-Partnerships’ in which SOEs participate as private parties. Focusing on the roles of key financial intermediaries set up to facilitate project finance – the infrastructure banks Indonesia Infrastructure Finance (IIF) and *Sarana Multi Infrastruktur*, and the Indonesia Infrastructure Guarantee Facility (IIGF) – I examine the hybrid outcomes that emerge as these institutions face the contradictory tensions of financial profitability (return on investment) and the Indonesian government’s developmental objectives.

Chapter 3: Jakarta’s speculative state-spaces

Chapter 3 focuses on how the geopolitical-economy of infrastructure financing is enacted in and through Jakarta. As the epicenter of the Indonesian economy and by far Indonesia’s most populated area, the rapidly urbanizing mega city-region of *Jabodetabek* faces large infrastructural demands and attracts the most investments. These demands are wrapped up in the speculative ‘world-class city’ visions of politicians and residents. Jakarta’s hosting of the 2019 Asian Games was a spectacle

mobilized to enroll urban citizens into a national/ist project, showcasing Indonesia's progress and ambitions as Southeast Asia's economic powerhouse. These visions and spectacles also served as impetus to expedite the planning and development of a number of high-stakes rail transit projects, via national regulations and presidential decrees, lending political legitimacy to the state and government officials seen as addressing infrastructural deficits and congestion, and enabling capital accumulation for SOEs. These infrastructural solutions, however, are marked by tensions between the profitability demands of financial capital and corporate interests, and residents' accessibility to the city.

Speculative urbanism has highlighted the power of financial actors, the liquidity and mobility of global capital across differentiated geographies (Goldman, 2011; 2021), and the premium placed on financial returns. By contrast, this chapter highlights how the state shapes and is shaped by speculative urbanism. I examine the historical evolution of Jakarta's state space. Speculative urbanism under Suharto's New Order regime – a speculative real estate boom and its spectacular failure -- exacerbated Indonesia's version of the 1997 Asian Financial Crisis (*Krismon)* and consequent political-economic restructuring. Jakarta's speculative state-space is also framed by the post-colonial longue durée of industrial nationalization: SOEs are important actors, planning, developing and financing transit infrastructure projects, in line with their own speculative strategies but also at the behest of the national government's infrastructure strategy. With a number of new rail transit projects in the city-region driving a boom in Transit-Oriented Development, SOEs speculate on market conditions and the 'world-class city' dreams of middle-class residents in order to leverage their propertied assets. However, this speculative development is also putting pressure on the urban majority seeking affordable housing. I examine how

these strategies, practices and tensions come together to produce innovative governance arrangements in the provision and management of transport and housing.

CHAPTER 1

Banking ‘development’: The Geopolitical-economy of Infrastructure Financing

1. Introduction

In the recalibrating post-2008 global economy, marked by slowing and uncertain growth, compounded by the unfolding COVID-19 crisis (Sparke & Anguelov, 2020), infrastructure development and financing have been catapulted to the top of the development agenda as the mechanism for achieving a gamut of development objectives, centred on economic growth (Global Infrastructure Forum, 2017). As such, it has also emerged as a contested field for global investments involving seemingly divergent interests, from private investors seeking higher returns on investment, to nation states with geopolitical and geoeconomic ambitions. As fiscally constrained governments seek to invest in infrastructure, multilateral development banks such as the World Bank advocate the market-based Public-Private Partnership (PPP) model as the global norm in infrastructure finance, aimed at attracting private finance and deepening marketized governance. However, in the emergent geopolitical conjuncture, this market fundamentalism is being challenged; China is forging a state-capitalist alternative through its Belt and Road Initiative (BRI), seeking to reshape the global infrastructure investment landscape through its State-Owned Enterprises.

This contested global rollout of infrastructure – the geopolitical-economy of infrastructure financing – foregrounds global capitalism’s entanglement with geopolitical struggles and strategies (Sparke 2018). In doing Washington’s bidding, the World Bank’s neoliberal policy-making has long worked to naturalize the artificial division between states and markets, as well as the organizational efficiency

of unbridled markets as 'best-practice' governance. Yet, in the context of China's spectacular rise, market-democracies themselves are increasingly flexing their geopolitical muscles, mobilizing the state to advance markets and shaping the broader rules regimes underpinning market-based infrastructure finance as they seek to extend their national interests. These geopolitical and geoeconomic struggles also draw attention to how states seek to shape and take advantage of changing political-economic conditions and connectivities, enabled by different visions, rationalities and practices of development (Hudson, 2016; Peck, 2016; Dunford & Liu, 2016). Framed by competition between the neoliberal (post-)Washington Consensus and the state-capitalist 'Beijing Consensus' (Sheppard and Leitner, 2010; Arrighi, 2007), competing approaches to infrastructure financing highlight the mutual enframing of geopolitics and the meanings and relations of development (Slater, 1993). Yet, these models are far from mutually exclusive, with states like Japan mobilizing both market and non-market based modalities of infrastructure financing to advance their interests.

Moreover, in a globally integrated economy, these approaches are entangled in broader trade and financial interdependencies, and articulate with political-economic contexts and in place-specific configurations that exceed their ideological parameters. Understanding the risks and possibilities for developing nations caught in the crosscurrents of these interests and approaches requires examining how they shape and are shaped by conjunctural contexts, and how they function on the ground. Indonesia offers an ideal case for examining this confluence, as one of the biggest emerging market economies in the world, historically positioned at the intersection of Western and East Asian geopolitical influences and capital circuits. These competing influences continue today under the auspices of Western, Japanese and increasingly

Chinese banks and development agencies offering expertise and finance for Indonesia's infrastructure and its 'catch-up' growth.

In this article, I analyze the emergent geopolitical-economy of infrastructure financing, investigating the multiple sets of actors, interests and rationalities at play. In the next section I summarize the state of knowledge on geopolitical economy with respect to infrastructure financing and development, highlighting the entanglement of states and markets in infrastructure's provision. In sections three and four, I methodologically frame and undertake a positional conjunctural analysis (Sheppard, 2019), foregrounding the roles of China and Japan in the broader trade and financial interdependencies shaping and shaped by the 2008 financial crisis. In this structuring context, I then examine the contested field in which Multilateral Development Banks and states advance alternative approaches to infrastructure financing. In the penultimate section 5 I show how these approaches are grounded in infrastructure projects in Indonesia, framed by competition between China and Japan, and the blurring of boundaries between states and markets.

2. Infrastructure Financing, Geopolitical Economy and Development

Infrastructure development and financing encompass a complex field of actors and networks, from financiers and contractors, to bilateral aid agencies, multilateral development banks and governmental institutions, representing diverse interests, objectives, rationalities and practices. Understanding the variegated forms in which these interests come together requires attention to the ways infrastructure's territorialized expression of state and financial power – its spatial fix (Harvey, 1982) – is mediated by regulatory and political-economic regimes – an institutional fix (Peck & Tickell, 1994) –, variably shaping how the state is mobilized in relation to

(and in securing) markets. As such, it also requires attention to the broader structuring contexts and geopolitical circumstances shaping multi-scalar political economies and infrastructure's provision. In the post-80s era of neoliberalizing globalization, the provision of infrastructure became increasingly privatized, marketized and financialized (O'Neill, 2010). However, in the post-2008 recalibrating global economy, this tendential shift is running up against, and articulating with, state-oriented approaches to infrastructure provision, implicating development.

A recent intervention illustrative of the neoliberal perspective is Clark's (2017) analysis of the relationship between regional development, financial intermediation and infrastructure provision in the context of the 2008 financial crisis. Noting that the lack of financing for infrastructure (and small and medium-sized enterprises) poses challenges for regional growth, he identifies a 'two-sided paradox': on the one side, a so-called 'global savings glut' marked by expansion of institutional investors,[4] primarily pension funds; on the other, the lack of superior return opportunities for these investors.[5] Suggesting this is a failure of intermediation, he sees the rise of global intermediaries ('market makers') as the solution, connecting institutional investors to infrastructure assets (cf. Torrance, 2009). Importantly, Clark notes, indebted and debt-averse city and regional governments have had to turn to such financial institutions and financial markets to finance infrastructure, in order to ensure continued economic growth and thus regional development.

[4] A result of structural changes in which the role of traditional intermediaries such as local banks, mutual societies, and savings and loans organizations, has been diminished as they have become consolidated, and as the growth of financial assets has led to banks being bypassed by investors.

[5] i.e. "the search for investment returns outside conventional opportunities" such as equities and bonds (ibid: 231).

This market-based perspective is limited in two ways. First, it ignores the structural conditions that have forced governments to turn to financial institutions in order to finance increasingly privatized infrastructure (Kirkpatrick & Smith, 2011), namely the neoliberal de-regulatory regime underpinning financial globalization (Gowan, 1999), and its crises-induced political-economic restructurings (Brenner et al., 2010). Second, it frames infrastructure as a financial asset whose provision is market-based and whose benefits can be measured by Return-On-Investment (Sheppard, 2017; Anguelov et al., 2018). In doing so it ignores the re-regulatory role of the neoliberal state in creating the conditions for the marketization and financialization of infrastructure (Birch and Siemiatycki, 2016).

Clark's (2017) perspective is also limited to the Western experience. As he acknowledges, his approach 'presupposes that intermediation is to be found in market-based organizations, whereas in many emerging economies it is often provided by public organizations' (ibid: 219). Why this tends to be the case is important. First, it reflects longer-standing beliefs about infrastructure's public provision: its status as a public good rather than financial asset (O'Neill, 2010). Second, and for this reason, it reflects the absence in many emerging economies of the sort of infrastructure markets and assets common in the West, and the regulatory regimes making them possible. It is in this context, along with the conditions of fiscal constraint and indebtedness that multilateral development banks have sought to institutionalize market-based regimes for infrastructure provision in developing countries, presented as the key for achieving development objectives. This includes the regulatory frameworks creating infrastructure assets, which global investors seek in their search for higher investment returns, as well as newly established financial intermediaries that facilitate this process.

These attempts to secure the conditions for infrastructure's marketized provision in developing countries are increasingly the purview of Western nation-states through development aid. Noting an increase in development aid in the late 2000s, Murray & Overton (2016) describe a shifting paradigm marked by an increasing role of the state in subsidizing the private sector, and an increasing national self-interest driving development aid, centered around infrastructure and economic growth. They see Western aid agencies' funding of infrastructure, in response to China's BRI, as a shift from the privatized provision of infrastructure under neoliberalism (a regime they confine to the period 1980-2000). In the post-2008 context of austerity and 'neo-Keynesian' bailout of the banking sector, they argue this support is a form of 'exporting stimulus' for national companies (Mawdsley et al., 2017). Thus, they frame this paradigm as 'retroliberalism': combining 'classical liberal ideas concerning the role of the state as the guardian of the private sector' with elements of neoliberalism's organizing logic of the market, while also incorporating 'elements of neo-Keynesian thinking in which economic recession can be mitigated by state spending' (Murray & Overton, 2016: 249).

This pattern of development aid highlights two interrelated issues. The first is the relational geopolitical-economic dynamics at play in infrastructure provision (as a mechanism for securing economic growth in *both* donor and recipient countries). Broadly, geopolitical-economic interests are embedded in, and expressive of, different sets of capitalist fractions, which mobilize the state to secure the conditions for, and facilitate, capital accumulation in a globalizing economy: the internationalization of the state (Glassman, 1999; Agnew, 1994). This internationalization of the state also foregrounds the relationship between geopolitical struggles and globalizing capitalism, whereby geopolitical power and interests (aimed at territorial

control/influence) are coproduced with geoeconomic power and interests (aimed at capital accumulation): geopolitical-economy (Sparke, 2018; Lee et al. 2018; Glassman, 2018). For example, in their early formulation, Corbridge and Agnew (1991) mobilized 'geopolitical-economy'[6] to examine US budget and trade deficits (with respect to defense spending and US geopolitical ambitions in the context of the Cold War) through an analysis of the relational global positionality of the US economy, the role of the US in global politics, and their bearing on uneven geographical development within and outside the US. In a similar vein, China's BRI can be seen as a complex combination of geopolitics and geoeconomics (Lee et al. 2018; Blanchard & Flint, 2017), both a response to slowing (domestic and global) economic growth in the form of export of excess industrial capacity (Zhang, 2017; Harvey & Nak-Chung, 2017), and an attempt to secure geopolitical influence and resource markets (Mohan & Tan Mullins, 2018).

Second, this spatio-temporal variegation in geopolitical contexts and strategies alerts us to the reframing of the (contingent) role of the state in economic development. From this perspective, 'retroliberalism', an 'amalgamation of concepts drawn from across development history' (Mawdsley et al., 2017), obscures more than it reveals. While Murray and Overton (2016) note that the retroliberal regime 'corresponds to a large degree with the state – if not nation – building mission of modernization theory' (257), this apparent correspondence comes with important 'qualifications': that this sort of state-building in developing countries aims to create 'enabling conditions' for private investments and capital accumulation. This

[6] Though the term geopolitical-economy highlights the dialectic between geopolitics and geoeconomics (Sparke, 2018), analyses variably emphasize the relative importance of 'the political' (e.g. military) and 'the economic' (e.g. transnational business). My emphasis here tends toward the latter.

mobilization of the state has been a central *modus operandi* of 'roll-out' neoliberalism (Brenner et al., 2010), and the post-Washington consensus that the World Bank has advanced since the 1990s (Carroll, 2012). Moreover, their focus on development agencies from neoliberal states (UK, New Zealand) as the basis for identifying this regime skirts nuances and non-Western histories in capitalist (and more-than-capitalist) models of economic development. Examining the broader geopolitical-economic enframing of development from the vantage point of Japan and China helps to better understand the contested emergent regime.

2.1 Geopolitical-economy of Development

Infrastructure provision implicates Development as a set of discursive strategies and imaginaries framing representations of reality (Hart, 2001), which shape the political programmes (policies and projects) through which diverse development objectives and geopolitical-economic interests are achieved. This is a dialectical, socio-spatial process (Glassman, 2018; Soja, 1980). As Slater (1993: 421) argued 'all the major conceptualizations of development in the post-war period contain and express a geo-political imagination which has had a conditioning effect on the enframing of the meanings and relations of development'. Thus, 'neoliberal readings of development in the 1980s have accompanied and been inspired by rapidly changing geopolitical conditions' (ibid), namely the demise of communism and the entrenchment of the global 'dollar/Wall street' regime of financial capitalism and market-led globalization (Gowan, 1999; Hart, 2009).

In this geopolitical context, neoliberal readings of Development were underpinned by the market fundamentalism of the Washington Consensus, a paradigm whose hegemonic status the US-led World Bank sought to maintain, along with the

geopolitical influence and interests of the United States (Wade, 1996; Agnew, 2005). These geopolitical tensions were reflected in debates between so-called neo-Weberian and neo-liberal camps in the 1980s regarding the role that the state should (and did) play in driving growth and development in a globalizing economy (Glassman, 1999): The spectacular growth ('miracle') of the East Asian Tigers was respectively seen by these camps as evidence of state-guided or neoliberal policy success (Wade, 1996).

These debates were not only about the 'embedded autonomy' of East Asian states and their industrial development policies (Evans, 1995), but foregrounded the role and the nature of development aid in supporting their miraculous growth, signifying the relational nature of development. Carried out in the halls of the World Bank and Japan's Ministry of Finance (MOF), a particular point of contention in these debates was Japan's development assistance policy toward East Asian countries, and specifically its use of directed credit to foster their industrial development, thereby consolidating Japanese corporate profits (Okuda, 1993). Importantly, the WB deemed this an interventionist approach that distorted financial markets through concessional loans, and was antithetical to its neoclassical worldview and financial deregulation agenda in developing countries (Wade, 1996; Okuda, 1993).[7]

While Japan's MOF and the World Bank disagreed on the relative role of the state in development, both agreed that a market mechanism is needed. As Okuda, (1993: 75) notes, 'Japanese policy makers and the World Bank share the same idea that the financial sector is important for economic development and the [Least

[7] In advancing its neoliberal vision, the WB conveniently ignored the billions of dollars of aid through which the US sought to maintain its sphere of influence in East Asia vis-à-vis communism: US market access and financial aid created a favourable context – a necessary but insufficient condition – for the emergence of the developmental state in East Asia (Yeung, 2017).

Developed Countries] should aim at self-sustained growth based on market mechanisms'. But it was the World Bank's neoliberal approach, rooted in the hegemony of American financial capitalism, that continued apace in the succeeding decades, notwithstanding the Japanese pushback, and broader critiques leveled at neoliberal globalization (and the Washington Consensus) in the wake of the 1997 and 2008 financial crises (Sheppard & Leitner, 2010).[8] Multilateral development banks (MDBs) have since built on (Post-)Washington Consensus strategies to push 'market deepening' in developing countries (Carroll, 2012) in order to achieve Development.

In this context, China's approach to Development abroad also appeared to be aligning with this neoliberal paradigm. Writing in the 2000s, Power and Mohan (2010: 471) are critical of Arrighi's (2007) idealization of a 'Chinese model' as offering a new development path that may 'help to reduce global inequalities and to move toward a more sustainable and just form of political economy'. To the contrary, they (tentatively and provisionally) see China's growing internationalism (specifically vis-à-vis Africa) as part of a process of neoliberalization reflecting the 'liberal internationalist' fraction within China's leadership, and increasing privatization and the use of privileged corporations as routes for investment, while State-Owned Enterprises (SOEs) 'hijack' diplomacy to pursue profits (Power & Mohan, 2010: 475).

Yet, as the prolonged and unresolved consequences of the 2008 crisis continue to recalibrate the global geopolitical-economy, China's 'state-capitalist' approach – broadly directing economic activity through state ownership in and control over

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[8] Indeed the WB pointed to the 1997-8 Asian Financial Crisis as evidence of statist failure (e.g. state intervention, corruption etc.), used to justify further market reforms (Wade & Venerooso, 1998).

strategic industrial sectors[9] – now appears as an alternative (van Apeldoorn et al., 2012; Economist, 2012) amidst a fractured Western hegemony (Mawdsley, 2017). For Liu & Dunford (2016) the BRI is more than Chinese industrial redeployment and outward investment; it is an inclusive model of globalization. This inclusive model is rooted in Chinese civilizational and moral values and discourses emphasizing political non-interference, mutual respect and mutually beneficial relationships with the periphery, comprising a 'geopolitical culture' of the BRI (Lin, Sidaway and Woon, 2019; Dunford, 2020). Importantly there have also been critiques (and counter-critiques) levied against the BRI's ulterior motives, including its 'debt-trap diplomacy' and the use of Chinese labour for project construction (Lai et al., 2020; Brautigam, 2020).

These developmental approaches reflect differences in capitalist models[10] and their variegation in a globally integrating economy (Peck & Theodore, 2007), internationalized through infrastructure financing and realized through alternate modalities, broadly conceived: market-based and state-led. Yet, these approaches are neither mutually exclusive, nor necessarily coherent: they can and do exist in contradictory hybrids (Peck & Zhang, 2013). Understanding the relational dynamics through which geopolitical-economic interests are grounded, the intricate entanglement between neoliberalism and its (more than capitalist) alternatives, and between 'state' and 'market', requires examining the qualitative form of state

[9] Increasingly so with the political ascendance of Xi Jinping and 'Xi Jinping thought': a political theory consisting of a 14-point policy, among which to practice socialist core values, including Marxism, communism and socialism with Chinese characteristics.

[10] i.e. varieties of capitalism: the coordinated capitalism of Japan and Germany, the neoliberal market economy of the US and UK, and China's state-led market-socialist economy.

involvement (O'Neill, 2008). In particular attention to the actors and networks involved in infrastructure financing and development – the assemblages of state institutions, state-owned and private corporations, and multilateral banks – helps to excavate their actually existing, contingent forms. Before examining the variegated forms that these models take in the penultimate section 5, I examine the shifting structuring conditions, connectivities and geopolitical force fields in which they are embedded in section 4. I do so through a conjunctural approach, which I frame in the following section.

3. Methodology: Conjunctures of Uneven and Combined Development

The internationalization of diverse capitalist (and more-than-capitalist) models and interests through infrastructure's development and financing bears on uneven and combined development (UCD). Given China's spectacular rise, economic geographers have sought to put UCD on the research agenda (Hudson, 2016; Dunford & Liu, 2016), and bring 'macro-scale and structurally inflected questions back on the table' (Peck, 2016: 314). UCD extends the concept of uneven development, which captures capitalism's tendencies towards geographical differentiation and equalization at various scales (Smith, 1984), but 'pays insufficient attention to interactivity/connectivity and political multiplicity' (Dunford & Liu, 2016: 15). Combination brings into view how states differentially take advantage of changing conditions and connectivities, with particular attention to 'state-directed development of the productive forces' in driving catch-up industrialization (ibid). This process can be observed in the variegated growth rates and temporalities of 'contender catch-up', or what Hudson (2016) calls the 'new New International Division of Labor' (nNIDL): an emergent spatial pattern of the global geographical political economy, in which

rising powers such as China, India and Brazil are a major driving force.[11]

Combination is also about combining different logics and approaches to development: China's selective appropriation of neoliberal reforms reflects the integration and interaction of 'national' models (Dunford & Liu, 2016; Hudson, 2016). Understanding variegated capitalist development thus requires examining the relationally combined, multi-scalar hybrid forms of restructuring 'dependent on the shift in characteristics of "models" of capitalism, but also on the nature of their interrelationships' (Peck & Theodore, 2007: 760-1). These interrelationships are importantly mediated by positionality (Sheppard, 2002): the types of connectivities through which places are historically embedded in extra-local processes. As Dunford and Liu (2016: 13) note, 'Countries that are less developed are enmeshed in asymmetrical webs of economic, political and military dependence that can impede/enhance their growth and development'.

To understand infrastructure's interweaving with geopolitical-economy and Development rationalities, as well as their uneven, combined and contradictory manifestations, I undertake a (positional) conjunctural analysis (Sheppard, 2019), following Leitner et al.'s (2019) prescription. Ontologically, this approach treats any place/geographical unit (e.g. cities) as historically and geographically situated in relation to structuring political economic contexts, any scale (e.g. urban, national) as relationally constituted with other scales, and each place/geographical unit as a distinctive locus and vantage point situated in, and helping constitute, a broader totality that cannot be reduced to the sum of its parts.

[11] This nNIDL is based on, among other things, the relocation of low value-added manufacturing from China to low(er) cost locations in Southeast Asia, and increasing South-South investments.

As a methodological orientation, conjunctural analysis aims to situate case studies within/with respect to structuring contexts, in historical moments in which the political-economic contradictions of capitalism are particularly condensed (Hall and Massey, 2010). In the process of working through confounding cases, it seeks to stretch the limits of, problematize and, when necessary, revise extant theories and concepts. Methodologically, such an analysis is multi-sited or polycentric and relational; it works through the spatial, scalar and historical dimensions that relationally weave the unfolding tapestry (the palimpsest of historical geographies) path-dependently framing the relationships under investigation. Determining the relative importance of any structuring context for an unfolding set of socio-spatial relationships is invariably a selective exercise, framed by the question at hand. Here, I work through the optic of the inter/national scale, showing how geographical interdependencies in the era of financial globalization shape the emergent geopolitical economy of infrastructure financing and development. In particular, the causes and consequences of the 2008 (North Atlantic and then global) financial crisis loom large as *explanandum* and *explanans*. Examining this conjuncture from the positionalities of China and Japan is particularly relevant, given their centrality in the 2008 crisis, and competition for influence in Southeast Asia, and in Indonesia.

4. The Geopolitical-Economic conjuncture of infrastructure financing

Understanding the nature of infrastructure provision in developing countries requires attention to the broader conjuncture, framed by two intersecting dynamics. First, the financial and trade interdependencies underpinning/underpinned by financial globalization (Gowan, 2009), marked by successive crises-inducing global waves of debt (Kose et al., 2019). Second, the unresolved consequences particularly of the

2008 crisis frame the geopolitical-economic strategies of nation-states seeking to shore up their own economies and influence broader regional and global trade and investment regimes. In Asia, where China and Japan vie for regional superpower status, they seek to resolve their (globally embedded) political-economic contradictions by exporting infrastructure as spatial and institutional fixes, and as a mechanism for development. Bilateral policy banks, in cooperation and competition with multilateral banks, shape this contested development agenda in infrastructure financing. Developing economies like Indonesia, undergoing crises-induced political-economic restructuring, are also caught in these competing crosscurrents, as they seek to position themselves relative to unfolding geostrategic alliances, and shape their own developmental models and trajectories.

4.1 Geographical interdependencies of financial globalization

From Clark's (2017: 219) perspective, the global financial crisis of 2008 was a 'profound failure of intermediation' of the global savings glut (Bernanke, 2005): the context for the emergence of global infrastructure intermediaries. Particularly he sees this savings glut as a consequence of the rise of non-bank financial institutions and market-based lending in the US and Western Europe, leading to (inter)national bank consolidation and the diminished role of banks as intermediaries. Missing in this analysis are the global geopolitical-economic dynamics shaping and shaped by these changes in banking and intermediation. In particular, restructuring of the US banking industry through a series of deregulatory acts in the 1980s precipitated a collapse of savings and loans institutions, driving national bank consolidation and a shift towards market-based finance (i.e. intermediaries) (Dymski, 1999; 2018). In this context, banks seeking higher returns expanded their lending abroad in the 1980s and 1990s,

contributing to the developing world debt crises of the 1980s (Dymski, 2018).[12] Consequent World Bank-led Structural Adjustment Policies would also open Southeast Asian economies to Western capital flows, contributing to the 1997 Asian financial crisis (Wade and Veneroso, 1998).

Arising from this context of developing world debt crises is what Bernanke (2005) saw as the more important side of the global savings glut: the accumulated savings related to large current account surpluses of developing economies, primarily from East Asia, which reflected patterns of global economic integration, underpinned by internationalization of production and offshoring of manufacturing (Corbridge and Agnew, 1991). As Bernanke notes, this accumulation of 'war chests' of foreign currency reserves was above all a response by these emerging economies to the rolling crises of the 1990s, especially the 1997 Asian financial crisis, when capital outflows crippled their economies.[13] These war chests allowed East Asian economies to maintain their competitive currencies (by intervening in foreign currency markets) and their export-led development (further reinforcing these trade patterns).

The most significant of these trade interdependencies was between the United States and China, whereby China's trade surplus was circulated back to the US through the purchase of US treasury securities[14]. These interdependencies created the

[12] This is only a partial explanation; Another major cause was the recycling of petrodollars from oil-exporting countries in the 70's-80s, deposited in US banks, and lent on to developing countries.

[13] In Bernanke's view this was because of 'poorly managed banking systems', rather than IMF-led liberalization and excessive lending by Western banks (cf. Wade and Veneroso, 1998).

[14] The basic mechanism is Chinese households lending money to US households through accumulated/surplus savings from trade, allowing for US current account deficits. This occurs as developing country governments mobilize domestic savings to purchase/invest in US securities (bonds and equities), keeping US interest rates and borrowing costs low for consumers/households.

conditions for the 2008 crisis; according to Bernanke (2005), East Asian economies invested in the US as a safe asset destination, given lack of investment opportunities at home.[15] As this influx put downward pressure on interest rates and bond yields, US banks were pushed to seek higher returns in riskier assets, including the sub-prime mortgages and securitized debt at the heart of the 2008 crisis (Dymski, 2018; Brender and Pisani, 2015).

Japan's historic role as a high-savings and (thus) credit-exporting nation is also implicated in this conjuncture. The geopolitical-economy surrounding the Plaza Accord of 1985, which sought to correct the trade imbalance between the US and Japan by reducing the value of the dollar relative to the Yen, with the aim of making US exports more competitive,[16] was mostly unsuccessful. This is seen in Japan's continuing trade surplus with the US, which like China's was circulated to US treasuries.[17] But the Plaza Accord had other long-term ramifications for the Japanese (and global) economy, by contributing to Japan's so called 'Lost Decade' of the 1990s: a period of economic stagnation and deflation. In response, the Bank of Japan instigated an era of monetary easing, lowering interest rates to near zero, and with

[15] As Brender and Pisani (2015) suggest, the problem may have been too few financing channels for developing countries to invest these savings domestically, not 'excess' savings (cf. Wade and Veneroso, 1998).

[16] For a broader framing of the geopolitical-economy surrounding this event from the perspective of the US, see Corbridge and Agnew (1991).

[17] Since the 1980s Japan has remained one of the biggest holders of US treasuries (replaced by China in 2008, but regaining this position in 2019).

quantitative easing[18] beginning in early 2000s, stimulated private lending and outward investments by Japanese banks, including to sub-prime borrowers in the US.[19]

The knock-on geopolitical economic effects of the 2008 crisis – the disruption of these trade and financial interdependencies – have been central to infrastructure's rollout. Various fiscal and monetary policy responses have been put in place to fight low and uneven global growth, re-shaping international financial flows (Dymski, 2018). When US households reduced their borrowings and consumption (i.e. demand for manufactured goods from Asia) in the wake of the crisis, China undertook emergency steps to boost domestic demand and growth through several economic stimulus packages, primarily focused on infrastructure, beginning with a $586 billion package in 2008-9,[20] with additional stimulus packages in 2015 and 2019, amidst slowing economic growth (Naughton, 2009; Hornby & Wildau 2015). China's and the United States' slowdown also negatively impacted the Japanese economy, given its trade interdependence with the two (Kawai and Takagi, 2009). In response, prime minster Shinzo Abe introduced a series of policy packages in 2012 dubbed 'Abenomics', which included monetary (quantitative easing and negative interest rates) and fiscal policies to encourage private investment and boost domestic demand.

In this context, China and Japan are now driving infrastructure investments

[18] The outright purchase of government and (by 2009) corporate securities, to increase liquidity and stimulate lending.

[19] A notable channel for transmitting the effects of this monetary policy was the 'yen carry trade', allowing banks to borrow cheaply in Japan and lend abroad, particularly to investment brokers, who would channel this to subprime borrowers in the US (Hattori and Shin, 2009).

[20] These were primarily debt-driven: state bank lending to local governments and State-Owned Enterprises exploded government and private debt (Chen and Kang, 2018; Chen et al. 2018).

and finance as national export stimulus strategies. China's 2008-9 stimulus led to production expansion in heavy industries, particularly steel and coal, creating surplus capacity, part of which is now being exported via the BRI (Fan, 2016; The State Council, 2014). As part of Abe's broader economic revitalization strategy, Japan has pushed an Infrastructure Export Strategy also aimed at securing overseas markets for its companies and banks. These strategies are reflected in the broader increase in Japanese outward FDI flows, marked by a significant expansion of Japanese bank lending across Southeast Asia, and similar growth in Chinese outward direct investments (JETRO, 2018; Huang et al., 2019).

China's and Japan's global infrastructure policies can be interpreted as attempts to channel surplus capital towards more productive uses (spatial fix), highlighting the need to create the financing channels to match surplus capital with investment opportunities (institutional fix) (cf. Brender and Pisani, 2015). This infrastructural solution manifests in competition over the export of technology, services and finance, framing broader competition over investment regimes, and the modalities through which investments are secured abroad. China's and Japan's contrasting (but not mutually exclusive) approaches reflect the nature of their domestic political economies and highlight the different sets of actors and mechanisms through which the state is mobilized to secure capital and power. As geopolitical-economic competition heats up, these approaches also frame the contested development agenda surrounding infrastructure financing.

4.2. Modalities of financing: Blurring market-state boundaries

With central banks (the Federal Reserve, Bank of Japan, European Central Bank) reducing interest rates and engaging in quantitative easing for a prolonged

period following the 2008 crisis, trillions of dollars, euros and yen have been put into circulation, searching for higher yielding assets (primarily in developing countries), underpinning a 'tsunami' of debt in developing economies (Kose et al., 2019), transmitted particularly through bank lending (D'Avino, 2018, Bhattarai et al., 2018). Yet, public finance in the post-2008 era appears in short supply: as policy has zeroed in on infrastructure as the panacea for slowing global economic growth and a driver of economic development, paying for it is presented as a challenge. Mobilizing the discourse of 'scarce public funds', Multilateral Development Banks (MDBs) have propagated the market-based Public-Private Partnership model for infrastructure finance, to attract private capital. State-led alternatives and their geopolitical-economic interest also are at play, offering alternative solutions to the marketized/privatized model. Here, I examine the contested and entangled ways these approaches and interests transform the geopolitical economic landscape of infrastructure development and finance, and blur the boundaries between states and markets.

Multilateral Development Banks (MDBs) have pushed market reforms in developing countries for decades. The 1980s focus on economic liberalization and subsequent global financial crises (partly as a result of such policies) forced a shift to issues of governance and institution building (a shift from Washington Consensus style policies to 'post-Washington Consensus') (Sheppard and Leitner, 2010). The market-fundamentalist rationality of this post-Washington Consensus 'good governance' approach envisions that states play a limited role, restricted to establishing and enforcing the regulatory conditions for capitalist markets.

More recently, MDBs have taken up market deepening, a multi-pronged approach focused on deepening market rationality and practice 'in, through and

around the state' (Carroll, 2012), to unlock growth and development. In terms of infrastructure finance, the key policy model is the Public-Private Partnership (PPP), mobilizing discourses of risk management, value for public money, and efficiency and transparency of service delivery (Birch and Siemiyaticki, 2016). The market rationalities underpinning this policy framework are co-constituted through financial interests and logic: its success depends on the production of financially viable ('bankable') projects that generate market returns for private investors.

This framework mobilizes Development discourses to justify intervention: emerging economies are seen as lacking sufficiently 'deep' capital markets, inhibiting the financing of projects and impeding growth and development. Thus, in addition to establishing regulatory conditions for project finance in developing countries, MDBs have sought to establish the requisite financial architecture at both the regional (supra-national) and national scales aimed at deepening capital markets more broadly, and infrastructure debt markets specifically. This is (partly) done through the institutionalization of localized infrastructure funds designed to facilitate project development and finance, and serve as indirect investment vehicles for global capital (Clark 's (2017) intermediaries).

Importantly, these regulatory and institutional reforms are accompanied by the leveraging of public funds to subsidize private capital. The discourse of scarce public funds, a staple of global neoliberal policy in the aftermath of 2008, is mobilized to promote new localized financial instruments for achieving development policy objectives (Anguelov et al., 2018). Such infrastructure funds combine public money with private capital to offer a range of (subsidized) credit instruments for 'bankable' projects. More recently, MDBs sought to further expand the lending pool for such projects, wrapped up in the catchy 'billions-to-trillions' agenda: using billions of

dollars of public funds to attract the trillions of dollars of private capital in circulation (Woetzel et al., 2016). As multilaterals[21] noted in a joint statement at the Third International Conference on Financing for Development (2015) in Addis Ababa:

> 'The 2030 Agenda is a trillion-dollar one, and official assistance flows will be nowhere near enough to finance it. Meeting the [Sustainable Development Goals] (SDGs) will require building a financing framework that channels more resources from more sources, particularly the private sector. This requires enhancing existing partnerships and building new ones with the private sector—including institutional investors—to mobilize financing for development…' (IMF, 2016)

With MDBs identifying sustainable and resilient infrastructure as a 'key pillar' for achieving SDGs, they have set out to ensure the market-based parameters for its financing by public and private sector actors (UN, 2015). Following the Addis Ababa Action Agenda, MDBs established a Global Infrastructure Forum (GIF) 'to improve alignment and coordination among established and new infrastructure initiatives, multilateral and national development banks, United Nations agencies and national institutions, development partners and the private sector.' Specifically, at the 2016 GIF, MDBs noted the need for policy commitments and the need to strengthen capacities for project finance and mobilization of resources by issuing principles for 'crowding in' private sector finance (Global Infrastructure Forum, 2017). At the 2017 Forum they further emphasized the need for policy and governance frameworks based on international best practices to create an enabling environment for finance, including 'market development… risk mitigation, securitization, mobilization and

[21] African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Finance Corporation, Islamic Development Bank, New Development Bank, International Monetary Fund.

catalyzation of private finance… enhancement of the use and effectiveness of PPPs… and major expansion of private sector involvement and finance including by attracting long-term institutional investors into infrastructure as an asset class' (ibid).

A host of National Development Banks and Development Finance Institutions are being recruited as partners in this undertaking, including seeming rivals. The China-led Asian Infrastructure Investment Bank (AIIB), initially seen as a challenge to Washington and the World Bank (Wolf, 2015) is coming into the fold of global multilateralism. In 2019 China's Ministry of Finance, the AIIB, ADB, EBRD, EIB, NDB, and the World Bank agreed to establish a Multilateral Cooperation Center for Development Finance to promote 'transparent, friendly, non-discriminatory and predictable financing' (AIIB, 2019a). Indeed, SDGs and multilateralism framed the agenda at the 2019 AIIB annual meeting in Luxembourg, with the AIIB nudged toward these global best practices for finance, framed by the understanding that the public sector should play the limited role of catalyzing private sector investments. Describing the AIIB as a 'beacon of multilateralism', Luxembourg's Finance Minister Pierre Gramenga reiterated the 'billions to trillions' discourse:

> 'If we want to switch from the billions to the trillions…we need to crowd in the private sector. The public money can play the role of guarantee, the public money can help leverage and trigger larger projects, but we need the private sector …creating synergies in mobilizing financial resources of government, international institutions and private sector is key to achieving better connectivity between Europe and Asia…' (AIIB, 2019b).

This multilateral consensus-building around international 'best practices' belies how geopolitical-economic interests work to shore up marketization and privatization. This is seen in emerging 'connectivity blocs', spearheaded by Japan and its broader vision for geopolitical-economic influence, centred around countering China's growing clout (especially in the Asia-Pacific), and setting out a 'rules-based

architecture' for investment. Geopolitical and geoeconomic interests are mutually constituted: Japan's *Free and Open Indo Pacific* strategy, launched by Prime Minister Abe in 2016, is the basis for a broader alliance with Indo-Pacific democracies, emphasizing the rule of law, economic prosperity and political stability through connectivity and free trade investment treaties (MOFA, 2019; US Department of State, 2019; cf. Hosoya, 2019). In line with this geographical imaginary, in 2018 Japan, the United States and Australia created a trilateral infrastructure partnership 'committing to promote infrastructure investment rooted in principles of transparency, market-based financing, open infrastructure, and debt sustainability' (The White House, 2018ab; cf. Brautigam, 2020). Japan also signed the Partnership on Sustainable Connectivity and Quality Infrastructure with the European Union, to 'promote free, open, rules-based, fair, non-discriminatory and predictable regional and international trade and investment' and 'recognise the importance of mobilizing levers and tools to spur private investment' (European External Action Service, 2019; Peel, 2019)[22].

While multilateralism is enfolded in and promotes a neoliberal/izing international rules regime, billed as creating a 'non-discriminatory' playing field for international private actors, these investment-oriented geopolitical alliances and strategic networks are nevertheless discriminatory: through bilateral aid agencies and policy banks, they advance their respective private sector corporations. At the signing

[22] A slew of multilateral funds have emerged to support private sector investments. In Asia, some of these include the Asian Investment Facility (EU), ASEAN Infrastructure Fund (ADB), Leading Asia Private Sector Infrastructure Fund (ADB and JICA), and the China-ASEAN Investment Corporation Fund. These have emerged in the context of regional integration/connectivity plans: ASEAN Connectivity Plan, BRI and EU-Asia Connectivity Plan, backed by trade agreements.

ceremony between Japan Bank for International Cooperation (JBIC) and the US Overseas Private Investment Corporation (OPIC), OPIC CEO Ray Washburn stated: 'Through focusing on infrastructure and energy projects around the globe, we can enhance the position of our respective private sector companies in an increasingly competitive global market' (DFC, 2017). Separately, OPIC and the Japan International Cooperation Agency (JICA) also signed a cooperation agreement 'to crowd-in and accelerate the mobilization of private sector capital from Japanese and American companies' (JICA, 2018) and 'promoting mutual co-financing to the private sector in developing countries', as a way of supporting American and Japanese businesses (JICA, 2018). Similarly, in the context of the Partnership on Sustainable Connectivity, JICA and the European Investment Bank (EIB) signed an MOU to promote private investments in developing countries. [23]

Japan's geopolitical efforts to shape a rules-based regime in support of market-based finance co-constitute its geoeconomic strategy, and its advanced economic positionality vis-à-vis emerging markets. Under Abe's broader Japan Revitalization Strategy ('Japan is Back'), it introduced an Infrastructure Export Strategy aimed at 'revitaliz[ing] the Japanese economy by taking in growth of emerging countries' to support the overseas advance of Japan's 'outstanding

[23] This competition is not mutually exclusive; In the context of the Donald Trump presidency, its protectionist stance vis-à-vis international trade, and its impact on the global economy, Xi Jinping and Shinzo Abe have sought to improve bilateral relations through a series of summits since 2018 (MOFA, 2018). In 2018 JBIC also signed an MOU with China Development Bank, 'to financially support joint projects between Chinese and Japanese companies in third countries… based on the global standards such as openness, transparency, economic viability, debt sustainability, and compliance with laws and regulations' (JBIC, 2018).

technologies and know-how' (Prime Minister of Japan and his Cabinet, 2013: 131-135). Effecting this strategy has required creating an 'enabling environment' in these countries, by promoting technical support, assisting in institution-building and 'developing financial infrastructures (legal and settlement systems, etc.) in order to ensure smooth funding for [Japanese] SMEs' overseas operations' (ibid). This export strategy consolidated in the Partnership for Quality Infrastructure (PQI), was introduced by Abe in 2015 as the Japanese alternative to China's BRI (Yoshimatsu, 2017; 2018).[24] PQI aims to expedite and increase the use of Overseas Development Assistance loans to subsidize private sector finance in projects involving Japanese companies, also partnering with the ADB to promote and facilitate the use of PPPs.[25] Yet, PQI also seeks to support public infrastructure projects, directly securing contracts (non-market-based financing) for companies, supporting 'projects that are of diplomatic importance or for which Japan's fine technologies and know-hows can be utilized' (MOFA, 2015).

China's BRI further deviates from market-based norms and narrow private sector support, reflecting a domestic political economy dominated by State-Owned Enterprises (SOEs), and a 'Going Global' geopolitical-economic agenda (Zhu, 2018). Chinese state-owned 'policy banks', like China Development Bank and China EXIM Bank are exporting a 'coordinated credit spaces' model, coordinating with Chinese state-owned commercial banks to reduce credit risks, and lending large amounts to portfolios of strategic projects (Chin & Gallagher, 2019). A backbone of the BRI,

[25] JICA and JBIC also collaborate with the International Finance Corporation (part of the WB Group) to co-finance infrastructure projects, co-invest in various infrastructure funds, and promote infrastructure export by Japanese companies (JBIC, 2014; JICA, 2017).

such financing enables SOEs to access and secure overseas markets for their goods and technology, as well as secure natural resources (Mohan & Tan-Mullins, 2018). Besides the use of SOEs, a main difference in China's approach is its lack of policy conditionality typically associated with Western development bank lending (Chin & Gallagher, 2019; Dunford, 2020; though there is still political pressure, see Mohan & Tan Mullins, 2018).

China, like Japan, mobilizes an overlapping variety of approaches, including pure aid, development finance, preferential loans, commercial loans, and market-based funds (Liu et al., 2020). Thus, the (state-owned) Silk Road Fund co-invests with other financial institutions, 'operates its business based on market principles, international standards and professional excellence', and in 2019 created a Co-Investment Platform for Infrastructure Projects in Southeast Asia, taking a 'market driven approach' to financing (SRF, 2019). Similarly, the China-ASEAN Fund is an offshore private equity fund with a range of investors, from Chinese SOEs such as China EXIM Bank and China Communications Construction Company, to global private investors, seeking equity stakes in infrastructure projects. While such market-mechanisms allow for a broad spectrum of BRI financing (akin to PQI), the heavy involvement of state-capital distinguishes it from the Japanese approach.

These different approaches, ranging from securing a market for private corporations, to non-market-based deals for private or state-owned corporations, are framed by geopolitical-economic competition over international investment rules and best practices for infrastructure financing, and the desire to secure deals for national companies. In Indonesia, these interests are grounded in particular projects, entailing complex assemblages of actors, in which the distinctions and divisions between public and private, and state and market become blurred.

5. Triangulating the geopolitical economy of infrastructure financing in Indonesia

Indonesia's positionality in the emergent conjuncture has been heavily shaped by the 1997 Asian Financial Crisis and post-crisis political-economic restructuring led by the International Monetary Fund and World Bank. Amidst increasing regional and global integration, it is leveraging its position as the biggest Southeast Asian emerging economy to attract investments from a variety of actors. It thus faces a range of approaches to infrastructure financing. While the World Bank (WB) and Asian Development Bank (ADB) have spearheaded the institutionalization of a PPP regime[26], Chinese and Japanese state-led alternatives also play a significant role in transforming the region's geopolitical economy. Drawing on examples of three infrastructure projects from the Jakarta metropolitan area and Central Java, I show the range of strategies through which Japanese and Chinese consortia (re)produce state and market power (cf. Lee et al. 2018), as they fiercely compete to finance and develop infrastructure projects.

Japan has had extensive, long-term cross-sectoral involvement in Indonesia's infrastructure planning, development and finance, from power generation to rail transport. Through its JICA and JBIC policy banks, its multi-pronged strategy advances several financing modalities, from Official Development Assistance (ODA) to PPPs and direct private finance. Indeed, Japan has been a main proponent of the market-led approach in Indonesia, in partnership with the WB and ADB.

[26] This scheme was developed in cooperation with other development banks and bilateral aid agencies, such as the Department of Foreign Affairs and Trade (Australia), Kreditanstalt für Wiederaufbau (Germany), JICA and the Swiss Agency for Development and Corporation.

Supplementing the multilateral banks, JICA has provided technical assistance, advocated for regulatory and institutional reforms to implement the PPP framework in Indonesia, and assists in the preparation of PPP projects (such as feasibility studies) (JICA, 2009). Further, JICA and JBIC actively participate as financiers in PPP project finance schemes, and private sector investment more broadly.

Consider the Central Java Coal-fired Power Plant (CJPP): Indonesia's first Public-Private Partnership under a new institutional framework created by the market-based reforms that JICA, the WB and ADB have helped institutionalize since the early 2000s (Figure 1). Under this set-up, a new Indonesian guarantee facility – the state-owned corporation IIGF (Indonesia Infrastructure Guarantee Facility, 100% owned by the Ministry of Finance) – provides political risk-guarantees, making this PPP project possible.[27] This project was co-financed through a syndicated loan led by JBIC and a host of commercial Japanese and Singaporean banks and implemented by investments from a consortium of Japanese and Indonesian energy companies. JBIC co-financing made possible the overall project financing, also ensuring the participation of Japanese companies, in line with Japan's geostrategic goals and Partnership for Quality Infrastructure:

> 'The loan is intended to support the overseas infrastructure project in which Japanese companies participate as investors and are engaged in the project's operation and management over a long period of time, utilizing the advanced technologies of Japan…[and] maintaining and strengthening the international competitiveness of Japanese industries. The project is also in line with the Japanese government's strategy of promoting Japanese involvement in projects including the design, construction, operation, and management of infrastructure' (JBIC, 2016).

[27] Also making this project 'bankable' is an offtake agreement with the state-owned electricity company PLN, guaranteeing cash-flows (Figure 1).

This participation is underwritten by JBIC currency exchange and political risk guarantees, enabling Japanese private financial institutions to provide medium- and long-term financing that expands the international business activities of Japanese companies (JBIC, 2019).

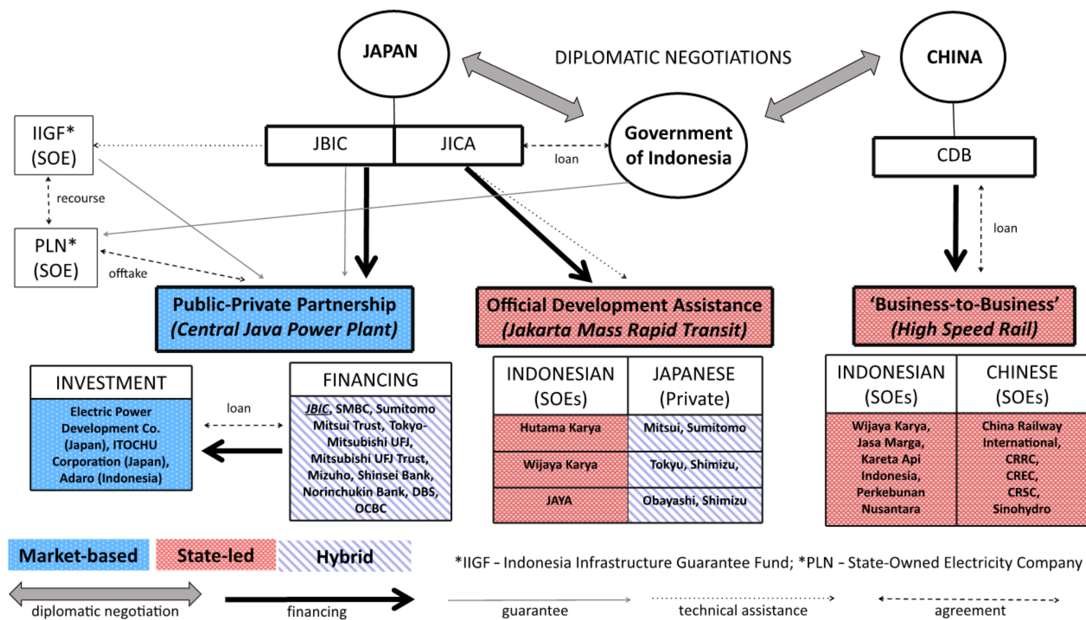

Figure 1. Relational representation of actors involved in project financing

In the case of Jakarta's Mass Rapid Transit (MRT), a marquee rail project of the current Indonesian administration (with Japan involved since the early 2000s), Japan advances its interests through more direct state lending, through a $1.2 billion ODA JICA loan[28], negotiated by the national governments of Indonesia and Japan. This virtually interest-free loan (0.1%) comes with strings attached, requiring Indonesian government guarantees and the use of (well-known private multinational) Japanese contractors. These Japanese firms partnered with Indonesian SOEs in order

[28]For Phase I (48 billion Yen), signed in 2009 (under the Yodhoyono administration), and Phase II (75 billion Yen), signed in 2015 (under Jokowi's administration).

to meet Indonesia's local content requirements (negotiated within the loan agreement), a longstanding Indonesian policy aimed at protecting its industry. Japanese expertise and capital are nevertheless pervasive. This project is part of a larger long-term Japanese strategy for Jakarta's development: JICA developed the 2011 Metropolitan Priority Area master plan, to promote investment in the capital region, envisioning Japanese technical and financial support for a multitude of infrastructure projects, from rail transport to container ports and water and sewage treatment plants (to be financed under various schemes). This has enrolled a multitude of Japanese interests (capital), from consultancies, engineering and construction firms to financial institutions.

The third case discussed here, the Jakarta-Bandung High-Speed Rail (*Kereta Cepat Indonesia-Cina*: henceforth HSR), was awarded to China, and now forms part of China's larger Southeast Asia 'rail corridor' under the BRI (Zhao, 2018; Negara & Suryadinata, 2018), financed by a $4.6 billion loan from China Development Bank (CDB) (Figure 1). Given its preceding dominance in Indonesian infrastructure projects, Japan's government was taken aback when it did not receive this contract: Japan had funded and carried out the feasibility study for the HSR long before China became involved, and invested heavily in feasibility studies for the Jakarta-Surabaya rail line that includes the HSR Jakarta-Bandung. In the context of rising Chinese influence and the Indonesian government's desire to expedite project development, the Chinese deal seemed to offer the best political benefit. Notwithstanding its higher financing costs,[29] China did not require government guarantees or fiscal commitments. While negotiated at the highest political level, including meetings

[29] Japan's proposal offered 0.1% interest through a JICA ODA Yen loan, compared to CDB's offer of 60% in USD at 2% interests, and 40% in RMB at 3.46% interest, over 40 years (Wiryawan, 2016).

between presidents Joko Widodo and Xi Jinping, this was not deemed a ‘Government-to-Government’ agreement. Presenting it as a ‘Business-to-Business’ agreement between two consortia of Indonesian and Chinese SOEs limits the government’s direct fiscal exposure to the project. This highlights China’s willingness and ability to take on higher risk (through its SOEs) to quickly secure deals.

Chinese and Japanese involvement in Indonesian infrastructure reflects broader competition for geopolitical-economic influence in Southeast Asia (Hong, 2018) entailing alternative approaches that envision distinct roles for the state vis-à-vis the market. The result is a spectrum of market-based and state-led approaches, from PPPs advanced by multilateral banks, to China’s state-capitalist approach. Three interrelated differences distinguish these approaches: **(1)** the institutional channels through which these take shape, **(2)** the objectives and rationalities driving them, and **(3)** the roles of private and public sector actors (Figure 2).

↓ MODALITY	ACTOR ➔	INVESTMENT		FINANCING	STATE INVOLVEMENT			PROJECT
		INDONESIAN	FOREIGN	FOREIGN	INSTITUTION /CHANNEL	SUPPORT		
						INDONESIAN	FOREIGN	
MARKET-LED		PRIVATE	PRIVATE	PRIVATE	GOVERNMENT CONTRACTING AGENCY (tender)			PPP MODEL
MARKET-LED		PRIVATE or SOE	PRIVATE	PRIVATE and SOE (JBIC)	GOVERNMENT CONTRACTING AGENCY (tender)	POLITICAL RISK GUARANTEE (IIGF)	POLITICAL RISK GUARANTEE (JBIC)	CENTRAL JAVA COAL (JAPAN)
STATE-LED		SOE	PRIVATE	SOE/ODA (JBIC/JICA)	OFFICE OF THE PRESIDENT (diplomatic)	STATE GUARANTEE	CONCESSIONAL LOAN (JBIC); TECHNICAL SUPPORT (JICA)	MASS RAPPID TRANSIT (JAPAN)
STATE-LED		SOE	SOE	SOE (CDB)	OFFICE OF THE PRESIDENT (diplomatic)	NO GUARANTEE (‘Business-to-Business’)		HIGH SPEED RAIL (CHINA)

Market-led | State-led | Hybrid

Figure 2. Modalities and Hybridity in Infrastructure Financing in Indonesia

With respect to institutional channels, given its demands for investment security, the market-based Public-Private Partnership is premised on institutional and regulatory reforms aimed at ring-fencing investments from politics (by providing risk guarantees, e.g. CJPP), also delegating decision-making over the planning and financing of projects to independent, technocratic regulatory agencies or privately-managed funds (cf. Anguelov et al. 2018). In the state-led model, contracts are more quickly secured through diplomatic negotiations, with decision-making made at the highest levels of presidential politics, as in the case of HSR and MRT, albeit mediated by semi-autonomous policy banks (CDB and JICA).

With respect to objectives and rationalities, whereas the market-based PPP model prioritizes 'bankability' (i.e. financial viability) of infrastructure projects and 'non-discrimination' towards private capital, this financial logic is superseded in state-led financing aimed foremost at advancing national firms. The ability of the state to take on greater risks (incur greater losses) through policy banks (whether in the form of ODA or 'Business-to-Business' deals) in order to offer more favorable (sub-market) financing terms makes this a competitive geopolitical-economic strategy (Sanderson & Forsythe, 2013: 63-72), as well as an attractive alternative for recipient countries.

These objectives and rationalities also are shaped by their embeddedness in respective political economic systems – the market-socialist economy of China, and the market economy of Japan – differentially mobilizing and benefiting public and private actors/sectors. Whereas Japan mobilizes development aid as national export stimulus for private companies, China's approach primarily advances state-owned capital. In the case of MRT, state-led financing (ODA loans), creates opportunities for

Japanese private companies to benefit as contractors; in the case of HSR state-led financing (CDB loans) creates opportunities for China's state-owned contractors.

Geopolitical-economic objectives further blur the distinctions between public and private interests, and between state and market (Figure 2). Thus, Japan also uses the PPP model to advance its national interests, as in the case of CJPP, where a state-owned policy bank (JBIC) acts as a commercial entity co-financing with, and thus subsidizing, private Japanese financial institutions and investors. Moreover, viewed relationally, articulating with different political-economic contexts, these approaches combine a variety of institutional forms, private and state actors in configurational hybrids that exceed the logics framing any particular financing modality: for example, Indonesian SOEs are involved in PPPs in partnership with, or competing against, foreign private firms.

Finally, understanding the structural opportunities and constraints framing these approaches requires attention to the conjunctural positionality of the various participants. In developing countries like Indonesia, the PPP approach tends to benefit Japanese (over Indonesian) private banks and corporations with the resources, expertise and lower financing costs to cost-effectively undertake large-scale infrastructural projects, making them more competitive in PPP tenders. In this context, China's state-capitalist approach offers not only attractive and expedient financing for countries like Indonesia, but also an alternative model of state ownership and development. This is also why, in turn, Japan and other advanced economies are more forcefully mobilizing development aid to secure national interests.[30]

[30] Japan has streamlined financing for riskier PPP projects (under PQI), and removed requirements for host government guarantees in ODA financing (MOFA, 2015).

6. Conclusions

By investigating how infrastructure development and financing have emerged as a spatial and institutional fix, and catapulted atop the Development agenda, I contribute to understanding the entanglements between geopolitics and geoeconomics in the capitalist global economy, and between geopolitical-economy (GPE) and D/development. These processes must be understood in relational multi-scalar and polycentric terms: undertaking a positional conjunctural analysis, I show that the uneven interdependencies of financialized globalization – particularly the causes and consequences of the 2008 financial crisis (with respect to China and Japan) – have created the structuring context and impetus for the contested rollout of infrastructure. As fiscal and export stimuli in China and Japan have spurred overseas investments, loose monetary policies in advanced capitalist countries (low interest rates and quantitative easing in Japan, the US and Western Europe) have also pushed private investors seeking higher yields to finance projects in developing countries.

While this macro-economic environment has created pressure to promote market-based project financing spearheaded by multilateral development banks, this model is both challenged and augmented by nation-states advancing distinct geopolitical-economic interests – notably Japan's Partnership for Quality Infrastructure (PQI) and China's BRI. Through geopolitical alliances with Western market democracies and multilateral banks, Japan has sought to shape the broader international investments architecture in order to advance its private sector through PPPs, premised on the production of financially viable projects and the institutional frameworks underpinning them, flanked by state-backed risk guarantees. With the

advancement of China's state-capitalist BRI, Japanese and Western bilateral aid agencies are also mobilizing development aid to secure non-market deals.

In Indonesia I show that the refraction of these models through the competing geopolitical-economic interests of Japan and China is producing complex assemblages that begin to blur the distinctions between them. While Japan advances its interest through market-based financing in the case of Central Java Power Plant, I show that this requires a diverse mobilization of the state, from establishing the regulatory conditions for PPP markets, to subsidizing private investors and financiers through state-owned policy banks and insurance companies. At the same time, China and Japan both use non-market means – concessional Official Development Assistance loans in the case of Japan's Mass Rapid Transit, or commercial lending by a state bank in China's High Speed Rail –, buttressed by diplomatic negotiations, to advance private and state-owned/controlled capital respectively.

Between the neoliberal market-fundamentalist approach and China's state-capitalist approach, Japan's 'state-guided' approach reflects a continuation of its long-standing interventionism in support of the private sector, at odds with the neoclassical (post-)Washington Consensus framing. Recast in the context of intensified geopolitical competition, this suggests that maintaining markets and the private sphere may, contradictorily, require more state intervention. It may also re-orient the ideological Development compass further away from market fundamentalism and the artificial division between states and markets that it seeks to maintain; China's and Singapore's 'corporatized' state-capitalist economies (Huat, 2016) thus serve as attractive models for emerging economies like Indonesia, which has resisted World Bank pressure to privatize SOEs. Moreover, in a globalizing world these approaches articulate with different political-economic contexts, combining a variety of

institutional forms, private and state actors in configurational hybrids that exceed the rationalities framing ideal-typical models. This is seen in the involvement of SOEs as the 'private' partner in PPPs, alongside or in competition with private foreign firms.

Since infrastructure development and finance underlie long-durée development (underpinned by the flow of goods, resources and capital), they are also mechanisms through which uneven and combined development will be reproduced. We must thus be attentive to the complex entanglements between public and private actors and spheres, between Development rationalities and geopolitical-economic motivations shaping these trajectories. This is particularly so in a (post)-COVID world of escalating geopolitical tensions and unfolding economic crises, which may provide lucrative opportunities for 'disaster capitalism' (Paudel and Le Billon, 2018), as governments seek to shore up national and global economies. Further studies and granular analyses of the ways these vectors articulate with diverse political-economic contexts are needed to understand their uneven and variegated socio-spatial outcomes, framing possibilities and risks for developing countries, and the contested meanings of Development.

CHAPTER 2

The un/bankability of development: financializing infrastructure in Indonesia and its more-than-capitalist outcomes

1. Introduction

In the post-2008 era of slowing global economic growth (exacerbated by the unfolding pandemic crisis), infrastructure has topped the development agenda as the key mechanism for driving economic growth (Anguelov, 2020): policy-makers in advanced and emerging economies alike are urged to upgrade or develop new infrastructure in order to maintain competitive advantages or boost 'catch-up' growth (OECD 2015). As the global consultancy McKinsey estimated, "$57 trillion will need to be spent on building and maintaining infrastructure worldwide between [2016] and 2030 — just to keep up with global GDP growth" (Woetzel et al., 2016).

The question raised by McKinsey, faced by policy-makers across the globe, has been how to meet these investment needs for new infrastructure. Within the neoliberal straitjacket of macroeconomic stability and austerity (i.e. 'fiscal discipline'), policy choices are constrained: In the global North the financial crisis of 2008 put pressure on fiscally strained and now debt-averse governments to find 'alternative approaches' to pay for infrastructure (Kirkpatrick and Smith, 2011; O'Brien et al. 2018). In developing countries, many of which escaped the direct effects of the 2008 crisis, the need to maintain balanced budgets to avoid pressures from fickle capital markets, combined with significant infrastructural deficits, have similarly pushed governments to find 'innovative funding approaches' as the solution to fiscal strain. The answer to this fiscal problem: "Find a way to attract the $120 trillion under management by banks and institutional investors" (Woetzel et al., 2016).

The neoliberal policy consensus is thus that private finance is necessary to bridge the funding gap: the dominant policy model promulgated as the solution is the Public-Private-Partnership (PPP) (Siemiatycki, 2013). A long-established principle of neoliberal governance in the global North, characterized by the contracting out of services (i.e. 'partnership') to the private sector, this revamped policy model is about project-finance, transforming infrastructure into a 'bankable' financial asset attractive to investors and financiers: a process of financialization. Indeed, in this era of low interest rates (in advanced economies) awash with stimulus capital from central banks, infrastructure assets have emerged as attractive targets for institutional investors seeking predictable returns over the long term (Torrance 2009; Clark 2017), particularly in developing countries offering higher returns on investment. Securing these returns in developing countries goes beyond offering bankable projects: the PPP model is deployed as an integrated approach to 'market-deepening' by multilateral banks: institutionalizing regulatory reforms conducive to global investments and instilling market rationality in governance. In seeking to proliferate the marketized provision of infrastructure – creating a market for projects and debt – the PPP model is a key driver of neoliberalization and financialization in the developing world.

Yet this dominant paradigm is also being contested and augmented by alternative state-led models and rationalities, in a broader context of geopolitical-economic competition for investments (Anguelov, 2020). In Indonesia, I examine the institutionalization of this market-based PPP model by multilateral development banks, and their articulation with the developmentalist legacies, political culture and regulatory regime of the post-colonial Indonesian state. This encounter between globalizing neoliberalism, financialization and Indonesia's political economy and its historically different conjunctural positionality creates distinct opportunity structures

for global and local, public and private actors, producing more-than-capitalist outcomes in the provision of infrastructure. These outcomes also raise questions about the blurring conceptual and empirical boundaries between the categories of market and state, and between the public and private spheres.

In the next section I situate this study in the literatures on neoliberalization, financialization and marketization, with respect to infrastructure financing, and their variegation. Situating this in the broader conjunctural positionality of Indonesia, I examine the process of institutionalization of PPPs in section 3. In section 4 I examine the constraints and opportunities faced by this model, as it articulates with Indonesia's political economy and is selectively taken up by officials and politicians, and its hybrid, more-than capitalist outcomes.

2. Neoliberalism, and the geographies of Marketization and Financialization

Neoliberalism's market-based logic has dominated policy-making for several decades. As its globalizing fast-policy networks have sought to cast local geographies in their market-based mold, understanding their variegated, path-dependent outcomes has been a locus of scholarly attention (Brenner et al. 2009; Peck and Theodore 2010). In the era of finance-dominated accumulation (Stockhammer, 2012), and in particular following the 2008 financial crisis, scholars have turned to how processes of neoliberalization articulate with financialization – the increasing power of financial logic, practices and actor-networks in shaping geographical political economies, including the central role of the state (government and governance) in shaping, and being shaped by, this dynamic (Anguelov et al. 2018; Karwowski and Centurioni-Vicencio 2018).

Central to neoliberalization and financialization (and their entwinement) are markets. In the post-2008 context Fine (2012) posits "both [neoliberalism's] resilience and its diverse forms and outcomes… have been and continue to be heavily conditioned and underpinned by the growth and proliferation of financial markets". Yet this proliferation of financial markets is itself premised on neoliberalization: the "mobilization of state power in the contradictory extension and reproduction of market(-like) rule" (Tickell and Peck 2003: 166, emphasis in original). State function is expanded to support private investments and market exchange (Birch, 2016), at the same time as public roles are devolved to private authorities (Cutler, 1999). For Birch and Siemiyaticki (2016) then, neoliberalizations ought to be understood as a variety of marketization processes. In this vein, against orthodox (and heterodox) approaches to markets (which tend to reinforce a state-market binary), the interdisciplinary literature on marketization has emphasized the social construction of markets and their diverse spatialities (Peck, 2005; Berndt and Boeckler, 2009).

'Placing the market' allows us to understand its variegated forms (Peck et al. 2020) and the dynamic socially/politically constituted relationship between markets and states, and between public and private spheres (empirically and as conceptual categories). With respect to developing countries, a number of interrelated empirical and conceptual issues are at play in the financialization of infrastructure that distinguish it from advanced economies. These advanced political economies are characterized by: **1.** the existence of an 'enabling environment' for investments, going beyond regulation to attract and secure capital, to include: **2**. the existence of a market for bankable projects and for infrastructure debt, provided by financial institutions; **3**. a tendency to distinguish state actors/public sphere from private actors/sphere, and **4**. a tendency to focus on the city-regional scale, in the context of state-spatial restructuring under

neoliberalism, rather than nation-wide infrastructure provision. How these processes unfold beyond the advanced economies of the North Atlantic has been neglected, however, particularly in the post-2008 conjuncture of financial/neoliberal crises and the (re)emergence of state-led alternatives. The Developmental State has been variously mobilized, either as foil to neoliberalism's advance or as an example of neoliberalism's relentless pressure to dismantle barriers to transnational capital, signaling its death (Hill et al., 2012; Kyung-Sup et al. 2012; Wade 2018). More recently, amidst 'rising powers' and the ascendance of 'state capitalism' (van Apeldoorn et el. 2012; Hudson, 2016) state-interventionism/developmentalism is back on the scholarly and political agenda. It is thus imperative to understand the entanglement between neoliberal, financial and more-than capitalist models, logics, practices, and the forms they produce.

2.1 Financialization of Infrastructure and the State

As an instrument critical for securing both social and economic reproduction, infrastructure long has been a domain of public investment, based on the principles of universality, bundling (integration), access, and positive externalities (O'Neil, 2013). Under neoliberalism, there has been increasing pressure to privatize infrastructure, its principles "replaced by the idea of a portfolio of public, public-private and private infrastructure offerings, designed for specific purposes, targeted at selected groups, available, if possible, under commercial arrangements, and capable of generating market-based returns for private investors": a shift "from provision to procurement" (O'Neill 2010:9). This demand for return on investment is increasingly shaped by financial imperatives, as intermediaries transform projects into financial assets tailored to investors: from relatively low-risk investment opportunities for institutional

investors (like pension funds) with long investment horizons, to risky (and more profitable) securities for yield-hungry investors and speculators securitizing infrastructure income streams (Pryke and Allen, 2013; O'Neill, 2017; Clark, 2017).

The financialization of infrastructure does not simply entail the financing of privatized infrastructure or the securitization of infrastructure income streams. It depends on the existence of financial assets and the markets (buyers, sellers and intermediaries) where they can be exchanged. This entails the generalized process of creating infrastructure markets, linking 'bankable' infrastructure assets to infrastructure debt (financing), enabled by legal mechanisms, regulatory frameworks and institutional support (O'Neill 2013). As investors and financiers seek the infrastructure assets to fix their capital, so they have sought (to institutionalize) increasingly standardized legal mechanisms, such as international commercial law, through which to secure their interests and control over infrastructure assets Torrance (2008). Public-Private-Partnerships have become the dominant model for securing infrastructure investments. As Siemiyaticki (2013) shows PPPs have transformed from one of many procurement models to the preferred global standard: "Through the complementarities and integration of legal frameworks, public policies, advisory services and guidance documents at multiple scales, the regulatory conditions in particular places are being institutionalized to encourage a highly globalized and private sector-led model of partnership to deliver infrastructure projects", with the aim to "minimize the geographic particularities of the places where such projects are delivered" (ibid).

Notwithstanding a global push to institutionalize standardized legal frameworks that level the geographic playing field for investments, a complex mix of historically evolved legal, institutional and cultural systems act as contextual filters that shape governance outcomes, involving different and shifting arrangements between levels of

government, and between these and the private sector. As with roll-out neoliberalism, the role of the state and intermediaries in buttressing, mediating and differentially contesting the financialization of assets is key (Halbert and Attuyer, 2015). For example, in the context of (post-Keynesian) fiscal federalism/re-scaling in the US, the local state plays a central role in producing a market for urban infrastructures, with dense networks of municipal officials and financial intermediaries shaping deals (Ashton et al., 2014). In the EU by contrast, supranational institutions produce urban-scale markets for infrastructure development funds (Anguelov et al., 2018).

The broader (long durée) political economic conjuncture also shapes how regulatory and institutional configurations come together to enable the privatization and financialization of infrastructure. For example, O'Neill (2013: #) shows that understanding the financialization of infrastructure requires understanding property "as a complex and flexible institution that varies through time according to its intersection with economic, legal and political systems". Within the context of liberal market democracies he sees infrastructure as a unique type of property that has been imbued with certain rights and ideas, namely, right-of-way rights that traverse discrete private properties and their 'rights to exclude', in order to ensure the flow of goods and services, and thereby capitalist reproduction and economic growth. The realization of infrastructure thus required that right-of-way rights be secured by the state through legal regimes and the exercise of eminent domain. It also required the '*socio-political devices'* – in the form of public utilities – that invested right-of-way rights with the organizational structure necessary to administer infrastructure's roll out in line with urban growth: The bundling up of physical investment, revenue streams and property rights under a single organizational entity would provide a ready vehicle for the privatization and financialization of infrastructure under neoliberalism (ibid).

In developing countries these historical developments of (and dynamics between) private property rights, state power and socio-political devises enabling infrastructure's financialization have not been readily available, given its changing post-/colonial positionality with respect to globalizing capitalism. The Public-Private Partnership has thus been deployed by multilateral development banks not just as a mechanism for attracting infrastructure investments but also as a means to broader market-based reforms aimed at institutionalizing marketized governance.

2.2 Marketization: Regulatory vs. Developmental states

In developing countries market-based reforms of the post-Washington Consensus have sought to deepen the "regulatory state" (Dubash and Morgan, 2013; Carroll and Jarvis, 2014). This includes institutionalizing technocratic, independent regulatory agencies to insulate regulatory decision-making from politics and secure private investments, and increased 'judicialization': courts monitoring contract and property rights and policing the boundaries of regulatory frameworks, to limit state action and curb political discretion (Dubash and Morgan, 2015: 13; Gill, 1998).

Deep marketization (or market deepening) is the organizing rationale of these reforms, and financial imperatives are instrumental. According to Carroll and Jarvis (2014) market-building entails "the instillation of market rationalism and market discipline in terms of the pecuniary requirement around the use of privately acquired capital" (17). They show that the International Finance Corporation (IFC, the private financing arm of the WB) has re-invented itself, with a central focus of promoting financialization in frontier markets, working not only on and through the state (as in post-Washington Consensus approaches), but also around the state: cultivating new spheres of marketized space, and instantiating the accountability of individuals and

organizations through direct market discipline and the profitability of investments (Carroll 2012: 379)**.** This is achieved particularly through "providing 'access to finance' and by instilling public-private partnerships which are then, in tandem with country benchmarking, used to push the state to change" (19).

Referencing the 'embedded autonomy' of the paradigmatic developmental state (cf. Evans, 1995), in which the state is at once embedded in society and sufficiently autonomous (from interest groups) to implement industrialization policies, Carroll and Jarvis (2014) see such market reforms as a process of "disembedding autonomy". Yet, these efforts at reshaping governmentality and the regulatory landscape are also shaped by local politics. For example, Dubash and Morgan (2015), argue that greater distributive pressures on economic growth in the global South mean that regulation is inherently more politically fraught than in advanced economies (12): There is significant tension between the economic efficiency emphasis of market reforms (i.e. "credible commitments to investors") and the redistribution of economic gains (commitments to citizens). In this context a process of *de-delegation* has been observed: a return of centralization, executive discretion and the politicization of bureaucracy (Ozel, 2012). Dubash and Morgan (2015: 9) argue that understanding the implementation of these reforms requires attention to the moment of regulatory transplant, and to "the ways in which the objectives and design of regulatory institutions internalize local political and institutional context, and the manner in which they are subsequently shaped through the process of embedding".

Yet this focus on bureaucratic "micropolitics" overlooks "technical-functional" explanations/analyses (Jayasuriya, 2015). There is also a need to examine the "social foundations" of these processes, i.e. the broader political economy and context of path-dependent restructuring (Brenner et al., 2010), mediated by broader power dynamics

and sets of actors and networks. In Indonesia, neoliberal policies articulate with post-colonial, nationalist developmental legacies, mutating as bureaucrats and policymakers selectively appropriate policies in order to achieve developmental goals.[31] The role of the state is conspicuous not only through its bureaucracy but also its nexus with State-Owned Enterprises (SOEs). In the Suharto era "construction of a new market state lay in the hands of a military embedded not only within a pervasive apparatus of security and repression but in a vast network of state owned enterprises and ministries that controlled the commanding heights of the economy", consolidating state capitalism (Robison 2006: 9). While the World Bank pushed neoliberal reforms beginning in the 1980s seeking to increase private sector participation, state capitalism was instead taken over by a political-business oligarchy that linked large Chinese-Indonesian conglomerates with the families of powerful politicians. The 1997-1998 Asian Financial Crisis and the fall of Suharto's authoritarian regime offered a new opportunity for the IMF and the WB to enforce policy and institutional reforms, but they were largely disappointed, as these entrenched politico-business coalitions reorganized their power and interests (ibid: 10-11). These tensions between entrenched interests and market reformers continues to play out in the contemporary period, as the government seeks to re-assert state control over the economy through SOEs.

As the deluge of finance capital post-2008/COVID-19 crises puts pressure on governments to deepen financial governmentality and practice (Anguelov et al., 2018; Anguelov, 2020), we must examine also how financialization articulates with state capitalism/developmentalism. Here, I draw attention to how the financialization of

[31] Note: Indonesia was arguably never a 'developmental state' in terms of embedded autonomy (Darvis, 2015; Robison , 2005), so…?

infrastructure in Indonesia – the attempt to create a market for infrastructure financing – is leading to more-than-capitalist, hybrid outcomes as they articulate with Indonesia's political economy, particularly its SOE-bureaucratic nexus. Drawing on analysis of policy documents, local regulations, news media, and interviews with government officials, consultancies and State-Owned Enterprises, I examine the institutional and regulatory reforms, and the new institutions that play key roles, particularly infrastructure banks and insurance company, and the way that state-market and public-private roles are blurred .

3. Conjunctures of infrastructure financing in Indonesia

The contemporary conjuncture of infrastructure development in emerging markets like Indonesia is distinctly different from experiences of advanced Western economies, where the Keynesian state established national infrastructure networks in the postwar (post/imperial) period (Brenner 2004; Altshuler and Luberoff 2003), and turned to increasingly locally (sub-nationally) funded projects financed through municipal bonds under neoliberalism (Sbragia 1986; Hackworth 2002; Kirkpatrick and Smith 2011). Post-colonial nation-building efforts notwithstanding, Indonesia's nation-wide road, rail and energy networks are comparatively underdeveloped, and it now faces severe pressure to 'catch up' under (comparatively) vastly different circumstances of its political economy and its global positionality.

The emergent infrastructure regime in Indonesia, marked by a mix of public and private investments under a mix of market-based and state-led approaches, reflects a path-dependent restructuring following neoliberalization policies under the autocratic rule of Suharto in the 1980s and 1990s, which culminated in the 1997-98 Asian financial crisis (Robison and Hadiz, 2005). A number of public-private agreements

involving foreign investors had been struck under Suharto's regime. Foreign private interests were willing to commit capital because of the presumption of political-economic stability (and the blessing of the World Bank; Robison and Hadiz, 2005), rather than the regime's commitment to 'good governance', PPP 'best practice' or sound regulatory frameworks. Yet these were primarily nepotistic or clientalistic deals involving Suharto's family members and cronies, whose companies were granted concessions (Wibowo 2014; Davidson 2010). Indeed, many of these projects faltered amidst the 1997-8 crisis, forcing the government to pay hundreds of millions of dollars in contingent liabilities. This experience still shapes the perceptions and attitudes of bureaucrats and politicians towards such public-private initiatives.

The uncertain political-economic environment created by Indonesia's post-Asian crisis state restructuring and democratization resulted in a significant decline in private and public investment into infrastructure (Bappenas; AIPEG; WB). With global policy think tanks, consultancies and development institutions presenting the country's infrastructure deficit (or "infrastructure gap") as a major impediment to economic growth and development, the government of Joko Widodo has prioritized infrastructure development since his election in 2014. Yet, the perceived size of this infrastructure gap presented the government also with a "financing gap": the difference between what needs to be spent on infrastructure and what it can afford. This created pressure to attract private sector participation in infrastructure development, mobilized as a discursive tool by multilateral development banks (MDBs) to justify reforms aimed at creating an 'enabling environment' for private finance. This a market-driven approach is aimed not only at institutionalizing marketized governance – the regulatory framework for Public Private Partnerships and associated bureaucratic and institutional reforms, but also at creating infrastructure markets – setting up key intermediaries and

mechanisms for assembling infrastructure assets and facilitating infrastructure finance. Below, I examine this process of institutionalization.

3.1 Institutionalizing PPPs

For the World Bank, the key impediments to facilitating private sector financing and PPPs in Indonesia was the lack of 'good governance', inadequate project preparation, poor regulatory frameworks, an absence of transparent bidding procedures and the unavailability of long-term local-currency financing (WB, 2012a, 2012b). The Asian Development Bank (2009) similarly frames the obstacles as a capacity gap (lack of infrastructure project development skills), a financing gap (lack of long-term corporate debt to finance infrastructure projects in the private sector), and insufficient risk guarantees for private investment (lack of so called 'credit enhancement and risk management products' for PPP projects). This last is a typical requirement for developing countries, which are perceived as endemically risky, where the rule of law is deemed insufficiently robust in securing private investments (OECD, 2015). These problems are interrelated: The lack of credit supply partly has to do with the lack of 'bankable projects' (projects that are financially viable), which in turn has to do with the lack of institutional capacity to structure such projects (or "project development skills"), and insufficient guarantees ("risk management products").

These interrelated gaps reflect the nature of PPP infrastructure markets, which can be seen from two sides (of the same coin): from the perspective of financiers and from the perspective of investors. Financiers seek the infrastructure assets (revenue-generating, 'bankable' projects) for their interest-bearing capital, while investors seek the credit/debt with which to realize such infrastructure assets (in project finance, equity

typically makes up a minority portion of the overall financing; the majority is debt).[32] This infrastructure financing requires a particular type of financier: financial institutions with long liability horizons, such as institutional investors (e.g. pension funds), rather than commercial banks which have shorter liability horizons (deposits). Where capital markets are not sufficiently "deep", investors struggle to access such long tenor financing (15-30 years). In Indonesia both of these markets (for projects and debt) were non-existent until recently: a "lack of infrastructure debt markets".

> In order to increase the flow of private investment in infrastructure, Indonesia needs a financial intermediary that can provide long tenure debt funding for projects in infrastructure, a requirement that is currently not met. There is definitely a market for debt funding with tenures (sic) extending beyond ten years that is currently not met by the commercial banks while the bond market is an option for very few private sector corporate entities at present (CRISIL, 2009: #).

Another factor impacting the willingness of investors to participate in infrastructure projects is that project finance does not exist in Indonesia. The idea of project finance is that investment should be recoverable solely from the revenue streams of the projects, with liability limited to a special project/purpose vehicle rather than investors' assets (i.e. financiers have no recourse to investors' assets in case of failure). Commercial banks in Indonesia only provide asset-based financing, which is heavily recourse based. This recourse to the project sponsors (i.e. investors) is a liability/risk, which limits their ability to take on the development of more projects, so "it is thus necessary to provide for a shift to non-recourse (or at least limited recourse) forms of financing to encourage greater participation of the private sector in infrastructure"

[32] But equity is riskier and thereby provides greater returns, while debt is more liquid/less risky, so has a smaller return than equity.

(CRISIL, 2009). In sum, both infrastructure project markets and debt markets need to be put in place at the same time.

Given these obstacles, beginning in the 2000s, in partnership with other policy banks, the World Bank and Asian Development Bank (ADB) worked to create an 'enabling environment' for investments through a series of parallel, multi-pronged infrastructure development policy loans[33]. These are aimed at deepening the market-oriented regulatory frameworks that govern (and mediate) the development and financing of infrastructure,[34] supplemented by capacity building and institutional reform programs aimed at fiscal management (risk-management), financial deepening and Private Sector Participation (PSP). Given Indonesia's lack of technical capacity, in 2006 the ADB introduced a project development facility (PDF) to support the preparation, bidding and execution of PPP infrastructure projects, to accelerate PSP. By 2009, the lack of long-term debt had also become apparent, so the WB and ADB set up two key institutions: (1) the private company Indonesia Infrastructure Finance (IIF), for financing commercially viable infrastructure projects; and (2) the state-owned Indonesia Infrastructure Guarantee Fund (IIGF) which plays the critical role of protecting investors in PPPs against regulatory changes, general political risks, and defaults by public parties (government contracting agencies).

These institutions reflect the ADB's and WB broader global push for marketization via inter-referential neoliberal policy experiments (Brenner et al 2012). IIF was modeled on the India experiment: "The approach is based upon ADB's successful partnership in developing the Infrastructure Development Finance Corporation in India [in 1997] that was intended to be a model for ADB's other

[33] (IRSDP 1-3, IDPL 1-4 etc.)

[34] E.g. PPP law, Land law, Procurement law, sectoral laws

developing member countries, such as Indonesia, who are looking for institutional arrangements to stimulate infrastructure sector reform, private sector participation in infrastructure finance, and domestic debt market development" (ADB, 2009: 24). The IIGF is modeled after the WB's Multilateral Investment Guarantee Agency (MIGA), which provides insurance for project finance; MIGA has established similar entities around the world, with which it provides co-guarantees for projects' financing.

In addition to supporting the establishment of this institutional architecture, the ADB and WB also committed large sums of credit and equity to support the expansion (financial growth) of these institutions: IIF shareholders include the IFC, the ADB, the German Investment Corporation (DEG), *Sarana Multi Infrastruktur* (a state-owned infrastructure bank, discussed below), and Sumitomo Mitsui Banking Corporation. This funding model, whereby development finance institutions partner with private sector creditors in creating funding platforms to achieve socio-economic policy objectives, is a common feature in development financing worldwide, such as in Urban Development and SME funds in the EU (Anguelov et al., 2018).

Another feature of IIF and IIGF is their productivist business model, which requires a constant pipeline of bankable projects to meet the demand of financiers/investors. This financial imperative to churn out projects in turn requires technical capacity and financial governmentality. Thus, beyond its role as an infrastructure bank, IIF is involved in all aspects of the PPP business model, in which project preparation and development and transaction advisory services are key: "success in the infrastructure financing space requires a positioning that extends beyond pure lending to encompass other functions related to project preparation and capital market operations…generating fee income becomes critical to maintain profitability" (ADB 2009: 15). This is also the case for IIGF, acting as a guarantor/insurer of risk.

4. Constraints, Incentives and Opportunities

These institutions have not been sufficient to enable the wide adoption of PPPs in the way envisioned by market reformers. There are multiple other reasons impeding the preparation and execution of PPPs related to Indonesia's political economy, including: a complex land tenure regime and the politics of displacement, institutional fragmentation, an uncertain regulatory framework and lack of government fiscal support. These impediments are compounded by a general lack of political will to implement PPPs, reflecting incentives for bureaucrats and administrators that differ from PPPs' market efficiency incentives, and by a political culture and interests favoring State-Owned Enterprises over private actors.

Difficulties of land acquisition are a key obstacle, given the complexity of land tenure in Indonesia ranging from modern to traditional ownership and use titles, the latter unregistered in the national cadaster system, as well as weak eminent domain powers. The government enhanced eminent domain in 2012, but given the contentious politics around land dispossession and displacement (Lucas and Warren, 2003) it also had to ensure fair compensation for residents, adding to land acquisition costs. With the rising costs and scale of acquisition the government has also established a dedicated agency at the Ministry of Finance, tasked with funding land acquisition or reimbursing private parties that have taken up the task, offering bridge financing via BLU LMAN.[35]

A second obstacle is institutional fragmentation, whereby certain ministries (and/or State-Owned Enterprises) act as sectoral regulators and as the government contracting agencies (GCAs) determining projects' funding schemes. Informants thus

[35] Lembaga Manajement Aset Negara

often referenced (and lamented the absence of) the Philippine PPP model, where a central PPP office directly under the authority of the president determines project schemes. With sectoral regulators often acting according to their own interests, this can create political uncertainty in the PPP framework and complexity in transactions given separate jurisdictions of regulators (e.g. the Ministry of Transport controls railways, and the Ministry of Public Works controls road networks), particularly where there is demand for integrated infrastructure networks. Given this fragmentation, the Committee for Acceleration of Infrastructure (KPPIP) has been set up with the help of multilaterals (particularly JICA) to coordinate between various stakeholders through its Project Management Office, which is filled with private sector consultants (from JICA, PWC, Deloitte, KPMG, Castalia, etc.) working to debottleneck policies and project planning. Yet, lacking statutory powers, this Office is limited to offering recommendations; ultimate decision-making authority on project schemes remains with Ministers.

Moreover, Ministers' decision-making over project funding schemes exists within incentive structures that differs from PPPs. PPP proponents argue that profit-generating and cost-reducing incentives of project finance and competitive tenders lead to more efficient allocation of funds, and allocating risk to private parties. By contrast, given that the Indonesian budget is set annually, and allocations to ministries are based on their previous year's absorption of budgetary funds, ministries have incentives to maximize absorption without necessarily taking cost-effectiveness into account. Further, PPPs require multi-year budgeting allocations and involve multiple stakeholders, limiting Ministers' control over their budget. Ministers thus tend to opt for traditional procurement models – which do not require the complex financial planning of PPPs – or for direct assignment of SOEs (see also, van Klinken and

Aspinall, 2011).

This aversion to, and lack of experience with, PPPs is not unique to Indonesia, and is consistent with public authorities' experience with and attitudes towards the complexities of PPPs in other developing countries: getting bureaucrats and administrators on board requires a change of mentality and technical expertise. To address these challenges, multilaterals have implemented capacity-building programs aimed at fiscal risk management and project preparation, setting up a number of PPP units within key ministries.[36]

The Ministry of Finance (MoF) is a network of calculation in this endeavor (following MDBs' PPP best practice), controlling key institutions (SMI, IIGF, LMAN, OJK) and budgetary/fiscal powers. IIGF is an important node in this network of calculation.

> In Indonesia, the authority to facilitate the PPP is fragmented, really fragmented, so it is really hard to form one strong, big, and powerful PPP unit, because the power is distributed. So we have work with this; if we try to reform all the regulations and institutions it will take too long, and it is not guaranteed that it will be successful....So while it was designed to have PPP nodes in every ministry and regional governments, now we are trying to form a coordinating venue within the PPP Joint Office at IIGF for us to work together, so anyone can come to one office, one place, to meet all the people there, and be more efficient and effective than if we do it separately (interview with IIGF, 2018).

IIGF is also increasingly involved in developing PPP projects. Since its business model is guaranteeing PPPs, IIGF is vested in their success; it seeks to produce more and better-designed PPPs, thereby expanding its business and reducing its risks: better designed projects are less likely to fail and require insurance payment. It therefore aims

[36] Some state ministries are very open to PPPs, while others are not (reflecting their institutional history, openness to privatization, and the nature of the infrastructure sector under their control: Toll roads can be easier to monetize than railroads).

to change the culture of public finance, the mentality of officials in regards to PPPs, going beyond its role as a guarantor to work on project preparation:

> We realized that there were no projects coming because the [Government Contracting Agencies/Ministries] didn't have a clue, any clue, about what is the PPP...so somehow we have to come up with the initiative to move forward, at least to be a discussion partner. So we have become their discussion partner, even before we are formally assigned by the Ministry of Finance to perform the Project Development Facility (PDF); essentially we do for the GCAs the preparation work, because informally we give input for them, for their projects, and somehow provide some shadow financial calculations for them... In the more helicopter view, the PDF function should actually be established within the GCAs, and should not be done by us as the guarantor [because it creates a conflict of interest]…they have to prepare their own projects, but when the capacity is not there, there should be someone to guide them... (IIGF, 2018).

Third, there is a dearth of ‘bankable’ projects in the country which reflects the economic reality: many projects that need to be built are economically important (such as regional roads, especially outside Java), but not financially viable (given low user traffic/insufficient revenue streams); Indonesia’s infrastructure needs are thus at odds with its privatized provision under PPPs. Under pressure to get projects off the ground, recognizing the need to take on increasing fiscal burden, the MOF has introduced a number of funding mechanisms and new PPP schemes in order to make projects ‘bankable’ by ensuring that private investments will be recovered through government payments upon project completion.

Taken together, these changes to the regulatory and institutional set up for infrastructure investment may represent what Knight and Meade (2015) interpret as a combination of three macro and micro level changes enabling infrastructure development in Indonesia: (1) ‘landscape changes’, which give greater visibility and transparency to project assets; (2) ‘regime changes’, which translate transparency

initiatives into detailed regulations and rules; and (3) 'niche changes', which enable counterparties to enter into an agreement. While they show that such macro and micro-level changes manifest in particular projects, the evidence suggests such changes are far from the point of what they call a "socio-technical transition" across the economic system. Moreover, this emergent infrastructure regime reflects the filtering of PPP policies through the institutional, political and cultural filters of Indonesia's political economy, producing hybrid and incomplete outcomes relative to a neoliberal policy regime.

4.1 Selective uptake and more-than capitalist outcomes:

Articulating with Indonesia's post-colonial political economy, neoliberalization is modified by state-capitalism and developmental politics. In the absence of significant private sector involvement (partly as a result of political choices and institutional resistance, described above), the PPP has been redefined in the interest of instruments of the state: State-Owned Enterprises (SOEs). In 2015, a telling change was made to the PPP regulations, from "Partnership between the Government and the Private Sector" to "Partnership between the Government and Business Entities", effectively enabling what industry professionals have begun calling 'Public-Public-Partnerships'. This change has legitimized the participation of State Owned Enterprises (SOEs) as private parties in PPPs. Given the slow progress and the multi-year transaction phase of PPPs, and facing political pressure to finish priority projects (on which Jokowi's re-election was staked), the government began directly assigning projects to SOEs. This reflects a preference for SOEs in achieving the objectives of its infrastructure program, underpinned by the interests of state bureaucracy and politicians: a revolving door between SOE management and high political/administrative positions (e.g. directors of

SOEs serving as Ministers) means decisions are driven by this state-capital nexus. Further, regulations restricting foreign ownership create high costs of entry for foreign players: SOEs dominate as project contractors, operators, investors and financiers in all infrastructure sectors.

A central SOE that has emerged in infrastructure development and financing, contesting the multilateral PPP model, is *Sarana Multi Infrastruktur* (SMI) – an infrastructure bank 100% owned by the Ministry of Finance. This exemplifies how market-driven reform articulates with the mentalities and political culture of the Indonesian state. Originally set up as a pass-through entity for channeling multilateral loans to IIF (in which it is a 30% shareholder), the government decided to replicate IIF's functions as a state-owned infrastructure bank that also offers project advisory and development services. By 2019 SMI's assets had expanded to three times those of IIF. As a shareholder of IIF, SMI is vested in the expansion of PPP growth (and thus IIF's business), but as an infrastructure bank it also faces pressure to create and finance its own pipeline of PPPs. SMI and IIF have expanded the infrastructure debt market significantly, acting as catalysts by syndicating loans with other private and state-owned banks that had previously been unwilling or unable to provide long tenor financing for infrastructure projects. Further, like IIF, financial performance metrics serve as pressure to finance (and thus create) more projects; as an SMI representative noted, an 'ideal leverage' level – using borrowed capital to expand assets, and increase potential returns – is a desirable (though currently unattainable) financial goal:

> we are *underleveraged* because we still find it challenging on the asset side,… we have to find the right assets to finance, but we still have challenges in terms of creating a bankable pipeline, it is not as fast as the growth of our liabilities (i.e. borrowing), which is why we are very conservative in doing leveraging right now...but ideally our leverage would be 1.5 to 2 times [of assets] (SMI, 2018; emphasis added).

Notwithstanding similar business models and financial imperatives, SMI and IIF are very different. While 'Bankability' requires that IIF finance projects that generate market rates of return[37], this market-based approach is inadequate in addressing Indonesia's infrastructure development needs (at least not without heavy state support). As an arm of the state SMI serves the interests and objectives of government and is subject to political pressure in carrying out development goals. It has thus predominantly financed 'non-bankable' projects, especially in less populous and less wealthy regions outside Java where there is insufficient user demand to generate revenues; this is in line with the government's plan for growth distribution to less developed regions. SMI officials thus claim that their company is assuming a more 'developmental role' – a common refrain of other SOE managers I interviewed, filling the 'non-bankable' void and highlighting the tension between 'bankability' and development. Indeed, SMI is in the process of being transformed by the Indonesian government into a development bank, in order to expand this role.

SMI is able to take on this developmental role because it is an SOE. While it sources capital from capital markets like IIF, as an SOE it has the advantage of being treated as a 'sovereign' entity by investors (particularly multilateral banks), receiving lower interest rates (lower capital cost) than IIF. Capital costs are further reduced through direct equity injections from the government budget, as well as loans from development agencies (blended finance), enabling it to offer concessional loans or to 'de-risk' projects and make them bankable/more attractive to investors. This has allowed the SMI business model to have 'public and private sides'**:**

> we have a business for our public side, for our private side and also PPPs: on the public side they ask for lower interest rates, which is why we have to

[37] Predominantly in the oil and gas sectors, because these are backed by purchasing agreements that guarantee cash flows.

> combine our social funds blended with multilateral loans so we can give them a low/concessional rate; but for the commercial/private side, because the pricing is higher we can use our funds from capital markets to finance the projects (SMI, 2018).

'Public' beneficiaries include local and regional governments and SOEs, comprising a broader ecology of SOE synergies/interlinkages in which risk and returns are circulated amongst SOEs. SMI (unlike IIF) also lends directly to SOEs. It has also partnered with other state-owned financial institutions such as pension funds and insurance companies as an equity partner in infrastructure funding platforms. State-owned pension funds are major owners of SMI bonds, and thereby a key source of capital for SMI (this is also a regulatory issue? Pension funds required to hold these bonds???).

IIGF also is part of this SOE ecology: not only are IIGF guarantees provided to so called "Public-Public Partnerships" (where SOEs constitute the 'private' party, enter into consortia with private companies, or join other SOEs) but IIGF is now being pushed by the government to offer credit guarantees to (already overleveraged) SOEs for their bond issuance (its initial mandate was to only guarantee PPPs). This reduces SOEs' financing costs but increases IIGF's exposure to financial risk. This may potentially undermine its business model, but it also shows the flexibility of SOEs in meeting the government's development objectives.

> now we have become the main discussion partner for government with regards to infrastructure, any kind, any issue, any initiative related to infrastructure, any government institution, it will involve us, they ask for our input... But sometimes we are asked by the government "Can you do this? can you do that?" because being a SOE we can also be quite flexible, to go to the President, ministries, or our bureaucrats. We can also go to the private sector, domestically, internationally, multilaterals... But in terms of deciding...we are not regulators, but we can give inputs, so whenever government wants to change regulation they ask us (IIGF, 2018).

This practice has come under heavy criticism from the World Bank, arguing

that heavy reliance on SOEs is unsustainable, inefficient, and competes with the private sector. But the private sector regards strong state participation as a form of security/risk reduction:

> The private sector sees us as a government's arm, so this makes them comfortable; government's arm means that as a Ministry of Finance institution we will provide assurance the project will be sustainable, and have stakeholder management with the government, and this position cannot be taken by commercial entities because the government sees them as parties that try to create a profit, but SMI becomes a facilitator between commercial banks and the government, so if we are involved in a syndication they will be more comfortable. Or if the project needs some kind of government support like subsidy we can ask the government to do that (SMI interview, 2019).

Summarizing, SMI and IIGF are key intermediaries, facilitating a market for infrastructure projects and infrastructure financing in Indonesia. Both companies are involved and vested in the structuring/development of PPP projects, maintaining a constant pipeline of bankable projects for investments, highlighting financialization's productivist pressure to create financial assets. At the same time SMI and IIGF enable unbankable project financing, providing investors with political guarantees (IIGF) and de-risking long-term investments for commercial banks/financial institutions (SMI). SMI has also become a vehicle for local and global capital to invest in Indonesian infrastructure – either indirectly (by purchasing SMI bonds), or directly via project finance (syndicated co-financing) and equity platforms (co-investing with institutional investors seeking safe and predictable returns). Thus, it has been instrumental in establishing and facilitating an infrastructure market by helping to produce assets and in catalyzing investments (many requiring further government fiscal support). Yet, as SOEs, both SMI and IIGF are not simply (autonomous) profit-making enterprises; they are also instruments of the state subject to political influence: They providing sub-market rate financing and guarantees to SOEs, enabling the government to mobilize the

broader array of SOEs across the infrastructure sector and construct a broader ecology of state-capitalism. They meet development objectives but also reproduce bureaucratic/business interests.

This case highlights how the Indonesian state is not only undertaking market-oriented approaches in the management and development of infrastructure, but it is also adapting them to its political economy and in the process producing hybrid outcomes, where it is actively involved in infrastructure markets, as financier, investor, insurer (often to other state-owned enterprises), in competition and/or in partnership with the private sector.

5. Conclusion

This article contributes to provincializing financial geographies, by examining how neoliberalization and financialization processes articulate with a post-colonial political economy and their variegated, more-than-capitalist outcomes, by investigating the institutionalization of a Public-Private Partnership (PPP) model for infrastructure financing in Indonesia. In doing so, it draws attention to the limits of and challenges to globalizing neoliberalization in the context of state-capitalist alternatives, and its implications for understanding the blurring analytical and empirical distinctions between market-state and public-private categories.

With respect to infrastructure, financialization scholarship examines the instruments, practices, logic, and dense networks of intermediaries enabling the financialization of assets and the state. However, the broader political-economic contexts and conjuncture through/within which these processes take place are often taken for granted, focusing primarily on case studies from the global north. This

regional embeddedness overlooks the distinct conjunctural positionality of developing states vis-à-vis neoliberal globalization, failing to bring into focus developmental politics and distinct opportunity structures for public and private sector actors.

In Indonesia, in the context of political-economic restructuring, I investigate how multilateral efforts to institutionalize a PPP regime for the provision of infrastructure is transforming the practices and rationalities of government, enabling the reproduction of state power even as financial logic and interest are both reproduced and attenuated. Multilaterals set up new institutions and pushed policies in an effort to create an enabling environment for PPPs: through a new infrastructure bank (Indonesia Infrastructure Finance) and risk-guarantee provider (Indonesia Infrastructure Guarantee Fund), they have sought to catalyze markets for infrastructure projects and infrastructure debt, by transforming infrastructure into a bankable asset offering Return-on-investment. These are flanked by capacity training programs aimed at altering the practices and mentalities of bureaucrats

Against this, institutional fragmentation, incentive structures, the revolving door between Ministries and SOEs and nationalist politics obstruct the rollout of PPPs, pushing the government to appoint SOEs to develop infrastructure (rather than relying on market procurement). Indonesian officials thereby selectively appropriate neoliberal policies, producing more-than-capitalist outcomes where financial benefits are not necessarily (or only) absorbed by the private sector. Rather, financialization is utilized by the state for achieving its development objectives, and thus for its own reproduction. The government has created a state-owned infrastructure bank (SMI) which combines both commercial logic and development financing to finance both market-based PPPs and non-market based (direct assignment) deals, while IIGF also is directly guaranteeing PPPs and SOEs. These institutions are simultaneously incentivized to

follow commercial principles and pushed to take on deals where ROI is superseded by state development objectives.

Catalyzed by these newly established infrastructure banks the expanding infrastructure debt market has created opportunities for State Owned Enterprises (both financial institutions and contractors/developers). The state utilizes SOEs as developers and financiers of infrastructure projects, presenting them also as *de jure* “private” parties in Public-Private Partnerships that *de facto* are ‘Public-Public Partnerships’ (competing with private sector actors). This is enabling an ecology of state-owned enterprises where risks and rewards are distributed amongst state banks, contractors and insurers. These outcomes highlight that the state is not just a market regulator but also a market maker (facilitating project finance); an active participant in the infrastructure market, both competing and partnering with the private sector. This reflects historical and institutional legacies of the Indonesian state, and the particular set of actors involved in the market in a political-economic context where SOEs retain a significant role.

This involvement of SOEs also helps us rethink the analytical and empirical distinctions between public and private spheres, and between states and markets: in practice, globalizing neoliberalization has blurred the analytical and empirical distinction between the two, by privatizing public authority. At the same time it has discursively/ideologically worked to naturalize this division in the interest of obscuring the increasing power of private authority, as well as the political process of rendering it beyond democratic control (Cutler, 1999); hence the emphasis on public-private partnerships as governmental rationality and public finance solution: mobilizing limited public funds in the context of fiscal and financial crises to attract private capital in order to attain policy objectives. However, attention to national developmental politics in the

post-colony show us that this blurring can also go in the other direction, with public actors taking on private functions, highlighting alternative arrangements between these spheres, and the socially-produced content of these realms. In blending financialization with developmentalism the government is enabling the expansion/reproduction of publicly owned capital in SOEs (which often operate as private enterprise) as a means of investing in and driving economic growth. In this historical conjuncture of eroding Western hegemony such an approach offers an alternative strategy against the market-fundamentalism of neoliberal institutions and private capital.

CHAPTER 3

Financializing Urban Infrastructure?: The Urban Growth Machine and Speculative State-Spaces in Jakarta – A Southern Perspective

1. Introduction

Since 2008, amidst slowing economic growth and a glut of stimulus-driven financial capital, creditor states and financial institutions have driven a global rush to finance and develop infrastructure, presenting it as a key driver of national economic development. City-regions are at the center of this infrastructure fix; as centers of economic growth and social reproduction they have assumed national geopolitical significance (Jonas and Moiso, 2018), necessitating rescaled governance and associated reconfiguration of state spaces to capture financial flows (Brenner, 2004). In the global South, mega city-regions facing challenges posed by rapid urbanization are a particular locus of such infrastructural solutions, steeped in speculative global-city imaginaries, national(ist) developmental aspirations aimed at unclogging catch-up growth, and the machinations and accumulation strategies of elite actors and networks (Roy, 2011; Goldman, 2011).

There are, however, two contrasting infrastructural solutions, framed by broader ideological and geopolitical-economic competition over the trajectory of global capitalism and national development. First, the neoliberal infrastructure financing model advances a market-based approach to infrastructure provision, premised on the privatization of projects generating returns on investments. Second, state-led approaches are an attractive alternative for developing countries advancing national interests through State-Owned Enterprises (Anguelov, 2020). These two

solutions are marked by tensions between the profitability demands of financial capital and elite public and private sector actors driving urban growth, and urban residents' accessibility and affordability to the city. I suggest that understanding how these models articulate with local political-economies is critical for explaining the changing spatialities of state power and capital accumulation strategies shaping cities of the global South, and thus their development outcomes and possibilities.

The variegated ways these interests come together in different urban contexts is shaped by historically contingent multi-scalar governmental relations, and their positionality with respect to changing conjunctures of globalizing capitalism. In the fiscally decentralized (i.e. down-scaled) state-spaces of post-Keynesian cities in Europe and the US, city governments adopted entrepreneurial strategies to subsidize private investments and tap capital markets to finance infrastructure projects (Brenner, 1997; Hall and Jonas, 2014). Amidst increasing financialization, these entrepreneurial state-spaces have also become increasingly speculative: urban planning decisions – increasingly devolved to de-politicizing technocratic agencies – are tied up with volatile global financial flows, subject to financial performance metrics, the scrutiny of rating agencies and investors' exit strategies, rather than the demands of local residents (Kirkpatrick and Smith, 2015).

In the post-colony neoliberalization and financialization encounter (and reproduce) different institutional, state-spatial configurations, where the matrixes of public and private actors and networks are embedded in historically different local, national and international opportunity structures and trajectories. In globally integrating and rapidly expanding metropolitan region of Jakarta, the national scale features prominently in speculative state-space (Shatkin, 2019), as local capitalist growth imperatives are entwined with nationalist and developmental politics in the

provision of infrastructure and housing. Amidst pressure to drive 'catch-up' economic growth, the political interest and developmental objectives of state and city governments have become entangled with the speculative capital accumulation strategies of State-Owned Enterprises (SOEs) in the production of urban space. In the context of political-economic restructuring and governmental fragmentation in the multi-jurisdictional metro area, these speculative strategies are also premised on political speculation around the planning and execution of projects, enabled by elite informality and statecraft, highlighting the geo-political dimensions and contingencies of city-regional governance (Pike et al., 2019).

I examine these processes through the lens of rail development in Jakarta. First, I summarize the state of knowledge on urban growth with respect to infrastructure development and financing, and their provincialization in the post-colony. After contextualizing the multi-scalar constitution of Jakarta's speculative state-space in section three, in section four I investigate the historical and path-dependent geographies of private rail infrastructure and its speculative failure amidst political-economic restructuring and state-spatial rescaling. I then show how this failure has set the ground for the state-led provision of rail, interrogating the speculative strategies of SOEs centered around Transit-Oriented Development, and the emergent governance models in the management and planning of metropolitan transport and housing.

2. Speculative State-spaces of Urban Growth Machines

At stake in the (geo)political-economy of the speculative urbanism is how the state is mobilized at various scales to manage the competing interests and demands in the provision of infrastructure and housing, including accessibility and affordability to the

city. As cities face speculative financial pressures in managing these territorial and social politics, these pressures unfold through different opportunity structures, including the set of actors, networks, practices and mechanisms situated in shifting conjunctures of speculative urbanism. In developing countries like Indonesia, they also foreground the role of developmental politics in shaping city-regional development. Below I examine how these issues are theorized in the contexts of post-Keynesian/neoliberal and post-colonial/developmental state-spaces.

2.1. post-Keynesian speculative state-spaces

The literature on urban neoliberalism, largely based on Western cities, has examined how in the context of federal fiscal retrenchment (or 'fiscal federalism' in the US) following the crisis of Keynesianism in the 1970s, localities have become the locus for managing economic growth and the collective provision of public goods and services. This devolution and decentralization is a process of state spatial rescaling in which the urban is the privileged scale and site for orchestrating and regulating socio-economic reproduction amidst intensified inter-locality competition for investments, creating new state spaces (Brenner, 2004). Understanding these state-spaces and associated accumulation strategies requires examining how the state privileges particular spaces, interests and policy areas, and how institutional forms and actors are mobilized in this endeavor (Jones, 1998).

Urban growth is governed by coalitions of public and private land-based elites seeking to create the conditions for capital accumulation, aimed at increasing the exchange value of urban real estate: urban growth machines (Molotch, 1987). Private property owners and "speculator-developers" are key actors in the growth machine , extracting "class-monopoly rents" from the built environment, through which they

promote, coordinate and produce growth, in line with the state's objective of ensuring orderly accumulation and social reproduction (Harvey, 1985: 70). These growth coalitions are marked by tensions between use and exchange values in the built environment, between regional aspirations of capitalist elites, local interests and, increasingly, the demands of extra-local actors (e.g. investors, bondholders, rating agencies) (Kirkpatrick and Smith, 2011; Jonas et al., 2019).

Local public officials are key for establishing the physical conditions for this growth, namely infrastructure. In the context of federal retrenchment and privatization under neoliberalism, urban growth machines instituted quasi-public agencies to orchestrate and subsidize private investments for infrastructure. In the case of California for instance, limited federal support combined with local restrictions on property taxes, forcing these quasi-public agencies to turn to municipal bonds to finance infrastructure (Kirkpatrick and Smith, 2011; Sbragia, 1996). This led to increasingly speculative strategies and risk-taking: the ability to raise revenues in order to repay their increasing debt exposure was premised on projections of future economic growth. Moreover, this debt-driven approach changed the nature of infrastructure provision: Contrasting the demand-side provision of integrated infrastructure networks under Keynesianism (Brenner, 1997), its market-based provision under neoliberalism marked a shift 'from provision to procurement' of increasingly privatized, dis-integrated or splintered networks (Graham and Marvin, 2001; O'Neill, 2010). This was also a shift from 'pay-as-you-go' infrastructure funded through revenue growth based on the 'organic' expansion of economic activity, to 'pay-as-you-use' infrastructure funded through user fees (Kirkpatrick and Smith, 2011).

This trend has deepened in the aftermath of 2008 financial crisis, marked by a "subtle but vital shift" in entrepreneurial urbanism towards financialized urban governance, in which Return-On-Investment is a central logic (Anguelov et al., 2018): financial interests and metrics shape urban infrastructures, and urban planning and accessibility more broadly, at the expense of users (Torrance, 2008; Allen and Pryke, 2013). Enabled by policy instruments such as the Public-Private Partnership, debt-averse governments have turned to the private sector to invest in and finance privatized projects, transforming infrastructures into financially viable ('bankable') assets generating cash flow: user fees thus not only pay for the project costs, but also for the cost of interest-bearing capital, underwriting market-rate returns.

Speculation in the production of urban space cannot be confined to the economic sphere alone. State-spaces are also speculative in the contingencies of inter-local and multi-scalar politics. As economically and spatially expanding city-regions face 'un/governability' challenges in the coordination and provision of metropolitan-wide infrastructure, they require up-scaled parastatal authorities with regional jurisdictions, such as Transport for London (O'Brien et al. 2018) to orchestrate planning and investment. Indeed, with city-regions becoming ever more important for national growth, they are also sites for national geopolitics, as states seek to reorganize their territorial structure to attract global investments (Jonas and Moisio, 2018).

To account for these complexities and contingencies in regional infrastructure planning and financing, Pike et al. (2019) propose a broad framework of 'city statecraft': the art of city government and management of state affairs and relations. Drawing inspiration from Jim Bulpitt's work on (national) statecraft, this framework

combines the broad remit of geographical political economy (Sheppard, 2011)[38] with the geo-political dimensions of city-regional governance: it pays particular attention to the power and politics of public and private institutions, and the conduct, machinations, pragmatism, realism and ideologies of state (and non-state) actors.

While these frameworks offer important insights into the complexities and contingencies of infrastructure provision in the unfolding conjuncture of financial globalization, their empirical embeddedness in the advanced capitalist political-economies of the US and UK, marked by post-Keynesian landscapes and market ideologies, provides a limited perspective. As infrastructure is being rolled out across the globe, and particularly in developing economies seeking to promote catch-up growth, it is important to understand how these dynamics unfold there.

2.2. (post)Developmental speculative state-spaces

In an effort to provincialize urban theory and its restricted analytics, given its empirical embeddedness in Western contexts – 'global cities' of Western Europe and the US –, urban scholars have sought to draw attention to how these processes take place in the post-colony (Roy, 2009; Leitner and Sheppard, 2016). While neoliberalization is always an incomplete, mutating and geographically variegated process (Peck and Theodore, 2007; Brenner et al., 2010), its explanatory weight must also be measured against logics, practices and spaces that exceed its conceptual registers. In the non-West, historical differences in (urban) development, owing to (shifting) conjunctural positionalities (on the periphery of globalizing capitalism) with

[38] Broadly, a processual, relational, multi-scalar and networked approach, attentive to the agency and intentionality of actors at various scales, within broader structuring contexts.

respect to hegemonic powers (Sheppard, 2019), require attention to the politics of developmentalism shaping state-spaces and urbanization.

For example, Doucette and Park (2018) situate East Asian urban development in Cold War geopolitical and economic networks of capital and expertise – integrated in American and Japanese circuits (Yeung, 2017) but also by development logics of state-led ('catch-up') industrialization (Hudson, 2016) – in which the urban is a site of and for developmentalist intervention: urban developmentalism. Yet, 'urban developmentalism' may insufficiently capture its articulation with neoliberalizing forces (Doucette and Park, 2018). As the East Asian tigers and China, following Japan's lead, have become industrial and manufacturing heartlands of the world, they have also become hot-beds for footloose capital, driving speculative real estate and land markets, emulating the glass and steel skylines of 'global cities' (Goldman, 2011). This emergent 'Asian urbanism' is shaped by the inter-referencing of models that take on different 'worlding' practices, imaginaries and meanings in different contexts (Roy, 2011; Roy and Ong, 2011), replete with 'hybrid assemblages' of neoliberalism and its alternatives, which exist in dynamic contradiction (Peck et al; Peck and Zhang, 2013; cf. Hill et al., 2012).

Common in this Asian urbanism is the very visible hand of the central state in mediating and facilitating markets for infrastructure and housing through such hybrid assemblages. For example, in Singapore, the relative autonomy of the state and its function as a "pre-eminent market player" in land and property markets is what makes it a case of "urban planning under state capitalism" (Shatkin, 2014). Both speculation and the promotion of urban growth are to a significant extent state driven, with powerful statutory boards capturing land rent and reducing speculators' incentive to speculate (Haila, 2016). For Shatkin (2014) this Singapore model highlights how

urban planning processes under state capitalism that appear as exceptions to neoliberalism (such as public housing) are in fact co-constitutive with neoliberalization (see also Huat, 2011; Shin and Kim, 2016).

China's urban management has also been strongly state controlled, where speculative state-spaces are shaped by up-scaling and state capitalism. In the context of fiscal *(re)centralization* in the 1990s, whereby local tax revenues were shared with the central government, municipalities facing infrastructural demands and reduced funding have turned to financial 'markets': given central restrictions on local governments' ability to borrow directly from capital markets, they have set up Local Government Financing Vehicles through which they are able to leverage local assets, primarily land, in order to access financing. Yet, much of this financing, particularly in the post-2008 era of central fiscal and monetary stimuli, has been channeled through State-Owned Banks (Wu et al., 2016; Lin et al., 2019).

In post-colonial democracies, whose integration into geopolitical (and colonial) networks was more asymmetric, the relative absence of state autonomy (Shatkin) has brought on a different kind of development intervention: Multilateral Development Banks pushing Washington Consensus political-economic liberalization, along with 'best practices' for governing and administering public goods and services through the neoliberal 'Trojan Horse' of Public-Private Partnerships (Miraftab, 2004). Infrastructural programs initiated in the 1990s, disrupted by the 1997 Asian Financial Crisis, have now been revamped through project finance, promoting privately built, operated and financed projects, that can generate financial returns (Carroll, 2010; Carroll and Jarvis, 2014), flanked by newly institutionalized infrastructure banks (Baindur and Kamath, 2009; ADB).

More recently, amidst a fractured Western hegemony and the ascendency of China's state-capitalist mode, post-colonial national developmentalism is also increasingly at play in the provision of infrastructure. For example, in Indonesia, the provision of infrastructure in and across city-regions is itself a developmental project of catch-up growth, characterized by heavy mediation, investment and speculation by the state**.** Thus, while multilateral development banks have sought to institutionalize PPPs for infrastructure finance aimed at attracting private capital, and development agencies have put together metropolitan 'worlding' plans for Jakarta's infrastructure, the state seeks to profit from this production of space by mobilizing State-Owned Enterprises as financiers and developers of infrastructure (Shatkin, 2019; Anguelov, 2020).

These speculative 'worldings' and development aspirations are also entangled with attempts to redress inequality. For example, in Indian cities the 'redevelopmental state' seeks to mediate the contradictory tensions between land dispossessing infrastructure and real estate projects, and the provision of welfare in order to mitigate displacement and dispossession by such projects (Doshi, 2018; Parnell and Pieterse, 2010). In Jakarta too, this tension between 'development accumulation' and affordability and accessibility to the city is playing out in infrastructure's provision. While SOEs are semi-autonomous, profit seeking enterprises, they also serve development goals and are subject to developmental politics, as local and national bureaucrats and politicians are under pressure to ensure that the costs of public services, transport and housing are accessible for the urban majority. These developmental objectives and tensions are enacted through formal and informal modalities. While the state formally sanctions the planning and implementation of infrastructure, elite informality also allows for territorialized flexibility of elite

political-economic interests (Roy, 2009), particularly SOEs. This informality is also being used to balance the competing interests of development accumulation and right to the city.

Methodology:

Speculative urbanism is a spatio-temporal process, path-dependently incorporating historical geographies of speculation, underpinned by specific state-spatial configurations and associated political-economic regimes. Understanding the nature of speculative urbanism in Jakarta today requires examining the historical, path-dependent evolution of its speculative state spaces. This calls for a multi-scalar and conjunctural methodology (Brenner, 2004; Leitner et al., 2019, Leitner and Sheppard 2020), examining the (historically contingent) multi-scalar tensions between local, regional and national governments, situated in changing structuring contexts, as well as the role of local actors, their strategies and machinations (Pike et al., 2019). This approach thus pays attention to the dialectic between structure, agency and strategy (Jones, 1998). To do so, this paper draws on fieldwork research conducted in Jakarta between 2017 and 2019, including (1) 50 interviews with (a) local and national officials from planning agencies and ministries to understand the institutional challenges to privately financed rail infrastructure, and the relationship between the bureaucracy and SOEs, (b) SOEs involved in rail transit development, including rail operators, contractors and banks, to understand their business strategies, linking rail infrastructure with TODs, and specific financing arrangements, (c) local journalist and consultants specializing in transportation planning, to understanding the broader political landscape, and the specifics of project development; and (2) content analysis of (a) local news media, online media archives, and corporate reports to trace the

histories of rail development, and (b) national and local regulations and policies to examine the regulatory landscape shaping Jakarta's state-space.

3. The multi-scalar constitution of speculative urbanism in Jakarta

At stake in speculative urbanism is the multi-scalar constitution of the urban and the mechanisms through which the national state mediates and orchestrates the production of urban space. The *Reformasi* era (1998 - 2007) – a period of democratization and political decentralization following the fall of Suharto –, increased complexity in infrastructure governance, as localities gained planning and land-use power (Rukmana, 2015; Talitha et al., 2019). However, this down-scaling has also presented problems for the "un/governability" of infrastructure provision (cf. O'Brien et al. 2018): There are no metropolitan authorities with the mandate to govern integrated infrastructures across the multiple jurisdictions of the *Jabodetabek* metropolitan area,[39] leading to delays in permitting, land acquisition, coordination and implementation. Amidst such problems of governmental fragmentation, the central government has sought to reassert its control over regional governments and local intervention in the provision of infrastructure. The central government wields strong authority through Ministries, which have jurisdiction over different infrastructure sectors, particularly in cross-provincial matters, while the office of the president and parliament have expedited construction through a series of executive decrees and legislations. Table 1 shows these various regulatory injunctions comprising Jakarta's state-space with respect to spatial planning and infrastructure development,

[39] The provinces of Banten, West Java, and Jakarta; As the capital city, Jakarta is considered a 'special province' (Figure 1).

particularity as it pertains to the Light Rail Transit (LRT) *Jabodebek* project (discussed below).

Regulatory re-centralization /up-scaling of state-space		
Legal Hierarchy		**Regulations**
Law	UU 23/2014	Local governments no longer have broad autonomy as before, which they enjoyed under Law No.22/1999 and Law No.32/2004. The central government's authority is now stronger and more assertive, including mandates to dismiss regional government leaders.
Government Regulation	PP 59/2010	Amendment of Construction Services regulation allowing for Direct Assignment of project contractors, rather than through tender (as stipulated by PP 29/2000)
	PP 79/2015	Amendment of Construction Services regulation allowing for Direct Assignments of State-Owned Enterprises
Presidential Decree (*PerPres*)	PerPres 99/2015	Acceleration of Public Railway operations in DKI Jakarta
	PerPres 98/2015	Direct Assignment of Adhi Karya to construct *LRT Jabodebek;* acceleration of LRT development
	PerPres 79/2016	Amendment to PerPres 99/2015, allowing for DKI to directly appoint Regionally-Owned Enterprises (ROE) to construct railways (rather than through tender); also allowing ROE (i.e. Jakpro) to appoint contractors for LRT Jakarta
	PerPres 03/2016	Designating Projects of National Priority (of which *LRT Jabodebek*)
	PerPres 65/2016	Funds for *LRT Jabodetabek* would come from the state budget
	PerPres 49/2017	Directly Assigning KAI as investor and operator of *LRT Jabodebek*
	PerPres 55/2018	Integrated Transportation Plan for the *Jabodetabek* Region
Ministerial Decree	PerMen 172/2015	Guidelines for Formulating Transportation Master Plan of *Jabodetabek*

Table 1. National regulatory state-spaces shaping the *LRT* and speculative urbanism in *Jabodetabek*

In this context a number of national infrastructure programs aimed at growth and balanced development are driving urban transformation. Since his tenure as governor of Jakarta (2012-2014), Indonesia’s president Joko Widodo (Jokowi), has

prioritized infrastructural development. When he became president in 2014, he aggressively pushed an infrastructure strategy[40] under the *Nawa Cita*[41] rubric for national development and independence. Given the scope of infrastructure needs and insufficient public funds, private investments have been touted as the solution, under the aegis of a multilateral bank-led Public-Private Partnership. However, as this policy has articulated with the Indonesian political economy and bureaucracy at city and national levels, SOEs have emerged as key actors carrying out this program, transforming the spatialities of state power: SOEs are building ports, rail and toll roads across the country, aimed at inter/intra-regional and global connectivity, and the distribution of growth to less-developed regions.[42] This is part of a broader governmental strategy, mobilizing SOEs as the mechanism for attaining economic and social development objectives.

As the epicenter of the Indonesian economy, and the most populated area, the mega city-region of *Jabodetabek*[43] (and the island of *Jawa*) continues to attract the most investments, marked by a number of new high-stakes rail transit projects: the

[40] Following in the footsteps of his predecessor, Susil Bambang Yodhoyono's (2004-2014) economic development master plan, referred to colloquially as MP3EI.

[41] Sanskrit for "Nine Hopes/Desires": a broad platform consisting of nine policy objectives (echoing Sukarno's visions for national independence and sovereignty), emphasizing a strong and democratic state, corruption eradication, economic independence, patriotism and diversity, with a host of programs for low-cost housing, social security, regional development.

[42] Trans-Java and Trans-Sumatra toll roads, and a number of inter-city and inter-regional railroads, like the (planned) Trans-Sumatra rail, and LRT projects in Medan, Palembang, Surabaya.

[43] An acronym for the four regencies in the metro area (and the city of Depok): *JA*karta, *BO*gor, *DE*pok, *TA*ngerang, *BEK*asi

Light Rail Transit[44], the Mass Rapid Transit[45], and the regional High Speed Rail connecting Jakarta and Bandung (Figure 3).[46] These projects are wrapped up in the speculative 'world-class city' visions of politicians and residents: Jakarta's hosting of the 2018 Asian Games was a spectacle mobilized to enroll urban citizens into a national/ist project, showcasing Indonesia's progress and ambitions as Southeast Asia's economic powerhouse. These visions and spectacles also served as impetus to expedite the planning and implementation of projects, lending political legitimacy to the state and government officials seen as addressing infrastructural deficits and congestion, and enabling capital accumulation for SOEs.

[44] Across Jakarta, Bogor, Depok and Bekasi (but excluding Tangerang), hence *LRT Jabodebek*.

[45] Currently inside city limits, but due to expand across Tangerang to the West and Bekasi to the East

[46] Additional rail projects (not featured in Fig.1) include the city-based LRT Jakarta, and multiple proposed loop lines. These rail projects are complemented by a concrete cobweb of inner- and outer-ring roads and flyovers crisscrossing the city.

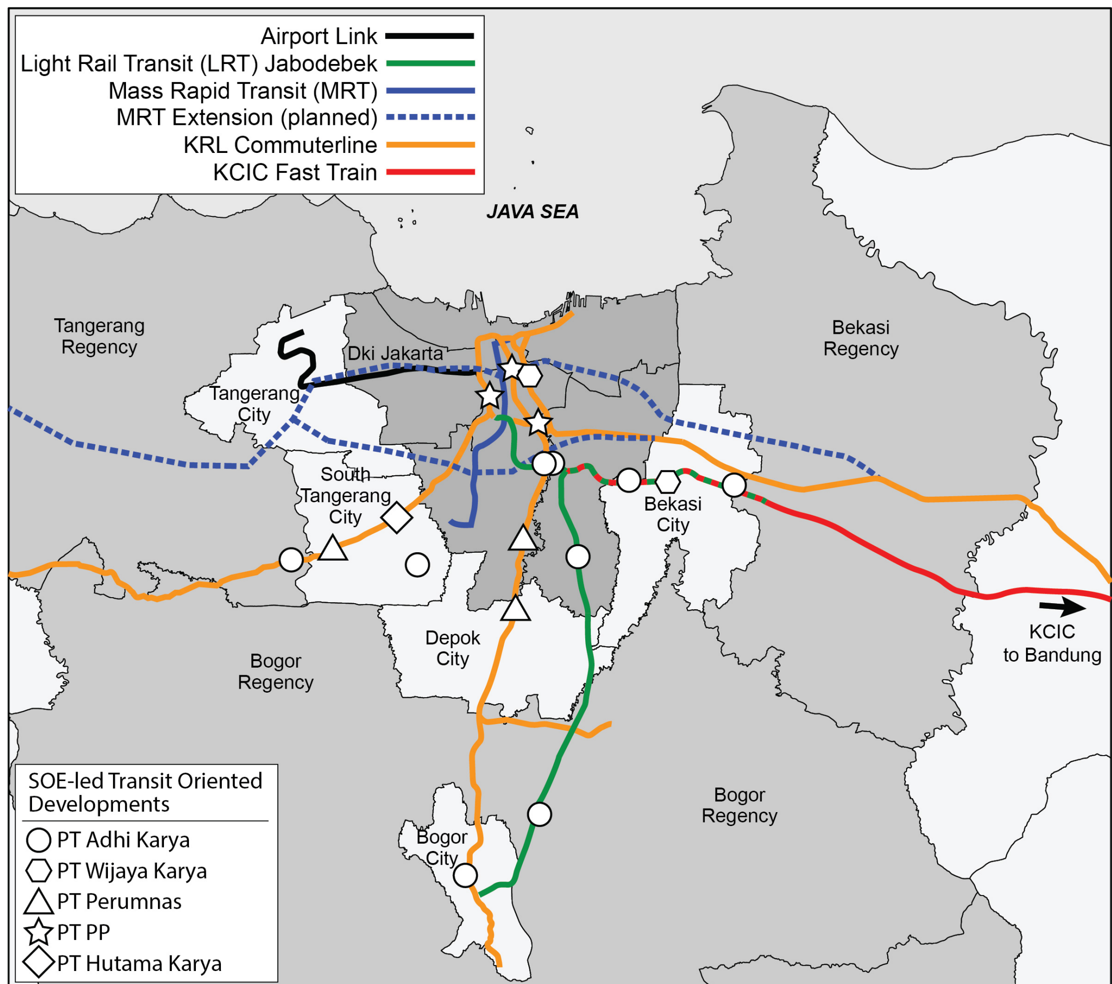

Figure 3. Rail transit and Transit-Oriented Developments in *Jabodetabek*. Artwork prepared by Matt Zebrowski, UCLA Cartography.

These rail projects have unleashed a chain of speculative city-making: As they have come to completion they have catalyzed Transit-Oriented Developments (TOD), mobilized by local and national politicians and planners as panacea for urban problems – the solution for the city's notorious transportation gridlock and backlog of housing. The TOD concept is also leveraged by developers (state-owned and private alike) as a marketing strategy for their real estate projects, aimed at increasing exchange values of their propertied assets along the rail lines: an emergent urban growth machine (Molotch, 1976; Kirkpatrick and Smith, 2011).

This speculative city-making is marked by a series of tension and contradictions**:** between affordability and profitability of transport and housing,

between public interests and state capitalism (i.e. SOEs and the politico-bureaucratic elite), between local and national governments, and between multiple jurisdictions in the metropolitan area. These governance outcomes are shaped by broader historical geographies of speculative urbanism, which I examine below.

4. Jakarta's historical speculative state-spaces in rail development

The speculative state-space shaping Jakarta's development are particularly framed by the speculative urbanism under Suharto's New Order regime and its spectacular failure, precipitating the 1997 Asian Financial Crisis (*Krismon)* and consequent political-economic restructuring. It is also framed by the post-colonial longue durée of economic nationalization via State-Owned Enterprises. Through analysis of four rail projects (MRT Jakarta, Monorail, Rail Link and LRT *Jabodebek*), this section examines how these broader dynamics, marked by regulatory uncertainty amidst restructuring, tensions between central and local governments, and between public and private interests (Duncan and McLeod, 2007), have contributed to the failures of privately financed rail, and the re-emergence of SOEs as key players shaping infrastructure and Jakarta.

4.1 Mass Rapid Transit (MRT): crisis and restructuring (1995-2006)

Under Suharto's authoritarian and clientalistic New Order (1967 – 1998) a number of Public-Private Partnership (PPP) infrastructure projects in sectors undergoing privatization (under World Bank-led neoliberal reforms), from toll roads to energy and rail, took shape in the 1990s (Wibowo, 2014). The MRT, which had been planned since the 1970s, was similarly proposed as a PPP in 1995, its success premised on urban growth in the context of booming speculative real estate developments across

the urbanizing metro area. A consortium of domestic and foreign private investors from Indonesia, Japan and Europe (known as the Indonesia, Japan, Europe Group) expressed interest in the project. While neoliberal reforms in the 1990s encouraged such PPPs, these efforts were filtered through the clientalistic Suharto regime, where concessions were granted to politico-business families connected to the regime (Robison and Hadiz, 2005). The Indonesian firms in the MRT consortium[47] epitomized this regime – including the Suharto family and powerful political-business figures such as Jusuf Kalla (former member of parliament, minister, party chair, vice president, and head of the Kalla Group), Aburizal Bakrie (former minister, party leader, and chairman of the Bakrie Group), and Mochtar Riyadi, a Chinese-Indonesian business tycoon in charge of the Lippo conglomerate (Girianna, 1995; The Jakarta Post, 1996; Febrina, 2009).

This speculative bet on infrastructure and Jakarta's growth reflected the broader conjuncture of capitalism: the MRT consortium was at the heart of a bigger speculative bubble ushered in by capital liberalization policies under the Washington Consensus. Indonesia's publicly-listed transport firm PT Steady Safe (part of the consortium), owned by Chinese-Indonesian businessman Jopie Widjaya, – an aggressive entrepreneur (the so-called T. Boone Pickens of Indonesia) well-connected to Suharto's offspring, with stakes in rail projects, ferries and toll roads[48] – took center stage. Just as Widjaya was making speculative bets on Indonesian infrastructure, equally adventurous Asian financiers were willing to place risky bets on Widjaya's politically-connected ventures: the Hong Kong investment firm

[47] These included PT Bakrie Investindo, PT Pembangunan Jaya, PT Lippo, PT Bukaka/PT Kuda Perkasa (owned by the Kalla Group), PT Suthamthabie and PT Steady Safe, and Binamarga.

[48] One of which owned by Siti Hardiyanti Rukmana, the eldest daughter of President Suharto.

Peregrine (one of the largest in Asia at the time) became a poster child of the reckless speculation that underpinned the 1997 Asian Financial Crisis, making a $250 million bet on PT Steady Safe by underwriting its dollar-denominated bonds. With PT Steady Safe failing to repay its ballooning obligations as the Rupiah crashed, it brought down Peregrine with it, sending shockwaves across global financial markets and institutions (Shari, 1997; Yeung, 2004). A similar scenario played out with the conglomerates Lippo and Bakrie, which had made speculative bets on Jakarta's property market, and whose heavy dollar borrowings and subsequent defaults precipitated *Krismon* and the fall of Suharto in 1998.

This speculation and its dramatic failure reflected the prevailing state-spaces of the Suharto regime, with the national government in charge of planning infrastructure projects in Jakarta: the MRT project was under the auspices of the National Agency for Application and Assessment of Technology, chaired by then vice President Habibie, and the Ministry of Transport. Global investments were also secured through informal connections to the Suhartos (with investors assuming his authoritarian rule offered political stability and investment security). However, with concessions granted based on political connections rather than competitive tenders (Wibowo, 2014), this resulted in poor (financial) planning: prior to *Krismon* it had become clear that private financing would be insufficient, and the MRT would need significant public fiscal support to succeed (Girianna, 1995), which was not forthcoming.

This absence of state support has continued to hamper PPPs in Indonesia in the post-Suharto era of political uncertainty. The *Reformasi* era increased complexity in infrastructure governance, as localities gained planning and land-use power, and contributed to an uncertain investment climate. When the MRT was revived after the

crisis in the early 2000s, private investment was no longer seen as feasible. The government thus sought to secure cheap financing in the form of development assistance loans from Japan, which it was unwilling to provide until the Indonesian government of Susil Bambang Yodhoyono (SBY) made the project national priority in 2005 (essentially guaranteeing it), signing a loan agreement for engineering services with Japan Bank for International Cooperation in 2006.

Governmental fragmentation in this period was also an issue, with negotiations between the national and local governments over how the level of support would be divided between the two, as well as how it would be managed. The national government had to revise the railway regulations in 2007 to allow the government of Jakarta (DKI) to establish a Regionally-Owned-Enterprise (rather than state-owned, as the law stipulated) to manage and operate rail, creating *PT MRT Jakarta* (MRTJ) in 2008 (MRT, 2013). After setting up this regional body, the loan for the construction portion of the project was signed in 2009. While the loan agreement was between JICA and the national government, its repayment is split between city (51%) and national (49%) budgets. National(ist) politics were also at play: negotiations between Japan and Indonesia over the use of foreign and local content secured participation of State-Owned Enterprises, with a consortium of private Japanese and state-owned Indonesian contractors awarded the tender (interview). This case showed that cheap financing and the participation of SOEs over private actors is more likely to receive state fiscal support at national and local levels.

4.2. The Monorail: uncertainty for private rail (2001-2015)

Contrasting the (eventual) success of the publicly funded MRT, privately financed rail projects like the Monorail failed to materialize. Given the initial failure of the

privately financed MRT amidst *Krismon*, local and national politicians in the newly democratic republic were under pressure to deliver infrastructure for the modern metropolis. Like with the MRT, the Monorail was premised on a (number of) speculative business venture(s), driven by local interests, leveraging urban assets and growth to attract international partners, and secure their own capital accumulation strategies. Proposed in 2001 as a private undertaking by a consortium led by state-owned firm Adhi Karya[49], the project was planned to be built and operated without government support. In 2003, having partnered with a Malaysian investor, the project was unveiled under much fanfare by Jakartan Governor Sutiyoso, President Megawati and Malaysian Prime Minister Mahathir Mohamad (The Jakarta Post, 2003a,b).

The project quickly ran into difficulties, having to do with a combination of poor planning, changing plans and cost considerations by the Jakarta administration, and an uncertain investment climate. The Malaysian monorail manufacturer[50], – which had provided a cheaper rail alternative for Kuala Lumpur's monorail – was an attractive option for Jakartan officials, but it failed to secure funding, and could not meet a performance bond demanded by the city. A deal was then made with a Singaporean consortium[51], but it was forced out over disagreements in the use of rail technology, as Jakarta's governor expressed concerns over the ballooning costs of the

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[49] The consortium PT Indonesian Transit Central (ITC), comprising PT Adhi Karya, Global Profex Synergy and PT Radiant Utama, originally proposed a 22 km route from Bekasi to Tangerang; this was changed to two loop lines around the Central Business District.

[50] MTrans Holdings, became involved in the Kuala Lumpur monorail project, which, like the MRT Jakarta, was cancelled because of the Asian Financial Crisis; the expensive Japanese system became unaffordable as the Ringgit sank. MTrans provided locally built trains/rail at a lower cost.

[51] Omnico, which included Singapore's Mass Rapid Transport Pte. Ltd. and Singapore Technologies Engineering Pte. Ltd.

expensive Japanese and Korean rail systems. Political interference also was a factor: the Indonesian company chosen to provide the cheaper alternative was owned by vice president Jusuf Kalla. These cost considerations highlighted the speculative plan of the project, as its sponsors had assumed it would be financially sustainable without public support. Yet, studies showed that would not be the case, given the projected limited ridership (serving mostly users in the Central Business District), which would require government subsidies and higher user fees to recoup investments (Ministry of Finance, 2012). Indeed, the monorail faced early criticism over the projected costs of tickets (12,000 Rupiah), deemed too expensive for Jakartans (The Jakarta Post, 2004; 2005a,b,c,e,f).

Investor demand for guarantees also brought into play the multi-level governmental fragmentation shaping political uncertainty. When in 2006 Dubai Islamic Bank (DIB) expressed interest to finance the project under conditions that the government provide guarantees, this initiated an inter-governmental back and forth: while the President (SBY) issued a guarantee, this also required support from the Ministry Of Finance (MOF), as well as local parliament approval. While a guarantee letter was eventually issued by MOF, DIB deemed this insufficient (Younger, 2009).[52] Amidst this failure to attract private finance, the possibility of state-owned banks financing the project was suggested, but these banks required the fiscal participation of the city government, which the new governor Fauzi Bowo (2008-2012) was not keen to provide (Younger 2009; The Jakarta Post, 2007). With farebox revenue deemed insufficient, and government support not forthcoming, the World Bank deemed the project "implausible", and in 2011 Fauzi cancelled it. Under

[52] Along with complexities over taxation, given it wanted to use Sharia financing (Younger, 2009).

Jokowi's governorship in 2013, a new international consortium[53] expressed interest, though once again it was not clear where financing would come from, and lacking government support, the project stalled again in 2014. Along with disagreements with the city government over the project's design, it was finally canceled by the new governor (and former vice governor) Ahok in 2015. With Adhi's construction frontrunning the project's financial close (which never materialized), it entered into a protracted legal battle with the city to recoup the construction costs, as the abandoned support pillars have etched this speculative failure into the city's landscape (see image 1).

The failure of the Monorail represents the impetus behind the global rollout of the Public-Private Partnership model, particularly in developing nations, in order to secure the interests of private investors in complex project-financing schemes, securing contracts to decades-long cash flows, and backed by government guarantees. It also highlighted the politics around affordability in privatized projects, which involve higher user costs.

[53] Comprising investors from Germany, Thailand, Singapore and China, led by Edwin Soryadjaya, son of Chinese Indonesian tycoon William Soryadjaya, founder of one of the largest Indonesian conglomerates and automotive groups in Southeast Asia, Astra International.

Image 1. Adhi Karya's abandoned Monorail pylons (left) along *Jalan Rasuna Said*, adjacent to its new LRT *Jabodebek* project (right). Author's image (2019).

4.3 Soekarno-Hatta Airport Link: failing forwards to a new regime

In light of the failures of unsolicited and poorly planned privately initiated projects of the 1990s and early 2000s, the government, with the urging of the World Bank and Asian Development Bank, began institutionalizing Public-Private Partnerships (PPPs). Along with policy and regulatory changes, these reforms included a mechanism for political risk guarantees, and a new private infrastructure bank (Indonesia Infrastructure Finance), which would provide long-term financing and assistance with project development.[54] Yet as these reforms filtered through Indonesia's political economy, the government created a state-owned version of IIF in the bank Sarana Multi Infrastruktur (SMI), which has become a central node in project development and finance. One project that was supposed to showcase the

[54] i.e. its business development, including feasibility studies, and business structure.

government's renewed commitment to PPPs was the Soekarno-Hatta International Airport rail link (SHIA), with SMI doing market-soundings across the world to attract private investors (in person interview with SMI employee, 2018). Like the Monorail, it quickly ran into problems related to affordability – its express service targeting premium business passengers was too expensive for Jakartans – and inadequate government support. While a new mechanism for government support (a Viability Gap Fund, designed to make projects bankable) could provide up to 49% of project costs, it became clear that this PPP project required much more support (above 70% according to feasibility studies). This was something the government could not support politically, given the project's exclusive ridership.

The project's derailment also was impacted by local and national politics and interests. At the local level, 'alignment politics' played a part, as mayors leveraged their permitting powers in order to bid to have stations located in their districts, increasing project costs (Horn, 2013). Moreover, given the project's cross-provincial alignment (DKI and Banten) it was controlled by the Ministry of Transport (MOT), and its affiliated SOEs, with monopolies over the rail and airport sectors. State-owned Kareta Api Indonesia (KAI) is the de-facto rail operator, while Angkasa Pura (the state-owned airport operator) controls land for the rail's right-of-way rights to access the airport and the depot. These SOEs were thus likely to be business partners in any PPP venture, which potential private investors would have to weigh in their decision to participate (Horn, 2013). It was also subject to influence by elite networks – especially the revolving door between bureaucracy and SOEs: the Minister of Transport (Jonan), former director of KAI, pushed to change the project's rail gauge (from standard gauge to narrow gauge) to fit with KAI's existing network, which did not fit with the project's business model: having a dedicated rail line for express

service. Ultimately, Jonan called off the project in 2013, instead committing to a concurrent airport rail link aimed at commuter passengers, utilizing KAI's existing rail network (the KRL, see Figure 3), thus requiring minimum investment from the state budget, while securing financing from state-owned banks.

While the PPP project failed, it signaled a changing government willingness to provide funding support (through VGF). However, this willingness depended on the politics of affordability and a preference for SOEs over private actors. Rather than public-private partnership being the model, it was a contingent 'public-public partnership' in which SOEs are involved in development and financing of infrastructure, that set the scene for *LRT Jabodebek*.

4.4. The Light Rail Transit (LRT) Jabodebek: SOE synergies (2015-2020)

The *LRT Jabodebek* is representative of the shift towards state-led infrastructure development, and its entanglement with the geopolitical machinations and economic interests of SOEs, shaped by and shaping Jakarta's speculative state-spaces. Having been mired in a legal battle over the Monorail, Adhi Karya (henceforth, Adhi) proposed the *LRT Jabodebek* as an unsolicited project to address congestion arising from commuter traffic (specifically from Bekasi in the East, and Depok and Bogor in the South) (Figure 3). Like with SHIA rail link, the project's multi-jurisdictional alignment meant the national government was in charge. Given the history of botched PPP rail projects and the extensive time-frames of PPP planning and procurement, a president keen to deliver on his promises sought to accelerate the project. With the 2018 Asian Games in sight, Jokowi issued a series of Presidential Regulations starting in 2015, directly assigning Adhi as the main

developer. This was part of a broader policy shift under Jokowi's reign of directly assigning SOEs to complete projects designated as being of national importance, including the LRT.

Direct Assignment meant the project was ensured by state backing and funding, affording flexibility in economic statecraft: In the context of fiscal uncertainty, it became apparent that the state would not be able to allocate sufficient funds from the state budget; it thus changed the project structure, turning to financial markets instead. However, to attract financing the state had to mobilize sufficient equity (typically 30% of project finance). To do so it assigned the state rail operator KAI as the project investor, while Adhi became the contractor (carrying out construction). The government used its flexibility to inject funds into the project by shifting 3 trillion Rupiah of government equity injections that had been earmarked for KAI's Trans Sumatra railroad project, with additional equity injections from the 2017 and 2018 government budgets (for a total 7.6 trillion Rupiah). This required the issuance of additional presidential decrees (Table 1), as well as a parliamentary vote to shift the earmarked funds (in-person interviews with KAI, 2018; SMI, 2018).

Yet equity itself would not prove sufficient. To assuage financiers' risk-aversion the government had to issue a number of guarantees. These guarantees included a sovereign credit guarantee (so that KAI and Adhi can issue bonds), and cost overrun and cash deficiency guarantees (subsidizing the operations as well as the capital expenditures), thereby securing the investment returns (of ~ 9%) to the banks (interview with SMI, 2018). With guarantees in place, financing came from a syndication of 12 banks[55], the bulk of which from Indonesian state-owned banks,

[55] A syndication by SMI, Mandiri, BRI, BNI, BCA, Bank DKI, Bank SUMUT, MUFG, CIMB Niaga, KEB Hana Bank, Shinhan Bank, and Bank Mega, for IDR 18.1 Trillion ~ USD 1.28 Billion.

including the new infrastructure bank SMI. Apart from lender, SMI played a key role as a transaction advisor (appointed by the Ministry of Finance), determining the project's financial structure, including the numerous guarantees and subsidies. This represents the elite networks of the bureaucratic-SOE nexus, as well as broader 'SOE synergies' (*sinergi BUMN*) in which SOEs across sectors work together, particularly as state-owned banks provide financing to state-owned developers.

The administration was thus able to utilize the flexibility of state-capitalism to finance a project that it had staked significant political capital on, highlighting the willingness of bureaucrats and politicians to become vested in projects requiring heavy state subsidies when SOEs are involved. In the next section I examine how this public-public solutions in infrastructure is extending to housing provision via Transit Oriented Development, marked by tensions between SOEs interests and accessibility.

5. Transit-Oriented Developments: speculation for profit and right to the city

The roll-out of rail is inducing another set of speculative city-making, as transit connectivity is driving up land values and a boom in Transit Oriented Developments. All the major construction SOEs building the city's infrastructure are also involved in developing 'TOD' projects around rail stations, typically mixed-use apartment towers with retail space (Figure 3). SOEs seek to transform their TODs into financial assets through initial public offerings (IPOs), i.e. listing these assets on the stock exchange so that investors can bet on and trade the underlying values of these assets – their retail income and exchange values –, speculating on market conditions and the 'world-class city' dreams of middle-class residents. Balancing this speculation with the need for affordable housing reveals the contradictory tensions framing Jakarta's speculative state-space.

Adhi's budding TOD business is particularly tied-up with rail: its interests in the *LRT Jabodebek* are linked to its speculative real estate strategies, aligning the project with its properties, and establishing a property subsidiary in anticipation of the project, even before it was directly assigned by the government. Prior to the project's completion it began to use it as marketing leverage for its "LRT City" TOD scheme, transit-oriented housing with an urban lifestyle to boot: "we are not only building the LRT, but also developing the community (LRT City, 2019)". With 15 planned TODs along the LRT as well as on the existing commuter line (KRL), it began leveraging these incomplete assets in order to attract financing from capital markets by issuing bonds, to further expand and reproduce capital accumulation.[56] It has also been planning an IPO, after creating a subsidiary company (Adhi Commuter Properti, ACP)[57] in 2017, anticipating the right market conditions, premised on future demand and the ability to extract 'value' (cash flow) for potential stock buyers willing to take a risk:

> We wanted to have a very strong value proposition on the TOD project for our property business. That is why recently we made a spinoff for the TOD to become *Adhi Commuter Properti* (ACP), the new entity with the value proposition of housing surrounding mass transportation. We have *Adhi Properti* (another subsidiary), but its projects are scattered across Indonesia, in Surabaya, Malang, Semarang, Jogja, Jakarta, etc., and its value proposition is just normal property. So we believe that we need to have ACP to manage only the properties under the TOD concept. And based on our research we knew there was a good potential market, with very high demand, so we have to maintain the value proposition, because we also have plans that by 2019-2020 ACP will go public (IPO), …and based on our

[56] In 2017 it issued a 5 year, 2.9 trillion IDR bond, 1.5 trillion of which were for the LRT and TOD business: 900 billion for the development of TOD and 600 billion for working capital for LRT (with the remaining amount for its other businesses). It also issued a 1 trillion IDR bond in 2019, with plans for another bond in 2020.

[57] Creating a 'spinoff' by releasing 30% of ACP shares worth an estimated 2.5 trillion IDR.

> estimates, the market in 5 years will be around 12 trillion Rupiah, and if we are able to make an IPO we believe that in around 10 years it will be around 30 trillion Rupiah (ADHI interview, 2018).

Adhi's market speculation is tied up with a broader set of speculations and tensions between use and exchange values. Adhi's strategy is premised on the use value of TOD housing, requiring that *residents* occupy the mixed-use developments in order to engage in its consumptive lifestyle and generate cash flows. However, this strategy is undercut by other speculators seeking to profit from properties' exchange value (as demand and prices rise), undermining the TOD's 'value proposition' for potential stock buyers since apartment towers are underutilized:

> We need to improve our marketing, because we realized the buyers are still investors [i.e. speculators], because they are there to get the primary market price… If they are an investor, they buy not only a single unit, they buy more than 10-15 units. I will be happy if there are more end users than investors, because otherwise it means we will have to compete with these investors when we launch another tower, because the supply (of units) will not decrease – since they only buy in order to resell – which will suppress the price. The second issue is about [the density], because *the investors will not utilize the apartment as their housing*, and we try to create a community, but unfortunately up till now the investors are more (ibid).

Adhi's speculative venture reflects a broader tension between affordability and profitability in Jakarta's speculative state-space, and the contradictions of development accumulation (Doshi), framed by the flexibility of elite informality, and the politics of developmentalism. On the one hand, this is a process that is undermining the rights to the city for the urban majority: a decades-long middle-class and luxury real estate property boom dotting the metropolitan landscape (Herlambang et al., 2019) and impinging on the urban majority (Leitner and Sheppard, 2017). With

demand outstripping supply,[58] along with rising costs in the city, "only 20% of households can comfortably afford to acquire housing in the formal commercial market" (World Bank, 2018).

On the other hand the politics of development are mobilized to redress the externalities of speculative urbanism as the government has sought to provide affordable housing through the '1 million housing program' (MRB), and TODs are now being presented as a solution to this low-income housing deficit. Like the provision of rail infrastructure, this is a public-public solution: In 2017, the Minister of State-Owned Enterprises Rini Soemarno instructed SOEs to build TODs in line with this affordable housing program, requiring that a minimum of 30% of housing be low-income. This solution is made possible through SOE synergies, as construction SOEs like Adhi partner with KAI as the main owner of 'idle land' surrounding stations on the KRL commuter line (Figure 3). SOE synergies allow for flexibility on the financing side as well, which can attenuate affordability concerns. For example, while commercial banks provide mortgage financing to the top 20% of the income bracket (World Bank, 2018), state-owned banks provide subsidized mortgages to low-income residents as part of a government program.[59] By subsidizing mortgages for homeowners, banks also secure cash flows for developers selling apartments.

Yet, as SOEs create joint ventures to build TODs, this 'public-public' solution to affordability also faces tensions with the profitability considerations of commercial undertakings, particularly for SOEs like Adhi that are publicly traded: low-income

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[58] By an estimated 270,000 annually, for a total backlog of 7.5 million housing units (World Bank, 2018).

[59] Through *Fasilitas Likuiditas Pembiayaan Perumahan*, a housing finance liquidity facility.

units must be no more than commercial units because Adhi must also pursue profits. As noted by a property consulting firm advising SOEs on TODs:

> Initially they wanted to create a lot of low-cost apartments, on the other hand the Joint Venture company needs to think about the profit, so we proposed to have a balance between low-cost housing and commercial space in order to make the project feasible (interview with stakeholder, 2019).

Beyond the tension between profits and affordability, the governance of TOD is also being shaped by the historical geographies of rail development and governmental fragmentation. This is because rail networks in the city (the KRL and MRT) are respectively operated by a State-Owned (KAI) and a Regionally-Owned (MRTJ) Enterprise. While the state-owned rail operator KAI has strategic land assets along the extensive commuter line network (KRL, developed under colonial rule and nationalized post-independence), the failure to build the MRT prior to the speculative boom of the last 20 years has meant that the city government has limited land assets that it can develop along the MRT. At the same time, while city-owned operator MRTJ has been granted management rights over TODs along the MRT, state-owned KAI requires planning permits form the local government to develop its assets along the KRL.

These splintered jurisdictions are forcing innovative governance solutions: DKI Jakarta is using its planning authority as leverage in negotiations over the management of an integrated approach to station development: Following a 2018 presidential directive on integrative transport planning in *Jabodetabek*, the city and the national government entered into a joint venture (through MRT and KAI) to form the company *Moda Integrasi Transportasi Jabodetabek* (MITJ): allowing the city to gain a controlling stake (51%) over the management of KAI's stations, in line with

city-wide TOD plans, while KAI is able to effectively utilize its assets (interview; Rahardyan, 2020). The city and state both benefit from the expansion of urban transport and housing. This solution highlights the governance flexibility and necessity for coordination where there is no regional authority.[60]

5. Discussion: speculative state-spaces of the re-developmental growth machine

The emergent urban growth machine in *Jabodetabek* is enacted through statecraft and the speculative strategies of SOEs. Together, they constitute a speculative state-space, replete with tensions between central-local governments, and between capital accumulation and the developmental politics of accessibility and affordability to the city. The city/urban is a geopolitical arena for state legitimacy and power (Jonas and Moisio, 2018) via infrastructure solutions for driving economic growth. This is part of a broader state-directed regime, enacted through presidential decrees and legislative acts (Table 1), as well as informal ties between SOEs and ministries, supporting broader SOE synergies in the production of urban space. Urban spaces also play into SOEs' geostrategic visions for accumulation: In the case of *LRT Jabodebek*, Adhi Karya designed and carried out the project in line with its plan to utilize strategic land assets along the LRT in order to expand its property business, leveraging the appeal of TODs to secure future flows of people and capital.

Accounting for the contingencies of (geo)politics and elite informality helps us broaden our understanding of the nature of speculation in city-making in the post-colony. Typically, investors speculate based on the financial viability and/or changing valuations of an asset, where decisions to buy or sell are based on the (probabilistic)

[60] *Badan Pengelola Transportasi Jabodetabek*, a coordinating body for the Jabodetabek region established by Jokowi, housed under the Ministry of Transport, lacks enforcement powers.

likelihood of financial gain/loss, and shaped by assumptions of economic growth and market potential. For example, Adhi leverages the expectation of profitability in its TOD projects in order to finance further expansion. In the context of neoliberalization, such speculation is typically shaped by assumptions of low(ered) political risks, based on regulatory certainty secured via de-politicizing legal regimes and technocratic management. Yet, Adhi's ability to speculate on these propertied assets rests on formal and informal political support making possible the infrastructure that undergirds economic activity: (un)certainty, and thus speculation, arises from decisions of politicians and bureaucrats.

The governance of infrastructure provision in the post-colony is also shaped by the entanglement, tension and contradictions between, financial and more-than-capitalist logics. In the case of the *LRT Jabodebek*, the logic of financialization – the structuring of 'bankable' projects that generate financial returns – was initially not a factor given the project was directly assigned and publicly funded. This changed when direct state funding fell short, and 'bankability' became a necessity in order to attract financing; unlike in privately initiated and financed projects in the past (central) state fiscal support and financial guarantees ensured market-rate financial returns. This is because while financialization has increased state exposure to financial risk, it has also expanded state power and capital through SOEs. The public's role in the growth machine is not limited to subsidizing (private) investments, but is vested in its speculative growth. While this form of development accumulation puts pressure on affordability to the city, it also has allowed the government to push SOEs (formally and informally) to take on less profitable assignments in the interest of the general public, such as low-income housing provision.

Tensions in the governance of the growth machine extend to the complex central-local relations, as local governments have less leverage when it comes to cross-provincial matters, necessitating coordination, and deference to the central government, necessitating city statecraft in the territorially fragmented metropolis: state and regionally-owned enterprises, and by extension central and local governments, negotiate shareholding over urban development, using their respective assets and/or jurisdiction over city and metropolitan planning as leverage.

6. Conclusion

This study of rail transit and housing in Jakarta offers insights into the critical role of the post-colonial state in driving, mediating and investing in speculative and inclusive urban growth. Speculative urbanism in Jakarta, Indonesia is shaped by competing neoliberal and state-capitalist modalities of infrastructure provision, and the (national) politics of developmentalism, marked by a tension between development accumulation and accessibility to the city. As the government seeks to drive catch-up growth it has adopted up-scaled strategies for attracting infrastructure finance and developing infrastructure through SOEs, but also for redressing the displacement pressure that this development accumulation brings. These efforts are mediated by the speculative strategies of SOEs and bureaucrats, speculating on financial performance, the informality of state-capitalism, and the contingencies of planning in the governmentally fragmented metro area. This speculative state-space frames the provision of rail infrastructure and affordable housing in Jakarta.

Attention to shifting conjunctural positionality and path-dependence is key for understanding how this state-space shapes and is shaped by urban development. Jakarta's state-space has been shaped by the historical geography of speculative

urbanism in the 1990s – centered on speculative real estate developments – and its dramatic failure amidst the 1997 Asian Financial Crisis. This precipitated political-economic restructuring, altering central-local dynamics amidst decentralization and democratization, and the politics around privatization. Through case studies of rail projects, I show how government unwillingness to subsidize private (and foreign) investors given concerns over user costs and nationalist preferences for domestic (state-led) alternatives, as well as increased planning complexity in the multi-jurisdictional metropolitan area, contributed to regulatory uncertainty and the failure of the privatized provision of rail infrastructure.

In the context of rapid urbanization and increasing congestion, this failure has prompted the (re)assertion of national bureaucratic and executive power, up-scaling the governance of infrastructure provision. SOEs are important actors in speculative urbanism, planning, developing and financing transit infrastructure projects, in line with their own speculative strategies, but also at the behest of the national government rolling out infrastructure as a national development strategy. This is enacted through regulation, presidential directives, and elite informality between SOEs and the state. Compared to Western cases of post-Keynesian rescaling of the infrastructural imperative in the context of fiscal federalism, here the growth machine is heavily orchestrated and invested at the national level.

This state-led approach also articulates with neoliberal approaches aimed at profit-maximization and returns on investment, mixing the imperatives of finance and development: while multilateral development banks have sought to implement the Public-Private-Partnership model for project finance, Indonesian government has modified this approach through SOEs, enabling a variety of 'public-public' solutions in which the state, to varying degrees, is at once the investor, financier, insurer and

developer. Under this model capital circulates between SOEs, without necessarily transferring to private sector actors. While this approach uploads financial risk to the central state, it also underwrites SOEs' capital accumulation, thereby also expanding state power, capital and national interests.

This national development accumulation present challenges for local inclusivity. As rail development in Jakarta is catalyzing another chain of speculation in Transit Oriented Developments, it is undermining affordability and accessibility to the city, requiring state intervention. While SOEs seek to realize their profit-maximizing capital accumulation strategies via TODs, they are also pushed to reduce the profitability of these undertakings in line with national government policies aimed at affordable housing. Yet, this attempt at tempering the negative externalities of speculative urbanism is premised on the very SOE synergies driving urban growth and displacement, highlighting the paradoxes of this national development project, seeking to balance national (elite) interests with the needs of the urban majority.

In an era of finance dominated accumulation, and in the context of competing state-led and neoliberal development models, the case of Jakarta highlights the challenges and possibilities for infrastructure provision, and (urban) development more broadly, that (the articulation of) these models present. While these are not mutually exclusive, amidst the unfolding crises of neoliberal globalization, developing countries may find increasing appeal in the more-than-capitalist alternative, as they seek to balance the development accumulation of catch-up growth with socio-economic inclusivity. Cities (the urban) are a critical arena in and through which these competing visions and strategies are being enacted. Examining their variegated forms will deepen our understanding of the urban process, as well as the potential for altering development trajectories on a broader scale.

CONCLUSION

In the context of endemic financial crises and their unresolved consequences, the dominance of financialized neoliberal capitalism and its market-fundamentalist ideology is increasingly being challenged. Rising powers such as China, seeking to challenge Western hegemony and neoliberal globalization, are advancing alternative state-capitalist models to national development and global geopolitics. In this contested geopolitical-economy (GPE), infrastructure has emerged as a key mechanism for advancing these competing interests – manifest as competition between market-based and state-led infrastructure financing. This dissertation examines how infrastructure's development and financing has emerged as a spatial and institutional fix for the crises of global capitalism, and catapulted atop the Development agenda as a mechanism for achieving development objectives, centered on economic growth. For developing countries seeking to shape their own developmental paths, this geopolitical-economy presents both opportunities and challenges for catch-up growth, as they struggle to position themselves relative to unfolding geostrategic alliances led by Western market-democracies and China. This dissertation thus also examines how this GPE takes place in Indonesia and the mega-city region of Jakarta.

In doing so, this research contributes to understanding:

1. The dialectical entanglement between geopolitics and globalizing capitalism: geopolitical-economy (Sparke, 2018; Glassman; 2018). This geopolitical-economy highlights the ways geopolitical power and interests (aimed at territorial influence) are coproduced with geoeconomic power and interests (aimed at capital accumulation). Geopolitical-economy also implicates Uneven and Combined Development, paying attention to how states are

differently positioned to take advantage of changing conditions, but also the combination of approaches they can take to achieve development (Hudson, 2016; Dunford and Liu, 2016).

2. The geographically variegated ways in which neoliberalization and financialization are both entangled with and contested by state-capitalist alternatives. While neoliberalization is always an incomplete, mutating and geographically variegated process (Peck and Theodore, 2007; Brenner et al., 2010), its explanatory weight must also be measured against logics, practices and spaces that exceed its conceptual registers. This requires examining the qualitative form of state involvement (O'Neill, 2008), paying attention to the actors and networks involved in infrastructure financing and development – the assemblages of state institutions, state-owned and private corporations, and multilateral banks – in order to excavate their actually existing, hybrid forms. In doing so, this research highlights the blurring conceptual and empirical boundaries between the categories of market and state, and between the public and private spheres.
3. The critical role (and multi-scalar constitution) of the urban scale, and mega-city regions as state-spaces in and through which this geopolitical-economy is produced. Whereas under neoliberalism the urban has been a privileged scale for formulating and implementing development policies (Brenner 2004; Jones, 1998), this is reassessed in the context of intensifying geopolitics, as many nation-states actively orchestrate and intervene in the urban development process. Given urban theory's empirical embeddedness in Western contexts – 'global cities' of Western Europe and the US –, and thus its restricted analytics (Roy, 2009; Leitner and Sheppard, 2016), this research examines

how the geopolitical-economy of infrastructure financing takes place in and through the post-colonial city of Jakarta. Jakarta's historical differences in development, owing to its positionality on the periphery of globalizing capitalism (Sheppard, 2019), require attention to the different set of privileged state-spaces, strategies and actors shaping urbanization.

These processes are examined through a multi-scalar (urban, national and international), relational and conjunctural approach. This approach highlights the broader spatio-temporal structuring context in which multiple scales, places, actors and networks are (path-dependently) entangled, and which they co-constitute at the same time.

The global scale

I show how trade and financial interdependencies, between the US, China and Japan, going back to the 1980s, – particularly the circulation of China's and Japan's trade surplus (i.e. 'savings glut') with the US into US treasury securities, along with loose Japanese monetary policy driving investments abroad beginning in the early 2000s – frame the contemporary conjuncture of financialization, and contributed to the 2008 crisis. The knock-on geopolitical economic effects of the 2008 crisis – the disruption of these trade and financial interdependencies – have been central to infrastructure's rollout: loose monetary policies in advanced capitalist countries (low interest rates and quantitative easing in Japan, the US and Western Europe) have pushed private investors seeking higher yields to finance projects in developing countries. This macro-economic environment has created pressure to promote market-based project financing spearheaded by multilateral development banks like the World Bank (WB)

and Asian Development Bank (ADB), particularly through the Public-Private Partnership (PPP) model.

This neoliberal model is both augmented and challenged by nation-states advancing distinct geopolitical-economic goals. In Asia, where China and Japan vie for regional superpower status, they seek to resolve their (globally embedded) political-economic contradictions by exporting infrastructure as spatial and institutional fixes, driving infrastructure investments and financing as national export stimulus strategies. As part of (former) Prime Minister Abe's broader economic revitalization strategy after 2008, Japan has pushed an Infrastructure Export Strategy aimed at securing overseas markets for its companies and banks. China's 2008-9 stimulus led to production expansion in heavy industries, particularly steel and coal, creating surplus capacity, part of which is now being exported via the Belt and Road Initiative.

This infrastructural solution manifests in competition over the export of technology, services and finance, framing broader competition over investment regimes, and the modalities through which investments are secured abroad: nominally, market-based vs. state-led. Seeking to counter China's growing clout (especially in the Asia-Pacific), Japan through its Partnership for Quality Infrastructure (PQI), has sought to shape the broader international investments architecture in order to advance its private sector companies through PPPs. China is advancing the Belt and Road Initiative, seeking to reshape infrastructure investment landscape through its State-Owned Enterprises (SOEs).

In Indonesia I show that as these market-based and state-led models are grounded in particular projects they combine a variety of institutional forms, private and state actors in configurational hybrids that exceed the rationalities framing their

respective ideal-types. While Japan advances its interest through market-based financing, I show that this requires a diverse mobilization of the state, from establishing the regulatory conditions for PPP markets, to subsidizing private investors and financiers through state-owned policy banks and insurance companies. At the same time, China and Japan both use non-market means – concessional Official Development Assistance loans by Japan, or commercial lending by Chinese state banks –, buttressed by diplomatic negotiations, to advance private and state-owned capital respectively.

Between the neoliberal market-fundamentalist approach and China's state-capitalist approach, Japan's 'state-guided' approach reflects a continuation of its long-standing interventionism in support of the private sector. Recast in the context of intensified geopolitical competition, this suggests that maintaining markets and the private sphere may, contradictorily, require more state intervention. It may also re-orient the ideological Development compass further away from market fundamentalism and the artificial division between states and markets that it seeks to maintain; China's and Singapore's 'corporatized' state-capitalist economies (Huat, 2016) thus serve as attractive models for emerging economies like Indonesia, which has resisted World Bank pressure to privatize SOEs (Wicaksono, 2008).

The national scale

At the national scale I examine how this geopolitical-economy is grounded, from the perspective of the political-economy of Indonesia. In the context of political-economic restructuring instigated by the Asian Financial Crisis of 1998, I investigate whether and how the World Bank and the Asian Development Bank efforts to institutionalize a Public-Private Partnership (PPP) regime for the provision of

infrastructure are transforming the practices and rationalities of government. In addition to pushing policy reforms aimed at creating an enabling environment for PPPs, the WB and ADB set up a new infrastructure bank (Indonesia Infrastructure Finance) and a risk guarantee provider (Indonesia Infrastructure Guarantee Fund, IIGF), designed to catalyze the infrastructure market by transforming infrastructure into a bankable asset offering Return-on-investment.

As this model articulates with Indonesia's post-colonial political economy, I show that neoliberalization is contested and modified by state-capitalism and developmental politics. There are multiple other reasons impeding the preparation and execution of PPPs related to Indonesia's political economy, including: a complex land tenure regime and the politics of displacement, institutional fragmentation, an uncertain regulatory framework and lack of government fiscal support. These impediments are compounded by a general lack of political will to implement PPPs, reflecting incentives for bureaucrats and administrators that differ from PPPs' market efficiency incentives, and by a political culture and interests favoring State-Owned Enterprises over private actors.

This has pushed the government to directly assign SOEs to develop infrastructure (rather than relying on market procurement). At the same time, Indonesian officials selectively appropriate neoliberal policies in order to achieve developmental goals, producing more-than-capitalist outcomes: The government has created a state-owned infrastructure bank (*Sarana Multi Infrastruktur*) which combines both commercial logic and concessional development financing in order to finance both market-based PPPs and non-market based (direct assignment) deals, while IIGF also is directly guaranteeing SOEs, rather than just PPPs (as per its original mandate). These institutions are simultaneously incentivized to follow

commercial principles and pushed to take on deals where ROI is superseded by state development objectives. This shows how financialization is utilized by the state for achieving developmental objectives, enabling the reproduction of state power even as financial logic and interest are both reproduced and attenuated.

Catalyzed by these newly established infrastructure banks the expanding infrastructure debt market has created opportunities for SOEs (both financial institutions and contractors/developers). The state utilizes SOEs as developers and financiers of infrastructure projects, presenting them also as *de jure* “private” parties in Public-Private Partnerships that *de facto* are ‘Public-Public Partnerships’ (competing with private sector actors). This is enabling an ecology of SOEs where risks and rewards are distributed amongst state banks, contractors and insurers. These outcomes highlight that the state is not just a market regulator but also a market maker (facilitating project finance), and an active participant in the infrastructure market. This reflects historical and institutional legacies of the Indonesian state, and the particular set of actors involved in the market in a political-economic context where SOEs retain a significant role.

This involvement of SOEs also helps us rethink the relationship between public and private spheres. In practice, neoliberalization has blurred the analytical and empirical distinction between the two by privatizing public authority. At the same time it has discursively and ideologically sought to naturalize this division in the interest of obscuring the power of private authority and (the political process of) rendering this private authority beyond democratic control (Cutler, 1999). This explains why the Public-Private Partnerships has become a global model aiming to expand private power and interests as a solution to limited public funds in the context of fiscal austerity. Yet this blurring of the public-private divide takes as a reference

point the neoliberalization (and privatization) of the Keynesian Welfare State. Attention to national developmental politics in the post-colonial state show us that this blurring can also work in the opposite direction: for instance, state-owned corporations (SOEs) can function as private enterprises operating according to commercial, profit-maximizing principles, thereby competing with other private sector actors. This highlights the political processes that shape the arrangements between (and content of) these realms, as well as the potential for alternative models of development.

The urban scale

Beyond political-economic reforms, this research highlights the understudied role of the state in speculation and speculative urbanism. Jakarta's contemporary state-space is shaped by its historical geographies of speculative urbanism, particularly by the real estate boom of the late 1990s – large-scale real-estate developments driven by excessive borrowing from abroad – and its dramatic failure amidst the1997 Asian Financial Crisis. This crisis precipitated the fall of Suharto, and contributed to a changing political-economic regime, as decentralization and democratization altered central-local dynamics and the politics around privatization – previously dominated by clientalistic deals under Suharto. In particular decentralization and democratization increased complexity in infrastructure planning and execution as localities gained planning powers, which along with regulatory uncertainty contributed to a poor investment climate. In the rail sector in particular, government unwillingness to subsidize private (and foreign) investors, given concerns over user costs, but also nationalist preferences for domestic alternatives, contributed to the failure of the privatized provision of rail infrastructure in Jakarta.

In the context of rapid urbanization and congestion, governmental fragmentation in the multi-jurisdictional *Jabodetabek* metro area has prompted the assertion of national bureaucratic and executive power in the governance of infrastructure's provision. SOEs are important actors planning, developing and financing infrastructure projects, with their own speculative strategies, but also at the behest of the national government rolling out infrastructure as a national development strategy. The *Light Rail Transit Jabodebek* project represents this shift towards central state-led infrastructure development, made possible by 'public-public partnerships' in which the state, to varying degrees, is at once the investor, financier and developer. Under this model capital circulates between SOEs, and does not necessarily transfer to private actors. This represents an uploading of risk to the central state, while also keeping risks and returns within the ecology of SOEs. Compared to Western cases, such as the post-Keynesian downscaling of the infrastructural imperative in the United States in the context of fiscal federalism, Jakarta's growth and development is heavily orchestrated and invested at national level through Public-Public Partnerships.

These Public-Public Partnerships represent a speculative state-space, in which the political interest and developmental objectives of state and city governments have become entangled with the speculative capital accumulation strategies of State-Owned Enterprises (SOEs) in the production of urban space. These strategies are also premised on political speculation around the planning and execution of projects, enabled by elite informality, and highlighting the geo-political dimensions and contingencies of city-regional governance. These speculative state-spaces highlight the willingness of bureaucrats and politicians to become vested in projects requiring heavy state subsidies when SOEs are involved. They also highlight the articulation

between financial and developmental logics, securing returns for financiers, while reproducing state capital and national interests.

As rail development in Jakarta is catalyzing another chain of speculation in Transit Oriented Developments, it is undermining affordability and accessibility to the city, requiring state intervention. While SOEs seek to realize their profit-maximizing capital accumulation strategies via TODs, they are also pushed to reduce the profitability of these undertakings in line with national government policies aimed at affordable housing. Yet, this attempt at tempering the negative externalities of speculative urbanism is premised on the very SOE synergies driving urban growth and displacement, highlighting the contradictions of this national development project, seeking to balance national (elite) interests with the needs of the urban majority.

The case of Jakarta highlights the possibilities for development and governance of infrastructure in this historical conjuncture of eroding Western hegemony and the rise of China, as state-capitalism offers an alternative strategy against the market-fundamentalism of neoliberal institutions and private capital. While these models are not mutually exclusive, amidst shifting geopolitical ties and the unfolding crises of neoliberal globalization, developing countries may find increasing appeal in the more-than-capitalist alternative, as they seek to balance the development accumulation of catch-up growth with socio-economic inclusivity.

Further research

There are various directions for extending and deepening this research. For example, the study could be extended to other Indonesian cities: as Indonesia's capital, Jakarta and the broader multi-jurisdictional metro area encompassing three

regencies and multiple cities receive disproportionate attention, investments and national government intervention. Secondary and tertiary cities that do not have to deal with the governmental fragmentation of Jabodetabek may not experience the same level of national intervention. A comparison between different cities in this national context may thus provide a better understanding of the spatialities of state power in Indonesia, and patterns of urban development.

The study can also benefit from a more systematic analysis of the 'SOE ecology' and the SOE-bureaucracy nexus posited here, by examining (1) the web of connections between SOEs, particularly between state-owned banks and financial institutions and other SOEs, through quantitative analysis of financial statements and annual reports. Such an analysis is especially pertinent in light of the government's effort to establish a series of holding companies across SOE sectors, which is meant to pool resources and provide more leverage for accessing finance, in order to meet ambitious infrastructure goals, but also represents a broader restructuring of state-capitalism, following Singapore's and China's models; and (2) the revolving door between SOE cadres (particularly senior management) and the state bureaucracy, particularly Ministries affiliated with those SOEs (e.g. The Ministry of Transport and the rail operator KAI), in order to gain a better understanding of the connection between the state and capitalist enterprises (beyond its role as a majority shareholder in SOEs), and the (informal) mechanisms through which the state influences SOE decision-making, particularly in those SOE that are publicly traded. Such an analysis can also provide a better sense of the distinction/division between 'public' and 'private' spheres in Indonesia.

Finally, the geographic scope of the study can be expanded to examine and compare the nature of infrastructure development and financing in other developing

countries. A panoply of studies have examined the role of China's Belt and Road Initiative in Asian and African countries, but these typically do not examine the articulation between state-led and market-based models explored here. Comparing this geopolitical-economic and ideological tension across countries would provide a more systematic evaluation of the global geopolitical-economy of infrastructure financing. By doing so it would yield further insights into the ongoing transformations of global capitalism.

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