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Authors
Herlambang, Suryono
Leitner, Helga
Tjung, Liong Ju
et al.

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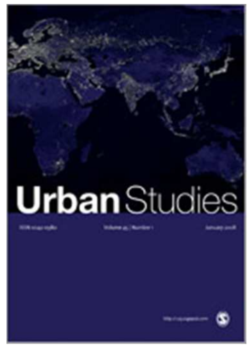

Jakarta’s Great Land Transformation: Hybrid Neoliberalization and Informality

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ABSTRACT
We analyze dramatic land transformations in the greater Jakarta metropolitan area since 1988: large-scale private sector development projects in central city and peri-urban locations. These transformations are shaped by Jakarta's shifting conjunctural positionality within both global political economic processes and by Indonesia's hybrid political economy. While influenced by neoliberalization, Indonesia's political economy is a hybrid formation, in which neoliberalization coevolves with long-standing, resilient oligarchic power structures and contestations by the urban majority. Three persistent features shape these transformations: the predominance of large Indonesian conglomerates' development arms and stand-alone developers; the shaping role of elite informal networks connecting the development industry with state actors; and steadily increasing foreign involvement and investment in the development industry, accelerating recently. We identify three eras characterized by distinct types of urban transformation. Under autocratic neoliberalizing urbanism (1988-1997) peri-urban shopping center development predominated, with large Indonesian developers taking advantage of close links with the Suharto family. The increased indebtedness of these firms became debilitating after the 1997 Asian Financial Crisis. Thus post-Suharto democratic neoliberalizing urbanism (1998-2005) was a period of minimal investment, except for shopping centers in DKI Jakarta facilitating a consumption-led strategy of recovery from 1997, and of an active restructuring of elite informality. Rescaled neoliberalizing urbanism (2006-present) saw the recovery of major developers, renewed access to finance, including foreign capital, and the construction of ever-more spectacular integrated superblock developments in DKI Jakarta and peri-urban new towns.

Keywords: Neoliberalizing urbanism, urban transformation, real estate mega-projects, elite informality, hybrid political economies

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Across Southeast Asia, the landscapes of major metropolitan areas have experienced a remarkable transformation during the last thirty years, as large-scale residential developments, catering to a newly emergent, aspirational middle class, shoulder aside informal settlements housing the urban majority. In the mid-1980s Jakarta's landscape was dominated by kampungs, with just a handful of high-rise hotels, office towers and shopping centers scattered along major thoroughfares. Today, its booming real estate market (the world's hottest in 2013) is dominated by mega-developments driven by large and well-connected Indonesian developers: a great land transformation. Each is marketed as more spectacular than the last, feeding a seemingly insatiable demand. These range from land-extensive peri-urban new towns, to single block multi-use towers, industrial estates with residential districts, and multi-facility mega-projects offering residents everything from cradle to grave—supplemented by planned offshore residential islands.

Such spatial transformations have to be understood within the context of changes in the dominant political economic regime, including complex formal and informal relations between private capital and the state, making it necessary to attend to the conjuncture of local and global processes. Locally, Jakarta's urban landscape is still redolent of the colonial and post-colonial processes that generated a city where the majority of residents live in kampungs located between the major thoroughfares: The *desakota* landscape conceptualized by McGee (Armstrong and McGee 1985; McGee 1991), inhabited by an urban majority whose complex livelihood practices have been documented by Simone (2010, 2014). Nationally, Indonesia's political economy remains dominated by a large, unwieldy and opaque state apparatus seeking to control land development but shot through with formal and informal connections to the development industry (Hudalah and Woltjer 2007). The national state also has a particular, longstanding interest in presenting Jakarta, the national capital, as a national model. Globally, since the end of colonialism Indonesia has sought to shape, but also has been shaped by, global development imaginaries. Under Sukarno, Indonesia was at the center of attempts to craft a post-colonial 'third world' development imaginary—an alternative to North Atlantic capitalism and Euro-Asian communism—initiated at the 1955 Bandung Conference. In contrast, Suharto's autocratic regime was characterized by a geopolitical turn to the USA and the Washington Consensus, a tendency that has continued in the post-Suharto era. Today, Jakarta is a hybrid shaped by neoliberal global urbanism and place-specific formal and informal power structures.

In this paper, we analyse the trajectory taken by these land transformations across greater Jakarta's urban landscape since 1988, by which time neoliberalization was circulating in Indonesia. First, we summarize current thinking on the spatially variegated nature of processes of neoliberalization and informality, leading into a discussion of their evolution in Indonesia and Jakarta. We emphasize two aspects: How neoliberalizing urbanism reflects the shifting positionality of a city within globalizing capitalism, and the enduring significance of place-specific informal power structures.

The second main section provides an empirical overview of these transformations, seeking also to explain them. We divide this chronologically into three eras: 1988-1997 (the New Order decade of autocratic neoliberalizing urbanism, culminating in the Asian financial crisis and the fall of Suharto); 1997-2006 (the first phase of national *reformasi*, democratic neoliberalizing urbanism, characterized by limited post-crisis real estate investment); and 2007-present (rescaled neoliberalizing urbanism: characterized by a renewed desire of large developers to reinvest in real estate, and the devolution of political authority over spatial planning to regencies and municipalities). For each period, we analyze the spatio-temporal evolution of large-scale private property development projects, and examine how shifts in political economic regime—including both formal and informal relations between private capital and the state—but also Indonesia and Jakarta's integration into the global economy are implicated in Jakarta's great land transformation. The role of international influence over these transformations, attenuated in a nation-state that makes foreign ownership of property very difficult, is reserved for a separate section.

Our analysis is part of an ongoing research project examining these land transformations. The bulk of the data comes from a historical database of all major development projects (new towns, superblocks, and shopping malls) created by Herlambang and Liong, documenting the location, size (parcel, gross floor area and floor area ratio (FAR), form and function of these projects, the years they opened, and their ownership (including foreign involvement) and major commercial tenants. This was assembled from documents acquired and relevant websites for each project, as well as interviews conducted by the authors with developers of selected projects. The authors made site visits to many of these development projects and undertook 20 interviews with the developers and consultants involved in selected projects.

2. Neoliberalization and Jakarta's urban transformation

In this section, we summarize recent scholarship on neoliberalization and neoliberalizing urbanism, applying it to discuss the hybrid forms taken by neoliberalization in Indonesia.

2.1 Neoliberalization: spatialities and informality

Neoliberalism never approximates the ideal presented in the discourses of its most ardent proponents—from Hayek to Ronald Reagan, Margaret Thatcher and David Cameron—of a free market capitalist economy with at most a nightwatchman state (Nozick, 1974). Karl Polanyi (1944) made this point long ago, analyzing why British free market capitalism of the long nineteenth century was unsustainable. Jamie Peck (2010) and his co-authors have repeatedly argued that this incompleteness also implies spatio-temporal variegation:

> neoliberalization [is] a *variegated* form of regulatory restructuring: it produces geoinstitutional differentiation across places, territories, and scales…, as a pervasive, endemic feature of its basic operational logic. Concomitantly, we emphasize the profound *path dependency* of neoliberalization processes: insofar as they necessarily collide with regulatory landscapes inherited from earlier rounds of political contestation (including Fordism, national developmentalism, and state socialism), their

> forms of articulation and institutionalization are heterogeneous. Thus, rather than expecting some pure, prototypical form of neoliberalization…, we view variegation…as one of its essential features. (Peck, Theodore, and Brenner 2012: 269, emphasis in original)

Building on Polanyi's insight that market mechanisms can only function through their embeddedness in society more generally, neoliberalism requires state support and facilitation. Since the state varies from one national context to the next, so will neoliberalization. Yet, as Peck and Theodore emphasize in their sympathetic critique of the varieties of capitalism literature, a geographical approach to neoliberalization should be multi-scalar if it is to avoid the territorial trap of methodological nationalism (Agnew 1994). Trajectories of neoliberalization may vary between national and urban scales, with those at any one scale relationally affecting those at other scales. Adopting a geographical sensibility also means attending to connectivity and mobility: To how the socio-spatial positionality of places, and the mobility and mutation of fast neoliberal policy, shape the local particularities of neoliberalization (Peck & Theodore, 2015; Sheppard, 2002).

Two practical implications follow from this geographical perspective. First, the various spatialities of neoliberalization are interdependent. The form taken by neoliberalization in any particular territory depends not only on the local place-based context but also on relations with other places and across scales (Peck and Theodore 2010, 2015; Sheppard 2016). Second, these spatialities are not fixed contextual features: *inter alia*, neoliberalization produces spatialities that themselves shape its subsequent spatio-temporal trajectories. In the case of urban land transformation, the built environment shaped by political economic processes may itself influence future political economic trajectories. For example, as we discuss below, greater Jakarta's 1990s debt-ridden urban development boom deepened the 1997 financial crisis - dubbed *Krismon* in Indonesia - that toppled President Suharto. The experiences and attitudes of new generations of people growing up in middle-class gated communities with their own schools and universities, self-segregated from the urban majority, also will no doubt shape further land transformations.

While we endorse a variegated approach to neoliberalization, and how context shapes variegation, this framework reproduces neoliberalization as the master concept. We wish to move beyond this to suggest that there are occasions—as neoliberalization articulates with other place-specific political economic formations—when we no longer are observing a variegated form of neoliberalization but a hybrid formation that has features aspects of both neoliberalization and its other(s) (Leitner et al., 2007; Peck, 2015). We argue that the Indonesian political economy is one such hybrid, in which neoliberalization coevolves with both long-standing and resilient oligarchic power structures and contestations by the urban majority—forms of informality.

~~The incompleteness of neoliberalization also means that its variegated nature is shaped by other co-evolving imaginaries and practices. To date, much of the discussion of this has focused on formal state-capital relations—on how national and local states, but also state-created multilateral institutions like the World Bank and the World Trade Organization, are necessary to and profoundly shape neoliberalization (e.g., Harvey, 2006; Sheppard & Leitner, 2010). Yet there is a parallel literature examining the role of civil society, particularly grassroots contestation (Leitner, Peck, and Sheppard 2007): of political and social initiatives seeking to push back against neoliberalization and local, more-than-capitalist economic practices that evade being absorbed into formal capitalist market (Gibson-Graham 2006). Contrasting this, our focus here, inspired by our empirical research, is on how elite informality sanctioned by the state coevolves with neoliberal urbanism.~~

As scholars studying neoliberalizing urbanism from the global South have emphasized, the pervasiveness of urban informality among the urban majority in metropolitan areas across the post-colony has received considerable attention (Alsayyad and Roy, 2004; McFarlane and Waibel, 2012a). As McFarlane and Waibel put it (2012b: 2): “Informality occupies a contradictory and epistemologically external space, in that [it] is often viewed as a product of urban modernity and liberalization - assumed to be domains of the 'formal' - but at the same time often visibly appears to lack the products of those projects.” Indeed, scholars seeking to inject a post-colonial sensibility into critical urban theory regularly reference this prevalence of informality as exemplifying the need to provincialize urban theory (Sheppard, Leitner, and Maringanti 2013; Sheppard et al. 2015; Roy 2016). But informality cannot be reduced to the habitations and occupations of the urban poor. It is also the domain of political and economic elites (Alsayyad 2004; Roy 2005), particularly influential in the kinds of urban land transformations studied here. Examining Indian cities, Ananya Roy identifies elite informality as shaping urban real estate, noting its role within the state (e.g., corruption), but also how elites work through and around the state and market. As she argues: “informality exists at the very heart of the state and is an integral part of the territorial practices of state power” (Roy, 2009: 84). Such elite vectors of informality are countenanced and valorized, even as those pursued by the urban majority are denigrated: “[E]lite informality is often legitimized…. Thus, the new towns on the peri-urban edge of Kolkata exist in direct violation of the state’s own proclaimed policies of protecting agricultural land and wetlands.... But rarely are they seen to be informal or illegal” (Roy, 2011: 270). As we will demonstrate, developers’ and officials’ practices of informality have had a distinct impact also on Jakarta’s great land transformation.

2.2 Neoliberalization in Indonesia and Jakarta

The context within which neoliberalism entered the stage in Indonesia dates back to Suharto’s 1965-7 violent accession to power. This was more than a domestic tiff. Under President Sukarno, Indonesia had became a leader in the project of newly independent post-colonial nations to craft a ‘third world’, a third way to development alternative to both the capitalist first world and the communist second world. Suharto's coup marked simultaneously an aversion to Chinese influence (anti-communist pogroms accompanying the coup killed some 500,000) and a realignment toward US foreign policy (making good on the failed 1958 US-led coup against Sukarno). In the 1980s, with US politicians and policymakers initiating a 'supply-side' neoliberal revolution, Suharto took up the neoliberal cause but tailored to his autocratic, nationalist vision:

> The measures of deregulation and de-bureaucratization are designed to put the state in its most appropriate place for development. They are certainly not measures to abolish the role of the state. It is definitely not a step towards liberalism. The role of the state remains very important in providing guidance and encouragement to people's initiative and creativity for achieving development goals. This is precisely the reason why our development is implemented through planning. (Suharto 1990)

By this time, Suharto and his family, surrounded by army officials and a network Chinese-Indonesian businessmen, had solidified power over the Indonesian political economy, with state officials embedded even in the villages from where they reported back on actions deemed inimical to Suharto's rule.

> By the 1980s, …the families of powerful officials and military officers…directly entered the world of business in their own right as owners of capital and as shareholders…. [T]he way was led by the president's family, which constructed a vast business empire that extended from banking, forestry, and agriculture to automobiles and petro-chemicals. (Hadiz and Robison 2013: 47)

With respect to land, Suharto reinterpreted the Basic Agrarian Law (No. 56/1960) from the Sukarno era, whose article 6 states that "[a]ll land rights have a social function", to "equate the people's well-being with the state's capital-intensive developmentalist program" (Lucas and Warren 2013: 8). Large tracts of state-held land were awarded to well-connected business conglomerates, along with newly-created development rights (*Izin Lokasi*), in the name of the national interest. "Permits would allow developers of housing and industrial projects to sequester vast amounts of land, ranging from 200 to 30,000 hectares" (Wallace 2008: 195). Indeed: "By the 1990s the land issue had become the single most prominent cause of conflict between the government and the heavily repressed society under the New Order" (Lucas and Warren 2013: 9).

In the aftermath of the 1997 Krismon, Suharto was deposed and Indonesia's political economy underwent *reformasi*: democratization combined with the political devolution of power to regencies and localities. Seemingly also a moment for market-led neoliberalization, this posed challenges for the oligarchs who had worked with Suharto,. Yet, as Hadiz and Robison (2013) argue, oligarchy remains a persistent feature:

> Despite the starkness of the "lessons" of the financial crisis and the huge leverage of the IMF and other agencies in pressing for specific reforms in policy and governance, oligarchy and its major players were ultimately able to survive. The key to this "success" was the resilience of the networks of political authority and economic interest that underpinned and defined oligarchy and permeated the institutions of the state itself. Neoliberal reformers and their allies were never able politically to dismantle these. (Hadiz and Robison 2013: 50)

Within this national context, Jakarta plays a special role as Indonesia's national capital and primate metropolitan region. Since independence, the president has closely overseen the morphology and development of Jakarta. Under Sukarno, Jakarta was rebuilt into a landscape redolent of national identity, autonomy and modernity. Monas (the national independence monument) was constructed, surrounded by institutions of the national state, and now-iconic socialist realist statues were commissioned to mark key intersections of the newly rebuilt thoroughfares. Under Suharto, the vast tracts of land handed over to well-connected developers made possible the development of sprawling new towns for the middle class south and west of DKI Jakarta. Firman (2004: 354) argues that the proliferation of new towns was "induced by land speculative undertakings by several private developers on the one hand, and uncontrolled land permits granted by the National Land Agency (BPN) for housing development … on the other hand". The key to obtaining these land permits was what Cowherd (2005) has dubbed the "Cendana-Cukong alliance" (Arai 2015): the close informal networks between the Suharto family (residing in a modest family complex called Cendana in the formerly colonial elite Menteng residential district) and Indonesian economic elites (Cukong loosely translates from Bahasa Indonesia as broker/capitalist/well-to-do financier).

After Suharto, Indonesia's economic recovery from Krismon was predicated on reviving middle class consumption (Fukuchi 2000; Firman 1999). Institutionally, Arai (2015: 460) argues that the Cendana-Cukong informal alliance was replaced by a more 'formal' coalition: a revolving door between GOLKAR (once the state party of Suharto), Real Estate Indonesia (REI—the real estate business association) and the Indonesian Chamber of Commerce and Industry (KADIN). "The consequence is very clear. It is highly implausible that the government would take measures against big businesses controlling land" (Arai 2015: 461). This analysis is consistent with Hadiz and Robison's discussion of the persistence of oligarchy within Indonesian neoliberalization.

With the slow devolution of political power under reformasi from central to local state officials, gaining traction after 2005, Jakarta's political economy was increasingly shaped by the imaginary and policies of its governors. This implies some deviation from the national agenda discussed above, although DKI Jakarta governors are closely linked to national political parties. Fauzi Bowo (2007-12) maintained a tight relationship with developers. Jokowi's brief term (2012-14) was more populist, oriented toward kampung residents' priorities, whereas Basuki Tjahaja Purnama (Ahok; 2014-2017) personalized a more muscular no-nonsense regime of good governance, private sector development, and evictions from 'illegal' kampungs.

3. The political economic dynamic of Jakarta's great land transformation

The evolution of Jakarta's land transformation can be parsed into three eras: Autocratic nationalist urbanism of the New Order (1988-97), post-crisis democratic **neoliberalizing** urbanism (1998-2006), and **rescaled neoliberalizing** urbanism (2007-present). Each era was characterized by a distinctive focus in terms of land transformations: Peri-urban new towns, DKI Jakarta shopping centers, and metropolitan-wide super-blocks, respectively. The following sections describe these trends, analyzing how they are shaped by the conjunctural context.

3. 1. The New Order: Autocratic nationalist urbanism meets neoliberalism (1988-97)

This period was dominated by a proliferation of new towns across the peri-urban areas of greater Jakarta (Hudalah and Firman 2012). The majority of new towns originated in this period (Figure 1), many of them on large tracts of land ranging in size between 1,000 ha and 6,000 ha (Bumi Serpong Damai's (BSD)). New towns were constructed for emergent middle and upper classes by the development arms of mostly Chinese-Indonesian conglomerates, and large independent real estate developers, on formerly agricultural and plantation land acquired through connections with Suharto (Firman 1997). With households seeking multiple properties for residential and investment purposes, developers saw new towns as highly profitable investments. In many cases, these developers hold development rights over much larger areas of land than have been built on to date: land banks that remain held as reserves for future development (Leaf, 1994; Winarso and Firman, 2002).[1] The general pattern of development reflects a lack of coordination with infrastructure planning or with the other new towns. They also are far from major employment centers, exacerbating Jakarta's transportation challenges (Firman 2009).

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[1] A land permitting system administered by the National Land Agency (BPN) enabled developers to aggregate small individually owned plots into land banks (Leaf 1994: 345)

The majority of new towns are gated communities, with walls and fences enclosing generally low density residential areas: single family homes, row houses and some high rise apartment buildings, as well as commercial centers, and diverse services for residents that include places of worship, recreational facilities, schools and universities (Firman 2004). Initial developments were in the western part of the metropolitan area (Tangerang), followed by the south, expanding more recently also in the east (Bekasi Regency) where developers are diversifying planned industrial estates by adding residences and other commercial property (e.g., Lippo Cikarang, Jababeka, and Delta Mas: Figure 2).

Under autocratic nationalist neoliberalism, the Indonesian economy was dominated by large, politically well-connected Chinese Indonesian conglomerates, making immense profits in the natural resource sector, that were turning to land and real estate as an attractive investment opportunity. In terms of the state, Jakarta's status as capital city and a major attraction for migrants meant that population growth had long outstripped housing supply and central city congestion had become debilitating, undermining Jakarta's image as a symbol of national progress. In response, the government sought to promote peri-urban housing development, with developers taking advantage of this opportunity. The 1992 Housing and Settlement Law introduced a 1-3-6 provision (three middle income and six low income units for every high income housing unit), as a stick to compel private sector developers to alleviate the shortage of affordable housing.

The main neoliberal policy instrument facilitating the realization and sale of these large real estate projects was a financial deregulation policy (the 1988 Packet October*: Pakto*) allowing private banks to operate alongside state banks. This policy enabled the large conglomerates (e.g. Salim Group, Lippo, Sinar Mas) to establish their own banks, and more generally made it easier for developers to raise funds by issuing stocks. By the mid-1990s many developers had become highly debt-leveraged, starting new housing projects on the hope of paying off existing debts.

The 1992 Spatial Planning Act (Law #24/1992) required local governments to produce master plans. Yet they were unprepared to do so or even to regulate development, a window of opportunity that developers took advantage of to build when and where they pleased—effectively privatizing the master planning process (Dielman 2011). They also circumvented the 1-3-6 regulation: building the required low income housing elsewhere, or not at all.

Elite informality was crucial to these land transformations, as illustrated by the case of Bumi Serpong Damai (BSD) new town. Peter Gotsch (2009, 158) notes that “Bumi Serpong Damai emerged in a setting of semi-legality and political ‘distortion’.” It was initially developed by a consortium of ten major Indonesian developers, led by the Salim Group (under Sudono Salim *aka* Liem Sioe Liong), the Sinar Mas Group (under Eka Tjipta Widjaja) and the Metropolitan Group (under Ciputra). Salim brought political connections to the collaboration, Sinar Mas the financing, and Ciputra the construction expertise. Salim was part of Suharto’s inner circle, and Sudwikatmono, an Indonesian businessman, cousin of Suharto and commissioner on several of Salim’s companies, was appointed as BSD’s Chief Executive Advisor (Silver, 2007). The 6,000 ha. former rubber plantation was granted to the group by Suharto, justified by his reinterpretation of the Basic Agrarian Law, and he overrode objections from Jakarta’s then-governor Sadikin to personally endorse BSD (Gotz 2009). This was the largest new town of this era, yet to be surpassed (Figure 2). Initially, BSD was conceived as a stand-alone, socially integrated community (Santoso 1992), conforming to Indonesia's 1:3:6 ratio of high, middle and low income housing. Although the government underwrote the financing of BSD with "enormous government subsidies" (Gotz, 2009: 153), this was not deemed adequate to support this initial vision. Its developers ran into trouble during the krismon (receiving massive government support to rescue them from bankruotcy), Sinar Mas Group bought out their partners, and the concept was changed to a more exclusive new town for families working in Jakarta, marketed as "Big City – Big Opportunity". BSD also played an important role in shaping the future of land development elsewhere in the metropolitan area. Having learned that such ventures are highly profitable, its partners shifted substantial resources into real estate development.

3.2. Reformasi I: Towards a democratic neoliberalizing urbanism (1998-2006)

The 1997 krismon had a dramatic impact on the evolution of real estate development projects in Jakarta. No new town projects were started during this period; the only peri-urban new development projects during this period were within the industrial estates to the east. As discussed above, the aggressive expansion of new towns prior to the krismon had left developers heavily indebted to domestic and overseas banks. By 1998 many developers were facing bankruptcy, and financial transactions in the property sector fell by two-thirds between 1996 and 1998 (Firman, 2004: 330). In addition, the property industry consolidated through mergers and acquisitions into a small number of large national-scale developers. The developers' travails also contributed significantly to the banking crisis engulfing the country in 1998 (Firman, 2004), and thereby to the political crisis that brought down Suharto (Hadiz and Robison, 2005)—exemplifying how the production of space can shape political economic trajectories.

As developers began to recover financially, while some investment occurred in the new towns they largely focused on developing facilities for current residents, such as hospitals, schools, and universities marketed as matching international standards. With the lack of employment opportunities nearby, and worsening traffic congestion between the new towns and Jakarta, developers saw providing such facilities as vital for retaining new town residents.

The bulk of property sector activity between 1998 and 2006 occurred in DKI Jakarta, and focused on shopping center development. While Ratu Plaza, the first western-style upscale shopping center, opened in 1980, there was a rapid expansion of shopping centers and trade centers within DKI Jakarta after 2000 (Figures 3 and 4).[2] This boom reflected a series of intersecting factors. First, the promotion of consumption was an important part of the national economic strategy to recover from the krismon. Second, shopping centers provided safe, air-conditioned consumption and quasi-public spaces for an emerging middle class that had experienced street violence during the downfall of Suharto. Third, DKI Governor Sutyoso took advantage of the power granted by the 1999 Law on Regional Government, which decentralized power, authority and responsibility to lower tiers of the state, to award favored developers building permits and higher Floor Area Ratios (FAR) for shopping center construction.[3] By the end of this period, shopping centers were overbuilt to the point that a moratorium on further construction was under discussion (eventually implemented in 2011).

[2] Whereas space in shopping centers is leased, in trade centers it is owned by retailers/wholesalers.
[3] The FAR is the ratio of a building's gross floor area (GFA) to the area of land on which it is built.

Toward the end of this period, realizing that new towns were failing to serve the metropolitan housing problem, successive presidents introduced ambitious housing programs. The Million Houses Program (2003) and the 1,000 Tower Program (2006) promoted the construction of high-rise apartment buildings through Public-Private Partnerships. Both programs were short-lived, however, lasting little longer than the term of the politician promoting them. The 1,000 Tower Program was an initiative of Jusuf Kalla, Vice President of Indonesia under Yodhoyono, who pressured developers to build 1,000 towers of affordable high-rise apartments within five years in major Indonesian cities, with 60 percent in Jakarta.[4] Yet the program was terminated in 2011, once a new Vice President came to power. Even though only a small fraction of the proposed housing was actually built, developers nevertheless took advantage of the 1,000 Tower Program to finance, inter alia, the Kalibata City super-block development in south Jakarta (Kusno, 2012; Pathoni 2012).

3.3. *Reformasi* II: Rescaled neoliberalizing urbanism (2007–present)

By 2007, developers that had weathered the krismon – Ciputra and the development arms of large Indonesian conglomerates – started to buy and develop land for multiple real estate projects, dubbed "superblocks" (Figure 5). A superblock is an integrated megaproject that includes residential, commercial and recreational facilities within a single development (ranging in scope from a single block to an extensive cluster). The first were

[4] In addition to political power – as minister under the Wahid and Megawati administrations and vice president under the SBY and Jokowi presidencies – his Kalla Group is involved in construction, engineering, energy, property, and finance and he cultivates extensive through informal networks(e.g. as regional chairman of the Indonesian Chamber of Commerce).

built in the 1980s (Arai, 2001), but they became the dominant model in this time period. Superblocks are unevenly distributed across DKI Jakarta, with concentrations around major traffic nodes in Central and South Jakarta. Their Gross Floor Area ranges between 250,000 to 1 million m^2, with Floor Area Ratios between 4 and 20. This entailed a marked densification of land use in DKI Jakarta, located closer to central Jakarta than the new towns (Figure 6).

After 2010 the superblock trend also spread to new towns, where developers began to build high-rise multi-use Central Business Districts such as CBD Alum Sutera (Alum Sutera), Millennium Village and Orange County (Lippo Group), and Q-Big/BSD city (Sinarmas Land). To attract buyers, superblock developers advertise their projects as integrated and diversified developments, providing an ever-increasing variety of facilities from cradle to grave in-place, with ever expanding floor area ratios – super space-grabs (Table 1).

These superblock developments are often marketed under US place names, such as “Orange County– the new California City”, supplemented by imagery promising new residents the western urban life-styles they aspire to. Much of this inter-referencing (Bunnell 2015) cites global metropolises such as New York and Los Angeles, a place-marketing that brings global cities to Jakarta while promoting Jakarta’s own status as a world-class global city – ‘worlding’ Jakarta in the image of global urbanism (Roy, 2011).

This superblock building boom has added some 10 million m^2 of housing, commercial space and offices since just 2006. This continues to be fuelled by a seemingly insatiable Indonesian middle and upper class demand for multiple properties. Particularly since the stock market crash that accompanied Krismon, when many lost wealth overnight, property has come to be regarded as an attractive investment option also for households. The development arms of conglomerates foster potential buyers through low down-payments and mortgages, via their own corporate banks or arrangements with Indonesian state-owned and private banks. This speculative investment continues unabated, notwithstanding attempts by the government to dis-incentivize households from purchasing multiple properties by mandating increased down-payment requirements for 2nd and 3rd properties and a luxury property tax.

Large developers have come to expect a 30 percent rate of return on their investments, and have little difficulty in accessing domestic and/or overseas funds to initiate these projects. Global finance has turned to property and infrastructure development as an attractive investment option in emerging markets in the context of low interest rates in developed economies, and by 2012 Jakarta had become one of the hottest property markets in the world (Knight Frank, 2013). Luxury real estate investment in Jakarta offered an estimated 37 percent return in 2012-13, the highest in the world (Chow 2014). Supply and demand proceeds apace: 17 offshore islands have been gazetted for development off Jakarta's north shore, and in May 2017 Lippo announced a massive new 2,200 Ha. city called Meikarta (Beyond Jakarta), to be built next to Lippo Cikarang (Figure 6), and billed as costing US$20.8 billion (http://meikarta.com/dashboard/). Developers already report massive sales to households, years in advance of construction.

This period saw a further concentration of power in the real estate sector in Jakarta, with the development arms of large corporations such as Lippo, Bakrie and Sinarmas dominating the market, especially in the new towns. Their power and authority was indirectly increased by the Spatial Planning Law # 26/2007, modified by Presidential

Decree No 54/2008, which stipulates that provincial and municipal governments must develop their own master plan and zoning regulations. With many municipalities still ill-equipped to do so developers have stepped in, empowering themselves by providing the necessary public infrastructure for their developments on the build-own-transfer model. They draw up master plans and zoning regulations, and contract with the state to operate and maintain infrastructure after they return it to public hands (Winarso, 2000; Dielman, 2011). Taken together, this preemption of spatial planning amounts to an ongoing privatization of the urban development process (Shatkin, 2008).

Developers' lobbying also shaped the 2011 New Housing and Settlement Act (Housing and Settlement Law #1/11), which relaxed the 1-3-6 restriction on housing to 1-2-3. This exacerbates the shortage of affordable housing, and even when developers comply with the regulation they often build on cheaper land separated from their spectacular super-block projects. In order to address the housing shortage, in 2015 President Jokowi proposed his own One Million Houses Program. The first million is supposed to be supplemented by a further million built by the private sector, in return for being granted higher floor area ratios for other developments, illustrating the pervasiveness and popularity of public-private partnerships. By the end of 2015, 60% of the public component was reported to have been built nationwide, with plans to expand it to ten million.

As discussed above, elite informal networks continue to play an important role in the *reformasi* era, becoming larger, more decentralized and more complex. Central actors in these networks are developer conglomerates, business institutions such as Real Estate Indonesia and the Indonesian Chamber of Commerce (KADIN), government officials and employees, and political parties. A revolving door sees individuals moving between private sector organizations, political parties, government agencies, and the military.

In order to sustain their large scale property development, facing a change in political landscape from national to local permitting with enhanced local autonomy since 2005, many large developers seek alliances with elite political parties and retired military generals. An effective way to influence local officials is via national-scale elites linked to the major political parties that these officals affiliate with.

Consider the case of Lippo. Uniquely, Indonesian companies maintain a Board of Commissioners. Commissioners, appointed by company executives or at a general shareholders meeting, are appointed to carry out general supervision of the company, advise the board of directors, examine annual reports, and approve budget plans. Four of Lippo's Board of Commissioners have held positions in government: President Commissioner Theo L. Sambuaga (minister of public housing during the Suharto era, Golkar Party), Vice President Commissioner Surjardi Soedirdja and Independent Commissioner Sutyoso (governors of Jakarta 1992-97 and 1997-2007), and Agum Gumelar (former minister of transportation and army general). Independent Commissioner Farid Harianto, an economist, served as both special staff for the Vice President of Indonesia and Deputy Chairman of the Indonesian Bank Restructuring Agency (1998-2000) (https://www.lippokarawaci.co.id/leadership-team/board-of-commissioners, accessed April 19, 2017). The Commissioners are thus exceptionally well-placed to informally link Lippo with national and local politicians and political parties, state agencies and the banking sector.

3.4. Internationalization and global consumption

Since the 1980s, Jakarta's internationalization – the level of foreign involvement in its land transformations – has mirrored Indonesia's uncertain trajectory of political-economic restructuring and uneven global integration. Under autocratic national urbanism (1988-1997), Suharto liberalized the investment and finance regime under the auspice of IMF reforms, and global capital flows increasingly shaped the broader metropolitan landscape. Foreign investment was dominated by Japanese and newly industrialized South Korean, Taiwanese and Singaporean firms facing rising domestic production costs, investing in labor-intensive manufacturing for exports (Lindblad, 2015). These investments supported the city's emerging spatial development pattern, with industrial estates and new towns on the periphery, and business services-oriented development in the CBD (Firman, 1998; Arai, 2001). While Indonesia's 1960 Basic Agrarian law prevents foreign nationals from obtaining freehold land rights, companies registered as Indonesian corporate entities could effectively overcome this restriction, and a number of Asian developers established an early presence in the property market in the 1980s and 1990s. A notable example is the Japanese contractor and real estate developer Kajima Corporation, which partnered with various conglomerates and political elites in a plethora of developments across the metropolitan area. These included the iconic, upscale Plaza Senayan shopping and living complex at the heart of Jakarta's CBD, whose shareholders included Chinese-Indonesian and Indonesian businessmen and one of Suharto's daughters (exemplifying the Cendana-Cukong alliance). The rapid growth of foreign banks and loans in the mid 1990s also supported Indonesian developers' speculative new town expansions, culminating in the financial crisis that brought the economy to a standstill (Firman, 1998).

Indonesia witnessed significant capital outflows during Reformasi I (1997-2006), with foreign direct investment only returning to pre-krismon levels in 2005 (World Bank, 2016). Indonesia underwent political-economic restructuring and was mired in tussles over the Indonesian Bank Restructuring Agency's sale of bankrupt conglomerates' assets, especially the large bank holdings through which they had financed their property developments, and investors opted for other ASEAN markets.[5] Salim Group, the hardest hit, was forced to divest major real estate assets in Jakarta (such as BSD, Pondok Indah and the World Trade Center complex), subsequently acquired by competitors Sinar Mas and the Berca Group. Restrictions on foreign property ownership were somewhat loosened in 1996, allowing foreigners to purchase 25 year leaseholds, renewable for up to 70 years. The Susilo Bambang Yudhoyono (SBY) presidency (2004-2008) sought to improve the investment climate through economic reforms, but continued regulatory uncertainty at local and national scales kept international investments in Jakarta at bay, and infrastructure projects like the monorail and Mass Rapid Transit languished. As investor confidence slowly returned, buoyed by the China-driven commodity boom and growing middle-class demand for upscale global consumer goods, proliferating shopping centers recruited major international retailers as anchor tenants, including Debenhams, Sogo, Metro, Lotte and Seibu.

Reformasi II (2006-present) witnessed increased foreign involvement and foreign investment, as investors from around the globe turned to higher yielding assets in Indonesian and other emerging capital markets after 2008. With global property markets increasingly interlinked, shifting local investments reflect macro-economic conditions and

[5] Salim Group's Bank Central Asia, SinarMas' Bank Internasional Indonesia, and Lippo's Lippo Bank.

changing property market dynamics in Jakarta and abroad. Seeking to boost a slowing economy, the Jokowi administrations further eased restrictions on foreign property ownership in 2015 (Regulation 103/2015), allowing non-Indonesians holding residency permits to purchase 30 year leases, renewable for up to 80 years, on properties valued at more than 2 billion Rupiah (US $150,000), with ownership transferable to their descendants. Yet property-related foreign direct investment in greater Jakarta has maintained a distinct regional dimension: Dominated by Japanese and, to a lesser extent, Singaporean investors, this period saw increasing penetration of Chinese capital..

Japanese capital continues to dominate the metropolitan landscape, from convenience stores and shopping malls to infrastructure development and manufacturing. Japanese conglomerates (*sogo-shosha*) such as Sojitz, Mitsui, Itochu, Mitsubishi, Marubeni, Sumitomo and Toyota Tsusho have been particularly active in redeveloping the industrial estates to the east, partnering with the development arms of Indonesia's conglomerates. Such ventures reflect larger Japanese outsourcing strategies, attracting a host of Japanese manufacturers (particularly automotive) to take advantage of Jakarta's large consumer base, as well as more capital-intensive export-oriented manufacturing. The proliferation of Japanese motorbikes and automobiles on Jakarta's gridlocked streets is facilitated by Japanese leasing companies offering consumer credit, ensuring Japanese capital's involvement across the entire production and consumption cycle. Developers like Tokyu Land are also building residential high-rises, office towers and hotels in the metropolitan core, and in new towns to the east and west, while Japanese consultancies and contractors build the Japanese Bank for International Cooperation-financed Mass Rapid Transit system crisscrossing Jakarta.

Singaporean property firms also have significantly expanded their presence in Indonesia since 2007. The Singapore government implemented a number of measures aimed at preventing a speculative bubble in the overheated Singaporean property market, driving investments to more lucrative markets abroad. Singaporean property giants, such as CapitaLand, Keppel Land, City Developments, Pontiac and the sovereign wealth fund GIC, have completed real estate deals in Jakarta, partnering with Indonesian groups or undertaking their own developments in office and residential markets.

Coinciding with China's emergent geopolitical and geoeconomic influence, and notwithstanding lingering anti-Chinese xenophobia, Chinese capital also is becoming a significant market actor in Jakarta's real estate and infrastructure initiatives. Beginning under the presidency of SBY, and increasingly under the present Jokowi administration, Indonesia opened itself to and actively pursued Chinese investment. Changing market conditions in China, combined with an overheated real estate market, has driven Chinese investment abroad, now under China's Belt and Road Initiative. Seeking to build on this, the Jokowi administration invited Chinese bids to finance and build Indonesian infrastructure, often in fierce competition with the Japanese, as seen in the Jakarta-Bandung high-speed train project. In the process, Chinese developers, contractors and banks are inking property deals across the metropolitan area with a variety of local groups.

As readily available space for superblocks dwindles within city limits, in collaboration with foreign investors Indonesian developers are building dense mixed-use complexes and office towers in Jakarta's Sudirman Central Business District (golden triangle), also expanding to areas strategically positioned to take advantage of emergent infrastructure developments and transit links (e.g. the emerging business district of

Simatupang). In peri-urban areas, seeking to leverage their land banks, Indonesian developers have entered into ventures with foreign partners to develop branded clusters within new towns and integrated developments.

Consider Orange County, one of Lippo's flagship developments: within its 3,000 hectare Lippo Cikarang integrated estate comprised of industrial, residential and commercial complexes and located along Jakarta's Eastern Development Corridor (Figure 6). Founded in 1987, much of the 1990s and early 2000s saw piecemeal development of industrial and semi-detached housing clusters in Lippo Cikarang. Lippo turned to mixed-used superblocks with the uptick in economic growth and capital flows during *Reformasi II*, selling cosmopolitan lifestyles (like many of its competitors). Lippo has used a variety of mechanisms to finance this development including corporate bonds, rights listings, and joint ventures with foreign companies, increasingly a model for all large Indonesian developers. The 322 hectare Orange County is a joint venture between Lippo and Mitsubishi Corporation: a 32 in 1 “new global city” (Table 1) featuring a central business district with high-rises and shopping malls. Taking design cues from such global city centers as Hudson Yards in New York, Union Square in Hong Kong and Roppongi Hills in Tokyo, Orange County has also attracted investment from the Japanese Toyota-Tsusho, Tokyu Land and SankoSoflan to develop luxury towers and hotels replete with Southern Californian place-branding: Newport Tower and Pasadena Suites. Outside Orange County, Lippo Cikarang's various industrial clusters include a Japanese Small and Medium Enterprises Center, and an industrial park dedicated to Chinese manufacturers in partnership with Shenzhen Yantian Port Group (a state-owned Chinese port-operator) and Country Garden Holdings (one of China's largest developers).

4. Conclusion

While greater Jakarta's urban land transformation parallels transformations in large metropolitan areas across the region now known as the global South, the particular form this has taken in Jakarta reflects the city's shifting conjunctural positionality within global scale political economic processes and Indonesia's hybrid political economy.

Three persistent features stand out throughout Jakarta's urban development trajectory since 1988. First, reflecting the influence of neoliberalizing global urbanism, the large Indonesian firms dominating the private development industry have been the major players shaping the transformation of the formal real estate market in greater Jakarta. National and Jakartan state institutions—intimately connected given Jakarta's position as national capital—continually have walked the tightrope of enabling the development industry while also attempting to contain excessive land speculation through a variety of regulations, laws and policies. In the breach, however, state institutions have prioritized the interests of private capital, as in the consistent failure to stimulate private-sector provision of housing affordable to the urban majority. Second, reflecting Indonesia's hybrid political economy, elite informal networks connecting state actors with the development industry remain vital to the realization of real estate projects.

Third, notwithstanding state restrictions on non-Indonesian property ownership, large real estate projects are not simply dominated by Indonesian capital. Jakarta's real estate industry has long been characterized as homegrown, dominated by domestic corporations and finance. Yet there has been a dramatic increase of foreign involvement and investment in the development industry in recent years, particularly under Reformasi II. Non-Indonesian sensibilities also dominate the architecture and design of real estate projects, generally marketed as offering the Indonesian middle class a western (e.g. Californian) and Singaporean urban lifestyle.

These shared features played out differently across the three political eras analyzed here, generating distinct types and geographies of real estate development. Under autocratic nationalist neoliberalization, Jakarta's urban land transformations were dominated by low-density new towns located somewhat haphazardly across the peri-urban periphery, on land that politically-connected developers had been able to access and bank through the Cendana-Cukong alliance. The influence of foreign capital was muted. After 1997, Indonesia entered a crisis created by international finance. Suharto was deposed, and the first ten years of reformasi were marked by slow-walking democratization and devolution of power from central to local state authorities, as Indonesia sought to extricate itself from economic crisis by stimulating middle-class consumption and its debt-ridden developers sought to survive bankruptcy. Elite informal networks decentered from the President's office and became more complex, entailing revolving doors between real estate, national political parties and the military. Land transformations were muted, dominated by overbuilt privatized spaces of upscale shopping centers within DKI Jakarta, anchored by upscale foreign brands.

By 2007, reformasi was deepening, the major real estate developers had written off their debt and were ready to reinvest, elites and middle-class consumers were speculating increasingly in real estate, and devolution was beginning to bite. Developers figured out how to influence local authorities via reconstituted informal networking with political elites, triggering a seemingly insatiable boom of larger and ever more spectacular, full-service superblock developments, offering the elite and middle class respite from the perceived chaos of the rest of Jakarta. Foreign firms' partnerships with local developers deepened through investments in branch plants in industrial areas, expanded opportunities for foreign anchor tenants in shopping centers and educational institutions in superblocks, and bidding on major infrastructure projects also serving large real estate developments. The regional focus on international capital also expanded from Japanese toward Singaporean and now Chinese capital.

Overall, and notwithstanding significant shifts between these periods, there has been a persistent path dependency in the urban development trajectory, whereby each era is layered on the one before. The developers favored by Suharto remain influential today and will no doubt shape the ongoing transformation of Jakarta into a mega-region. Lippo's recently announced massively ambitious Meikarta city project, with sub-developments inter-referencing different world regions and cities, is the latest incarnation of developer- and global finance-driven urban land transformations.

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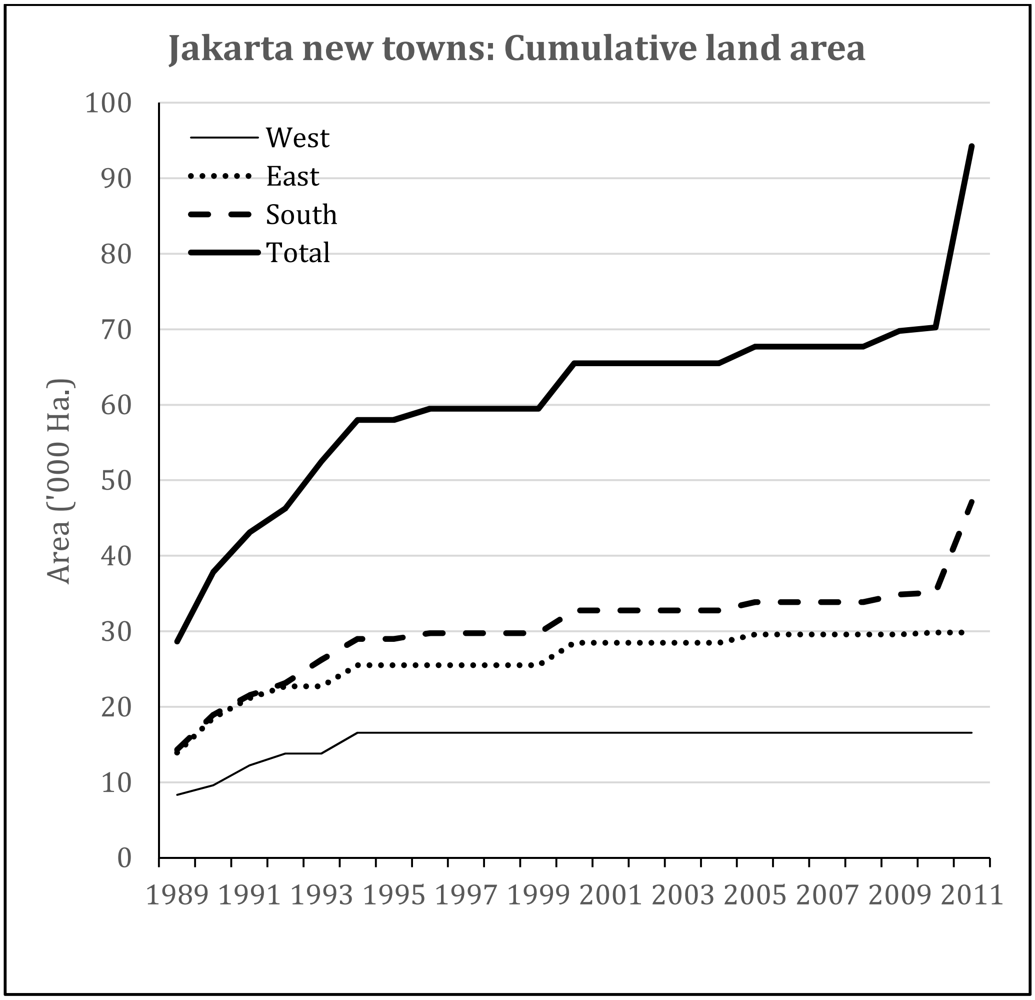
Figure 1: New Town Development Trends: DKI Jakarta, 1989-2011



Source: Authors' calculations

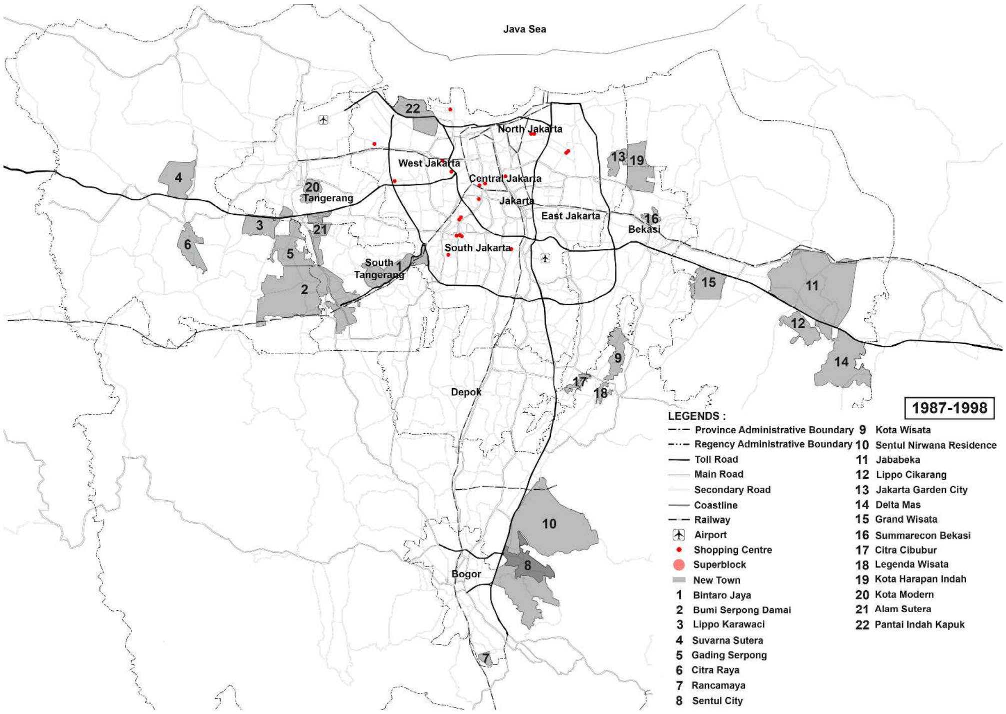


Figure 2: Middle class and elite real estate projects, DKI Jakarta, 1987-1998

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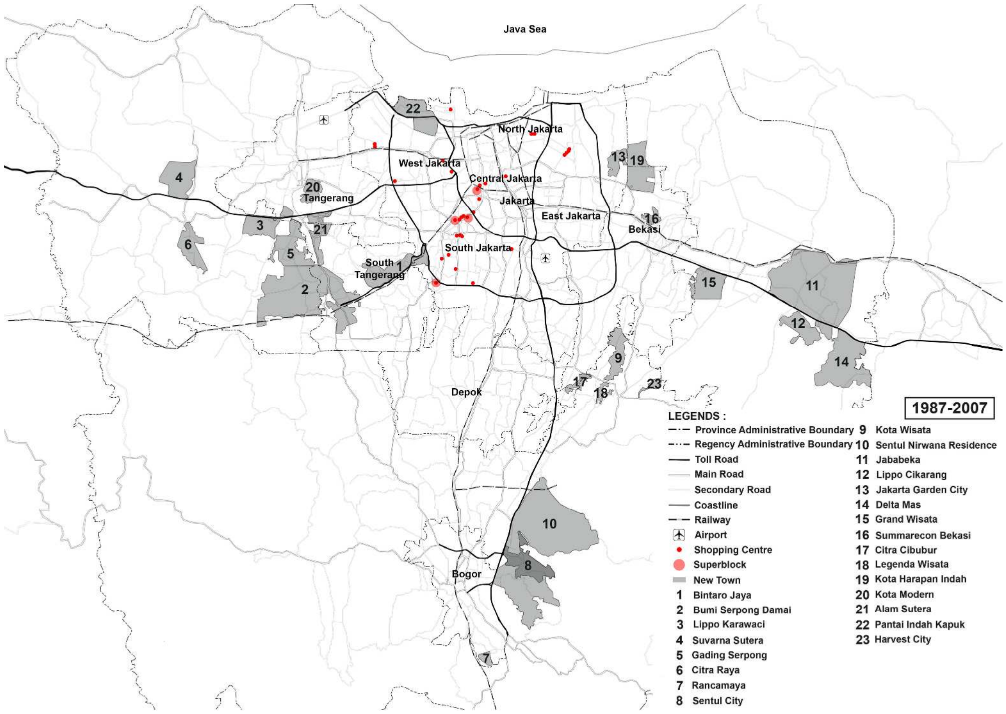
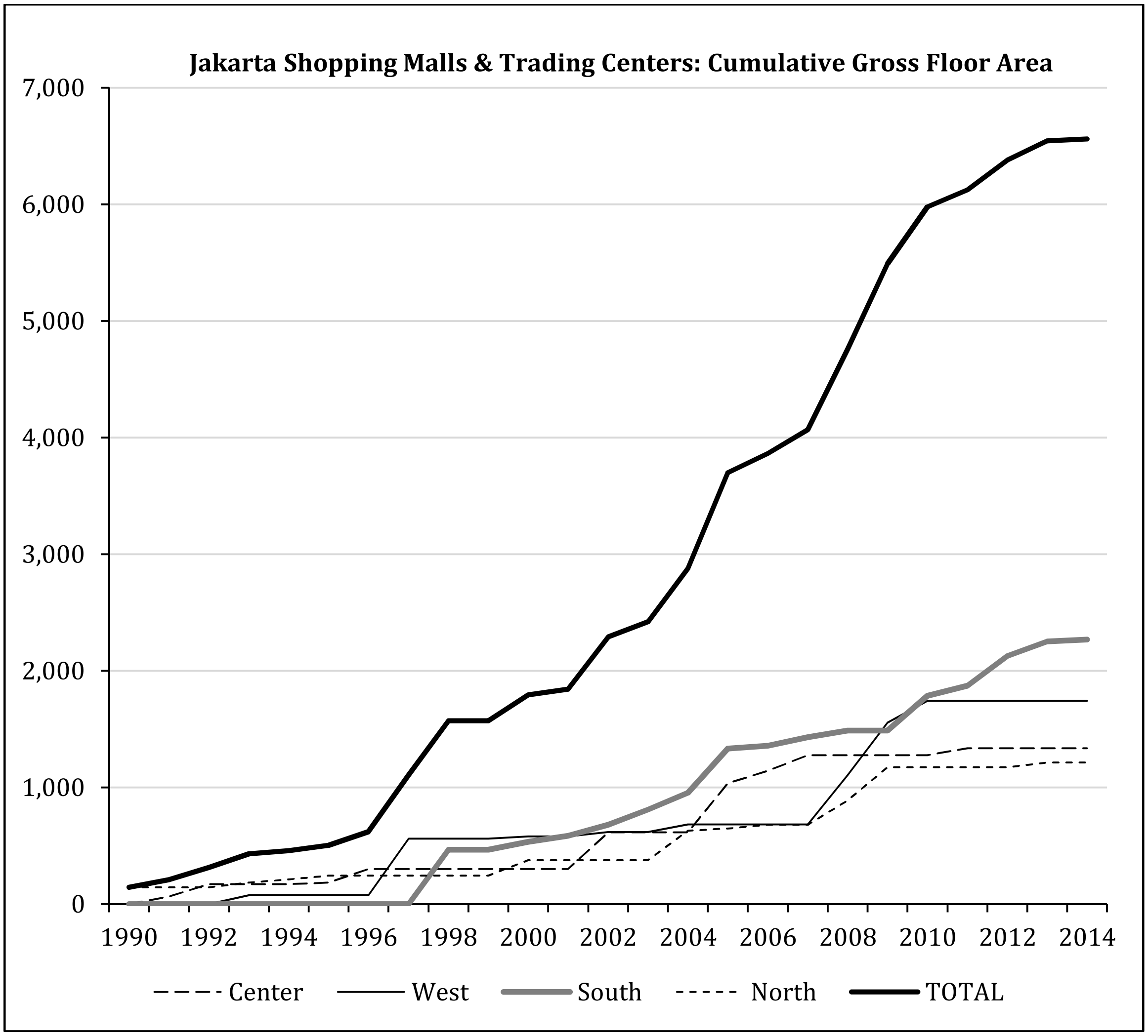


Figure 3: Middle class and elite real estate projects: DKI Jakarta, 1987-2007‼ ┼ Source: Authors

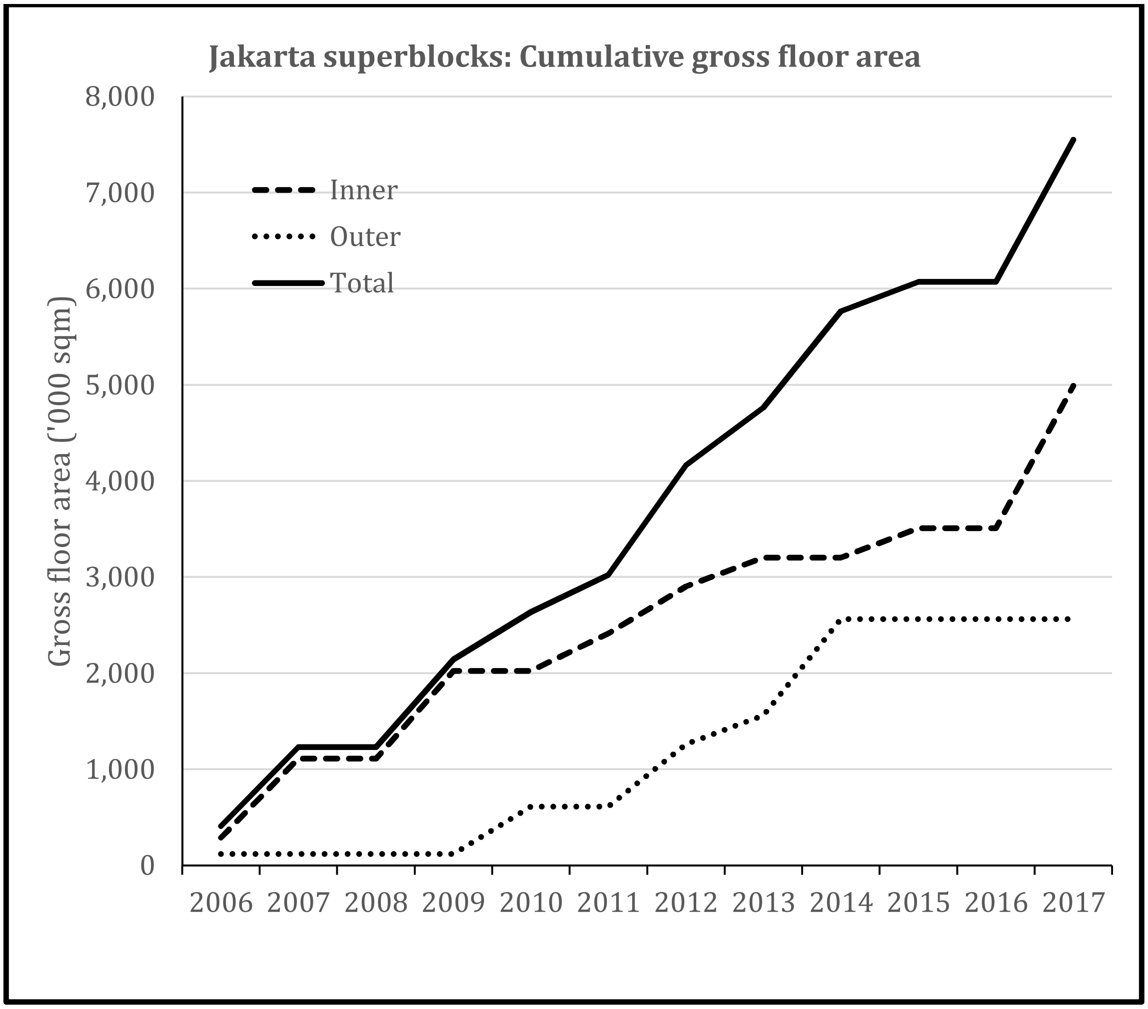
420x297mm (300 x 300 DPI)

Figure 4: Shopping Center Development Trends: DKI Jakarta 1990 - 2014



Source: Authors' calculations

Figure 5: Superblock Development Trends: DKI Jakarta, 2006 – *2017*



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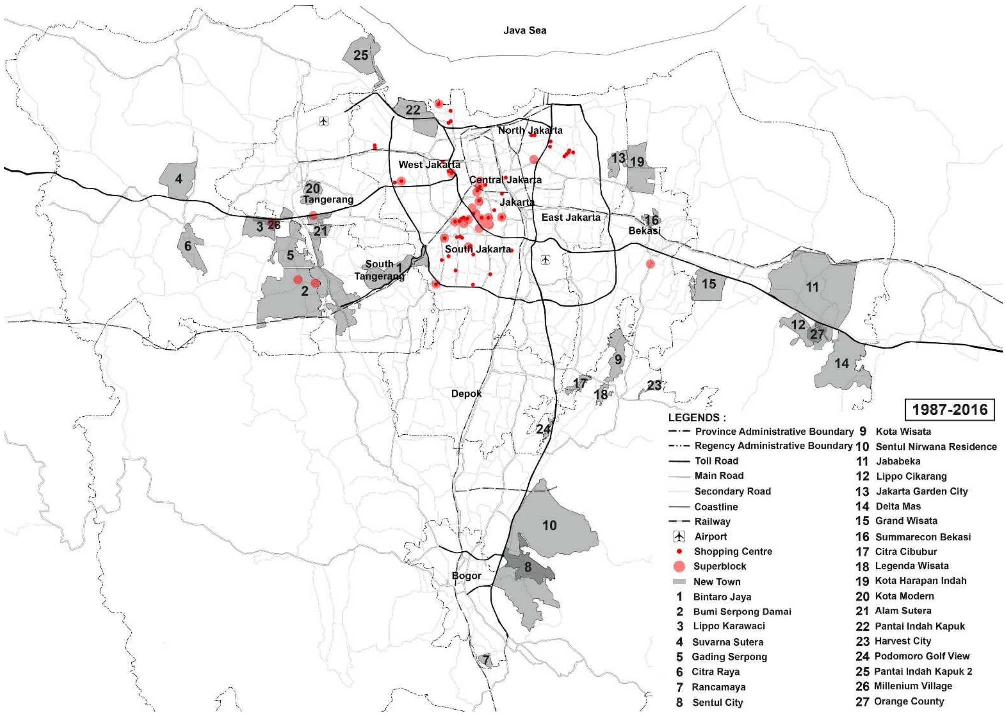

Figure 6: Middle class and elite real estate projects: DKI Jakarta, 1987-2016
Source: Authors

420x297mm (300 x 300 DPI)

Table 1: Super space-grabs: The expanding ambition of superblocks

	St. Moritz, Puri Kembangan, West Jakarta	**Millennium Village, Lippo Karawaci, Tangerang Regency** (phase one)	**Orange County, Lippo Cikarang, Bekasi Regency,**
Year	2008	2015	2016
Size	12 ha, 1 million m²	70.45 ha. total. Phase 1: 20 ha, 1.95 M m²	322 ha. total. CBD: 82.3 ha, 16.5 M m²
Density	FAR: 8.33	FAR: 9.75	FAR: 9
	11 in 1	**18 in 1**	**32 in 1**
1	Condominium (luxury)	Sky park	Sky park
2	Five-star hotel	Shopping mall	Shopping mall (390,000 m²)
3	Club house	F&B strip	Condominium (luxury)
4	Exotic spa	Office tower	Shopping street
5	Exhibition Center	Hotel 5 *	Iconic office tower
6	Shopping mall	Boutique hotel	Office tower
7	Sea World	Medical city	Hotel 5 *
8	Office tower	Condominium (luxury)	Convention Center
9	Wedding chapel	Serviced apartments	Serviced apartments
10	International hospital	Senior homes	Sky lounge
11	International grammar school	University	Sky bar
12		School	Club
13		Urban & Sky Pedestrian Trail	Cinemaxx
14		Convention Center	Boutique hotel
15		Art Museum & Gallery	Fine dinning
16		Resort Country Club	Entertainment center
17		Luxurious spa	Wellness center
18		Grand chapel	Grand chapel
19			Soho
20			Japanese Cultural Center
21			Korean Cultural Center
22			Senior homes
23			Condotel
24			Outdoor recreation center
25			Home furnishing center
26			University
27			International school
28			National school
29			Dormitory
30			Japan College
31			Health City
32			Helicopter service

Source: Authors