Rethinking Legal and Illegal Economy: A Case Study of Tin Mining in Bangka Island

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Keyword
legal and illegal, changing legal frameworks, power contention, tin mining, Bangka, Indonesia

Abstract
Illegal mining business was rampant in Indonesia since the 1997 monetary and economic crises and political transition from New Order regime to the Reform Cabinet. It has caused enormous loss of state revenue. If the state had suffered losses of up to billions of rupiah, the question arises: why had the state accepted this so far? Why had state control never been effective in its effort to eliminate this illegal business? Had there been some sort of a ‘concubine relationship’ between state actors and business people, making illegal business difficult to be prevented? This article will try to analyze that the problem of illegal economy is not a new phenomenon and not merely a problem of labeling certain transactions registered and unregistered, but more complicated, because it concerns power relations and power contention between and within state actors and society in their efforts to gain access to tin resources.

Introduction
On October 3, 2006, the National Police from headquarters in Jakarta, assisted by 88 Anti-Terror Detachment troops occupied the three private tin smelting enterprises in Bangka with top production. Police forced the closure of three smelting enterprises and 84 units of illegal tin mining in Bangka, better known as Tambang Inkonvensional (Unconventional Mining units or TI). The capture of a ship carrying 93 containers of tin bars owned by the three above mentioned enterprises and judged illegal by the Coast Guard and Bangka-Belitung Police led to the subsequent closure of these mining businesses. Six managers of those enterprises were detained in Pangkal Pinang and afterwards secretly taken to Jakarta (Kompas, 15–10–2006). On October 5, 2006, five
hundred tin workers and illegal miners responded to the violent acts of law enforcement officials with demonstrations at the regional police station, because the closure of those three enterprises discontinued their source of income. In order to crack down on illegal tin mining, the Governor issued an announcement that all tin smelting enterprises had to have a mining license issued by the Department of Mineral Resources and Energy. The seizure of the ship, the closure of tin smelting industries and mining sites by Police Headquarters, and the detainment of managers were based on the argument that these illegal enterprises were causing the state to suffer financial losses. If the state had suffered losses of up to billions of rupiah, the question arises: why had the state accepted this so far? Why had state control never been effective in its effort to eliminate this illegal business? Illegal economy is not a new phenomenon, but embedded in political economic history of tin mining and shows its complexity since regional autonomy. This article tries to analyze that the problem of legal and illegal economy is not merely a problem of labeling certain transactions registered and unregistered, but more complicated, because it concerns power relations and power contention between and within state actors and society in their efforts to gain access to tin resources.

I Monopoly and Smuggling of Tin in Political Economic History of Tin Mining

Illegal economic business in the form of smuggling of tin can be traced back to the period of VOC. In tracing its history, two words went hand in hand with: monopoly and smuggling, legal and illegal. These two words are not merely a simple problem of labeling certain transactions registered and unregistered, but more complicated, because it involves power relations and power contention between and within VOC, Malay kingdoms, colonial and post-colonial states, businessmen, and local people in their efforts to gain access to tin exploitation and tin trade. No reliable information is available concerning the time the tin mining began in Indonesia. In Bangka, tin has been estimated mined since the time of the Sriwijaya kingdom, a super powerful and maritime traditional state in Southeast Asia during the seventh century [Sujitno 1996: 15]. The system of tin mining itself was not complicated, known as timah ladang (tin mined in the field), meaning that tin sand was dug up when people cleared the forests for agriculture. Up till the 18th century Bangka people, as Malay people in Malaysia, mined tin by panning in rivers, between cultivating their fields, gathering forest products and fishing [Wong Lin Ken 1965: 10].

In 1718 Bangka tin became an important commodity to the VOC, when they signed a
contract with the Sultan of Palembang, for the monopoly of tin trade [Erwiza Erman 1995: 41–42]. The VOC had no the ambition to use his rights to control production. Organization of production was in the hands of the intermediaries through representatives of the Sultan. During this period, the local community continued to have access to tin mining in their area, even though access to capital was usually in the hands of local chiefs such as Batin, the Depati and the aristocracy in Mentok. Through his representatives in Bangka, the Sultan of Palembang controlled delivery of tin by miners to be sold to the VOC at a fixed price.

In order to increase tin production, the Sultan recruited Chinese people from Batavia and Malaka, organised in a kongsi system. Both Chinese as well as Bangka tin miners worked in the kongsi system. The members of the kongsi would gain profit from the sale of tin by the mine head or by owner of the mine to representatives of the Sultan. In order to gain profit from this tin business, the Sultan of Palembang who controlled Bangka set up regulations concerning so-called timah tiban or tiban in local term. This was an amount of tin to be delivered by each male person before getting married in Bangka, as the indication of his subjugation to Palembang.

What were the implications of the Bangka tin monopoly by VOC through contracts with the Sultan of Palembang? The heavier the state monopoly of tin sale, the more smuggling activities grew. This smuggling tin actually was a form of resistance against the monopoly inflicted financial loss on the tin miners, because the price discrepancy between monopoly and the free market price was too large. For instance: around the 1780s the Sultan of Palembang sold one picol of tin at the price of 12 real to the VOC, while the free market price was about 16–17 real a picol. The Sultan, through his representatives in Bangka, bought the tin at 8 real a picol from the tin mine head while he bought the tin at an even lower price from the tin miners [Vos 1993: 24]. The price discrepancy and the long chain in marketing tin, as well as the large amount of commissions taken by individuals involved in legal tin trade, caused the lively flare of tin smuggling to the free market.

Smuggling of tin was facilitated by Bangka’s geographical condition, surrounded by the sea and small islands, close to the free markets of Singapore and Penang where the British traders waited there. The geographical closeness of Bangka to the Riau islands additionally simplified smuggling activities. The Riau islands comprise thousands of tiny islands very close to Singapore, making smugglers hard to be observed by Navy patrols. The Riau islands formed an intermediate smuggling market before sailing on to Singapore. One of the tin smuggling markets was Lingga island, which the Sultan of
Lingga changed into a black market for tin, in collaboration with pirates. The Sultan of Lingga, in hopes of gaining control over Bangka and profit from the tin business, had turned his island into a black market for Bangka. He collaborated with a well-known pirate leader, Commander Rahman from sultanate circles in Palembang, who evacuated to Lingga because of internal conflicts, after sending his fleet to Bangka and declaring war with the Sultan of Palembang. War with the Sultan of Palembang was intended to pave the way for the Sultan of Lingga to gain control over Bangka. Rahman succeeded in controlling several important areas of tin mining such as Sungailiat, Pangkal Pinang and Kurau, which, however, later were taken again by the Commander of War of Palembang, Raden Ja’far.

The VOC and the Sultan of Palembang increasingly tightened control over the waters surrounding Bangka island with the objective of preventing tin smuggling. Heavier sea escorts could have prevented leakages in business as well as smuggling, and surely could have prevented and ultimately decreased conflicts between the VOC, the Sultan of Palembang, the Sultan of Lingga, and the parties smuggling tin. Both the VOC fleet and the ships of the Sultan of Palembang proved inadequate to control the wide waters around Bangka. As a result, the smuggling of tin and attacks by pirates could not be prevented. The pirates kept plundering tin mine sites and even increased their activities in the end, towards the fall of VOC power in 1792.

As formal holders of the monopoly of tin trade, the VOC and the Sultan of Palembang might be called ineffective in preventing tin smuggling. Control was even half-hearted, on account of various factors. First, there were individuals in the formal institution in control of the Bangka tin business who also indulged in illegal economic activities for personal gain. For their own personal gain, VOC officers also smuggled tin to be sold in the free market with the result that amounts of tin reported to be delivered to the VOC decreased. Second, the agents of the Sultan of Palembang in charge of tin delivered at various collection places in Bangka were tempted to scoop up these profits. They sold the tin in the free market to the English, as well as to Chinese, Siamese and Macao Portuguese traders who came with junks into the waters of Riau islands, or simply waited in Singapore [Vos 1993: 23–24]. As a result, the amounts of tin exported by the VOC to tin markets in China dropped heavily, but exports of smuggled Bangka tin sold at tin markets there increased.

Ineffectiveness in preventing tin smuggling was also caused by contradicting policy of the Sultan Palembang as shown in the following interesting example, the case of arrest of the Chinese king of smugglers, Bong A Siong. Bong A Siong was a very wealthy
Chinese manager of mines and king of tin smugglers in Mentok. Over and over he smuggled, in collaboration with pirates, Buginese and Butonese seamen who smuggled the tin he mined to outside Bangka. A Bangka aristocrat, appointed as one of the Sultan of Bangka’s agents, over and over reported Bong A Siong’s smuggling to the Sultan’s underlings and also to palace officers in Palembang. His reports were ignored and the officers seemed to regard this as an unimportant case [Wieringa 1988]. As pressure against the Sultan became more and more urgent, finally the smuggler was arrested, taken to Palembang and processed at the sultanate’s court. In the beginning, Bong A Siong was given a death sentence by hanging. At the suggestion of the Sultan’s trusted people who claimed that Bong A Siong had contributed a lot of money to the Sultanate, reinforced the Palembang Navy and other contributions in support of Sultanate activities, this sentence was not executed. The Sultan then commuted the death sentence to exile. The culprit was exiled to a remote village somewhere in Palembang. After Bong A Siong’s exile, the economic conditions in Bangka went through a dark period. Tin production dropped. Although the Sultan assigned a replacement to Bong A Siong’s position, this person’s expertise in managing tin mining and the Chinese workers in Mentok could not compare to Bong A Siong’s. The decrease in tin production also caused a decrease in the Sultanate’s income. At the suggestion of palace officers, finally the unfinished sentence of exile was revoked. Bong A Siong was returned to Mentok to manage tin mining there, and even he was appointed as Chinese Captain of Mentok.

The story of king of tin smugglers above shows us how the traditional Malay state, the Sultanate of Palembang, was weak, not only in controlling the area and smuggling activities, but also weak in law enforcement. Weakness in law enforcement actually is inseparable from the policy of corruption occurring at formal institutions, among officers of the sultanate of Palembang and its dependency on contributions based on smuggling as well [Wieringa 1988]. Furthermore, the involvement of formal actors in tin smuggling both the Sultan’s agents and the VOC’s officials seems to have blurred our understandings about the division of legal and illegal economy into a fixed category.

The period of the VOC’s monopoly of the tin trade ended together with the decline of this Dutch business enterprise’s power 1799. After this period, Bangka’s political situation changed dramatically and the island fell under a short period of British colonial administration (1812−16). Bangka’s political ties with Malay sultanates including with Palembang were cut off. Bangka became autonomous, a residency of the British, and subjugated to the British government in Batavia which managed its administration and
controlled over tin production. This was established by the agreement signed by the British representatives and the Sultan of Palembang. The agreement stipulated that transfer of Bangka and surrounding areas to the British by the Sultan of Palembang was not only valid for the ruling Sultan, but also for his descendants eternally. The ruling Sultans of Palembang agreed not to claim the island with all their wealth and resources, including tin mines [Sujitno 1996: 104].

The political economic history of Bangka changed under the British rule. There were some changes in the system of administration, control of the population and villages, tin resources, and strict control of the seas within the framework of preventing smuggling of tin from Bangka [Sujitno 1996: 105]. Bangka was separated from Palembang and became a residency centered in Mentok. The resident supervised administrators who controlled each district mine. Each district-administrator signed a kind of contract agreement with Bangka and Chinese people mining tin. Each of those contracts included the stipulation that each district-administrator would provide an advance of the items needed for exploitation of the mines and for the miners. Each mine would sell the tin they produced to the district-administrator, to be taken to Mentok for export outside Bangka. For instance, a contract was signed between Abang Daud exploiting tin in Koba and the British district-head in Pangkal Pinang; the Belo mine in Mentok under Ki Demang Usman signed a contract with the district-head of Mentok (Court 1812−15). In order to increase tin production, the British also recruited workers from China who were put to work in the mines. The nomadic people, known as Orang Gunung, living in the Bangka hinterlands were resettled. Each village head was given the task of registering the number of inhabitants in their various villages. These data were used by the British to find out the number of workers available to work at his development projects in the island.

The legal framework of the contract between the British and the Sultan of Palembang became the basis for the Dutch colonial government’s (1816–1942) control over Bangka tin. In 1819, the Dutch colonial government issued Tin Reglement or tin regulations. This regulation was considered a stepping stone for the Dutch who turned Bangka tin into a strategic state-controlled commodity. This regulation stated that 1) Exploitation of tin mines in Bangka was under the authority of and control of the Resident; 2) Tin was fully monopolized by the Dutch government; 3) Private tin mines were completely prohibited [Sujitno 1996: 106]. When the Dutch government enacted its liberal economic policy in 1870s, it was stipulated that in Bangka there was no system of communal land ownership or traditional law arranging the system of land ownership
transfer. The government considered land unused by the population to be owned by the state and ready for exploitation if it contained tin deposits. This limitless control by the government was also reflected in the regulation that if a tin deposit was discovered on pepper or rubber farms or inhabited settlements, the government had the right to start tin mining there by providing compensation to the owners.

Dutch control over this island and the regulation of tin exploitation caused enduring conflicts between the Bangka elite which formerly acted as agents of the Sultan of Palembang and the Dutch colonial government. The position of the Bangka traditional elite, named the *Depati*, became marginal in terms of political and economic power. Their position in the administration was under the Resident or District-Head. They could no longer act as managers delivering tin to the Dutch, as this position was taken over by the Dutch District-Head. In an effort to maintain their lost status and source of income, the elites revolted under the command of Depati Bahrin and his son Depati Amir, together with their friend, Batin Tikal, and attacked the Dutch. Their rejection towards the new government started with a fight around Bangka Kota in 1818 and ended in 1850 [Erwiza Erman 2004a]. Thus, complete control over Bangka by the Dutch began in that year, along with the exile of the leader of the revolt. The system of administration and management of tin exploitation was under the control of a Resident from Mentok. In fact, the Bangka Resident and his subordinates had more interest in the management of tin mining business than in the progress of local economy. (8)

The colonial government’s efforts to gain access to tin resources were accompanied by programs to resettle local people. This program had actually been started during the short period of the British colonial government, and completed by the Dutch. The ideology behind the resettlement program was to easier control the inhabitants, count the population, levy taxes, recruit obligatory workers, and most important, obtain large lands for tin exploitation. (9) Through the resettlement program, in 1851, 133 new villages were built, all along the left and the right of the roads, neatly arranged in clusters of 20 or 30, inhabited by 80 to 100 persons, and large villages were established with 40 to 60 houses with an average number of inhabitants of 150 to 200 persons [Erwiza Erman 2003]. The resettlement policies for Bangka people apparently proved ineffective, as up till the present, a large number of Bangka farmers still do not occupy their houses, but stay in shacks in their dry fields.

The resettlement policy was followed by gradual marginalization of the local people from their involvement in obtaining profits from the tin resources. The marginalization process was reflected by the decrease of income from various economic activities.
indirectly related to the mines. For instance, marketing of firewood for the smelting of tin by the local people during the era of VOC was now provided by Chinese working at *Banka Tin Winning* (BTW). The same was true for foodstuff and other commodities needed by the Chinese miners, initially provided by local people, and then handled by the BTW. Marginalization of local people from mining activities also occurred because they had no tradition of working under contract and the mines were never their main source of income. The colonial government regarded the local people working in the mines to be lazy. Therefore, they recruited as many workers as possible from China [Heidhuis 1992: 55−60]. As long as the local people did not meet difficulties from lack of other income sources, this tended not to cause open protests against the BTW.\(^{(10)}\)

It appears that the rampant smuggling by the Bangka population that decreased their access to get profit from tin exploitation during the colonial period was not as intense as smuggling during the VOC period. The resettlement policy and marginalization process of the population from mining activities proved not to cause intensive smuggling or illegal mining activities. Unfortunately, this article is not in a position to provide answers as to why the same conditions, namely monopoly of mining and marketing of tin, did not cause similar results in tin smuggling or illegal mining activities. Maybe this answer could be found by examining the geo-economic and geo-demography of Bangka, and the political stability created by the Dutch colonial government through its repressive control.\(^{(11)}\)

After independence, the Indonesian government continued to monopolize the mining and marketing of tin through a state enterprise which changed its name from BTW to PN. Timah, and then into PT. Timah Tbk during the New Order regime. It did so through a legal framework based on the Indonesian constitution, which gives control of water and land, including its contents, to the government. Tin is one of the commodities called strategic — following the regulation issued by the Dutch in 1916 — to be controlled by the state. Therefore, the government issued a regulation that whoever mines, stores and sells tin without license would be punished.

The population responded to the state monopoly of mining and marketing tin after Indonesian independence by smuggling it to outside of Indonesia. On examination, the most intense smuggling occurred mainly during economic and political crises, especially during the time of the Indonesian Revolution (1945−50), towards the end of the 1950s and onset of the 1960s. During the years of revolution, over 90% of this island’s economy was derived from the smuggling business. Smuggling during the years of revolution flared up, when contact between this island and Java was severed. Not only
tin, but agricultural products such as rubber and pepper monopolized by the Dutch government were smuggled as well, as their prices in Singapore rose.\(^{12}\) Almost all police personnel employed to prevent smuggling were involved in it.\(^{13}\) This condition went on through the 1950s and 1960s when marketing of tin, pepper and rubber was still monopolized by the government.\(^{14}\) Both periods mentioned later were periods of political and economic instability in Indonesia, marked by regional rebellion against the central government, nationalization of Dutch enterprises, as well as economic deterioration after nationalization, ending in an inflation of 600\% during the transfer of the Old Order to the New Order regime. These smuggling activities were carried out by local people and local officials not only as the form of resistance to politics of monopoly of government but also in anticipation of rising prices of daily necessities or their disappearance from the Bangka market. Smuggling activities apparently helped this island’s economy, especially in difficult times of political and economic developments both at local and national levels.

The legal system of control over tin mining business by the New Order regime (1966–98) did not undergo significant changes. State control of the tin industry was even stricter. Like coal and oil, tin was considered a strategic commodity that should be state-controlled, starting from the licensing process, through exploration and exploitation, up till marketing. Strict state control was further clarified in the Governmental Ordinance (PP) No. 27 of 1980, stating that tin belongs in the A Group with the classification ‘strategic’. A Group mining products were under strict state-control. Today only two enterprises have access to tin mining on the island of Bangka, namely PT. Timah Tbk, with 35\% of its shares were owned by the public and 65\% by the state and PT. Koba Tin, a joint-venture, with 75\% of its shares owned by PT. Timah Tbk, and 25\% by PT. Koba Tin. PT. Timah Tbk also gave mining contracts to local domestic investors for the exploitation of tin in its licensed mining areas considered not economical or fully unproductive anymore. This was called Contract of Work Mines (Tambang Kontrak or Tambang Karya, TKK). In 1985, there were 87 work mines operating under contracts with PT. Timah Tbk on the island of Bangka [PT. Tambang Timah Tbk 1986: 8].

The New Order state monopoly system of tin mining, along with military protection of the industry, seems not to have decreased the illegal economic activities in Bangka, smuggling of tin became rampant at the onset of the 1970s [Sujitno 1996: 301]. Illegal economic activities were undertaken by the Bangka population, the Work Mines, and by individuals working at PT. Timah Tbk as well, in collaboration with pirates and the
military. During the 1970s, when Indonesian economic development was gloomy, almost all people were involved in tin smuggling to meet their daily needs. For that reason, because so many of them were jailed in Pangkal Pinang. The jail in that town was unable to take in more people considered criminals by the New Order regime.\(^{15}\)

Around 100 Indonesian tin smugglers were detained in Johor Baru for trying to enter Singapore in the 1970s. They were detained for entering Malaysian waters illegally. However, wealthy merchants in Singapore who were members of the smuggling mafia paid for a defense lawyer to secure their release. In 1977 only, the security unit of PT. Timah Tbk succeeded in intercepting 130 tons of smuggled tin. However, the amount of tin that escaped the control of officials is estimated to far exceed the intercepted amount [Sujitno 1996: 301]. Some of the tin produced by TKK was smuggled to Singapore. A rough estimate states that around 3,000 to 5,000 tons of tin concentrate arrived in Singapore each year during the late 1970s and early 1980s [Baldwin 1983: 176]. One source from a Work Mine claimed that small-scale panning tin miners tended to engage in this smuggling. It is estimated that 26–32\% of TKK's total tin production from 1983 to 1986 was smuggled out of the country [Sujitno 1996: 302].

The smuggling chain during that period was very long, reaching back to villages. Village collectors gathered illegally mined tin from miners in the villages. After collecting large enough amounts, the tin was taken by Butonese and Buginese seamen by small motorboats to a remote island between the Riau islands and Singapore. One of the islands often used as hiding place was Sembujur island, where the tin awaited a larger boat to take it to Singapore. These smugglers had a tight and closed network involving many individuals who collected sack on sack of tin sand. This collecting network moved along tin by the most simple means, such as bicycles, motorcycles and cars, and sometimes even by ambulances. The smugglers acted individually and were almost undetectable.

The New Order regime took repressive steps to stop rampant smuggling in the island by sending a military detachment from Jakarta murdering over 500 persons suspected of smuggling, and jailing many persons.\(^{16}\) A smuggler who was jailed at end of 1970s explained that to local people, smuggling was not a form of resistance against the government, but a fight for survival. During that time, one Butonese seafarer purposely came from Buton to Bangka to smuggle Bangka tin to Singapore. Between the 1970s and the 1980s he smuggled tin more than 100 times.\(^{17}\) For him, smuggling tin was a rational choice, because individuals from PT. Timah Tbk, military and local officials also did the same thing for their own interests. He was never discouraged by getting
arrested several times by the navy coast guard. Bong Jong Sen, the smuggling king who had close ties with regional officials joined an almost undetectable mafia chain. Over and over the New Order military unsuccessfully tried to arrest him. He was protected by the Bangka population and most socially inclined. He gave much assistance to many people. On getting besieged by the military and convinced they would catch him, Bong Jong Sen threw a large amount of money to the assembled crowds around him, which preferred grabbing the money to going after him. So, he was able to disappear.

Historical narrative above shows that smuggling of tin has been long embedded in the political economic history of tin mining in Bangka. Smuggling activities are not only a response to mining and trade monopoly and resistance to state power, but also as a strategy of common people to survive especially during political and economic crises. The period of Indonesian Revolution, the regional protest movement of the Revolutionary Government of the Republic of Indonesia (the PRRI) in 1958, and high inflation and political transition of Old Order regime to New Order regime were marked by high intensity of smuggling. Therefore, tin smuggling or black market of tin has not always correlated positively with weak control of the state as shown by William Reno's study in Sierra Leone [1995]. The rampant smuggling of tin by people of Bangka in the late of 1970s and in the beginning of 1980s—when state control was quite strong—was correlated with the decline of other local important economic sector. Unfortunately, this research still unable to dig information from interviews about the quantity of tin smuggled to outside the island.

II Legal and Illegal Mining Activities and Contest of Power in the Post-Soeharto Era

‘You say illegal, we say legal,’ blamed the Regent, the Major of Pangkal Pinang and the managers of local smelting companies to governor of Bangka-Belitung islands and central government. Blaming legal and illegal tin mining businesses in Bangka seems not only a process of labeling registered or unregistered, but at the same time it is a problem of contested power of actors. After the fall of Soeharto in May 1998, the political and regulatory changes arising from reformasi (such as decentralization and regional autonomy) created conditions that contributed to the acceleration of illegal mining in Indonesia and brought the issue to the fore in mining policy debates.

Decentralization and regional autonomy were thought to be the cure for the centralistic unfairness and repression of the New Order, but these new political processes soon proved to be the source of the a plethora of problems. Decentralization
and regional autonomy were based on vague and poorly drafted laws, so the door was wide open to varying, interest-based interpretations. The districts (and to a lesser extent the provinces) soon began to draft their own rules governing natural resources in order to increase income from those resources. The central government implemented legislation that devolved elements of authority to manage mining from the central government to the provincial and district authorities. This legislation gave district heads (bupati) the authority to issue permits for small mining concessions in the form of small-scale mining concession rights.

Bangka had long been keen on regional autonomy and the new tin mining regime. A set of demands was directed to central government and PT. Timah Tbk. The demands were to establish a province of Bangka Belitung, release Bangka from domination of the people from South Sumatran province [Sakai 2003: 189-200], get ownership of share in PT. Timah Bangka, replace the company’s Director, a Javanese with a ‘native son’ (putra daerah). Bangka soon began to issue the district ordinances governing new tin mining management. New tin mining management that brought the contradicting interpretations and blamed legal and illegal among state actors started from deregulation of the tin sand trade issued by decree of the Minister of Trade and Industry no. 146/1999 in 2001. It declared that tin was no longer considered a strategic commodity whose mining and trade had to be supervised by the central government. Based on regional autonomy law, the Regent of Bangka used his power, issuing District Regulation no. 21/2001 (8 May 2001) on implementation of general mining in Bangka, and District Regulation no. 2/2001 (1 July 2001) permitting the export of tin sand and mining tin by local people. The District Regulations were intended to increase locally-generated revenue (PAD).

The District Regulation was an important decision, because it weakened a monopoly of the New Order regime and gave an opportunity for population of Bangka to mine tin and sale it. The local government seized on tin deregulation as an opportunity to issue licenses, to regulate export, and to stipulate a decentralized management system [Erwiza Erman 2007: 181]. Based on the District Regulations, it was now possible for anyone to engage in tin mining or trade, something very prohibited during the New Order regime. There were 21 local companies getting permits from the Regent or the Mayor for their operation there, and an estimated 130,000 informal miners called also as ‘informal mining’ (Tambang Inkonvensional) in 2002. By early 2004, the number of illegal miners had risen by 400% compared with the previous years. The fall in the pepper price to below the cost of production (Rp 12,000 per kilogram) in early 2003
caused many residents to switch from pepper farming to tin mining. With mining, cash was available immediately, as soon as the tin sand was collected, unlike when cultivating pepper plants, which requires extraordinary patience.

The District Regulations were criticized by Caretaker Governor/Governor, PT. Timah Tbk with their alliances such as the members of Golkar Party and Partai Persatuan Pembangunan (PPP, Unity and Development Party), and Ministry of Mining and Energy. They said that the District Regulations were contrary to Mining Law no. 11/1967. Many local companies set up after the District Regulations had indeed mining authority but on paper only. Their operations were also regarded illegal because they bought tin sand from illegal miners and exported tin sand illegitimately. Informal miners were also blamed illegal by the criticizers, because they used modern equipment such as excavators, bulldozers and trucks, mined in prohibited areas, and neglected environmental impacts. The criticizers warned that the state had suffered losses of up to billions of rupiah, due to rampant and greedy illegal mining exploitation and tin sand exports. Therefore, they wanted Minister of Trade and Industry to withdraw deregulation of the tin sand trade. On 17 April 2002, a regulation prohibiting tin sand exports was issued by the Minister, and came into force from 1 June 2002. (21) According to the regulation, tin sand must be smelted on the island or on smelted companies located in Indonesia. Supported by PT. Tambang Timah, Ministry of Mining and Energy and National Assembly (DPR-RI), the Governor also took a repressive control over illegal mining using modern equipment and mining in prohibited areas.

Regulation and counter regulation have been made in order to legalize the interest of parties involved. First, the ban on tin sand exports lasted only six months. The ban on tin exports met with resistance from the district head’s allies, who based their argument on issues of the ‘people’s economy’. The Regent was so powerful, and he made counter regulation. In January 2003, the Regent issued Inter-Region Trading Licenses or SIPAD (Surat Izin Perdagangan Antar Daerah) through Regulation no. 20/2003. The intention of issuing the SIPAD was to reduce the amount of tin sand smuggling to Singapore and Malaysia. Basically, it gave tin sand exporters the opportunity to trade in tin between regions. They could send the tin sand to another region to be smelted. The SIPAD was manipulated by tin sand exporters by sending tin sand to cities such as Tanjung Pinang, Tanjung Periuk, and Surabaya. The tin sand was never smelted, but smuggled from these harbors to outside Indonesia. Therefore, the SIPAD has in turn created a new conflict between the Regent and his allies with the Governor of Bangka Belitung and his allies. In October 2003, the issue of the Regent SIPAD was taken up at provincial level,
and a Special Committee on the Draft District Regulation on the Management of General Mining was set up.\(^{(22)}\) In January 2004, the regulation of the Management General Mining came into force. The regulation was more complex, regulating export taxes, exploitation, transportation, reclamation, smelting and trade in tin both within and between regencies.

The story of interest-based interpretations of mining regulation continued. The October event briefly described in the introduction of this article has created new conflicts between the Regent, the Mayor and the Governor and Ministry of Mining and Energy. After unsuccessful result with the SIPAD, the Regent and the Major drafted regional regulations for establishing local smelting companies. The Regent and the Major regarded local smelting industries as legal, based on Regional Regulations no. 6/2001, and no. 3/2004. In the Regional Ordinances, the regional government includes the smelting of tin sand as part of the industrial process that can be given permits without having mining authority as regulated in the Mining Law 1967. Because the local smelting companies had no mining authority, the Regent or the Major only required remittance of 1,100 rupiah for each kilogram of tin sand bought by the smelting companies from tin collectors and 75 rupiah for each tin bar exported.\(^{(23)}\) Most of the local smelting companies are located in the town of Pangkal Pinang and also in the regency of Central Bangka. This town has obtained a great revenue from this business. On the other hand, the central government did not profit from this business and held that all mining activities should be regulated under Mining Law no. 11/1967, beginning with exploration, exploitation, smelting, transportation and continuing to marketing. All processes were regarded as a unit which cannot be separated from each other. Therefore, from the central government’s perspective, each smelting company should have mining authority from permits issued by the Department of Mineral Resources and Energy from Jakarta.

There were economic, political and personal conflicts underlying debates and discussions about deregulation, regulation and counter regulation between the Regent, the Major, the Governor, Ministry of Trade and Industry, and Ministry of Mining and Energy in Jakarta. There were individual competition between the Regent and the Governor, political competition between PDI-P and Golkar parties, and business competition between PT. Timah Tbk protected by Ministry of Mining and Energy in Jakarta, local mining and smelting enterprises protected by the Regent and the Mayor. The multilayered factors underlined the contest of power and labeled the business as legal or illegal.
The Regent of Bangka, Eko Maulana Ali was one of the important and strong persons in struggle for the formation of the Bangka-Belitung province. He was a former member of Golkar, but in the run-up to the 1999 election, he switched to PDI-P and served as Regent for the two periods: from 2000–04, and from 2005–08. When candidates for governor of the new province of Bangka-Belitung started to be nominated in early 2001, the Regent was nominated by his party. He was a strong candidate; but he later seemed reluctant to give up his position as Regent and withdrew. But since January 2004 he began gathering support to run for Governor in February 2007, where he was finally chosen. Since then, there has been an undercover struggle between the Regent and the Governor. Whenever there is a demonstration against the Regent by the public and NGOs, there is a counter-demonstration against the Governor and his clique. In October 2006, the Regent stepped down from his position. He won in the election.

The Governor of the Bangka-Belitung islands is Hudarni Rani. He worked at PT. Tambang Timah, and his last position was as one of the Directors of the company. He was also the head of Golkar Party, a ruling party from New Order regime. He was nominated by his party and supported by The Development United Party (PPP) to be the candidate for the governorship in 2001. He contested and won in the election. Since February 2001 he occupies the position of Governor for the province of Bangka-Belitung islands. He is still regarded as a ‘new player’ by local officials. As ‘new player’ in regional level, his power is also limited, because control over regency and city is subsequently held by the Regent and the Major. PDI-P and Golkar parties have been the two big parties since the New Order regime. The two parties compete with each other for supporters. PDI-P, which nominated the Regent, was the second biggest party in the island of Bangka. Most of its members were Chinese people who have got licenses for tin mining businesses from the Regent or Major of Pangkal Pinang to mine tin, sell tin sand, and to smelt and export it outside Bangka. The Golkar party, which nominated Hudarni Rani, was the strongest political party in the island and the winner of the two latest General Elections in 1994 and 1999. Most of PT. Timah Tbk’s workers were the members of the Golkar party. The Golkar party would maintain its power through the power of the Governor. When the Governor and his allies were successful in lobbying the Minister of Trade and Industry to withdraw the deregulation of the tin sand trade, the Regent’s allies in the PDI-P dug in their heels. They argued that the Regional Ordinances was important to the local economy. Supporters of the Regent including gangs, groups known as the “alliance of the misled” (perkeliruan), and some NGOs, as well as PDI-P members in the local House of Representatives (DPRD I and II),
again questioned PT. Timah Tbk’s miniscule contributions to the development of
Bangka’s economy, and mobilized masses of the miners to demonstrate.\(^{(24)}\)

The October event briefly described in the introduction of this paper is a ‘productive
moment’ that showed wider contending relations of power. Contending powers were not
only the Regent of Central Bangka and the Major of Pangkal Pinang with the Governor,
between center and region, between PT. Timah Tbk and local mining and smelting
companies, but also between Indonesia and neighboring countries as well. The central
government intervened to solve the problems of the tin mining industry because
Indonesia has seen huge losses in its tin production, compared to Thailand and Malaysia
that no longer produce but collected tin sand illegally from Bangka. Singapore does the
same thing; a country that has no tin deposits at all, has established a smelting
company, Singapore Tin Industry. There is no doubt that the neighboring countries of
Indonesia have received tin sand smuggled from Bangka. The role of mining companies
in Thailand, Malaysia and Singapore is very important as they became competitors for
PT. Timah Tbk. Among them are Malaysia Mining Company, a Malaysian state-owned
company; Malaysia Smelter Company; and Thaisar company, Thailand’s state-owned
mining company; they are the main players in the shadows who have invested capital to
local smelting companies. In Bangka itself, PT. Koba Tin, whose major shareholder is
the Malaysian Mining Company, has an important role behind the success of the local
tin companies.

III Legal and Illegal Tin Business: A Note

Illegal economy with a variety of imaginative names such as ‘informal’, ‘unofficial’,
to the economy that has recently become the centre of attention for an increasing
number of scholars [Dallago 1990: xv]. In Bangka, illegal tin economy with the names
such as informal mining, tambang inkovensional, unrecorded, and smuggling in Bangka
is not a simple one, not merely the problem of labeling registered or unregistered,
payment taxes, sanctions from tax authorities and moral attitudes as explained by many
studies [Schneider and Enste 2000: 77]. At the same time, it is a problem of contested
power between the Regent, the Mayor and the Governor, between PT. Timah Tbk and
local mining companies, between the Ministry of Trade and Industry and the Minister
of Mining and Energy, and between Indonesia and Southeast Asian countries. There are
political, economic and personal conflicts that underline the problem of contested power.
The case of Bangka shows that illegal economy is not a new phenomenon, but is already embedded in the history of tin in Bangka, crossing different times and regimes. Illegal economic activities in the form of smuggling of tin can be traced back to pre-colonial, colonial and post colonial times. It can be regarded as resistance against the system of monopoly in tin trade imposed by the VOC, and then in all processes of the tin mining in colonial and post-colonial states. The New Order regime regarded local people involved in exploitation and marketing of tin to be criminals. In order to make this business secure, the state used military to control the island, and in the beginning 1970s and the 1980s, the centralized-authoritarian New Order regime had killed, sentenced and even imprisoned many people in jails for their illegal activities.

After reading the ways in which illegal businesses tin mining operated in Bangka soon proved that a precise definition of illegal economy seems quite difficult, because it develops all the time according to the ‘principle of running water’; it adjusts to changes in regulation of taxes, to sanctions from the tax authorities, regulation, to general moral attitudes. In the case of Bangka, we cannot determine precisely legal or illegal economy in terms of taxes, tax authorities and moral attitudes only, because it is blurred criteria as shown by Barbara Harris White in her study in India [2003]. It is recognized very well that the income earned in the illegal economy has a positive effect on the official economy in the island as also found by Friedrich Schneider and Dominik H. Enste in their studies [2000: 77−78]. In Bangka, the smuggling of tin was carried out by local people and local officials not only as the form of resistance to politics of monopoly of government but also in anticipation of rising prices of daily necessities or their disappearance from market especially during the Revolution. But what more important thing to be noted here is that the blurred criteria can be seen in the use of formal institutions for private ends, protecting smugglers, collusion and manipulation of information for illegal activities. The blurred criteria has placed the tin mining industry between two worlds, between shadows of ‘legal and illegal’ and concubine relationship between society, businessmen and formal regulators [Erwiza Erman 2004b; 2007].

The plurality of regulations and regulators who claim, ‘we say legal, you are illegal’ expressing the contest of power between and within central and regional government. More than merely the labeling legal and illegal, registered and unregistered, there are economic, political and personal factors that cause the competition between the Regent and the Governor. The contest of power between the state actors has created the inability of the central state to create ‘true economic practices’. Therefore, the problem
of legal and illegal economy should be rethought and reformulated not only merely in relation to the weak or strong state control discussed by William Reno [1995] and Janet Roitman [2005] in their own studies in Sierra Leone and in Central Africa, but also as a complicated contest of power between and within state actors, politicians, mining companies, and local people.

Notes
(1) Part of this article was written during my stay as visiting fellow at the Institute of International Studies, Univ. of California, Berkeley (August–December 2006). I am especially indebted to Prof. Michael Watt and Prof Nancy Peluso for their critical comments on my early version of this article.
(2) They are CV Dona Kembara Jaya, CV DS Jaya Abadi and PT. Bangka Putra Karya. The three tin smelting enterprises have an average production of about 2,000 tons a month. This production is quite high considering the 3,000 to 4,000 ton tin smelting capacity of the large PT. Timah Tbk.
(3) On the evening of October 12, 2006, the residence of Pangkal Pinang major was terrorized. There are many guesses as to the reasons for this incident, but clearly this mayor supported illegal miners and smelter runners and also had meetings with them in his house before the terror started (Bangka Pos, 13–10–2006).
(4) Besides with Palembang, the VOC also signed a contract with other Malay sultans about the monopoly of sale of tin produced in the Malay peninsula, at Perak and Johor, for marketing in Malaka. For detailed information concerning tin marketing alliances between Malay sultans with the VOC, see [Vos 1993].
(5) The word Kongsi, a Malay-Indonesian word borrowed from the Chinese, can mean a number of things. Kongsi refers to territorial organizations, founded by Chinese gold miners in West Kalimantan. Kongsi laborers, working as a group, jointly incurred debts to the Dutch administration for operating the mine. Members of Kongsi divided the profits from the tin sold on an equal basis [Heidhuis 1992: 38–39].
(6) Bangka island was continually under control of surrounding sultanates such as Banten, Johore-Riau, Minangkabau and Palembang. This island was divided into various tiny territories headed by their various territory heads with various titles. Such titles, like batin, kroe and depati to mention a few, were titles adopted from sultanates which had ever controlled Bangka. Unlike the other many tiny territories, Mentok was inhabited by the aristocracy from other Malay areas controlling Bangka. For the history of the origin of Bangka and its system of administration, see [Wieringa 1988].
(7) For example, pirates attacked Sungailiat, an area rich in tin and three years afterwards an even more colossal attack by pirates was repeated. They were, however, beaten back by the agents of the Sultan of Palembang. The pirates afterwards built a
stronghold in the south, at Sungai Kepo and attacked Tobaali, Kurau, Pangkol, up to the interior. These pirates not only plundered the tin and possessions of the inhabitants but also turned them into slaves [Sujito 1996: 76].

(8) Although the system of administration was separated from the management of tin exploitation in 1913, the power of BTW was consistently stronger than the power of local bureaucrats. This condition went on until Indonesia’s independence, and even up till the New Order regime. For that reason, it is not surprising that the colonial economic policy in Bangka was always directed towards earning profit from tin production [Erwiza Erman 2006].

(9) See [Erwiza Erman 2003]. See also report of Bangka Resident in 1849 concerning the settlement of Banka inhabitants in Arsip-RI, Arsip Daerah Bangka No. 40. Algemeen Verslag van Banka over het jaar 1851.

(10) However, during the Depression in 1930s, when less and less forest areas were available for pepper farms, protests against tin mine exploitation could not be avoided. Protests occurred primarily in the northern area of Bangka, the center of tin mining and densely populated. Socio-political organizations formed in the 1920s in Bangka expressed the people’s frustration and protest [Erwiza Erman 2005a: 131–154; (forthcoming)].

(11) The economic geography is consistent with the economic typology of this island. The northern areas such Pangkal Pinang, Sungailiat, Blinky and Mentok, which are tin mining areas, are urban areas with a more heterogeneous population that includes Europeans, Chinese, and indigenous Bangkanese. Bangka people in some areas such Blinky are less numerous in comparison to Chinese miners as well as non-workers. The south, such as Tobaali, is a rural area, inhabited by a majority of Bangka people who are farmers.

(12) For instance, Ong Swee Cheng, who was arrested, smuggled a cargo of 50 to 60 tons of pepper on the barge Hock Tong II, and arrived October 20 in Singapore. The value of the pepper was estimated at $200,000 and sold to Hiap Hock firm, 50 Church Street, Singapore. General State Archives, Den Haag (ARA-Den Haag), a report by the Dutch consulate in Singapore, 27 October, 1949.


(16) Interviews with a smuggler, 11/12–1–2005.

(17) Interviews with the son of one smuggler, Surabaya, 23–8–2005. He told how proud his father was to be able to finance the study of his son with his income from smuggling.


(19) Kompas, 6–1–2002.


(24) Interviews with member of local parliament, 12–2–2004.

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