Suharto associate who helped transform Indonesia

OBITUARY
Liem Sioe Liong
Industrial tycoon
1916-2012

The impoverished second son of a rice farmer from Fusan, near Pekin, China, Liem Sioe Liong emigrated to the Dutch East Indies as a young man in the late 1930s with little more than the clothes on his back.

But via a combination of business nous and the ability to pick the right partner, Liem, who died in Singapore on Sunday aged 95, grew to become the pre-eminent industrial tycoon in what became Indonesia.

In the process, Liem helped transform the country’s economy as he prospered through his relationship with Suharto, the autocratic president who ruled Indonesia from 1966 until 1998.

Though he was born and died outside Indonesia, Liem’s story cannot be unwound from its history and development.

He was one of a number of ethnic Chinese tycoons who made fortunes because of their links to Suharto while remaining vulnerable to the visceral anti-Chinese sentiment he stoked and at times allowed to boil over into violence.

Liem, whose Indonesian name was Sudono Salim, made the transition from well-connected crony thriving on monopoly licences to successful businessman. His Salim Group created some of Indonesia’s most successful companies including Indofood, the country’s largest maker of instant noodles, Indoemcement, a building materials supplier, and Bank Central Asia.

“Sudono Salim was the pioneer in private sector entrepreneurship and business in Indonesia,” Mari Pangestu, Indonesia’s tourism minister, told the Financial Times. “He was there right at the start of Indonesia’s economic development in the late 1960s and 1970s, at a time when Indonesia needed to start the industrialisation process and the food supply business.”

Not long after he arrived and went into business with family members as a small-time peanut oil and clove trader, Liem ran into difficulties when Japan invaded the Dutch East Indies in 1941. It was just one in a long list of tumults from which he would emerge stronger.

As he expanded his business after Indonesia won independence from the Netherlands in 1949, Liem began supplying goods to the military and met a young officer called Suharto. As a general, Suharto would go on to seize control after a 1985 coup attempt that threw the country into a paroxysm of anti-Chinese and anti-communist violence that left an estimated million dead.

Thanks to his close relationship with Suharto, Liem won lucrative full or partial monopolies in everything from the import of cloves and sugar to the milling of flour. His success lay in turning these opportunities into competitive businesses.

“There’s a view he was only able to succeed because of his crony strategy and links to Suharto,” said Marleen Diedeman, an academic at the National University of Singapore who has written a book on the Salim group.

“But there’s another view that he slowly moved from connections-based to a market-based business model.”

The Asian financial crisis, which hit Indonesia in 1997 and precipitated the fall of Suharto, brought the Salim group to the brink of collapse. Liem’s bank, BCA, collapsed and was nationalised, making the Salim group the biggest debtor to the Indonesian government, owing about $5bn. But under the leadership of his son Anthoni, it became one of the first companies to settle its debts.

The family business recovered, but Liem’s relationship with Indonesia did not. As depositors rushed to pull money out of BCA in May 1998, a mob ransacked one of his homes. He later fled to Singapore.

Liem returned to visit but never lived in Indonesia again. Anthoni resurrected the family’s reputation and is the third-richest man in Indonesia, with a net worth of $8.5bn, according to GlobeAsia, a business magazine.

Liem summed up his approach to business in a 1984 interview with Tempo, an Indonesian news magazine. “Today we trade in this product and tomorrow there’s a new policy and the possibility exists that we trade in something else. Following this path is not easy but mastering it is not impossible.”

Ben Bland

Liem Sioe Liong: seen as a private-sector pioneer