

## "Corruption Ruins Everything": Gridlock over Suharto's Legacy in Indonesia (Part II)

**Peter King**

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Part I can be read [here](#).

#### Gridlock over KKN

The examples above suggest governmental paralysis in the face of a pervasive corruption which impacts severely upon every important policy and institution in the republic. The President takes initiatives but hesitates fatally to follow through, and compromises his own reputation and effectiveness in the process. Most government ministries, for whom tactical funds and off-budget budgets are the stuff of life,[50] do not even have a reform plan in front of them which would permit them to parlay their own essential income-boosting black funds (civil service pay being universally inadequate) against budgetary reform and a big boost to salaries.

In this context, however, there has been one promising development. At the Ministry of Finance Sri Mulyani Indrawati, a former Executive Director of the IMF and the most powerful woman in the Yudhoyono ministry, has launched a cleanup in the ministry itself and especially its Directorate General of Customs and Excise, reputedly the most corrupt government authority in Indonesia along with the taxation office. The entire customs staff of 1350 at Jakarta's main port,

Tanjung Priok, was moved out and replaced by 840 newcomers; salaries were doubled, and goods throughput and customs revenue have reportedly soared. The reforms are slated to be extended by this "islands of integrity" method to the courts and the most KKN-prone government agencies, but both internal and external resistance have surfaced already, especially in parliament. The Speaker of the DPR (Dewan Perwakilan Rakyat--People's Representative Council), Agung Laksono, argues that spectacular targeted salary increases are unfair and may lead to... "jealousy" (!).[51] It remains to be seen whether the islands of integrity will be washed away by the storms of self-seeking.

Perhaps the greatest irony of the KKN saga surrounding the Presidency is that the post-Suharto President with the most imposing credentials for reform (including even KKN reform), reconciliation and democratic dealing—Gus Dur-- was impeached and sacked by the MPR (Majelis Permusyawaratan Rakyat --People's Consultative Assembly) in 2001 for a comparative bagatelle of corruption. This was Rp35billion spirited from Bulog by his masseur, and US\$2 million in aid money received from the Sultan of Brunei and unaccounted for. His dabbling in KKN was a transparent pretext for his political rivals and military spoilers to be rid of someone who was seeking to construct an action government in the wake of frustrated efforts at military reform and peacemaking with Papua.[52]

#### The Failure of Institutional Reform

While the prospect of serious reform action

induces Presidential paralysis, parliament is not immune from the syndrome either. Quite apart from politicians' own addiction to money politics there has been failure since 1999 to follow through and make effective the promising institutional innovations of the period—a Corruption Eradication Commission and Anti-Corruption Court (Pengadilan Tipikor); a Judicial Commission (Komisi Yudisial) to monitor the mafia in the court system; a proactive Supreme Audit Agency (Badan Pemeriksa Keuangan--BPK), and, less impressive, a Komisi Ombudsman Nasional. The failure can be seen in documented kickbacks to potentially inquisitive politicians in KKN cases, [53] and brokerage (for substantial fees) by MPs and their agents of the release of disaster relief funds controlled by the parliament to regional governments.[54] The lone party in the DPR enjoying serious reform credentials, the Muslim-based Prosperous Justice Party (Partai Keadilan Sejahtera--PKS), which received 7 per cent of the vote in the 2004 national election, may be losing those credentials.[55]

Paralysis is evident in the sham or half-hearted reforms, sham political battles, sham legal actions and other merry-go-rounds of the current Presidential war against KKN. Despite a very great deal of huffing and puffing almost no big players in the major corruption cases—the BLBI liquidity fund and other bank scandals, illegal logging and log export, and fuel smuggling (and theft)-- have been prosecuted successfully. The performances of the Attorney General's Office (AGO) and the President's anti-corruption team (Tim Task Tipikor) have been woeful.[56] Corrupt courts and prosecution; bureaucracy still rife with off-budget budgets fed by private sector "clients" outstripping official ones (and actually setting the real income of many public sector employees well above what they could expect in the private sector[57]); officials at state enterprises indulging in kickbacks, theft and smuggling; banks revitalised at public expense

as cash spigots for corrupt cronies; military and police presiding over extensive protection rackets and illegal resource extraction—the story is not an elevating one. Indonesia in 2007 continued to bump along near the bottom (143rd of 179) of Transparency International's Corruption Perception Index. A detailed calculation of the multi-billion dollar "costs" of corruption, which are of course the purest kind of effortless profit for many, would suggest that KKN really is among the largest and most successful industries in the land.

Broad-brush evidence for this as an enduring truth of reformasi Indonesia comes with annual and undisputed official accountings of graft in government. For instance:

"Procurement is one of the areas most prone to corruption. Around 70 percent of the cases handled by the Corruption Eradication Commission (KPK) are mark-ups for procurements," KPK chairman Taufiequrrachman Ruki told reporters at a [November 2007] media conference after the opening of a regional seminar on Fighting against Bribery in Public Procurement in Nusa Dua, Bali...The KPK has received 16,000 reports of cases but it able to process only a few dozen, he said. Taufiequrrachman said that the government lost around Rp 36 trillion (US\$3.9 billion) each year because of corruption in public procurement.[58]

It is dismaying that Taufiequrrachman's successor at the KPK, Antasari Azhar, has an unprecedentedly bad reputation to occupy such a position and appears to have been crowned by the House of Representatives Legal Commission III at the behest of the two political parties which dominate the parliament, Vice President Kalla's Golkar and ex-President Megawati's PDI-P, who evidently prefer to conduct their money politics in peace. Ironically the uproar against this appointment was led by none other than Adnan Buyung Nasution, whose own reputation as a human

rights lawyer, noted above, has suffered from close association with TNI generals, but who is currently serving on Yudhyono's Presidential Advisory Council.[59]

And the President's role? Yudhyono endorsed all ten of the recommended KPK members put before him by the commission's selection committee, including two other notorious figures besides Antasari.[60] Even before this debacle the KPK had only managed to recover Rp50 billion (for an outlay on its own operation of Rp248 billion) in its first three years (2003-6).[61]



**SBY congratulates Antasari SBY and Bagir Manan: all smiles?**

Infiltration of corrupt personnel into corruption-fighting bodies has already seen

bribery reported at both the KPK and (as already noted) the BPK—the Supreme Audit Board. Even more insidious is the turf warfare that has broken out between manifestly corrupt but ostensibly corruption fighting bodies such as the Supreme Court and newer, less tainted, supervisory organs such as the Judicial Commission (established 2002), whose legislative charter included supervision of Supreme Court judges and which quickly became an outspoken critic of their behaviour. In August 2006, following a suit filed by the Supreme Court justices themselves, its supervisory power was stripped by the new Constitutional Court (founded 2004), itself staffed by former judges and Ministry of Justice bureaucrats. The Constitutional Court followed up in December 2006 by ruling that the KPK itself would be abolished as unconstitutional in three years time, along with the Anti-Corruption Court.

In response, according to Suara Pembaruan, Teten Masduki, head of Indonesia Corruption Watch,

said that even though this would happen in three years' time, the Constitutional Court had 'scored a victory for corruptors'. He [Teten] warmly praised the work of the Corruption Court which always came down against the corruptors...He warned that the three-year grace period could be used by the Constitutional Court to intervene in pending cases such as the recent high-profile case of an alleged major corruptor [Supreme Court Chief Justice] Bagir Manan. Furthermore, as is well known, the Indonesian parliament is also very resistant to moves to combat corruption.[62]

The confusion and paralysis surrounding these decisions is guaranteed to continue. What is at stake is lucrative opportunities for spectacular extracurricular primitive accumulation on one hand and a small risk of a not very disabling disgrace and an even smaller risk of a seriously disabling sanction on the other.[63]



**Bagir Manan (central umbrella) on safari in Riau**

**Fuel on the KKN Fire**

A nice illustration of elite rapacity and political paralysis at work can be gleaned from the vexed case of fuel subsidies as administered by Pertamina. From the Suharto period to the present this state monopoly has been a favourite target for plunder by KKN adepts in the company itself and in the government, the police and the military. Although the 2005 cuts in fuel subsidies under SBY were hailed as a breakthrough, fuel prices remain less than half the going world market price. With its run-down infrastructure and chronic FDI shortfall, Indonesia is unlikely to escape the status of net oil importer, which it attained in 2004 despite large untapped local reserves.

Fuel imports have persistently risen in recent times out of line with economic performance. This has been partly driven by the lucrative business of illegal re-export (smuggling) of oil and oil products for sale in Singapore and elsewhere at a cost of at least a billion dollars

per annum. A large proportion of all imported fuel finds its way back to where it came from. In addition there has been outright theft on a massive scale from Pertamina storage facilities in East Kalimantan (US\$500m worth in one 10-month operation over 2004-5) and elsewhere.[64] Although the fuel subsidy remains a potential budgetary black hole, the kerosene subsidy in particular is widely seen by the poor as a direct benefit and a rare example of apparent government concern for them.



**Daylight in Jakarta**

Thus the fuel subsidy retains its political sensitivity. Suharto was after all brought down by the “Jakarta street” following withdrawal of fuel and electricity subsidies, for all the good that has done the poor. SBY more than doubled key fuel prices in October 2005, but the kerosene price was still around one third of production cost at Rp 2,000 (19 US cents), while a litre of petrol was only Rp4,500. With an estimated full-year saving of over US\$2b, the subsidies were still set at Rp138 trillion (US\$13.8 billion) for 2005 as the government committed to a cap on its deficit of Rp25 trillion, with a compensating, but rather derisory, subsidy to the very poor (15.5 million families—30 per cent of the total) of Rp4.8 trillion—enough for monthly payments of Rp100,000 to each family for the rest of 2005.[65] Two years later despite rising oil prices the government had managed to reduce the overall subsidy somewhat, partly through a

switch from scarce kerosene to more bountiful supplies of LNG, but \$100 per barrel oil still loomed large alongside endemic corruption and decay at Pertamina.

### Prospects for Radical Reform

Since the Indonesian elite is almost defined by opportunities for beneficial corruption, it will be difficult to seriously tackle the problem without major political upheaval. Meanwhile Indonesian civil society is capable only of inducing minor upheavals. Pro-transparency NGOs have had considerable success in bringing corruption cases to light—for instance the KPU (election commission) case.[66] And “specialist” anti-KKN NGOs such as Indonesia Police Watch have proliferated alongside the more celebrated “generalist” ones—the Indonesian Transparency Society (Masyarakat Transparansi Indonesia), ICW (Indonesia Corruption Watch) and Transparency International’s Indonesia Office. WALHI, the Indonesian Environmental Forum, an umbrella NGO, plays a strong role in exposing the corruption underlying environmental vandalism.[67] Kontras (Komisi Untuk Orang Hilang dan Korban Tindak Kekerasan—Commission for Disappearances and Victims of Violence) under Munir and subsequently under Usman Hamid has played a key role in exposing the military role in the violence which underlies so much large-scale corruption.



**Munir (with poster of disappeared) Usman hamid and Suciwati (Munir’s widow)**

Tremendous efforts have been made in the NGO sector, while street protest against government dilatoriness and dereliction has persisted, together with indispensable exposure journalism in the liberal media

(Tempo weekly in particular). But civil society seems weaker overall now than at any time since the onset of reformasi. There is a rather bland if not blind optimism in some quarters about the inevitable triumph of Indonesian reform in the long run under democratic conditions. But a more persuasive South East Asian pattern is democratic failure followed by authoritarian/military resurrection. Although the Aceh peace agreement counts as a considerable success for reformasi there is little sign of an advance to fair dealing in Papua. The military's political comeback is continuing and with it popular resentment of TNI. Disintegrasi in its twin connected manifestations—institutional and policy failure and social despair on one hand and further provincial defection on the other—seems definitely in the works. This at any rate is my theme.

### Theorising KKN

Although Indonesia has been deemed a failed or at least failing state in some quarters since the Asian meltdown, theory has not quite come to terms with the peculiarities of reformasi's most momentous failure. Two strands of serious theorising call for our attention. First Ross McLeod's persuasive depiction of Suharto-era corruption as highly akin to a familiar business model—the franchise: “a better class of corruption”—as he calls it.[68] Better, perhaps, in two senses: it was closely controlled by one authoritative figure at the Centre and therefore less messy and pervasive than the looser, more decentralised and competitive, corruption we have come to know since reformasi. It was also more dependable and less risky for the private sector insiders (conglomerates, large foreign firms and First Family firms) and public sector insiders who benefited directly from it. For McLeod the latter insiders were legislatures and political parties, the judiciary and legal bureaucracy, the military and police, the government bureaucracy proper and other regulatory

agencies and the SOEs [state-owned enterprises]:

Former President Soeharto moulded Indonesia's entire government sector into a 'franchise' system that enabled companies of his family and cronies to extract enormous wealth from the economy. Lower level government officials were encouraged to mimic this behaviour, and expected to pay for the privilege... Soeharto relied on the bureaucracy to generate rents that could be harvested by 'insider' firms and shared with the regime, and also encouraged it to extort 'outsider' firms and individuals. Continued success necessitated incentives that would ensure strong loyalty to the franchise and minimise internal opposition to it. To this end, government entities were, somewhat paradoxically, provided with insufficient funding from the budget to cover their costs... Officials had to find ways to generate off-budget cash inflows ...[which] almost inevitably involved illegal activity of some kind... Any employee who tried to expose corruption or otherwise oppose this system could expect, at best, to be restricted to...the often pitifully low formal salary...The system therefore became strongly self-reinforcing.[69]

For the impeccably neo-classical economist, Ross McLeod, overcoming this debilitating and, by the mid-1990s, no longer “successful” (in growth terms) model and legacy requires better policy, better law, better institutions, and better-educated and less interventionist bureaucrats. What he seems inclined to overlook at times is the importance of Suharto-era type drivers of the post Suharto system—for instance in attributing the \$50 billion post-1997 losses to the government in the banking system to “egregious policy mistakes”. [70] This overlooks the powerful self interest of conglomerate cronies and bank officials in the spectacular opportunities for self-enrichment provided by bank deposit guarantees and a corrupt judiciary.

Commenting on the fact that the new banking legislation on a Deposit Guarantee Institution, passed in 2004 and purporting to address this problem, utterly fails to insulate the government and the public from the “hazard” of another 1997-8 style meltdown, McLeod finds it “astonishing...that so little has been learned from the recent banking collapse”. [71] What Bank Indonesia officials really learnt from that collapse was that they could safely pocket millions of dollars in kickbacks by conniving at illegal lending in the billions of dollars to corrupt conglomerates and their crony banks. If there is going to be another meltdown, which the new law makes very possible if not likely, they are ready to do it all over again. We might note here that these officials have been caught using bank funds to pay off members of the parliament’s Fiscal Commission and ensure their own control over banking legislation. [72]

Ross McLeod of course acknowledges the validity of the “rent-seeking”, or “rent harvesting”, as he prefers to call it, approach to grasping the KKN problem in the Suharto period. Its outstanding practitioners in the post-Suharto era are two seasoned political economists with a Marxising bent, Richard Robison and Vedi Hadiz. [73] These authors do tend, however, in my view, to blame what I would call the neo-authoritarian state, including the military, rather too little for the failure of reform since Suharto, and are unduly dismissive of post-Suharto civil society-- weak as it has proved to be so far.

Civil society unchained [they say] proved neither to be uniformly middle class, nor progressive, nor civil...[which is] understandable in the context of the pervasive apparatus of repressive, corporatist, and ideological controls applied so successfully by the [previous?] regime to every facet of social and political life...That no [sic] progressive civil society emerged in post Soeharto Indonesia may be seen, ironically, as the consequence of authoritarian rule being replaced with an

increasingly fragmented, ineffective and diffuse form of government unable to guarantee civil rights. [74]

The repressive controls of the old New Order are far from being fully relaxed, as Papuans, Acehnese and many other victims of TNI and police brutality (and corruption) will attest. Indeed one kind of KKN, TNI’s, is completely off-limits for the potentially reforming, semi-democratised and largely but far from wholly civilianised post-Suharto state. It is already clear that TNI’s law-mandated shedding of its bisnis and (closely related) territorial function is going to be a sham. [75] The problem for the wider reform effort is that civilian corruptors and reformers alike face the prospect of finding themselves in a weaker (and poorer!) political position vis a vis the army as a consequence of reform which excludes the TNI business, enforcement and corruption empire, of which the Suharto billions are an important buttress. Acquiescing in military immunity from reform and impunity from legal sanction preemptively sabotages the reform effort .

As for civil society, state violence and intimidation have the same potency as before under Suharto to tame a civil society, which extends well beyond that neo-liberal reforming middle class which Robison and Hadiz perhaps rightly regard as a feeble force. The government and parliament in Jakarta and the police, judiciary and legal bureaucracy are far from having any straightforward commitment to upholding civil rights or even elementary honesty in state operations. [76] “Fragmented, diffuse and ineffective” government in certain areas is exactly what upholds the current KKN regime as it continues to divert and consolidate the diversion of billions of dollars to undeserving pockets. Those of the bulging pockets are all too aware that reformasi with focus and teeth is a step into a dangerous unknown. Reformasi is not beyond their ability, just in conflict with their interests—in the short to medium term at least. [77]

What, then, is to be done? A semi-bankrupt and politically ailing Indonesia remains subject to powerful tendencies for disintegrasi, both separatist and koruptor driven, and boosted if anything for the long run by the nationalist and militarist turn of the political class since the year 2000. Indonesia remains peculiarly vulnerable to international economic and political forces and pressure, for good or ill.[78] But it's not clear that reform will be served on balance by these pressures, especially since the United States resumed full relations with TNI on transparently false assumptions in 2005-6 and Australia, which has followed suit, continues to indulge military impunity and repression on TNI's last open frontier in Papua, especially.[79] Nevertheless, international campaigns and policies designed to bring Indonesia's grand foreign corporate corruptors in the resource sector to heel, extradite indicted cronies who have fled abroad, restrain governmental and consumer collusion in the illegal log trade and bring untouchable criminal generals before international tribunals all have a place in the struggle with Indo KKN.

Meanwhile a last word in justification of my title: KKN ruins everything?

Here is a check list for assessing ongoing social, political, economic and environmental damage from corruption in Indonesia:

### **People's wellbeing**

Despite 5 per cent growth Indonesian poverty continues to climb faster than population on many estimates. In 2006 after the fuel price shock official Indonesia had it at 18 per cent of the population. But according to The Economist, supporting dissident opinions in civil society, it was double this (80 million people) if a per capita income of less than \$1 per day is used as the criterion.[80]

### **Democratic politics**

Reform politics and government action on KKN

have been comprehensively trumped by money politics and associated "transactions". Perhaps the leading exponent of transactionism in government (and now, at \$5.4 billion, Indonesia's richest man and first pribumi [native Indonesian] to be so) is Aburizal Bakrie, Yudhoyono's Coordinating Minister for People's Welfare. Bakrie, national avatar of government by conflict of interest, has not let his conglomerate's windfall from escalating coal prices endanger the parsimony of Bakrie & Brothers payouts to the victims of the catastrophic mudflow triggered after careless drilling by a Bakrie natural gas exploration subsidiary in Sidoarjo, East Java, on 28 May 2006. Nearly two years on, with damage estimated at \$4.9 billion and counting, Bakrie the conglomerate remains in charge of all payouts to victims; the government is using state funds to restore infrastructure, and 'the state agency now overseeing the disaster is borrowing emergency funds managed by the Coordinating Minister for People's Welfare, Aburizal Bakrie.' [81]





Aburizal Bakrie, and...



his mudflow: Sidorarjo

**Government budgets and development planning**

Interest and capital repayment on “criminal debt” continue to eclipse health, education and infrastructure spending.

**Economic resilience and investment prospects**

Banking “reform” almost guarantees a re-run of the 1997-8 fiscal collapse in troubled times. Infrastructure continues to decay and crumble for lack of corruption-averse foreign and domestic investment.

**Government bureaucracy and SOEs**

Boasting a bureaucracy which thrives on and via black budgets, used among other things for systematic bribery of politicians, a serious reform effort to challenge KKN has barely begun after 10 years of reformasi. State Owned Enterprises (SOEs), including Pertamina (oil and gas production and distribution), PLN (the state electricity monopoly), Bulog (the state logistics agency—monopolising the rice trade) remain cash cows for their own executives, for politicians and political parties and for corruptors (and thieves) in the private sector. Garuda is the state airline on which it is unsafe not only to fly but to eat lunch and which is barred from landing in Europe. Corruption--and domination by the state intelligence organization —is at the heart of its problems.[82]

**Decentralisation**

Decentralisation of government powers and budgeting to provinces and regencies has seen a new class of prosperous public and private sector corruptors appear at the local level. In Papua any political hopes that special autonomy (2001) would bring health, education and infrastructure benefits to the people and appease the independence movement have faded fast. Representative tribal and community organisations are calling for the “return” of otsus (otonomi khusus) to Jakarta as special autonomy revenues are systematically plundered by corrupt provincial governors and bupati bupati and local military commands.[83]

The justice sector (including its dedicated corruption-fighting instrumentalities)  
 The corrupted justice sector generates at least one or two major national scandals every year—most often involving Tommy Suharto. None seems capable of reversing the drift to “democratised” kleptocracy. As I go to press Adelin Lis, perhaps the most notorious of Indonesia’s timber barons (for, among other things, years of logging inside a national park in North Sumatra) and extradited from China in 2006, has recently disappeared again. Following a trial fiasco in Medan and a “bungled” (capably bungled?) police attempt to re-arrest him, the Supreme Court, the Judicial Commission, the Anti-Corruption Commission, the Attorney General’s Office and the police set off on a panicky wild goose chase to find out (or perhaps cover up) what or who went wrong.[84]

**The environment**

Adelin Lis, as a prime symbol of Indonesia’s permanently out-of-control logging and plantation sectors and dysfunctional justice sector, can be congratulated for Indonesia’s unique and already disastrous contribution to planetary warming. The relentless drying out and burning of Indonesia’s vast peat forests under the logging and oil palm onslaught has catapulted the country to Number 3 world ranking in greenhouse emissions, just behind China and the US.[85] And people in Sumatra and Java face a rising incidence of devastating floods and landslides from catchment areas denuded by illegal land development and logging.

**Military professionalism and civilian control**

As a bastion of corruption and impunity which has failed over two generations to construct an external defence capacity, TNI continues to prepare principally for internal repression and to practice in addition bisnis and extortion on a

massive and virtually unregulated scale. The often-serving current civilian defence minister and former University of Indonesia professor, Juwono Sudarsono, never hesitates to offer apologetics for the permanent scandal that this entails. Companies operating within TNI “foundations”, which should be in private or government hands and make no contribution to TNI’s own defence capacity or soldiers’ welfare, remain unprofitable cash cows by which general officers enrich themselves.[86] The close TNI links to the former First Family are politically deplorable and dangerous for Indonesia’s future, as is an inadequate official defence budget subject to arbitrary weapon and supply purchasing arrangements and a high incidence of kickbacks to the upper echelons of TNI.[87]



**Adelin Lis**



**Sumatra: Logging—Before...**



**and After**

**Conclusion**

The main burden of the struggle against corruption must lie with Indonesia’s insulted and injured and their intellectual and conscience-driven supporters. The handful of genuine and the much larger number of fair weather reformers inside the elite who can be propelled into action by effective struggles emanating from civil society and the street will play a role. It looks like a very long haul, with national politics, parties and election campaigns seemingly impotent to initiate real reform. But there have in fact been little victories along the path of net failure so far. The array of new anti-KKN legislation and

institutions is impressive and available for a genuine reform movement, albeit largely nullified so far by the judicial-legal-police mafia. Moreover the setbacks for the military in East Timor (1999) and Aceh (2005)—and potentially in Papua—should also be noted.

Disintegrasi by provincial defection is viewed as a calamity by definition for the most part in Jakarta, but the impulse for defection arises from unconscionable and (in Papua’s case) continuing misrule, mainly by the military. The solution for it is not more repression but self-determination. Indonesia as a polity, not to mention its international reputation, is better off with East Timor independent and the GAM in Aceh able to vie for power peacefully. With militarism and corruption rampant in Papua and special autonomy comprehensively discredited, there is now an Indonesian as well as a Papuan case for independence: disintegrasi propinsi could paradoxically help mitigate disintegrasi sosial in the republic as a whole.[88]) Any turn of the political wheel or reform which pushes back the TNI empire of impunity in business, extortion and repression must be accounted a plus for the anti-corruption struggle. This struggle in turn is the key to the full civilianizing and, ultimately, civilizing of Indonesian politics.

The death of Suharto after a lingering illness which ended on 27 January 2008 and transfixed the (partly Suharto-owned) Indonesian television channels for a month beforehand, was a moment of truth for the Indonesian political class and especially its President. Yudhoyono, scheduled to officiate at a week-long United Nations Convention Against Corruption conference in Bali, chose instead to preside over Suharto’s funeral in Solo. Indonesia has signed up to the UN/World Bank Stolen Asset Recovery (StAR) Initiative, but here was its “anti-corruption President” jettisoning a conference to give teeth to the initiative and, instead, not only celebrating Indonesia’s, and the world’s, biggest corruptor

(\$15-35 billion by Transparency International's estimate) as a national hero, but forcing the Bali conference to observe a minute's silence for the fallen grand larcenist and executioner of his people.[89] As I have asked elsewhere:

Should we sympathise with the ex Lieutenant General President? He himself served in [occupied] East Timor and is married to the daughter of the most notorious army executioner in [Suharto's] "anti-communist" massacres of 1965-66, Colonel, later General, Sarwo Edhie Wibowo.[90]

Evidently, generational change is one key for a serious approach to the KKN problem and its deep structures.[91]

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## Notes

[50] 'Sharing Windfalls from the Sea', Tempo, 12 December 2006.

In Tempo's words: 'Non-budgetary funds [based partly on a 1 per cent "levy" on regular funding] from the Department of Maritime Affairs flowed [in 2002-4] to many names including ministers, political parties, and even presidential hopefuls.'

[51] 'The March from Banteng Square', Tempo, 21-27 August 2007.

[52] This seems an appropriate place to lament the apparent failure of the jeering classes in Jakarta to complete Gus Dur's favourite reformasi joke about the Presidency:

The first president (Sukarno) was mad about women (gila wanita)  
 Suharto was mad about money (gila harta)  
 Habibie was plain mad (gila saja)  
 Gus Dur made everybody mad (membuat orang lain gila)  
 I propose (for discussion):  
 Megawati was mad about generals (except Susilo)  
 Susilo is mad about generalities

[53] Tulus Wijanarko, et al, 'Far reaching KPU Kickbacks', Antara, No 37, V, 17 May 2005, in Asiaviews, 21 May 2005.

[54] 'Budget Brokers Uncovered in Senayan', Tempo, 20 September 2005.

[55] Imam Cahyono, 'Does the PKS stand for justice and prosperity?', Jakarta Post, 16 November 2005; Santi W.E. Soekanto, 'The Western media and Prosperous Justice Party', Jakarta Post, 24 June 2005.

[56] High-profile convicts in Cipinang gaol, Jakarta, include former chief of the state logistics agency (Bulog), Beddu Amang, former Minister of Trade and Industry, Rahardi Ramelan, business tycoon Probosutedjo (half-brother of Suharto), and former Aceh governor Abdullah Puteh (for a kickback of several hundred thousand dollars in the purchase of a Russian helicopter for tsunami relief.) The President's Tim Task Tipikor had a target to resolve 16 graft cases at ministries and state-owned companies, but after a year the team

only managed to resolve one. This involved haj funds and a mere Rp700 billion skimmed by officials at the Ministry of Religious Affairs.

The AGO's 6000 prosecutors claimed to resolve 450 corruption cases in the first 10 months of 2006, with 15 suspended due to lack of evidence. But the cases, mostly in regional administration, were petty, apart from a bad loan case at the state-controlled Bank Mandiri, with state losses of a derisory Rp19 million. 'Mixed results in government's anticorruption campaign', Indonesia Corruption Watch, Berita, 6 June 2006.

[57] 'Country Governance Assessment Report: Republic of Indonesia', Asian Development Bank, Manila, 2004, p 66. The World Bank study, *Combating Corruption in Indonesia*, has a revealing section on careers for sale in the police, with the resulting market driven by the relative "wetness" of job openings. The Bank's poverty reduction experts suggest that, as with TNI, the official police budget covers only about 30 per cent of actual expenditure. (p 85) Unfortunately the Bank team decided to leave the military role in corruption for another day (p iv)—rather like doing Hamlet without the Prince.

[58] 'Procurement bribery costs the country Rp36t yearly', Jakarta Post, 13 November 2007.

[59] 'Adnan Buyung Nasution: KPK Leader Election Backed by Corruptors', Tempo, 7 December 2007

Antasari as Deputy Attorney General for General Crimes was notorious for prosecution failings in cases against Suharto pere and for involvement in the prison escape of Suharto fils, Tommy, when charged with a judge's murder. The Gadjah Mada University Anti-corruption Study Center lowered its flag to half mast on news of the appointment, while Denny Indrayana of GM said that the KPK under Antasari "will make the public hopeless". Ridwan Max Sijabat, 'Controversial prosecutor selected as KPK chief', Jakarta Post, 6 December 2007.

[60] According to Tempo, Antasari as prosecutor also allegedly did deals in the Bank

Indonesia Liquidity Assistance case and with teak thieves when posted in Sulawesi--and routinely bribed reporters. He was even suspected of bribing a PDI-P official to secure the anti-corruption commission (KPK) job. The candidacy of Amien Sunaryadi, vice chairman and commissioner of the KPK and civil society's unanimous choice for the chairmanship, was swamped by Golkar/PDI-P bloc voting in Commision III of the parliament. The heavy representation of former police and prosecutors in the new KPK was promptly deplored by Teten Masduki of Indonesian Corruption Watch. 'Antasari Takes Center Stage', Tempo, 11-17 December 2007. Tempo had already chosen Amien as Indonesia's "public figure of 2007": 'The Select Seven', Tempo, 25-31 December 2007.

[61] 'Will the Passionate Please Apply?', Tempo, 3-9 July 2007.

[62] Suara Pembaruan [Voice of Reform], 21 December 2006.

[63] For a case study of the standoff at the judicial commanding heights, see Simon Butt, 'The Constitutional Court's Decision in the Dispute between the Supreme Court and the Judicial Commission: Banishing Judicial Accountability?' in Ross H. McLeod and Andrew J. MacIntyre, *Indonesia: Democracy and the Promise of Good Governance*, Institute of Southeast Asian Studies, Singapore, 2007.

[64] Bill Guerin, 'Subsidy cut to fuel the fire in Indonesia', Asia Times Online, 28 September 2005. See also 'Indonesia's president summons Pertamina officials over fuel smuggling', Agence France Press, 9 September 2005.

[65] Guerin, *ibid*; Shawn Donnan, 'Indonesia gives oil price shock', Financial Times, 3 October 2005

[66] A coalition of NGOs blew the whistle on KPU kickbacks just before the election of 2004. They have continued to criticise the KPK (Corruption Eradication Commission) for failing to charge all the KPU commissioners in the case. See chronology in 'The Heat is On', Tempo, 2 May 2005.

[67] For instance, the Malaysian Chinese

plantation companies which orchestrate many of the perennial asphyxiating forest and peat fires associated with new palm oil development (and illegal logging) in Sumatra apparently enjoy complete legal impunity. See 'Is Indonesia the third largest greenhouse gas polluter? Burning of peatlands fuels global warming', mongabay.com, 3 November 2006.

[68] Ross H McLeod, 'Soeharto's Indonesia: a Better Class of Corruption', *Agenda*, Vol 7, No 2, 2000

[69] Ross H. McLeod, 'Buying Support for Corruption with Inadequate Budgets and Low Salaries', Paper presented in Panel 9: The State and Illegality in Indonesia, EUROSEAS Conference, Naples, 12-15 September 2007, p 1

[70] *Ibid*, p 24. Ross McLeod responds (email, 11 January 2008): Elsewhere I have referred to this episode [failure to repay conglomerate debt] as one of "grand larceny":

'Interestingly enough, if the government were to move much more aggressively to force the repayment of debts by the conglomerates, this would also help it to overcome resistance to the removal of subsidies. Much of this resistance is understandable, given the fact that members of the general public are well aware that they are having to bear a heavy financial burden as a result of failure of the banking system...and yet the biggest defaulters seem hardly to be suffering at all...[M]any...seem to have gotten away with grand larceny... Until now...no bank owner or manager has been punished for violating the regulations on excessive lending to affiliated companies, so there is little pressure to repay loans, even when the financial capacity to do so exists.' (Unpublished McLeod report, 2001).

[71] Ross H. McLeod, 'Indonesia's New Deposit Guarantee Law', *Bulletin of Indonesian Economic Studies*, Vol. 42, No. 1, 2006. p 67.

[72] 'BI Deputy Governor Questioned by KPK', *Tempo*, 29 October, 2007.

[73] See Mushtaq H Khan and Jomo Kwame Sundaram (eds), *Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia*, Cambridge University Press, Cambridge, 2000. The Indonesia chapter by Andrew McIntyre discusses off-budget behaviour under Suharto.

[74] Richard Robison and Vedi Hadiz, *Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets*, Routledge Curzon, New York, 2004, p 31

[75] 'Too High a Price: The Human Rights Cost of the Indonesian Military's Economic Activities', *Human Rights Watch*, Vol 18, No 5(C), June 2006.

[76] 'Protest and Punishment: Political Prisoners in Papua', *Human Rights Watch*, Vol 19, No 4 (C), February 2007.

[77] An outstanding short survey of contemporary KKN which brings out this point is Gary Goodpaster, 'Reflections on Corruption in Indonesia' in Tim Lindsey and Howard Dick (eds), *Corruption in Asia: Rethinking the Governance Paradigm*, Federation Press, Sydney, nd [2001?].

[78] Ross H. McLeod, 'Indonesia's vulnerability to a new balance of payments and banking crisis', paper presented in Panel 16: Ten Years after the Pacific Asia Crisis, EUROSEAS Conference, Naples, 12-15 September 2007.

[79] Jim Elmslie with Peter King and Jake Lynch, *Blundering In? The Australia-Indonesia security treaty and the humanitarian crisis in West Papua*, Centre for Peace and Conflict Studies, University of Sydney, March 2007.

[80] 'Poverty in Indonesia: Always with them', *The Economist*, 14 September 2006. According to this article, 'the government's definition of poverty—less money than is needed to afford a diet of 2,100 calories a day—is 152,847 rupiah (\$16.80) a month'—that is, about 50 cents a day. For a reading of the impact of fuel and

other fluctuating prices on the actual poor of real Jakarta streets--including the brain development (not to mention the education) of children, see Allan Nairn, 'Economic Indicator', blogspot, 14 January 2008. Allan points out that a poor family can be quickly ruined financially when a son's jail sentence triggers peremptory demands for bribes to ensure survival rations and shelter for him. 'Duduk - Duduk, Ngobrol - Ngobrol. Sitting Around Talking, in Indonesia', blogspot,

8 November 2007.

[81] Jim Schiller, 'Un-natural disaster', Inside Indonesia, 91, January-March 2008

[82] Ben Sandilands, 'The Yogyakarta crash: Garuda, not the pilots, are to blame', Crikey.com, 23 October 2007.

[83] Agus A Alua, 'Implementation of the Special Autonomy Law in West Papua, Indonesia', Paper presented at the Indonesia Solidarity/ West Papua Project Conference at Sydney University, 9-10 August 2007 [available online]

Agus is chairman of Papua's new (and unique in Indonesia) "upper house", the all-Papuan MRP (Majelis Rakyat Papua) and general secretary (still) of the non-violent independence movement's PDP (Presidium Dewan Papua—Papua Council Presidium).

[84] 'A Comedy of Unforced Errors', Tempo, November 26-December 3, 2007; 'The Timber King Escapes—Again', Tempo, 20-26 November 2007; 'Verdict Loopholes', Tempo, 13-19 November 2007. Adelin was accused of causing Rp32 trillion in state losses.

[85] Stephen Fitzpatrick, 'Smoke shrouds green scheme' and 'The biofuel that spells annihilation for Indonesia's wilderness', The

Australian, 24 November, 2007.

[86] 'Indonesia Refuses To Have Timika and East Timor Cases as a Condition of Resuming Indonesia-US Military Cooperation', Tempo, 23 November 2004. Sudarsono's non-ministerial attitude to TNI can be gleaned from 'Things will not improve unless we have a strong leadership', Address to the Indonesian Business Forum of Shanghai, 19 November 2002

[87] 'Too High a Price: The Human Rights Cost of the Indonesian Military's Economic Activities', Part III

[88] The disintegrative tendencies unhappily apparent in East Timor since 1999 can be attributed not only to inexperienced leadership and its Indonesian legacy but to Australia's deplorable post-liberation role as resource thief and impatient, self-centered peace-keeper: in short, regional Big Brother. See Paul Cleary, *Shakedown: Australia's Grab For Timor Oil*, Allen & Unwin, Sydney, 2007

[89] Mark Forbes, 'Suharto casts shadow over graft meeting', Sydney Morning Herald, 2 February 2008

[90] Peter King, *West Papua and Indonesia in the 21st Century: Resilient Minnow? Implacable Minotaur?* Paper presented to Panel 34, *Enduring Conflicts and Ethnic Resilience*, EUROSEAS Conference, Naples, 12-14 September 2007.

[91] In the context of generational change it is perhaps a small consolation that the US\$1.4 billion civil case for misuse of funds in Suharto's Supersemar "charitable" foundation, supposedly devoted to education programs but freely available to family and cronies, will now target the six Suharto children. See Stephen Fitzpatrick, 'Suharto children's assets facing freeze', The Australian, 2 February 2008.