

# Bank Bali scandal puts pressure on Indonesian President Habibie

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The World Bank and the International Monetary Fund (IMF) have both made public calls over the last week for an independent, public inquiry in Indonesia into a scandal involving \$US78 million siphoned off from Bank Bali. Such an inquiry threatens to further undermine President B.J. Habibie and his re-election bid, as several of those most closely involved are connected to the ruling Golkar Party.

Last Friday World Bank country director for Indonesia Mark Baird called on the Habibie government to publicly reveal all information about the case and prosecute those involved. Describing the government's actions so far as “preliminary steps,” he said: “This matter needs to be resolved not only because of the large sums of money involved, but also because of the greater confidence and credibility issues at stake.”

On August 16, IMF deputy managing director Stanley Fischer issued a statement emphasising “that a satisfactory resolution of the Bank Bali case requires a thorough and independent investigation to be completed as soon as possible.” The following day he sent a letter to Indonesia's chief economic minister Ginandjar Kartasasmita demanding that international accounting firm Price Waterhouse Cooper be allowed to audit not only the Indonesian Bank Restructuring Agency (IBRA) but also the country's central bank, Bank Indonesia.

The scandal erupted last month when a legal banking expert revealed that \$78 million was transferred from Bank Bali to PT Era Giat Prima in June supposedly as a fee for collecting about \$146 million in debts from failed banks. However, the money owed to Bank Bali was government guaranteed and paid in full by the central bank.

As well as triggering an initial 12 percent fall in the

value of the rupiah, the scandal has sent shock waves through the Habibie regime. Two of Habibie's close associates are directly implicated— Setya Novanto, former Golkar vice-treasurer, and his business partner Djoko Tjandra owned PT Era Giat Prima and are under police investigation. The \$78 million has been repaid to Bali Bank, which has been fined over the affair.

According to rumours circulating in the Indonesian press, the key figures in the scandal are part of President Habibie's informal re-election committee, Tim Sukses (Team Success), and the \$78 million was to have been used as bribes to buy votes in the People's Consultative Assembly (MPR). The MPR, comprising 462 elected members and 234 military and state appointees, is due to meet in November to select the next president and vice-president.

Last Thursday, the opposition Indonesian Democratic Party-Struggle (PDI-P) accused one of Habibie's younger brothers, four cabinet ministers, two Golkar party leaders and five businessmen of being directly involved in the Bank Bali transaction. A PDI-P statement claimed that three other senior government officials and a close presidential confidante were also implicated. “We now possess complete and accurate information on concrete facts describing where and when the suspects met and what they discussed and agreed to commit,” it stated.

The purported transcript of a police interview with former Bank Bali president Rudy Ramli was circulated to journalists in Jakarta last week. In the document, Rudy named Finance Minister Bambang Subianto, Bank Indonesia Governor Sjahril Sabirin, State Minister of the Empowerment of State Enterprises Tanri Abeng, head of the Supreme Advisory Council (DPA) A.A. Baramuli, President Habibie's younger brother Suyatim “Timmy” Habibie, IBRA deputy

chairman Pande Lubis and five top businessmen as being involved in the case.

Lubis, who allegedly has links to senior Golkar officials, including Habibie, has already been suspended from his IBRA duties. The IBRA was established early last year at the IMF's instigation to oversee the restructuring of Indonesia's debt-ridden state and private banks. Since then the agency has closed 66 banks, taken over 12, merged four into the nation's largest bank, and is trying to raise \$35 billion needed to save the country's nine surviving banks. The IBRA controls assets estimated to be worth \$85 billion—equivalent to about 20 percent of Indonesia's Gross Domestic Product (GDP). Last month it took over Bank Bali's operations.

The scandal has opened up bitter recriminations within the Golkar Party. A petition by 12 provincial party leaders called on Golkar chairman Akbar Tanjung to convene an extraordinary party meeting to take action against deputy chairman Marzuki Darusman. Marzuki, who has been accused of leaking details of the scandal, has repeatedly called for the party to replace Habibie as its presidential nominee. He is heading an internal party investigation into the affair.

Habibie supporters have sought to deflect attention away from the president and his close associates. Last Thursday the House of Representatives—a body dominated by Golkar and Suharto-era appointees—grilled Finance Minister Bambang Subianto and IBRA head Glenn Yusuf over details of the Bank Bali deal. The following day the Golkar parliamentary faction demanded that the two be sacked—neither is a close Habibie associate.

The intervention of the World Bank and the IMF will assure that the scandal continues to damage Habibie's prospects of winning re-endorsement in November. Even if he is cleared of any direct involvement in the affair, the allegations undermine his claims to have set Indonesia on the road to economic recovery. In a two-hour “state of the nation” speech on August 16, he cited a stronger rupiah, lower interest rates, negative inflation and positive economic growth as proof, adding only that recovery was being hampered “by waves of protest, security disturbances and unfounded rumours”.

In the course of the campaign prior to the June 7 elections, the US-based *Time* magazine published a

major cover story on the vast wealth of the Suharto, creating a major embarrassment for Habibie and the Golkar party. While perhaps not so consciously engineered, the Bank Bali scandal has provided a political boost for opposition figures such as PDI-P presidential candidate Megawati Sukarnoputri and National Mandate Party (PAN) leader Amien Rais. According to Rais, the cracks in Golkar will give his “axis force,” an alliance of eight Muslim-based parties, an edge in the contest for the presidency.

The IMF/World Bank pressure over the scandal is a further indication that powerful sections of the big business both in Indonesia and internationally want Habibie replaced, and the sooner the better. On August 4, US State Department spokesman James Rubin urged Jakarta to select the next president “as quickly as practicable”. “This will help reduce the impact of continued uncertainty on political stability and enhance the prospects for recovery,” he said.

The following day, an editorial in Murdoch's the *Australian* newspaper was blunter. “Dr Habibie should make it clear now that he has no intention of putting himself forward to his party or the MPR as a candidate for the presidency when the office is chosen in November. He cited this week his achievement as preventing a revolution by instead creating an ‘accelerated evolution’. He is right to be proud. But he should not believe it gives him a duty, or even a right, to claim leadership in the future,” it stated.

The implementation of the IMF's program in Indonesia will lead to further job destruction and continuing high levels of unemployment and poverty. The calculation is no doubt being made that someone like Megawati, without Habibie's obvious connections to the Suharto regime, is needed to suppress social unrest.



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