

New Indonesian cabinet dominated by pro-IMF bureaucrats and Suharto-era thugs

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More than two weeks after the Indonesian parliament ousted Abdurrahman Wahid, the newly-installed President, Megawati Sukarnoputri, finally unveiled her cabinet yesterday. Even before any policy has been announced, the new administration's agenda is clear from its composition. It combines a team of economic ministers committed to implementing the IMF's economic restructuring, with a group of generals, bureaucrats and politicians schooled in the thuggish methods of the Suharto junta to deal with the opposition such measures will inevitably produce.

This choice of ministers brings into sharper focus what was behind the protracted push to oust Wahid. His impeachment had nothing to do with the flimsy allegations of corruption and incompetence repeatedly levelled against Wahid. Rather it was bound up with growing unease in ruling circles over his government's failure to consistently implement economic restructuring and its consequent rift with the IMF amid growing signs of economic downturn.

The make-up of the cabinet also reflects its origins. Prominent among the new ministers are representatives of those political forces who backed Megawati against Wahid—the military, Golkar (the ruling party of the Suharto junta) and various rightwing Islamic parties. Key generals, who refused to implement Wahid's declaration of a state of emergency in his final days in office, have been rewarded, as have individuals in the parliament who mustered the numbers to ram through his impeachment. Such is the nature of what Megawati has called her “gotong royong” or “co-operation” cabinet.

The economics team is the new administration's key element. Its members have been carefully chosen as a sign to the international financial markets that the prevarication over economic restructuring that characterised Wahid's various cabinets will end. The two top jobs have gone to senior bureaucrats who are well known for supporting free market policies.

Co-ordinating economics minister Dorodjatun Kuntjoro-Jakti has post-graduate degrees in public administration and political science from the University of California, was the economics dean at the University of Indonesia and until recently served as Indonesia's ambassador to the United States. In a brief statement yesterday, he declared: “We will continue to work closely with the IMF. The government shouldn't regard the IMF program as a burden.”

Finance minister Boediono has already served as an economics minister—from May 1998 to October 1999 under B.J. Habibie,

Suharto's handpicked successor. He has worked for the Bank of America in Jakarta, served as Indonesia's World Bank director and recently as head of the planning and development ministry. Part of his job will be to oversee the IMF's demand for the sale or liquidation of billions of dollars of assets from failed banks currently held by Indonesian Bank Restructuring Agency (IBRA).

Three other economics ministers all support the agenda of market reform. Business executive Rini Suwandi has been appointed to the post of industry and trade minister. The daughter of a World Bank executive stationed in Washington, she was educated in the US, worked in the US Finance Department and then with Citibank in Jakarta. She made a name for herself as a ruthless operator during the 1997-98 Asian financial crisis when, as CEO of the Toyota car-maker affiliate Astra, she carried out a major restructuring of the company.

The two others are from Megawati's own Indonesian Democratic Party-Struggle (PDI-P). Former Citibank executive Laksamana Sukardi takes back the job of Minister for State-Owned Enterprises, from which he was removed by Wahid, and will be in charge of the IMF's far-reaching demands for privatisation. Kwik Kian Gie has been given the relatively junior post of National Development Minister. Kwik is the only one of the five who has in any way criticised the social and economic consequences of the IMF's dictates.

The cabinet has been welcomed in ruling circles, both inside Indonesia and internationally. Golkar chairman Akbar Tandjung, who is also chairman of the DPR or lower house of parliament, declared that it was “the kind of economic dream team we had hoped for”. Amien Rais, chairman of the MPR or upper house, commented: “Overall I give it good marks.”

Encouraging, though more cautious remarks, came from international agencies and commentators. Mark Baird, the World Bank's director in Indonesia described the new administration as “very promising,” adding that financial markets would accept it. The *Financial Times* declared that Megawati had “passed her first test with credit” but quickly went on to warn: “[S]he still has a mountain to climb in restoring international and domestic confidence in her country's economy and bringing back a modicum of political stability.”

In her speech to the nation yesterday, Megawati appealed for national unity and said she understood “how big the challenges are”. She set out the top three economic priorities of her administration as being to stabilise the rupiah, repair the banking

system and promote new investment. To do so, however, her cabinet will have to cut a swathe through government spending, on services and price subsidies in particular, and accelerate sale of state enterprises and the liquidation of IBRA's assets.

The impact of this agenda will be devastating for millions of working people, already hard hit by inflation and rising levels of unemployment and poverty. The scale of what is being prepared is indicated by the size of the public and private debt—estimated at \$250 billion. To make the repayments demanded by creditors will require further deep inroads into the living standards of the majority of the population whether through the loss of jobs, cutbacks to the country's already limited services or further price rises, and will in turn heighten social tensions and fuel unrest.

That is why, with one exception, the security apparatus remains firmly in the hands of the generals—four of whom, nominally retired, hold posts in cabinet. General Susilo Bambang Yudhoyono has been appointed to the key position of co-ordinating security minister—a post that he held under Wahid until the last few weeks when he opposed any declaration of a state of emergency.

Wahid replaced Susilo with Lieutenant General Agum Gumelar who refused to implement the emergency decree. Agum, who has now been appointed Transport Minister, served in the intelligence unit of the notorious Kopassus special forces, which did the dirty work for Suharto in suppressing political opposition and separatist movements. He has had tours of duty in East Timor and Aceh.

A fellow Kopassus officer is A.M. Hendropriyono, who was commander in South Sumatra in February 1989 when troops stormed a village in Lampung Province, killing more than 100 men, women and children. He served as Minister for Transmigration under Wahid and has now been appointed as head of the State Intelligence Co-ordinating Body (Bakrin).

Lieutenant-General Hari Sabarno, who is head of the police/military faction of parliamentary appointees, has been given position of Home Minister, in charge of internal security and regional affairs. He is known for his opposition to separatist movements in Aceh and West Papua and will certainly intensify the military operations and police repression already underway in these areas.

The only token concession to democratic norms in the security posts is the appointment of a civilian as Defence Minister. Matori Abdul Djilil was chairman of Wahid's National Awakening Party (PKB) until he broke ranks and signalled his support for Megawati. Between 1989 and 1994, he was secretary-general of the Islamic-based United Development Party (PPP)—one of the three parties legally permitted to operate by Suharto.

Other key posts are held by politicians and state bureaucrats who made their mark under the Suharto dictatorship and thus had his official stamp of approval.

* The most prominent is the vice-president Hamzah Haz, head of the PPP while Suharto was in power. He was not appointed to the post but was elected by the MPR special session and is next in line to take the presidency should any move be made against Megawati. The PPP also holds two ministries.

* Bambang Kesowo, who has been Megawati's private secretary since she became vice-president in 1999, holds the influential position of state secretary. He functioned as an assistant cabinet

secretary to Suharto right to the time of the military strongman's fall in 1998.

* Golkar politician Yusuf Kalla holds the third of the powerful co-ordinating ministries. Golkar has two other ministries, including the important information and communication post, which controls the media.

* The foreign minister is a career diplomat, Hassan Wirajuda, whose postings included head of the Indonesian mission to the UN in Geneva. The Mining and Energy Minister is Purnomo Yusgiantoro who served as a consultant to the World Bank and Asian Development Bank in the early 1990s and is described by the *Australian Financial Review* as "a favourite of the mining industry".

And the list goes on. The remainder of the appointments went to state officials or were political payoffs, including to various Islamic parties and organisations. Yusril Ihza Mahendra, leader of the fundamentalist Crescent Star Party, has been appointed Minister of Justice and Human Rights. The head of the Islamic organisation Muhammadiyah, Abdul Malik Fajar, who served as a minister under Suharto and Habibie, is the new education minister.

As of yesterday evening the politically sensitive position of Attorney General had not been filled. Media reports indicate fierce behind-the-scenes competition over the ministry, which will preside over a number of investigations underway into the Suharto family and those responsible for the militia attacks in East Timor in 1999. These and other cases have the potential to acutely embarrass sections of the military and the political parties that are presently calling the political shots.

The political haggling also points to the underlying fragility of the cabinet, which is composed of the same disparate parties and groupings that formed the "national unity" government under Wahid in October 1999—less than two years ago. Moreover, the new administration takes charge amid deteriorating economic conditions—the rupiah and share values have risen since Megawati come to power but exports are falling and investment is stagnant.

A faltering economy will not only exacerbate political tensions in the government but produce opposition from sections of the working class and poor, many of whom have expectations as a result of Megawati's promises to improve their lot. Far from resolving the country's economic and political crisis, Megawati's ascension to power is likely sooner rather than later to lead to sharp political confrontation.



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