Jakarta corruption trial aimed at reassuring foreign investors

John Roberts
26 March 2002

One of Indonesia's most prominent political figures, Akbar Tandjung, speaker of the House of Representatives (DPR) and chairman of the Golkar party, went on trial yesterday in Jakarta on corruption charges. Politically a lot is riding on this prosecution for the administration of President Megawati Sukarnoputri.

Tandjung and others are accused of misappropriating $4 million from the State Logistic Agency (Bulog) for the party's 1999 election campaign. The money, which was intended for the relief of the poor, was allegedly siphoned into a foundation and then passed on to Golkar figures. Golkar was the ruling party under the Suharto junta and retains close connections to the military and state bureaucracy.

The significance of the Tandjung trial does not lie in the amounts of money involved. Over the course of 30 years, the Suharto family amassed a huge fortune of around $45 billion by exploiting its political connections. Bulog and similar state bodies have long served as milking cows for figures associated with the Suharto regime. Former Bulog chief Rahardi Ramelan is on trial on similar charges to Tandjung.

The importance of the case for Megawati lies in its ability to demonstrate to foreign investors that a reform of the country's legal system is underway. It explains the unusual haste in bringing Tandjung before a court. His indictment was announced only one week after he was detained and his trial date four days later, before his lawyers had time to seek his release on bail.

Megawati is under pressure from the International Monetary Fund (IMF) to implement far-reaching economic restructuring measures, including changes to the judicial system. The concern is not, of course, the abuses of democratic rights that occurred under Suharto but rather the demands of international investors for tougher legal proceedings to create a "level playing field" for all businesses, local and foreign.

The corrupt and nepotistic methods that served international investors well for three decades under Suharto have become an obstacle to the highly global capital flows that developed in the 1980s. In the course of the Asian economic crisis in 1997-98, the IMF seized on the opportunity to insist on a battery of economic "reforms" in Indonesia and throughout the region. Suharto's failure to respond quickly enough was the prime reason why the US and other major powers supported his ouster. Some restructuring measures have been implemented by Suharto's successors but not sufficient for international investors.

The legal system came under particular scrutiny following the case of the Canadian-based Manulife insurance company in 2000-2001. After buying out a bankrupt local partner, the insurer was hit with a bogus claim on its newly-acquired assets. Instead of its interests being protected by the local courts, the company found its executives threatened and its Indonesian vice-president jailed for three weeks.

As a result, the trials of Tandjung and other high profile figures are being watched closely. The *Australian Financial Review*, for instance, commented: "If charges are laid against Akbar, one of Indonesia's biggest political fish, it will send a shock wave through Jakarta's elite who have hitherto been largely untouchable on corruption issues. If he is convicted, as all the evidence suggests he should be, there will be a political earthquake which will shake the Golkar Party."

Megawati is desperate to attract foreign investment which has all but dried up in the wake of the Asian economic crisis. The *Jakarta Post* reported recently that the firm Political and Economic Risk Consultancy had rated Indonesia as the most corrupt economy in Asia. Calpers, the California state retirement fund, has announced it will stop investing in Indonesia because of political and social instability.

© World Socialist Web Site

Jakarta also faces a meeting of the Paris Club of donors and international financial institutions next month, at which its economic record will be closely inspected before its request to roll over $5 billion in debt is acceded to.

So the trial of Tandjung, along with that of Suharto's youngest son, Tommy, has come at a convenient time. Tommy Suharto was originally convicted in September 2000 of defrauding Bulog of $11 million but he went on the run. Last year his appeal, on the rather dubious grounds that he knew nothing of the fraud, was upheld. But he faced court last week, charged with the murder of the judge who brought down the initial conviction.

Megawati is clearly hoping that the conviction of Tommy Suharto and Tandjung will appease international investors and the IMF. The first case would put a member of the Suharto family behind bars for the first time. Attempts to begin legal proceedings against his father collapsed when the court ruled that he was too sick to stand trial.

The second would jail the leader of Golkar, which, despite Suharto's fall, remains a powerful factor in Indonesian politics. In the 1999 elections, Golkar was able to use funds and its well-established political apparatus to remain the second largest party in parliament after Megawati's Indonesian Democratic Party-Struggle (PDI-P).

By targetting Golkar and the Suhartos, Megawati is hoping to kill at least two birds with one stone—to satisfy the demands of international finance capital, as well as shore up her own standing within the PDI-P and her broader base of support. Her populist image as a "reformer" has been increasingly tarnished by her close association with the military, Golkar and big business.

A recent editorial in the *Jakarta Post*, noting the resignation of two leading PDI-P members, commented: "It is an open secret that Megawati is now being surrounded by people close to members of the Cabinet or their wives, who are showering her and members of her family with all kinds of favours that remind one of the time of former absolute ruler Suharto."

By moving against Tandjung, Megawati is also eliminating a dangerous rival. While she heads the largest parliamentary party, the president was compelled to rely on the military and other parties in the protracted impeachment of former president Abdurrahman Wahid last year. Her administration is an unstable coalition that includes Golkar, the military and conservative Islamic parties.

However, Tandjung's trial could backfire on the president. He has been a key figure in refashioning Golkar since Suharto's removal. After news of his arrest, the Golkar members of Megawati's cabinet initially threatened to walk out. Tandjung himself has refused to resign either from his post as DPR speaker or as Golkar chairman.

Moves appear to be underway to undermine the prosecution case. Another suspect, Winfried Simatupang, has returned all of the disputed $4 million. On this basis, defence lawyers now claim that one of the charges against Tandjung and Bulog chief Ramelan, that the state suffered losses, is no longer valid.

Tandjung has another asset in fighting his case. As a key political operator in the Suharto and post-Suharto years, he no doubt has an intimate knowledge of the web of corruption that spreads throughout the entire upper echelons of Indonesia's ruling elite. He is able to hit back at virtually anyone—including Megawati, whose husband has already been accused of dubious financial practices.

The overriding interest of international investors is likely, however, to prove too much even for Tandjung. A number of articles have already appeared in the international press warning of the economic consequences if Indonesia fails to energetically pursue the Golkar leader.

An editorial in the latest *Far Eastern Economic Review* commented: "The administration and judiciary cannot shy away from any prosecution because of a Golkar connection. And for its part, rather than protesting too strenuously, Golkar would be better advised to take this opportunity to enact the reforms it needs in the new political climate... we hope that the government and the judiciary have the stomach to see through what they have started."

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site