

Yudhoyono's cabinet mirrors conflicts within Indonesia's ruling elite

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Indonesia's new 34-member cabinet was sworn in on October 21, the day after the inauguration of President Susilo Bambang Yudhoyono. The announcement of the cabinet's composition was made by Yudhoyono and his vice-president Jusuf Kalla from Jakarta's presidential palace just before midnight, some four hours behind schedule. The delay was caused, according to the Indonesian press, by infighting among the country's political elite over the allocation of the powerful economic portfolios.

The main conflict appears to have been over the key post of Coordinating Minister for the Economy, which oversees the other main economic positions of finance, industry, trade, state enterprises and development planning. According to an account of proceedings pieced together in the *Jakarta Post*, this position, or the next most important one of finance minister, was to go to Sri Mulyani Indrawati, the International Monetary Fund (IMF) director for South East Asia.

Spokesmen for international capital and the stronger sections of Indonesian capital had been calling for Yudhoyono to appoint a pro-IMF "reformer". One of the main tasks that the financial press has insisted the new government carry out is the reduction in state commodity subsidies. In particular, big capital wants to see the oil subsidy abolished, which costs the Indonesian state \$US6.5 billion per year, an amount 2.3 times the entire national budget deficit.

Yudhoyono, however, is believed to have been forced to drop Indrawati's nomination due to political pressure. Two right-wing Muslim parties, the Crescent Star Party (PBB) and Prosperous Justice Party (PKS) threatened to withdraw their support for his government if a "pro-IMF" minister was appointed. In the end, Indrawati was appointed to the less important post of chairperson of the National Development Planning Agency.

The objections of the Islamic parties reflect the fear in the ruling class that any cutback on subsidies will result in a social explosion of the type that led to the downfall of the Suharto regime in 1998. State payments have helped keep discontent in check under conditions where half the country's 230 million people exist on less than \$US2 a day by reducing prices for essentials. Attempts to reduce the oil subsidy over the past six years have triggered widespread protests.

The figure appointed as Coordinating Minister for the Economy is Suharto-era business tycoon Aburizal Bakrie—a man regarded as hostile to IMF demands. Bakrie owns the Bakrie & Brothers conglomerate and is the former chairman of the Indonesian Chamber of Commerce, Trade and Industry. His companies accumulated over \$US1 billion in debts during the Asian financial crisis in 1997-1998.

Bakrie has been a prominent figure in Golkar, the political arm of the former Suharto dictatorship. In April, he finished third in the first round vote for the Golkar nomination for the presidential election. In

the second round, Bakrie's supporters apparently backed the former armed forces chief Wiranto, who was regarded as the chosen nominee of the Suharto circle.

A notable figure not included in the cabinet line up is outgoing Finance Minister Boediono. He was the minister in the previous administration credited by economic commentators with what the money markets consider the few achievements of the regime of President Megawati Sukarnoputri: small reductions in state debt and the budget deficit.

Less controversial for the money markets was Yudhoyono's appointment of a little known economist, Jusuf Anwar, as finance minister. Anwar, who had been working in the Asian Development Bank, is a former Indonesian capital markets regulator. He is representative of a number of technocrats and state bureaucrats installed in the cabinet. Broadly included in this layer with Anwar and Indrawati are Marie Elka Pangestu (Trade) and Purnomo Yusgiantoro (Energy and Mineral Resources), all of whom were characterised for the *Jakarta Post* by Centre for Strategic and International Studies analyst J. Kristiadi as "not hostile toward the country's integration with the world economy."

The stock market reacted to Bakrie's appointment with concern by triggering a small fall in the share prices on Jakarta's exchange. Standard and Poor's had issued a statement last month saying that Indonesia's credit rating, and its attractiveness to foreign investment, would only be lifted if the nation's budget deficit was further slashed. This is considered unlikely to take place with a crony capitalist of the Suharto period controlling the main economic portfolio.

The executive director of the Centre for Strategic and International Studies, Hadi Soesastro, told the *Jakarta Post* that Yudhoyono's failure to resist political pressure in deciding cabinet appointments would be perceived as a bad precedent by the markets. University of Indonesia economist Akhmad Rizil referred to Yudhoyono's team as "a pro-business cabinet, but not necessarily a pro-market one."

An editorial comment in the *Jakarta Post* on October 25 underscored the suspicion in the more internationally-orientated business circles that Yudhoyono's cabinet will be influenced by forces concerned with protecting entrenched interests and not take measures to end Indonesia's status as a backwater for foreign investment in South East Asia.

The editorial lamented Yudhoyono's decision to reappoint a special minister responsible for overseeing the country's 160 state owned enterprises. The move, the editorial declared, "will only serve to increase the layers of bureaucracy ... thereby making state enterprises more vulnerable to interference by vested-interest groups." Under a law introduced in 2003, the finance ministry was supposed to take

over jurisdiction of the firms, including control of their business plans.

Heightening the concerns of the financial markets is the appointment of a number of senior officials and members of right-wing Muslim-based parties into cabinet posts. These include National Awakening Party (PKB) chairman Alwi Abdurrahman Shihab in the senior post of People's Welfare Coordinating Minister. The PKB also has Development of Disadvantaged Regions. Officials of the National Mandate Party (PAN) hold the Transportation and Education posts. United Development Party (PPP) officials have Small and Medium Enterprises, State Enterprises and Social Affairs. The Prosperous Justice Party (PKS) has Public Housing. The Crescent Star Party (PBB) has the position of State Secretary and the Forestry ministry.

The naming of Abdul Rachman Saleh as attorney general is one of the few appointments of Muslim party figures that was welcomed. Saleh, though a senior member of the PBB, is viewed as a reassurance that Yudhoyono's promise to clean up corruption and reform the legal system will be carried out. He was the only one of five Supreme Court judges to vote against the politically-motivated decision to grant the appeal by Golkar chairman Akbar Tandjung against corruption charges.

The social base of the Muslim parties, which spans from the rural poor to the urban middle class, is particularly vulnerable to the austerity measures being demanded by the money markets. Large numbers of Indonesians are hostile to openly pro-IMF politicians. Furthermore, while Yudhoyono, a graduate of two US military schools, is anxious to improve relations with Washington, his Islamic partners are conscious of the mass hostility to the US invasions of Afghanistan and Iraq and will attempt to restrain any too openly pro-US foreign policy.

The influence of these parties and their prominent inclusion in the cabinet line-up reflects the narrow base of Yudhoyono's own support. His newly-formed Democratic Party gained only 7.45 percent of the votes in the April parliamentary election and 56 seats in the 550 seat lower house of the parliament (the DPR). Opposing it is the loose parliamentary coalition between Golkar and Megawati's Indonesian Democratic Party-Struggle (PDI-P), the two largest parties in the parliament, with 127 and 109 DPR seats respectively. Yudhoyono therefore depends on the Islamic-based parties in parliament.

The Democratic Party itself is a breakaway from Golkar by sections of the ruling class that saw the necessity of distancing themselves from the still powerful Suharto clique for domestic and international reasons. Yudhoyono's vice president Kalla was, until the election campaigns began, prominent in Golkar. The cabinet also includes ex-Golkar secretary general Rachmat Nadi Witoelar Kartaadipoetra, as environment minister and ex-Golkar deputy chairman Fehmi Idris as minister for manpower and transmigration.

The new cabinet will be under pressure from all directions. Internally the government faces the demands of the mass of the population for improved living standards. Official unemployment stands at over 10 percent and 40 million people are classified as lacking full time employment. A gross domestic product (GDP) growth rate of at least 6 percent is needed just to keep pace with the growth in the labour force.

Foreign capital is demanding deep budget cuts and the clean up of endemic corruption and the legal system. Foreign direct investment is the lowest as a proportion of GDP than at any time since the 1970s. Attempts to implement these demands will provoke sharp conflicts not just between the government and the population, but within the ruling class itself. Inevitably, the ex-general in the presidential palace will

have to rely on the military and security forces if he is to implement the economic program being called for.

For the security ministries, therefore, Yudhoyono turned to his former colleagues in Suharto's state apparatus.

The powerful post of Coordinating Minister for Political, Legal and Security Affairs was given to ex-admiral Widodo Adi Sucipto. Widodo was chief of the Indonesian Armed Forces (TNI) from October 1999 to June 2002. As TNI head, he played an important role in organising the virtual mutiny of the top brass against President Abdurrahman Wahid, opening the way for the parliamentary coup that installed Megawati as president in July 2001. Wahid fell out with the TNI chiefs over the limited concessions he made to the independence movements in Aceh and Papua.

On October 24, Widodo convened the first meeting of all ministers concerned with security and legal affairs to review the ongoing military operation in Aceh. The counter-insurgency operation there involves 40,000 troops and police and has been going on since May 2003. It has claimed over a 1,000 lives and there are widespread allegations of human rights abuses by the security forces. Widodo told reporters that the only options being considered by the new government were to keep a state of civil emergency in force or lift the state of emergency but maintain military operations.

Juwono Sudarsono, Yudhoyono's defence minister is a civilian, but he has a long history of association with the military and the Suharto regime. He served as deputy governor of the National Resilience Council military think-tank and was environment minister under Suharto. He was defence minister under Wahid from 1999-2000 and then served as ambassador to the United Kingdom. Sudarsono's responsibility in the cabinet is lobbying Washington to lift its military embargo on the TNI and seeking the resumption of ties with the Pentagon. There is little doubt that open and covert cooperation in the "war on terror" will be one of Sudarsono's bargaining chips.

The disparate nature of the cabinet is a reflection of the fact that there has been no real democratic change in Indonesia since the fall of Suharto. Yudhoyono's landslide election victory was the result of deep hostility in the mass of the population toward Suharto's old party, and the disgust with the so-called "democrats", particularly Megawati and the PDI-P, who failed to produce any change in the wake of the collapse of the dictatorship.

In the presidential campaign, Yudhoyono was presented as a new force, independent of the political parties that had discredited themselves in the eyes of the population. The wheeling and dealing over cabinet appointments reveals that, far from representing something untainted, Yudhoyono has no independent base of support and will rule through factional deals with rival layers of the ruling class in a similar fashion to his predecessors.



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