

Indonesian government shaken by corruption scandal

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The Indonesian government faces a new political crisis as the corruption trial of Muhammad Nazaruddin, the former treasurer of President Susilo Bambang Yudhoyono's Democrat Party (PD), continues.

The anti-corruption court has heard evidence that senior party officials and the party as a whole are immersed in the endemic corruption of parliament and government that both Yudhoyono and the PD have built a reputation on fighting.

Nazaruddin first implicated senior PD officials after he fled the country last May while under investigation by Indonesia's Corruption Eradication Commission (KPK) over construction contracts for the athletes' village for the 2011 South East Asian Games. Nazaruddin was suspected of slicing \$US3 million off the contracts, as well as receiving funds from other infrastructure projects and channelling some into party coffers.

Before he was arrested in August in Colombia and returned to Indonesia, Nazaruddin implicated PD chairman Anas Urbaningrum and Youth and Sports Minister Andi Mallarangeng in bribe taking. During his trial last month, he also named PD parliamentarian and deputy secretary-general Angelina Sondakh.

All three are now under KPK investigation. On February 6, KPK chief Abraham Samad named Sondakh as an official suspect, making her the subject of a specific criminal investigation. It is only a matter of time before the list of official suspects grows.

The Nazaruddin trial has been so politically damaging that the PD advisory committee was forced

to meet twice within one week late last month to find ways to halt the slide in the party's reputation and political standing. All the country's parties are now positioning themselves for presidential and parliamentary elections in 2014.

On January 25, matters only worsened for PD. Yulianis, a senior employee of Nazaruddin's Permai Group, gave extensive evidence of bribes paid on Nazaruddin's behalf to parliamentarians and PD leaders to ensure the company received government contracts. She detailed how some 30 billion rupiah and \$US5 million in cash was shifted to fund the 2010 PD party congress. Among a long list of names, she directly implicated Sondakh.

On February 5, President Yudhoyono gave a press conference in which he effectively disowned Sondakh but continued to defend party chairman Anas. Yudhoyono said Anas had not been named as a suspect by the KPK and that until the KPK declared otherwise he believed Anas's denial of bribery charges.

Yudhoyono called on the KPK to quickly resolve the bribery charges "so the Democrat Party does not become a target of attacks like it has in the past eight months." He added, somewhat pointedly, that he did not believe that the KPK was deliberately prolonging investigations to damage the party for the 2014 elections. Obviously, this was not a view held by some PD members.

Support for PD is slipping. On February 5 an Indonesia Survey Circle poll put the party in third place behind Golkar, the party of the former Suharto dictatorship, and the Democratic Party of Struggle (PDI-

P) of former President Megawati Sukarnoputri.

Yudhoyono, a former Suharto-era general, won the 2004 and 2009 presidential elections by posturing as a fighter against corruption. PD became the largest party in the parliamentary lower house on the same basis—Yudhoyono appealed to the popular anger over the corruption of the Suharto years.

Prior to the dictatorship's overthrow in 1998, the Suharto family looted an estimated \$45 billion, while the majority of the population lived on less than \$2 a day. Yudhoyono helped to establish the KPK, but public scepticism has only grown as its investigations have targeted only middle-level officials and businessmen.

The main purpose of Yudhoyono's anti-corruption drive was to demonstrate to international investors that the government was putting an end to the cronyism of the Suharto era. Investment was needed to build the infrastructure to transform the country into a more efficient cheap labour platform.

The corruption scandals embroiling PD have had a major impact on the party's prospects. Moreover, having served two terms, Yudhoyono is ineligible to stand for the presidency in 2014. Anas and Sports Minister Mallarangeng were both considered possible presidential candidates.

On February 8, a comment in the *Jakarta Post* lamented the fact that "those graft suspects represent young politicians in whom the people have placed their trust for a better Indonesia." It went on to suggest that people would no longer see any difference between the parties and might switch their votes to the old established parties, including Golkar.

The corruption allegations reflect sharp tensions within Indonesian ruling circles. While the economy grew by around 6 percent in 2011, the business elite is confronting great uncertainties produced by the euro zone crisis and US stagnation. Yudhoyono is seeking to boost foreign investment, including for infrastructure, but compared to Singapore and South Korea, the country remains less open to foreign investors.

The prospect of an economic slowing is further complicated by Indonesia's economic dependence on China. Two-way trade has grown, as has Chinese investment in infrastructure and industrial projects. At the same time, Yudhoyono has been under pressure from the Obama administration to line up militarily with the US as Washington presses Beijing diplomatically, economically and strategically throughout Asia.

The main political beneficiary of the corruption scandals involving PD appears to be Golkar, despite its history of corruption and police-state methods of rule. Golkar retains close links to the US, especially the American military, as a result of Washington's support for the Suharto dictatorship for more than three decades.



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