

# Indonesian election conflict continues, but financial markets set agenda

John Roberts  
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Claims and counter-claims of ballot rigging are mounting in the run up to next Tuesday's scheduled official announcement of the result of the July 9 Indonesian presidential election contest between Jakarta governor Joko "Jokowi" Widodo and former Suharto era general Prabowo Subianto.

Regardless of which candidate is declared the winner by Indonesia's General Elections Commission, the global financial markets are dictating sweeping restructuring and austerity measures that will further impoverish the vast majority of the country's 254 million people.

Both contenders head unstable coalitions representing competing factions of the country's ruling elites, which accumulated enormous wealth and political clout during the three decades of the Washington-backed Suharto dictatorship, before the regime collapsed in the wake of the Asian financial crisis of 1997–1998.

However, international business publications and the money markets have made plain their preference for Widodo, who has been falsely promoted as a "cleanskin" alternative to a return to Suharto-style crony capitalism. Initial "quick" poll results showing a Widodo victory produced a surge on the Jakarta share market and in the value of Indonesia's currency, the rupiah.

So far, the counting of votes at the village, sub-district, district and provincial levels indicates a win for Widodo, the candidate of former President Megawati Sukarnoputri's Indonesian Democratic Party of Struggle (PDI-P).

As of late Wednesday, two web sites that track the results gave Widodo similar winning margins to the "quick" poll estimates. Kawalpemilu.org said Widodo's ticket, which he shares with vice presidential running mate Jusuf Kalla, had 52.8 percent of the 123.4

million votes then counted, to 47.2 percent for Prabowo and his running mate Hatta Rajas. The Kawal-suara web site's margin was 51.64 percent to 48.36 percent.

According to these calculations, the Widodo-Kalla team is ahead in Jakarta, East Java and central Java, with Prabowo and Hatta leading in West Java and Banten. Widodo's ticket is ahead in Kalimantan, and largely in Sulawesi, while Prabowo has the lead in Aceh, West Sumatra and the Maluku.

Both sides have made charges of vote rigging. On Wednesday, National Police chief Sutarman said both camps were manipulating results. Widodo's legal team member Trimedya Panjaitan said there were 160 reports of violations favouring Prabowo, so the team was preparing a report for the Constitutional Court.

Prabowo's brother and economic adviser, business tycoon Hashim Djojohadikusumo, said their legal team had found 250,000 fake Widodo votes in the Jakarta area. Prabowo's legal team head Habiburokhman said on Wednesday it was also ready to file an election dispute case with the Constitutional Court.

The court would have until August 24 to resolve the issue. If a major political and constitutional crisis developed, the court's authority might be challenged as well. Its former chief judge was jailed for life in June for corruption.

Thousands of Indonesian National Police and Indonesian Defense Forces troops have been placed on high alert to deal with protests and unrest following the declaration of the poll. Police chief General Sutarman told the media yesterday: "No shoot-at-sight instructions have been given, but the police personnel are allowed to use weapons."

The corporate media has warned that the average 6 percent economic growth rates achieved during the two terms of the outgoing president, Susilo Bambang

Yudhoyono—underwritten by capital inflows and growing resource exports to China—will not continue.

An op-ed article in the *Jakarta Post* on July 14 noted: “The market is also aware that the euphoria is largely based on political sentiment from the (expected) election of Jokowi, who is considered more market friendly compared to Prabowo. Once the political euphoria subsides, the market will face the hard truth of Indonesia’s fundamentals.

“The economy is struggling, to restore its growth, to revamp its broken infrastructure, to fend off crushing subsidies and eliminate current account deficits that have battered its currency for several months.”

This means brutal austerity measures, beginning with the elimination of the fuel subsidies on which tens of millions of impoverished Indonesians depend. The penalty for not complying will be a massive outflow of speculative funds and a further decline in foreign direct investment.

On July 15, Bank Indonesia governor Agus Martowardojo warned of an exit of funds worse than that experienced in 2013 when the US Federal Reserve board hinted at a tighter money policy. Foreign reserves fell by \$12 billion last year. The central bank chief identified Indonesia’s oil trade deficit as the main culprit, caused by the rising cost of fuel subsidies.

While Widodo and Prabowo engaged in populist demagoguery during the election campaign, and adopted economic nationalist stances, both have sought to reassure the markets and the Obama administration that they can deliver the required agenda.

Widodo’s camp has claimed that if he is declared president, the Golkar Party, the old party of the Suharto junta, will swing behind him and be included in his government. He needs Golkar’s participation to form a majority government. Widodo’s coalition of four parties only won about 40 percent of the popular vote in the parliamentary election, translating into just 207 seats in the 560-seat incoming parliament (DPR).

Widodo said last Saturday that he would be glad if Golkar decided to switch teams. “Yes, that would be good, it means that we can work together,” he told reporters in Bandung, West Java.

The media has been full of reports of a revolt in Golkar against its chairman Aburizal Bakrie, in favour of Widodo’s vice presidential running mate Kalla, who leads a Golkar faction. No such realignment has been

confirmed, however.

Prabowo has been equally keen to mend relations with the Obama administration, which publicly intervened against him during the election campaign, via its ambassador to Indonesia. While expressing concern over his notorious record of military abuses under Suharto, Washington is worried by his readiness to line up with China, which has become Indonesia’s largest export market.

In the lead up to the presidential election, Prabowo’s billionaire brother Hasim Djojohadikusumo, who chairs Prabowo’s Gerindra party, made it clear that his camp was ready to accommodate to the US anti-China “pivot” to Asia. He wrote: “As China continues to expand its influence throughout Asia a greater American presence would act as a much needed counterbalance that would be much welcomed by the traditional American partners in the region such as Australia, Malaysia, the Philippines, and Indonesia.”

Prabowo also told the *Wall Street Journal* this week that reports that he favours the nationalisation of foreign companies were unfounded. He said foreign investors should receive fair treatment in Indonesia and not be hit with retroactive changes in regulations.

“They must get a fair shake,” he said. “If they don’t get a fair shake, why should they come in?” In other words, he is just as committed as Widodo to imposing whatever measures are required against the Indonesian working class and poor masses.

Whatever the events of the next few days, the installation of a new president will signal a fresh period of political instability and increased class conflict in South East Asia’s largest nation and economy, with ramifications throughout the region.



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