

Indonesia's new cabinet of generals, businessmen and technocrats

John Roberts, Peter Symonds**29 October 2014**

Indonesian President Joko Widodo installed his new 34-member cabinet on Monday, after weeks of backroom horse-trading in a bid to satisfy foreign investors, as well as the corporate elite, military establishment and his political allies in Indonesia.

Widodo won the presidential election in July defeating Prabowo Subianto, a former son-in-law of the dictator Suharto and notorious ex-special forces commander. Widodo was generally regarded in international financial circles as preferable to Prabowo, who was identified with so-called crony capitalism. But the formation of the cabinet was closely watched.

In appointing his economic ministers, Widodo sought to satisfy the corporate elite and foreign investors by installing business figures or technocrats, rather than politicians. Sofyan Djalil, who is the new coordinating minister for the economy, is an academic economist and business consultant who held ministerial posts under Susilo Bambang Yudhoyono, the previous president.

The *Wall Street Journal* expressed the hope that Djalil's appointment would end the "economic nationalism" of his predecessor Hatta Rajasa, who "restricted overseas investment, forced many foreign miners to reduce their stakes in companies and introduced new rules that effectively force miners to refine their minerals domestically." However, it concluded, "it's far from clear whether Mr Widodo will roll back many of these policies."

The new finance minister, Bambang Brodjonegoro, was head of the University of Indonesia's economics department and deputy finance minister in Yudhoyono's administration. The *Wall Street Journal* noted that he "is well known by investors and is credited with helping to keep the budget deficit below 3 percent of gross domestic product." One of his first

tasks will be to impose drastic cutbacks to fuel price subsidies—a move that will provoke widespread opposition.

Business figures include Rachmat Gobel, who runs a joint venture with Panasonic, as trade minister; and Ignasius Jonan, a former Citigroup investment banker and head of the national rail company, as transport minister.

Nevertheless, as the *Financial Times* declared, the cabinet contained no "big bang" pro-market reformers and "reflected the political constraints under which [Widodo] is operating." The disappointment in business circles was expressed in the market reaction to the cabinet—the Jakarta composite Index fell 0.5 percent.

While Widodo has carefully cultivated a populist image as an "outsider," he has the backing of powerful sections of the political and military establishment in Jakarta that expect to be paid off. At the same time, his ruling alliance is a minority in the Indonesian parliament, where Prabowo and his allies dominate.

In the first instance, Widodo is beholden to former President Megawati Sukarnoputri, who heads the Indonesian Democratic Party of Struggle (PDI-P), to which he belongs. Her daughter Puan Maharan was installed as one of the four top co-ordinating ministers, for human development and culture, giving her a significant say in cabinet.

The new State-Owned Industries Minister, Rini Soemarno, was trade minister in Megawati's administration. Her critics allege that she is implicated in several major scandals including the purchase of Russian Sukhoi fighter jets. She was questioned last year over the misuse of \$71 billion in Bank Indonesia bailout funds provided to banks affected by the 1997–98 Asian financial crisis.

Megawati is also closely associated with the new defence minister, Ryamizard Ryacudu. He played a role in her installation in 2001 after the military helped remove Abdurrahman Wahid as president. He was army chief-of-staff in 2002–2004 during her administration and notoriously described the soldiers who murdered prominent Papuan politician Theys Eluay in 2002 as “heroes.”

Ryamizard’s appointment is testimony not only to Megawati’s influence but the continuing political role of the military establishment, forged in the three decades of US-backed military dictatorship. Suharto was forced to step down in 1998, but the generals continue to exert considerable power, especially over military and police affairs.

During his campaign, Widodo pledged to boost military spending to 1.5 percent of gross domestic product—a 70 percent increase. Ryamizard ignored media questions about his record on human rights abuses. In line with Widodo’s promise, he said the military under his ministry would be “more solid, and stronger,” adding “and our weapons systems must be improved—not only weapons, but also the personnel who operate them.”

Significantly, the coordinating security minister is former navy chief, Tedjo Edhy Purdijatno. He was given the job ahead of businessman and ex-general Luhut Panjaitan, one of Widodo’s close confidantes, who had been tipped to take the post.

The appointment of the former navy head underscores the growing demands within the Indonesian military for a tougher stand against Chinese claims in the South China Sea, including over waters surrounding Indonesia’s Natuna Islands. The military is already boosting its presence in the island group and has pushed for the expansion of the navy and air force.

Widodo has also signalled a focus on maritime security by creating a new co-ordinating ministry for maritime, natural resources and the environment. He has appointed former senior fisheries bureaucrat Indroyono Soesilo to the post.

The military’s stance is in line with the Obama administration’s “pivot to Asia,” which has encouraged Vietnam and the Philippines to take a more aggressive posture in their territorial disputes with China and greatly exacerbated tensions in the South China Sea. The previous Yudhoyono administration

attempted to balance relations with Washington and Beijing.

Widodo will come under great pressure from the US to move away from China. At the same time, Chinese President Xi Jinping telephoned Widodo on October 24 to talk up the building of the “21st Century Maritime Road,” which could entail funds to upgrade Indonesian infrastructure. As foreign minister, Widodo appointed the relatively unknown career diplomat, Retno Marsudi, whose latest posting was as Indonesian ambassador to the Netherlands.

The cabinet includes 20 so-called technocrats or non-political appointees. Of the remaining 14, four went to PDI-P members, four to the Muslim-based National Awakening Party (PKB), two each to Hanura and Nasdem, and one each to the Democrat Party and the United Development Party (PPP). Widodo’s vice-president is Jusuf Kalla, a senior figure in Golkar, the political instrument of the former Suharto dictatorship.



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