

GEOFFREY C. GUNN

Indonesia in 2013

Oligarchs, Political Tribes, and Populists

ABSTRACT

Ahead of upcoming elections, expectations ran high in 2013 across the archipelago for a highly pluralistic electorate. With China as a leading trading partner, the backdrop for Indonesia was steady economic growth, albeit checked by a sliding currency, a current account deficit, and a depressing culture of corruption. Mixing commerce and geopolitics, China, the U.S., and Japan all turned to Indonesia to expand their influence.

KEYWORDS: Indonesia, economy, oligarchs, political tribes, anti-corruption, tolerance, environment

INTRODUCTION

An often-remarked, decade-long economic boom largely keyed to China's demand for Indonesia's natural resources has also spawned the rise of political-military-business oligarchs (certain of them well-established dynasties) alongside the emergence of the super rich. Typically, such freewheeling oligarchs use wealth to gain office unfairly. They also sidestep the law through corrupt practices or by causing environmental disasters,¹ e.g., through illegal land clearing, logging, or mining practices, primarily on Sumatra and Kalimantan. According to the findings of the International Consortium of Investigative Journalists, nine of Indonesia's richest families are worth a total of US\$36 billion, owning a combined 190 offshore companies and trusts. Not all of them are parvenus, with six of these families linked to former presidents.² But, as discussed below, political oligarchs, political "tribes," or, in newer guise,

GEOFFREY C. GUNN is Professor Emeritus of the Faculty of Economics at Nagasaki University in Japan. Email: <nagasaki.gunn@gmail.com>.

1. Jeffrey A. Winters, *Oligarchy* (Cambridge, U.K.: Cambridge University Press, 2011), pp. xv, 192.

2. Toh Han Shih, "Offshore Links of Malaysia's Rich," *South China Morning Post*, April 11, 2013.

as long ago described by Clifford Geertz and Herbert Feith, “political *aliran* (streams)” also latch onto populists to boost their appeal. By contrast, populist politics in Indonesia springs from the grassroots organizations that have proliferated in the post-*reformasi* (reform) era. These include a range of advocacy groups and agencies, not excluding the Corruption Eradication Commission (Komisi Pemberantasan Korupsi, KPK), co-winner of the 2013 Manila-based Ramon Magsaysay Prize for “emergent leadership,” and slated as “fiercely independent.”

DOMESTIC POLITICAL EVENTS

With presidential elections looming in July 2014 after parliamentary elections in April, and with President Susilo Bambang Yudhoyono now serving a second and final term, would-be candidates and parties are already flexing their muscles. Among them is the ruling Democratic Party (part of a six-party coalition), albeit sullied by corruption, for example, in the Hambalang Sports Complex funding case in West Java, in which money may have been diverted to fund the Party’s 2010 congress. Under the 2009 Presidential Election Law, political parties must have at least 20% of the seats in the House of Representatives or win 25% of the votes in the legislative election in order to be eligible to nominate a presidential candidate. Such electoral and parliamentary thresholds facilitate the rise of personalism, family dynasties, and political “tribes” to the detriment of aspirants lacking money or patronage.

Consistently heading the popularity or “electability” polls for the presidential race is Joko “Jokowi” Widodo, Jakarta’s down-to-earth reformist governor and champion “populist,” known for his pro-poor policies as well as his penchant for loud rock music.³ According to Jonathan Chen and Adhi Priamarizki, in reacting against a general elitist style of post-*reformasi* politics, the so-called Jokowi effect suggests the public’s preference for a “more genial and consultative form of personalism.”⁴ As explained by political analyst

3. One index of Jokowi’s popularity among youth was surely the exuberant reception by 50,000 “metalhead” fans at a concert by the Los Angeles-based Metallica rock group at the “Bung Karno” Stadium in Jakarta on August 25, 2013. See “Tiga Kali Nama Jokowi Menggema di Konser Metallica” [Three times Jokowi’s name resounded at the Metallica concert], <<http://www.tribunnews.com/seleb/2013/08/26/tiga-kali-nama-jokowi-menggema-di-konser-metallica>>.

4. Jonathan Chen and Adhi Priamarizki, “Indonesia’s Democratic Evolution: Political Engineering Post-Reformasi,” RSIS [Rajaratnam School of International Studies] *Commentary* 162/2013, <<http://www.rsis.edu.sg/publications/Perspective/RSIS1622013.pdf>>.

Christianto Wibisono, presidential hopefuls without the backing of one of Indonesia's political dynasties or "tribes" appear to stand little chance of winning next year's race, as members of the Sukarno, Suharto, and Jokowi networks position themselves for office.⁵ Jokowi, in turn, is linked with the opposition Indonesia Democracy Party-Struggle (Partai Demokrasi Indonesia Perjuangan, PDI-P) led by former President Megawati Sukarnoputri, and the attraction appears to be mutual. Next in the popularity polls is Prabowo Subianto, chairman of the Great Indonesia Movement Party (Gerindra), and a former Army Special Forces (Kopassus) commander with a tainted record for human rights abuses. Just as Jokowi has linked up with Megawati, Prabowo is also seeking a patron. Otherwise, the Prabowo family business extends to younger brother Hashim Djojohadikusumo, the 23rd richest Indonesian, with a net worth of \$910 million.⁶ Golkar Party chairman and chief financier Aburizal Bakrie, and retired General Wiranto, chairman of the People's Conscience Party (Hanura), among others, are no less connected. Bakrie heads the list of Indonesia's super rich. In mid-September, Indonesia's Ambassador to the U.S. Dino Patti Djalal resigned his post in a bid to win selection as the 2014 presidential candidate for the Democratic Party. Another hopeful, out of 11 Democratic Party contenders, was Trade Minister Gita Wirjawan, joining General Pramono Edhie Wibowo, former army chief of staff and brother-in-law of the president.

Although the armed forces has taken a back seat in the post-*reformasi* era, it is especially noteworthy that prior to departing for a visit to Europe in March 2013, President Yudhoyono cited intelligence reports claiming that "unidentified parties" were seeking to take advantage of the political crisis plaguing his Democratic Party to disrupt the work of government. Immediately upon his return, the president went into a series of closed-door meetings with retired military generals, Prabowo included. Coup rumors aside, it is credible, as one journalist speculated, that certain retired generals feared the prospect of Indonesia ratifying the Rome Statute of the International Criminal Court (ICC), thereby leaving themselves vulnerable to the charge of crimes against

5. Markus Junianto Sihalolo, Robertus Wardi, and Anastasia Wienanti Resardhy, "Election Shaping up as Battle of the Tribes," *Jakarta Globe*, July 6, 2013, <<http://www.thejakartaglobe.com/news/election-shaping-up-as-battle-of-the-tribes/>>.

6. Muhamad Al Azhari, Gabriel Kereh, and Alisha Kusuma Oceani, "Prabowo Maps out Plans for the Future," *ibid.*, May 30, 2013, <<http://www.thejakartaglobe.com/news/prabowo-maps-out-plans-for-the-future-2/>>.

humanity.⁷ No less damaging to the image of Indonesian military professionalism was the March 23 execution-style revenge killing of four “gangster” detainees in a central Java penitentiary by an eight-member Kopassus squad in a virtual commando operation. Besides concerns for the probity of the military tribunal that on September 5 passed sentences on the Kopassus 8, the National Commission on Human Rights (Komisi Nasional Hak Asasi Manusia, Komnas HAM) also raised the question of possible complicity in the affair by even higher ranking Kopassus officers.⁸

Tolerance/Intolerance

Notwithstanding Indonesia’s plural culture and generally tolerant image, outbursts of both state and non-state violence continued in 2013. For instance, having won some success in their own version of the “war on terror,” the police themselves emerged as targets of numerous acts of violence committed in locations across Java by “unidentified gunmen.” The bombing at the Ekayana Buddhist Temple in West Jakarta—in an apparent riposte by Muslim militants officially described as “terrorists” to the persecution of Rohingya Muslims in predominantly Buddhist Myanmar—was another case in point. Among other sectarian acts of violence, in August, Shiite Muslims in Madura, an island northeast of Java that is part of East Java Province, were given an ultimatum to convert to Sunnism or leave the island. The campaign appeared to be carried out with the support of the local government, the police, the Indonesian Ulema [Clerics] Council (Majelis Ulema Indonesia, MUI, the nation’s top Muslim clerical body), as well as the national government’s National Unity and Political Agency (Kesbangpol).⁹

The hardline Islamic Defenders Front was seldom absent from the news, resorting to violence in raids on brothels and staging protests against beauty contests. These acts provoked threats of legal action by the authorities, but there was little follow-through. The tense situation inside Papua Province,

7. Bagus BT Saragih, “SBY Suspected of Discussing Rights Abuses with Ex-generals,” *Jakarta Post*, March 14, 2013, <<http://www.thejakartapost.com/news/2013/03/14/sby-suspected-discussing-rights-abuses-with-ex-generals.html>>; and Bagus BT Saragih and Margareth S. Artonang, “Govt Closes Ranks on Coup Paranoia,” *ibid.*, March 23, 2013.

8. Ina Parlina, “Role of Kopassus Leaders ‘Must Be Probed’,” *ibid.*, June 20, 2013, <<http://www.thejakartapost.com/news/2013/06/20/role-kopassus-leaders-must-be-probed.html>>.

9. Camelia Pasandaran, “Madura Shiites Face Conversion Threat,” *Jakarta Globe*, August 13, 2013, <<http://www.thejakartaglobe.com/news/madura-shiites-face-conversion-threat/>>.

which occupies the western portion of the island of New Guinea, also drew the attention of the U.N. Human Rights Committee (UNHRC). The agency reminded Indonesia of its obligations under the International Covenant on Civil and Political Rights, also highlighting the excessive use of force by government security forces, including a “high number of extrajudicial killings” over the past two years and the use of violence in dispersing peaceful protests.¹⁰

ECONOMIC AND SOCIAL DEVELOPMENTS

In Indonesia, as in much of Southeast Asia, China’s economic slowdown in 2013 began to translate into reduced prices for major export items, including sales of natural resources led by coal and palm oil. Notably, in the third quarter, the gross domestic product (GDP) grew 5.6% over the same quarter in the previous year, the slowest growth since the fourth quarter of 2009; the World Bank trimmed its forecast for economic growth for 2013 to 5.6% from a previous estimate of 6.2%. With growth slowing, annual inflation meanwhile rose to 8.4% in November. Falling nearly 25% since the beginning of the year, the rupiah (Rp) bottomed out against the dollar, reaching its lowest level in four years, at Rp 11,987 to the dollar in mid-December.¹¹ China, Japan, and South Korea, respectively, signed currency swap agreements with Indonesia to defend the rupiah against capital flight. According to the Badan Pusat Statistik (Central Statistics Agency, BPS), exports fell 4.5% in June from the previous year. Imports dropped 6.8% in the same period, leading to a trade deficit of \$847 million. Owing to improvements in the third quarter, however, Bank Indonesia (BI) was more sanguine as to economic growth reaching 5.5%–5.9%.

Although foreign direct investment (FDI) rose 18.9% in the second quarter from a year earlier, impressive in itself, this was still the slowest pace since

10. “Rights Groups Slam Continued Use of Force, Impunity in Papua,” *ibid.*, July 17, 2013, <<http://www.thejakartaglobe.com/news/rights-groups-slam-continued-use-of-force-impunity-in-papua/>>.

11. “Indonesia’s Economy: Tipping the Balance: Politics, So How Long Can the Bright Economics Last?” *Economist*, February 23, 2013, <<http://www.economist.com/news/asia/21572245-gloomy-politics-so-how-long-can-bright-economics-last-tipping-balance>>; “Indonesia’s Economy Slipping: A Rise in Economic Nationalism Compounds Broader Worries about South-East Asia’s Giant,” *ibid.*, August 24, 2013, <<http://www.economist.com/news/asia/21584032-rise-economic-nationalism-compounds-broader-worries-ab>>.

2010, a major turnaround from the previous buoyant cycle.¹² Mining and transportation continued to attract most investment. Among FDI sources, Japan dominated, contributing \$2.3 billion, 17.39% of the total in the first six months of 2013, up 16.2% from the same period the previous year. Toyota Motor Corporation committed \$2.7 billion to expand production facilities in Indonesia. More generally, corporate Japan has rediscovered in Indonesia a niche among a younger and relatively affluent demographic that is also swayed by the lure of Japan's "soft power," especially in consumer items and prestige brands.¹³

With corruption still a major bane upon Indonesian society and economics, 2013 was singular: a number of high profile judicial cases appear to have tested the limits of official impunity. On September 4, the Jakarta Anti-Corruption Court sentenced former National Police Traffic Corps Inspector-General Djoko Susilo to 10 years in prison in a corruption case involving \$18 million, the largest known accumulation of wealth by a corruption suspect to date.¹⁴ In the same month, the retired chief of the Jakarta military command was sentenced to four years in prison for embezzling Rp 17.6 billion (\$1.5 million) while heading the Brawijaya Command. The following month it was the turn of newly installed Constitutional Court Chief Justice Akil Mochtar, who was arrested over allegations of bribery linked to electoral fraud, and amid much hand-wringing was cashiered by the president. Then, Governor Ratu Atut Chosiyah of Banten Province near Jakarta and her political dynasty came under KPK scrutiny. Separately, Jakarta Governor Jokowi launched his own campaign against fraudulent practices within the bureaucracy.

Still, these cases may be the tip of the iceberg, especially with highly corrupt local cabals and rent-seekers spawned by post-*reformasi* regional autonomy. These have been linked to political parties, businesses, organized crime groups, and security forces. According to the Supreme Audit Agency, such corruption has led to state losses of \$218.5 million in public funds since

12. Novrida Manurung, "Economy Set to Slow as Inflation Bites," *Jakarta Globe*, August 1, 2013, <<http://www.thejakartaglobe.com/news/economy-set-to-slow-as-inflation-bites/>>.

13. "Indonesia Becoming Core Japanese Investment Destination," *Jakarta Post*, July 23, 2013, <<http://www.thejakartapost.com/news/2013/07/23/indonesia-becoming-core-japanese-investment-destination>>; Amgela Dewan, "Japanese Culture Grips Indonesia as Firms Flood In," *Japan Times*, September, 1, 2013, <<http://www.japantimes.co.jp/news/2013/09/01/national/japanese-culture-grips-indonesia-as-firms-flood-in/#.UjzimX-uGHo>>.

14. See Geoffrey C. Gunn, "Indonesia in 2012: An Electoral Democracy in Full Spate," *Asian Survey* 53:1 (January/February 2013), p. 120.

2008.¹⁵ Illegal mining of thermal coal, amounting to tax losses of \$460 million a year, also attracted the attention of the KPK.¹⁶

INTERNATIONAL RELATIONS

In mid-June 2013, the continuing problem of cross-border “haze” triggered by burning fires linked with plantations in southern Sumatra set off a major diplomatic spat with Singapore, which was worst affected, as well as Malaysia. On the defensive, Foreign Minister Marty Natalegawa asserted that the Association of Southeast Asian Nations (ASEAN) should collaborate to address the situation, rather than lay blame. Indonesia has still not ratified the ASEAN trans-boundary haze pollution treaty, which it signed in 2002. Amid acrimony, on June 24, President Yudhoyono issued an apology to Singapore and Malaysia for the damaging fires, citing both human and natural factors and calling for an inquiry. On June 7, in an unprecedented act, the Indonesian president visited the *Rainbow Warrior*, the flagship of the Greenpeace organization docked in Jakarta Harbor, and pledged expanded environmental protection. On May 13, the president had signed a two-year extension to a logging moratorium, part of a \$1 billion bilateral deal with Norway to reduce the impact of logging on Indonesia’s forests. Meeting with Hollywood star Harrison Ford in mid-September, Yudhoyono vigorously defended his administration’s environmental credentials.

U.S. Defense Secretary Chuck Hagel, meeting his Indonesian counterpart Purnomo Yusgiantoro in Singapore on June 1, indicated that in line with U.S. President Barack Obama’s “pivot” to the Pacific region, Washington would step up its military cooperation with Indonesia.¹⁷ Visiting Jakarta on August 26, Hagel announced that the U.S. had closed a deal for Indonesia to buy eight AH-64E Apache attack helicopters for some \$500 million, the largest-ever military sale between the two countries. Although Washington underscored the importance of respect for human rights as a prerequisite for deeper military ties, no conditions were attached to the use of the helicopters.

15. Yeremia Sukoyo and Usmin, “With Decentralized Power Comes Graft,” *Jakarta Globe*, July 22, 2013, <<http://www.thejakartaglobe.com/news/with-decentralized-power-comes-graft/>>.

16. “Indonesia Laments US\$5b in Lost Coal,” *South China Morning Post*, October 4, 2013.

17. “U.S. Pledges to Step up Military Ties with Indonesia,” Agence France-Presse, *Jakarta Globe*, June 1, 2013, <<http://www.thejakartaglobe.com/news/us-pledges-to-step-up-military-ties-with-indonesia/>>.

Still, Indonesia outsources its military needs from a number of countries, not excluding Russia and China. According to one report, Jakarta is in the process of procuring 16 Russian Sukhoi-class fighter jets (the two most recent were Su-30 Mk2s), 17 patrol vessels, three light frigates, and an undisclosed number of tanks and missiles, part of a \$15 billion five-year plan to modernize the military.¹⁸

Visiting Jakarta in January, Japanese Prime Minister Abe Shinzo talked up trade and investment while pledging aid to clean up the then-flooded capital. On the diplomatic front, Abe sought to underscore analogies between China's maritime claims and its expansion in the South China and East China Seas. With Australia, counterterrorism and people smuggling dominated official discussions. Visiting Jakarta in July, then-Australian Labor Prime Minister Kevin Rudd gained Indonesia's agreement to stop issuing visas to Iranians seeking illegal entry into Australia. Nevertheless, Indonesian Foreign Minister Natalegawa rejected key elements of the incoming Australian conservative government's policies on people smuggling as prone to "undermine" Indonesia's sovereignty. Visiting Jakarta on October 1, his first overseas visit as prime minister, Liberal Party leader Tony Abbott, Rudd's successor, gained a concession to treat the problem as a strictly bilateral issue. However, relations chilled in mid-November when international media exposed revelations that in 2009 Australian intelligence agencies intercepted mobile telephone conversations of Indonesia's president and his wife, along with those of senior ministers. Indignant, Jakarta abruptly withdrew its ambassador from Canberra, suspended a range of bilateral agreements including those relating to military intelligence sharing and people smuggling, and demanded an apology. At this writing, the saga continues as the two sides—erstwhile "strategic partners"—continue to work out a code of conduct guiding future ties. Even so, it is clear that Jakarta, not Canberra, is setting the agenda and timing for the full resumption of relations.

More than any other event, the Asia-Pacific Economic Cooperation (APEC) forum summit held in Bali (October 5–8) placed Indonesia alongside China in the spotlight. On October 3, even prior to attending the summit, Chinese President Xi Jinping made headlines as the first foreign leader to address the Indonesian Parliament, also signing a series of economic agreements including

¹⁸ Yuliasri Perdani, "Jakarta Dialogue Aims at Easing Tension in Asia," *Jakarta Post*, March 21, 2013, <<http://www.thejakartapost.com/news/2013/03/21/jakarta-dialogue-aims-easing-tension-asia.html>>.

a currency-swap deal. Xi and Yudhoyono also agreed to upgrade the bilateral relationship to “comprehensive strategic partnership” status. With Yudhoyono also hosting bilateral meetings with Russian President Vladimir Putin, South Korean President Park Geun-hye, Japan’s Abe, and others, it was left to the U.S.’s visiting Kerry to explain President Obama’s absence. Notwithstanding China’s small diplomatic triumph, as Marty Natelegawa declared on the summit sidelines, ASEAN unity was not divisible. On the global front at the G20 summit in St. Petersburg on September 6, President Yudhoyono advised his U.S. counterpart and four other leaders of the U.N. Security Council not to attack Syria. On October 21–23, in yet another expression of independence in foreign policy, the Indonesian foreign minister paid a visit to the North Korean capital, ostensibly to discuss trade cooperation.

More generally, looking back over the Yudhoyono years, Indonesia re-emerged on both the international and regional stage with expanded prestige both East and West. Domestically, however, the concentration of wealth and power in the hands of oligarchs and political tribes continues to frustrate the efforts of populists and graft-busters alike to enforce the rule of law. They have also found it hard to set limits upon intolerance and to apply technocratic or managerial solutions to rebuilding infrastructure (with flood-prone and traffic-congested Jakarta a major case in point). As symbolized by illegal logging and mining, the court is still out on Indonesian hopes for an environmentally sustainable future.