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Questions

- 1. Please advise when Suharto was in government.**
- 2. Please provide an outline of the Suharto government’s relationship with business and business people.**
- 3. What reforms did the 1998 government introduce that may have affected business people?**
- 4. Did the 1998 government harass and/or gaol cronies of the previous government; if so, is this still occurring?**

RESPONSE

- 1. Please advise when Suharto was in government.**

Suharto may be spelt in a number of ways, Suharto, Soeharto, Soharto. For ease of reference and to reflect the favoured style of recent sources this response uses ‘Suharto’.

Suharto was in government in Indonesia at the head of the *Golkar* party (abbreviated form of *Sekretariat Bersama Golongan Karya* or ‘Joint Secretariat of Functional Groups’) effectively from the military takeover on 11 March 1966 through to his resignation on 21 May 1998. Michael Vakitiotis’ book *Indonesian Politics Under Suharto* provides details on Suharto’s time in government. On Suharto’s rise to power following the downfall of Sukarno, Indonesia’s first post-colonial president, Vakitiotis argues:

While the country struggled under the burden of triple-digit inflation, Sukarno talked about revolution with politics as the commander. Finally, goaded into action by a still unexplained coup attempt on 30 September 1965, the army moved in, effectively deposing Sukarno in March 1966 and ushering in a conservative military-backed regime steered by a relatively unknown general called Suharto (Vakitiotis, M. R. J. 1998, *Indonesian Politics Under*

Suharto: The Rise and Fall of the New Order, Routledge, London, p. 1
<http://books.google.com/books?id=9y56N3SsLdYC&printsec=frontcover#PPP1,M1> –
Accessed 7 January 2008 – Attachment 1).

Suharto's rise to power saw the beginning of the 'New Order' government, in contrast to his predecessor Sukarno's reign, which became known as the 'Old Order' government. The New Order strengthened the central government in Indonesia, had strong ties with the Indonesian military, and through a very firm anti-Communist stance combined with several decades of strong economic growth they succeeded in securing the support of many western nations. Yet at the same time, the New Order's strong anti-Communist stance resulted in the deaths of millions of Indonesian Communists and Chinese Indonesians, whilst corruption allegations continue to harass Suharto and his family (for reports on the New Order, their economic growth and western support see Vakitiotis, M. R. J. 1998, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order*, Routledge, London, pp. ix, 5-6
<http://books.google.com/books?id=9y56N3SsLdYC&printsec=frontcover#PPP1,M1> –
Accessed 7 January 2008 – Attachment 1; for reports on the treatment of Indonesian Communists and massacres during the 1960s see Pilger, J. 2005, 'Suharto to Iraq: Nothing has Changed', *Znet*, 15 October
<http://www.zmag.org/content/showarticle.cfm?SectionID=11&ItemID=8937> – Accessed 7 January 2008 – Attachment 2; Sen, K. 1999, 'Indonesia: Women on the Move', *The Guardian: The weekly newspaper of the Communist Party of Australia*, 7 July
<http://www.cpa.org.au/garchive/961ind.htm> – Accessed 7 January 2008 – Attachment 3; and Pilger, J. 2002, 'John Pilger on Bali', *The Guardian: The weekly newspaper of the Communist Party of Australia*, 30 October <http://www.cpa.org.au/garchve5/1115pilger.html> – Accessed 7 January 2008 – Attachment 4; for recent corruption allegations see Colmey, J. & Liebhold, D. 1999, 'Suharto Inc.: All in the Family', *Time Asia*, 24 May
<http://www.time.com/time/asia/asia/magazine/1999/990524/cover1.html> – Accessed 7 January 2008 – Attachment 5; and 'Suharto tops corruption rankings' 2004, *BBC News*, 25 March <http://news.bbc.co.uk/2/hi/business/3567745.stm> – Accessed 9 January 2008 – Attachment 6).

By most accounts, the first three decades of the New Order government saw significant economic growth in Indonesia and in the mid-1990s the New Order government increasingly opened their doors to foreign investors. A report on Suharto in *Business Week* noted:

In 1994, he issued a deregulation package that slashed tariffs across the board and allowed foreigners to own 100% of Indonesian-registered companies. As host of the 1994 Asia-Pacific Economic Cooperation (APEC) summit, he promised to eradicate barriers to investment and trade with the 17 other APEC states by 2020. He made the same promise to the Association of Southeast Asian Nations (ASEAN) by 2003 (Shari, M. 1996, 'Is Suharto Backtracking? Business wonders as he wavers on free trade and reform', *Business Week*, 8 April – Attachment 7).

A report in *Asia Times* observed the economic growth of Indonesia:

Manufacturing accounted for less than 10% of gross domestic product in 1966; by 1996, that figure had exceeded 25%. The average annual GDP growth rate was about 7% between 1966 and 1996 – without doubt an amazing policy achievement. By 1996, poverty rates had dropped dramatically to 11% from more than 60% when he first took power, while national life expectancy had increased by some 20 years (Guerin, B. 2006, 'Don't count on a Suharto accounting', *Asia Times*, 23 May
http://www.atimes.com/atimes/Southeast_Asia/HE23Ae01.html – Accessed 8 January 2008 –

Attachment 8; see also Rosser, A. 2007, 'Escaping the Resource Curse: The Case of Indonesia', *Journal of Contemporary Asia*, vol. 37, no. 1, 1 January – Attachment 9).

But in 1997 and 1998 Indonesia was hit hard by the East Asian Financial Crisis. *The Australian* reported:

In 1997, at the beginning of the Asian economic crisis, it was thought that Indonesia would survive the crisis. However, on 20 May 1998, it appears that Soeharto's Indonesia is "fundamentally flawed" by the failure to provide necessary checks and balances on the public and private sectors. Soeharto has repressed and neutralised Indonesian civil society. Under Soeharto's rule, cronyism, corruption, bad business and bad governance has been permitted to flourish in Indonesia (Walsh, P. 1998, 'Suharto, the man and the legacy', *The Australian*, 20 May – Attachment 10).

By contrast with the three decades of economic growth, the World Bank noted that the annual GDP growth rate of Indonesia actually declined by 13.1% in 1998 (World Bank 2007, 'Country Brief: Indonesia', World Bank website <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:20095968~pagePK:141137~piPK:141127~theSitePK:226309,00.html> – Accessed 8 January 2008 – Attachment 11).

After 32 years in power, Suharto's resignation, after mass protests in Indonesia, came as a relatively smooth transition. Vakitiotis also explores the end of Suharto's term in office:

The very end of Suharto's long rule was orderly and dignified. It came a few moments after 9 o'clock on the morning of 21 May, ironically the day after National Awakening Day, the day Indonesians celebrate the birth of nationalism with the founding of the Boedi Utomo Movement in 1908. Indeed, for many Indonesians it seemed like a second reawakening; a second day of independence marking freedom from the stifling rule of one man who seemed oblivious to the majority of his people who were poor and had no voice. Yet the popular response to his resignation was muted (Vakitiotis, M. R. J. 1998, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order*, Routledge, London, p. 218 <http://books.google.com/books?id=9y56N3SsLdYC&printsec=frontcover#PPP1,M1> – Accessed 7 January 2008 – Attachment 1).

Suharto was succeeded on 21 May 1998 by his deputy, Jusuf Habibie.

2. Please provide an outline of the Suharto government's relationship with business and business people.

Sources suggest that the government's association with businessmen differed with the size of the business and the ethnicity of the business operators. Big businesses were largely associated with Chinese Indonesian businessmen and their association with the government was typically characterised by the term 'crony capitalism'. By contrast, small and medium enterprises, whilst still involving Chinese Indonesians, were typically seen to be operated by Indonesian businessmen and, historically, have not had as close a relationship with the government. In addition to this, the Indonesian military also operated businesses, and sources further suggest that they had a different relationship altogether with the government. Individual businessmen may have had a different association with the government based upon the size of their business, their ethnicity, their relationship with government members, and their relationship with the Indonesia military. These are all explored in detail below (for sources on big businesses and crony capitalism see McBeth, J. 1994, 'Banking on Friends: Business and Politics Mix in Bapindo Case', *Far Eastern Economic Review*, 23 June –

Attachment 18; Parlez, J. & Bonner, R. 2005, 'Below a Mountain of Wealth, a River of Waste', *The New York Times*, 27 December – Attachment 19; Kang, D. C. 2003, 'Transaction Costs and Crony Capitalism in East Asia', *Comparative Politics*, vol. 35, no. 4, July – Attachment 21; for sources on small and medium enterprises (SME's) see Soekanto, S. W. E. 2000, 'Small and medium enterprises face a barage of problems', *Jakarta Post*, 31 October – Attachment 23; Tambunan, T. 2000, 'The performance of small enterprises during economic crisis: Evidence from Indonesia', *Journal of Small Business Management*, vol. 38, no. 4, 1 October – Attachment 24; for sources on military enterprises see Human Rights Watch 2006, 'Too High A Price: The Human Rights Cost of the Indonesian Military's Economic Activities', HRW website, June <http://hrw.org/reports/2006/indonesia0606/indonesia0606web.pdf> – Accessed 8 January 2008 – Attachment 25; and for sources on Chinese Indonesians see RRT Research & Information 2002, *Research Response IDN30965*, 8 November – Attachment 39; RRT Research & Information 2002, *Research Response IDN30246*, 26 June – Attachment 40).

The New Order government's association with big businesses has typically been characterised by the term 'crony capitalism', referring to the lucrative business opportunities provided to friends and family of government officials. A report in *The Nation* summarised Suharto's regime:

For over three decades, Suharto successfully assembled a pyramid of power where he put himself at the top together with his family, close relatives and loyal cronies.

At the lower level, the military and top technocrats ran the government and managed the economy. At the third level business giants, including successful Chinese tycoons, earned privileges by running daily economic activities. At the lower levels, the bulk of the population, including ordinary people and an independent middle class were out of power, but retained their resentment against the malpractice of power.

The pyramid of power ran from the apex down to the local village level. The military became a vanguard of the pyramid, securing it from opponents. Suharto also established tight control over the bureaucracy to ensure that all levels of the pyramid would implement his initiatives. The Golkar party played a strategic role in establishing and simultaneously displaying the legitimacy of the regime.

Suharto's pyramid of power produced the determinant role of the military in politics, the politicised and corrupt bureaucracy, Golkar, the uneasy relationship between the central and local governments, a malfunctioning check and balance system and the absence of a credible legal system and law enforcement ('Despite early hopes, the prospects for "reformasi" in Indonesia are fading' 2006, *The Nation*, 18 August – Attachment 12. See also 'Indonesia Ranked World's 8th Most Corrupt' 2004, *Laksamana.net*, 20 October – Attachment 13).

Similarly, a Freedom House report recently observed:

By the 1990s, Suharto's children and cronies were the major beneficiaries of state privatization schemes and often ran large business monopolies that operated with little oversight. When the Asian financial crisis hit, devaluing the currency by more than 5,000 percent over six months, Suharto agreed to a \$43 billion International Monetary Fund (IMF) bailout in October 1997. In 1998, the country's economy shrank by 13.8 percent, marking the largest single-year contraction for any country since the Great Depression (Freedom House 2007, 'Indonesia: Freedom in the World Report 2007', Freedom House website – Attachment 14).

Suharto's personal influence on national business interests also saw benefits extend throughout his family. Indeed, a large number of the reports on Suharto's dealings with businesses focus on his dealings with the businesses operated by his family members. For example, a special report in *Time Asia* provides extensive details on alleged corruption during the New Order (Colmey, J. & Liebhold, D. 1999, 'Suharto Inc.: All in the Family', *Time Asia*, 24 May <http://www.time.com/time/asia/asia/magazine/1999/990524/cover1.html> – Accessed 7 January 2008 – Attachment 5). Similarly, a report in the *South China Morning Post* reveals the nature of these family favours:

In 1990, young Tommy acquired the monopoly on the trade in cloves from his father, a lucrative business as cloves are the key ingredient in the Kretek cigarettes most Indonesians smoke.

Then there was the soya bean monopoly, secured through Tommy's part ownership of Indonesia's only soya bean crushing plant, Sarpindo.

Government officials in the late 1980s tried to open up soya bean trade in the name of reform and increasing non-oil and gas business. But Suharto rejected the move.

In concert with a handful of trusted Chinese entrepreneurs, such as Liem Sioe Liong and the now-detained timber tycoon Muhammad "Bob" Hasan, Tommy had a hand in many other businesses, from airline services to construction, fertiliser plants, toll roads, sugar and palm oil plantations, pharmaceuticals and advertising.

"Suharto's youngest son Tommy is the most controversial of all the Suharto relatives," wrote Adam Schwarz in *Nation in Waiting*. "Brash, aggressive and cocky, Tommy is the most public of the Suharto children and, as such, the most dangerous to his father.

According to numerous government officials, Tommy is the least squeamish of all the Suharto children in using his name to get what he wants ... The army shares the business community view that Tommy has done more than the other crony businessman in making nepotism and corruption a serious political liability for Suharto."

Tommy's main holdings are under the Humpuss group, founded in 1984, when Tommy was just 22 years old. He built on his wealth with exclusive distribution contracts for products made by state oil firm Pertamina. (England, V. 2000, 'Tommy born to life in the fast lane', *South China Morning Post*, 16 September – Attachment 15; for further examples of Suharto's relationship with his family's businesses see McGregor, G. 2003, 'Martin's firm linked to Suharto: CSL subsidiary ships coal to power plant partly owned by dictator's son', *The Ottawa Citizen*, 17 February – Attachment 16; and 'Briefing' 1996, *Far Eastern Economic Review*, 7 March, section 'Kia Venture' Attachment 17).

A report in the *Far Eastern Economic Review* from 1994 notes:

The word "cronies," commonly used to describe the business elite in the Marcos-era Philippines, is being heard more often in Indonesia. It usually refers a handful of leading business figures who have used their privileged positions to penetrate every conceivable corner of the country's economy. Economists and other critics complain that their monopolistic practices are contributing to a high-cost economy and offsetting efforts to attract foreign investment (McBeth, J. 1994, 'Banking on Friends: Business and Politics Mix in Bapindo Case', *Far Eastern Economic Review*, 23 June – Attachment 18).

The New Order government's relationship with businessmen was thus based largely upon personal friendships and kinship networks. A detailed report in *The New York Times* provided

lengthy details on a specific case involving a US Business, Freeport-McMoRan, involved in gold mining in Indonesia:

For years, to secure Freeport-McMoRan's domain, James Moffett, a Louisiana-born geologist who is the company chairman, assiduously courted Indonesia's dictator, Suharto, and his cronies. Freeport-McMoRan paid for their vacations, some of their children's college education, and cut them in on deals that made them rich, current and former employees said (Parlez, J. & Bonner, R. 2005, 'Below a Mountain of Wealth, a River of Waste', *The New York Times*, 27 December – Attachment 19).

Nam and Gup, in their chapter 'The Economic Crisis of Indonesia', explore in detail what has become known as 'crony capitalism' in Suharto's Indonesia,

Michael Dee, the managing director of Morgan Stanley, defines crony capitalism as the allocation of capital to non-efficient mechanisms ("Inside Asia's Whirlwind" 1998). Schwarz (1994) defines crony businessmen in the Suharto regime as a group that has a continuing close, personal relationship with President Suharto. The crony group consists mainly of a few ethnic Chinese businessmen and relatives of President Suharto. Individually, four of Suharto's six children are listed among the biggest of Indonesia's corporate empires, and they have formed an intricate web of business alliances with virtually every major player in Indonesia (Tripathi 1998). Collectively, the Suharto family is the most powerful economic dynasty in the country.

...The crony businessmen obtain an assortment of benefits, including operating without partners, lucrative distribution and supply deals with state-owned companies, no-questions-asked financing from state banks, preferential consideration on government-funded infrastructure projects, and monopolies on importing, exporting, or distributing agricultural commodities like wheat, palm oil, soybeans, or sugar. In the 1990s, hardly a single major infrastructure contract has been awarded without a Suharto relative having a piece of it. The state-owned oil company, Pertamina, has identified 120 companies that supply it that are owned by Suharto's family and friends (Nam, D. & Gup, B. E. 1999, 'The Economic Crisis of Indonesia' in *International Banking Crisis: Large-Scale Failures, Massive Government Interventions*, ed Gup, B. E., Quorum Books, Connecticut, pp. 95-96 – Attachment 20).

For more on crony capitalism in Suharto's Indonesia and on Suharto's relationship with businessmen see David Kang's 'Transaction Costs and Crony Capitalism in East Asia'. Some extracts have been provided below:

Centralization restricted political participation and kept power in the hands of Suharto and later, his family. The business sector, small and weak to begin with, never developed to the point that it could coordinate and become an independent base. Policy was determined by those with crony ties to Suharto or the ruling family receiving favorable treatment at the hands of the government. John Sidel writes that "Suharto presided over the continuous flow of capital, labor, and commodities, and the regular rotation of military and civilian personnel...it was precisely this steady circulation...that kept Indonesia in motion as Suharto stood still, for more than thirty years."

As in the Philippines, favored supporters gained access to government largess. However, centralized authority in Indonesia meant that politics took the form of competition within the elite who were concerned mainly with creating good ties to Suharto and in gaining access to the distribution of spoils. Cronyism extended to Suharto's family and close friends, as well. Suharto's six children have become major players in business over the past three decades, with the family as a whole having been involved in an estimated \$73 billion in business

between 1966 and 1998, and are estimated to have financial or business interests in over 550 companies in Indonesia alone.

The bureaucracy and the state banks were also under the control of Suharto. Technocrats were dependent upon Suharto's personal support to implement policy initiatives, and these initiatives were often overridden or ignored for political reasons. Although a balanced budget law was implemented in the 1960s, by the 1980s Suharto himself was ignoring the rule, using the state coffers to finance electoral campaigns or support various cronies, such as B.J. Habibie's use of the "reforestation fund" to finance his pet project, construction of an Indonesian aircraft. The financial sector remained dominated by the state banks, state-owned enterprises – many headed by members of Suharto's family – came to dominate large sectors of the economy, and the native Indonesian entrepreneurs remained sidelined in the political process. As Adam Schwarz writes, "State bank involvement is crucial for the cronies [of Suharto] since some of their projects are of such dubious quality that private lenders would shun them." Military officers were constantly circulated and reassigned to limit their power.

In addition, the business sector was either weak or dependent on Suharto, not a situation of mutual hostages as in Korea. Richard Robison and Andrew Rosser note that "in each instance, the rise of the new business interests was contingent upon the opening of former public monopolies," and that by 1980 the state controlled almost 60% of equity in all domestic investment. "Political patronage and state protection afforded privileged access to bank credit, forestry concessions, trade and manufactured monopolies...and state contracts for supply and construction" (Kang, D. C. 2003, 'Transaction Costs and Crony Capitalism in East Asia', *Comparative Politics*, vol. 35, no. 4, July, pp. 439-459 – Attachment 21).

An article in *Slate* also explores Suharto's relationship with businessmen:

Through a system that his political opponents called KKN, the Indonesian acronym for "corruption, collusion, nepotism." Suharto handed control of state-run monopolies to family members and friends, who in turn kicked back millions in tribute payments. Those payments were usually cloaked as charitable donations to the dozens of foundations overseen by Suharto. Known as yayasans, these organizations were supposed to assist with the constructions of rural schools and hospitals but instead functioned as Suharto's personal piggy banks. Doling out millions to one of the foundations was simply part of the cost of doing business in Indonesia during much of Suharto's 32-year reign. Financial institutions were ordered to contribute a portion of their annual profits to a yayasan, for example, and wealthy Indonesians were expected to "tithe" a certain percentage of their salaries.

The charitable foundations were only the tip of the KKN iceberg. In order to exploit Indonesia's natural resources, companies had to enlist the aid of a Suharto crony – usually one of his children – in order to get through the bureaucratic red tape. In return, the cronies expected an equity stake in the enterprise, without putting forth any monetary capital. When Jakarta's water system was privatized in the mid-1990s, for example, one of the winning bidders had to give Suharto's son, Sigit, 20 percent of the venture's shares. Sigit's involvement with the company amounted to showing up for the contract-signing ceremony.

Suharto and his clan also used services firms to siphon cash from larger companies. The most famous example concerns Pertamina, the state oil company. According to a 1999 exposé in *Time Asia*, Pertamina was forced to import and export its oil through two Suharto-family trading companies, which charged up to 35 cents a barrel for the service. Other Suharto-related companies enjoyed favorable contracts to provide the oil monopoly with everything from cafeteria food to insurance. When Pertamina's books were finally audited in July 1999, it was estimated that at least \$6.1 billion had been stolen in this manner.

Suharto-affiliated companies could also borrow money from Bank Indonesia, the central bank, without paying back a dime. International accounting standards were pretty much ignored in Indonesia prior to Suharto's downfall in 1998, and there was little pressure on the nation's oligarchs to make good on their debt obligations (Koerner, B. I. 2004, 'How did Suharto steal \$35 billion?', *Slate*, 26 March <http://www.slate.com/id/2097858> – Accessed 10 January 2008 – Attachment 22).

Because of the broad scale of crony capitalism in Indonesia, it has been difficult for small and medium businesses to survive and be profitable. A report in the *Jakarta Post* notes:

For instance, the Indonesian SMEs [Small and Medium Enterprises] were among those affected by the IMF-sponsored economic restructuring which included reduction of subsidies, the privatization of state enterprises that had been operating in the red, and bank restructuring. Countless small businesses have reportedly closed following the collapse of banks appointed to serve them.

There are currently about 40 million SMEs in Indonesia, making up 99 percent of all of economic players in the country. **However, for more than 30 years under Soeharto's administration that ended in May 1998, the businesses in the one percent were the focus of his economic policies.**

Banking regulation and taxation, for instance, were geared to facilitate activities of large businesses. The policy on SMEs was usually formulated in conjunction with the government's poverty alleviation programs – which initially targeted at least 22 million people but rapidly increased to more than 100 million, or half of the population, following the crisis.

Strong regulation marked Soeharto's policy on SMEs – up to the point where a loan for a poor family amounting to Rp 2,000 (approximately US\$0.15) was arranged through a number of village bureaucrats. This particular program stopped functioning when the Soeharto government was replaced.

However, when millions of people became unemployed and small and large businesses alike folded in the months following the start of the 1997 economic crash, millions of new small businesses emerged (Soekanto, S. W. E. 2000, 'Small and medium enterprises face a barage of problems', *Jakarta Post*, 31 October – Attachment 23; for more on small business in Indonesia see Tambunan, T. 2000, 'The performance of small enterprises during economic crisis: Evidence from Indonesia', *Journal of Small Business Management*, vol. 38, no. 4, 1 October – Attachment 24).

Throughout Suharto's presidency, the New Order government also supported the business enterprises of the Indonesian armed forces:

Military business activity was further entrenched during the New Order period, the period from 1967 to 1998 in which General Soeharto led a military-dominated government. Soeharto himself was sympathetic to commanders who engaged in self-financing. He had done the same during the time he commanded an army unit in Central Java in the late 1950s, and retained close ties with his private-sector partners.

Early on in the New Order period, senior military posts were filled with Soeharto loyalists who also benefited from private business ventures. This pattern helped perpetuate military economic ties, since uncorrupted officers were unlikely to be promoted to senior command positions.

The explosive growth under Soeharto of military business activity, both legal and illegal, reflected the military's strong position as a center of power in Indonesian society. The military's expanding influence was supported by the *dwifungsi* (dual function) doctrine adopted in 1966. *Dwifungsi* officially granted the military a strong socio-political role alongside its defense role. Also key was the military's territorial command structure, in which military presence throughout the country paralleled government administrative bodies down to the village level. This strong local-level presence, combined with the military's coercive power and political leverage, made it possible for the military to dominate economic opportunities.

The military service branches, regional commands, local units, and individual officers took part in commercial enterprises of all kinds and used different business structures, both formal and informal. Formally owned companies were held as investments of military foundations or cooperatives that, going beyond their mandated welfare function, developed into commercial arms of the TNI.

Thanks to political backing and favoritism, military-linked businesses became a dominant economic force. For example, the military took over ownership of privatized state companies, gained vast forestry exploitation rights, and enjoyed favored access to government contracts, licenses, and credits (Human Rights Watch 2006, 'Too High A Price: The Human Rights Cost of the Indonesian Military's Economic Activities', HRW website, June, pp. 11-13 <http://hrw.org/reports/2006/indonesia0606/indonesia0606web.pdf> – Accessed 8 January 2008 – Attachment 25)

The above Human Rights Watch report also provides further details on the Indonesia military's economic activities, and their relations with the New Order government under Suharto.

3. What reforms did the 1998 government introduce that may have affected business people?

1998 was a critical year for Indonesia in terms of economic, political, and social upheaval. Suharto resigned from office, the East Asian Financial Crisis hit the nation's economy, and mass protests took place around the country (see Symonds, P. 1998, 'Indonesian student protests defy Suharto's repression', *World Socialist Web Site*, 28 April <http://www.wsws.org/news/1998/apr1998/indo-a28.shtml> – Accessed 9 January 2008 – Attachment 26). In addition, there were two separate waves of economic reform within the same year, and these have been divided into Suharto Economic Reforms, and Habibie Economic Reforms. Finally, the response to this question explores the effects of the reforms.

Suharto Economic Reforms

Throughout the 1990s the New Order brought in a series of economic reforms that were intended to open Indonesia to more foreign markets. A 1997 report from *Global Finance* stated:

In 1988, as reforms extended to banking deregulation, foreign financial institutions began pouring in. During the past two years the government has widened the trading band of the rupiah from 2% to 12% and has allowed foreign investors full equity participation in export-oriented businesses.

Indeed, investors now view Indonesia's shortcomings as opportunities. "Indonesia has been very strong in attracting foreign direct investment," says Irene Cheung, a Singapore-based analyst for Merrill Lynch, pointing to an inflow of \$40 billion in 1995 and \$30 billion last

year. The largest investments have been in project financing, an area the government is also emphasizing: In fiscal year 1996-1997, 16.1% of the federal budget was allocated to infrastructure, particularly in transportation, mining, and energy development.

Although the economy grew 7.8% last year, critics warn of a slowdown. In a June 1997 report, the World Bank says the drive to deregulation has reversed in some areas, particularly in scheduled tariff cuts, and insists that domestic regulations continue to hurt efficiency. In one widely publicized example, critics decry an exemption from tax and import duties granted to Timor Putra Nasional, the automobile manufacturer owned by one of President Suharto's sons.

In response, the government on July 7 announced its third reform package in two years. Among other measures, it cut import tariffs on 1,600 items, slashed the number of local taxes and fees, and banned bank loans for land acquisition and development. Critics say the tariff cuts amount to nothing new. "After 15 years of continuous deregulation, I sense a slackening commitment on the part of the government," says economist and former cabinet member Sumitro Djojohadikusumo (Chuan, O. H. 1997, 'Indonesia has announced its third fiscal reform package in two years', *Global Finance*, vol. 11, no. 8, 1 August – Attachment 27).

In the fallout of the 1997-1998 economic crisis Suharto introduced a series of reforms. A *Reuters News* report commented on one reform programme:

The 117-point reform programme, agreed after more than three weeks of talks with the IMF, promises a new anti-monopoly law by the end of the year, moves to set up a bankruptcy law and a special bankruptcy court by April 22 and regulations for winding up of companies, mergers and acquisitions by the end of September.

The government also said it would end a ban on the export of palm oil by April 22 and replace it with a tax of not more than 40 percent. It drew up a concrete programme for privatisation of state enterprises and accelerated restructuring of the battered banking sector.

The package, called a memorandum of economic and financial policies, also provided the sketch of a framework to resolve the \$74 billion in private foreign debt, one of the key problems bedevilling the Indonesian economy since the plunge in the rupiah from July last year (Gopalakrishnan, R. 1998, 'Indonesia announces sweeping economic reform', *Reuters News*, 10 April – Attachment 28).

Similarly, another report, also from *Reuters News*, noted:

The IMF said the main elements of the programme included a strong monetary policy to ensure stabilisation of the rupiah, and effective control of the budget, with allowances for a temporary fall in economic growth and the need to subsidise basic commodities for the nation's 200 million people.

Other aspects included accelerated bank restructuring, a comprehensive agenda of structural reforms, the strengthening of a social safety net through support for small and medium businesses and public works programmes, and development of a framework to restore trade financing and deal with corporate debt and inter-bank credit.

Indonesia turned to the IMF last October as the collapse in the rupiah from around 2,400 to the dollar at mid-year forced up prices and unemployment, threw most companies into technical bankruptcy and disrupted trade.

The IMF said the main aims of the programme "are to stabilise the Indonesian financial situation and to establish the foundations for a resumption of economic growth".

Ginandjar forecast a budget deficit of 3.2 percent of gross domestic product in 1998/99, largely due to the subsidies. Subsidies on most items other than fuel were due to be phased out by October.

The minister also said the government would grant no more monopolies, which economic analysts said had in the past primarily benefited members of Suharto's own family and close associates (MacKenzie, I. 1998, 'Indonesia, IMF agree on reform package', *Reuters News*, 8 April – Attachment 29).

One step taken by Suharto was to close a large number of Indonesian banks, as *Asiaweek* reported:

When the [Financial] Crisis began in Thailand in July 1997, Indonesia had 245 banks, the product of a 1988 policy that allowed nearly anyone with \$4 million in capital to set one up. Those who opened banks after 1988, says banking lawyer Prajoto, were mostly ethnic Chinese tycoons. "They were traders, not bankers," he says – people more likely to take risks than hew to prudential banking standards. Since the crash, the government has shut down 66 institutions, taken over 12, and is footing 80% of the bill for the recapitalization of eight others. The cost of this is conservatively estimated by the government at \$35 billion – it could be much higher. Of Indonesia's seven state banks, four will remain after Jakarta completes its Bank Mandiri merger. Within the private banks scrutinized by IBRA, which include most of the above, 70% of loans have not been serviced; that proportion jumps to 90% at state banks (Tesoro, J. M. 1999, 'Not a pretty picture: Reformers are battling powerful special interests to revive the banks', *Asiaweek*, 7 May – Attachment 30).

In essence, the reforms undertaken by Suharto were designed to stabilise the Indonesia economy and seek a return of foreign investors. The effect of these reforms on businesses varied widely depending on the business sector involved. The restrictions on monopolies made it difficult for large businesses, whilst simultaneously opening up opportunities for small and medium businesses, as explored below. At the same time the closure of numerous banks meant problems for those in the banking sector, and subsequently for those with bank loans. These reforms also indicate an attempt, however small, to reduce 'crony capitalism' in Indonesia through granting 'no more monopolies' and setting regulations for business mergers and acquisitions, again, at the detriment to large businesses, and to the benefit of small and medium businesses, also as explored below.

Habibie Economic Reforms

When Suharto's successor, Jusuf Habibie, came to power on 21 May 2000 he began a new series of nationwide reforms. Of note, a research report from The Heritage Foundation reported:

Habibie has released political prisoners, relaxed restrictions on the press, and allowed the free formation of political parties. The president's tenure was fixed at two five-year terms. Important parliamentary elections were set for June 1999, with selection of the next president to follow in November. In a surprise development, Habibie announced that the restive Indonesian province of East Timor, invaded and annexed by Jakarta in the mid-1970s, would be given the opportunity in August 1999 to decide between independence and greater autonomy within Indonesia (Dori, J. T. 1999, 'Promoting Democracy and Economic Reform in Indonesia', The Heritage Foundation website, 4 June <http://www.heritage.org/Research/AsiaandthePacific/BG1291.cfm> – Accessed 9 January 2008 – Attachment 31).

In terms of economic reforms, the Habibie government continued Suharto's attempts to restore the Indonesian economy following the economic crisis with further economic reforms.

A paper in *The Asian Wall Street Journal* also reported on some of these reforms:

Seeking to assuage poor Indonesians, parliamentarians agreed to grant a greater percentage of the nation's natural resources to outlying provinces. They also agreed to implement affirmative-action policies to aid small and medium-scale businessmen - code words for non-ethnic Chinese Indonesians. As Indonesia's economy faltered in the last year, anger at links between the Suharto government and Indonesian conglomerates run by ethnic Chinese has contributed to a nationalist backlash against ethnic Chinese, who have historically controlled much of Indonesia's economy (Solomon, J. & Wagstaff, J. 1998, 'Indonesia Reforms Fail to Quiet Students – Protesters Condemn Military's Role In Parliament, Demand Suharto Trial', *The Asian Wall Street Journal*, 16 November – Attachment 32).

Asia Pulse provided a list of economic reforms agreed upon between the Indonesian government and the International Monetary Fund (IMF), the latter of which provide financial aid to Indonesia. This list includes a number of key reforms and has been provided below in full:

The following are new target dates for Indonesia's economic reform program agreed with the IMF on June 24, 1998.

* By end-June 1998:

- Reduce the minimum capital requirements for existing banks.
- Establish independent review committee to enhance transparency and credibility of the Indonesian Banks Restructuring Agency's (IBRA) operations.
- Issue a revised and shortened negative list of activities closed to foreign investors.
- Auction forest concessions and lengthen concession periods (delayed).
- Allow transferability of forestry concessions and delink their ownership from processing for new concessions.

* By mid-July 1998:

- Declare insolvency of six private banks intervened in April and write down shareholder equity.

* Starting mid-July 1998:

- Take action to freeze, merge, recapitalize or liquidate the six banks for which audits have already been completed.

* By end-July 1998:

- Issue presidential decree to provide appropriate legal powers to IBRA, including its asset management unit (expected by mid-July).
- **Announce plan for restructuring state banks through mergers, transfers of assets and liabilities or recapitalization prior to privatization.**

- **Merge state-run banks Bank Bumi Daya (BBD) and Bank Pembangunan Indonesia (Bapindo) and transfer their problem loans to the asset management unit of IBRA (delayed from end-June).**

- Submit to Parliament a draft law to eliminate restrictions on foreign investments in listed banks and amend bank secrecy with regard to non-performing loans (delayed from end-June).

* By end-August 1998:

- Conduct portfolio, systems and financial reviews of all IBRA banks as well as major non-IBRA banks by internationally recognized audit firms.

- Submit to Parliament a draft amendment to the banking law, incorporating procedures for the privatization of state banks and the removal of the limits on private ownership of banks.

* By end-September 1998:

- Complete action plans for all 164 state enterprises.

- **Establish clear framework for reform of all state enterprises, including privatization and restructuring. Also establish transparent sales process.**

- Develop a plan for closing nonviable public enterprises.

- Initial sales of additional shares in listed state enterprises including, at a minimum, the domestic and international telecom corporations.

- Complete divestiture of two state enterprises that are presently unlisted.

- Submit to Parliament a draft law to institutionalize Bank Indonesia's autonomy (previously December 1998).

- Initiate first case of an IBRA bank under the new bankruptcy law.

- Abolish quotas limiting the sale of livestock.

- **Prepare regulations establishing procedures for mergers, acquisitions and exit which facilitate corporate restructuring while safeguarding against anticompetitive behaviour.**

* By end-October 1998:

- Conduct portfolio, system and financial reviews of all non-IBRA banks by internationally recognized audit firms.

* By end-December 1998:

- Reduce export taxes on logs and swan timber to 20%.

- **Complete divestiture of two additional state enterprises that are presently unlisted.**

- **Submit to Parliament draft law on competition to prevent the abuse of dominant position and practices that restrict or distort free competition.**

- **Complete audits of state oil and gas firm Pertamina, the national logistic agency (Bulog), state electricity firm PLN and reforestation fund.**
- **Establish clear profit and performance criteria for government enterprises.**
- **Audit nonviable public enterprises.**
- Draft and establish implementation rules for the new environmental law.
- Accelerate programs for converting to cleaner fuels.
- Implement performance bonds and reduce land conversion targets to environmentally sustainable levels.

* By end-March 1999:

- Complete sales of additional shares in listed state enterprises.
- Complete divestiture of three additional state enterprises that are presently unlisted.
- Prepare plans for sale of at least one quarter of IBRA banks in 1999.
- Prepare mechanism for the regular adjustment of administered food prices.

* Fiscal year 1998/99:

- Ensure reforestation funds used exclusively for financing reforestation programs.
- Introduce community-based work programs to sustain purchasing power of poor in both rural and urban areas.
- Introduce micro credit scheme to assist small businesses.

* Ongoing:

- Accelerate provisions under the Non-tax Revenue Law of May 1997 to require all off-budget funds to be incorporated in budget within three years (instead of five years).
- Impose limits on and phase out Bank Indonesia (BI) credits to public agencies and public sector enterprises.
- **Strengthen BI's bank supervision department and strengthen enforcement of regulations.**
- Establish program for divestiture of BI's interests in private banks.

* Over program period:

- Conduct revenue review with IMF assistance (first step by end-September 1998).
- Eliminate all restrictions on bank lending except for prudential reasons or to support cooperatives or small-scaled enterprises.

- IBRA will continue to take control of or freeze additional banks that fail to meet liquidity or solvency criteria. Where necessary, any such action will be accompanied by measures to protect depositors or creditors in line with the government guarantee.
- Introduce deposit insurance scheme.
- Eliminate all export restrictions.

By end program:

- Phase out remaining quantitative import restrictions and other non-tariff barriers.

By 2000:

- **Phase out local content program for motor vehicles.**

By 2001:

- Prepare state banks for privatization.

By 2003:

- Gradually reduce tariffs on non-food agricultural products to a maximum of 10 percentage points ('Indonesia Economic Reform Target Dates' 1998, *Asia Pulse*, 30 June – Attachment 33).

It is important to establish that this list was a set of targets, and not necessarily a list of changes. Nonetheless, reports throughout 1998 and 1999 indicate that Indonesia was meeting the IMF's reforms (see for example 'Result of Govt Commitment to Reform' 1998, *Dow Jones International News*, 21 October – Attachment 34). At the same time it is important to bear in mind that this is a list of economic reforms agreed on between Indonesia and the IMF, as such, it is not an inclusive list of *all* economic reforms initiated by Indonesia. Nonetheless, it does give some indication of the changes occurring under Habibie in 1998.

Effect of the reforms

A 1999 report in *Newsweek International* suggests that the 1998 reforms were already making some difference in Indonesia:

Once a Suharto crony himself, Habibie is now vocally critical of the "primitive, dirty, capitalistic economy." Under intense pressure from student protesters and foreign lenders, including the International Monetary Fund, Habibie is forcing Suharto's billionaire buddies to fold their debt-ridden banks and factories, and to give up their rich government monopolies. As these pillars of the Suharto era fall, a new multibillion-dollar economy is emerging. The great tycoons are giving way to small entrepreneurs, and the once dominant island of Java is losing sway over outlying provinces of this archipelago nation.

Can the rising classes of provincial farmers and businessmen jump-start a national recovery? Indonesia's output fell by 12 percent last year and will likely shrink again this year. Yet the big picture masks huge disparities. On Java, where more than half of Indonesia's 210 million people live, the economy shrank 13 percent in 1998. But other islands from Sumatra to Sulawesi showed strength. With Suharto's fall came the collapse of state monopolies, which had controlled resources from oil and flour to timber, and funneled the profits to presidential friends and family. Under Habibie, provincial farmers and factories are now largely free of central price and export controls, and the locals keep the profit. The result: even in a province

like Aceh, a region torn by separatist violence on the north tip of Sumatra, the overall economy grew by 2.5 percent last year, buoyed largely by coffee exports. On similarly troubled Irian Jaya, growth reached 1.5 percent.

Today, the smart money no longer flows to the main island of Java, or the presidency. Indeed, foreign investors still steer clear of Jakarta, and the capital's ethnic-Chinese merchants – who were targeted in the May riots – are still moving money offshore. Yet there is also a strong flow of domestic Indonesian investment into labor-intensive export businesses, from harvesting spices to making jewelry. “Indonesia has been turned into a nation of small business,” says Arief Karsono, an economist at Gajah Mada University. “The conglomerates have been downsized. It's a new era.”

Even among larger corporate survivors of the crisis, a new breed is replacing the old industrial elite. On the downslide are Suharto family and friends like tycoon Liem Sioe Liong. He has seen the stock-market value of his Salim Group conglomerate fall from \$10 billion to \$1.4 billion, and has moved his base of operations to Manila to avoid the government's investigation into corruption. Habibie himself announced the cancellation of his own aerospace project just last week. While the Suharto-era cronies tended to pursue glamour projects like the “national car,” the survivors are clustered in more rural export enterprises that have gotten a quick boost from the falling rupiah -businesses like paper, plantations and mines. Today 23 of the 31 largest companies on the Jakarta Stock Exchange are based off Java, compared with just nine before the crisis began (Moreau, R. & Ford, M. 1999, ‘Jobless in Java, Booming in Bali? The pillars of Suharto's crony capitalism are falling, making room for a new class of provincial entrepreneurs. But are they big enough to trigger a recovery?’, *Newsweek International*, 1 February – Attachment 35).

Further reports on the effects of these changes suggest it was another step towards reducing the ‘crony capitalism’ that had existed under Suharto. Nonetheless, high levels of corruption throughout Indonesia made it difficult for the changes to have real effects, as *World Trade* reported:

Yet, the Asian financial crisis will continue to bedevil Indonesia. **The post-election regime lacks the strong policy leadership and social institutions needed to address the country's deep-seated political and economic problems. Suharto may be gone but his corrupt machinery remains.** More troubling, Indonesia remains dependent on foreign capital but political turmoil has driven many investors away. The government has reported a collapse in foreign investment approvals, which dropped a whopping 90% to Rp8.3 trillion (US\$970 million) between January 1 and March 15 as compared to the same period last year. Since the economic crisis began, thousands of Chinese-Indonesians-who represent a small portion of the population but control the majority of the economic sector-have fled the country to escape the ethnic violence. **Also, the government passed banking reforms, but such policies have encountered long delays. Perhaps most importantly, without political stability the economy will continue to suffer** (White, M. D. 1999, ‘Whither Asia: Is the crisis over?’, *World Trade*, vol. 12, no. 8, 1 August – Attachment 36).

The impact of the 1998 reforms varied with each business sector. Certainly with the closure of large numbers of banks, the banking sector would have been hard hit by the reforms. The attempts to ‘phase out local content programs for motor vehicles’ are a clear reference to the involvement of Suharto's son, Hutomo Mandala Putra, in the motor vehicle business (see ‘WTO backs US in draft ruling against Indonesia's auto “regime”’ 1998, *Dow Jones Online News*, 27 March – Attachment 37). Whilst the attempts to “Prepare regulations establishing procedures for mergers, acquisitions and exit which facilitate corporate restructuring while safeguarding against anticompetitive behaviour” further assist in stamping out the monopolies held by Suharto's “crony capitalists”. With this in mind, it is apparent that

businesses that held some sway under Suharto's 'crony capitalism' may have been threatened by the attempts to begin a "clean slate" with the 1998 reforms.

4. Did the 1998 government harass and/or gaol cronies of the previous government; if so, is this still occurring?

An RRT Research Response from May 2002 provides some resources on the post-Suharto government's treatment of Suharto supporters (RRT Research & Information 2002, *Research Response IDN15101*, 1 May – Attachment 38). The 2002 response focuses explores allegations that Suharto's supporters were provoking violence and were responsible for a number of violent attacks in Indonesia. It also provides a general exploration of the Indonesian military's treatment of Suharto's supporters in the post-Suharto-era. The situation of Chinese Indonesians, many of whom control large businesses in Indonesia, in the post-Suharto era is also explored in two RRT Research Responses from 2006 (see RRT Research & Information 2006, *Research Response IDN30965*, 8 November – Attachment 39 and RRT Research & Information 2006, *Research Response IDN30246*, 26 June – Attachment 40).

The above responses focus on supporters of Suharto in general, rather than on business supporters and cronies specifically. The treatment of these business supporters and cronies is explored below.

Close relationships between the judicial system, the military, and the government in Indonesia have made it difficult to prosecute cases against Suharto-era cronies in the post-Suharto era, as the *Far Eastern Economic Review* reported:

The country's top political and business figures have closed ranks, protecting a system where self-interest takes precedence over the national interest, corruption has penetrated through most levels of government and the military is still needed to preserve control. Corrupt bankers and businessmen walk free, their debts now forgiven and a burden on the state; a leading politician convicted of corruption stays stubbornly in office; and military officers accused of human-rights abuses enjoy promotions.

...Golkar, the party Suharto built to rule, remains the most potent power broker in parliament, with six out of every 10 of its members tracing their roots back to the old regime. Former Attorney-General Marzuki Darusman says the old economic and political forces of Suharto's New Order regime have rebuilt their patronage networks, encumbering legal enforcement and contributing to corruption (McBeth, J. 2003, 'The Betrayal of Indonesia', *Far Eastern Economic Review*, 26 June – Attachment 41).

A report on Suharto in *Asia Week* observed the continuing obstacles placed throughout Indonesia:

Lay explains that during the New Order, money was used to reward and to punish. Government-granted monopolies and privileges cemented loyalty to Suharto and undermined opponents. A stable transition following Suharto's departure might have allowed a committed government to root out widespread rot in the system. But it hasn't happened. Habibie is instead faced with a country in turmoil. The connection here is critical: Suharto supported so many people – from former ministers to generals, businessmen to religious leaders – that any of them could see unrest as helping their interests (Loveard, D. 1999, 'Suharto – Part II', *Asia Week*, 12 February – Attachment 42).

The Suharto family still retains strong links with the Indonesian government, military, and judicial system and they have largely escaped recriminations since 1998. Suharto 'was

indicted for alleged corruption, but was deemed unfit to stand trial due to a series of strokes' ('Indonesia's Suharto seriously ill' 2005, *BBC News*, 9 May <http://news.bbc.co.uk/2/hi/asia-pacific/4528511.stm> – Accessed 9 January 2008 – Attachment 43). Whilst a report from Unicorn (United Against Corruption) stated:

In October 1998, it was reported that the water companies Suez Lyonnaise and Thames Water faced two challenges to their water concessions in Jakarta.

Firstly, Jakarta City council told the water authority to renegotiate the agreements, as they were unfair to Indonesian consumers and workers.

Secondly, a group of lawyers representing reformers, residents and local contractors, started legal proceedings to annul the contracts altogether and force the companies to pay compensation.

...The nine other parties facing legal action include companies, politicians and business people associated with Suharto: PT Garuda Dipta Semesta (GDS), PT Kekar Pola Airindo (KPA), former public works minister Radinal Mochtar, former Jakarta governor Surjadi Soedirdja, former president Soeharto's oldest son Sigit Hardjojudanto and businessmen Anthony Salim and Fachry Thaib ('Jakarta Water' (undated), Unicorn: United Against Corruption website <http://www.againstcorruption.org/briberycase.asp?id=715> – Accessed 9 January 2008 – Attachment 44).

Suharto's youngest son, Hutomo "Tommy" Mandala Putra was eventually convicted of graft in September 2000, but went on the run and evaded police for over a year. During this time, the judge who had convicted Tommy in September 2000 was killed, and in 2002 Tommy was sentenced to 15 years gaol for hiring the hitman responsible ('Tommy Suharto: Flamboyant playboy' 2002, *BBC News*, 30 July <http://news.bbc.co.uk/2/hi/asia-pacific/1881066.stm> – Accessed 9 January 2008 – Attachment 45; and Shubert, A. & Quiano, K. 2002, 'Tommy Suharto jailed for murder', *CNN*, 26 July <http://edition.cnn.com/2002/WORLD/asiapcf/southeast/07/26/indonesia.tommy/> – Accessed 9 January 2008 – Attachment 46). In another family case, Suharto's half-brother, Probosutedjo, was sentenced to a four year gaol term for corruption ('Soeharto's half brother gets jail sentence for corruption' 2003, *Xinhua News Agency*, 22 April – Attachment 47).

A paper in *Policy and Society* reported:

In certain cases the transparency of *reformasi* was painful for KKN practioners [KKN is the Indonesian acronym for "corruption, collusion, nepotism"], especially for the sole Suharto crony, Bob Hasan, and the one Suharto child, Tommy, who went to jail. But some foreign corporate players also found transparency tough. The US-owned Freeport mining company in Papua, for instance, having cemented its status in the 1960s by massive – in effect, free – share issues to Suharto foundations and cronies, paid off TNI (the armed forces) in various ways for many years, but then found itself required to conform with the US Foreign Corrupt Practices Act. Hence it sought to reduce contributions to senior generals' bank accounts and other off-budget expenditure. The result was the unresolved murder of two of its own employees in 2002. This was almost certainly engineered by its good friend and accomplice in Papuan dispossession, the army (King, P. 2006, '*Korupsi dan Disintegrasi* in Indonesia since Suharto', *Policy and Society*, vol. 25, no. 4, December www.econ.usyd.edu.au/report.php?id=7473 – Accessed 9 January 2008 – Attachment 48).

The conviction of Bob Hasan was the first significant case involving a chief crony of Suharto, but this did not occur until 2000, as the *Financial Times* reported:

Mr Hasan, a former timber tycoon and head of the country's Olympic committee, was sent to jail in 2000 for misusing Dollars 75m (Euros 59m, Pounds 40m) in forestry funds in a case that marked one of the rare instances of Jakarta vigorously prosecuting Suharto-era abuses (Donnan, S. 2004, 'Jailed ex-tycoon Hasan is released early in Indonesia', *Financial Times*, 23 February – Attachment 49).

As reported in this *Financial Times* article, this was a "rare instance" of Suharto-era abuses being prosecuted. (Donnan, S. 2004, 'Jailed ex-tycoon Hasan is released early in Indonesia', *Financial Times*, 23 February – Attachment 49). Suharto's political party, Golkar, is still the largest political party in Indonesia, holds a considerable degree of political influence, and is the party of Indonesia's vice president, Jusuf Kalla ('Old elite to rule Indonesia's 2009 poll' 2008, *The Sunday Times*, 6 January <http://www.manilatimes.net/national/2008/jan/06/yehey/opinion/20080106opi7.html> - Accessed 11 January 2008 – Attachment 50).

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