

# LESSON OF THE “BROKEN HEARTS”: THE RISE AND FALL OF INDONESIAN *REFORMASI*

*Indonesia's history, since the 1965 military coup that ushered in Suharto's dictatorship is marked by the ultra-liberal economic policies sponsored by the USA and global financial organisations. The resulting social injustice and instability have brought about the rise of Islamic and Nationalist reform movements which have so far however been unable to change the country's course.*

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## FRAGILE MIRACLE

**M**ore than anywhere else on the Rim, the Indonesian ‘miracle’ economy came wrapped in a political straight-jacket. To miss this fact is to minimise the emancipatory potential of the Crash of 1997–98. It is telling that the Crash as a whole is commonly referred to as the Asian financial crisis, as if the political and other non-economic factors can be bracketed out of consideration. Such erasure, I shall argue, long shielded corrupt regimes, and then played a key part in turning the Crash into an ongoing crisis.

Calls for reform were so rampant after the Crash that it is astonishing how little has changed. There was a change of guard, but not of the system or basic ideology. In Indonesia's 2004 election campaign, no candidate or party questioned the neoliberal agenda of the Suharto-era technocrats. The post-Crash ‘reforms’ had only intensified this fixation. The very word ‘reform’, in IMF parlance, was

so economised that it ended up as little more than a bailout mechanism for foreign and domestic investors. The global institutions that rushed in to deal with this ‘financial crisis’ helped to erase the one positive effect that might have come from the Crash: the escape it promised from developmental authoritarianism.

This was especially the case in Indonesia, where pent-up reform energies held out hope for a developmental paradigm shift. Once again the Trojan Horse of western technocracy was rolled in to guarantee the stability that a ‘healthy investment climate’ required. The result was instability on an epoch scale. Those who blame the IMF and other international institutions for compounding the crisis are actually optimists. They seem to assume that these blunders were rare exceptions to the rule, rather than a deliberate conformity to a global pattern that could not have been missed by policymakers. Even in good times, the IMF and World Bank lending policies had stimulated growth at ghastly political, social and environmental cost. And once the crisis struck, as they knew it would, these institutions stood ready to impose counter-Keynesian policies that served market interests at all costs.

None of this was news. The only remarkable fact at the time of the Crash was the Asia Pacific’s full exposure to the development regimen that others knew all too well. Consider, for example, the global debt crisis of 1982, which should have been no surprise after lending to the Third World jumped from \$2.7 billion in 1970 to \$12 billion in 1981. This opened the door for sweeping restructuring and resulting stagnation—hence Latin America’s ‘lost decade’—stood in stark contrast to East Asia’s boom of those same years. That startling growth gap took the wind out of the dependency theory, but in fact bore testimony to a more advanced form of dependency on both sides.

Unlike Latin America, the Asian Pacific economies enjoyed geopolitical advantages that guaranteed a constant capital flow throughout the 1980s. This unlevel playing field also ensured tolerance for massive trade imbalances that were tantamount to economic aid. With the end of the Cold War that tolerance started to wane, and by the time of the Asian Crash the IMF saw no reason to

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treat the Rim economies with more solicitude than it extended to other developing regions. Though they were effectively downgraded to the status of Mexico in its Tequila Crisis, most Rim countries yielded to the IMF demands. To gauge the impact of those directives, we have a base line in one country that refused to comply: by bucking the system, Malaysia weathered the Crisis better than its more compliant neighbours. That is not to say that Malaysia was economically

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independent, for its protectionism was made possible by an ample influx of Japanese investment.

Conversely, no country did worse than Indonesia, despite the fact that it yielded almost unconditionally to the IMF dictates. This was out of habit. To placate the West in the wake of its bloody 1965 takeover, the Suharto regime implemented liberalisation policies as early as 1967, with capital accounts opened to foreign investors in 1970. Jakarta sought foreign capital by way of repeated devaluations of the rupiah: 10 per cent in 1971, 50 per cent in 1978, 40 per cent in 1983 and 32 per cent in 1986. Scant attention was paid to the fact that what flowed in could just as easily flow out. Oblivious to the danger, technocrats pushed for further liberalisation.

#### RISE AND FALL OF THE TECHNOCRATS

By 1988 neo-classical economists, such as Professors Widjoyo Nitisastro and Ali Wardhana, had taken over economic planning, but these technocrats (Rizal Sukma calls them ‘the Berkeley Mafia’) rarely wielded power in their own right. Their success rested on their alliances. Working closely with the Army, they became a bulwark of Suharto’s New Order. The Armed Forces of the Republic of Indonesia (ABRI)—now called the Indonesian National Military (TNI)—needed civilian partners to disguise its double function (*dwifungsi*) of “politics cum security”. In this way the ABRI increasingly dominated state enterprises such as oil companies.

From the early years of the New Order, the technocrats implemented policies to secure foreign aid, loans and investment especially from the US and Japan.

Thanks to the interpenetration of the military and civilian institutions, aid that was not earmarked for the ‘military’ could still promote the militarisation of the New Order and the de-pluralisation of Indonesian politics. This techno-military merger was strongly anti-communist and pro-development, those being two sides of the same geopolitical coin.

Indonesia would be one of the largest recipients of US aid in Asia, while America would be Indonesia’s major supplier of arms. Benedict Anderson in his book, *The Spectre of Comparisons: Nationalism, Southeast Asia and the World* (London: Verso, 1998), writes that the US knew about the plan to invade East Timor. Kissinger simply

advised Jakarta to ‘do it quickly’. Some 90 per cent of the weapons used in the invasion were provided by the US, in clear violation of treaty agreements. The first priority of the New Order foreign policy was to clean up Jakarta’s international image so as to attract capital. Loaded down with foreign debt, the regime had little choice in the matter. It depended upon a continuous infusion of capital for its very solvency. The military therefore backed the technocrats, who in turn became rubber stamps for the ABRI policies.

Two groups competed with the technocrats in this rubber-stamp category: economic nationalists, who held that the government should tightly manage the economy, and Suharto’s cronies and relatives, who simply wanted their share of the take. Friction with the nationalists can be divided into three phases. In the first, from 1966 to 1974, the technos were at the helm of most economic policy-making. Their international connections were in great demand at this time of acute dependency, but their influence waned with the relative autonomy that Indonesia gained from the global surge in oil prices of the 1970s. Windfall revenues reached \$4.2 billion in 1974. The second surge of 1979–80 pushed that figure to \$13.4 billion by 1981. This enabled the nationalists to seize control and press for heavily subsidised new industries. For the moment that put the technocrats out to pasture. They were soon back in vogue, however, as oil prices dropped from \$30 a barrel in 1984 to \$10 in 1986.

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Not surprisingly the technos adopted a more liberal development strategy, reversing the nationalist preference for import substitution. They devalued the rupiah in 1986, so as to boost export competitiveness and attract foreign investment. Their success lent credibility to technocratic logic, but storm clouds were building. Between early 1989 and 1992 Indonesia's money supply increased more than two and a half times, which fueled inflation and prompted the central bank, Bank of Indonesia, to tighten its monetary control. The result was a sharp rise in interest rates, higher costs for businesses and a plethora of bad debts.

Along with the other Rim nations, Indonesia covered its surging debts by still more borrowing. Foreign debt stood at around \$3.2 billion at the beginning of Suharto's regime, and rose to \$130 billion by 1998 (Margaret Scott, "Indonesia Reborn?", *The New York Review of Books*, Vol 45 No 13, August 13, 1998).

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Between 1982 and 1991 the debt jumped from 29 to 72 per cent of GNP. This was much higher than the debts of Mexico and Brazil at the time of the Latin American crisis of 1981–82: 52 per cent and 36 per cent of GNP, respectively. But on the Rim this pattern was becoming the norm. Foreign borrowing continued to grow throughout the Asia Pacific

region until the time of the Crash (Brain Bremner, Michael Shari, Bruce Einhorn, Moon Ihlwan, Mike McNamee and Kerry Capell, "Rescuing Asia", *Business Week*, November 17, 1997).

Nationalist reaction was sure to follow. Even in the 1980s the CSIS group—the research and intelligence wing of the late General Ali Murtopo's political faction—had demanded close state supervision of Indonesia's capital growth, and especially its foreign capital (Richard Robison, "The Transformation of the State in Indonesia", in John G Taylor and Andrew Turton (eds), *Sociology of Developing Societies*, New York: Monthly Review Press, 1988). CSIS arguments gain credibility as the total debt (including private commercial loans) skyrocketed, finally producing a banking crisis in 1993. Clearly it was the liberal camp, not CSIS-style nationalism, which put the economy at risk.

The search for solutions led to complete polarisation. Some blamed the technocrats for their precipitous liberalisation schemes, while others blamed Suharto for not allowing the technocrats greater sway. Western critics would later put the onus on ‘crony capitalism’, but these very cronies had opened the door to Western neoliberalism. They were won over to the technocrats’ way of thinking as soon as they realised that opening up the banking sector would increase the flow of capital to themselves. Laksamana Sukardi, former minister of investment and state enterprises, condemned these globalist converts as ‘predators’ who ‘stole billions from state coffers’. Few in the West showed much concern about this patent fact prior to the Crash.

The popular notion that Asia’s ‘crony capitalists’ were evil nationalists locked in mortal combat with neoliberal saviours was a disastrous error, for this myth guaranteed that the cure for the subsequent Crisis would be sought in still greater neoliberalisation. Far more than nationalist protectionism, the two main causes of the Crash were wasted foreign investment—especially in real estate—and mounting private debt, which lunged from \$23 billion in 1992 to nearly \$80 billion in 1997.

Between June 1997 and January 1998 the rupiah lost 80 per cent of its value, which pushed interest rates up 60 per cent. Millions of Indonesians were plunged into abject poverty, as per capita income dropped from \$1,000 to \$350. Nevertheless Suharto was unanimously re-elected by the People’s Consultative Assembly in March 1998. His new cabinet—including his daughter Tutut and his arch-crony Bob Hasan—epitomised the corruption and nepotism that condemned the country to maldevelopment. Student and worker protests finally toppled Suharto on May 21, 1998. By late 1998, eighty political parties had been established, twenty of them being Islamic. The New Order seemed to be giving way to a New Disorder.

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## THE SUHARTO MIRE

By the mid-1990s, sensing this gathering storm, Suharto had turned to his technocrats for a solution. This only made matters worse, for their specialty was economic acceleration. They had no idea how to apply the brakes, and in any case their economic leverage had abated. They were no longer the crucial magnets for foreign investment, since foreign investors were now falling over

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each other in their rush to win favour with the Suharto cronies for projects worth billions, on paper at least. Far from offering advice on braking techniques, international institutions joined the investment frenzy. The World Bank organised donors' conferences to rake in billions more,

knowing fully that an estimated one third of this money would be lost to Golkar Party corruption.

The IMF, likewise, put no pressure on Suharto to stop public subsidies for schemes such as Tommy Suharto's national car project or B J Habibie's efforts to manufacture aircrafts domestically. As usual the IMF served the interest of international finance, disregarding its primary function of easing economic trauma. Previously Southeast Asian economies had tended to enjoy low inflation, budget surpluses and rising foreign exchange revenues, but between 1993 and 1996 investment banks and international money market managers went on a lending binge. Even free-market proponents such as George P Schultz, William E Simon, and Walter B Wriston blamed the IMF for the global financial meltdown that followed. Economist Jeffrey Sachs accuses the IMF of worsening the Crash by closing banks and slashing public spending—at a time when the private sector was already deflated. One of the 16 banks that closed belonged to Suharto's son, Bambang Trihatmodjo. A week later he reopened his bank under a new name.

To add insult to injury, the World Bank and the IMF wrapped these decisions in the garb of cultural sensitivity, treating Suharto's corruption, cronyism and nepotism as natural expressions of 'Indonesian culture'. Meanwhile the US refused to suspend Indonesia's tariff advantages under the Generalised System of Preferences, despite Jakarta's crackdown on unions and its failure to ensure

decent working conditions. Industries linked to gross human rights abuses and environmental destruction got full US backing. This indifference to real development needs would be recycled after the Crash, starting with Washington’s lethargic response to the Thai crisis of August 1997. As of October 26, Secretary of the Treasury Robert Rubin still ruled out an Asian bailout on the IMF’s part. Nor did he want any other institution to do the job. Both he and Larry Summers would vehemently oppose the formation of a Japanese ‘Asian Monetary Fund’, which they saw as a potential competitor of the IMF, and hence a challenge to American hegemony.

Only when Rubin realised that American corporations were in serious jeopardy did he start to shift his position, announcing on October 31, “Financial security around the world is critical to the national security and economic interest of the United States. These countries are not only key markets for US exports, but are also crucial to our efforts to promote growth, peace and prosperity throughout the world.” A \$40 billion bailout package was finally arranged for Indonesia alone. This action cut the political strings that could have tied the bailout to progressive reform. The Clinton administration was content with the IMF packages that left Suharto alone. This can be explained in one (or both) of the two ways. Either Washington prefers authoritarian regimes that can be controlled better than unruly democracies, or it accepts the ‘Asian values’ myth that dictatorship is natural to Southeast Asia.

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Let us assume that the lesser of these two evils applies—that the US leaders consider democracy a distinctly Western value. This conceit would allow that the US policy was not designedly imperialistic, but was simply orientalist. Suharto certainly encouraged the perception that liberal objectives like democracy and human rights are incompatible with Indonesian culture. In the name of Asian difference, the government did all it could to crush progressive movements within Indonesia itself. The vaunted ‘stability’ of Suharto’s New Order was rooted in the 1965–66 massacre that eradicated the political pluralism that is deeply rooted in Indonesian political culture. That was all the more reason for the regime to maintain its authoritarian grip on virtually all political and economic activities.



Suharto's greatest difficulty was the flip side of his seeming success. Tension set in as economic development not only outpaced political development, but served as a barrier to it. Although the regime's political legitimacy depended on rapid economic growth, that very growth could have a destabilising impact when newly affluent sectors of society began to demand a political voice. The result, at the very least, was middle-class disaffection. The centrifugal force of Indonesia's geographic expanse and ethnic diversity rendered it especially prone to such pressures. While real per capita GDP trebled between 1965 and 1990, the regime's absolute power ebbed after the mid-1980s.

This alone was not enough to turn the political tide, for the middle-class was too satisfied with the economic *status quo*. The fate of democratic reform rested, therefore, with another suppressed sector of society: the Muslims who

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comprised 90 per cent of the population. As in many Islamic countries, the mosque became the locus of oppositional politics. Realising the growing importance of Islamism, Suharto shifted his position in the last twelve years of his regime. For twenty years he had obstructed organised Islamic activities, but now he encouraged them, so as to counterbalance powerful military leaders such as General Benny Murdani, who openly confronted Suharto over the issue of his family's corruption.

This contributed to a split between the ABRI and Suharto over the choice of Golkar chairman Sudharmono as vice-president. The ABRI challenged that choice during the 1988 election, which in turn prompted Suharto to actively court tractable elements of the Muslim community. His creation of the Indonesian Association of Muslim Intellectuals (ICMI) in December 1990 was a blatant attempt to control Islam by exploiting the divide between the *Nahdlatul Ulama (NU)* traditionalists and the *Muhammadiyah* modernists. The ICMI co-opted ultraconservative Muslim organisations such as the Indonesian Council for Islamic Predication, or DDII, at the expense of other groups. Many ABRI officers admitted that Suharto's sponsorship of the ICMI was a shrewd means of controlling Islamic radicals.

Not surprisingly this had a divisive impact on Muslim politics. While Islamic modernists tended to welcome the ICMI, the NU leader and later president,

Abdurrahman Wahid, stood his ground. He proclaimed his loyalty to the Constitution and the official state ideology of *Pancasila*, yet declared the ICMI a Trojan Horse. He further infuriated Suharto by questioning the motive behind his Islamic turn. Just as Suharto had successfully turned techno-reformists into reactionary modernists, he now tried to turn Islamic reformists into cronies. In his autobiography, Suharto describes techno-economists as a necessary evil. It was in this divide-and-conquer context that B J Habibie, the minister of research and technology, was put in charge of the ICMI, so as to marginalise moderate independent Muslims like Dawam Rahardjo.

Nevertheless Muslims would play a key role in the reform coalition that finally toppled Suharto. Robert Hefner’s “civil Islam” thesis (“Islam and Nation in the Post-Suharto Era” in Adam Schwarz and Jonathan Paris [eds], *The Politics of Post-Suharto Indonesia*, New York:

Council on Foreign Relations Press, 1999) hinges on his contention that nowhere in the world have Muslim intellectuals been so engaged in the formation of democratic civil society as in Indonesian in the same volume Seth Mydans qualifies this optimism

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by noting the rise of religious violence in areas such as Sulawesi, Maluku and Aceh. Islamic politicians, especially the Defenders of Islam, also sacrifice broader influence when they call for prohibitions on drinking, gambling, etc. Accordingly, voters in the 1999 election overwhelmingly chose secular nationalist parties over Islamic ones. Islamic extremists struck back by calling for an Indonesian Islamic State (NII). No one knew this better than Suharto, who devoted his last years in office to undermining civil Islam as a political free agent. By uncritically supporting Suharto, global institutions helped to suppress substantive democratisation during the ‘miracle’ years, when political development might have been accomplished peacefully and with little material sacrifice.

Nor was globalisation’s economic impact any less pernicious. Capital export from Western countries stoked the ‘Indonesian miracle’, which in turn played its part to revitalise faith in capitalism as a global development strategy. Again it had to be learned the hard way that foreign capital can be a two-edged sword. The Crash afforded a kind of remedial education. The rapid exodus of capital

from Asian NICs, coupled with ‘rescue’ policies that turned a mere recession into a regional depression, signaled a crisis of globalist ideology.

#### THE POST-SUHARTO MALAISE

Except for its political unrest, Indonesia had all the makings of an investors’ paradise. It had been blessed with cheap labour and inflated prices for its vast oil reserves, and given its ostensible stability in the post-Sukarno years, foreign investment was fairly easy to obtain. This changed, however, after the collapse of oil prices in the mid-1980s. At that point the nation had to work hard to attract foreign capital. This pushed it into the waiting arms of neoliberal restructuring.

For those who were plugged into the current of neoliberal globalisation, Indonesia of the early 1990s once again seemed to be a land of boundless opportunities. Yet economic technocrats knew this promise depended on massive foreign investment, which in turn depended on political stability. The question

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of succession cast a doubt on the future of the increasingly dysfunctional New Order. It was whispered that to avoid a political upset Suharto should relinquish power before the 1998 election. Even prior to the Asian Crash, a viable pro-democracy movement was taking

shape across a wide spectrum of moderate opposition: NGOs, intellectuals and campus activists as well as PDI and NU members. The regime had to react, but there was no consensus as to what response was appropriate—retrenchment or accommodation. This question hinged on the position taken by a set of supposedly neutral players within the New Order: the technocrats. Habibie, for example, looked to technology as a developmental panacea, with special stress on electronics, telecommunications and transport industries. After the currency collapse of 1997—as the rupiah plummeted from 2,500 against the dollar in early 1997 to 13,450 in June 2001—three groups jostled for influence within the cabinet: economic technocrats, followers of Habibie, and the entourage of Suharto’s daughter Tutut. When key technocrats

finally caught on to the fact that economic development barren of political development was a ruse, Suharto summarily fired them. These outcasts formed a group called the ‘Front of the Broken Hearts’—belated reformists who dropped their façade of technocratic neutrality and proposed a ‘new morality’ in opposition to Suharto’s ‘state criminality’.

Thus technocrats were divided between moderate reformists like Habibie, who stuck with the geriatric New Order, and more radical factions such as the ‘Broken Hearts’. Early in his career Habibie had gained control of many state-owned strategic industries, including naval shipyards, armament plants and an airplane factory. After he joined the parliament as a Golkar member in 1982, his family, like Suharto’s, began to forge its own business empire, centered around the Timsco Group. These enterprises engaged in everything from chemicals to crocodile farming, and finally came to be worth at least \$60 million.

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Thus when Habibie talked about technological strategies to enhance competitive advantage, it was not clear whose advantage this would be—his country’s or his family’s. Clearly he was no enemy of Suharto’s political machine. Though he was forced to make some changes during his seventeen-month administration—e.g., he released hundreds of political prisoners and allowed a free election in 1999—these concessions were hardly satisfactory to *reformasi* activists. Habibie’s administration, after all, retained half of Suharto’s cabinet.

As a technocrat, Habibie lacked a broad power base, whereas Wahid was closely linked to the Islam of rural Java. Megawati Sukarnoputri drew support from the legend of her father’s nationalism, while Amien Rais found a following in urban, modernist Muslims. Habibie’s only solid support came from the armed forces of General Wiranto and the funding garnered by his minister Ginandjar Kartasmita, the technocrat who steered Indonesia’s compliance with the IMF restructuring package.

The absence of a stable government and robust leadership made the economic crisis even more acute. Habibie did, however, improve the country’s image by ratifying a number of UN conventions on human rights. He also signed the UN’s Ocean Charter to protect the seas and to use maritime resources in a sustainable way. He also lifted the restrictive press law that Suharto had imposed

between 1994 and 1995, when three of the most respected newsweeklies—*Tempo*, *DeTik* and *Editor*—were summarily shut down.

Ironically, it would be these three magazines that actively investigated Habibie's budget after his purchase of East German navy vessels, and that voiced the public's call for real reform. *Tempo* even invited Benedict Anderson, who had been banned from entering Indonesia since 1972, for a candid interview. To his credit, Habibie yielded to the public's demand for free and fair elections. 48 parties contested in the general election of June 7, 1999, and on October 20 the MPR (People's Consultative Assembly) chose Wahid as the nation's fourth President.

Habibie's greatest service to his country was to let himself be voted out of office, though his successor was no real improvement. It would be an understatement to say that Wahid's leadership lacked consistency. Having shocked his allies with his 1996 détente with Suharto, which many saw as rank opportunism, Wahid again reversed himself: when the economic crisis worsened

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in late 1997, he jumped back onto the opposition band wagon, moving to the centre of the reform movement against Suharto; and by July 1998 he was seeking a new alliance with Megawati.

Given these vacillations, it should have come as no surprise that as President Wahid would fail to deliver the main item on the reform agenda: civilian supremacy over the

ABRI. Many analysts believe that the retired army general and future president Susilo Bambang Yudhoyono was already in charge of security matters, as he would be under Megawati. Meanwhile Wahid found himself hostage to an emerging alliance between Megawati's Indonesian Democratic Party for Struggle and the former ruling Golkar Party, led by Akbar Tanjung. Together the two parties held 273 of 500 lower-house seats. Megawati and Tanjung (who would later become embroiled in a \$4 million corruption scandal) shot down Wahid's proposal to appoint a single coordination minister, pressuring him to name two instead. His desire to please everyone was reflected in his motley cabinet.

Clifford Geertz (“Indonesia: Starting Over”, *The New York Review of Books*, Archives, 2000) is not alone in his lament that Habibie and Wahid squandered Indonesia’s chance to start afresh after Suharto. It was under them that residual Cold War politics gave way to an equally regressive politics of globalisation. The rise of the *reformasi* against Suharto would have had no teeth had it not been joined by the urban and rural poor whose strikes and rioting pushed the government into a corner. This upsurge had its roots in social protests of the 1980s against the New Order oppression launched in the name of modernisation. Its real name was neoliberalism, and its thrust was only intensified after Suharto’s fall.

#### LOSING ON BOTH FRONTS

For many years storm clouds of *reformasi* had been building within the middle-class public. This idealism, however, would find little expression in the new mass politics. Lacking the leadership qualities of rivals such as Amien Rais, Megawati won the presidency on the strength of her family legacy and her largely symbolic opposition to Suharto’s corruption. She had no idea what to do with her victory. To win public trust she was advised to seed her administration with a host of techno-functionaries, devotees of the very neoliberalism that the poor had risen against under Suharto. Thus the posts of the Finance Minister and Economic Coordination Minister went to seasoned technocrats such as the former Director of the Bank of Indonesia, Budiono, and the ambassador to the US, Dorodjatun Kuntjoro-Jakti. This combination of technocratic policies and deflected populism slammed the door on more substantive reform.

Even if Megawati had wanted real reform, her ministers would have had to negotiate the minefield of a parliament where most MPs answered to recalcitrant party bosses. Critics rightly saw her appointments as an attempt to duplicate Suharto’s old trick of relegating the economy to technocrats while keeping a

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tight hold on security matters and the legal system. This time, however, the old order had her firmly in its grip. By no accident she kept in her cabinet Supreme Court Chief Justice Bagir Manan, who had served in Suharto's infamous judiciary throughout his career. The country was fast returning to the authoritarian devil it knew. At least Suharto's regime had been effective in maintaining a semblance of national unity in its economic programmes, and in winning investor and donor confidence. Repression under Megawati lost on both fronts: its retreat from reform was matched by a failure 'to make the trains run on time'.

Clearly technocracy was more the problem than the solution. The economic crisis, as Geertz recognised, provided a unique opportunity for Indonesia to establish the rule of law, governmental transparency and accountability, and basic human rights—all the ingredients that Western critics found wanting after the Crash. Arief Budiman ("The Lonely Road of the Intellectual: Scholars in Indonesia", University of Melbourne, Australia, 1997) believes this was the time for Indonesian intellectuals to intervene decisively rather than entrust the political process to technocrats who saw reform as a top-down enterprise. At best they regarded democracy as a loan to the people by the state, and usually they gave it a lower priority than economic development or national stability.

This attitude, which in good times helped to allay investors' fears of unruly populism, now contributed to the post-Crash inertia that kept those same investors on edge. Real political reform could have done no worse, for the unrest that bred economic disincentives might have been ameliorated by a strong dose of hope. The economy itself was not beyond redemption, before or after Suharto's fall. Indonesia had moderate inflation relative to other hard-hit 'miracle' economies, and it suffered less of a bubble effect than most. What killed confidence was the increasingly unpredictable behaviour of Suharto's government. The same iron fist which had made for an image of 'stability' became a huge liability, for it was obvious that no institution or set of political actors could restrain Suharto's dictates. Thus the malady behind the Indonesian Crash was more political than economic, and its long-term solution would likewise have to be found in the political domain.

Under Megawati, unfortunately, the country rapidly returned to *dwifungsi*. The threat of terrorism was used to justify an undeclared war on civilian autonomy. Once again, and with patent US complicity, the military was taking charge. Rizal Sukma, director of the Center for Strategic and International Studies in Jakarta, observes that no political party dares to confront the military.

In fact, Megawati gave the TNI more independence than it had ever enjoyed under Suharto. In the absence of effective domestic or international pressure for reform, civilian rule lost by default. This removed any chance for peaceful negotiation with the Free Aceh Movement (*Gerakan Aceh Merdeka* or GAM). It must be stressed that the Acehnese rebels are anything but rabid extremists. By preference most would be civil Islamists, for they disdain the brutal mobs that operate under the *Laskar Jihad* label. GAM leader Teuku Kamaruzzaman (one of the two peace negotiators who in October 2003 got a 13-year prison sentence on charges of ‘treason and terrorism’) pointed out, “We have Christian churches here and none have been attacked.”

As in East Timor before, the Army has been responsible for the worst brutality in Aceh. Far from reducing radical violence, government action has accomplished the very opposite, smothering moderate Islam that could have provided a natural dike against more radical foreign imports. The health of civil Islam is ultimately tied to development, both economic and political, of the community in general. Hopes for a civil solution collapsed when Megawati declared martial law on May 18, 2003. Some 50,000 troops were sent to combat 3,000 lightly-armed separatists. While senior government officials downplayed the activities of real terrorist organisations such as *Jemaah Islamiyah*, the TNI stoked militancy in Aceh by making a habit of executing unarmed civilians.

In his capacity as Megawati’s security minister, later president, Susilo Bambang Yudhoyono (SBY) approved a crackdown on the province that cost more than 2,000 lives. Student protesters and human rights groups well remember SBY from his similar activities under Suharto. He served as a commander in East Timor at a time of heinous human rights abuses (Of the eighteen Indonesians convicted of abuses, all have had their convictions overturned. *The New York Times*, November 6, 2004) yet the fact that he was running for the presidency against the even more notorious General Wiranto helped him to pass himself off as a military reformer as well as the essential anti-terrorist. In fact, it was on his watch that thousands of militant Javanese Islamists joined foreign insurgents

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in an assault on Christians in Maluku Province, while the TNI looked the other way.

#### FULL RETREAT

Indonesia's political turmoil is rooted in economic oppression. Even the infamous Bali bombings are better understood as an indigenous eruption from below than as a purely imported product of global terrorism. The two sources, however, are by no means mutually exclusive. The nexus between them is global tourism, which brings in the badly needed foreign exchange for Jakarta's neoliberal programme, but scarcely trickles down to local workers and communities. Indeed, the bulk of the tourist industry profit leaves Indonesia, while global firms like McDonalds, KFC and Starbucks push local vendors out of business.

People in many provinces, especially in Aceh, Irian Jaya and Riau, consider themselves every bit as colonised today as they were under the Dutch. In their view Java simply replaced Holland. Though it has little to show for it, Irian Jaya has been the source of 15 per cent of Indonesia's foreign exchange earnings. Renamed Papua, it is the nation's largest province and the site of the world's

**In the absence of effective domestic or international pressure for reform, civilian rule lost by default.**

largest gold and copper mining operation. Freeport McMoRan Copper and Gold Inc. of New Orleans has monopolised this \$50 billion enterprise since 1967. Papua is also the site of the world's largest gas fields, developed by Atlantic Richfield Co., a unit of BP/Amoco. The financial pillage and environmental wreckage of these extractions has sparked a largely Christian reaction in the form of the Free Papua Movement (*Organisasi Papua Merdeka*, or OPM). A similar conflict simmers in Borneo, divided between Indonesia, Malaysia and Brunei. To increase agricultural productivity in Kalimantan, on the Indonesian side of Borneo, Jakarta converted much of the forest into commercial rubber and palm oil plantations. Meanwhile it subsidised a massive 'transmigration' of labour from Java and Madura, leading to clashes between Madurese settlers and indigenous Dayaks. One such incident, in 1999, resulted in 185 deaths in just a few days. (Angel Rabasa and Peter Chalk, *Indonesia's*

*Transformation and the Stability of Southeast Asia* (Project AIR FORCE/RAND, 2001). Likewise, in Sarawak, on the Malaysian side, there has been continuing conflict since 1987 between Dayaks and government-backed logging companies. Amendment S90B of the Malaysian Forest Ordinance makes it a major offense for anyone to obstruct logging operations in Sarawak. Even designated parks and biospheres for the Penan indigenous people have been invaded by logging companies, which invoke S90B to have Dayak protesters arrested and sometimes shot. (See Michael T. Klare, *Resource Wars: The New Landscape of Global Conflict*, New York, p.207, 2001.)

More than ever, Papuans feel they have no peaceful options. The so-called 'Act of Free Choice' that delivered them into the Indonesian state in 1969 has now been revealed as a fraud, yet neither their former Dutch overlords nor the world community have any interest in setting history straight at the price of Indonesian territorial integrity. A Special Autonomy Law was passed in 2002, but was sabotaged in 2003 by a presidential decree that divided the province into three more manageable zones, with the military making its presence felt all the more.

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The TNI has a vested interest in stoking the flames of Papuan resistance so as to justify its bloated budget as its other operations subside.

Aceh and Riau, likewise, have little to show in return for providing half of Indonesia's oil output. In 1971 natural gas was discovered in Aceh, where Mobil constructed the world's largest natural gas refinery. GAM took shape in 1976 in response to a grossly unjust distribution of gas revenues. Suharto's regime fired back by declaring Aceh a military operations zone (*Daerah Operasi Militair*, or DOM), a designation that lasted until after the dictator's fall in May 1998. After numerous abortive truce attempts, a more promising peace accord opened the door for an autonomous Aceh in August 2005. Similar hopes have collapsed before, but there is a chance this case could be different, thanks to the global spotlight that fell on Aceh after the apocalyptic *tsunami* of December 2004. The question is what will happen after the Western press loses interest.

Unfortunately that interest has not lent itself to the one thing the Acehnese want even more than peace: independence. The global community flatly dismisses Aceh's claim to legal secession. We are told by the world press that most

Acehnese just want peace and hence, are helpless victims caught in the middle of a war in which they want no part. GAM, by contrast, is portrayed as a violent and irresponsible rogue organisation with little local support. Moreover, the organisation is often charged with having active *Al Qaeda* connections, although both GAM and the military itself deny this. Even when it is granted that the TNI and its affiliates are ‘terroristic’, it is said that the two forces basically deserve each other, while the Acehnese deserve freedom from both.

This view of GAM misrepresents its members, its public support, and the historical realities behind it. For several hundred years, and into the twentieth century, Aceh was a sovereign state. The Dutch knew the Acehnese as their most determined anti-colonial foes. If any people deserve their freedom, these do. But after expelling the Dutch, they found themselves under similar occupation by the Javanese, who proceeded to rob their natural resources and to rule them

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once again as colonial subjects. Non-violent protest was useless, while armed resistance was almost suicidal. The military responded with what it does best: torture, rape, pillage and massacre. Nonetheless international opinion—including the vast majority of policy analysts, NGOs, foreign governments, and the international media—fully backs Jakarta. Only the Acehnese see independence as a just and viable solution.

The standard international answer to the sovereignty question is that Aceh surrendered its right to independence when it joined Indonesia after the Dutch departure in 1949. This, we are told, is a legal axiom that applies no matter what crimes may be perpetrated against the population. Never mind that numerous exceptions have been made to this supposedly absolute rule, as in the former Yugoslavia, Bangladesh, Eritrea, and Bougainville, which have been promised progressive autonomy leading to a referendum on independence after 10 years. As William Nessen puts it, “Independence was the ultimate solution for people suffering under European colonial domination. Why shouldn’t it be

available for people, like the Acehnese, experiencing a similar lack of political control, economic exploitation, and intolerable human rights abuses?"

The answer, of course, has less to do with international law than with economics. The global investment community has reason to appreciate Jakarta's iron grip on the archipelago. That is why it took so long for world opinion to rally behind East Timor's undeniably lawful claim to independence. The kind of UN support that it eventually gained, following the November 1991 Santa Cruz massacre, will not be extended to Aceh or any other province. Even the partial autonomy that Aceh has been promised is unlikely to be honoured by Jakarta once world attention dissipates.

That is of no concern to the people and institutions that Jakarta caters to: the world of global finance. For them SBY, more than Megawati or Wahid before her, has what it takes to protect their interests. They see hardline tactics as necessary for stability, especially in a region of 'Islamic extremism'. Foreign investment is therefore expected to rebound, spurred by the World Bank's decision to return Indonesia's loan status to a 'high case' status. This will qualify it for loans of up to \$1.2 billion annually from 2005 to 2007. Meanwhile a new crop of technocrats, having forgotten the lesson of the 'Broken Hearts', will be there to manage the next round of the boom and bust economy. In their haste to put the Crash behind them, they fail to notice that the liberatory hopes of the post-Suharto moment have also been abandoned. 