

**INDONESIA'S CRISIS:
CHRONIC BUT NOT ACUTE**

31 May 2000

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INDONESIA'S CRISIS: CHRONIC BUT NOT ACUTE

EXECUTIVE SUMMARY

Indonesia has undergone an extraordinary transition during the last two years from a society long ruled by a military-backed authoritarian leader to one in which an elected government was installed through an open and largely democratic process. This has occurred notwithstanding massive economic collapse in the wake of the 1997 Asian financial crisis, which aggravated social tensions, including ethnic conflict, in many parts of the country: the anti-Chinese rioting was particularly damaging because it led to the withdrawal of much commercial capital and expertise.

While impressive political progress has been made, Indonesia's crisis is far from over. The key challenges discussed in this report are:

- Achieving constitutional reform which steers a course between the overwhelmingly dominant government of the authoritarian New Order and the weak and unstable democratic governments of the 1950s;
- Consolidating civilian supremacy over the military, and reforming the military's organisational structure to prevent it being used as a political instrument by future governments;
- Implementing regional autonomy in a way that holds the country together and reduces the incentives for separatism;
- Restoring harmony between members of different ethnic and religious communities in regions which have been torn apart by communal conflict during the last two years;
- Reforming a legal system that is riddled with corruption and enforcing accountability in cases of gross corruption and human rights abuse; and
- Overcoming the enormous obstacles in the path of economic growth including the restoration of a failed banking system, the restructuring of huge private debts, the reform of commercial law, and measures to remove the many non-economic disincentives to investment.

Indonesia's crisis at present is chronic rather than acute. The nation faces serious political, regional, communal, legal and economic problems and challenges but it is not on the point of breaking up and descending into chaos. On the other hand, the government has not yet been able to show the way forward to a permanent resolution of these challenges.

The purpose of this report, the first in a proposed new series systematically addressing these problems and challenges, is to sketch the overall state of the nation, and to identify in outline appropriate policy responses by the international community. Later reports will address the key issues in more detail; the recommendations which follow do no more than offer broad guidelines.

RECOMMENDATIONS

General

1. International measures should, as far as possible, support Indonesia's own ongoing programs and avoid imposing external priorities which do not accord with those of Indonesians themselves. It is particularly important that pressures emanating from the international community should not aggravate political and social tensions in ways that could upset the delicate balance of forces which at present is favourable for continuing democratisation.

Economic Reform

2. While the IMF's close supervision over economic policy and continued pressure for change strengthen the influence of pro-reform elements in the government, it should be sensitive to the domestic political implications of its policies, recognising that measures which trigger political upheaval can undo much of the benefit flowing from successful economic reform.

Constitutional Reform

3. The international community should welcome and be prepared to assist constitutional reform, but recognise that its details are for Indonesians to decide, with the objective being eventual compromises with which the large majority of Indonesians feel comfortable.

Military Reform

4. Restored military cooperation with Indonesia should be confined to areas related primarily to national defence until forces involved in internal security duties have been thoroughly reformed. But Indonesia needs a security force that can maintain public order when it is threatened by ethnic, religious and other violence, and the international community needs to consider carefully how it can help Indonesia to transform the present military and police into such a force.

National Unity and Separatism

5. The international community should endorse the current Indonesian government's moves to engage separatists in dialogue, and be prepared to assist it, for example by providing neutral venues and financial support.

Communal Violence

6. The international community should recognise that the complexities of communal conflict are so intricate that international pressure can easily be directed to the wrong targets. Humanitarian aid in the wake of communal conflict is necessary and welcome, and efforts to assist in building bridges between communities may be helpful. Any professional training of police or military forces, designed to meet the need for quick and effective intervention if such violence does break out, must be fine tuned so that it enhances peace-keeping rather than repressive capacity — if that is possible.

Human Rights

7. The most immediate focus should continue to be on the accountability of those involved in human rights abuses in East Timor and Aceh. There should be support for the recommendation of the UN Commission on East Timor that an international human rights tribunal be established if Indonesia fails to deal adequately with these cases; but, given the need for Indonesian reformers to manage a fragile balance of political forces, the international community should not rush to judgment here.

Legal Reform

8. While recognising that a legal culture based on corruption has become so deeply embedded that quick solutions will be difficult, the international community should be prepared to offer all possible financial and technical assistance in building new institutions.

Jakarta/Brussels, 31 May 2000



INDONESIA'S CRISIS: CHRONIC BUT NOT ACUTE

I. INTRODUCTION

Indonesia is in the midst of an extraordinary transition that has brought changes hardly imaginable only two years ago. The fall of President Soeharto following a huge riot in Jakarta introduced a period of great uncertainty under President B. J. Habibie whom Soeharto had designated as his vice-president only two months earlier. Soeharto's resignation on 21 May 1998 had taken place against the background of a massive economic collapse in the wake of the Asian financial crisis which spread from Thailand in the middle of 1997. By the time that Soeharto stepped down, the value of the Indonesian rupiah in terms of the US dollar had fallen by about 70 per cent, the banking system had virtually collapsed, thousands of enterprises were on the point of bankruptcy, unemployment was rising and much of the population had been thrown into desperate poverty.

The uncertainty brought on by economic collapse was aggravated by rising social tensions reflected in increasing crime and widespread looting as well as racial, ethnic and religious conflict. Anti-Chinese rioting, directed mainly at shopkeepers in small towns, had already become common during the last years of the Soeharto regime and culminated in the May 1998 riot which saw the destruction of much of the capital's Chinatown and the flight of thousands of Chinese business people from Indonesia. But ethnic conflict was not limited to attacks on the Chinese community. As the central government seemed to lose its grip on the nation, ethnic and religious conflict broke out in many parts of the archipelago. The most serious clashes took place in the eastern province of Maluku where Muslims and Christians embarked on a virtual civil war and in the northern districts of West Kalimantan where Madurese immigrants experienced a kind of ethnic cleansing. Elsewhere active separatist movements continued to challenge Jakarta in Aceh and Irian Jaya (now Papua) while the East Timorese struggle for independence culminated in a referendum which gave overwhelming support for separation and was followed by massive destruction perpetrated by military-fostered supporters of integration with Indonesia.

It was in these unpropitious circumstances that Indonesia moved decisively in the direction of democratisation. Although President Habibie had been part of Soeharto's New Order regime for two decades and was an unabashed admirer of his predecessor whom he often called a 'super-genius', he realised that he lacked Soeharto's authority and, in particular, had few supporters in the armed forces. He therefore seems to have concluded that he had little choice but to introduce

democratising reforms aimed at winning domestic support and international sympathy. Controls on the press were lifted, political prisoners were released, new political parties were allowed to be formed and restrictions on trade unions were removed. In early 1999 new electoral laws were adopted and in June the country's first free and, on the whole, honest, elections in 44 years were held for parliaments at the national (Dewan Perwakilan Rakyat - DPR) and regional (Dewan Perwakilan Rakyat Daerah — DPRD) levels. Of the 500 members of the DPR, 462 were elected and 38 appointed to represent the military and police.

Finally, in October 1999 the People's Consultative Assembly (Majelis Permusyawaratan Rakyat — MPR) convened to elect a president for the next five years. The MPR's membership consists of the 500 members of the DPR plus 130 regional representatives elected by the DPRD's and 65 representative of 'functional groups' selected by the electoral commission.¹ Despite the appointment of military and police representatives and the 'functional group' members, the MPR's membership was widely accepted as more or less representing popular aspirations. In contrast to the presidential elections of the Soeharto era in which Soeharto, as the sole candidate, always won the Assembly's unanimous endorsement, this time the MPR's members were faced with three main candidates and the final outcome remained in doubt until the last votes were counted on 20 October. The new president, Abdurrahman Wahid, universally known as Gus Dur,² was the leader of Indonesia's largest Muslim organisation but his open-mindedness and liberalism had won him the support of many non-muslims. Widely respected for his personal integrity, Gus Dur had led the small Democracy Forum in opposition to the Soeharto regime during the 1990s.

This report has three aims: to summarise developments in Indonesia since the fall of President Soeharto; to assess the overall political, social and economic landscape of the country; and to identify and consider those problem areas where it may be appropriate for the international community to provide support to the country's reform agenda. International measures should as far as possible support Indonesia's own ongoing programs and avoid imposing external priorities which do not accord with those of Indonesians themselves. At a time when social and political stability is by no means consolidated, it is most important that pressures emanating from the international community do not aggravate political and social tensions in ways that could upset the delicate balance of forces which at present is favourable for continuing democratisation.

¹ The total membership was to have been 700, including 135 regional representatives, but the five regional seats allocated to East Timor were never filled after East Timor voted against integration with Indonesia.

² 'Gus' is an honorific form of address commonly used in Islamic schools in Java; 'Dur' is the second syllable of Abdurrahman. The names Abdurrahman and Gus Dur will be used interchangeably in this report, as they are in Indonesia.

This is the first in what is proposed to be an extended series of reports by the International Crisis Group following the establishment of our presence in Indonesia in March 2000.³ This report pursues general themes, setting the scene for later reports when more specific responses in narrower areas of policy will be canvassed

II. THE ABDURRAHMAN GOVERNMENT

The 1999 general election was conducted in an extraordinarily free and transparent manner. Although many electoral violations were reported, the distortions were not systematic and did not favour any one party. As a result, the bodies produced by the electoral process were widely perceived as legitimate and the unexpected success of Abdurrahman Wahid in the presidential election — despite his party's relatively small number of seats — was greeted with popular acclaim. Although the Indonesian constitution is presidential, the decision to hold annual — in contrast to the previous practice of five-yearly — sessions of the MPR means that the president's grip on power will be less secure than in most presidential systems. Lacking a strong party of his own, President Abdurrahman will be vulnerable to moves to restrict his power or even depose him at the annual MPR session unless he can maintain a broad coalition of political support among the heterogeneous parties and groups in the MPR.

The leading party in the June 1999 parliamentary election was the Indonesian Democratic Party — Struggle (Partai Demokrasi Indonesia — Perjuangan — PDI-P) led by Megawati Soekarnoputri, the daughter of former President Soekarno who had been deposed by Soeharto in 1967. The PDI-P, which espoused a broad nationalism appealing to secular-minded Muslims and non-Muslims, won 34 per cent of the votes and was particularly strong in the island of Java. The next strongest party was Habibie's Golkar, the state-backed party which had normally won around 65-70 per cent of the votes during the Soeharto era. Lacking the bureaucratic and military support which it enjoyed under Soeharto, Golkar's votes declined to 22 per cent. In contrast to the PDI-P, Golkar's main strength lay in the Outer Islands (that is outside Java), especially in Eastern Indonesia. The remaining three major parties depended largely, on Muslim support. The National Awakening Party (Partai Kebangkitan Bangsa — PKB), which is associated with the traditionalist Muslim organisation,⁴ Nahdlatul Ulama (NU), led by Gus Dur, won 13 per cent, the Development and Unity Party (Partai Persatuan Pembangunan — PPP), which had been a recognised Muslim party during the New Order period, won 11 per cent and the National Mandate Party (Partai Amanat Nasional — PAN), led by Amien Rais and based largely on the modernist Islamic organisation, Muhammadiyah, won seven per cent. (Both the PKB

³ An earlier report by ICG, *Indonesia's Shaky Transition*, was published in October 1999, following an initial field mission by ICG representatives to Indonesia.

⁴ 'Traditionalist' Muslims rely on the traditional interpretations of Islamic doctrine which developed over the centuries since the Prophet's death. The 'modernist' movement advocates the return to the original sources — the Koran and the Hadith — at the time of the Prophet; the 'modernists' are modern in the sense that the 'modernist' school appeared later than the established 'traditionalist' schools. In general, confusing as this may appear at first sight, 'traditionalists' in Indonesia tend to be rather flexible, while 'modernists' are more 'fundamentalist'.

and PAN insist that they are open to non-Muslims and, in the case of PAN, include non-Muslims in leadership positions.)

Following the parliamentary election, it was widely expected that Megawati would be able to stitch together a coalition that would win her the presidency in the MPR. Gus Dur proclaimed his support for her and Amien Rais seemed inclined to join Megawati and Gus Dur in a 'reformist' coalition against the 'status quo' forces which they saw as represented by Habibie and Golkar. Megawati's apparent reluctance to do deals with other parties, however, made it difficult to secure sufficient support for her presidential bid. In particular she was viewed with suspicion by many in the Muslim parties who doubted her Islamic credentials and in any case had reservations about supporting a woman. On the initiative of Amien Rais, who felt rebuffed by Megawati, a 'Central Force' (Poros Tengah) of Muslim parties, which were opposed to Megawati and only lukewarm about Habibie, decided to nominate Abdurrahman Wahid for the presidency. When Habibie's report on his tenure as president was rejected by the MPR, the field was narrowed to two and the vote resulted in a victory for Gus Dur by 373 votes to 313. In addition to his own party, Gus Dur won the support of the Muslim parties of the Central Force as well as the Habibie wing of Golkar and probably a majority of the military representatives. In a gesture toward reconciliation, the new president asked a humiliated Megawati to accept the vice-presidency.

Gus Dur's own party, the PKB, had won only 13 per cent of the votes in the general election so he needed to tie other parties to his government. His negotiations with other party leaders eventually led to the appointment of a cabinet which included representatives not only of the five largest parties but several small parties as well as the military. Dubbed a government of 'national unity', the cabinet was representative of a large part of the community not only politically but also in ethnic and geographical terms. But it lacked cohesion as ministers from rival parties pursued their own interests and policies. In particular, in contrast to the technocrats of the Soeharto era, Gus Dur's economic team consisted of party nominees with little experience in macroeconomic policy-making and bureaucratic management.

The Abdurrahman government enjoyed widespread legitimacy from the open and transparent process through which it was elected. Indonesia's new democracy was by no means perfect — for example, the military was still represented by 38 appointed members in the DPR and MPR — but it was generally perceived as having worked better than might have been expected. Although Gus Dur was virtually blind and unable to walk unaided as a result of two strokes suffered in 1998, his idiosyncratic personality won him much popular affection. The leader of a traditionalist Muslim organisation based on a network of religious schools in rural Java, Gus Dur was more at home wearing sandals and a batik shirt than suit and tie. His unpretentious style and his habit of telling jokes whenever he spoke cemented his bonds with people at all levels of society, especially at the dialogues he held with ordinary citizens after Friday prayers each week. On the other hand, Gus Dur's informal manner had some drawbacks. His openness to the press and his tendency to 'think aloud' often led to rumours that certain ministers were about to be dismissed or certain military commanders were conspiring against him. In contrast to

his two immediate predecessors who had amassed much personal wealth during their tenures in government, Gus Dur was seen as transparently honest and uninterested in building a personal commercial empire — but this could not necessarily be said of all the members of his entourage.

III. CONSTITUTIONAL REFORM: EXECUTIVE-LEGISLATIVE RELATIONS

The basic institutions provided by the constitution are the presidency, the parliament (DPR) and the People's Consultative Assembly (MPR), but under Soeharto the executive had been completely dominant over the other two institutions. The primary task of the DPR, according to the constitution, is to adopt legislation which needs to be approved by the president while the MPR's main functions are to elect the president and vice-president, to adopt general guidelines for the government, and to amend the constitution — a power never exercised until the 1999 session which also elected President Abdurrahman. As the legislature, the DPR meets regularly while the MPR is required by the constitution to convene at least once every five years but may meet more frequently.

The fall of President Soeharto and his authoritarian regime was accompanied by public demands for constitutional reform. Some supporters of reform advocated merely the re-invigoration of the legislature within the existing presidential constitution, but others called for the wholesale revision or even replacement of the constitution. Behind this debate was not only the experience of Soeharto's authoritarian rule but also the memory of the 1950s when parliamentary democracy failed to provide strong and stable government and was commonly blamed for the near-disintegration of the country. Attempting to avoid the excesses of both presidentialism and parliamentarism, reformers sought to formulate a constitutional system that would create a balance between the executive and the legislature. The legislative bodies had to be empowered so that they could control the executive but not to the point where the executive could no longer govern effectively.

The Indonesian constitution, first proclaimed by President Soekarno and Vice-President Hatta at the beginning of the revolution against Dutch colonial rule in 1945 and reintroduced by Soekarno in 1959, had acquired an almost sacred character under President Soeharto. Associated with the sacrifices made in the struggle against colonialism, it was regarded as a virtually eternal foundation for the Indonesian state and therefore immune to amendment. The constitution is highly centralised and gives very substantial power to the president. Apart from its legitimacy derived from the nationalist struggle for independence, it suited the political needs of the authoritarian politics practised by both Soekarno and Soeharto.

Under both Presidents Soekarno and Soeharto the MPR and DPR were largely rubber stamps for the president's policies. During the seven years after the reintroduction of the 1945 constitution in 1959, the members of both bodies were appointed by the government as President Soekarno never held a general election. President Soeharto was meticulous in holding elections every five years, but the elections were always conducted in circumstances that ensured victory for the government party, Golkar.

The number of parties permitted to contest elections was reduced to three; candidates were screened by military intelligence; strict controls were exercised over issues that could be raised in campaigns; and intimidation by military, police and officials was commonplace. Critics of the government who overstepped limits of government tolerance were often arrested while the press remained muzzled.

Although the constitutional amendments adopted by the MPR in October 1999 were quite limited, the effective roles of the MPR and DPR were transformed by the liberalising and democratising reforms implemented during the Habibie presidency. The holding of genuinely competitive elections in a free atmosphere with a free press produced lively assemblies which the new government could ignore only at its peril. Ministers were regularly called before the DPR and subjected to vigorous interrogation. And compared to the Soeharto era, both the president and the vice president were no longer immune from hostile criticism.

Of fundamental importance was the decision to convene the MPR annually instead of every five years as had been the practice under Soeharto. The Indonesian constitution is formally presidential in character but the convening of the MPR annually has the potential to add a parliamentary aspect to constitutional practice. According to the constitution, the president is responsible to the MPR and not the DPR and, therefore, can only be deposed by the MPR. But since the MPR now will meet every year, this means that the president will need constantly to keep in mind the need to maintain a base of support in the MPR — in much the same way that prime ministers need to maintain parliamentary support in parliamentary systems. Under Soeharto, of course, the MPR always unanimously endorsed the president's 'accountability report' but in the new atmosphere after the June 1999 general elections, the elected members of an assertive MPR rejected President Habibie's report and thus killed his chances of re-election. This precedent no doubt weighs heavily on President Abdurrahman's mind. It is partly for this reason that his cabinet contains representatives of all the major parties as well as the military.

Following 32 years of authoritarian presidential rule, the present mood in Indonesia is naturally preoccupied with constitutional reforms aiming to limit the powers of the president, but there are also concerns about the risks of returning to the parliamentary politics of the 1950s when no less than six coalition governments held office in six-and-a-half years.⁵ As Gus Dur's government moves beyond the 'honeymoon' period, there are signs of growing dissatisfaction, especially within the Central Force group of Muslim parties whose support was vital for his election as president. In the absence of established democratic conventions, the political system is feeling its way towards a balance between the need for institutions to make the president responsive to popular demands and the danger of creating a system in which unstable coalition governments are unable to maintain sufficient support to govern effectively.

⁵ None lasted longer than two years and some collapsed after only six months.

In the longer term, democratic government will require the building of effective political parties with strong roots in society. However, Indonesian society is very heterogeneous in ethnic, regional and religious terms. Among the ethnic communities, the Javanese — making up around 40-45 per cent and based in Central and East Java — is the largest, followed by the Sundanese, from West Java, who make up around 20 per cent and numerous smaller communities spread through the Outer Islands. In terms of religion about 87 per cent of Indonesians are Muslim but the Muslim community covers a wide spectrum. In very broad terms, three streams can be identified. First, especially in Java, many continue to observe traditional indigenous religious practices and do not identify politically with Islam. Others, by contrast, are affiliated with Muslim organisations and support Islamic political aspirations. The latter, however, are divided between those, especially in Java, who adhere to 'traditionalist' interpretations of Islam and those, also in Java but especially in the Outer Islands, whose orientation is 'modernist'.⁶ Christian communities are found in parts of the Outer Islands as well as in Java while Hinduism is the predominant religion in Bali.

One of the main weaknesses of parliamentary democracy in the 1950s was the fragmentation of political parties reflecting this social heterogeneity. The parties tended to be rooted in one or other of these communities and in general failed to mobilise political support beyond their own communal base. The result in the 1950s was that no party gained even a quarter of the votes and governments were always uneasy coalitions between incompatible parties.

Several of today's major parties can trace their ancestry back to the 1950s and earlier. Megawati's PDI-P, for example, is clearly a descendant of the Indonesian National Party (PNI) with which her father was associated. Gus Dur's PKB is based on the NU, founded in 1926 by traditionalist Muslim religious teachers including his grandfather. Modernist Islam had been represented primarily by the Masyumi Party in the 1950s but was fragmented in the 1999 election between PAN, PPP and several small parties. Finally, Golkar, the secular political machine created by Soeharto in the late 1960s, came under moderate Muslim leadership after Soeharto's fall although it also included prominent non-Muslims.

There is some concern that the experience of the 1950s could be repeated. Gus Dur had originally hoped to form a small and cohesive cabinet but the political debts he incurred during his bid for the presidency forced him to include a wide range of party nominees in his cabinet — some of whom, he admitted to the press after the cabinet's installation — he had not known personally. Ideally, the new system should make the government sensitive and responsive to the people's aspirations through their elected representatives in the DPR and MPR but it could also encourage short-sighted maneuvering by politicians more concerned with patronage than policy. The danger for Gus Dur is that some of the parties might at some stage withdraw from the cabinet and thus make his presidency vulnerable to what in effect would be a 'no-confidence' vote in the annual MPR session. If that happened, a precedent might

⁶ For the difference between "traditionalist" and "modernist" in Indonesian usage, see footnote 4 above.

be established for the regular overthrow of presidents and the formation of weak and unstable governments.

Several proposals have been aired with the aim of strengthening the foundation of the government. One possible strategy would be for some of the existing parties to merge into a single large party that could then provide the government with a more solid base in the MPR. In particular, speculation has focused on the possible evolution of a two-party system revolving around a merger between Megawati's PDI-P and Gus Dur's PKB on one side and a revived Golkar on the other. Another proposal, which has the backing of Gus Dur himself, is that the constitution should be amended to provide for the direct election of the president rather than the current indirect election through the MPR. Gus Dur's calculation is that the tenure of a directly elected president would no longer be under threat because the MPR would, short of impeachment, only be able to censure the president without dismissing him. If directly elected, Gus Dur believes that the president would have much more scope to select a cabinet with a common vision.

As the August 2000 session of the MPR approaches there has been much speculation about the possibility of a challenge to Gus Dur. He himself has often warned that certain — unnamed but easily identifiable — groups are maneuvering to replace him. In April, the Chairman of the MPR, Amien Rais, who was behind the Central Force which formed the core of Gus Dur's support in the 1999 presidential election, indicated dissatisfaction with the government's performance and warned of the possibility of a special session of the MPR to consider Gus Dur's dismissal. Some Muslim leaders — from the modernist camp — have called explicitly for Gus Dur's removal. On the other hand, the growing opposition to Gus Dur lacks an obvious candidate to replace him. The vice-president, Megawati, has so far been unacceptable to most of the modernist Muslim parties. Amien Rais seems out of the running because of his own party's poor performance in last year's general election. And Akbar Tanjung, the Golkar leader and DPR Speaker, still bears the burden of his party's close association with the Soeharto regime.

IV. CIVILIAN SUPREMACY: CIVIL-MILITARY RELATIONS

Democratisation requires the establishment of civilian control over the military. But it is no easy matter to remove the military from politics in a country such as Indonesia where it had in effect formed the backbone of Soeharto's authoritarian regime. The Soeharto regime was deeply penetrated by military officers — both active and retired — who served in civilian positions ranging from cabinet ministers, provincial governors and district heads to bureaucrats in the central and regional administration, heads of state corporations, supreme court judges and ambassadors. Active officers were appointed to represent the military in the national and regional legislatures while retired officers were prominent in the government party, Golkar. The military was also the major instrument at Soeharto's disposal for the repression of political challenges. The military's doctrine of Dwifungsi (Dual Function) was used to legitimate — at least in the eyes of soldiers — the military's 'social and political' function alongside its military function.

The collapse of the Soeharto regime in May 1998 put the military, as the regime's chief protector, on the defensive. In the final analysis the military had been unable to save Soeharto in the wake of the Jakarta riot. They knew that if they attempted to take power themselves, they would have been met by massive demonstrations and likely further rioting, not only in Jakarta but throughout the country. Although the military mainstream had long been antagonistic to Soeharto's successor, Habibie, the divided military leadership was not prepared to take the risk of moving against him. In these circumstances the armed forces' commander-in-chief, General Wiranto, pledged loyalty to the Habibie government.

Still uncertain of military backing, Habibie, who had not distinguished himself previously as a strong supporter of democratic principles, sought to win domestic and international acceptance by liberalising and democratising his regime. Of crucial importance was the lifting of restrictions on the press and other media. In the new atmosphere the military became the target of public criticism which soon developed into outright condemnation. The military was denounced for its role as chief backer of the Soeharto regime and for human rights abuses perpetrated not only in places experiencing armed rebellion such as East Timor, Aceh and Irian Jaya but almost everywhere in Indonesia, including Jakarta itself. General Wiranto even felt compelled to apologise publicly to the people of Aceh for abuses committed by his troops.

The effect of these developments was severe demoralisation in the military. Unable to respond effectively to public condemnation of its past behaviour, military officers began to search for a new rationale for its political role. Reform-minded officers on the staff of General Wiranto had for some years been discussing the need for the military to reduce its day-to-day political involvement in order to concentrate on its professional duties in the fields of defence and security. In an official seminar in September 1998 the military adopted what it called its 'New Paradigm' which did not exactly abandon its political role but envisaged its drastic reduction. Henceforth the military would only 'share' power with civilians and no longer seek to dominate the government. The reform-minded officers argued that thirty years of economic development, social change and globalisation made it impossible for the military to restore the sort of military-based regime that Soeharto had established in the late 1960s.

During the next year steps were taken to implement the 'New Paradigm'. In the negotiations over the new electoral laws, the military agreed to cut its representation in the MPR, DPR and regional DPRs by half and later agreed in principle that after 2004 the military would no longer appoint officers to the central and regional DPRs although it hoped to retain some representation in the MPR. It was also decided that the military would no longer place active officers in civilian positions in the government and bureaucracy. Although the removal of active military officers from civilian appointments did not necessarily prevent retired officers from holding such positions, democratic reforms made it much less likely that they would gain elective positions such as governor or district head. The military also cut its formal ties with Golkar and maintained a stance of neutrality during the 1999 parliamentary elections while, in the presidential election, the votes of the military group were divided

between Gus Dur and Megawati. The military also emphasised its primary duty of defending the country against external threats by separating the police force from the armed forces and handing it primary responsibility for internal security, although the army remained ready to back it up in cases where the domestic challenge proved beyond the capacity of the police to handle.

The new emphasis on defence rather than internal security was symbolised by changing the name of the department from the Department of Defence and Security to the Department of Defence and the appointment of a civilian as minister for the first time since the 1950s. That the army could no longer presume to dominate the military was indicated by the appointment of a naval officer as commander-in-chief of the defence forces, the first time ever that this position was not held by an army officer.

The military's reputation suffered a further devastating blow as a result of developments in East Timor in 1999. After repeatedly assuring the government and the public that the people of East Timor wanted to remain as part of Indonesia, the military's credibility was shattered when a UN-supervised referendum in August 1999 resulted in an overwhelming majority of 78 per cent opting for independence. Moreover, the Indonesian security forces failed to meet their obligation — under a UN-sponsored agreement — to maintain security in the period before and after the referendum. The military's blatant tolerance of, and support for, violence perpetrated by pro-Indonesian militias during most of the year culminated in the destruction of much of Dili and other towns during the three weeks after the holding of the referendum. Almost one-third of East Timor's population was forced to flee to West Timor and many tens of thousands more became refugees within East Timor itself. The military's humiliation was complete when Indonesia was forced to turn to foreign troops, under the auspices of the UN, to restore order before the final departure of the Indonesian forces.

The decision of the UN to support an international enquiry into human rights abuses in East Timor and the prospect of the establishment of an international court to try crimes against humanity forced the Indonesian government to accept domestic demands for an official national enquiry. The enquiry took evidence from a wide range of military officers, East Timorese militia leaders and victims of violence. Its report not only accused General Wiranto of failing to control his troops but named more than thirty officers to be investigated further. It was in response to this report that President Abdurrahman, after much prevarication, declared Wiranto, whom he had appointed to a senior cabinet post, to be non-active and in effect dismissed him from his cabinet. Meanwhile a similar enquiry that had been launched by the Habibie government into military abuses of human rights in Aceh recommended that five clearcut cases be brought to trial.

Despite the blackened name of the military, President Abdurrahman preferred to woo rather than antagonise it. Of the 35 ministers and officials with ministerial status in his first cabinet, six were either active or retired military officers. However, they did not form a cohesive bloc and most could not be seen as representatives of the military institution as such. The key military figure, General Wiranto, was appointed

as Coordinating Minister for Political and Security Affairs but he held office for only a few months until he was made 'non-active' in February 2000 and eventually resigned in May.

Abdurrahman had prepared himself well for his final showdown with Wiranto. Shortly after taking office he reshuffled key military commanders. Of particular importance were the appointments of Admiral Widodo Adisucipto as Commander-in-Chief of the Defence Forces and General Tyasno Sudarto as Chief of Staff of the Army. The appointment of a naval officer as commander-in-chief placed the military under the command of an officer who could not be expected to become deeply involved in army politics while General Tyasno, who had been chief of military intelligence under Wiranto, had not been Wiranto's favoured candidate for the position and was expected to prevent Wiranto from continuing to exercise informal control over the army. Three months later, in February 2000, another reshuffle of military commanders removed several senior officers who had been identified with Wiranto and strengthened the small group of reform-minded officers. Of particular significance was the appointment of Lt.Gen. Agus Wirahadikusumah to command the Army Strategic Reserve Command (Komando Cadangan Strategis Angkatan Darat — Kostrad). During December, Agus, who was one of the armed forces' leading reformist officers, had spoken publicly in a derogatory way about Wiranto and had appeared — most unusually for a serving officer — before a parliamentary commission where he called for further reduction of the military's political involvement.

Abdurrahman's successful removal of Wiranto from his cabinet without provoking a military reaction indicated that civilian supremacy was being increasingly accepted by the military whose leaders were now using this term — in contrast to their avoidance of it in the past. Nevertheless, it could not be assumed that all officers — or even a majority — had fully accepted the changes over the last two years and that civilian supremacy was completely entrenched. Although the civilian government seemed to have established its authority over the military at the centre, it remained questionable whether all military officers in the regions would willingly give up their socio-political role.

Despite the reforms of the last two years, the Army retains a formidable political presence through its territorial organisation. The Army is primarily an internal-security force in which two-thirds of its battalions are spread throughout the whole country in small 'territorial' units more or less shadowing civil government. The problem in the context of democratisation is that this territorial structure gives the Army considerable capacity to intervene in local politics under the guise of maintaining 'stability'. President Soeharto used the territorial network to manipulate civilian organisations and repress potential opposition. As long as this capacity remains intact, civilian government will continue to be vulnerable to military pressure. The territorial structure has often been criticised by civilians but only recently by military officers themselves, most notably Lt.Gen Agus Wirahadikusumah. The territorial structure is now 'under review' within the military but Agus's views are unlikely to enjoy widespread support from officers. Apart from political influence, the territorial structure places military personnel in direct contact with the civilian

population and provides many opportunities for underpaid soldiers to obtain supplementary income — both legal and illegal. Military personnel, for example, have in the past been hired out to factory owners facing industrial unrest and are sometimes involved in the protection of gambling and prostitution.

It is especially in regions affected by rebellion that the military sometimes seems able to continue to pursue its own policies in apparent conflict with the direction of government policy. This was most obvious in East Timor during 1999 when the military seemed committed to retaining the territory as part of Indonesia and deliberately undermined the government's policy of giving a free choice to the people of East Timor to determine their own future. In Aceh, too, the security forces — in this case the police — have continued to carry out offensive action against rebels at a time when the government is seeking a peaceful settlement, thus making it extremely difficult for government emissaries to win the confidence of the rebel leaders and to create an atmosphere conducive to negotiations.

Despite the dissatisfaction felt by some officers, the military at present is in no position to reassert itself politically. Undoubtedly many elements within it resent the criticism to which the armed forces have been subjected and of course regret the material sacrifices that accompany the decline in their political influence. However, there is no possibility of a successful military coup in present circumstances. The military is divided in its reactions to its new position and lacks a strategy to reassert itself. The elected Abdurrahman government continues to enjoy wide legitimacy which means that any attempt by the military to return to power would almost certainly be met with strong popular opposition. It could be expected that a military coup would be faced with massive demonstrations not only in Jakarta but throughout the nation. And experience suggests that widespread demonstrations can easily degenerate into rioting. Military officers are aware of the consequences of spiralling disorder on attempts to attract investment in order to revive the economy. And they know that the international reaction to a coup would be extremely negative. However, in the longer run, circumstances could change, especially if civilian government fails to meet popular expectations. The real test will come later if the civilian government fails to entrench its authority and loses its legitimacy.

V. REGIONAL CHALLENGES: AUTONOMY AND SEPARATISM

The prospect of national disintegration has always been a matter of anxious concern for Indonesians. The population is made up of diverse ethnic communities living in an archipelago stretching from Aceh in the West to Papua (formerly Irian Jaya) in the East. In the past it was common for ethnic communities in the Outer Islands to complain of Javanese domination and during the 1950s Jakarta faced a series of regional revolts. In several cases, Aceh and Irian Jaya, as in East Timor, armed resistance movements fought for independence. Under Soeharto's authoritarian rule, however, demands for regional autonomy were repressed. These concerns re-emerged after the fall of Soeharto and were heightened by the referendum in East Timor which stimulated demands for referenda in Aceh and Papua.

With the lifting of authoritarian constraints, demands for regional autonomy and even independence were again openly raised in other parts of the Outer Islands. Although often encapsulated as a general resentment against 'Javanese domination', the main themes included protests against the effective appointment of regional heads of government by the centre, the economic exploitation of regional resources by central interests, the failure to take account of distinctive regional cultures and traditions, and the role of the army as the ultimate guarantor of central government power. In fact the central government was by no means entirely Javanese in composition and many Outer Islanders held important positions in the central cabinet, the bureaucracy and the armed forces. It was more a case of domination by the Jakarta elite — which included both Javanese and non-Javanese — that was felt as much in the provinces of Java as it was in the Outer Islands.

The issue of regional autonomy triggered a debate between supporters of federalism and those who preferred to retain the unitary system. In the past the concept of federalism was discredited in Indonesian nationalist eyes because it had been proposed by the Dutch during the anti-colonial revolution in the late 1940s as a means to obstruct full independence. The supporters of the unitary state claimed that federalism is really a first step toward national disintegration. On the other hand, the supporters of federalism argued that the establishment of a federal system might be the only way to prevent national disintegration. The unitary state found its strongest support in Java within the nationalist PDI-P and the military while federalism had more support in the Outer Islands although the most prominent advocate of at least considering federalism was the PAN leader, Amien Rais, himself a Javanese.

Taking a middle path, the Habibie government introduced radical legislation in 1999 providing for wide regional autonomy within the existing unitary constitution. The law on regional government in principle decentralised authority over all fields except foreign affairs, defence and security, justice, monetary and fiscal policy, religion and a number of broad economic-policy areas including macro-developmental planning, state economic institutions, development of human and natural resources and high technology. The new powers, however, are not devolved to the 27 provinces but to over 300 districts throughout the country. The law explicitly envisages that the districts will be responsible for such fields as public works, health, education and culture, agriculture, communications, industry and trade, investment, the environment, land matters, cooperatives and labour. The role of provincial governments will be limited to the administration of central-government affairs in the regions, cross-district matters, and functions that the district administrations are not yet ready to handle because of the lack of trained staff. Another fundamental reform provides for the election of regional heads — provincial governors and district heads — in contrast to the practice of the Soeharto era when they were in effect appointed by the centre after transparently manipulated elections.

The regional government law was accompanied by another law on fiscal redistribution which allows regional governments to retain a substantial share of revenues produced in their regions. The regions are permitted to keep 80 per cent of revenues from forestry, fisheries and general mining, 30 per cent from natural gas

and 15 per cent from oil. The law also provides that 25 per cent of the central government's budget would be re-allocated to the regions according to a formula that takes account of both needs and economic potential. This law, however, raises potential problems for resource-poor regions. Although the law is clearly intended to mitigate the anger felt in resource-rich regions where huge profits from local projects flow to Jakarta but bring little benefit to the local people, the inevitable result will be a reduction in funds for the resource-poor regions. An official of the National Planning Agency calculated that if the laws were applied the following year, ten provinces would face bankruptcy while four resource-rich provinces would make enormous gains. 'Don't be surprised if East Kalimantan will be like Brunei and the Lesser Sundas like Ghana', he warned.⁷

The two laws contain significant ambiguities and uncertainties which are expected to be addressed in regulations to be issued gradually until the full implementation of regional autonomy in 2001. Among the concerns about the legislation is the fear that district governments will lack the manpower and sophistication to deal with some of the fields that have been assigned to them. For example, it is difficult to imagine that a district-level, or even a provincial government, would be able to exercise full authority over all activities that fall under the heading of 'communications', which includes such fields as air transport and telecommunications. It is also feared that some district governments might easily fall unduly under the influence of powerful economic interests — either foreign or domestic — such as might be the case in a district where a major mining or industrial project is located. On the other hand, investors are worried about the problems of having to deal with competing district governments instead of a single provincial government when projects involve activities in adjoining districts. Moreover, it is still unclear how disputes between districts are to be resolved where activities in one district impinge on neighboring districts, such as, for example, where a dam in one district supplies water to neighboring districts. An example of the type of issue that might become more common in the future was the recent withdrawal by a regional government of a licence for an established gold mine despite the company having the approval of the central government.

The extent to which the regional autonomy laws will satisfy regional demands will only be known after the implementation of the laws. However, it is clear that the autonomy laws will not be sufficient to overcome the deep resentments felt in two provinces — Aceh and Papua — where armed separatist movements have been operating for decades. In Aceh an armed resistance movement had resisted rule from Jakarta in the 1950s but had been largely subdued in the 1960s only to be revived in the late 1970s. In Papua armed rebels have conducted sporadic operations since the transfer of the territory from Dutch to Indonesian rule in 1963. The special nature of both Aceh and Papua was recognised in 1999 when the MPR called for legislation granting 'special autonomy' to the two provinces.

⁷ *Kompas*, 27 August 1999.

There is no single dominant factor that explains the strength of separatist sentiment in these two provinces. Both have a strong sense of ethnic distinctiveness. Acehese identity is expressed in a deep commitment to Islam and a sense of historical pride dating back to the pre-colonial sultanate. On the other hand, the emergence of a Papua-wide identity is only a recent and incomplete phenomenon although Papuans are physically and culturally distinct from other ethnic groups. Moreover their history has been different in that the province was transferred from Dutch rule long after the rest of Indonesia. Both provinces are mineral-rich and contribute far more to the national budget than they receive in return — a source of deep resentment in provinces where poverty is widespread. In addition, the people of both provinces feel threatened by the migration of Indonesians from other provinces attracted by economic opportunities, such as in the oil and natural gas-based industrial projects of Aceh or the transmigration schemes in Papua. The sense of being swamped by newcomers was particularly strong in Papua where by the 1990s about one-third of Papua's population was non-indigenous and the regional civil service was dominated by non-Papuans. Finally, separatist sympathies in both provinces were greatly exacerbated by the central government's military operations against rebels and the often brutal behaviour of troops.

Military repression in Aceh was particularly severe during the 1990s when suspected rebels were routinely tortured and often killed. Following the fall of the Soeharto regime, military atrocities were widely publicised and in August 1998, as mentioned above, General Wiranto felt compelled to apologise publicly to the people of Aceh for crimes committed by his soldiers. Despite Wiranto's apology, however, military abuses continued and it was virtually routine for soldiers or police to beat residents and burn their houses in villages suspected of pro-separatist sympathies. In mid-1999 President Habibie appointed a commission to enquire into human rights abuses in Aceh and the committee eventually identified five cases which it recommended should be brought to court. Preparations for trials moved slowly and it was only in April-May 2000 that the first trial was held — but only after the chief suspect had absconded.

Meanwhile massive strikes and demonstration were held to support the demand for an East-Timor-style referendum on independence. Public support for independence was so strong that even the commander of the military region which included Aceh admitted that the people would choose independence if a referendum were held.⁸ The new president, Abdurrahman Wahid, indicated his sympathy for Acehese demands but publicly prevaricated on whether a referendum could be held. In the end, however, he rejected the possibility of independence for Aceh but offered instead to hold a referendum on the implementation of Islamic law — a proposal which fell far short of Acehese demands. During the next six months the government made contact with separatist leaders and in May 2000 an agreement was reached for what was called a 'humanitarian pause' in hostilities. This very tentative and ambiguous agreement may open the way for more talks and put an end to, or at least reduce, the clashes between the police — who had taken over responsibility for internal security — and rebels that have killed at least 300 people

⁸ *Kompas*, 12 November 1999.

so far this year. The prospect of Acehnese independence, however, remains a serious threat to national integrity.

The fall of Soeharto was also followed by increasing demands for independence in Papua. The leadership of the struggle for independence passed from the guerrilla fighters in the villages to prominent public figures in Jayapura and other cities who had become alienated from Indonesian rule and saw the new circumstances as offering new prospects. In an extraordinary indication of the changing atmosphere a delegation of 100 Papuan leaders was received by President Habibie in his palace in February 1999 where they openly demanded independence — an occurrence that would have been unthinkable during the Soeharto era. Agitation continued throughout 1999 and the first part of 2000 but, unlike Aceh, the guerrilla movement seemed to be running out of steam. Instead of the repression of the Soeharto regime, the Abdurrahman government kept open its lines of communication with the Papuan nationalists and engaged them in discussion. Nevertheless, most observers believed that if a referendum were held in Papua, the majority would support independence.

Apart from Aceh and Papua, no other province possesses a credible independence movement. In oil-rich Riau in Central Sumatra, local leaders have occasionally called for independence but they are urban politicians who are hardly likely to opt for armed resistance in the jungle if their demands are not met. On the contrary, the Riau leaders seem more concerned with gaining a larger share of oil revenues for their own province. In South Sulawesi, also, students have occasionally raised the independence slogan in demonstrations but their protests were usually triggered by what they saw as insults to provincial pride such as when President Habibie failed to be re-elected as president and when President Abdurrahman dismissed a prominent South Sulawesi minister from his cabinet. In other provinces, including oil-rich East Kalimantan, local demands seem to have been mitigated, at least so far, by the new laws on regional autonomy.

Despite speculation in the international press about the possible 'Balkanisation' of Indonesia, the fact is that only two provinces — Aceh with a population of 4 million and Papua with 2.5 million out of a total Indonesian population of 220 million — have separatist movements that could conceivably succeed. In both provinces popular sentiment strongly favours independence. However, in contrast to Soeharto's heavy reliance on repression, the Abdurrahman government, like the Habibie government before it, has emphasised the need for dialogue and a political approach in both provinces and hopes to reach compromises on the basis of extensive and special autonomy. Whatever the outcome of these dialogues, the prospects of Jakarta permitting either province to break away still seem remote. But even if one or both did succeed in winning independence, this need not lead to 'falling dominoes' as there are hardly any serious independence movements in other provinces. Moreover, while the few potential 'Bruneis' might have some economic incentives to seek independence, the many potential 'Ghanas' and 'Bangladeshes' do not.

Other provinces afflicted by widespread violence, in particular Maluku and West Kalimantan, constitute serious problems for the central government but, in contrast to the picture often presented in the international press, these are not cases of separatism but inter-communal conflict.

VI. COMMUNAL CONFLICT AND SOCIAL DISORDER

There is no easy solution to the challenges caused by communal conflict. Each case has its own history and own peculiarities. It is almost impossible to find a case of 'pure' ethnic or religious violence in which communities fight each other simply because they belong to different ethnic groups or different religions. In virtually every case there are significant economic differences between the communities involved. Often political rivalries exacerbate conflict as rival elite groups attempt to bolster their positions by rallying grassroots support. In many cases straightforward criminal motives are not far from the surface. And the common perception that elements in the military are somehow involved probably contains more than a grain of truth although it is difficult to prove.

Indonesia's national motto, 'Unity in Diversity', encapsulates the aspiration to form a single nation consisting of the many ethnic communities living within the state's boundaries. During the Soeharto era, the state security apparatus dealt severely with racial, ethnic and religious conflict that threatened social stability and national unity. Nevertheless, particularistic identities remained strong in many parts of Indonesia and from time to time came into conflict in the form of rioting and fighting. Following the fall of the Soeharto regime, communal conflicts broke out in many parts of the archipelago. Ethnic tensions were undoubtedly exacerbated by the post-1997 economic collapse and the massive impoverishment that it caused. At the same time, the capacity of the government's security apparatus to deal with communal conflict was undermined by the dismantling of Soeharto's authoritarian regime and the consequent discrediting of the military and police.

One manifestation of communal tension was anti-Chinese rioting. Many indigenous Indonesians have never fully accepted the Indonesian-Chinese — constituting about 3-4 per cent of the population — as true members of Indonesian society even though most spoke no Chinese and had few direct ties with China. The Chinese, who are disproportionately prominent in trade and commerce, are commonly perceived by indigenous Indonesians as 'exploitative', 'exclusive' and 'arrogant'. The commercial centres of small towns are often dominated by Chinese traders while at the national level Chinese businesspeople manage most of the major private-sector commercial, financial and industrial enterprises. As a tiny minority, the Chinese community had few political resources with which to protect themselves against marauding politicians and bureaucrats who, since the founding of the republic, had routinely 'squeezed' Chinese business to raise funds for political and personal purposes. Under Soeharto's New Order this initially took the form of partnerships between military officers and Chinese business in which the military took a share in profits in exchange for providing protection and preferential access to contracts, concessions, credit, licences and other facilities. Later, politically connected civilians

— often the children or relatives of senior government officials — became the major partners of Chinese tycoons.

Chinese-Indonesians often became scapegoats for the venting of popular frustrations, especially those of urban Muslim communities which saw the Chinese not only as racially, but also religiously, distinct. The vulnerability of the Chinese in general was aggravated by the unpopularity of the big Chinese tycoons linked to the Soeharto family, other senior officials and the military. Political protesters who wanted to avoid the dangers of direct attacks on the president and the military sometimes focused on the Chinese as both 'soft targets' and 'proxies' for the regime. The big Chinese tycoons linked to the regime at the highest level were of course well protected from mass violence which in practice was directed at 'ordinary' Chinese shopkeepers and businesspeople. Anti-Chinese rioting in regional towns was not uncommon throughout the Soeharto era but became more frequent during the last few years of his rule. Even before the economic crisis, several small towns had experienced anti-Chinese rioting which intensified after the economic collapse. Although Muslim youth organisations were often involved, it was widely believed that military officers may have also been encouraging a modicum of social disorder for their own political purposes. According to common speculation, one motive may have been to remind the people that the army's political role was still needed while others linked the upsurge in racial violence to intra-army factionalism.

Anti-Chinese rioting culminated in the huge riot that hit Jakarta on 13-14 May 1998 and led directly to the resignation of President Soeharto the following week. The death toll of more than 1200 included many indigenous Indonesians who had been caught in burning shopping malls but the main target was the Chinese community. Many buildings in Jakarta's Chinatown were burnt but the destruction extended also to other parts of the capital and to the city of Solo in Central Java. Several hundred Chinese were killed by rampaging mobs and many others injured while at least dozens of Chinese women were raped. The rioters seemed to be mainly from the Jakarta lumpenproletariat that had been badly hurt by the economic recession. Many people, however, claimed that those elements of the military who had allegedly been involved in earlier rioting also stood behind this riot. The most widely believed story speculated that a dissident military faction led by the president's son-in-law had created the chaos in order to convince Soeharto to hand over emergency powers to the leader of that faction. This speculation was treated seriously by the official enquiry into the rioting although no firm conclusions were reached.

The Jakarta riot caused many wealthy Chinese to flee the country while those who remained were reluctant to re-open their shops and businesses. It was estimated that many billions of dollars of Chinese capital left the country while domestic distribution networks were disrupted. The new government of President Habibie had little success in persuading Chinese to bring their capital back to Indonesia while some of his ministers seemed to welcome the flight of the Chinese as an opportunity to support the emergence of indigenous business. Habibie himself initially seemed ambivalent on the Chinese question although economic realities soon forced him to try to attract Chinese capital back to Indonesia. It was only after the election of President Abdurrahman Wahid in October 1999 that the Chinese community began

to feel more confidence. Abdurrahman himself was widely known for his lack of racial prejudice. His public statements recognised the Chinese as an important part of the Indonesian nation and he appointed a Chinese to the key position of Coordinating Minister for the Economy, Finance and Industry. Restrictions on Chinese culture and the use of Chinese language were removed and for the first time in more than three decades the Chinese New Year was celebrated openly in February 2000.

Although anti-Chinese sentiments have remained strong and sporadic attacks still take place, the overall level of anti-Chinese violence declined drastically after the May riot. By the year 2000, there were signs that some Chinese capital was returning although many more businesspeople continued to adopt a 'wait-and-see' attitude. While Chinese in general had some confidence in the Abdurrahman government, they were not certain that it would last and they feared the possibility that a new government might revive old attitudes.

Violence directed at Chinese, however, was not the only inter-communal problem facing Indonesia. During the two years after the fall of Soeharto, violence between indigenous ethnic communities became commonplace. In most cases such rivalry had a long history although it had been largely suppressed during the Soeharto era. In many cases, the rivalries also involved religious differences, particularly between Muslims and Christians. In some regions, competition between communities had been exacerbated by the migration of people seeking opportunities for economic betterment either as traders, labourers or as settlers on government-sponsored transmigration projects.

The worst case of ethnic and religious violence was in the province of Maluku where fighting broke out between Muslims and Christians in the provincial capital, Ambon, in January 1999, sparking province-wide conflict which caused between 2000 and 3000 deaths during the next twelve months. Maluku's two million people were more or less evenly divided between Muslims and Christians although Christians were predominant in Ambon itself. Tensions between Muslims and Christians go back at least to the late 1940s when many Christians were opposed to remaining as part of Indonesia. After independence, Christians, who had obtained better educational opportunities during the colonial period, continued to be predominant in provincial administration until the 1990s when a Muslim governor made Muslim appointments which were seen by Christians as being at their expense. Meanwhile the ethnic composition of the province had been changing over several decades as a result of migration of Muslims from Sulawesi, especially ethnic Bugis, Butonese and Makassarese who became prominent in small-scale trade and transportation. In local politics the influx of Muslim Bugis strengthened the position of the Muslim Ambonese against the Christian Ambonese.

It was in this context that a minor altercation between an Ambonese Christian public-transport driver and a Bugis Muslim youth triggered a virtual civil war which soon spread to other parts of Maluku and has not yet been resolved. In the case of Maluku, ethnic identities were submerged by religious loyalties as Ambonese Muslims joined forces with Bugis Muslims against Ambonese Christians. Although each side

blames the other for the conflict, the result is that both communities have suffered heavy casualties and damage.

Another severe case of ethnic conflict occurred in Sambas, a district in the north of West Kalimantan, in February and March 1999. In West Kalimantan, also, there was a history of ethnic conflict going back many years and the most recent severe clash had occurred only two years earlier in 1996-1997. In Sambas, the indigenous Malay and Dayak communities felt threatened by the influx of migrants from Madura, an island off East Java, who had joined government-sponsored transmigration projects in West Kalimantan. The migrant Madurese and the indigenous Malays are Muslim while the Dayaks, a tribal community from the interior of Kalimantan, are mainly Christian or animist. In this case, however, the two indigenous communities joined together to drive out the Madurese despite their religious differences and the common religion of both the Malays and the Madurese. According to official estimates, nearly 200 — mainly Madurese — were killed and virtually the entire Madurese population fled from the district.

The Maluku and West Kalimantan cases were only the most extreme cases of ethnic and religious violence. In November 1998, a clash between Muslim and Christian gangsters in Jakarta motivated Christians over a thousand miles away in Kupang, West Timor, to destroy mosques. Renewed fighting in Ambon in early 2000 was followed by attacks on churches and Chinese shops on the island of Lombok, hundreds of miles away. In Sumatra, Javanese transmigrants in both Aceh and Jambi were forced to flee when they were attacked by local residents and their houses burnt. Christians and Muslims killed each other in Poso, Sulawesi, while rival migrant communities fought on the island of Batam. Clashes between ethnic and religious communities had become commonplace. In February this year the Minister of State for Human Rights, Hasballah Saad, estimated that 300,000 Indonesians were currently refugees as a result of fighting in their home regions.⁹

In Maluku and West Kalimantan, as well as other regions affected by communal violence, local leaders do not demand that the central government's military and police be withdrawn — as they do in Aceh and Papua, and previously did in East Timor — but call on Jakarta to provide more, and most importantly, 'neutral' troops and police. In Maluku, in particular, the conflict had initially been unmanageable because local Ambonese military and police personnel themselves consisted of Christians and Muslims who tended to side with one or other of the warring factions. It was only when 'neutral' troops from Java arrived that the level of conflict subsided. In this respect, Indonesia's withdrawal from East Timor made it possible to increase the number of troops — military and police — stationed in Maluku from only about 6000 in November 1999 to over 11,000 in January 2000.¹⁰

⁹ *Kompas*, 28 February 2000.

¹⁰ *Kompas*, 6 December 1999; *Gatra*, 22 January 2000.

There is no short-term solution to communal violence. While the presence of adequate security forces is essential, in most cases it will take years to restore conditions that will enable ethnic and religious communities to live peacefully together. Despite the regularity with which ethnic conflict has occurred in Indonesia, however, the conclusion should not be drawn that the whole country is on the point of breaking apart. In reality a large majority of Indonesians live peacefully in areas which have not been torn asunder by communal conflict.

VII. ESTABLISHING THE RULE OF LAW

Indonesia's social disorder can be linked to ubiquitous lack of confidence in the rule of law. The main instruments for the application of law — the judiciary, the attorney-general's office and the police — have been subjected to political pressures in the past and are infested with corruption from the lowly traffic policeman to the judges of the Supreme Court.

Under Soeharto's New Order, the president appointed Supreme Court judges whom he expected would be amenable to his influence. In fact, the chief justice and other senior judges were often military officers. According to one disaffected former Supreme Court judge — who was forced off the bench after he revealed a case of collusion involving his brother judges — Soeharto 'never summoned a judge to give instructions himself. Rather he used subordinates in the ministries and military command to approach judges'.¹¹ During his short tenure, Soeharto's successor, President Habibie, concentrated more on influencing investigation and prosecution. Habibie was under enormous public pressure to investigate and prosecute the former president and the various cronies and officials who had prospered from the corrupt deals which were the norm during the Soeharto era. One attorney-general was summarily dismissed when he produced evidence implicating Soeharto in corrupt activities and another was instructed — as revealed in a leaked recording of a telephone conversation — to make sure that further investigation of Soeharto proceeded very slowly. In October 1999, as the MPR convened for the presidential election which Habibie was expected to lose, his attorney-general suddenly announced that the investigation of allegations against Soeharto had stopped for 'lack of evidence'. Meanwhile, in the same week, a long-running case against Soeharto's son, Tommy, resulted in a 'not guilty' verdict, to the amazement of most legal observers.

The attorney-general in the Abdurrahman government is Marzuki Darusman, a widely respected reform-minded Golkar politician who had served previously as chairman of the National Human Rights Commission. Under Marzuki, the investigation of Soeharto and his children was revived with renewed vigour. The former president was placed under 'city arrest' in April and then house arrest in May while one of his most prominent cronies, Mohamad 'Bob' Hasan, was detained. Marzuki also proceeded

¹¹ Adi Andojo Soetjipto, 'Legal Reform and Challenges in Indonesia', in *Indonesia in Transition: Social Aspects of Reformasi and Crisis*, edited by Chris Manning and Peter Van Dierman (Singapore: Institute of Southeast Asian Studies, 2000).

with the investigation of the 'Bank Bali scandal' which had surfaced during the Habibie administration and threatened to lead to the prosecution of officials close to the then president.

The Abdurrahman government has not attracted allegations of interference with the judiciary in order to protect political and commercial allies or family members but has been accused of a different type of intervention. Gus Dur proposed the appointment as chief justice of Benyamin Mangkoedilaga, a retired judge who had never served on the Supreme Court but who won national acclaim in 1995 when he ruled in favour of the magazine, *Tempo*, which had been banned by the Soeharto government. In the past it has been the practice for the chief justice to be selected from current senior Supreme Court judges — who are now protesting against the president's 'political interference'. The final choice has not yet been made. Gus Dur's preference for an 'outside' appointment reflects the widespread perception that the Supreme Court — like the rest of the judiciary — is so completely riddled with corruption that it cannot be reformed from within.

The extent of corruption within the judiciary is suggested by the failure of the courts to respond to allegations that have appeared openly in the press. The claim of the independent Indonesian Corruption Watch that only five of 41 Supreme Court judges cannot be bought remains unrebutted.¹² A prominent professor of law who is now head of the National Law Commission estimated that more than 80 per cent of all judges and 90 per cent of Supreme Court judges were involved in collusion.¹³ Lawyers claim that the bribing of judges is routine and often compare civil cases with auctions. According to one lawyer quoted in the press, judges in the Jakarta provincial court 'would not even look at your case if you could not come up with at least Rp. 75 million' (US\$10,000) while another estimated that around Rp. 2 billion (US\$250,000) was needed in 'big' cases.¹⁴ In criminal cases corruption is no less extensive among prosecutors of the attorney-general's department and the police. Prosecutors have the power to drop ordinary cases while, in highly publicised cases, it is possible to prepare such a weak case that the judge can reject it without excessive embarrassment.

Part of the problem lies in the very low salaries of judges and prosecutors compared to many of those brought before them. The net income of a Supreme Court judge is slightly less than Rp 10 million (US\$1,300) per month while the chief judge of the Jakarta provincial court receives around Rp 4.5 million (US\$ 600).¹⁵ The temptations that a judge faces when presiding over cases involving hundreds of thousands or even millions of dollars are obvious but similar considerations apply throughout the entire legal system. A legal culture has evolved in which the exchange of money is routine. In Indonesia's present economic circumstances, however, a significant increase in the salaries of judges and prosecutors is not possible. In any case, once a

¹² *Kompas*, 23 March 2000.

¹³ *Tempo*, 23 April 2000.

¹⁴ *Kompas*, 23 March 2000.

¹⁵ *Tempo*, 23 April 2000

culture of corruption is established, it usually takes more than salary increases to root it out.

Respect for the rule of law has also been weakened by the slow progress of measures taken by the government to make military officers accountable for human rights abuses. During the 1990s in the latter part of the Soeharto era when the government was under heavy international pressure on human rights issues, soldiers accused of human rights violations were occasionally court-martialled but they always received sentences which were extraordinarily light by international standards while those charged never included senior officers. The public revelations of massive human rights abuses after the fall of Soeharto triggered further pressures — both domestic and international — which pushed the Habibie government and the military leadership to take some action. In 1998 soldiers of the Special Forces involved in kidnapping and torturing radical activists were convicted but the most senior officer among them was only a major and the former commander of the Special Forces, Lt. Gen. Prabowo Subianto (Soeharto's son-in-law), was not charged but only dismissed from the military. In Aceh, a major was convicted of beating prisoners to death in January 1999 but other cases of abuse were not brought to court. It was only in the middle of 1999 that President Habibie appointed a commission of enquiry into human rights abuses in Aceh and later in the year the government endorsed an enquiry by the National Human Rights Commission into killing and destruction in East Timor.

The Abdurrahman government has the task of implementing the recommendations of these enquiries. In each territory, five major cases were identified as requiring immediate prosecutions. After several delays, 24 military personnel and a civilian were convicted in May 2000 for the killing of a pro-separatist religious teacher and more than 50 of his followers in Aceh. However, this case has caused much disquiet because the officer in charge of the troops — a lieutenant-colonel — has 'disappeared' while the ordinary soldiers who carried out the killings claimed that, as soldiers, they were obliged to follow the commands of their commanding officer. Moreover, the disappearance of the commanding officer makes it difficult to ascertain whether he himself had received orders from officers higher in the military hierarchy.

In the case of East Timor, more than 30 officers, including General Wiranto, were named and are currently being investigated by a joint team consisting of members of the attorney-general's office, military police, the national police and the department of home affairs. A major problem facing the East Timor investigation, however, is the absence of appropriate human rights legislation. The ordinary penal code applies only to direct perpetrators of crimes with the result that senior officers, unless it can be proved that they issued direct commands, cannot be prosecuted. The DPR is currently considering a draft bill to establish a Human Rights Court which covers not only direct perpetrators of crimes but also officers who fail to prevent their subordinates from committing gross human rights violations. However, a provision in the original bill to permit retroactive prosecution has been withdrawn. Without the retroactive clause, it will be impossible for human rights crimes in East Timor to be prosecuted by the Human Rights Court when it is established. The current draft bill, however, permits the president, on the proposal of the DPR, to establish special ad

hoc Human Rights Courts to try human rights offences retroactively. But, if the slow progress of the current bill through the DPR is any indication, there is no certainty that the DPR would pass the necessary resolution to establish an ad hoc court for the East Timor case. Because of these difficulties the Indonesian government is now considering the establishment of some sort of Truth and Reconciliation Commission.

Moves have also been taken to make military officers accountable for earlier abuses. The Abdurrahman government appointed a reformist Chief of Police who quickly began an investigation of the 1996 attack by security forces on the headquarters of the Indonesian Democratic Party (Partai Demokrasi Indonesia — PDI) in Jakarta. The attack followed a party congress in which government officials had intervened to ensure the overthrow of Megawati Soekarnoputri as party chairperson. Reports that many of the defenders of the party office had been killed or wounded were denied by the government at the time. Among the senior military officers who have been compelled to undergo intensive police interrogation are the former commander-in-chief of the armed forces, General Feisal Tanjung, the former military chief of staff for socio-political affairs who later served as Minister for Home Affairs in the Habibie cabinet, and the former army commander of the Jakarta region who is now governor of Jakarta.

In another government-backed enquiry, a board of the National Human Rights Commission is enquiring into the shooting of Muslim demonstrators at Jakarta's port, Tanjung Priok, in 1984. Among the notable former military leaders called to give evidence before the enquiry were the former military 'strongman' and Minister for Defence and Security, General Benny Murdani, and the former Vice President, General Try Sutrisno, both of whom had also served as commander-in-chief of the armed forces. In the case of the police investigation of the attack on the PDI headquarters, the next step would be for the police to recommend that the attorney-general's office prepare charges while in the case of the Tanjung Priok investigation, the Human Rights Commission would need to hand over its recommendations to the police for further investigation.

Both President Abdurrahman and his attorney-general, Marzuki Darusman, have long records of support for the rule of law but the challenges they face are enormous and potentially overwhelming. Significant steps have been taken to investigate and charge those involved in both massive corruption and human rights abuse under the old regime but progress is slow. Corruption among police, prosecutors and judges pose obstacles at every step on the way. The president, in his own casual and confusing way, has promised to grant amnesties to any former presidents or commanders-in-chief who are convicted. But, as is often the case with Gus Dur, there is probably some 'method in his madness'. Even if the investigation of former President Soeharto and the possible investigation of former President Habibie, as well as the humiliating interrogations of former military commanders, do not lead to trials and convictions, they will serve as strong warnings to present and future leaders and thus, hopefully, restrain the misuse of power.

VIII. ECONOMIC STAGNATION: OBSTACLES TO RECOVERY

Ultimately the durability of the political reforms carried out during the last two years will be at risk if economic recovery continues to be delayed. Indonesia was the hardest hit among the Asian economies affected by the Asian financial crisis of 1997 and its recovery has been the slowest. In contrast to average GDP growth of 7 per cent between 1993 and 1997, the Indonesian economy contracted by a massive 13 per cent in 1998 and remained virtually stagnant during 1999. Some signs of renewed growth were seen during the first few months of this year and the government is now targeting a growth rate of 3-4 per cent. The government's economic strategy has in effect been determined for it by the IMF on which it is dependent for financial support. The government signed a Letter of Intent with the IMF in January but the disbursement of new funds was postponed when the implementation of agreed measures had not been completed by March 31. In April the Paris Club — consisting of Indonesia's main creditors — agreed to reschedule debts of \$5.8 billion provided that Indonesia's implementation of the IMF program was satisfactory. Meanwhile the value of the rupiah against the US dollar had declined from Rp 6685 in late October 1999 immediately following the election of the new government to Rp 8775 at its lowest point on 14 May 2000. In late May the IMF accepted a new Letter of Intent from the Indonesian government and the disbursement of funds resumed.

The IMF's representative in Jakarta identified four fundamental obstacles to economic recovery that need to be overcome — the lack of a functioning banking system, the huge level of unrestructured private corporate debt, 'lack of confidence' (a euphemism for corruption) in public institutions, including the courts, and lack of capital available for investment.¹⁶

During the Soeharto period, seven state banks, which controlled about half of the banking system's assets, had been treated as cheap sources of capital by the Soeharto family and other officials while the owners of many of the 238 private banks routinely violated legal provisions limiting borrowing by related companies to 20 per cent of total loans. The financial crisis left the banking system in a state of collapse with more than 70 per cent of loans estimated to be non-performing. The government responded by establishing the Indonesian Bank Restructuring Agency (IBRA) with responsibility to recapitalise the system. The state banks were recapitalised and reorganised while the private banks were either closed, nationalised, recapitalised or permitted to continue operations if assessed as still viable. In effect about 80 per cent of the banking sector fell under state ownership either through the state banks or IBRA. The recapitalisation program has been financed by issuing government bonds and the total cost has been estimated to equal about half of the GDP. This cost will be partly reduced by the eventual privatisation of the nationalised banks and the sale of shares held by IBRA in private banks and other assets held as collateral. So far, however, only a tiny proportion of these assets have been sold. The cost of the bail-out of the banking system will continue to be a huge drain on state finances for many years. Government debt now

¹⁶ *Jakarta Post*, 23 March 2000.

stands at 92 per cent of GDP and debt servicing takes up 45 per cent of government revenues.¹⁷ Meanwhile the surviving banks are still cautious about returning to normal banking activities.

A second major obstacle to full economic recovery is the unstructured debt of the corporate sector. During the pre-crisis years many Indonesian companies had taken advantage of financial liberalisation which provided opportunities to obtain relatively cheap overseas loans denominated in US dollars or other foreign currencies. As long as the Indonesian rupiah maintained its value there was no problem but the collapse of the rupiah to around 70-80 per cent of its pre-crisis value made most of the companies listed on the Jakarta stock exchange 'technically bankrupt' — they remained in business only by not servicing their loans. In these circumstances, of course, such firms could not expect new loans to finance further ventures. By February 2000 only 19 among more than 330 indebted companies registered under the Jakarta Initiative scheme had reached final restructuring agreements while it was estimated that debts under this scheme made up only about one-third of the total foreign private debt.¹⁸

The IMF Jakarta representative also identified 'lack of confidence in public institutions' as a further major obstacle to recovery. In particular he referred to the courts which, as discussed above, are riddled with corruption. In this context the issue of bankruptcy is central. Indonesia's commercial law is inherited from the colonial era and until 1998 lacked modern bankruptcy provisions. At the insistence of the IMF, a new bankruptcy law was adopted in 1998 but by the end of 1999 only one-fifth of a mere 130 cases had ended with judgements in favour of creditors. Given the susceptibility of judges and prosecutors to bribery, it is commonly believed that some, probably many, defendants have escaped bankruptcy by this means. More broadly, corruption within the government in general continues to apply a brake to economic activity. During the Habibie administration, confidence in the integrity of the government was shattered by the notorious Bank Bali case which continues to create controversy in the courts. In April this year a judge freed one of the major defendants in this case on the grounds that the offence, which involved suspected corruption of public officials, fell under civil rather than criminal law, but the attorney-general's appeal was upheld by a higher court and the case is now proceeding under a new judge. Recently much concern has been expressed about potential openings for corrupt behaviour in IBRA and the state corporations which now own so much of the commercial and industrial economy.

The final major obstacle mentioned by the IMF spokesman is the reluctance of investors — both domestic and foreign — to provide capital for investment in Indonesia. Even the Coordinating Minister for the Economy, Finance and Industry, Kwik Kian Gie, admitted in an unguarded moment that 'if I were a foreign investor, I

¹⁷ Mark Baird, 'WB Role in RI: What Else to be Done?', Jakarta Post, 16 May 2000.

¹⁸ George Fane, 'Survey of Recent Developments', *Bulletin of Indonesian Economic Studies*, 36:1, April 2000, p. 37.

wouldn't come to Indonesia'.¹⁹ Many of the concerns of potential investors in this respect are as much non-economic as narrowly commercial.

The anti-Chinese rioting in Jakarta in May 1998 and earlier rioting in other parts of Indonesia led to the sudden departure of many Chinese businesspeople together with their capital. Traumatized by their experiences, it is hardly surprising that many have preferred to remain abroad or at least have kept much of their capital overseas. Despite the measures taken by the Abdurrahman government to restore Chinese confidence, many remain unconvinced and are still unwilling to invest again on a large scale in Indonesia. And, as long as Chinese-Indonesians are unwilling to invest, it is difficult to convince foreign investors.

Democratic change and the removal of many of the old restrictions on strikes and protests have also exacerbated the worries of investors. Reportedly some foreign companies, including Japanese electronics firms, have stopped production rather than meet worker demands. The occupation of a power plant by protestors on Batam Island had a negative impact on potential investors in nearby Singapore. In many places rural people have protested against previous transfers of land to foreign and domestic investors at the expense of local people who received only minimal compensation. Reportedly over 50 timber companies in Irian Jaya, Kalimantan and Sulawesi were forced to halt operations due to fear of conflict with local people and in a number of cases access to mines was blocked by aggrieved local residents. In North Sumatra the Indorayon rayon and pulp plant was forced to step production by local residents protesting about pollution.

The consequences of the general erosion of social order that followed the economic crisis have also influenced investors' decisions. Looting has been commonplace and has affected, for example, teak forests, prawn farms and various agricultural crops while illegal logging has become widespread. It has also been common for trucks transporting goods to domestic markets or ports to be intercepted and their cargoes stolen. More generally, the increase in crime and the perception that some criminal activity is backed by elements in the police and military creates a negative impression. Occasional clashes between police and military personnel — possibly over 'rights' to exploit certain 'territories' — further undermine confidence in the forces responsible for the maintenance and security and order. These trends, of course, have implications not only for investment but for the long-term stability of the nation. Unless the present economic stagnation is overcome, employment opportunities will remain limited and social tensions might easily rise again.

So far the government's efforts to reverse the negative investment climate have met with only limited success. Businesspeople often express reservations about the effectiveness of President Abdurrahman's team of economics ministers whose backgrounds have included business, economic journalism, management, banking and military service but not macroeconomic policy-making. Like the other ministers in his cabinet, the appointment of the economics ministers was conditioned by the bargaining between political parties that preceded the formation of the cabinet and

¹⁹ *Jakarta Post*, 12 May 2000.

the political jockeying for power that followed it. In contrast to the economist-technocrats of much the Soeharto era, Gus Dur's economics ministers are far from constituting a cohesive team with a common vision. The four key ministers initially included two from the PDI-P, one from Golkar and a fourth from PAN but the Golkar minister and one of the PDI-P ministers were replaced in May by one from Gus Dur's own religious organisation, the NU, and another from the army. The reshuffle does not appear to have enhanced the capacity of the ministers to manage macroeconomic policy. Some, of course, might say that this does not matter because macroeconomic policy is determined by the IMF in any case. Nevertheless Gus Dur has appointed a technocrat-dominated National Economic Council headed by Professor Emil Salim to provide economic advice together with the Indonesian Business Development Council headed by an Indonesian-Chinese businessman, Sofyan Wanandi.

For the next few months it seems likely that uncertainties about economic policy will be exacerbated as the national leadership focuses on the coming MPR session in August. Whatever initiatives Gus Dur takes in the economics field are likely to be coloured by his need to galvanise sufficient support in the MPR to counter any possible challenge to his leadership.

IX. THE CRISIS CONTINUES: CONCLUSIONS AND RECOMMENDATIONS

The Indonesian political landscape has been transformed during the last two years in ways that could not have been predicted when Soeharto was still in power. The last two years have seen substantial advances toward democratisation. The Soeharto regime's repressive apparatus has been tamed — although not completely dismantled — and the military has been pushed far from the centre of the political stage. Civil liberties have been restored with the release of political prisoners, the establishment of an extremely free press and the invigoration of civil society organisations. In place of the fraudulent elections designed to 'legitimise' Soeharto's rule, the nation now has a government elected freely through a democratic process in which dozens of parties competed for popular support. And, in contrast to the highly centralised Soeharto regime, far-reaching legislation has provided for substantial regional autonomy that is to be implemented gradually during the next year. Faced with the threat of possible national disintegration, the achievements of both the Habibie and Abdurrahman governments in holding the country together need to be acknowledged. The result of these developments is that Indonesia now has a government that enjoys widespread popular legitimacy.

The Indonesian crisis, however, is by no means over. The challenges facing the country are truly enormous and will take years to overcome. While the political achievements of the Abdurrahman government are widely praised, huge questions continue to hang over its economic performance and its capacity to return the country to the high rate of economic growth that it needs to strengthen social and political stability. If the economy remains stagnant, social tensions will be difficult to contain, let alone resolve, and the country will continue to be vulnerable to ethnic, religious, class and regional conflict. Despite the government's sensitive handling of

separatist aspirations in Aceh and Papua, the prospect of renewed fighting cannot be dismissed while regionalist agitation in other provinces can be expected if the new regional autonomy laws fail to satisfy local demands. Ultimately, failure to deal with such issues will contribute to the undermining of general political stability and revive the twin spectres — descent into chaos or the restoration of authoritarian rule.

The immediate political future of Indonesia will be determined when the MPR meets in August. During the last few months President Abdurrahman has been subjected to growing criticism. Gus Dur's engaging habit of speaking his mind — a habit he acquired as one of Indonesia's most provocative public intellectuals during the decades before he unexpectedly won the presidency — has stirred much public debate on issues that are not always central to the government's main responsibilities. For example, his call to open trade relations with Israel, welcome as it was internationally, stirred up much of the Muslim community, and his proposal to lift the New Order's ban on Marxism and communism brought forth a barrage of public condemnation. The running commentary that he provided to the press on policy toward the Aceh problem and his intentions in regard to General Wiranto were often full of contradictions and created much confusion — although, as his supporters quickly point out, he usually gets what he wants in the end. In April he alienated the two leading parties in his coalition — PDI-P and Golkar — by dismissing two ministers from those parties and replacing them with ministers from his own organisation and the army. He has also upset elements in the military by interfering in military appointments to promote officers on whom he feels he can rely while his proposals for dealing with the falling exchange rate revealed his own lack of economic expertise. Most damaging has been the appointment of old friends — including one of his brothers — to government positions which offer opportunities for party fund-raising although the brother quickly resigned when his appointment became publicly known.

The president's vulnerability at the coming MPR session arises from his own party's weak position (with only 58 of the 695 seats) and the uncertain loyalty of the coalition of parties and groups that gave him victory last October. In particular the Muslim parties of the Central Force (with about 131 seats) led by the MPR chairman, Amien Rais, seem to have turned against him while Golkar (with 182 seats) appears to be wavering. Aware that the Central Force and Golkar alone could not depose the president, it seems that some anti-Gus Dur leaders have been suggesting to the vice-president, Megawati, that she could lead the challenge and thus muster the 185 PDI-P members behind the move. If this move materialised it would represent a complete reversal of the alignments that led to Gus Dur's victory. Last year the Central Force proposed Gus Dur primarily because they wanted to prevent the election of Megawati. Presumably its leaders are now calculating that Megawati would be forced to form a government in which they would be heavily represented. On the other hand, public doubts about Megawati's leadership capacity are widespread and may persuade many MPR members to withhold support for her. There is also an awareness among many leaders — including those of Golkar and the Central Force — that the overthrow of the president after only ten months in office might set a dangerous precedent for the future and revive fears that democracy means nothing more than a return to the unstable politics of the 1950s.

Indonesia's political and economic future is thus uncertain. The Indonesian crisis at the moment cannot be described as acute. The nation faces serious political, regional, communal, legal and economic challenges but it is not on the point of breaking up and descending into chaos. On the other hand, the challenges are chronic in the sense that so far the government has not been able to show the way forward to a permanent resolution of these challenges. How long the chronic crisis can develop without becoming acute is of course an open question.

In reacting and responding to the ongoing chronic crisis in Indonesia, it is important that the international community be sensitive both to what has been achieved, and to the fragility of the present situation.

The international community must appreciate that Indonesia has undergone a period of extraordinary political change that has been accompanied by massive economic decline and social upheaval. The consequences have been such that at times the nation seemed to be falling apart as communal and other conflict broke out in many parts of the country. But Indonesia has in fact held together and, in most unpropitious circumstances, established a more-or-less democratic political system. The balance of forces favourable to continuing democratisation is delicate. In supporting reform measures, the international community needs to focus not only on the immediate merits of each particular reform but also on possible negative social and political consequences. Well-meaning foreign intervention which provokes a 'nationalist backlash', for example, could trigger a process which undermines much of the progress achieved so far.

Subsequent ICG reports will address all the key issues in more detail, but the following paragraphs identify in broad outline the policy responses we believe are appropriate at this time in each of the key problem areas.

A. Economic Reform

Despite optimistic official projections of 3-4 per cent growth in the year 2000, the recovery of the Indonesian economy is still lagging far behind other economies which had been hit by the 1997 Asian financial crisis. Indonesia is heavily dependent on foreign support for its economic recovery and therefore needs to satisfy foreign expectations about the progress of economic reform. The IMF exercises close supervision over Indonesian economic policy and makes periodic releases of loan funds only after receiving satisfactory reports on the progress of reform. The extent of IMF supervision is indicated by the Indonesian government's latest letter of intent to the IMF which covers such fundamental matters as macroeconomic policies; structural fiscal reforms; banking system reform; corporate restructuring, legal reform and governance; and reform of state owned enterprises.²⁰ Failure to meet IMF expectations can lead not only to interruption of the flow of loans from the IMF but also problems with other international creditors and reluctance on the part of private investors. Indonesia is therefore under great pressure to meet IMF requirements.

²⁰ *Jakarta Post*, 19 May 2000.

Pressure from the IMF undoubtedly strengthens the hand of pro-reform elements in the government who are sometimes confronted by various interests intent on obstructing reform. The international community should therefore continue to support the IMF's efforts. At the same time, the IMF needs to be sensitive to the domestic political implications of its policies. In contrast to the IMF's approach in 1997-98, the IMF has been flexible in negotiating with the government over subsidies involving electricity and fuel prices as well as remuneration for government employees. The rigid application of price increases can bring dire consequences for the poor majority and, in the past, has led to demonstrations and rioting. By adopting a politically sensitive approach, the IMF can contribute to the avoidance of political upheaval which can undo much of the benefit flowing from successful economic reform.

B. Constitutional Reform

At the 1999 MPR session, the 1945 Constitution — considered as 'sacred' and immutable by the Soeharto regime — was amended for the first time. Most of the amendments were relatively minor but they have paved the way for possible major changes at the approaching session in August. The international community should welcome this new approach and follow it with interest but recognise that the questions in issue must be for Indonesians to decide. Foreign experts may provide technical assistance, and perhaps even make a useful contribution to the policy debate, but such issues as whether Indonesia has a federal or unitary constitution, whether the president is elected directly or indirectly, whether the DPR is elected by proportional representation or some other system, and the precise makeup of the MPR are not matters of vital concern for the international community. The important consideration is that a compromise is eventually reached with which the large majority of Indonesians feel comfortable. A final solution will not be achieved in one session of the MPR but will, hopefully, emerge gradually over the next few years.

C. Military Reform

The position of the military has been transformed over the past two years. There is now little need for the international community to warn against a coup in Indonesia because the Indonesian military itself is in no position to carry out such a coup. At present the military is rethinking its basic doctrines in the context of democracy and civilian supremacy. Its emphasis is now on its role as a defence force although it continues to accept responsibility for internal security.

Indonesia's military relations with a number of Western countries were severed during the crisis that followed the East Timor referendum. The Indonesian army and police had been seen as backing the violence and destruction perpetrated by East Timorese militias. Since then the military leadership has accepted the separation of East Timor from Indonesia and has refrained from backing militia remnants based in West Timor who at one time seemed intent on causing disruption in East Timor. As the United States and other countries move toward restoring military relations with Indonesia, the question for the international community is what type of cooperation.

It will be easiest to resume military cooperation in areas related primarily to national defence rather than internal security. Indonesia, like all other countries, has legitimate defence needs. Moderate programs of support to the Indonesian military to professionalise its defence forces would therefore be in order. In this regard the main emphasis could well be placed on naval and air co-operation rather than working with the army which is still primarily oriented toward internal security.

Should support be provided for internal-security forces? It is widely recognised that part of the problem in Aceh and Papua, and previously in East Timor, arose from the often brutal behaviour of military personnel. In the absence of convincing evidence that military personnel have reformed themselves at this level, it seems unwise for the international community to give its implicit imprimatur by providing them with training and weapons. The old argument — popular in the US congress — that taking courses in democratic countries would somehow in the long run make Indonesian soldiers aware of the importance of human rights has been thoroughly discredited by recent events.

Nevertheless, it is obvious that Indonesia needs a security force that can maintain public order when it is threatened by ethnic, religious and other violence. The performance of the military in this area has been poor but the police appear to have done no better. In cases such as the present conflict in Maluku, for example, where the police are incapable of handling the situation, it is no solution to simply call for the military to go 'back to the barracks'. What is needed is a professional and 'neutral' security force that can keep the combatants apart. The challenge is how to transform the present military and police into such a force. The dilemma for the international community is that, without fundamental reform, the provision of training and weaponry may only strengthen the military's capacity for repression. In the long term the solution seems to lie in the creation of a truly professional police force trained and equipped for dealing with domestic conflict. The international community should therefore give attention to supporting the professionalisation of the police. But it is necessary here to proceed with caution.

D. National Unity and Separatism

The Indonesian government, like all governments, is committed to maintaining the nation's territorial integrity. At present that integrity is challenged in two provinces — Aceh and Papua. The exit of East Timor from the republic stimulated renewed demands in these provinces. During the Soeharto era separatist activities were repressed by military force but this approach failed to provide long-term solutions and instead fuelled growing opposition to Jakarta.

The post-Soeharto governments, first that of Habibie and now of Abdurrahman, adopted conciliatory approaches which aimed to bring the separatists to the negotiating table. In both provinces, the government has offered special autonomy going beyond the autonomy program provided for the other provinces. In the post-Soeharto atmosphere of political freedom, supporters of separation openly express their demands in the main cities although military operations continue against armed movements.

The international community has no interest in the disintegration of Indonesia and should not back separatist movements. Instead the moves by the current Indonesian government to engage separatists in dialogue should be endorsed and facilitated. As with constitutional reform, the details of future arrangements — including separatist demands for referenda on the future of their respective provinces — should essentially be left to the parties concerned. From the point of view of the international community, the main concern is that a compromise is reached which most participants find acceptable. Nevertheless, the international community can facilitate such a dialogue, for example by providing neutral venues and financial support if necessary, and it may have helpful policy ideas to contribute. Offers of substantial financial support for post-resolution economic rehabilitation might provide additional incentives for the parties to reach agreement.

E. Communal Violence

The communal violence that has been so common during the last two years has resulted in gross violations of human rights. But it is not easy to see how the international community can intervene in a positive way, other than, perhaps, through even-handed support for programs likely to be effective in removing underlying sources of conflict and building personal and institutional bridges between communities. Communal conflict always has a complex background usually going back many years and involving a mix of ethnic, religious, cultural, political, economic and criminal factors. In many cases, local members of the security forces, who themselves are recruited from the communities in conflict, are unable to carry out their duties impartially. The complexities of such conflict are usually so intricate that international pressure can easily be directed to the wrong targets.

In Western countries there is often a tendency to sympathise with Christian communities which are seen as under threat from Muslims, as for example in the present conflict in Maluku. In Maluku, however, the reality is that both sides have been committing atrocities against each other, often with the blessings of religious leaders. And the violence is far from straightforward religious conflict. To take another example, in Jakarta in 1998, a brawl between criminal gangs — one drawn from the Ambonese Muslim community and the other from the Ambonese Christian community — was widely portrayed by the international press as a religious conflict rather than a 'turf war' between rival gangs. That the Christian side suffered more casualties in this case was most definitely not evidence of Muslim persecution of Christianity.

It is important for Indonesia's national and regional governments to identify potential communal conflict and take measures to forestall it but once serious communal violence breaks out, the immediate need is for quick intervention by armed security forces — whether police or military — who are professionally trained for the task. How can the international community assist in this respect? The problem is that the troops that might be used to separate warring ethnic or religious communities might also be used for political repression in other contexts. International support for the training of military and police forces should be, to the extent that this is possible, fine-tuned with the aim of enhancing peace-keeping capacity without strengthening

repressive capacity. On the other hand there should be no hesitation on the part of the international community in providing humanitarian aid in the wake of communal violence, and supporting reconciliation measures both before and after conflict occurs.

F. Human Rights

The most immediate human rights issues at present relate to the abuses in East Timor and Aceh identified by government-endorsed commissions of enquiry. These commissions have recommended that military officers should be tried for offences committed in both territories. The Aceh cases involve middle-level officers but the East Timor allegations involve senior military officers, including the former commander-in-chief of the military, retired General Wiranto.

The slow prosecution of these cases has been a cause for international — and, of course, domestic — concern. The first case in Aceh resulted in the conviction of junior officers and ordinary soldiers but no senior officers were tried. In the East Timor investigation, a major obstacle is the removal of the retroactive clause in the proposed bill to establish a Human Rights Court. Without the retroactive clause, it will be impossible for human rights crimes in East Timor to be prosecuted in the new Human Rights Court. This means that any prosecution will have to rely on the existing penal code which covers those who directly commit crimes but does not apply to crimes of 'omission' allegedly involving senior officers. It is true that the present draft of the law provides for the possible establishment of ad hoc courts to deal with past human rights crimes but this will require a separate and potentially time-consuming procedure. Because of these difficulties the Indonesian government is now considering the establishment of some sort of Truth and Reconciliation Commission.

Meanwhile the international commission on East Timor appointed by the UN Secretary General has recommended that an international human rights tribunal be established if Indonesia fails to deal adequately with these cases. The international community will eventually have to decide whether Indonesia's own procedures have been pursued with sufficient vigour and determination. This, however, is a case where attention should be focused not only on the immediate legal issue but also on potential political side-effects which could affect the current balance between political forces in general. This is not to advocate that the international community should necessarily remain passive but only that any decision should be taken with eyes open to possible adverse political consequences, and that some time be allowed for Indonesians to address the issues before international judgment is passed. Meanwhile the very possibility that an international tribunal might be established provides support for those within the Indonesian government who want to make those responsible for human rights abuses in East Timor fully accountable.

G. Legal Reform

Indonesia's legal system is riddled with corruption. The Abdurrahman government, in contrast to its predecessor, is committed to reform but the obstacles are enormous. The problem is not primarily a technical one which can be overcome with better education and training but involves the very core of the legal system. Judges and prosecutors receive salaries far below what is needed to meet their reasonable needs, let alone their highest aspirations. This situation has obtained for at least four decades with the result that it has become almost normal practice for judges and prosecutors to exact 'fees' from those brought before the courts. A legal culture based on corruption has become deeply engrained. It is unlikely that the simple raising of the salaries of judges and prosecutors would end these practices. Nevertheless, it should be recognised that not all judges and prosecutors are corrupt — but they are only small islands of integrity in a sea of extortion.

Indonesia might be able to learn from the experiences of other countries which have established various checks and balances and at least limited the scope for judicial corruption. This is an area where the international community could provide significant assistance in building new institutions — like the office of the Ombudsman, which has recently been established in Indonesia. The IMF's demand that Indonesia introduce a modern bankruptcy law is an example of the relatively successful use of economic pressure but the core problem is likely to be quite impervious to threats to withhold economic assistance.

Jakarta/Brussels, 31 May 2000

Glossary of Acronyms

DPR	Dewan Perwakilan Rakyat National parliament
DPRD	Dewan Perwakilan Rakyat Daerah Regional parliaments
IBRA	Indonesian Bank Restructuring Agency
IMF	International Monetary Fund
Kostrad	Komando Cadangan Strategis Angkatan Darat Army Strategic Reserve Command
MPR	Majelis Permusyawaratan Rakyat People's Consultative Assembly
PAN	Partai Amanat Nasional National Mandate Party
PDI	Partai Demokrasi Indonesia Indonesian Democratic Party
PDI-P	Partai Demokrasi Indonesia- Perjuangan Indonesian Democratic Party- Struggle
PKB	Partai Kebangkitan Bangsa The National Awakening Party
PNI	Partai Nasional Indonesia Indonesian National Party
PPP	Partai Persatuan Pembangunan Development and Unity Party