

THE MEGAWATI PRESIDENCY

OVERVIEW

Megawati Soekarnoputri, eldest daughter of Indonesia's founding president, Soekarno, was sworn in as president on 23 July 2001 after the dismissal of her predecessor, President Abdurrahman Wahid. The new government faces daunting challenges in almost every field. The economy has yet to recover from the financial collapse of 1997-98; territorial integrity is threatened by an active insurgency in Aceh and a potential insurgency in Irian Jaya; radical decentralisation has shaken up government structures but is not working well; ethnic and religious violence is commonplace; the bureaucracy and legal system continue to be riddled with massive corruption and require extensive reform; and popular confidence in Indonesia's fledgling democracy is fading. The overall mood continues to be pessimistic.

Although the outlook is still dim, the installation of Megawati as president was greeted with relief by the Indonesian public which had become alienated by Wahid's erratic and ineffectual leadership. The feared social conflict and national disintegration of which Wahid had often warned did not happen and the nation more or less returned to normal after his fall.¹ However, beyond her nationalist rhetoric, Megawati had given little indication of the policy directions her government would take. Her announcement of her government's six-point working program, on the day that she appointed her cabinet, provided only the broadest of guidelines. The six points are:

- Maintain national unity
- Continue reform and democratisation
- Normalise economic life
- Uphold law, restore security and peace, and eradicate corruption, collusion and nepotism
- Restore Indonesia's international credibility
- Prepare for the 2004 general election.

Her cabinet choices, her emollient remarks to the people of Aceh and Irian Jaya, her warning that her family should avoid corruption and her statement of clear priorities are all good signals. But there are concerns that her government may prove unwilling or unable to follow through with the reforms that Indonesia needs, instead preferring incremental steps that do little to remedy the problems. Megawati now needs to move rapidly beyond symbolism to the implementation of clear policies on the economy, security and judicial reform.

Her choices for ministers have been mostly praised. She has chosen technocrats for the top economic jobs and has generally favoured policy professionals over party politicians. Her choices for two key coordinating ministers – former academic and ambassador Dorodjatun Kuntjorojakti to run the economy and General Susilo Bambang Yudhoyono in charge of security – have met with cautious approval. Both are sophisticated actors on the political stage in Indonesia but they face key challenges that require swift and decisive management. Dorodjatun must handle the demands of the IMF and international investors that Indonesia privatise assets taken over after the economic collapse in 1997 and overcome obstacles placed in way both by corrupt former owners and an increasingly nationalist parliament. Indonesian governments have shown skill in the past at macro economic management but what is now needed is a deft handling of micro-economic reforms.

¹ Wahid had warned that there would be a social revolution, six provinces would declare their independence and that the DPR/MPR building might be burnt down if he were deposed.

As Coordinating Minister for Political and Security Affairs, Bambang Yudhoyono faces a pressing situation in the rebellious province of Aceh. To defuse demands for independence, the government needs to move quickly to end human rights abuses and implement a special autonomy package. Reform of the military, including a reduction in their role in government across the archipelago and radical changes to the way it is financed, will test Yudhoyono's credentials as not only a reformer but as a decisive manager.

While Megawati has won praise for steering clear of officials with a reputation for corruption, her delayed choice for Attorney General has injected a note of real concern. M.A. Rahman is a little known career prosecutor who has spent 35 years in the notoriously corrupt Attorney General's Office. The appointment has signalled that Megawati may not take the robust steps against corruption that Indonesia desperately needs. It has also led to anxieties about the lingering influence of those military leaders who are determined to avoid prosecution for their role in human rights abuses in East Timor and elsewhere. Rahman was earlier responsible for a limp investigation into abuses in East Timor. He is seen as an unlikely figure to take on the corruption that in recent years has spread from the centre of power and become ubiquitous and unpredictable.

I. THE NEW GOVERNMENT

Whatever Megawati's capacity to lead the government, she enjoyed wide popular support and her party – exploiting her family name – won more votes than any other party in the 1999 general election. But, with only 33.8 per cent, her party, the Indonesian Democratic Party – Struggle (PDI-P) has only 153 of the 500 seats in parliament (DPR) and only 185 of the 695 members of the People's Consultative Assembly (MPR) that elects the president.² Megawati – perhaps naively – thought her 'victory' in the general election would ensure her election as president and showed little interest in doing the deals necessary to build a winning coalition. In the end she felt betrayed when her old friend and ally, Gus Dur, as Wahid is commonly known, stitched together an improbable coalition at the last moment to snatch the presidency from her hands in October 1999.

Megawati continued to believe that the presidency was rightfully hers but refused to take the lead in undermining Wahid. As opposition grew to his leadership, Megawati remained silent but allowed younger members of her party to join the growing band of members of the DPR who had lost confidence in the president. Although she might well have accepted a compromise deal which would have given her control over the government and left Wahid as the nominal president, a firm offer was never made and – saddened by the insulting remarks that he often made about her – she simply insisted on following the constitutional course that she knew would result in the president's dismissal and her own succession.³

The composition of the new government provided some clues to Megawati's priorities. The cabinet

² Under Indonesia's presidential constitution, the president and vice president are elected – separately – by the MPR whose 695 members consist of the 500 members of the DPR, 130 regional representatives elected by regional legislatures and 65 appointed members representing special interests in society. Thirty-eight appointed military and police officers will continue to sit in the DPR until 2004 and in the MPR until 2009.

³ On the process that led to the dismissal of President Wahid, see ICG Briefings, *Indonesia's Presidential Crisis*, Jakarta/Brussels (21 February 2001) and *Indonesia's Presidential Crisis: The Second Round*, Jakarta/Brussels (21 May 2001)

met several key criteria. First, its membership provided representation to the main political forces in the DPR. Gus Dur's fall was partly due to his unwillingness to cultivate political support in the DPR – and, indeed, his tendency to raise issues that brought him into direct confrontation with major sections of the parliament.⁴ Second, while the political parties needed to be accommodated, it was important to appoint qualified ministers to key policy-making positions, regardless of political affiliation. This was especially true in the case of the economics team because Indonesia could not expect essential international support unless the economics ministers enjoyed international confidence. And third, given that one of the charges against Gus Dur related to his failure to implement an MPR decree on eradicating corruption, it was important that the cabinet should not include leaders who are blatantly vulnerable on that score.

A. THE VICE PRESIDENT

Under Indonesia's constitution, the vice president is elected by the MPR separately from the president. Megawati had initially preferred to leave the vice presidency unoccupied. The constitution makes it clear that a deposed president can only be succeeded by the vice president. In the absence of a vice president, therefore, it would be necessary for the diverse parties in the MPR first to reach agreement on a candidate before they launched a campaign to depose the president. By complicating the process, Megawati would be provided with at least some protection against a future challenge.

The MPR, however, insisted on following the constitutional path of electing a vice president but there was no obvious leading candidate. The second largest party, Golkar, at first opted out of the race but at the last moment nominated its leader, the speaker of the DPR, Akbar Tanjung. The third largest party, the Muslim United Development Party (PPP), proposed its leader, Hamzah Haz. Small groups in the DPR proposed three non-party candidates, including former

Coordinating Minister for Political, Social and Security Affairs, retired General Susilo Bambang Yudhoyono. During the first two rounds of voting no candidate achieved an absolute majority but in the final round Hamzah Haz scored a comfortable victory over Akbar Tanjung.

Hamzah's party had won only 11 per cent of the votes in the 1999 general election but he also represented the loose alliance of Muslim parties – known as the Central Axis – that had been formed by the speaker of the MPR, Amien Rais. The Central Axis parties and its allies had won about 20 per cent of the votes in the general election and held around 140 seats in the MPR. In 1999 the Central Axis bloc had provided crucial support for Gus Dur, not because they were attracted to him but due to their total opposition to Megawati. They had doubted Megawati's Islamic credentials, suspected that she was excessively influenced by Christian politicians in the PDI-P, and in any case believed that a Muslim country could not be led by a woman. But circumstances had changed by 2001.

Hamzah's victory was assured when the PDI-P swung its votes in favour of Hamzah and he gratefully accepted them. Megawati's calculations probably included three considerations. First, Hamzah was seen as the least threatening of the candidates. Hamzah is essentially a party politician whose appeal hardly extends beyond his own party. Unlike Akbar Tanjung or Bambang Yudhoyono, he is not generally considered as a credible potential president. Second, Megawati apparently believes that the legitimacy of her government would be strengthened by a Muslim vice president. More immediately, Hamzah's presence in the top leadership would help to tie Muslim supporters of the Central Axis to the government. And, third, as a representative from Kalimantan, he provided geographical balance in a government headed by Megawati who is of Javanese-Sumatran descent.

B. THE CABINET

The composition of the cabinet was announced on 9 August, seventeen days after the president's installation. Megawati's lack of urgency in tackling her new responsibilities gave rise to some concern. More importantly it seemed that the delay was caused by political in-fighting not only among the parties that had supported the dismissal of Gus Dur but also within her own party. In the end,

⁴ Gus Dur took the view that Indonesia's constitution is presidential and therefore the DPR cannot depose the president before the end of his five-year term. The fatal flaw in this perception is that the 500 members of the DPR are also members of the 695-strong MPR which does have the power to depose the president.

however, Megawati seems to have made her own decisions – as indicated by the relatively strong representation of non-party professionals – and even the leading party power-brokers appeared to be still in the dark until the announcement was made.

The cabinet is headed by three Coordinating Ministers responsible for Political and Security Affairs, the Economy, and the People's Welfare respectively. Seventeen ministers head departments and ten were appointed as Ministers of State with responsibilities in specific fields. Finally, three non-ministerial appointees – the State Secretary, the Attorney General and the head of the National Intelligence Agency – were given cabinet status.

Of the 33 cabinet members, only eleven are party politicians although several more have close ties with one political group or another. Megawati's own party, the PDI-P, was given only three posts although three more ministers are linked to the party. Golkar obtained three posts, Vice President Hamzah's PPP was awarded two, and Amien Rais's National Mandate Party (PAN) and the Crescent and Star Party (PBB) received one each. This meant that all parties with significant support in the DPR and MPR, except Gus Dur's National Awakening Party (PKB), were represented in the cabinet. The PKB had refused to join the cabinet but its former chairman, who had just been expelled from the party for failing to support Gus Dur, was appointed together with a prominent figure in the PKB's 'parent' organisation, the Nahdatul Ulama (NU). Altogether seventeen members of the cabinet are either party politicians or people closely associated with political parties. The cabinet, therefore, has a truly 'rainbow' quality with the consequence that, apart from the PKB, there is no scope for a formal 'opposition' in the DPR.

In selecting her ministers, Megawati seems to have had in mind the fate of Gus Dur. Gus Dur had been elected as president with the support of a loose grouping of Muslim parties – PPP, PAN and PBB – but it was these parties that spearheaded the moves that eventually led to his dismissal. The same parties had been totally opposed to her presidential ambitions in 1999 although they now gave their support to her. Aware of the potential threat that this group could pose in the future, Megawati followed the logic that led her to support the vice presidential candidature of the PPP leader,

Hamzah Haz, by providing slightly disproportionate representation to these parties. With six members, they outnumber both the PDI-P and Golkar.

Despite earlier fears, the key economic policy-making positions in the cabinet were awarded to highly respected professionals with acknowledged credentials. Heading the economics team is Professor Dorodjatun Kuntjorojakti, former Dean of the Economics Faculty at the University of Indonesia and former Ambassador to the United States.⁵ Another key figure in the economics team is the new Minister of Finance, Boediono, who had served on the board of Bank Indonesia and as head of the state planning agency under President Habibie. Two PDI-P leaders were also appointed to economic posts but both have acknowledged technocratic credentials and experience. Laksamana Sukardi is the Minister of State Enterprises in charge of privatisation and Kwik Kian Gie, who served in Gus Dur's first cabinet as Co-ordinating Minister for economic affairs, is now the head of the state planning agency. One of the first acts of the government was to transfer responsibility for the Indonesian Bank Reconstruction Agency (IBRA) to Laksamana. A fifth key economic minister is the Minister of Trade and Industry, Rini Soewandi, a leading businesswoman and former head of the giant Astra group, who is also linked to PAN through its chairman, Amien Rais.

The military continues to be represented in the cabinet by four retired officers. In assessing military influence in the government, however, it is necessary not just to count the number but to examine the personalities involved. General Susilo Bambang Yudhoyono has returned to the post of Co-ordinating Minister for Political and Security Affairs, a position he held in the second Gus Dur cabinet until he was dismissed when he publicly stated his opposition to the president's plan to declare an emergency and disband the DPR and MPR. During the last years of Soeharto's rule, Yudhoyono led a small group of reform-minded officers military officers who formulated the

⁵ Dorodjatun has the additional qualification, in the new democratic era, of having spent several years in prison in the 1970s for his opposition activities against Soeharto's rule – although it was Soeharto who, twenty years later, appointed him as Ambassador to the US.

military's 'New Paradigm' in 1998 and supported the concept of civilian supremacy over the military.⁶ A second important military appointee is Lt. Gen. Hari Sabarno who takes over the Department of Internal Affairs, a position that has been in military hands since the presidency of Megawati's father, Soekarno.⁷ Like Yudhoyono, Sabarno has long been identified as a reform-minded officer. Much of his career has been spent in political work, including the last six years as a military member of the DPR where he has had much experience in negotiating with civilian politicians. His most recent position was as one of the deputy chairmen of the MPR.

The other two military officers are both former Special Forces intelligence officers who are linked to Megawati. Lt. Gen. Hendropriyono and General Agum Gumelar won Megawati's gratitude when President Soeharto attempted to prevent her in 1993 from taking over the leadership of the PDI – the predecessor of the PDI-P. Hendropriyono at the time was the Jakarta regional commander and Agum was the commandant of the Special Forces. Whether deliberately or, more likely, due to misunderstanding of Soeharto's wishes, these two officers helped to install Megawati as PDI chairman and later paid the price of banishment to relatively unimportant posts. Agum, who had replaced Yudhoyono after his dismissal as Coordinating Minister in June 2001, has returned to his earlier position as Minister of Transport while Hendropriyono, who reportedly played a major role in advising Megawati on the make-up of the cabinet, has been appointed as head of the National Intelligence Agency. Hendropriyono recently joined the PDI-P.

Several other important appointments should be noted. Megawati has followed her predecessor in appointing a civilian to the Department of Defence. In contrast to Gus Dur's first defence minister but similar to his second, the new minister, Matori Abdul Djilil, is not known for any expertise on defence issues. Matori is the former PKB chairman who angered Gus Dur by not joining PKB's boycott of the special session of the MPR that

removed the president. The new Foreign Minister is Hassan Wirajuda, a career diplomat who during the last year has overseen negotiations with the Free Aceh Movement. The Minister of Justice and Human Rights is Professor Yusril Ihza Mahendra, the chairman of the Muslim PBB, who was dismissed from the same ministry by President Wahid after publicly criticising several policies. The State Secretary is Bambang Kesowo, a career bureaucrat who during the Soeharto years steadily worked his way up through the State Secretariat which he joined as a young recruit in 1968. During the Gus Dur presidency he served as Secretary to the Vice President: he was an influential adviser (along with economic advisers Frans Sea, Emil Salim and Widjojo Nitisastro) in selecting most of the cabinet.

Finally, selection of the new Attorney General was delayed by a week after the appointment of the rest of the cabinet – presumably because of a struggle between various interests, including Golkar. Megawati resolved the battle by appointing a relatively little known prosecutor, M. A. Rahman, from within the notoriously corrupt Attorney General's office. Rahman had headed the Attorney General's investigation of human rights violations in East Timor but so far no trial has taken place.

In selecting her cabinet, Megawati also succeeded in avoiding the appointment of ministers against whom charges of corruption had been made. In particular several prominent members of Golkar and her own party are widely seen by the public as having benefited from the corrupt practices that were so prevalent under Soeharto's New Order regime. Whether the charges are true or not, Megawati decided that it would be better for her government's reputation if such leaders were not included in her cabinet.

⁶ See *Indonesia: Keeping the Military under Control*, ICG Asia Report No. 9, 5 September 2000, pp. 3-4.

⁷ It is noteworthy that the military has been willing to give up the Department of Defence but is reluctant to give up the Department of Internal Affairs.

II. POLICY DIRECTIONS

Although the composition of the new government was generally welcomed by Indonesian public opinion, many questions about the future direction of the government were left unanswered. A week after the announcement of the cabinet, President Megawati gave her first major presidential speech commemorating her father's declaration of Indonesian independence 56 years earlier.⁸ In this speech she provided further indications of her goals in some important areas but scepticism remained strong about how these goals would be achieved.

These problematic issues include:

A. THE ROLE OF THE MILITARY

There has been much speculation that President Megawati's government will be heavily dependent on a resurgent military.⁹ This speculation is based on the perception that the military played a crucial role in forcing President Wahid from the presidency and elevating Megawati as his successor. In particular the refusal of the military leaders on several occasions to back Gus Dur's plan to declare an emergency was fatal to his presidency and paved the way for Megawati. It is suggested, therefore, that Megawati owes her rise to the support of the military which will demand increased influence in her government.

This argument, however, is not convincing. That the military had gravitated towards the vice president as it became increasingly alienated from the president did not demonstrate the existence of a special relationship between Megawati and the military but was largely a consequence of the Indonesian constitution. According to the constitution, if the president is replaced in mid-term it is only the vice president who can become the president. The military leaders were not primarily motivated by belief in Megawati's

leadership but by their loss of confidence in Gus Dur.

The military's involvement in the succession crisis was not on its own initiative but a direct result of President Wahid's desire to rid himself of a threatening DPR and MPR. In fact there was never a real possibility that the military leaders would support Wahid's emergency plan. Like most of the political elite, the military leaders had become alienated by Gus Dur's confusing and ineffectual style of leadership. They were also angered by his attempts to place his own men in senior positions which they saw as turning the military into a political tool to be used to further the president's personal political objectives. As Gus Dur's fall became inevitable, the military did not actively support Megawati but simply made it clear that they would do nothing to save Gus Dur. The military had no interest in allying itself with a president whose prospects were declining by the day and in any case they knew that intervention on their part to save him would have provoked massive demonstrations against both him and them.

As further evidence of close ties between the president and the military, commentators have pointed out that several retired generals have joined Megawati's party, the PDI-P, and hold leadership positions in it. But it needs to be noted that retired military and police officers have also joined other parties so there is no special link between the PDI-P and retired military officers in general. The officers who have joined the PDI-P usually come from the same socio-cultural backgrounds as other members of the party, just as retired officers in Muslim parties, for example, usually have strong Muslim family backgrounds. Of the military officers in the PDI-P, only two or three are prominent in the party's national leadership. Apart from Lt. Gen. Hendropriyono, a former Jakarta regional commander who joined the party only during the last year, the PDI-P's generals are really party politicians with military backgrounds.

The military's withdrawal of political support for President Wahid did not indicate that it had abandoned its low-profile political position of the last three years and is now reasserting itself through President Megawati. While Megawati undoubtedly looks to the military for political support, it is hard to see why she would willingly allow the military to become a dominant force in

⁸ The speech was delivered on 16 August, one day before the anniversary of the declaration of independence. It was published in full in Kompas, 18 August 2001. An English translation appeared in Jakarta Post, 18 August 2001.

⁹ Some commentators even went so far as to suggest that Megawati would be little more than a puppet of the military.

her government. After all, her party was the victim of military repression before 1998 and the party's leaders – now that they have finally achieved their goal of establishing a government under PDI-P leadership – are unlikely to step aside in favour of the military. While Megawati will welcome military support, the key to the survival of her government in the future will be the retention of the backing of the major parties in the DPR and ultimately the MPR.

B. NATIONAL UNITY: ACEH AND IRIAN JAYA

Although Megawati's government is by no means 'dominated' by the military, it is true that, as has often been pointed out, she shares some basic values with the military. One such attitude is her commitment to maintain the unity of Indonesia within its existing borders. In announcing her cabinet and again in her independence-day speech, the maintenance of national unity was placed at the top of her list of national goals. Neither the president nor the military is prepared to countenance the possibility of either Aceh or Irian Jaya winning independence from Indonesia and both continue to regret the 'loss' of East Timor.¹⁰ However, it is necessary to place this common vision in context. After all, which significant political forces in Indonesia – outside Aceh and Irian Jaya – advocate separation for these provinces? In fact the common vision of the president and the military on this issue is shared by the overwhelming majority of the people of Indonesia and hardly constitutes a special bond between them that excludes other major groups.

The crucial issue is not Megawati's firm commitment to the maintenance of Indonesia's territorial integrity but the means used to preserve that unity. Although some military officers regularly emphasize their belief that military operations against separatists must be accompanied by political, economic, legal and social reforms, most military officers seem to believe that massive military operations offer the best answer to

separatist movements. In April 2001 the military succeeded in persuading an unwilling President Wahid to issue Presidential Instruction No 4 under which the number of troops in Aceh has risen to around 20,000 and military operations aim to kill as many armed separatists as possible.¹¹

Megawati's views on military operations seem ambiguous. As vice president, she did not provide obvious support for Gus Dur's efforts to curb the military's 'security approach' but in her only major political speech before the presidential election in 1999 she implicitly criticised the military operations currently conducted in Aceh. After calling on the people of Aceh to be patient and referring to herself by the noble Acehnese title of Cut Nyak, she emotionally promised that 'If in the future your Cut Nyak leads this country, I will not allow one drop of the people's blood to touch the earth in a land that gave great service in achieving a Free Indonesia'.¹² In her recent independence-day speech she returned to this theme when she offered her 'most sincere apologies to our brothers and sisters (in both Aceh and Irian Jaya) who have suffered for so long as a result of inappropriate national policies'. 'In this matter,' she said, 'we must honestly admit that the source is various policies in the past which were felt as very harmful by the people of those regions.'

During its first few weeks, the new government showed some signs of looking for a new approach to Aceh and Irian Jaya. Megawati told her first cabinet meeting on 13 August that she would concentrate on finding a solution in the two provinces.¹³ Despite her suspicion of decentralisation, she called for a 'fundamental correction of conditions in the two regions'. First, it was necessary 'to respect the cultural identity and special characteristics' of the two provinces and second, 'more authority should be given to the regional governments to regulate and manage their own affairs'. One of the first laws signed by Megawati as president was the Special Autonomy Law for 'Nanggroe Aceh Darussalam'.¹⁴ A similar law for Irian Jaya is still being considered by the

¹⁰ In her independence-day speech, however, Megawati explicitly endorsed East Timor's separation from Indonesia. She said 'we resolved the East Timor issue fundamentally in 1999 and we openly respect the choice of our brothers and sisters in that region to live in their own country'.

¹¹ See *Aceh: Why Military Force Won't Bring Lasting Peace*, ICG Asia Report No. 17, 12 June 2001.

¹² Kompas, 30 July 1999.

¹³ Jakarta Post, 14 August 2001.

¹⁴ See *Aceh: Can Autonomy Stem the Conflict?*, ICG Asia Report No. 18, Jakarta/Brussels, 27 June 2001.

DPR.¹⁵ That Megawati held open the possibility of reviving negotiations with the Free Aceh Movement (Gerakan Aceh Merdeka – GAM) was suggested by the appointment of Hassan Wirajuda as Foreign Minister. Hassan had initiated the formal talks with the GAM that led to the ‘Humanitarian Pause’ during 2000. And at a meeting with 40 prominent Acehnese in Jakarta on 15 August, she said – as reported by the Aceh governor, Abdullah Puteh – that ‘if people regard Presidential Instruction No 4 as still inappropriate, it can be re-evaluated.’¹⁶

These straws in the wind are of course not sufficient to demonstrate that the new president will be willing and able to take measures to curb the rising death toll arising from military operations in Aceh and prevent the possibility of similar tolls in Irian Jaya. But, as she said herself in her Independence Day speech, ‘Apologies alone are clearly not enough’. The test will lie in whether she can fulfil her promise of July 1999 by persuading the military to adopt an approach that does not spill the people’s blood. Military attitudes, however, are not promising. The approach of the Kostrad commander, Lt. Gen. Ryamizad Ryacudu, is shared by many officers and does not bode well. In late August he stated bluntly that ‘In any country in the world, a rebel movement is eliminated.’¹⁷ Not all officers, however, support Ryamizad’s hard-line stance although they believe that military operations are necessary to strengthen Jakarta’s hand in later negotiations.

C. HUMAN RIGHTS VIOLATIONS

The new government is under pressure to show that it is committed to protecting human rights by establishing courts to try those – especially military and police personnel – accused of human-rights violations.¹⁸ Progress towards peace in both Aceh and Irian Jaya requires the national government to take steps to convince citizens in

those regions that it is really serious about stopping human-rights violations and punishing offenders. Indonesia is also under heavy international pressure to conduct trials of those accused of gross violations of human rights in East Timor during 1999. Unless some progress is made toward bringing to justice those responsible for murder and destruction in East Timor, it is unlikely that Indonesia will be able to restore its military relationship with the United States and win international respect in general.¹⁹

As vice president, Megawati seemed reluctant to support measures to take human-rights offenders to court. She made no secret of her disappointment about Indonesia’s ‘loss’ of East Timor and maintained a cordial relationship with General Wiranto, who was held primarily responsible for human-rights violations in East Timor by the government-endorsed commission of inquiry formed by the National Human Rights Commission. She also endorsed a legal firm founded by retired Lt. Gen. Hendropriyono to provide legal assistance to military and police personnel facing human-rights investigations.²⁰ She also permitted the prominent East Timorese militia leader, Eurico Guterres, to join the *Banteng Muda* (Young Buffaloes) youth organisation that is linked to the PDI-P.²¹ Even the notorious military-backed attack on 27 July 1996 in which some of her supporters were killed while defending the Jakarta headquarters of the PDI seemed to escape her attention. On the fifth anniversary of the attack, four days after her installation as president, she found it more important to visit West Java and Sulawesi rather than attend a ceremony commemorating those who had died in the attack.²²

In her Independence Day speech, however, she referred to the need to settle ‘the question of gross human-rights violations in regions of armed conflict’. ‘If there is truly convincing evidence of gross violations of human rights outside the battlefield’, she said, ‘such violations must be acted upon in accordance with valid laws’.

¹⁵ The proposed autonomy law is discussed in a forthcoming ICG report on Irian Jaya.

¹⁶ Kompas, 16 August 2001.

¹⁷ Jakarta Post, 26 August 2001.

¹⁸ Steps taken to deal with gross violations of human rights are discussed in *Indonesia: Impunity versus Accountability for Gross Human Rights Violations*, ICG Asia Report No. 12, Jakarta/Brussels, 2 February 2001.

¹⁹ *Indonesian: U.S. Military Ties*, ICG Briefing, Jakarta/Washington/Brussels (17 July 2001)

²⁰ Jakarta Post, 30 October 2000.

²¹ The buffalo is the symbol of the PDI-P. The Young Buffaloes were widely considered as a gang of toughs used by the party to keep order at rallies and any other purpose where physical violence might be required.

²² Koran Tempo, 28 July 2001.

Meanwhile she revised an earlier Presidential Decision signed by Wahid which had endorsed a parliamentary proposal to limit trials of past human-rights offences in East Timor to violations that had been committed after 30 August 1999, the day of the East Timor referendum. Gus Dur's decision, in line with a resolution of the DPR, excluded the many violations committed during the seven months before the date of the referendum. Instead, Megawati's decision included offences committed during the month of April, when two major violations had occurred and thus covered the five major cases that had been the focus of investigations.

Is Megawati serious about dealing with past human-rights violations? Her statement on independence day is a step forward but her exclusion of human-rights violations 'on the battlefield' seems to imply that it is acceptable for soldiers to commit human-rights abuses when confronting 'enemies'. And her agreement to set up special human-rights courts to try past human rights offences does not necessarily mean that such trials will take place, let alone lead to convictions, especially following a constitutional amendment in 2000 that provides protection against prosecution on the basis of retroactive laws.²³

Finally, Megawati's delayed appointment of M. A. Rahman as Attorney General has reinforced doubts about her commitment to support trials of military personnel accused of gross human rights offences. Rahman, who had served for 35 years as a prosecutor in the notoriously corrupt Attorney General's Office, was virtually unknown to the public and indeed to many lawyers. It was only in 2000 that he handled his first high-profile case when he had been entrusted by the then Attorney General and Golkar politician, Marzuki Darusman, with heading the preliminary enquiry into the East Timor case (together with the 1984 Tanjung Priok case). Rahman's enquiry produced charges against only nineteen suspects, in contrast to the 33 named by the earlier enquiry conducted by the National Human Rights Commission. Rahman himself gained a certain notoriety with his euphemistic description of the nineteen suspects as 'candidate suspects' at a press conference. The trials have not yet commenced.

The press speculated that Rahman was selected because he could be relied upon not to press too fast in politically sensitive investigations. In particular it was suggested that he had close ties to the military and that Megawati had finally selected him a few hours after General Wiranto and Lt. Gen Hendropriyono had visited her home.²⁴ Hendropriyono himself might be vulnerable if the constitutionality of retroactive prosecution were established. In 1989 soldiers under his command had killed a large number of peasants in Lampung, South Sumatra.

D. CORRUPTION

Not only has the Attorney General's Office made little progress in investigating human-rights cases but it also has a most unimpressive record in pursuing corruption cases. During the Habibie and Wahid presidencies several prosecutions of prominent officials and businesspeople were launched but only two resulted in convictions. Soeharto's crony and former Minister for Trade and Industry, Bob Hassan, was convicted and jailed. In the second case Soeharto's son, Tommy, and his business partner, Ricardo Gelael, were both convicted but only Gelael went to jail while Tommy absconded and has yet to be captured.²⁵ In the notorious Bank Bali case that helped bring down the Habibie government, those charged have either escaped conviction on legal technicalities or won appeals. Investigations have commenced of numerous businesspeople, bureaucrats and politicians and some have even been detained for short periods and declared as 'suspects' but trials have been rare. It is widely believed by the public - and by lawyers - that many of these cases have failed because of the common practice of bribing prosecutors and judges.

It was only after Gus Dur appointed the crusading Baharuddin Lopa to replace the Golkar politician, Marzuki Darusman, that vigorous investigations were launched by the Attorney General. Although Gus Dur's motive may well have been to put pressure on politicians who had taken the lead in moves to bring about his dismissal, the Lopa

²³ This issue is discussed at some length in *Indonesia: Impunity versus Accountability*, op. cit.

²⁴ Tempo, 26 June 2001, p.21.

²⁵ Police now claim that Tommy was behind the murder of one of the Supreme Court judges who rejected his appeal against the sentence.

appointment seemed to promise a new era in legal reform. However, Lopa died after only 33 days in office and his no less reform-minded successor, Marsillam Simanjuntak, lasted only a few days before Gus Dur's presidency was terminated on 23 July.

Public expectations were high that the momentum would continue and speculation centred on the names of various reform-minded lawyers. Most observers believed that reform of the Attorney General's Office could only be achieved by the appointment of an 'outside' candidate. Megawati, however, justified her appointment of the 'insider', M. A. Rahman, on the grounds that only an insider could know all the weaknesses of the office and the ways to correct them. Many commentators believed, however, that Rahman's 35 years of loyal service to the Attorney General's Office was a disqualification for the job. That the Attorney General's Office was in great need of reform was recognised by the president when she told a meeting of prosecutors that 'You should try, although it might take a long while, to gradually reduce the image as an institution that puts a price on justice'.²⁶

In her independence-day speech, Megawati seemed to realise that her own leadership might be subjected to allegations of corruption, collusion and nepotism (usually abbreviated as KKN in Indonesian). Her own husband, Taufik Kiemas, is a wealthy businessman who seems to have developed close ties with some of the businessmen accused of corruption during the Soeharto era. In her speech, Megawati revealed that she had gathered together her family members and asked them to promise 'not to give the slightest opportunity for KKN to emerge in my family.' The Rahman appointment, however, seems to confirm that Megawati is not planning a major onslaught on corruption.

Under Indonesia's new democratic system, a major new source of corruption arises from the need of political parties to raise funds to support their election campaigns. Indonesia's next election is due in 2004 so it can be expected that party leaders will be seeking positions in government that provide opportunities for filling their parties' coffers. Megawati seems to have tried to curb this

activity by limiting the number of party appointees to her cabinet but the struggle is likely to continue as the parties fight for 'wet' bureaucratic appointments.²⁷ One of the most 'wet' positions in the cabinet is that of Minister of State Enterprises in charge of the government's privatisation program. To that position Megawati has now added control of the massive assets administered by IBRA. The minister appointed to the department is her close adviser, Laksamana Sukardi, who was dismissed from the same position in Gus Dur's government after he made corruption allegations against the giant Texmaco group whose head, Marimutu Sinivasan, had warm ties with President Wahid – and, of course, President Soeharto.²⁸ Laksamana's personal integrity has never been doubted but questions have been raised about the role expected of him in Megawati's government. Is he expected to channel funds to the PDI-P or is his appointment intended primarily to prevent other groups from gaining access to huge sources of finance?

E. ECONOMIC POLICY

Megawati has never shown a deep understanding of economic issues while her nationalist and populist rhetoric sometimes caused concern in business circles. However, her appointment of non-party technocrats to key economic positions together with two party politicians with technocratic credentials did much to reassure international financial circles. Despite her nationalist reputation, the financial market responded positively to her elevation to the presidency as shown by the sharp rise in the value of the rupiah from Rp 10,600 to the U.S. dollar on the day she was installed to around Rp 8,500 a month later. Of course, this rise may have been more a measure of the market's lack of confidence in Wahid than its confidence in Megawati.

The new government inherited huge economic challenges that have their origins in the Asian financial crisis of 1997-8. A massive public debt remains roughly equivalent to gross domestic product. The banking system has yet to be

²⁶ Jakarta Post, 4 September 2001.

²⁷ Indonesians commonly distinguish between 'wet' and 'dry' posts in government.

²⁸ Marimutu Sinivasan also has good links with Megawati's husband, Taufik Kiemas.

resuscitated and corporate restructuring is still far from complete.²⁹ In these circumstances foreign private capital remains reluctant to invest in Indonesia while mainly Chinese-Indonesian domestic capital has not returned. The new government has not formulated a blueprint for economic recovery but, according to one senior official, can only hope that it will be able to 'muddle through'.³⁰ However in her first budget speech on 7 September 2001, Megawati did announce measures to reduce the budget deficit to a more sustainable 2.5 percent of GDP in 2002 from the current 3.7 percent. This will be achieved through the politically unpopular but essential steps of raising subsidised energy prices.

In practice, Indonesia's economic blueprint is not formulated by the Indonesian government but by the IMF. The IMF's support program is premised on a series of agreements – Letters of Intent (LOI) – between the IMF and the Indonesian government outlining its program of continuing economic reform. The Wahid government's relations with the IMF, particularly through the Coordinating Minister for the Economy, Rizal Ramli, had not been warm, and no agreement on a new LOI had been reached since December 2000. As a result the release of the next U.S.\$ 400 million tranche of the IMF's U.S.\$5 billion credit program had been delayed.

Megawati immediately handed over responsibility for negotiations with the IMF to her team of economics ministers and agreement on a new LOI was finally reached on 27 August 2001.³¹ The 35-point agreement provided detailed policy prescriptions and set targets for the sale of IBRA assets, privatisation, and the restructuring of corporate debt. While the release of U.S.\$400 million does not in itself make much difference to Indonesia's financial position, continuing failure to reach agreement with the IMF on the LOI would have sent adverse signals to others sources of funds. Of crucial importance for the new government is the September meeting of the Paris Club of sovereign creditors to consider debt rescheduling and the November meeting of donor

nations and institutions in the Consultative Group for Indonesia (CGI) to discuss further aid. Failure to reach agreement with the IMF would have also deterred foreign private investment.

In contrast to Wahid who tended to interfere in the work of his ministers, Megawati can be expected to place full authority in the hands of her ministers, especially in the economics field. The political challenge to the economic ministers, therefore, will not come from above but more likely from below. In the last year or so the DPR often challenged the Wahid government's policies in such vital areas as fuel subsidies, central bank independence and privatisation. Such challenges can be expected to continue. For example, the LOI's expectation that IBRA will sell a majority stake of 51 per cent in Indonesia's largest retail bank, the Bank of Central Asia, is likely to meet with a hostile nationalist reaction from at least part of the DPR. Facing an assertive parliament, it is now no longer enough for the government to sign an agreement with the IMF. Even if Megawati does not play a major role in negotiations with the IMF, she is likely to be called on to use her presidential authority to persuade the DPR to allow the government to implement the agreements that it signs.

The new government's economic challenges do not, of course, end with the signing of agreements with the IMF, the Paris Club and the CGI. Ultimately full economic recovery will be obstructed by the weakness of the rule of law. Unless notorious corruption cases of the past are dealt with adequately by the courts, it can hardly be expected that the corrupt nexus between business and government that was at the root of the collapse in 1997-98 will not re-emerge in the future.

F. REGIONAL AUTONOMY

One of the most drastic reforms of recent years has involved decentralisation. In 1999 President Habibie's government adopted radical regional autonomy laws that in theory transferred much of the central government's authority not to the 27 (at that time) provincial governments but to approximately 350 district governments. The laws were formally implemented according to schedule on 1 January 2001 although many of the necessary regulations and administrative guidelines had not been finalised. Inevitably the drastic overhaul of Soeharto's extraordinarily centralised government

²⁹ *Bad Debt: The Politics of Financial Reform in Indonesia*, ICG Asia Report No. 15, Jakarta/Brussels, 13 March 2001.

³⁰ ICG interview, Jakarta, August 2001.

³¹ The full agreement was published in the Jakarta Post, 28 August 2001.

structure has not proceeded smoothly and has been subjected to strong criticism.

Decentralisation has always been difficult for Indonesian nationalists to accept. The concept of the centralised 'Unitary State of the Republic of Indonesia' (*Negara Kesatuan Republik Indonesia*) is deeply embedded in the psyche of the Java-based national elite to the extent that 'Federalism' is widely perceived as just the first step toward national disintegration. The phobia about federalism has its origins in the national revolution when the Dutch attempted to establish a federal constitution that was widely understood as a move to retain colonial influence, especially in the resource-rich islands outside Java. It was only after the Sulawesi-born Habibie replaced the Javanese Soeharto in 1998 that decentralisation was given serious attention and some outer islanders even began to propose federalism.

As vice president, Megawati expressed deep concern about decentralisation and even claimed that the regional autonomy law 'does not share the same principles' with the unitary constitution initially proclaimed by her father in 1945 and reintroduced in 1959. In a speech in May 2001 she criticised the law for transferring power directly to the districts so that the hierarchical relationship between the centre, the provinces and the districts was broken. 'Now we are already seeing signs of "rebellion" by the regencies (districts) toward the provincial government, which should have authority over the regencies', she complained. Like many conservative nationalists, she seemed to have difficulty in understanding how small 'states' could co-exist within a national state.³² Megawati's views reflected those of the Department of Internal Affairs and the military and had strong support within the PDI-P.

By the time that she had become president, however, she had acquired a more sophisticated view of decentralisation as shown in her first major presidential speech. Among the issues that 'require deep thought', she listed 'the characteristics of a unitary state that institutionally and operationally gives and recognises regional autonomy'. She pointed out that 'a structure that has been too centralised until now is not only inefficient but also unable to give the opportunity to grow and develop

the initiative and creativity of our citizens.' In implementing this approach, she said that authority and budget support has to be handed to the districts 'while the work and authority of the central government is focused only on several strategic area which are truly needed by the entire nation'.

Megawati's independence-day speech, therefore, suggests that her earlier suspicion of decentralisation has abated and she now accepts the necessity of regional autonomy. This does not mean, of course, that she will not consider amendments to the regional autonomy law in order to overcome weaknesses in implementation. Indeed, her close adviser and the State Secretary, Bambang Kesowo, has said that revision of the autonomy law is one of the government's priorities.³³ However, the process of decentralisation has gone too far to be reversed. Megawati, therefore, is unlikely to abandon the whole project.

³² Jakarta Post, 17 May 2001.

³³ Tempo, 26 August 2001.

III. CAN MEGAWATI SURVIVE UNTIL 2004?

The fall of President Wahid after only 21 months in office casts a shadow over Megawati's government. Gus Dur's dismissal can be attributed in part to his own personality and behaviour but it took place in a political system that made the president quite vulnerable. Although Indonesia's constitution is presidential, it contains a substantial parliamentary element. The constitution is unambiguous in affirming that the president is not dependent on majority support in the DPR and that the president cannot be deposed by a parliamentary no-confidence vote. The president, however, is not elected directly in a nation-wide presidential election but by the MPR that also has the power to depose the president. The unusual feature of the Indonesian constitution is that the members of the DPR are also members of the MPR. During the Soeharto era the DPR members made up only half of the MPR but they now make up 500 of the 700 members of the full MPR. Thus, although the DPR cannot depose the president, its members have a decisive voice in the decisions of the MPR. Certainly the president cannot be deposed as easily as a prime minister in a parliamentary system. The dismissal process extends over six months and the only ground for dismissal is that the president has 'truly violated the national will or constitution' but the MPR has the exclusive right to determine what amounts to such a violation.

To survive a president has to maintain sufficient support in the MPR. This proved very difficult for Gus Dur whose own party held only 8 per cent of the MPR seats. His first cabinet consisted of a 'rainbow' coalition including all the significant parties in the DPR but in his second he seemed to abandon the quest to maintain parliamentary support by reducing PDI-P to almost nominal representation and removing Golkar altogether from the cabinet (although he retained a Golkar leader as Attorney General outside the cabinet). Gus Dur's strategy of virtually excluding the two main parties whose combined seats made up majorities in both the DPR and MPR seemed inexplicable at the time and laid the foundation for his own eventual dismissal.

Megawati's position in the DPR and MPR is much stronger than Gus Dur's was. But with only 30.6 per cent of the seats in the DPR and 26.6 per cent in the MPR, her defences are by no means

impregnable. Megawati's new cabinet has provided the parties with sufficient posts to satisfy them for the time being and it can be expected that appointments in the bureaucracy and other state institutions will reinforce their willingness to support her. If, however, one of the two major blocs outside her own party were to defect, she would become heavily dependent on the other and very vulnerable to further defection.

At present defection from Megawati's government does not seem to fit the strategies of either major group. Golkar now seems to be focusing on the 2004 election and hoping that with the passage of time its identification with the Soeharto regime will fade. Some might even be hoping that its identification with the economic growth and relative stability of the Soeharto regime might be transformed into an advantage by 2004. And, in any case, Golkar does not have a strong interest in toppling Megawati to make way for Hamzah Haz. For Golkar, it would probably be better to wait for 2004 in the hope that it would gain on its electoral performance in 1999.

The Muslim Central Axis group would have one major incentive to undermine Megawati – that is the fall of Megawati would result in the rise of the PPP's Hamzah Haz to the presidency. But the Central Axis does not have a strong enough parliamentary base to form a strong government. Further the Central Axis itself consists of several parties which have not been able to form a closer union. The most prominent leader of the Central Axis group is not Hamzah Haz but the MPR speaker, Amien Rais, whose own political ambitions would be foiled if Hamzah were somehow thrust into the presidency.

Megawati will also need to keep a close watch over her own party, some of the leaders of which were disappointed by the party's small representation in the cabinet. If the PDI-P's performance in the regions is a guide, the party cannot always be relied on to support its own leaders. In many elections of provincial and district heads, PDI-P candidates have been defeated because party members have voted for other parties, presumably responding to material inducements.

It is important for Indonesia's democratising system that governments do not rise and fall in quick succession. Indonesia's parliamentary democracy in the 1950s saw six governments in as

many years with the result that the system became discredited. In the absence of any party that can command a majority of votes in its own right, coalition governments need to be formed but so far Indonesia's fragmented parties have tended to see alliances with other parties as no more than temporary measures designed to further short-run interests. Public disillusion with the political system is already spreading and could become acute if another government were unable to complete its term. In this context demands are growing in support of constitutional change.

Few Indonesians have high expectations of the Megawati government. Megawati's past record provides little indication that she has the vision and drive to revive the reform agenda promised after the fall of Soeharto three years ago. Her cabinet appointments and her recent public speeches suggest that her government will be basically a holding operation for the next few years. Few expect her government to be able to carry out the economic restructuring needed to pave the way toward a return to rapid economic growth. Public cynicism about the capacity of the police, the Attorney General's Office and the courts to uphold the rule of law remains pervasive. And the government has yet to show a strong sense of urgency in dealing with the Aceh problem and the potential Irian Jaya problem. The best that can be hoped seems to be that individual ministers will be able to introduce incremental improvements in various fields even though entrenched obstacles are yet to be addressed. That will not be enough to bring Indonesia back from the brink.

Jakarta/Brussels, 10 September 2001

APPENDIX A

GLOSSARY OF TERMS

| | | | |
|----------------------|---------------------------------------|------------|--|
| Central Axis: | Loose alliance of Muslim parties | MPR | People's Consultative Assembly |
| CGI | Consultative Group on Indonesia | I-P | Indonesian Democratic Party – Struggle |
| DPR | Parliament | PAN | National Mandate Party |
| IBRA | Indonesian Bank Reconstruction Agency | PBB | Crescent and Star Party |
| IMF | International Monetary Fund | PKB | National Awakening Party |
| LOI | Letter of Intent | PPP | United Development Party |



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