

The London School of Economics and Political Science



***Berantas Korupsi: A Political History of Governance
Reform and Anti-Corruption Initiatives in Indonesia
1945-2014***

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**A Thesis Submitted to the Department of International History of the
London School of Economics for the degree of Doctor of Philosophy,
London, May 2016**

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Abstract

This thesis examines the efforts to introduce governance reform and anti-corruption measures from Indonesia's independence in 1945 until the end of the Susilo Bambang Yudhoyono's (SBY's) presidency in 2014. It is divided into three main parts covering Sukarno's 'Old Order', Suharto's 'New Order', and the reform period. The first part discusses how the new-born state of Indonesia balanced asserting its independence with efforts at institution building. It analyzes the power struggle between the diametrically opposed nationalist camp led by Sukarno and the administrator camp led by Vice President Hatta. It also examines Army Chief General Nasution's push for anti-corruption initiatives under Sukarno's guided democracy. The second part analyzes the roots, causes and development of corruption under President Suharto. It looks at how, in the early period of the New Order, Suharto enacted a number of anti-corruption policies in response to demands especially from students, how this political alliance ended as Suharto was able to consolidate his political authority, and how this undermined the checks-and-balances system. It also analyses the impact of the increasing corruption on Suharto's political capital as the Indonesian middle class demanded greater transparency and accountability, ultimately – along with 1997 Asia Financial crisis – leading to Suharto's downfall in May 1998. The third part of this thesis examines the efforts by the post-Suharto presidencies to tackle the legacy of corruption from the New Order period. It discusses the dynamics between the reformists within the executives and legislatures who worked together with civil society and the conservative/pro-status quo groups and oligarchs, as well as the impact of a more democratic political governance structure, the emergence of a free media, the greater freedom of expression, and the functioning of the most effective anti-corruption agency in Indonesia's modern history – the Corruption Eradication Commission (KPK).

This thesis advances three arguments: First, that despite all the rhetoric in championing the cause, governance reform was never seen as a long-term endeavor and therefore was never applied consistently from independence to the SBY era. Second, the anti-corruption drives predating the KPK in 2004 were mostly arbitrary, with limited impact, selective in nature, and politicized. Third, the establishment of the KPK changed the sense of impunity among the political elites, albeit only in a limited sense. On the one hand, that allowed the KPK to sustain and even accelerate the anti-corruption drive during the two terms of SBY's presidency but, on the other, it left the overall political, economic and social structure and with it the persistent institutional failure that induced and incubated the wave of corruption largely intact.

**Dedicated to my father, Prof. Dr. Juwono Sudarsono, and my mother,
Raden Roro Priharumastinah.**

Acknowledgement

This PhD thesis, that marks the end of my academic journey at the London School of Economics (LSE), could not have been completed without contributions from many people and institutions during my life in the form of encouragement, support, input and criticism. First and foremost, my highest gratitude goes to my father, Juwono Sudarsono, and my mother, Priharumastinah, for their full support, especially during every stage of my education up until completing my PhD at LSE. My father has always been a source of my intellectual admiration as well as a figure to who I look up in terms of his dedication to public service and academic excellence. My mother, meanwhile, has always provided all-out support and equipped me with practical advice that is crucial in chartering a number of challenges in my life, especially for me to be able to finish my studies. They are the reason why I am who I am today and they have been showering unmatched gifts of wisdom and love on me since I was born, so this dissertation is dedicated to them to show how extremely blessed I am. My deep gratitude goes to my PhD supervisor at LSE, Associate Professor in International History Dr. Kirsten Schulze, for providing me with a once-in-life-time opportunity, intellectual journey and her extensive as well as responsive guidance for more than 4.5 years of study that shaped my thinking, as manifested in this dissertation. This first rate education that I experience at LSE was only possible because of a full-scholarship from the Jardine Foundation. In addition to the scholarship, the Jardine Foundation also generously provided me with a travel research fund both in Indonesia (Jakarta, Yogyakarta) and Australia (Canberra, Sydney, Melbourne) and a grant for finalizing my thesis. At the Jardine, not just all the members of the management committee, but particularly I would like to thank Mr. Neil McNamara, Mr. Philip Hawkins and all the administrative staff who were very responsive to all my enquiries about my studies. I

would like to thank the contribution of former Indonesia Ambassador to the United Kingdom Yuri Thamrin, who played an instrumental role in recommending me for the Jardine scholarship.

I wish to express my appreciation for the input from my PhD upgrade panel members at LSE: Professor in International History Dr. Arne Westad, Associate Professor in International History Dr. Antony Best and Associate Professor in International History Dr. Roham Alvandi. My high appreciation for giving me robust, critical and comprehensive feedback on my PhD thesis goes to both my internal examiner, Professor in economics from the School of Oriental and African Studies (SOAS), University of London, Dr. Anne Booth and external examiner, Associate Professor in Indonesia Politics from the Australia National University (ANU), Dr. Greg Fealy. Their input certainly improved the analytical quality of this thesis. Within the Department of International History of LSE, special appreciation should be given to the Department Manager, Ms. Demetra Frini, who helped me to copyedit the whole thesis with high quality and in a timely fashion and also to Postgraduate and Research Manager Mrs. Nayna Bhatti who was very responsive to my administrative inquiries, especially those related to my travel grant. Also, I would like to thank all of the staff at LSE's PhD academy office, particularly Deputy Research Degree Manager Matthew Brack who was very patient and responsive regarding my inquiries especially in the process of thesis submission and other PhD-related administrative matters. During my more than 3.5 year stay in 24 Westbourne Terrace, apartment number 20 in London, I would like to thank the apartment owner Mrs. Nathalie Fortin and her husband Baly for being responsive to my apartment-related inquiries as well as glad that our relations have developed into a friendship. Renting their apartment near Paddington station where I could take a train quickly usually to Oxford and close to Hyde Park where I regularly went jogging was definitely one of the highlights of living in London.

With extensive field research for this dissertation in the second and third year of my study, I also would like to express my appreciation to LSE in giving me various travel grants through the Department of International History and PhD mobility bursary scheme for my field research that was based at the National University of Singapore (NUS). The Financial Support Office of LSE also generously provided funding for finalizing my dissertation for submission in September 2015 and a travel grant for my participation in number of academic conferences that helped me to solicit valuable input and comments that improved the draft of my PhD thesis. During my stay in London for more than 3.5 years, I would also like to thank my brother Yudhistira Juwono and his wife Brenda Yudhistira as well as my niece Lavanya Eliana Yudhistira for stepping-up in taking care of my parents in Jakarta, while I was away. More importantly, I wish to thank Ratna Susanna for being very patient and supportive of my studies in London that forced us to be apart for quite some time, making me feel grateful and blessed for having her as my girlfriend.

At the University of Indonesia (UI), I would like to express my appreciation to former Rector of UI and Professor in Sociology Dr. Gumilar Rusliwa Somantri as well as his successor Professor in Metallurgy Dr. Muhammad Anis for giving me permission to take leave from UI for my study at LSE. Besides Prof. Gumilar, I would also like to thank UI's former Vice Rector for Finance, Human Resource and Administration Dr. Tafsir Nurchamid, Professor in public administration Dr. Amy Rahayu, Head of the Department of Administrative Science Dr. Roy V. Salomo and Secretary of Department of Administrative Science Mr. Muhammad Aziz Muslim for their role in appointing me as lecturer in public administration in the Faculty of Administrative Science (FIA) at UI in 2011, for which opportunity I am very grateful. I am also thankful for financial assistance from FIA UI for the revision of my thesis in January 2016, particularly through help from Dr. Roy, Mr. Aziz and Mrs. Rani Fahira. Within FIA UI, I really appreciate all of the input and guidance from my seniors and colleagues,

especially Professor in public administration Dr. Eko Prasojo, Professor in Business Administration Dr. Chandra Wijaya, Professor in Business Administration Dr. Martani Huseini, Assistant Professor in public administration Dr. Lina Miftahul Jannah, Associate Professor in public administration Dr. Lisman Manurung, Associate Professor in public administration Teguh Kurniawan and others who are not mentioned here.

During my field research in Jakarta in 2013, for three months I was a visiting fellow at the Center of Strategic and International Studies (CSIS), for which opportunity I would like to thank its former Executive Director Dr. Rizal Sukma, Vice Chair Clara Joewono and researcher Lena Alexandra in facilitating my research there. Also, it was a great honour to have a productive discussion with CSIS's Co-Chairs Board of Trustee, Jusuf Wanandi and Harry Tjan Silalahi as well as current Executive Director Dr. Phillip J. Vermonte. At the National University of Singapore (NUS), during my field research in Singapore, I would like to thank Dr. Robin Bush former Senior Fellow in the Asia Research Institute (ARI) for hosting me as visiting scholar in ARI as well as giving me an opportunity to present my preliminary research findings there. Furthermore, at the Institute of Southeast Asia Studies (ISEAS), I would like to thank my fellow in Indonesia studies Dr. Ulla Fiona for helping me to access ISEAS' excellent library and also the then Visiting Fellow in Indonesia studies Dr. Alex Arifianto for being an engaging discussion partner. Whilst in the Rajaratnam School of International Studies (RSIS) Nanyang Technological University (NTU), I would like to thank Dr. Leonard Sebastian the Indonesia Programme Coordinator and former Senior Research Analyst Adhi Priamarizki for their valuable time as well as the invitation to the Indonesia programme's excellent seminars. Within the RSIS, special thanks also go to former dean Ambassador Barry Desker, Professor in International Political Economy and former Governor of Indonesia's Central Bank Dr. Soedrajad Djiwandono and Associate Professor in Sociology Dr. Sulfikar Amir for their kindness in spending time being interviewed. In Singapore, I was also blessed to get an insight

from international figures who have familiarity with Indonesia's political dynamic, like Michael Vatikiotis, former Head of the Indonesia Bureau for far Eastern Economic Review (FEER), former FEER correspondent in Indonesia Adam Schwarz, former Wall Street Journal correspondent in Indonesia Richard Borsuk and former World Bank Indonesia office's lead economist Mr. Bert Hofman.

During my field research in Australia, I would like to thank Dr. Greg Fealy, Head of the Department of Political and Social Change at the Australia National University (ANU) for giving me an opportunity to be based there as a visiting scholar, as well as Associate Professor in Politics Dr. Marcus Mietzner for putting me in contact with Dr. Fealy and generously providing me with his excellent articles and time for discussion in Jakarta and London. Also at ANU, I would like to thank Professor in Politics Dr. Edward Aspinall, Adjunct Associate Professor in economics Dr. Ross McLeod, Visiting Fellow Dr. Jacqui Baker, M.Phil. candidate and human rights activist Usman Hamid as well as PhD candidate and former coordinator of Indonesia Corruption Watch (ICW) Danang Widoyoko for their insights during our productive discussions. During my stay in Canberra, I would like to express my appreciation for the kindness of Mr. Hanggiro Setiabudi and his wife Mrs. Manifestati Broto for letting me stayed in their apartment for two weeks. At Melbourne University, I would like to thank Professor in governance Dr. Helen Sullivan and Mrs. Leanne McDonald Research Manager at School of Government for helping me to gain access to Melbourne University's library. I would also like to thank Professor Tim Lindsey who is also the Director of the Center for Indonesian Law, Islam and Society at the Melbourne Law School for his engaging discussion. Also, I would like to thank Professor Andrew McIntyre the Deputy Vice-Chancellor International and Vice-president of the Royal Melbourne Institute of Technology (RMIT) for an insightful discussion during our meeting in his office. Meanwhile, at the University of Sydney, I would also like to thank Professor of Southeast Asian studies Michelle Ford, Professor of Southeast Asian studies

Adrian Vickers, Professor in Indonesia Law Dr. Simon Butt and PhD candidate in Southeast Asian studies Yuna Farhan and PhD candidate in Southeast Asia studies Elisabeth Kramer for their valuable insights during our discussions. Also, I would like to thank SJD candidate at the University of New South Wales (UNSW) Fritz Siregar who joined with Dr. Butt and gave his perspective on our discussion.

I would also like to give a special thanks to former Vice Chairman of Corruption Eradication Commission (KPK) Amien Sunaryadi. He gave me inspiration to choose the topic of this thesis and his comprehensive insights during our discussions in Jakarta were valuable. I would also like to thank all the resource persons particularly Professor in Economics in UI and former Minister of Mining Dr. Soebroto, Professor in Economics in UI and former Minister of Environment Dr. Emil Salim, Professor in Economics in UI and former Coordinating Minister of Economic Affairs Dr. Dorodjatun Koentjorjakti, former Minister of State Apparatus Empowerment Sarwono Kusumadja, former Chairman of KPK Taufiqurachman Ruqi, former Vice Chairman of KPK Erry Ryana Hardjapamekas, former Vice Chairman of KPK Chandra Hamzah, former Vice Chairman of KPK Muhammad Yasin, Chief Editor of Tempo Magazine Arif Zulkifli and all the resource persons listed in the bibliography section for their generous time and for sharing their valuable experience that really helped my research.

Although not directly related to the process of completing my PhD at LSE, I was also very blessed to be given the opportunity to be a Tempo Correspondent in the United Kingdom by its CEO Mr. Bambang Harymurti to finance some of my living costs in London that is known as one of the most expensive cities in the world. During my work in London, I would like to thank the editors of the Tempo Media group especially Chief Editor of Tempo.co Mr. Daru Pryambodo, Economic Editor of Tempo.co Mrs. Grace Gandhi, Travel and Art editor for Tempo Daily Newspaper Mr. Nurdin Kalim, Arts and Music editor of Tempo weekly magazine Mr. Kurniawan, International section editor for the Tempo daily newspaper Mr. Raju Febrian,

both Sport Editors Mr. Nurdin Saleh and Mr. Hari Prasetyo, who had given me the opportunity to write articles in their respective section. Related to my work in *Tempo*, I would also like to express my sincere appreciation to the staff at the Indonesia Embassy in London, particularly to the Indonesia Ambassador to the United Kingdom (UK) H.E. Hamzah Thayeb, Head of Information Section Mr. Dino Kusnadi, First Secretary of Information section Ms. Heni Hamidah, Second Secretary of Information section Mr. Billy Wibisono and Second Secretary of Information section Mr. Yudho Priambudi who gave me crucial access especially to historic events like 2012 Olympics in London, the State visit of Indonesia President Susilo Bambang Yudhoyono to the UK and a working visit by Indonesian Vice President Jusuf Kalla.

I would also like to thank my fellow PhD students at LSE for their valuable insights, sharing their experience and their moral support as well as great assistance in this very challenging experience of completing a PhD programme, especially Hadianto Wirajuda, Deepak Nair, Yu Suzuki, Nofie Iman and Kyung Ryui Park. Lastly, I would like to thank my Indonesian friend who lives in London Aditya Pradana for his moral support and Achmad Sukarsono for both moral and actual support especially related to the process of my moving back from London to Jakarta.

London, January 2016.

Acronyms and Abbreviations

English

ADB	Asian Development Bank
AGO	Attorney General Office
ASEAN	Association of Southeast Asian Nations
CPI	Corruption Perception Index
CSIS	Center for Strategic and International Studies
HR	Human Resource
ICAC	Independent Commission Anti Corruption
ICW	Indonesia Corruption Watch
IDX	Indonesia Stock Exchange
IGGI	Indonesia Governmental Group on Indonesia
IMF	International Monetary Fund
ISEAS	Institute of Southeast Asian Studies
LOI	Letter of Intent
MOD	Ministry of Defense
MOF	Ministry of Finance
MP	Member of Parliament
NDI	National Democratic Institute
NGO	Nongovernmental Organizations
PGR	Partnership for Governance Reform
PM	Prime Minister
TI	Transparency International Indonesia
TII	Transparency International Indonesia
UK	United Kingdom
US	United States
UNDP	United Nations Development Programme
UNEP	United Nations Environment Program
UNFREL	University Network for Free Election
UNHCR	United Nations High Commissioner for Refugees
UNISDR	United Nations office for Disaster Risk Reduction
VOC	United East India Company or Verenigde Oost Indische Companie (VOC)
WEF	World Economic Forum

Indonesian

AJI	Aliansi Jurnalis Independen	Alliance of Independent Journalists
ATTP	Advanced Technology and Aeronautical Technology Division	Unit within State owned Oil and Gas company PERTAMINA that was led by Habibie.
APBD	Anggaran Pendapatan dan Belanja Daerah	Regional Budget
APBN	Anggaran Pendapatan dan Belanja Negara	National State Budget

ASPRI	Asisten Pribadi	Personal Assistant to President, under Suharto presidency.
BAKIN	Badan Koordinasi Intelejen Indonesia	State Intelligence Coordinating Agency
BAKORSTANAS	Badan Koordinasi Bantuan Pemantapan Stabilitas Nasional	The Agency for Coordination of Assistance for the Consolidation of National Security
BANPRES	Bantuan Presiden	President Financial Assistance
BAPEKAN	Badan Pemeriksa Kegiatan Aparatur Negara	State Apparatus Activities Supervision Agency
BAPPILU	Badan Pemenangan Pemilu	General Election Committee
BBPT	Badan Penelitian dan Pengembangan Teknologi	Agency for Technology Assessment and its Application
Bareskrim	Badan Reserse Kriminal	Detective and Criminal Section of Indonesia national police
BI	Bank Indonesia	Indonesia Central Bank
BIN	Badan Intelejen Negara	State Intelligence Agency
BKN	Badan Kepegawaian Negeri	National Civil Service Agency
BKK	Badan Koordinasi Kegiatan Kampus	Student Activity Coordination Body
BLBI	Bantuan Likuiditas Bank Indonesia	Indonesia Central Bank's Liquidity Assistance
BLT	Bantuan Langsung Tunai	Direct Cash Transfer Assistance
BNI	Bank Nasional Indonesia	State-owned Bank, BNI
BNN	Badan Narkotika Nasional	National Narcotics Agency
BOS	Bantuan Operasional Sekolah	School Operational Assistance
BPK	Badan Pemeriksa Keuangan	Supreme Audit Agency
BPKP	Badan Pemeriksaan Keuangan dan Pembangunan	Financial and Development Audit Agency
BPPC	Badan Penyanganah dan Pemasaran Cengkeh	Stocking and Marketing of Clove Agency
BRR for Aceh and Nias	Badan Rehabilitasi dan Rekonstruksi Aceh dan Nias	Rehabilitation and Reconstruction Agency for Aceh and Nias
BULOG	Badan Urusan Logistik	National Logistic Agency

DEKON	Deklarasi Ekonomi	Economic Declaration under Sukarno Era
DM	Dewan Mahasiswa	University Student Council
DPA	Dewan Pertimbangan Agung	Supreme Advisory Council
DPD	Dewan Perwakilan Daerah	Regional Representative Council
DPR	Dewan Perwakilan Rakyat	People Representative Council, Indonesia National Parliament
DPRD	Dewan Perwakilan Rakyat Daerah	Regional People Representative Council
DPKEKU	Dewan Pemantapan Ketahanan Ekonomi dan Keuangan	Council for the Enhancement of National Economics and Financial Resilience
FDR	Front Demokrat Rakyat	People Democratic Front
GAM	Gerakan Aceh Merdeka	Free Aceh Movement
GDUI	Grup Diskusi Universitas Indonesia	University of Indonesia's Discussion Group comprise of students and academics.
GBHN	Garis Besar Haluan Negara	State Broad Guidelines
Golkar	Golongan Karya	The State political party under the New Order, and one of the major post-New Order parties
Golput	Golongan Putih	White Group, activist movement in the New Order era that encourage no vote
HIPMI	Himpunan Pengusaha Muda Indonesia	Association of Young Indonesian Businessmen
HIPPI	Himpunan Pengusaha Peribumi Indonesia	Association of Indonesia Indigenous Business
ICMI	Ikatan Cendikiawan Muslim Se-Indonesia	Indonesia Muslim Intellectual Association
INPRES	Instruksi Presiden	Presidential Instruction Decree
IPKI	Ikatan Pendukung Kemerdekaan Indonesia	Association of Supporters of Indonesian Independence
IPTN	Industri Penerbangan Nasional	National Flight Industry State Company
ITB	Institut Teknologi Bandung	Bandung Institute of Technology

KADIN	Kamar Dagang Industri Indonesia	Indonesian Chambers of Commerce and Industry
KAK	Komite Anti Korupsi	Anti Corruption Committee
KK	Komisi Konstitusi	Constitutional Commission
KAMI	Kesatuan Aksi Mahasiswa Indonesia	Indonesia Student Movement Union
Kapolda	Kepala Polisi Daerah	Chief of Police in Province
Kapolri	Kepala Polisi Republik Indonesia	Chief of Indonesia Police
Kassopol	Kepala Staf Sosial dan Politik	Chief of Staff of Social and Political Affairs in Indonesia Military
Kaster	Kepala Staf Teritorial	Chief of Staff of Territorial Affairs in Indonesia Military
KIPP	Komite Independen Pemantau Pemilu	Independent Committee for Election Monitoring
KK	Komisi Konstitusi	Constitutional Commission
KNIL	Koninklijk Nederlands Indisch Leger	Royal Netherland East India Army
KNIP	Komite Nasional Indonesia Pusat	Indonesia National Central Committee
KON	Komisi Ombudsman Nasional	National Ombudsman Commission
KOPKAMTIB	Komando Operasi Pemulihan Keamanan dan Ketertiban	Operational Command for the Restoration and Security Order
KORPRI	Korps Pegawai Republik Indonesia	Indonesian Civil Service Corps
KORTAR	Komando Operasional Retooling Alat Revolusi	Supreme Command for Retooling the Tools of the Revolution
KOSTRAD	Komando Cadangan Strategis Angkatan Darat	Army Strategic Reserve Command
KOTI	Komando Operasi Tertinggi	Supreme Operational Command
KPK	Komisi Pemberantasan Korupsi	Corruption Eradication Commission
KPKPN	Komisi Pemeriksaan Kekayaan Pejabat Negara	State Official Wealth Audit Commission
KEPPRES	Keputusan Presiden	Presidential Decision Decree

KKN	Korupsi Kolusi Nepotisme	Corruption Collusion and Nepotism
KSSK	Komite Stabilitas Sektor Keuangan	Financial Sector Stability Committee
KPU	Komisi Pemilihan Umum	National Election Commission
KUHAP	Kitab Undang-Undang Hukum Acara Pidana	Criminal Procedure Code
KY	Komisi Yudisial	Judicial Commission
LAN	Lembaga Administrasi Negara	Institute of National Administration
LeIP	Lembaga Kajian dan Advokasi untuk Independensi Peradilan	Research and Advocacy Center for Court Independence
LPS	Lembaga Penjamin Simpanan	Indonesia Deposit Insurance Corporation (IDIC)
LPSK	Lembaga Perlindungan Saksi dan Korban	Witness and Victim Protection Agency
LSI	Lembaga Survei Indonesia	Indonesia Survey Institute
MA	Mahkamah Agung	Supreme Court
MANIPOL/ USDEK	Manifesto Politik, Undang- Undang Dasar 1945, Sosialisme Indonesia, Demokrasi Terpimpin, Ekonomi Terpimpin dan Kepribadian Indonesia	Sukarno's political manifesto consists of 1945 constitution, Indonesia Socialism, Guided Democracy, Guided Economy and Indonesia's personality.
Masyumi	Majelis Syuro Muslimin Indonesia	Council of Indonesian Muslimin Association, the Major Islamic Party in 1950s
Malari	Malapetaka Lima Belas Januari	The tragedy of 15 January 1974, when there was huge riot after students' demonstration in the wake of the state visit by Prime Minister of Japan.
MenkoPolsoskam	Menteri Koordinator Politik Sosial dan Keamanan	Coordinating Minister for Political, Social and Security Affairs
MenkoPolhukam	Menteri Koordinator Politik Hukum dan Keamanan	Coordinating Minister for Poiltcal, Law and Security
MenPAN	Menteri Pendayagunaan Aparatur Negara	Minister of State Apparatus Empowerment

MK	Mahkamah Konstitusi	Constitutional Court
MPR	Majelis Permusyawaratan Rakyat	People Consultative Assembly
MTI	Masyarakat Transparansi Indonesia	Indonesia Transparency Society
MURBA	Musyawarah Banyak	Party of Mass Consultation
NASAKOM	Nasionalis Sosialis Komunis	Nationalist Socialist Communist, ideology introduce by Sukarno
NU	Nahdlatul Ulama	Revival of the Religious Scholar, Indonesia Islamic traditional largest organization
NKK	Normalisasi Kehidupan Kampus	Normalization of Campus Life
OPSTIB	Operasi Tertib	Discipline Operation
OPSUS	Operasi Khusus	Special Operation, intelligence operation conducted by Ali Moertopo, Suharto's Personal assistant in politics.
ORBA	Orde Baru	New Order era, the Suharto era 1966 – 1998
PAH 1	Panitia Ad- Hoc 1	Ad Hoc Committee I. The special committee established by the MPR, which tasked overseeing the constitutional Amendment.
PARAN	Panitia Retooling Aparatur Negara	Committee for Retooling State Apparatus
PD	Partai Demokrat	Democrat Party
PDI	Partai Demokrasi Indonesia	Indonesia Democratic Party
PDIP	Partai Demokrasi Indonesia Perjuangan	Indonesia Democratic Party Struggle
PEKUNEG	Pengawas Keuangan Negara	State Financial Supervision team
PERHUTANI	Perusahaan Kehutanan Indonesia	Indonesia Forestry Corporation
Perindra	Partai Persatuan Indonesia Raya	Indonesia Greater Union Party
PERTAMINA	Pertambangan Minyak dan Gas Bumi Nasional	State Oil and Gas Company
PKB	Partai Kebangkitan Bangsa	National Awakening Party
PKI	Partai Komunis Indonesia	Indonesia Communist Party

PKS	Partai Keadilan dan Sejahtera	Justice and Welfare Party
PMA	Penanaman Modal Asing	Foreign Direct Investment
PMDN	Penanaman Modal Dalam Negeri	Domestic Direct Investment
PNI	Partai Nasional Indonesia	Indonesia Nationalist Party
PPA	Perusahaan Pengelola Aset	State Asset Management Companies
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan	Financial Transaction Report and Analysis Center
PPKI	Panitia Persiapan Kemerdekaan Indonesia	Preparatory Committee for Indonesia Independence
PPP	Partai Persatuan Pembangunan	United Development Party
PRRI	Pemerintah Revolusioner Republik Indonesia	Revolutionary Government of Republic of Indonesia, rebel government formed under Sukarno era
PSHK	Pusat Studi Hukum dan Kebijakan Indonesia	Indonesia's Law and Policy Study Center.
PSI	Partai Sosialis Indonesia	Indonesia Socialist Party
PSII	Partai Sarekat Islam Indonesia	Indonesian Islamic Association Party
PUKAT UGM	Pusat Kajian Anti Korupsi UGM	Research Institute on Corruption at Gadjah Mada University
PUSPOM TNI	Pusat Polisi Militer Tentara Nasional Indonesia	Indonesia Military Police
PWI	Persatuan Wartawan Indonesia	Indonesia Journalist Association
REPELITA	Rencana Pembangunan Lima Tahun	Five Year Development Plan
RIS	Republik Indonesia Serikat	Republic of the United States of Indonesia (RUSI)
SAK	Satuan Anti Korupsi	Anti-corruption unit within BRR
Samak	Solidaritas Masyarakat Anti Korupsi	Solidarity Against Corruption Society
SBY	Susilo Bambang Yudhoyono	Acronym for President Yudhoyono
SEKNEG	Sekretaris Negara	State Secretary

SKK Migas	Satuan Kerja Khusus Pelaksanaan Kegiatan Usaha Hulu Minyak dan Gas Bumi	Special Task force for Upstream Oil and Gas Business Activities
SKPP	Surat Keterangan Penghentian Penuntutan	Letter of order to stop prosecution
SOBSI	Serikat Organisasi Buruh Seluruh Indonesia	Indonesia Labor Union
SP3	Surat Penghentian Penyidikan Perkara	letter to Stop Investigation on the Case
STAN	Sekolah Tinggi Akuntansi Negara	State Accounting School
TGPTPK	Tim Gabungan Pemberantasan Tindak Pidana Korupsi	Joint Team for Corruption Eradication
Timtas Tipikor	Tim Koordinas Pemberantasan Tindak Pidana Korupsi	Interagency Coordination Team for Corruption Eradication
Tipikor, Pengadilan	Pengadilan khusus Tindak Pidana Korupsi	Special court for Corruption Criminal Act
TNI	Tentara Nasional Indonesia	Indonesia National Military
TPK	Tim Pemberantasan Korupsi	Corruption Eradication Team
UI	Universitas Indonesia	University of Indonesia
UKP3R	Unit Kerja Presiden Pengelola Program Reformasi	President Delivery Unit for Program Implementation and Reform under first term of SBY presidency
UKP4	Unit Kerja Presiden Bidang Pengawasan dan Pengendalian Pembangunan	President Delivery Unit for Development Monitoring and Oversight under second term of SBY presidency
YLBHI	Yayasan Lembaga Bantuan Hukum Indonesia	Indonesia Legal Aid Foundation
YPPI	Yayasan Pengembangan Perbankan Indonesia	Indonesian Banking Development Foundation
YPTE	Yayasan Pembangunan Territorial Empat	Social Foundation for Development Territorial Four
YTE	Yayasan Teritorial Empat	Social Foundation of Territorial Four

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Chapter 1: Introduction

After Independence was declared in August 1945, there was a divergent vision among Indonesia's elite regarding the country's future direction on the formation of governance structure. This polarization was embodied by the two top Indonesia leaders – President Sukarno and Vice President Mohammad Hatta. Soekarno envisioned that Indonesia had to possess its own governance structure that centered on himself as president, who was able to understand and articulate the will of the people, especially the dispossessed. Meanwhile, Hatta and his allies had different ideas and, supposedly influenced by their Dutch education, felt that parliamentary democracy coalesced with an independent judiciary would be better for Indonesia. Eventually, Soekarno and his allies were able to mobilize political support from the public at large, as demonstrated by the fact that they won the national election in 1955 that diminished Hatta and his allies' political influence. Eventually, Soekarno was able to consolidate further his authority when he was able to dissolve parliament and subsequently disempowered the judiciary through introducing an authoritarianisque governance structure which he called 'guided democracy' that commenced in 1959.

In 1965, the Chief of Army's Strategic Reserves (KOSTRAD) Major General Suharto maneuvered himself into the center of Indonesian politics, under the justification to protect the country from a communist take-over that was triggered by murdered of Chief of Army A. Yani six others army officers by group of mid-ranking officers that was suspected of being support by Indonesia Communist Party (PKI). Ultimately in 1967, Suharto formally assumed the presidency. During his three decades of rule, his legitimacy was closely tied to his policies of developmentalism, but under more consolidated authoritarian political structure. In the 1990s, however, it became clear that development was increasingly being undermined by corruption

across all sectors of government. When Indonesia's economy then virtually collapsed during the 1997 Asian financial crisis, students and civil society organizations took to the streets, calling for a cleaner, accountable, and democratic government. Not surprisingly, the fight against corruption, collusion and nepotism (KKN) became the rallying cry of the *reformasi* movement which ultimately forced Suharto to step down.

Subsequent to the fall of Suharto, Indonesia embarked upon a process of democratization, which was welcomed by the international community and praised by foreign decision-makers. As US President Barack Obama stated that Indonesia democracy was 'sustained and fortified by its checks and balances.'¹ Similarly, UK Prime Minister David Cameron applauded Indonesia for having achieved a transformation (toward democracy) 'in just over a decade.'²

However, while many observers, politicians and academics have hailed the success of Indonesian democratization, scholars such as Vedi Hadiz³ and Dan Slater⁴ have argued that the reform simply allowed the old elites, to reinvent themselves, thereby enabling them to resume their corrupt activities. This was echoed by Teten Masduki, who called them 'predator elites.'⁵ Thus, according to the pessimistic observer, there was no significant change since the fall of Suharto, as corruption remained rampant and the New Order Era elite persisted.

This thesis examines the efforts to eradicate corruption and governance reform at the national level, focusing mainly on the policy of the Central Government from the Sukarno

¹ Barack H. Obama, *Indonesia's Example to the World* (Speech given at University of Indonesia, Jakarta, 10 November 2010), <http://www.whitehouse.gov/the-press-office/2010/11/10/remarks-president-university-indonesia-jakarta-indonesia>.

² David Cameron, *Indonesia can Lead the World* (Speech given at Al Azhar University, Jakarta, 12 April 2012), <http://www.number10.gov.uk/news/transcript-prime-ministers-speech-at-al-azhar-university/>

³ Vedi Hadiz, 'Reorganizing political power in Indonesia: A reconsideration of so-called "democratic transitions"', *The Pacific Review*, Vol. 16, No. 4, Year 2003, pp. 591-611.

⁴ Dan Slater, 'Indonesia's Accountability Trap: Party Cartels and Presidential Power after Democratic Transition,' *Indonesia*, No. 78 (Oct., 2004).

⁵ Teten Masduki, 'Mengadili Elit Predator (To Convict Predator Elites),' *Kompas*, 27 June 2012, <http://cetak.kompas.com/read/2012/01/31/02292537/mengadili..elite.predator>

period of the 1940s up to the end of Susilo Bambang Yudhoyono (SBY)'s period in 2014. It will examine the roots, causes and dynamics of corruption under Sukarno and Suharto, before proceeding to analyze the post-Suharto era. The analytical focus of this thesis is on the political aspect of government policy in pushing for governance reform and anti-corruption initiatives. This research intends to address several key research questions; specifically, what was the key determinant in the success and failure to address corruption under each administration? Did the reformists have insufficient political clout to institute governance reform in Indonesia? What was Indonesia's trajectory in terms of governance reform and anti-corruption from independence to the SBY period?

Thesis Structure

This thesis will be structured chronologically in four parts: the Sukarno era, the Suharto era, the post-Suharto era and the SBY era. Each part will be divided into a couple of chapters that combine a historical approach with political analysis. The second chapter will focus on the various governance reform efforts and anti-corruption measures after Indonesian independence, mainly led by Vice President Hatta, representing the administrator/technocrats faction in government. The reform effort was eventually dismantled as the administrator was outmaneuvered by the solidarity maker group, led by Sukarno. In chapter three, the focus will be on the anti-corruption efforts led by the head of the Army A.H. Nasution, and the economic reform efforts of PM Djuanda, that never went far due to a lack of political support. The limited accommodation of the students' demand that Suharto should address corruption during the early New Order era, that proved short-lived, leading to the students' criticism of his wife's involvement in an Indonesian amusement park, will be discussed in chapter four. Subsequently, chapter five will analyze and discuss on the political dynamics of the rivalry between the technocrats and the nationalists group, especially in the context of economic reform in the New Order era. It also discusses the widespread public discontent with Suharto

because of the corruption associated with his government and family, which accelerated his downfall in May 1998.

The chapter six will discuss the first generation and more substantive governance reform undertaken in the post-Suharto era when, *inter alia*, constitutional amendments were completed to ensure a democratic political structure. Moreover, the start of the most aggressive anti-corruption campaign in Indonesia, led by SBY and KPK, coupled with the reform initiated by the technocrats' ministers, is discussed in chapter seven. Then, chapter eight will assess the legacy of SBY, especially his record on governance reform and anti-corruption efforts. Finally, the conclusion in chapter nine will summarize the findings, organized into four periods: Sukarno, Suharto, post-Suharto (Habibie, Gus Dur, and Megawati) and SBY. Also, using international indices and indicators, it will analyze the trajectory of the governance reform and anti-corruption efforts in Indonesia from the late Suharto period to the end of the SBY period.

Literature Review and Historiography

The following section will provide a survey of the literature and the scholarly debates on this topic. It will start by looking at the general literature on corruption and anti-corruption, starting with the concept and its application in Indonesia. It will then proceed to discuss the governance concept, followed by an examination of patronage and a discussion of the concept of the patrimonialism and neo-patrimonialism state in the Indonesian context. Subsequently, the theoretical discussion starts with the concept of oligarchy as well as political cartels. The literature review ends by outlining the application of political pluralism supplemented by the theory of political actor action as the analytical framework for this thesis.

Corruption as a Development Issue in the Indonesian Political Context until the New Order Era

During the Cold War, corruption was no more than a side issue, as most scholars focused on security issues and the rivalry between the communist and western blocs. Yet, this limited debate on the fringes paints a controversial picture. Joseph Nye has argued ‘corruption can be beneficial by contributing to the solution of three major problems involved: economic development, national integration, and governmental capacity.’⁶ Others, like Huntington⁷ and Leff⁸ have even advocated that corruption could be used as a means of welfare improvement.

However, as the Soviet Union collapsed in 1989, and the United States became *de facto* the only superpower, corruption started to become part the scholarly debate in line with the need for democracy, accountability, freedom and transparency.⁹ Because of this shift, corruption received much more attention from policy-makers, academics and development practitioners.

Moreover, corruption was no longer cast as tolerable, but as detrimental to both economic and political development. Daniel Kauffman in his research demonstrated that there is a positive correlation between bribery and the time lag that managers needed in order to deal with bureaucrats, meaning that bribery did not produce bureaucratic efficiency.¹⁰ Furthermore,

⁶ Joseph S. Nye, ‘Corruption and political development: a cost-benefit analysis,’ *The American Political Science Review*, vol. 61, no. 2, year 1967, pp.417-427.

⁷ Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968).

⁸ Nathaniel Leff, ‘Economic Development through Bureaucratic Corruption,’ *American Behavioral Scientist*, Vol. 8. No. 8, year 1964.

⁹ Jonathan Rosen, ‘The Impact of Corruption in Democratic Stability,’ *Miami International Studies Journal*, Issue 1, year 2012, p. 59.

¹⁰ Daniel Kauffman, ‘Research in Corruption: Critical Empirical Issues,’ in Arvind K. Jain (Ed.), *Economics of Corruption* (Massachusetts: Kluwer Publishing, 1998), pp. 129-176 and Daniel Kauffman and S. J. Wei, ‘Does Grease Money “Speed-up” the Wheels of Commerce,’ *International Monetary Fund (IMF) Working Paper*, no WP/00/64, year 2000.

Gupta et al have shown that the health and education services in countries with a high level of corruption were of a much lower quality.¹¹

There is also no consensus on the academic definition of corruption and corrupt officials. Michael Johnston defines ‘corruption as the abuse of public roles or resources for private benefit.’¹² Johnston believes that a lack of distinction between the public role and private benefit can be a useful indicator of institutions’ weaknesses. The United Nations Development Program (UNDP) defines corruption as ‘the misuse of public power, office or authority for private benefit—through bribery, extortion, influence peddling, nepotism, fraud, speed money or embezzlement.’¹³ Robert Klitgaard’s definition focuses more on corrupt officials, whom he sees as deviating ‘from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains...’¹⁴ Meanwhile Susan Rose Ackerman identifies two types of corruption: petty corruption and grand corruption. Petty corruption ‘can lead to the inefficient and unfair distribution of scarce benefits ...encourage officials to create red tape.... and lower state legitimacy.’ As for grand corruption, it leads to state failure because certain branches of governance may organize as a ‘bribe machine,’ nominal democracy may have a corrupt electoral system, and high-level government officials can collect kickbacks from private contractors.¹⁵

The UNDP employs a similar categorization. Petty corruption involves a small amount of transactions, because of the difficult economic situation, and has a more direct impact on the poor. This is also referred to as ‘needs-based’ corruption ... as ‘citizens who need services may

¹¹ S. Gupta, H. Davoodi and R. Alonso-Terme, ‘Corruption and Provision of Health Care and Education Services’ in Arvind.K. Jain (Ed.), *The Political Economy of Corruption* (London: Routledge, 2001).

¹² Michael Johnston, ‘Corruption and Democratic Consolidation’, paper presented at a conference on ‘Democracy and Corruption,’ Shelby Cullom Davis Center for Historical Studies, Princeton University, 12 March 1999, p. 6.

¹³ United Nations Development Programme (UNDP), *Fighting Corruption to Improve Governance* (New York: UNDP, 1999), p. 7.

¹⁴ Robert Klitgaard, *Controlling Corruption* (Berkeley: University of California Press, 1988), p. 23.

¹⁵ Suze Rose Ackerman, ‘Corruption and Government,’ *International Peacekeeping*, Vol. 15, No. 3, June 2008, p. 331.

have no option but to pay.¹⁶ Grand corruption usually occurs during periods of normal and high economic growth, the amount involved is large, and the actors are usually high-level officials who collude in order to receive bribes from corporations.¹⁷

Since this thesis investigates government policy as implemented by top officials at the national level, the term ‘corruption’ in this study refers to the abuse of public office along with its resources as well as its authority by high level officials for their private, commercial, political or family benefit, as evident in Suharto’s case. As a result, the scope of corruption constituting grand corruption, that involves a vast amount of money or resources from the public domain that tended to implicate high-level officials, has a direct impact on policy at the national level, while petty corruption affects the daily lives of the poor and involves public officials at the micro political level, its scale and direct impact on policy at the national level is relatively minuscule. Therefore, it is outside the scope of this study to discuss petty corruption.

In the Indonesian context, the analysis of corruption dates back to the colonial era when the Dutch arrived in the 17th century through the *United East India Company or Verenigde Oost Indische Companie* (VOC). Following the collapse of the VOC due to, among other factors, corruption, and the Dutch government took control of the East Indies in 1789. They ruled indirectly through the traditional aristocracy, especially in Java, known as *pamong praja*, who were employed by the VOC and later by the Dutch Government.¹⁸ These administrators depended on Dutch power rather than popular legitimacy. Therefore, they exploited their own people as long as the Dutch were happy and popular revolt was contained.

¹⁶ *Ibid.*

¹⁷ United Nations Development Programme (UNDP), *Tackling Corruption Transforming Lives: Accelerating Human Development in Asia and the Pacific* (New Delhi: Macmillan India, 2008), p. 20.

¹⁸ Harold Crouch, *the Army and Politics in Indonesia* (Ithaca: Cornell University Press, 1986), p. 293.

Then in post colonial era, after independence in 1945, the level of corruption declined. Dwight Y. King argues that this was the result of: a sense of idealism emanating from the revolution and the republic founders; the successful containing of inflation; the existence of freedom and a critical press; and an independent judiciary.¹⁹ When Sukarno introduced ‘Guided Democracy’ in 1959, the parliamentary system was dissolved, the press restricted, foreign companies nationalized, and monopolies created that lead to rent-seeking opportunities.²⁰ Indeed, according to Jamie Mackie, corruption became endemic under Sukarno’s ‘Guided Democracy’, when ‘financial accountability virtually collapsed because of administrative deterioration.’²¹

Most of the scholarly debate on corruption in Indonesia focuses on Suharto and the New Order regime. One school of thought in the western scholarship sees corruption as connected to notions of Javanese power and culture. For instance, Anderson highlighted the similarity between Suharto’s Javanese concept of power and Max Weber’s patrimonialist state’s concept, where the government was an extension of the person of the ruler.²² Similarly, Adam Schwarz argued that the large-scale corruption during the New Order had its roots in the ancient cultural traditions and the dispensing of government largesse was one of the personal prerogatives of the Javanese ruler.²³ However, Sri Margana disagrees with Anderson and Schwarz, arguing that the patrimonial state was established by the VOC during the Dutch colonial era which aimed to maintain feudalism, which breeds corruption.²⁴ The origin and

¹⁹ Dwight Y. King, ‘Corruption in Indonesia: A curable cancer?’, *Journal of International Affairs*, Vol.53, No. 2, Spring 2000, p. 607.

²⁰ *Ibid.*

²¹ Jamie A. Mackie, ‘The Commission of Four Report on Corruption,’ *Bulletin of Indonesian Economic Studies*, Vol. 6, No. 3, year 1971, pp. 87-88.

²² Anderson, ‘The Idea of Javanese Power’, p. 37.

²³ Adam Schwarz, *A Nation in Waiting: Indonesia in the 90s* (Sydney: Allan and Unwin, 1994), p. 136.

²⁴ Sri Margana, ‘Akar Historis Korupsi di Indonesia {the Historic Roots of Corruption in Indonesia}’ in Wijayanto and Ridwan Zacharie (eds.), *Korupsi Mengorupsi Indonesia: Sebab, Akibat, dan Prospek Pemberantasan* (Jakarta, Gramedia, 2009).

more extensive debate within the patrimonial and neo-patrimonial state concept particularly under the New Order era will be discussed further in the following section.

Another scholar viewed corruption as connected with the military and civilian bureaucracy. Indeed, William Liddle argues that corruption has ‘less to do with culture than with political needs of the rulers and lack of popular accountability in the political system.’ Therefore in the context of political competition, Liddle asserts, ‘Corruption has been critical means of gaining resources and support, to the point that it is now an essential – indeed, normal – aspect of most government decision-making and implementing process.’²⁵

Before the early 1990s, the discussion of the impact of corruption on development within the international academic literature was very limited. It was only in the early to mid-1990s that corruption came to the attention of academic research. The treatment of Indonesia by the international community became more critical, especially with respect to the authoritarian nature and corruption record of Suharto. As R.E. Elson observed, Suharto no longer enjoyed unconditional support from the West, as was the case during the cold war era.²⁶

There were also two significant changes on Indonesia’s domestic front: first, the middle class had increased more than ten-fold under the New Order and became a voice for democratization and clean government; second, Suharto’s six children were growing up and aggressively establishing their Nepotistic business. According to J Wanandi, this resulted in increased corruption and eroded Suharto’s political capital.²⁷

The convergence of international criticism and Indonesian middle class dissatisfaction with Suharto propelled corruption issue into the public discourse. In May 1999, *Time*

²⁵ William Liddle, *Leadership and Culture in Indonesian Politics* (Sydney: Allan and Unwin, 1996), p. 88.

²⁶ R. E. Elson, *Suharto : A Political Biography* (Cambridge: Cambridge University Press, 2001), p. 270.

²⁷ Jusuf Wanandi, ‘The Indonesian crisis and beyond,’ *Asia-Pacific Review*, vol.6, no. 1, 1999, p.77.

Magazine's cover story revealed how Suharto and his family had allegedly accumulated an estimated \$15 billion of assets over his 30-year reign.²⁸ This was followed by the publication of Transparency International on corrupt political leaders, which ranked Suharto as the most corrupt politician in the world, with an alleged embezzlement of \$15-30 billion, ahead of the former President of the Philippines, Ferdinand Marcos.²⁹ As a result, Suharto's association with corruption strongly resonates among the Indonesian public, even today.

As for the discussion about governance and corruption in the post-Suharto era, most leading international scholars and analysts apply an oligarchy, cartel or pluralism analytical framework. Each of these analytical frameworks will be discussed below in more detail.

Anti-Corruption Initiatives and its Application in Indonesia

One of anti-corruption specialist Jon S.T. Quah identifies three patterns of anti-corruption initiatives in Asian countries. The first pattern is where there exists an anti-corruption law but no independent anti-corruption agency; the second pattern is where there is an anti-corruption law with multiple anti-corruption agencies; and the third pattern is where there is an anti-corruption law with one independent anti-corruption agency. Quah argues that the third pattern is the most effective anti-corruption model, because an independent agency that solely focuses on combating corruption would not be sidetracked by other priorities.³⁰ However, simply adopting the third pattern is no guarantee of success. As shown in the cases of Hong Kong and

²⁸ John Comely and David Liebhold, 'The Family Firms,' *Time Magazine*, vol. 153, no. 20, 24 May 1999,

²⁹ Transparency International, *Global Corruption Barometer Report 2004* (Berlin: Transparency International, 2004), p. 13.

³⁰ Jon S.T. Quah, 'Combating Corruption in the Asia-Pacific Countries: What do We Know and What Needs to be Done?,' paper presented at the Asia-Pacific Governance Institute's Conference on "The Many Faces of Public Management Reform in the Asia-Pacific" in Bangkok, Thailand, July 7-9, 2008, p. 20.

Singapore, political support is crucial in providing the agency with sufficient resources, competent staff, and broad authority, especially in prosecuting corruption cases.³¹

Michael Johnston and Sahr J. Kpundeh argue that social action coalitions linking public and private actors are needed to mobilize participation and advocacy.³² These coalitions can be set-up as an anti-corruption strategy. They are confident that 'if sustained by a careful planning and a diverse set of incentives, they can reinforce political will and enhance the strength of civil society.'

In addition, in my view, the anti-corruption activity is focusing on the prosecution of large scale corruption cases or those that implicate high profile officials. As a result, the nature of their activity is to create a deterrent effect, focusing more on investigation as well as prosecution, and most of the activity encompasses short-term or, in some cases, medium-term horizons. Therefore, the anti-corruption initiatives outlined in this thesis tend to focus on the prosecution of corruption cases at the national level, or corruption at the regional level that has a national profile, for instance the earlier cases handled by the Corruption Eradication Commission (KPK) involving regional heads (e.g, Governor of Aceh and Governor of North Sumatra).

The plethora of anti-corruption initiatives or ad-hoc teams under Sukarno and Suharto's New Order Period tended to be temporary, under-resourced, easily subverted and, more importantly, lacking political support from the top-leaders, as will be outlined in detail in the empirical chapters. Even so, in the post-Suharto era, several anti-corruption related institutions or teams faced resistance from vested interests, especially among the judiciary. Eventually, these institutions, like the Joint Team for Corruption Investigation (TGPTPK) and the State

³¹ *Ibid*, p. 22.

³² Michael Johnston and Sahr J. Kpundeh, *Building a Clean Machine: Anti-Corruption Coalitions and Sustainable Reform* (Washington D.C.: World Bank Institute, 2003), p. iv.

Officials Wealth Audit Commission (KPKPN) were dissolved either by the Supreme Court ruling or through the enactment of the new Anti-Corruption Commission.³³ These set-backs frustrated both lower-income people who were longing for a well-functioning impartial law enforcement system and international donors, whose economic assistance was crucial as Indonesia had just been through a crucial economy recovery after the Asian economic crisis in 1998. The business community was also frustrated with the judiciary, especially concerning various issues such as contract enforcement and commercial legal disputes.³⁴

Learning from the failures of these anti-corruption initiatives in the past, reformers in the government and parliament, with support from international donors, came to an agreement that drastic action needed to be taken by enacting an important law on KPK in 2002.³⁵ The formation of the KPK was expected to provide a solution to the endemic problem in the judiciary and to avoid systemic corruption among the law enforcement agencies.³⁶ However, when the KPK organizational had functioning in 2004, real progress was made in terms of anti-corruption initiatives; in particular, the KPK was equipped with its strong mandate and broad powers, including the authority to prosecute corruption cases. In my view, the key to the success of this crucial institutional building effort by the KPK was the fact that they obtained crucial political and resource support from the SBY government.

The literature on the SBY presidency and the fight against corruption in Indonesia has tended to treat these two issues separately. Some of the academic literature has focused on the role played by Indonesia's civil society in the fight for democracy and against corruption in the

³³ Ibrahim Assegaff, 'Legends of the Fall: An Institutional Analysis of Indonesian Law Enforcement and Agencies' in Lindsey and Dick (eds.) *Corruption in Asia*, pp. 127 – 146.

³⁴ I would like to thank you to Professor Anne Booth, School of Oriental and African Studies (SOAS) for providing me with this point.

³⁵ Emil P. Bolongaita, *An Exception to the Rule? Why Indonesia's Anti-Corruption Succeeds Where Others don't – Comparison with the Philippines' Ombudsman* (Bergen: U4/ Chr. Michelsen Institute, 2010), p. 8.

³⁶ I would like to thank you for Prof. Anne Booth, SOAS, to raise this point and also look at Stewart Fenwick, 'Measuring up? Indonesia's Anti-Corruption Commission and the new corruption agenda', in Tim Lindsey (ed.), *Indonesia: Law and Society* (Annandale: The Federation Press, 2008), p. 407.

post-Suharto era. Setiyono and McLeod highlight the role of anti-corruption in civil society at both a strategic level (by pushing for anti-corruption-related legislation and a practical level (by creating public awareness, capacity building for the citizen and reporting corruption cases to the law enforcement agency and the KPK).³⁷ Marcus Mietzner also highlights how civil society successfully mobilized popular support using social media as well as partnering with the mass media when conservative elites, through the police and AGO, tried to bring criminal charges against the KPK leaders in 2009.³⁸

Two articles were published by Sofie Schutte that adopts two very different angles but focusing solely on the KPK, without mentioning the role of SBY government. The first article focuses on her analysis of the sequential selection process of the KPK leadership in 2003 and 2007 by both government and parliament. Despite its shortcomings, she praised the selection process as having successfully ensured the independence of the KPK leaders' work.³⁹ In the second article, she analyses how the KPK overcame obstacles in challenging Indonesia's governance environment by demonstrating that corruptors in high office no longer enjoy impunity.⁴⁰

The role of the KPK and SBY in addressing corruption is initially examined by Davidsen et al. They argue that the KPK, during its first two years, performed well despite being a new organization with limited resources. This was because the KPK initiated a growing

³⁷ Budi Setiyono and Ross H. McLeod, 'Civil Society Organizations' Contribution to the Anti-Corruption Movement in Indonesia,' *Bulletin of Indonesian Economic Studies*, Vol. 46, No. 3, 2010, p. 368.

³⁸ Marcus Mietzner, 'Indonesia's democratic stagnation: anti-reformist elites and resilient civil society,' *Democratization*, Vol. 19, No.2, April 2012, pp. 216-217.

³⁹ Sofie Schutte, 'Appointing top officials in a democratic Indonesia: the Corruption Eradication Commission,' *Bulletin of Indonesian Economic Studies*, Vol. 47, Number. 3, 2011, p. 376.

⁴⁰ Sofie Schutte, 'Against the Odds: Anti-Corruption Reform in Indonesia,' *Public Administration and Development*, Vol. 32, 2012, p. 47.

number of investigations and prosecutions, with a conviction rate of close to 100%.⁴¹ Also, the KPK managed to develop its organization and recruit qualified staff.⁴²

Crouch also admitting that anti-corruption drive during SBY period including the emergence of KPK was more progressive compared to his predecessor, like Habibie, Gus Dur and Megawati.⁴³ Meanwhile Butt highlight that the KPK and the Constitutional Court were able to perform their work effectively without interference from SBY, perhaps out of sensitivity to negative public opinion.⁴⁴

Governance Reform as a Pertinent Development Issue in Indonesia

The concept of governance reform as development is widely used not just in the academic discourse, but also in policy discussions that involved the public at large, therefore risk of being multi interpreted and certainly provokes a contentious debate on this issue. The sectoral governance reform concept that focuses on economic issues, for instance, in the 1990s was about dismantling the state intervention in economic affairs through liberalization, among other things, in the fields of trade, finance or capital flow, as pushed by the International Financial Organizations, like the World Bank and IMF, in less developed and developing countries. This policy was known as 'structural adjustment' or the 'Washington consensus'.⁴⁵ Another limited definition of governance reform that focusing on the judiciary centered on the need to strengthen the law enforcement system in less-developed and developing countries, as Lindsey

⁴¹ Soren Davidsen, et.al, *Curbing Corruption in Indonesia: A Survey of National Policies and Approaches* (USINDO and CSIS: Jakarta, 2006), p. 52 – 53.

⁴² *Ibid.*, p.54.

⁴³ Harold Crouch, *Political Reform in Indonesia after Suharto* (Singapore: ISEAS, 2010), pp. 228 – 229.

⁴⁴ Simon Butt, 'The Rule of Law and Anti-Corruption Reform under Yudhoyono,' in Edward Aspinall et al. (eds.), *The Yudhoyono Presidency: Indonesia's Decade of Stability and Stagnation* (Singapore: ISEAS, 2015) pp.193-194.

⁴⁵ John Williamson, *the Political Economy of Policy Reform* (Washington, D.C.: Institute for International Economics, 1994).

argues, in order ‘to build legal institutions and systems that allow diverse participation and strengthening civil society...’⁴⁶

Meanwhile in the ‘post-Washington consensus’, in which the World Bank departed from their previous stance for small government, in the late 1990s to early 2000s, they advocated the need to strengthen the government capacity to formulate and implement policy in the context of managing the country’s economic resources for development.⁴⁷ This definition, that emphasized the empowerment of the government to implement policy, was also advocated by leading academics, like Pierre and Peters.⁴⁸

Furthermore, two leading political academics measured the quality of governance using dimensions that were quite different. Fukuyama used two important dimensions to measure the capacity of the government to deliver public services: autonomy and capacity. The country quality of governance is determined by the interaction between these two dimensions,⁴⁹ whilst Macintyre prescribes that the quality of governance is determined by the political architecture from the deeply concentrated authority to the extremely dispersed authority. These two extreme points posit different governance challenges, so a configuration in the middle-ground would be preferred to avoid such problems.⁵⁰ The USAID country report assesses the state of democratization and governance in Indonesia and identifies two main challenges: the lack of effective, democratic local governance that provides meaningful public services, and the failure of the justice sector effectively to combat endemic corruption and inspire public credibility.⁵¹

⁴⁶ Timothy Lindsey, ‘History Always Repeats? Corruption, Culture and Asian Values’ in Tim Lindsey & Howard Dick (eds.), *Corruption in Asia: Rethinking the Governance Paradigm* (Sydney: The Federation Press, 2002), p. 8.

⁴⁷ The World Bank, *Governance and Development* (Washington, D.C.: World Bank, 1992); *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy* (Washington, D.C.: World Bank, 2002).

⁴⁸ J. Pierre and G. Peters, *Governance, Politics and the State* (New York: Palgrave, 2000).

⁴⁹ Francis Fukuyama, ‘What is Governance?’, *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 26, No. 3, July 2013, pp. 360 – 361.

⁵⁰ Andrew Macintyre, *the Power of Institutions* (Ithaca: Cornell University Press, 2003), pp. 162 – 163.

⁵¹ USAID, *Indonesia- Democracy and Governance Assessment* (Bethesda: Democracy Inc., 2008), pp. 6 – 7.

This study will apply the broader governance definition as opposed to some narrow concept as outlined above because, as Bevir argues, that governance is more pluralistic than government that entails an interaction between the state (government, legislature and judiciary) with civil society.⁵² In my view, governance reform is defined as a conscious and concerted effort by the reformist element either within the state, sometime forging an alliance with civil society and the media, to build democratic governance to ensure political freedom as well as the equal civil and political rights of its citizens. Thus, the level of democratic governance, as Croissant and Bunte outline, ‘shows the extent to which citizens are free to participate and act in democratic system’.⁵³ Therefore, in my view, governance incorporates the formal and informal rules that regulate the state as well as other social and economic actors in their interactions in the context of decision making process. In addition, this thesis emphasizes the political aspect of governance reform although it does not completely disregard the economy and other social factors in its analysis. Also, in terms of the time frame, in my view, the governance reform was seen as an effort to enact policy that has long-term implications, with the ultimate goal of strengthening and preserving the democratic political structure in Indonesia that includes an effective executive, a more robust parliament and a credible as well as independent judiciary. Thus, in this thesis, governance reform can be categorized into several areas that depend on the policy priority of each respective presidency, including economic reform, military reform, civil service reform, constitutional amendments and judicial reform. Therefore, governance reform, in my view, should be seen as a long-term endeavor, and therefore should be carried out consistently or even accelerated, with one of the main goals being to contain or neutralize corruption. This is the link between governance reform and corruption, in my view. Therefore, anti-corruption initiatives that are supposed to create a

⁵² Mark Bevir, *Democratic Governance* (Princeton: Princeton University Press, 2010), pp. 1 – 2.

⁵³ Marco Bunte and Aurel Croissant, ‘Introduction’ in Aurel Croissant and Marco Bunte (eds.) *the Crisis of Democratic Governance in Southeast Asia* (New York: Palgrave McMillan, 2011), p. 7.

deterrent effect, especially with regard to high-level officials, should be seen as complementing or even reinforcing governance reform in addressing corruption in the long term.

Patronage, Patrionalism and Neo-Patrionalism: State-sponsored Corruption?

One of the findings of this study is that patronage is an important feature of Indonesian politics, from the Sukarno era to the SBY era that highlights the inability of the state to distribute its resources for the public interest. In a number of works on politics, there are various definitions of patronage, such as the narrow definition that constitutes the exchange of positions in the public sector for political support.⁵⁴ Meanwhile, other academics are focusing on the usage of resources of the benefits from public office in which the patron is a public official or someone with access to the state resources.⁵⁵ However, for this thesis, in my view, it would be suitable to use the basic tenets of the definition by Ashcroft, in which patronage is the material resource that is acquired from public resources and channeled for private or a particular group's benefit.⁵⁶ The emphasis on material resources, in my view, constitutes a move towards the economic aspect of patronage, albeit there are some political and social components to it. This definition is also applied by Aspinall in a number of his works that investigate the patron-client relationship in Indonesian or Southeast Asian politics that breed corruption.⁵⁷ However, contrary to Hatchcroft, in my view, the political actor does not necessarily have to be in public office, since other non-state officials are also able to provide resources from private or other

⁵⁴ Simona Piattoni (ed.), *Clientelism, Interests, and Democratic Representation: The European Experience in Historical and Comparative Perspective* (Cambridge, UK: Cambridge Univ. Press, 2001).

⁵⁵ Scott Mainwaring . *Rethinking Party Systems in the Third Wave of Democratization: The Case of Brazil* (Stanford: Stanford University Press, 1999); Susan. C. Stokes 'Political clientelism.' in , C Boix, S Stokes (eds.) *The Oxford Handbook of Comparative Politics* (New York: Oxford University Press, 2007), pp. 604–27.

⁵⁶ Paul. D. Hutchcroft, 'Linking Capital and Countryside: Patronage and Clientelism in Japan, Thailand, and the Philippines" in D.A. Brun and Larry Diamond (eds.), *Clientelism, Social Policies and the Quality of Democracy* (Baltimore: John Hopkins University Press), p. 177.

⁵⁷ Edward Aspinall, 'A Nation in Fragments: Patronage and Liberalism in Contemporary Indonesia', *Critical Asian Studies*, Vol. 45, No. 1, year 2013, pp. 27-54; Edward Aspinall, 'Money Politics: Patronage and Clientelism in Southeast Asia' in William Case (ed) *Routledge Handbook of Southeast Asian Democratization* (London: Routledge, 2015), pp. 299 – 313.

sources for down-payments but with the end goal of plundering public resources. Patronage is one of the key features in this thesis, as it persisted from its peak under the New Order era until the SBY period.

The various analyses of the patronage pattern in Indonesian politics since independence tended to centre on the role of the state that is patrimonial, borrowing the concept of the patrimonialist state from Webber, which identifies that, within the state, the separation between the public and private interest is blurred and does not uphold the citizens' equality, a characteristic of the modern state. In contrast to the modern state, the traditional authority was used as an instrument by the ruler to oppress its citizens and exploit the state resources for their private or certain political group's gain in an organized fashion, which breeds systematic corruption.⁵⁸

As a result of using Weberian notions of the patrimonialist state, Anderson in his seminal work drew parallels between the old concepts of power dating back to the tenth century in the Kingdom of Java with the way in which Soekarno ruled. Anderson identifies that the King of Java maintained his power by controlling the financial sources and distributing the spoils to maintain the loyalty of his subordinates. However, he also argues that Soekarno was excellent understanding the behavior of charismatic leader embodied in Javanese ruler that he successfully mobilized mass political support despite his increasing authoritarian penchant which positioned him as the ruler that destined to concentrating all of power.⁵⁹ At the micro political level, Greetz also used the patrimonial state approach to explain the Balinese state during the colonial era, in which power was emanating from 'exemplary centers' within the power structure that are also often in conflict with the class structure of the Balinese state.

⁵⁸ Max Webber, *the Theory of Social and Economic Organization* (New York: Free Press, 1964), pp. 346 – 358.

⁵⁹ Benedict R. Anderson, 'The Idea of Javanese Power', in Claire Holt (ed.), *Culture and Politics in Indonesia* (Ithaca: Cornell University Press, 1972), p. 23.

Contrary to Anderson, Geertz does not attempt to find a corollary between the Balinese and Indonesia state.⁶⁰

However, the culturalist approach was criticized, especially for its assumption that culture is static and does not evolve. Pemberton is the leading critic of this approach, especially of the analysis that employs the Javanese culture approach. Through his research, he argues that Javanese culture actually evolved from the pre-colonial era and entered the colonial period, in which the former interacted with the Dutch state while the latter was the usage of Javanese traits in Suharto's government to justify his rule. It showed that, in this case, the culture was evolving due to its interaction with the respective social and political leaders in each era.⁶¹

As the cultural approach started to lose its clout, patrimonial theory evolved into neo-patrimonial state theory, especially for analyzing Suharto's New Order era. This approach sees that the economy or commercial motives drove the behavior of the state instrument, like the military, the police and the bureaucracy. A number of leading Indonesia expert, especially in the 1980s and early 1990s, used this approach to analyze the network of patronage during Suharto's New Order era based on the interaction between the state instruments and capital. It assumes that the state is autonomous, can act independently as one entity and, in most cases, is able to impose its authority on people. This approach was initially applied in Thailand by Riggs, whereby he introduced the Bureaucratic polity concept.⁶² Subsequently, Riggs' analytical framework was applied in Indonesia by Jackson and also King,⁶³ but later Emmerson

⁶⁰ Clifford Geertz, *Negara: The State-Theater in Nineteenth Century Bali* (Princeton: Princeton University Press, 1980).

⁶¹ John Pemberton, *On the Subject of "Java"* (Ithaca: Cornell University Press, 1994).

⁶² Fred W. Riggs, *Thailand the Modernization of Bureaucratic Polity* (Hawai: East-West Center Press, 1966).

⁶³ Karl D. Jackson, 'Bureaucratic Polity: A Theoretical Framework for the Analysis of Power and Communications,' Karl Jackson and L. W. Pye, *Political Power and Communications in Indonesia* (Berkeley: University of California Press, 1978); Dwight King, 'Indonesia's New Order as Bureaucratic Polity, a Neo

developed this into a new concept called Bureaucratic Pluralism, in which he explained that the state as not cohesive, as Riggs and Jackson argue, since there is still an opportunity for debate and rivalry, not just about patronage but also about the real policy between the respective state instruments, like the military, bureaucrats and technocrats, but admittedly the political space to maneuver is still very limited by the nature of the political authoritarian structure under Suharto.⁶⁴

The classic work by leading Indonesia expert using the neo-patrimonial approach, like Jackson, Emerson, King and Crouch, is certainly groundbreaking by using systematic analysis to uncover corruption practices through patronage that previously only dominating the Indonesia political gossips or through the scattered and fragmented exposure of corruption cases by the Indonesia press. Still, in my view, the analytical framework offered by this approach still has its limitations, as is too state-centered and, in extreme cases, views the state as monolithically. Also, it fails to take into account a political actor that is not part of the state apparatus, for instance civil society. The next section will discuss several other streams of political thought and, subsequently, the political pluralism theory that will be applied mostly in this thesis.

The rule of Oligarchy or Cartels in Indonesia's Political Governance Structure?

The classic work of Karl Marx on the political and social ramifications of industrialization in Europe in the mid-19th century that created class-conflict in society notes the emergence of the bourgeoisie, who possessed a vast amount of capital due to exploiting the lower class. The contemporary Marxists have shifted their focus from class-conflict towards the political

Patrimonial Regime or Bureaucratic-Authoritarian Regime – What a Difference?" in Benedict R. Anderson and Audrey Kahin (eds.), *Interpreting Indonesian Politics* (Ithaca: Cornell University Press, 1982), pp. 104 – 116.

⁶⁴ Donald K. Emmerson, 'Understanding the New Order: Bureaucratic Pluralism in Indonesia,' *Asian Survey*, Vol. 23, No. 11, Nov., 1983, pp. 1220-1241.

agenda, from the local to even the global stage to contain powerful elites who aggressively expand their influence under the banner of ‘Neoliberalism’, as introduced by Harvey.⁶⁵

The application of the Marxist or structuralist approaches in Indonesian politics initially gained public recognition through Robison’s classic work of 1986,⁶⁶ in which he argues that the emergence of the business class under the New Order era encompasses of Indonesian Chinese business, indigenous business and Suharto family was facilitated by the state apparatus known as the ‘Politico-bureaucrat’. Thus, this group of ruling capitalists used the state to accumulate their wealth as their influence in the political sphere was growing. The members of the ruling capitalists were further diversified when Suharto intentionally included a number of Islamic group elites in the mix in a bid to counter the influence of the military and Indonesia’s Chinese group.

Working with his student Vedi R. Hadiz, Robison developed further the structuralist approach when entering the post-Suharto period by introducing the concept of Oligarchy. Hadiz and Robison describe that the existing nature of the political system in Indonesia as a ‘complex oligarchy’:

.. In which virtually all political power is held by a very small number of wealthy people who shape public policy primarily to benefit themselves financially...while displaying little or no concern for the broader interests of the rest of the citizenry.⁶⁷

According to them, the political, social and economic structure of Indonesia remains unchanged, whereby ‘Many of the old faces continue to dominate politics and business, while

⁶⁵ David Harvey, *A Brief History of Liberalism* (Oxford: Oxford University Press, 2005), p. 119.

⁶⁶ Richard Robison, *Indonesia: the Rise of Capital* (Sydney: Allen & Urwin, 1986).

⁶⁷ Richard Robison and Vedi Hadiz, *Reorganizing Power in Indonesia: the Politics of Oligarchy in an Age of Markets* (London: Routledge Curzon, 2004), p. 16.

new ones are drawn into the same predatory practice'. As a result, any attempt at governance reform by the technocrats/ civil society would only bring about piecemeal change.⁶⁸

However, Robison and Vadiz are not the only prominent academics that introduced the Oligarchy concept and its application in Indonesia politics. Through the more strict definition of Oligarchy under the aegis of structuralist approach, Jeffrey Winters is not focusing his analysis on the overall political system but on very wealth powerful individuals with the quest to protect or even expand their fortune. Winters sees that, in the New Order era, Suharto was the Sultanistic oligarch – the first among equals – who was able to tame the less political influential oligarchs. After Suharto's fall, other oligarchs became more powerful as well as independent, and so were able to exploit the weak legal system to have a significant influence on determining the political leaders in the post-Suharto era, even using democratic means. This problem was exacerbated by the weak, poorly-organized civil system that was supposed to contain the oligarchs.⁶⁹ Therefore, the main argument by Winters is that:

Oligarchs are disproportionately influential actors within Indonesia political economy, that they arose and gained power during Suharto's New Order, and that the transition to democracy does not constitute a significant disruption or even diminution of their power.⁷⁰

In Indonesia there are a lot of followers of Oligarchy theorist including the leading Indonesia anti-corruption NGO Indonesia Corruption Watch (ICW). Like other Oligarchist advocates ICW argue that the pattern of corruption was changing from corruption by one oligarchy to multiparty oligarchy corruption in post-Suharto era, in which the democratic system deficiency was being exploited by the elites through power sharing. As a result, these ruling elites were able to

⁶⁸ *Ibid.*, p. 54.

⁶⁹ Jeffery Winters, 'Oligarchy and Democracy in Indonesia' in Michele Ford and Thomas B. Pepinsky (eds.), *Beyond Oligarchy: Wealth Power and Contemporary Indonesian Politics* (Ithaca: Cornell Southeast Asia Program Publications, 2014), pp. 20-22

⁷⁰ *Ibid.* pp. 16 – 17.

hamper any attempts by the reformists to reform the public services, political system or judiciary.⁷¹

While Robison, Hadiz and Winters theory quite persuasive in interpreting Indonesia political dynamic, in my view, it is overstated the role of business elite. While these elites clearly has advantage with their massive wealth, but in practice in it was not easy for them to manipulate the state as much as they please for their wealth accumulation agenda. In Some cases, for instance, Indonesia Chinese business under Suharto clearly had less political leverage that they have to entertain the economic and commercial need of much influential military leader.

Another caveat for oligarchist theory is that it too much focusing on one variable that triggered political action, which is wealth accumulation. There is an array of examples shows that political, social, cultural or global variable have more influence on the policy outcome of government. This shows that in terms of policy making that is dynamic, complex and unpredictable, wealth accumulation is only one part of many determining variables.

Another theory that quite similar to oligarchy theory is the cartel theory. This theory was widely applied in Indonesia after the fall of Suharto, because since then Indonesia political party became an important political avenue in determining the national policy. The cartel theory is originated from Katz and Mair when they analyzed the phenomena of cartelization in Europe political parties. According to Katz and Mair theory cartelization emerges because political parties had deprived its income from declining, therefore there is a need for political party to exploit state resource through collusion among each other. To make matter worse, as political party more detach from society and taking care of each other by distributing the

⁷¹ Indonesia Corruption Watch (ICW), *Corruption Outlook 2002 Korupsi Gotong Royong: Mewujudnya Perlindungan Politik Bagi Koruptor (Mutual Assistance Corruption, to establish Political Protection for Corruptor)* (Jakarta: ICW, 2002), p. 2.

spoils, there no genuine competition among parties and lack of grass-root support. Therefore an election is only façade, the opposition become toothless, since they would prefer to get share of the spoil from government. As a result the same cartel would likely come back to power in every election, with only marginal change in its composition.⁷²

The ‘cartelization’ concept of Katz and Mair is applied to Indonesia by Dodi Ambardi and Dan Slater. They argue that Indonesia’s political elites in the post-Suharto era are more accountable to each other than to their voters. Therefore, this cartel appointed their proxy in the cabinet for the distribution of spoils that was emanating from the state resource.⁷³ As Slater argued, this breeds accountability deficits where democracy is still vulnerable and can be easily dismantled by authoritarian leaders.⁷⁴ Cartelization theory has broad followers in Indonesia in addition to its originator, Ambardi, like Hargens, Noor and Tjandra.⁷⁵

Again similar to structural/ oligarchist theory, the main weakness of cartel theory that the only variable in its analysis on political action is solely economy or commercial motive, not taking into account other factors which in my view is also important like, politics or social variables that reflect the complexity of political process in Indonesia. Another limitation in cartel theorist that it assumes that consensus among political party leaders can be forged strongly and consistently. There is still degree of competition between Indonesia political parties due to its fragmentation of its constituent support. Beside, as it will be shown in the

⁷² Richard S. Katz and Peter Mair, ‘Changing Models of Party Organization and Party Democracy: the Emergence of Cartel Party,’ *Party Politics*, Vol. 1, No. 1, year 1995, pp. 5-28; Richard S. Katz and Peter Mair, ‘Parties, interest group and cartels: A comment,’ *Party Politics*, Vol. 18, No. 1, year 2012, pp. 107-111. Richard S. Katz and Peter Mair, ‘The Cartel Party Thesis: A Restatement’, *Perspectives on Politics*, Vol. 7, No. 4 (Dec., 2009), p. 755.

⁷³ Kuskrudho Ambardi, *Mengungkap Politik Kartel: Studi tentang Sistem Kepartaian di Indonesia Era Reformasi* (Kepustakaan Populer Gramedia, 2009); Dan Slater, ‘Indonesia’s Accountability Trap: Party Cartels and Presidential Power after Democratic Transition,’ *Indonesia*, No. 78 (Oct., 2004), pp. 61-92.

⁷⁴ Dan Slater, ‘Unbuilding Blocs: Indonesia Accountability Deficit in Historical Perspectives,’ *Critical Asian Studies*, Vol. 46, No. 2, June 2014, pp. 287-315.

⁷⁵ Boni Hargens, ‘Jebakan Kartel Oligarkis (The trap of Oligarchist Cartel),’ *Kompas*, 14 July 2012, p. 6; W. Riawan Tjandra, ‘Republik Kartel (the Cartel Republic),’ *Kompas*, 9 September 2013, p. 6; Firman Noor, ‘Akhir Politik Transaksional (The end of Transactional Politics),’ *Sindo*, 29 January 2014, p. 5.

empirical chapters, under post-Suharto era presidents there were many difficulties facing to maintain coalition disciplines despite the rebel party was officially part of governing coalition and was given portfolio in cabinet. This was happening during SBY period where Islamic party PKS was very critical and even join opposition in some of government policy in parliament despite a couple of its cadres was a cabinet member.

The Case for the Application of Political Pluralism in Indonesia politics

This thesis will mainly use political pluralism as its analytical framework. The theory, in my view, is able to fill in the gaps arising from the weaknesses that emerge from either a state-centered patrimonial or neo-patrimonial state, structuralist emanating from the Marxist approach, or even cartelization, as outlined above.

The political pluralism approaches which advocate the need for high quality democracy became internationally recognized by the American leading political scientist Robert Dahl, from his early writing in the 1950s⁷⁶ to his seminal book of 1998 entitled 'On Democracy'. The main feature of Dahl's proposition is that democracy can only flourish in a market-oriented economy, not a non-market-oriented one. However, as the economy grows, a tension arises between democracy and the market economy and they also reshape each other continuously.⁷⁷ Also, according to Dahl, the market system becomes an impediment to achieving high quality democracy because it also creates inequality within political resources, including wealth, income, organization, information, education and knowledge.⁷⁸

The implications of Dahl's theory is, in my view, twofold: the focus of the analysis instead on macro political structure should be complemented on the level of the political actors,

⁷⁶ Some of his influential writings look at Robert A. Dahl, 'Pluralist Democracy in the United States' (Chicago: Rand McNally and Company, 1968), Robert A. Dahl, 'Polyarchy, Pluralism and Scale', *Scandinavian Political Studies*, Vol. 7, No. 4, 1984.

⁷⁷ Robert Dahl, *On Democracy* (New Haven: Yale University Press, 1998), p.169.

⁷⁸ *Ibid*, p. 177.

especially with regard to how they mobilize resources and distribute them democratically through the state institutions to reduce inequality. As many studies show, at least in the context of Indonesia, the political resources under the authority of the political actors who aim to enact reform are highly limited, while other players, although few in number, like oligarchs, possess a substantial amount of political resources. Dahl also shows that wealth is not only an important resource to achieve political goals, as mentioned above.

Dahl's approach can also be linked to the concept of the state of Midgal, in which he argues that, rather than seeing a state as a single entity, it actually represents a competitive arena for rule making authority between the state or non-state political actors or political groups consisting of these two actors.⁷⁹ In this case, the state officials can collaborate with non-state actors like civil society or the media to enact reform, competing with the more conservative group. On the other hand, for instance, oligarchs can work with conservative state officials to derail or even dismiss any attempt at reform. Furthermore, Peppinsky developed further the political pluralism approach by outlining the importance of policy as an object of political contestation between political actors. He argues that 'political actors engage in politics to produce policies that they favor'.⁸⁰

The application of the political pluralism approach in the case of Indonesia is actually relatively similar to Dahl's thinking had just gain international recognition. The seminal work of Feith in 1962, analyzing the political rivalry between the administrator group led by Hatta and the solidarity-maker group led by Sukarno in the parliamentary democracy era from the 1940s to the 1950s, also mentions the number of governance reforms pushed by the administrator group and the corruption that implicated mainly the solidarity-maker group. The

⁷⁹ Joel Midgal, *State and Society: Studying How States and Society Transform and Constitute One Another* (Cambridge: Cambridge University Press, 2001), p. 15.

⁸⁰ Thomas B. Pepinsky, 'Pluralism and Conflict' in Michele Ford and Thomas B. Pepinsky, *Beyond Oligarchy: Wealth, Power, and Contemporary Indonesian Politics* (Ithaca: Cornell University Press, 2014), p. 83.

administrator group aspired to create a modern state of Indonesia with an impartial bureaucracy, civilian supremacy over the military, a functioning judiciary and a well-established parliamentary system, following the Dutch or UK model. Meanwhile, the solidarity-maker group was led by Indonesian leaders, who were skeptical about what they regarded as a ‘foreign implant’ parliamentary democracy system and passionate about advancing the revolutionary struggle for their nationalists agenda.⁸¹ It was suspected that Feith was influenced by his supervisor in Cornell University George Mc Kahin who applied the same approach in his book about Indonesia national revolution in 1945.⁸²

During Suharto’s New Order era, a number of leading Indonesia expert amalgamate the political pluralism theory with patrimonial state theory. They observe that, despite the prowess of Indonesia’s military rule, which in the last ten years became the personalization rule by Suharto, there was still space for political rivalry. The competition between political actors or group under the authoritarian rule of Suharto not necessarily had to be on wealth or resource accumulation, but also on fundamental policy. For instance, in the context of rivalry on economic policy under Suharto’s government between the technocrats and nationalist or political rivalry between the military and ruling Golkar politicians. Emmerson and King are using bureaucratic pluralism for this stream of analytical framework. Another literature that is focusing on economic policy reform under Suharto that center around the role of technocrats using modified pluralism framework is outline by Bresnan⁸³ as well as Soesastro.⁸⁴ Even, in his first book, Winters also applied some sort of quasi-pluralism approach that also highlights the

⁸¹ Herbert Feith, *The Decline of Constitutional Democracy in Indonesia* (Ithaca: Cornell University Press, 1962).

⁸² George M. Kahin, *Nationalism and Revolution in Indonesia* (Ithaca: Cornell University Press, 1952).

⁸³ John Bresnan, *Managing Indonesia: the Modern Political Economy* (New York: Columbia University Press, 1993).

⁸⁴ M. Hadi Soesastro, ‘The Political Economy of Deregulation in Indonesia,’ *Asia Survey*, Vol. 29, No. 9, Sept. 1989

competition between the technocrats and the nationalist group in the context of economic reform under the New Order era.⁸⁵

In post-Suharto Indonesia, most of the literature seeks to evaluate the state of Indonesia's state of democracy in the context of the international democracy literature that analyzes the success and otherwise of countries that experienced the transition from authoritarianism towards a more democratic political structure. Leading international democracy experts, like Linz, Stepan and Diamond, identify a number of countries in their systematic studies that have consolidated a democratic system.⁸⁶ In developing further his theory on democratic transition, Diamond introduces several criteria that constitute a basic standard for democracy that includes: universal, adult suffrage; free and competitive elections; more than one serious political party; and alternative sources of information. If a country achieves these basic criteria, then the quality of democracy will be determined by the progress in these issues: political and civil freedom, popular sovereignty (in demanding accountability from public officials), political equality and standards of good governance (transparency, legality and responsible rule).⁸⁷ Therefore, in this thesis, the analysis will take into account these democracy criteria as well as assessing the degree of Indonesia's democratic consolidation. According to a number of leading international democracy experts, democracy can be considered as consolidated when there is broad support and deep-rooted engagement from society at large as well as a view that democracy is the only political framework for governing society and channeling its political interests, whether these be those of the ruling or opposition party. Therefore, they all comply with rules and practice, although the result is

⁸⁵ Jeffrey A. Winters, *Powers in Motion: Capital Mobility and the Indonesian State* (Ithaca: Cornell University Press, 1996).

⁸⁶ Larry J. Diamond, 'Toward Democratic Consolidation,' *Journal of Democracy*, Vol. 5, No. 3, July 1994, pp. 4 – 17; Juan J. Linz and Alfred C. Stepan, 'Toward Consolidated Democracies,' *Journal of Democracy*, Vol. 7, No. 2, 1996, pp. 14 – 33.

⁸⁷ Larry J. Diamond and Leonardo Morlino, 'The Quality of Democracy: An Overview', *Journal of Democracy*, Vol 5. No. 17, 2004, p. 21.

dissatisfying at times.⁸⁸ However, regarding the political history of Indonesia, there has been a set-back in terms of democratization, which led to an authoritarian political structure under Sukarno's guided democracy and Suharto's three-decade reign under the New Order era. This retreat from democracy is seen by a number of leading international experts as democracy rollback that usually features the dismantling of the checks-and-balance system, like parliament and the judiciary, and strengthens the government's dominance over these crucial institutions.⁸⁹ In extreme cases, it closely resembled the personalization of government. Therefore, this thesis will not only take into account the consolidation of democracy, but also the democratic regression, or democratic rollback, in its analysis.

Along the line of Diamond, Linz and Stepan thinking, a number of international leading scholars on Indonesia politics that apply the political pluralism approach after the fall of Suharto. These leading scholars in my view can be divided into two groups: the Democracy optimists and Democracy cautious optimists. The former, such as Greg Barton have focused their analysis on Indonesia's strong civil society, peaceful elections, the introduction of direct elections and the withdrawal of the military from politics.⁹⁰ Meanwhile, Ramage and McAntyre argue that Indonesia's 'presidential-style framework of democratic government has been progressively refined and bedded down'.⁹¹

⁸⁸ Jual Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America and Post-Communist* (Baltimore: Johns Hopkins University Press, 1996), p. 15; Larry Diamond, *Developing Democracy Toward Consolidation* (Baltimore: John Hopkins University Press, 1999), p. 65, Wolfgang Merkel, 'The Consolidation of Past-Autocratic Democracies: A Multi-Level Model', *Democratization*, Vol. 5, No. 3, 1998, pp. 59 – 62.

⁸⁹ Larry Diamond, 'Democratic Rollback: The Resurgence of predatory state', *Foreign Affairs*, Vol. 87, No. 2, March – April 2008, pp. 36 – 38; Wolfgang Merkel, 'Are dictatorships returning? Revisiting the 'democratic rollback' hypothesis', *Contemporary Politics*, Vol. 16, No. 1, 2010, pp. 17-31; Aurel Croissant and Marco Bunte, 'Conclusion' in Croissant and Bunte (eds.) *the Crisis of Democratic Governance in Southeast Asia*, pp. 259 – 265.

⁹⁰ Greg Barton, 'Political Legitimacy in Indonesia: Islam, Democracy, and Good Governance,' *Political Legitimacy in Asia: New Leadership Challenges* (New York: Palgrave, 2011), p. 87.

⁹¹ Andrew MacIntyre and Douglas Ramage, *Seeing Indonesia as Normal Country: Implications for Australia* (Barton: the Australian Strategic Policy Institute, 2008), p. 10.

More cautious optimism has been expressed by scholars such as Edward Aspinall and Harold Crouch. Aspinall acknowledges that Indonesia has been successful in building a functioning procedural democracy as a result of the relatively smooth transition from authoritarianism because of the accommodation of the New Order elite that undermined the quality of democracy in Indonesia.⁹² However, he argues that the trade-off between democratic success and its quality was worth is justified.⁹³

According to Crouch, the constitutional amendments from 1999-2002 indicate that Indonesia achieved international democratic standards, as evidenced by the national and regional election, which reflected the true preferences of voters.⁹⁴ However, Crouch admitted that the patronage system that part of surviving segments in New Order had remained intact.⁹⁵ The cautious optimistic approach was also the position of the World Bank through their report that was pleased with democratic progress, but concern with old elite's effort to regain power.⁹⁶

With a more somber assessment than Aspinall and Crouch, Jamie Davidson argues that the lack of democratic rule of law will dissuade 'formal rights and freedoms of political equality and civic participation'.⁹⁷ Davidson also believes that the militarization of society continues to hinder the democratic consolidation effort.⁹⁸ Prominent international political scholar Donald Horowitz also observe that despite progress, Indonesia merely achieve electoral democracy since without the safeguards and protections necessary for fully democratic status. This was because a constant attack by opposition to achieve robust democratic system, like

⁹² Edward Aspinall, 'The Irony of Success,' *Journal of Democracy*, Volume 21, Number 2, April 2010, p. 33.

⁹³ *Ibid.*, p. 32.

⁹⁴ Harold Crouch, *Political Reform in Indonesia after Suharto* (Singapore: ISEAS, 2010), p. 349.

⁹⁵ *Ibid.*

⁹⁶ The World Bank, *Combating Corruption in Indonesia: Enhancing Accountability for Development* (Washington: the World Bank, 2003), p. 14.

⁹⁷ Jamie S. Davidson, 'Dilemmas of democratic consolidation in Indonesia' *The Pacific Review*, Vol. 22 No. 3 July 2009, p. 305.

⁹⁸ *Ibid*, p. 305.

continuous attack on KPK and an effort to politicize electoral system.⁹⁹ Also, Mietzner in his latest article is quite critical in the state of democracy in Indonesia where he argues that SBY two term of presidency in 2004 - 2014 was a missed-opportunity to achieve a substantial democracy consolidation.¹⁰⁰

However, the political pluralism analytical framework will not sufficient, in my view, to analyze the various challenges and opportunities that political leaders must navigate to ensure that they can deliver desirable political outcomes to improve the quality of democracy. Thus, in my view, Liddle makes a relevant point about the need for an additional framework in order better to articulate and analyze how these political leaders push to improve the quality of democratic governance, amidst the unequal political resources identified by Dahl.¹⁰¹

As a result, to complement political pluralism, political actor theory will be employed, including the political aspect of public policy that was introduced by John W. Kingdon in his classic book, 'Agenda, Alternatives and Public Policies'. Kingdon developed his theory based on 23 study cases of policy decision making in the United States for the period 1977-1981. According to Kingdon, the successful policy was driven by what he called policy entrepreneurs who may be drawn from the government, parliament or even non-state actors. These policy entrepreneurs possess important quality traits: experts in the field or able to articulate policy on behalf of their constituents; strong political connections as well as high negotiation skills; and persistency in pushing for the policy that he or she advocates.¹⁰²

⁹⁹Donald L. Horowitz, *Constitutional Change and Democracy in Indonesia* (Cambridge: Cambridge University Press, 2013), p 260.

¹⁰⁰ Marcus Mietzner, 'Indonesia: Democratic Consolidation and Stagnation under Yudhoyono, 2004 – 2014' in William Case (ed.), *Routledge Handbook of Democratization in Southeast Asia* (London: Routledge, 2015), p. 381.

¹⁰¹ R. William Liddle, 'Improving the Quality of Democracy in Indonesia: Toward a Theory of Action' in Michele Ford and Thomas B. Pepinsky (eds.), *Beyond Oligarchy: Wealth, Power, and Contemporary Indonesian Politics* (Ithaca: Cornell University Press, 2014), pp. 57 – 77.

¹⁰² John W. Kingdon, *Agendas, Alternatives and Public Policies* (New York: Longman, 2003), p. 181.

This policy entrepreneur must be able to maneuver effectively in three independent situations: identifying the problem, crafting a policy proposal, and dealing with political events, known in short as problems, policy and politics. An effective policy entrepreneur will be determined by whether he can identify when these three streams of situations merge and how to act based on this window of opportunity with skills and knowledge to solve the problem. Since these three situations are volatile, the policy making process is uncertain, complex and sometime cumbersome.¹⁰³ This thesis aims to identify a number of policy entrepreneurs as well as determine the sequence of problems, policy and politics in the context of governance reform and anti-corruption measures in each Indonesian presidential period since independence. Subsequently, it will analyze how this policy entrepreneur managed to maneuver effectively among the problems, policy and politics aspect that led to governance reform or effective anti-corruption efforts.

In addition to Kingdon, there is another political actor theory to analyze the leadership aspect of political leaders. James M. Burns, in his seminal book on political leadership, classified the types of political leaders based on the interactions between them and their followers into two categories: transactional leadership and transformational leadership. According to Burns, transactional leaders approach followers for merely exchanging one thing for another, like jobs for votes, or subsidies for campaign contributions, like in the legislature or political parties.¹⁰⁴ On the other hand, transforming leaders are more compelling, because they emerge from the fundamental wants, needs, aspirations and values of their followers. Thus, transforming leaders are expected to produce social change and will satisfy their followers' needs.¹⁰⁵ However, in my view, another category should be added, which is semi-transformational leadership. This type of leadership would bring about credible changes but

¹⁰³ Ibid., pp. 182 – 190.

¹⁰⁴ James M. Burns, *Leadership*, (New York: Harper Perennial Modern Classic, 2010), p.4.

¹⁰⁵ *Ibid.*

these would be less far-reaching than under transformational leadership, and also vulnerable, as the changes could be reverted but, unlike transactional leaders, semi-transformational leaders, in my view, do not enact changes based solely on the value exchange motive, but out of personal idealism or, in the case of groups, collective idealism. By applying Burns' framework, with a slight modification, this thesis aims to evaluate each presidency of Indonesia in terms of its leadership traits with regard to governance reform and an anti-corruption drive, but it also seeks to evaluate the leadership of other political actors who were able to execute policy that brought about significant progress in the context of governance reform and anti-corruption.

The Importance of the Subject

Most of the literature on anti-corruption initiatives in developing countries shows that these have not proved very successful. The notable exceptions are Singapore and Hong Kong, which were successful due to their small population and area, as well as their more developed and relatively homogenous society. This case study hardly works as a model for larger, more complex developing countries like Philippines, Egypt, Vietnam, India and Indonesia.

Therefore, the importance of the subject of this thesis is fourfold. First, it provides a comprehensive study of the whole anti-corruption campaign and governance reform of the Indonesian government at the national level, from independence to the end of SBY's term, by utilizing sources from the UK National Archives, the National Archives of Australia and recently published US Embassy cables from *Wikileaks*. Second, this thesis is an assessment as well as a comparative study, which expects to identify the source of the progress and failures of governance reform and anti-corruption initiatives in each era or presidency. Third, the thesis aims to contribute to the available Indonesia contemporary political history literature, focusing on governance reform and the anti-corruption campaign at the national level. Most of the available literature has focused on either Indonesian politics in general within a certain period or research on particular political institutions in Indonesia, such as the military, parliament, the

political parties and the Supreme Court. Fourth, this study of governance reform and anti-corruption initiatives at the national level in Indonesia may serve as a model for other, large, complex developing countries that undertake a similar multifaceted set of challenges.

Conceptual/Analytical Framework

This thesis will draw mainly on the political pluralism conceptual frameworks in order to analyze the political dynamics concerning anti-corruption initiatives and governance reform by each presidency from 1945-2014. Contrary to the Oligarchy or Cartelization theorists, where the accumulation of wealth dominates the motives of the political actors, in my view, the pluralist theory is the most feasible tool for describing the complexity of the multiple political actors with differing motives who are competing to influence policy. The competition between the political actors is in the context of one group who was pushing for governance reform and an anti-corruption agenda, while the other group was maintaining the status quo through economic patronage that circumvents the formal political institutions. As Aspinall aptly states: 'That these struggles are complex, and take place in contradictory and fragmented ways, involving ever-shifting political coalitions and conflicts, reflects the complexity of Indonesian democracy...'¹⁰⁶ Another case that supports the application of the pluralist theory, based on Pepinsky's argument, is the fact that: 'Critical pluralism has the capacity to produce hypotheses...that test the link between political actions by or on behalf of those with great material wealth and the outcomes of contestations over policy'.¹⁰⁷ For more reference on the argument for the application of political pluralism theory along the critics on oligarchy and cartel theory is discussed in detail in the previous section.

¹⁰⁶ Edward Aspinall, 'Popular Agency and Interests in Indonesia's Democratic Transition and Consolidations' in Ford and Pepinsky (eds.), *Beyond Oligarchy: Wealth Power and Contemporary Indonesian Politics*, p. 135,

¹⁰⁷ Michele Ford and Thomas B. Pepinsky, 'Introduction: Beyond Oligarchy/,' in Ford and Pepinsky (eds.), *Beyond Oligarchy: Wealth Power and Contemporary Indonesian Politics*, p. 7; Thomas Pepinsky, 'Pluralism and Political Conflicts in Indonesia,' in Ford and Pepinsky (eds.), *Beyond Oligarchy: Wealth Power and Contemporary Indonesian Politics*.

As a result, the political pluralist theory analytical framework, along with the other analytical framework will be mostly applied in this thesis following the structure below:

First, to analyze the anti-corruption measures and governance reform from the Sukarno to the SBY era, this thesis mainly applies the political pluralism analytical framework. It emphasizes the political contestation between the reformists who pushed for the governance reform agenda versus the conservative elements within Indonesia's political elites, who preferred a revolution agenda supported by informal economic patronage to influence policy outcome in government, particularly in Sukarno's era, as Indonesian civil society had not yet developed into a formidable political force. During Sukarno's era, this thesis will apply Herbert Feith's analytical framework of the contestation between two competing political groups: the administrators versus the solidarity-makers. However, on entering the guided democracy era with a different set of political structures, the analysis will emphasize the competition between the Army and the Indonesian Communist Party in vying for Sukarno's political accommodation to influence government policy.

Second, for the analysis of Suharto's New Order era, we will also employ mostly the political pluralism approach, albeit with some modifications regarding the evolving political structure that centered on Suharto, the dominant political figure during that era. In the New Order era, we will analyze the dynamic of political competition between, among other bodies, the military, students, the opposition group, the nationalists' business group, and the technocrats. During this period, the technocrats, the student activists, the reformist element in the military, the reformist faction in the ruling state party Golkar and other reformist elements were trying to push for governance reform and the anti-corruption agenda, while facing resistance from the oligarchs or the nationalists group.

Third, for the post-Suharto era, from President Habibie in 1998 to President Yudhoyono in 2004, we will also utilize the political pluralism approach to analyze the competition between the political actors within the government, parliament and other crucial state institutions in the context of advancing the governance reform and anti-corruption endeavors. However, this section will evaluate whether Indonesia underwent a transition from an authoritarian governance structure. This determines whether Indonesia, after SBY, achieved democracy as ‘the only game in town’, as Linz and Stepan described it¹⁰⁸ or, as Diamond argues, whether democracy was already so institutionalized that it had become so much the norm and profoundly legitimate in society that it was unlikely to break down.¹⁰⁹ Also, a similar democratic consolidation framework is applied in the previous chapters on Suharto and Sukarno’s era to supplement the political pluralism analytical framework in an attempt to identify the trajectory of democratic consolidation or regression from Indonesia independence to the SBY period.

Fourth, in supplementing the political pluralism approach from Indonesia’s independence until the SBY period as well as democratic consolidation theory, it will apply Kingdon’s framework of politics of public policy analysis to identify the policy entrepreneurs in each era who played an important role in pushing for substantial governance reform and anti-corruption policy by taking into account the problem, policy and political aspects of it. Furthermore, Burns’ framework will also be utilized in the empirical chapters and as a base for the general conclusion to discover what type of leadership each president and other political leaders possess in the context of pushing governance reform and an anti-corruption drive

¹⁰⁸ Juan.J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe*, (Baltimore, MD: Johns Hopkins University Press, 1996), p. 5.

¹⁰⁹ Larry Diamond, ‘Toward Democratic Consolidation,’ *Journal of Democracy*, Vol. 5, No. 3, July 1994. pp. 15-16.

during the respective periods. Kingdon and Burns' analytical frameworks were already discussed comprehensively in the previous section.

Fifth, to complement the analytical framework above in analyzing Indonesia's domestic political dynamic, a country-level analysis will be utilized widely, employing governance, democratization or corruption indices that assess the cross-country performance and annual trends in those issues. These international indicators include Transparency International's Corruption Perception Index and the World Bank's Governance Indicator and the Freedom Index. It was anticipated that the usage of these various international indicators would help us to identify Indonesia's governance reform and anti-corruption measure performance trajectories from independence in 1945 to the end of SBY period in 2014.

The utilization of Governance and Corruption Indicators: its Strength and Weaknesses

The methodology applied in a number of governance and corruption indices that is publicized by international institutions, like Transparency International, the World Bank and Freedom House has certainly attracted criticism. The most common objections that the indicators are based on expert or informed opinion, systematically gathered and arrayed with or against other perceptions and surveyed views, and therefore prone to subjectivity and opinion bias.¹¹⁰ Furthermore, a number of academics criticize the methodology's soundness in collecting the data to produce these indicators; for instance, the statistical issue in processing the data and the categorization of the data variables,¹¹¹ while others go even further by questioning the political

¹¹⁰ Maria Bensacon, *Good Governance Rankings: Arts of Measurement* (Cambridge: World Peace Foundation, 2003), p. 5.

¹¹¹ Andrew Williams and Abu Siddiqie, 'The use (and abuse) of governance indicators in economics: a review', *Economics of Governance*, Vol. 8, Issue 2, May 2008, pp. 150 – 151; Robert Neumann and Peter Graeff, 'A Multitrait-Multimethod approach to pinpoint the validity of aggregated governance indicators', *Quality & Quantity*, 2010, Vol.44(5), pp.849-864.

motives or implications of the governance indices, and thereby urging the need to depoliticize this indicator's measure.¹¹²

It is outside the scope and expertise of this thesis on political history to discuss in depth the merit of statistics and the quantitative methods of the various governance and corruption indices, as features in several of the academics articles mentioned above. While acknowledging some merit of this criticism, its wide-ranging nature also demonstrates that there is no general consensus about what constitutes an ideal instrument or valid methodology for measuring the country's level of governance and corruption. As mentioned in the previous section and to add complexity, there is not even any consensus between leading international scholars about the general concept and definition of governance and corruption itself, despite their strong theoretical or methodological justification in backing-up the arguments. Therefore, in my view, the variety of definitions, interpretations as well as strengths and weaknesses of the methodology's application should be acknowledged in a transparent and accountable way as part of the academic discourse, including in this thesis. Besides, the World Bank, TI, Freedom Foundation and the Economist, in my view, have made a contribution towards enriching the academic debate by comprehensively outlining their methodology and even responding to criticism directly either on their website or more rigorously in the form of academic papers published in various leading academic journals.¹¹³

¹¹²Tero Erkkilä and Ossi Piironen, '(De)politicizing good governance: the World Bank Institute, the OECD and the politics of governance indicators', *Innovation: The European Journal of Social Science Research*, 2014, Vol.27(4), pp.344-360; Christiane Arndt, 'The Politics of Governance Ratings', *International Public Management Journal*, Vol.11, No. 3, 2008, pp. 275-297.

¹¹³Daniel Kaufman, Aart Kray & Massimo Mastruzzi, 'the Worldwide Governance Indicators, Methodology and Analytical Issues', *Hague Journal on the Rule of Law*, Vol. 3, 2011, pp. 220 – 246; The methodology and list of academic papers that explains and defend the methodology of the World Bank Governance index in this link <http://info.worldbank.org/governance/wgi/index.aspx#doc> ; The TI's Corruption perception index methodology and its defense as well as Independent Assessment by European Commissions' Joint Research Center that support CPI is explain in this link http://www.transparency.org/cpi2014/in_detail ; Freedom House outline its methodology applied in Freedom Index in this link <https://freedomhouse.org/report/freedom-world-2014/methodology>

However, for this thesis, in my view the World Bank's Governance, TI governance index and Freedom Indexes provide sufficient tools for providing cross-country comparisons, considering that they covers most of countries in the world and were produced by a relatively impartial credible international institution. The problem with most recent second generation governance indicators is that they still have their own methodological impediments, limitations in scope and lack of international stature. Besides, despite their weaknesses, these indicators have gained international and national acceptance, as they are widely quoted in international, leading or national mass media, like the New York Times, Washington Post, Tempo, Kompas and others. Some government and international organizations like the US Millennium Challenge Corporation use the WB governance indicators as one of the bases for making their decisions, and even SBY's government used TI's Corruption perception index as one of the performance indicators for their anti-corruption program.¹¹⁴ Within the academic community, although acknowledging its limitations, a number of leading international political and economic experts as well as leading Indonesian political experts used one or more of these governance and corruption indicators in their academic writing as one of their analytical tools in the leading academic publications in their respective fields.¹¹⁵ Even two of the world's leading democracy experts, Alfred Stepan and Larry Diamond, use these governance and

¹¹⁴ For various governance indicators that is used by MCC you can look at this link <https://www.mcc.gov/who-we-fund/indicators>

¹¹⁵ For the usage of Freedom Index for instance in Jeffrey Sachs and Warner A, *Economic Convergence and Economic Policy*, NBER Working Paper 5039, February 1995 and ; J. Isham, D. Kaufmann, L. Pritchett, 'Civil liberties, democracy and the performance of government projects', *World Bank Economic Review*, 1997, Vol. 11, No. 2, pp. 219–242; For usage of World Bank Governance in Index see in Dani Rodrik, A. Subramanian, F. Trebbi F, 'Institutions rule: the primacy of institutions over geography and integration in economic development', *Journal Economic Growth*, Vol. 9, No. 2, 2004, pp. 131–165. Francis Fukuyama, *State Building: Governance and World Order in the 21st Century* (Ithaca: Cornell University Press, 2004), pp. 10 – 13; and for the TI perception index in J. Torrez, 'The effect of openness on corruption,' *Journal of International Trade of Economic Development*, Vol. 11, No.4, 2002, pp. 387–403; K. Gyimah-Brempong 'Corruption, economic growth, and income inequality in Africa', *Economic Governance*, vol. 3, no. 3, 2002, pp. 83–210.

corruption indicators in their analysis of the state of Indonesia's democracy, so this thesis follows a distinguished precedent in using these indicators as an analytical tool.¹¹⁶

As a result, based on its international exposure as well as widespread (if not universal) acceptance in academic circles and some of its methodological strength, the governance indicators based on the aggregation of expertise or business community perceptions, in my view, could still provide a suitable contribution by this study by identifying Indonesia's state of governance and corruption trajectories from the late Suharto era to the SBY era, at least in the business community or international experts' perception. Using these indicators as analytical tools, in my view, will enrich and complement the theoretical basis of this thesis by contributing to the existing Indonesian political academic literature.

The application of various governance and corruption indicators as one of the analytical tools in this thesis as well as the acknowledgement of some bias in Indonesia's case will be discussed thoroughly in the conclusion section. Also, the purpose in using several governance indicators for this study is to reduce the potential bias and pitfalls associated with using only one indicator. Also, applying multi governance indicators can also be seen as a corroboration mechanism, should certain indicators produce a biased or inconclusive result.

Thesis Arguments

This thesis will advance three arguments that will encompass and interlink the various chapters: the first is that, despite all of the rhetoric about championing the cause, governance reform has never been seen as a long-term endeavor and therefore was never applied

¹¹⁶ Alfred Stepan utilize the World Bank governance index and TI's corruption perception index in Mirjam Kunkler and Alfred Stepan, 'Introduction' in Mirjam Kunkler and Alfred Stepan (eds.), *Democracy and Islam in Indonesia* (New York: Columbia University Press, 2013), pp. 20 – 21; Diamond use Freedom House index and the World Bank's Governance Index in Larry Diamond, 'Indonesia's Place in Global Democracy' in Edward Aspinall and Marcus Mietzner, *Problems of Democratization in Indonesia: Elections, Institutions and Society* (Singapore: ISEAS, 2009), pp. 21 – 35.

consistently from independence to the SBY era. As a result, the technocrats/professionals within the government did not have sufficient political capital, adequate critical mass support from within each institution, nor sufficient resources to be able to push for a more comprehensive and considered reform. Therefore, the governance reform within the government and state agencies has, so far, been limited, uneven and, in some cases, even reverted. Second, these anti-corruption drives from Indonesian independence until the inception of the KPK in 2004 were mostly arbitrary, with a limited impact and also selective in nature amid the political inclination. As consequence, these anti-corruption initiatives never went far in addressing the crux of the problem which was dismantling the patronage at the epicenter of power which meant prosecuting high profile corruption cases indiscriminately. Third, the prosecution of high profile corruption cases by the KPK during SBY's presidency changed the sense of impunity among political elites implicated in corruption cases, albeit not considerably, considering that the other law enforcement agencies failed to step-up their work – some of their own members were even arrested by the KPK. Thus, despite the promising performance by the KPK during the decade of SBY's presidency, their impact remained limited, since the KPK's organizational and resource scale was still too minuscule compared to that of the Police and the AGO. Therefore, despite the KPK's ability to sustain and even accelerate the anti-corruption drive during the two terms of SBY's presidency, overall, the political, economic and social structure as well as the persistent institutional failure that induced and incubated corruption remained largely intact.

Original Contribution

The literature discussed above shows that, while the available academic literature on the anti-corruption initiatives and governance reform measures has focused on Indonesia's political

history, this analysis has often centered on more general discussions of a single episode in Indonesia's political history from the Sukarno or Suharto period¹¹⁷ as well as the transition to democracy in the post-Suharto era. Other academic works are fragmentary, disconnected and highly-specialized, such as studying exclusively the military,¹¹⁸ parliament,¹¹⁹ judiciary,¹²⁰ and political parties.¹²¹

This thesis attempts to fill the literature gap by focusing on the link between two prominent issues – governance reform and anti-corruption initiatives – in Indonesia's political history that are often mentioned but rarely examined in a single comprehensive study covering multi-period presidential terms. The scope of the study that is outlined is not too general, but neither too specialized, so that it can identify the trajectories and measures the trends in governance reform and the anti-corruption initiative issue at the national level in Indonesia from the Sukarno to the SBY periods.

The aim of this study is also to complement the existing academic work on political history that applies the political pluralism analytical framework and provides a more complex, nuanced picture of the political dynamics of the fierce rivalry between the reformists, who were determined to push governance reform as well as implement an anti-corruption effort, while facing vested interests that tended to be political oligarchic forces and conservative elements in government that were aiming to maintain the *status quo*.

Sources and Methodology

This thesis is based on empirical research undertaken through a wide variety of primary sources. The chapter on corruption during the Old Order and New Order is mainly based upon

¹¹⁷ Adam Schwarz, *A Nation in Waiting: Indonesia Search for Stability* (the United States: Westview Press, 1999).

¹¹⁸ Jun Honna, *Military Politics and Democratization in Indonesia* (London: Routledge, 2003).

¹¹⁹ Patrick Ziegenhain, *The Indonesian Parliament and Democratization* (Singapore: ISEAS, 2008).

¹²⁰ Sebastian Pompe, *The Indonesian Supreme Court: A Study of Institutional Collapse* (Ithaca: Cornell University, 2005).

¹²¹ Dirk Tomsa, *Party Politics and Democratization in Indonesia: Golkar in the post-Suharto Era* (Oxon: Routledge, 2008).

non-Indonesian archives. The rarely-used primary sources are from the UK, and Australian embassies in Jakarta, available at the British National Archives and the Australian National Archives, while the recently published US Embassy cable was accessed via the *Wikileaks*'s website. The Indonesian newspapers were accessed from the Indonesia National Archives in Jakarta as well as the Institutes of Southeast Asia Studies (ISEAS)'s library in Singapore, like *Pedoman*, *Indonesia Raya*, *Kompas*, *Sinar Harapan*, *Tempo* and *Suara Pembaruan*. Also, from ISEAS library, the *Far Eastern Economic Review* and *Asiaweek* were obtained.

On the post-Suharto period, the minutes of the Indonesian National Parliament and correspondence relating to the deliberation processes regarding the KPK Law in 2002 were utilized. There are also various state official documents like People's Consultative Assembly (MPR) decrees, government decrees, and ministerial decrees. The court decision documents from the anti-corruption court on a number of corruption cases that implicated high state officials as well as regional leaders were also obtained.

Other documents were used as primary sources from a number of leading anti corruption NGOs in Indonesia, like Indonesia Corruption Watch (ICW) and Transparency International Indonesia (TII). These documents are analytical reports, press releases and annual reports. I also obtained materials from other NGOs that focus on good governance and anti-corruption issues from their interactive as well as resourceful websites, such as Indonesia Transparency Society (MTI) and Indonesia's Law and Policy Study Centre (PSHK).

Material from the international donor agency, including quarterly reports as well as other briefing materials particularly from the World Bank Office and Asian Development Bank Office in Jakarta was also utilized. The primary sources from other donor agencies that played a key role especially during the post-Suharto era, including documents or material from the International Monetary Fund (IMF), were also employed.

The Indonesian government has been posting Laws, Government Regulations (PP), Presidential Decision Decrees (Keppres), Presidential Instruction Decrees (Inpres) as well as Presidential Regulation Decrees (Perpres) via the Cabinet Secretary's website (<http://sipuu.setkab.go.id/>). Most of the laws and government regulations as well as presidential decrees obtained from this government's official website were used for this thesis.

Also, during the SBY period, the US Embassy's cables, published by *Wikileaks*, are employed in this research as a primary source. Certainly, there is controversy surrounding the use of *Wikileaks* as a source for academic work, especially concerning some ethics as well as legality, since the documents are not properly declassified.¹²² Nonetheless, the US officials admitted that the security damage to US foreign policy was contained and merely an embarrassment to their country's counterpart.¹²³ Furthermore, there is also a question regarding the validity of the data, as they have not been properly vetted in the US disclosure policy.¹²⁴ However, the US embassy cables used in this thesis are neither the main nor the only primary sources employed. At best, the cables provide complementary information for this research and act as an instrument for checking the consistency of our other primary sources, especially weekly magazine and newspaper articles. Besides, the information contained in the cables is a subjective interpretation of political events, and therefore should be divided rigorously from other primary sources, like policy decrees or interviews with the main political actors.

Nonetheless, it is difficult to ignore the rich resources of the US Embassy cables provided by *Wikileaks*, especially in a field like International History, where primary sources are fundamental in strengthening the research methodology. As Gabriel argues, 'information

¹²² Emanuella Grinberg, 'Will reading WikiLeaks cost students jobs with the federal government?', *CNN.com*, 9 December 2010, retrieved on 29 June 2015 from <http://edition.cnn.com/2010/CRIME/12/08/wikileaks.students/>

¹²³ 'US Officials privately say WikiLeaks damage limited', *reuters.com*, 18 January 2014, retrieved on 12 July 2015 from <http://www.reuters.com/article/2011/01/18/us-wikileaks-damage-idUSTRE70H6TO20110118>

¹²⁴ C. Bierbauer, 'When everything is classified, nothing is classified,' *Wake Forest Journal of Law & Policy*, No. 1, year 2011, pp. 21-30.

provided by *Wikileaks* provides valuable insights into a wide variety of areas that are relevant to research...and offers an expansive source of data'.¹²⁵ Therefore, to find the correct balance between utilizing valuable sources and security concerns, the cables used in this research were carefully selected so that they will not have any ramifications for US security interests. Besides, a large amount of academic work in reputable journals utilizes the US cables from *Wikileaks* as the main primary source for their respective research.¹²⁶

The documents from archives, government institutions and NGOs will be further supplemented by newspapers from Sukarno's period, the New Order Era and the post-Suharto period. From the Sukarno period, leading newspapers like *Pedoman* and *Indonesia Raya* are used. From the New Order era until the post-Suharto period, the focus will be on national newspapers and current affairs magazines, such as *Kompas*, *Tempo*, *Gatra*, *Media Indonesia*, *Seputar Indonesia*, *Jakarta Post* and *Jakarta Globe*. This research will also use articles from leading Indonesian news websites, like *kompas.com*, *detik.com*, *Tempo.co*, *vivanews.com*, and *Okezone.com*.

Written historical records and documents will be further supplemented by interviews. This is particularly important as Indonesia has an oral rather than a written culture, as a result of which documentation can be sparse. I have conducted more than 80 interviews with high-ranking government officials, state officials, MPs, Indonesian and foreign businessmen, Indonesian and international Non Governmental Organizations (NGO) activists, Indonesian and foreign journalists, as well as academic researchers specializing in Indonesian politics.

¹²⁵ Gabriel J. Michael, 'Who's Afraid of WikiLeaks? Missed Opportunities in Political Science Research', *Review of Policy Research*, Vol.32, No. 2, year 2015, pp. 193 – 194.

¹²⁶ Jeffrey A. Lefebvre, 'Choosing Sides in the Horn of Africa: WikiLeaks, the Ethiopia Imperative, and American Responses to Post-9/11 Regional Conflicts,' *Diplomacy & Statecraft*, Vol. 23, No. 4, November 2012, pp. 704-727; John O'Loughlin , Frank D. W. Witmer , Andrew M. Linke & Nancy Thorwardson, 'Peering into the Fog of War: The Geography of the WikiLeaks Afghanistan War Logs, 2004-2009,' *Eurasian Geography and Economics*, Vol. 51, No.4, year 2010, pp. 472-495; Salih Bicakci, Deniz Rende, Sevinc Rende & Olcay Taner Yildiz, 'WikiLeaks on the Middle East: Obscure Diplomacy Networks and Binding Spaces,' *Journal of Balkan and Near Eastern Studies*, Vol. 16, No. 4, year 2014, pp. 459-473.

The interviewees involved in my research (2011-2014) in Jakarta, Yogyakarta, Singapore, Canberra, Sydney, Melbourne and Singapore are outlined in the Bibliography section. These interviews serve the purpose of adding detail to the written documentation and exploring the motivation behind the key decisions. As personal memories are sometimes unreliable¹²⁷ and there are also issues regarding objectivity,¹²⁸ this research will address these shortcomings by corroborating information across interviews and carefully assessing the data obtained.¹²⁹

¹²⁷ Peter Friedlander, 'Theory, Method and Oral History,' Robert Perks and Alistair Thompson, *The Oral History Reader* (London: Routledge, 1998), p. 318.

¹²⁸ Allesandro Portelli, 'What makes Oral History Different,' Robert Perks and Alistair Thompson, *The Oral History Reader* (London: Routledge, 1998), p. 70.

¹²⁹ Ronald J Grele, 'Methodological and theoretical problem in Oral History,' Robert Perks and Alistair Thompson, *The Oral History Reader* (London: Routledge, 1998). p. 41.

Chapter 2: Rationalization and Revolution: the Battle of Ideas and Policy on Governance Reform and Anti-Corruption during Indonesia's parliamentary democracy era

When Indonesia eventually attained international official recognition as an independent country in December 1949, it faced an exigent task of Governance Reform. The challenge for the political leaders was to work together towards achieving common goals, but divisions among the elites started to emerge, making this formidable yet necessary mission even more complicated.

This chapter will chart the debate on the analytical framework for the administrator group versus the solidarity maker group in the context of policy battle ideas under the parliamentary democracy era. Then, this chapter starts by presenting an overview of how Sutan Sjahrir – who later became the first Prime Minister – managed to secure huge concessions from Sukarno in accepting the application of a parliamentary democracy system in Indonesia during the early post-revolutionary era. Furthermore, this chapter highlights how Hatta led the initial governance reform effort in pushing for, *inter alia*, the rationalization of Indonesia's military and civil service. Then, as the country entered the parliamentary democracy system era, this chapter will highlight the struggle between two relatively opposing camps: the administrator group led by Hatta, that was a group whose power depended on their skill in managing a modern government and that placed great emphasis on economic as well as administrative problem solving. On the other hand, there was the solidarity marker group - that emphasized the revolution and ideology over the rational solution of economic, administrative or other

problems - led by Sukarno.¹³⁰ In the end, this chapter will also analyze a number of governance reforms as well as anti-corruption initiatives which were led mainly by the administrator group leaders but that proved ineffectual and even failed to garner public support.

There are nine sections in this chapter. The first section will outline the academic literature debate by interpreting the parliamentary democracy period in which huge political rivalry existed between the political group led by Sukarno on the other hand and the other group led by Hatta. The enactment of the parliamentary democracy system soon after Indonesia declared its independence in 1945 and the early rationalization policy pushed by Hatta will be discussed in the second section. Subsequently, the third section will illustrate the start of the struggle of the political group known as the administrator group, which tried to push for governance reform led by Hatta, which was supported among others by the Islamic party, Masyumi, and the Indonesia Socialist Party (PSI). The group faced the other political group known as the solidarity makers, led by Sukarno which was supported, among others, by the PNI and Indonesia Communist Party (PKI). Then, the fourth section will examine the continuous struggle between the administrator group and solidarity maker group under the government led by Prime Minister Sukiman and Wilopo. The open conflict between the army and civilian government led to the 17 October 1952 affair and its aftermath that culminated in the dismissal of Chief of Army A.H. Nasution, will be outlined in the fifth section. Moreover, the sixth section will examine Wilopo's cabinet's mixed result in terms of pushing for governance reform. The politicization of bureaucracy as well as growing patronage in Prime Minister Ali Sastroamdojo's government and continuing conflict with the military will be highlighted in the seventh section, while the eighth section will outline how Prime Minister Burhanuddin Harahap's government managed to organize a successful national election in

¹³⁰ Herbert Feith, *the Decline of Constitutional Democracy in Indonesia* (Ithaca: Cornell University Press, 1962), p. 471.

1955 and pushed for a number of anti-corruption measures, although their impact was limited.

The ninth section will provide the conclusion of this chapter.

Several arguments will be advanced in this chapter. Firstly, the administrator group, at the peak of their influence when Hatta was vice president and prime minister, would have been able to influence the government policy outcome when he assigned the administrator group type of leader to the important cabinet portfolios, such as finance and commerce. Also, with the support of the Minister of Defense, the Military Chief and, more importantly, the Army Chief, Hatta was able to push the military reform. However, the second argument posits that Sukarno's political skills, with support from the solidarity maker group, managed to derail the governance reform and anti-corruption initiatives proposed by the administrator group near the national election in 1955. The third argument advanced is that the administrator group was unsuccessful in translating the benefits of the governance reform effort into an effective and populist message to galvanize political support from Indonesia's electoral voters as shown by the disastrous result at the 1955 national election, which cost Burhanuddin's government political support.

The rivalry of the Administrator versus the Solidarity Maker Group and the Diminished Parliamentary Democracy Legitimacy

There were a number of criticisms of the application of the political pluralism framework between the 'administrator group' versus the 'solidarity makers', as introduced by Herbet Feith in his seminal book, 'Declining Constitutional Democracy.' Harry J. Benda argues that Feith ignored the intrinsic elements of Indonesian society, history and politics, where the deep roots of Javanese-Hindu and its resilience were manifested in Indonesia-driven economic and

societal development. Therefore, the failure of the ‘administrator’ group in pushing for parliamentary democracy should be expected.¹³¹

The twice Prime Minister of Indonesia, Ali Sastroamidjojo, also objected that the Administrator versus Solidarity Maker framework was too narrow to explain in terms of merely ‘good’ versus ‘bad’ without taking into account the complexity of the problems in the country.¹³² Sastroamidjojo argued that, during the transition period, when it was still influenced by feudalism, it was necessary to have leaders who possessed ‘charisma’. Therefore, the administrator group should share the blame on causing the economic crisis.¹³³

In supporting Benda’s propositions, Notosusanto outlined that parliamentary democracy was abandoned because it had been prematurely adopted since the majority of Indonesians remained poor and ill-prepared to espouse the system, and so were exploited by self-interested politicians.¹³⁴

Meanwhile, McVey argued that, when the administrator group discovered that the populace did not share their ideas about what needed to be done and the mounting PKI threat to their political position, they began’ to look beyond the other framework of parliamentary politics for puissant support’.¹³⁵

The other experts focused on the role of Sukarno’s political skill as a charismatic leader. Koe and Kiliang see Sukarno as a charismatic savior, reflecting the chain reaction between the frustration and expectations of Indonesian society under social and economic

¹³¹ Harry J. Benda, ‘Democracy in Indonesia,’ *The Journal of Asian Studies*, Vol. 23, No. 3 (May, 1964), pp. 453-454.

¹³² Ali Sastroamijoyo (edited by C.L.M. Penders), *Milestones on My Journey: the Memoirs of Ali Sastroamijoyo, Indonesian Patriot and Political Leader* (St. Lucia: University of Queensland Press, 1979), p. 259.

¹³³ *Ibid.*

¹³⁴ Nugoroho Notosusanto, *Sejarah Republik Indonesia {The History of Republic of Indonesia}* Vol. VI (Jakarta: Balai Pustaka, 1977).

¹³⁵ Ruth T. McVey, ‘The Case of the Disappearing Decade,’ in David Bourchier and John Legge (eds.), *Democracy in Indonesia in 1950s and 1990s* (Victoria: Monash University, 1994), pp. 8-9.

duress.¹³⁶ Pauker argues that since, during the colonial period, the Dutch had discouraged political organizational activities; the Indonesia elites took advantage of this and had ‘transmitted them to the unorganized masses through rhetoric alone’.¹³⁷ Nevertheless, Wilson defended Sukarno, as he had intervened out of concern about the endless political parties’ bickering and the threat of separatists in several regions.¹³⁸

Meanwhile, Slater highlights that the fierce political factionalism among the Indonesia elites at the end of the revolution could only be held together by cumbersome governing coalitions. As a consequence, this triggered mass spending on patronage, that contributed to ‘dyadic, clientelistic, and disorganized’ state-business relations.¹³⁹

Bertrand, in line with Slater, meanwhile, explicitly outlines that political factionalism existed between the nationalists, Islamists and communists’ camp, adding that the failure of parliamentary democracy in Indonesia was due to the small size of the middle class and its insufficient economic strength to support a democratic regime.¹⁴⁰

However, in my opinion, assuming that the fall of parliamentary democracy was inevitable involves overlooking the political contestation among the Indonesian elites between those who supported the parliamentary democracy system (Hatta and the administrator group) and those who did not (Sukarno and Nasution). The competition of interest/power between these political groups was *bona fide*, based on their contending vision of these Indonesian political figures – where Sukarno had a strong conviction that he would achieve his

¹³⁶ John Koe and Yusuf Kiliang, ‘An Examination of Charismatic Leader in Non-western Society’, *the Indian Journal of Political Science*, Vol. 24, No. 1, January-March 1963, p. 47.

¹³⁷ Guy J. Pauker, ‘The Role of Political Organization in Indonesia,’ *Far Eastern Survey*, Vol. 27, No. 9, Sept. 1958, p. 142.

¹³⁸ Wilson, ‘Staatspartij dan Demokrasi Terpimpin [Soekarno, Staatspartij and Guided Democracy]’, *Prisma Special Edition on Sukarno*, Vol. 32, No. 2 and No. 3, year 2013, p. 75.

¹³⁹ Dan Slater, *Ordering Power: Contentious Politics and Authoritarian Leviathans in Southeast Asia* (New York: Cambridge University Press), p. 109.

¹⁴⁰ Jacques Bertrand, *Political Change in Southeast Asia* (New York: Cambridge University Press, 2013), p. 48.

revolutionary goals at all costs while Hatta adopted a more technocratic, and gradualist approach.

In the end, the administrator group's entanglement in political bickering undermined their effectiveness in pushing governance reform. Taufik Abdullah argued that this political bickering perpetuated the myth that parliamentary Democracy did not fit in with the 'national character' and provided Sukarno with the subsequent legitimacy to intervene with help from the army.¹⁴¹

The government in the early post-independence era, led by the administrator group, was facing a difficult economic structural issue, especially given the continuing domination of the Dutch over the economy, where an estimated around 1000 colonial civil servants were retained in senior positions within the bureaucracy. This made the administrators vulnerable to political attack from the solidarity makers, which in the end successfully weakened and subsequently thwarted the administrator group in the late 1950s.¹⁴²

The Enactment of the Parliamentary Democracy System and the Rationalization Policy during the Early Post-revolutionary Era.

Subsequent to Indonesia's proclamation of Independence on 17 August 1945, the new nation had to face multiple challenges for the next four years both domestically and internationally. After the defeat of Japan, which had occupied Indonesia since 1942, the Dutch did not recognize Indonesia's independence proclamation and wanted to reclaim their former colony.

The political tension just the day after Indonesia independence declaration reflected the different vision among Indonesia leaders about the direction that the new country was heading. It started when on 18 August 1945, the preparatory committee for Indonesia independence

¹⁴¹Taufik Abdullah, 'Demokrasi Parlementer, Optimisme yang Terabaikan [Parliamentary Democracy, Misguided Optimism]', *Tempo Magazine*, No. 25, XXXVI, 13-19 August 2007, pp. 36-37.

¹⁴² Anne Booth, *the Indonesian Economy in the Nineteenth and Twentieth Century: A History of Missed Opportunities* (London: MacMillan Press, Ltd., 1998), pp. 62-63.

(PPKI) by acclamation appointed Sukarno and Hatta as Indonesia's first president and vice president and subsequently was replaced by the Indonesia National Central Committee (KNIP). Vice President Hatta along with young intellectuals led by Sjahrir wanted to apply parliamentary democracy system and rejected Sukarno vision to have a strong presidential system with one party system in which they saw as undemocratic. Sukarno was outmaneuvered when Hatta turned the advisory body KNIP with legislative power by issuing 'decree x' on 16 October 1945, responding to petition submitted by 50 KNIP members. This decree stipulated the establishment of the Working Committee that was headed by Sjahrir.

The working committee was eventually used by Sjahrir to lay ground for establishing parliamentary democracy system by rejecting Sukarno appeal for one party system and established multiparty system. Sjahrir later founded the Socialist Party then splintered into PSI, while Sukarno established the PNI and other big party including the Masyumi, the PKI and the Catholic party.

In consolidating further the parliamentary system and his authority, Sjahrir announced that ministers were responsible to KNIP not the president. Sjahrir was appointed formateur by KNIP and later became the first prime minister of Indonesia on 14 November 1945.¹⁴³ According Dahm, within four weeks of the proclamation of independence, Sukarno's role had been reduced to merely a figurehead president within the framework of the parliamentary democracy system.¹⁴⁴

Although Sukarno enjoyed strong mass appeal domestically, he lacked any international standing due to his previous close collaboration with Japan and his well-known

¹⁴³ Rudolf Mrazek, *Sjahrir: Politics and Exile in Indonesia* (Ithaca: Cornell University Southeast Asia Program, 1994), p. 274.

¹⁴⁴ Bernard Dahm, *Sukarno and the Struggle for Indonesian Independence* (Ithaca: Cornell University Press, 1969), p. 328.

history of opposing the Dutch. Therefore, Sukarno needed Sjahir, *inter alia*, to deal with the western ally in diplomacy for international recognition in exchange for parliamentary democracy application.¹⁴⁵ Hatta defended the parliamentary cabinet as necessary to help to protect Sukarno from the international community's pressure.¹⁴⁶

After the communist rebels were crushed by the Indonesian military in 1948, the US developed a more positive perception. This, combined with the negative international image created by the Dutch after their military operations in 1946 and in 1948 with the persistent diplomacy by Sjahir and Hatta, prompted the US along with the UN to pressure the Dutch, which eventually withdrew their intention to re-occupy Indonesia, since the US was their major financial donor. It was agreed that the Dutch would accept the Republic of Indonesia's existence through a Round Table Conference and would not create another federal state. During the Round Table Conference held in The Hague from 23 August-2 November 1949, Hatta, it was agreed that the Republic of the United States of Indonesia (RUSI) would be established, with Sukarno as President and Hatta as both Vice President and Prime Minister.¹⁴⁷

When Hatta was Prime Minister, he pushed for governance reform by reducing the military and integrating the armies of the Republic with the remaining KNIL (the Royal Netherland East India Army) and also pushed for the rationalization of the civil service as part of implementing the Renville agreement. Hatta defended both governance reform program that

¹⁴⁵ Dahm, *Sukarno and the Struggle for Indonesian Independence*, pp. 328-329.

¹⁴⁶ Mohammad Hatta, *Memoir* (Jakarta: PT. Tintamas, 1979), p. 480.

¹⁴⁷ From Sir P. Nichols to Mr. Attlee, letter (No. 448, confidential), 'The Round Table Conference in Indonesia held at the Hague, 23rd August-2nd November 1949: An Account of its Result', 10 December 1949, *Further Correspondence Respecting Indonesia part 3: January-December 1949*, FO 480/3, The UK Foreign and Commonwealth Office (FCO), Public Record Office (PRO), London, pp. 100-101.

‘Rationalization is not about transferring labor from an unproductive to a productive sector, but also about improving the effectiveness of governance and public administration.’¹⁴⁸

Hatta started his first term as Prime Minister in January 1948, when he inherited the disarray arising from his predecessor on the nationalization of the military, which bloated them to 463,000 men. At that time, there were nine admirals but no warships in Indonesia’s navy that left Hatta little option but to push for the rationalization of the military.¹⁴⁹ He asked eight admirals to resign and demoted Indonesia’s top-ranking military leaders.¹⁵⁰

Whilst Hatta was pushing the rationalization of the military, he found an ally within the military - Colonel A.H. Nasution - who was promoted in early 1948 to Deputy military chief. Besides Nasution’s credible technical expertise, this appointment was also seen as a government effort to balance Sudirman’s influence over the military.¹⁵¹ Nonetheless, when executing the rationalization, Nasution was attacked by the opposition armed militia left-leaning group called the People’s Democratic Front (FDR), who had a close link with the PKI.

The FDR-PKI alliance led by Musso challenge the Republic in September 1948, but easily squashed by Let. Gen. Sudirman.¹⁵² Due to this rebellion, the Military Chief, Sudirman, and Army Chief, Urip, realized that the initiatives had triggered a crisis within the military and pushed for the rationalization to be delayed, which frustrated Hatta.¹⁵³

When Sudirman passed away in January 1950 after a long illness, there was a change of leadership within the military. The newly-appointed Military Chief, T.B. Simatupang, was a

¹⁴⁸ Mavis Rose, *Indonesia Free: A Political Biography of Mohammad Hatta* (Ithaca: Cornell Modern Indonesia Project Monograph Series, 1987), p. 145.

¹⁴⁹ Deliar Noer, *Mohammad Hatta: Biografi Politik [Mohammad Hatta: Political Biography]* (Jakarta: LP3ES, 1990), p. 325.

¹⁵⁰ Hatta, *Memoir*, p. 528.

¹⁵¹ C.L.M Penders and Ulf Sundhaussen, *Abdul Haris Nasution: A Political Biography* (Hong Kong: University of Queensland Press, 1985), p.74.

¹⁵² Noer, *Mohammad Hatta: Biografi Politik [Mohammad Hatta: Political Biography]*, pp. 30 – 31.

¹⁵³ Rose, *Indonesia Free: A Political Biography of Mohammad Hatta*, p. 146.

strong supporter of the democratic government system, in which respect civilians held supremacy over the military, and Nasution was promoted to the influential post of Army Chief, who provided crucial support for Simatupang.

After Sudirman passed away in 1950s due to illness, both T.B Simatupang and A.H. Nasution were promoted to the Military Chief and Army Chief respectively. As a strong proponent of the military reform, Simatupang and Naustion were working together effectively with Hatta as Prime Minister when the government replaced the federal state with a Unitarian state in 1950. Later, when highly respected Sultan Hamengkubuwono IX was appointed Minister of Defense with Simatupang, and Nasution, they represented the reform faction in the military.¹⁵⁴ At the same time, Hatta's government in 1948-1950 was able to make progress in reducing the vast bureaucracy - the 240,000 Republican and 180,000 Federalist civil servants combined.¹⁵⁵ Therefore, the administrator group was at the peak of their influence in pushing the crucial governance reform in the civil service and military reform during Hatta's stint as prime minister.

The end of the Revolution and the Start of political rivalry in the Parliamentary Democracy setting in the Context of Governance Reform.

The revolutionary struggle for independence officially ended when the Dutch transferred sovereignty on 27 December 1949 to the Republic of the United States of Indonesia (RUSI). The newly-inaugurated House of Representatives and Senate elected Sukarno as President and Mohammad Hatta as Vice President as well as Prime Minister.¹⁵⁶

¹⁵⁴ From Mr. Kermode to Mr. Bevin, letter (No. 261, confidential), 'Political Development of Indonesia: Future Role of the Military', 11 October 1950, *Further Correspondence Respecting Indonesia part 4: January-December 1950*, the U.K. Foreign Office, FH 480/4, Public Record Office (PRO), London, p. 91.

¹⁵⁵ George Mc.T. Kahin, 'In Memoriam: Mohammad Hatta, (1902-1980)', *Indonesia*, No. 30 (Oct., 1980), P. 116.

¹⁵⁶ Herbert Feith, *the Wilopo Cabinet, 1952-53: A Turning Point in Post-Revolutionary* (Ithaca: Cornell University, 1958), p. 2.

Sukarno himself had felt uneasy when Indonesia was pressured to accept a parliamentary democracy system. According to Sukarno:

We strove desperately to garner the approval of the world. And so when friends and sympathizers overseas applied pressure to reshape the organs of state to fit Holland's pattern of democracy, our leadership, being mostly Dutch-educated, became unsure and yielded.¹⁵⁷

Sukarno nevertheless played along with the constitutional structure, but with a series of assertive actions to resist any restrictions imposed on him by appealing directly to the people and effectively meddled in the policy-making of the cabinet.¹⁵⁸

This rivalry during the early 1950s, according to Feith, reflected the rivalry between Sukarno that represented the 'solidarity makers' camp on the one hand and the other camp called the 'administrators,' led by Hatta, which offered two competing visions of the country. The definition of each group is already stipulate in the introduction section of this thesis.

Merely a few weeks after the formation of the Republic of the United States of Indonesia (RUSI), in August 1950, its structure was crumbling, due to the pressure of nationalism by Sukarno and his group.¹⁵⁹ As a result, the unitary state - the "Republic of Indonesia" - took shape.¹⁶⁰

After the formation of the unitary state in the 1950s, there were 17 political parties and other groups based on the government's estimate of the political strength of each respective

¹⁵⁷ Sukarno, *an Autobiography as told to Cindy Adams* (New York: Bob Merrill Inc., 1965), p. 265.

¹⁵⁸ John Legge, *Sukarno A Political Biography* (London: Allen Lane the Penguin Press, 1972), p. 243.

¹⁵⁹ From Mr. Kermode to Mr. Bevin, letter (No. 108, confidential), 'Formation of a Unitary State in Indonesia', 30 May 1950, *Further Correspondence Respecting Indonesia part 4: January – December 1950*, the U.K. Foreign Office, FH 480/4, Public Record Office (PRO), London, pp. 43-44.

¹⁶⁰ Herbert Feith, 'Toward Elections in Indonesia', *Pacific Affairs*, Vol. 27, No. 3 (Sep., 1954), p. 237.

party.¹⁶¹ The political parties were grouped into two large parties which were the Islamic Masyumi and the PNI, followed by five medium and 10 small factions.¹⁶²

The personal politics also had an influence on the formulation of major policy in Indonesia. Hamengkubuwono IX acted as an important conduit between the civilian leaders and the Indonesian army. Hamengkubuwono IX, Sukarno and Hatta during parliamentary democracy often exerted a political influence that transcended the political parties.

When the new unitary state of the Republic of Indonesia was inaugurated on 17 August 1950, Sukarno immediately asked the widely-respected Mohammad Natsir from the Masyumi, the administrator group, to form the cabinet.¹⁶³ In the end, Natsir managed to form a cabinet with a small majority, which was led by the Masyumi.

After the Minister of Defense's nomination was rejected by the army, the relationship between the Army and Natsir's cabinet improved overall, since Hamengkubuwono IX as Deputy Prime Minister helped to mediate this. Furthermore, the fact that the Army was inadequately paid and equipped led to many soldiers engaging in looting or smuggling to fulfill their basic needs, which made the Army marred by corruption.¹⁶⁴ Therefore, the agenda for the professionalization of the Army became more urgent under leadership of the Military Chief, T.B. Simatupang and the Chief of Army, A.H. Naustion an administrator group ally.¹⁶⁵

¹⁶¹ *Ibid.*

¹⁶² Marcus Mietzner, 'Comparing Indonesia's party systems of the 1950s and the post-Suharto era: From centrifugal to centripetal interparty competition', *Journal of Southeast Asian Studies*, Volume 39, Issue 03, October 2008.

¹⁶³ Mr. Kermode to Mr. Bevin, Letter (no 12, confidential), 'Indonesia: Annual Review for 1950', 11 January 1951, *Further Correspondence Respecting Indonesia part 5: January-December 1951*, the U.K. Foreign Office, F0 480/ 5, Public Record Office (PRO), London, p. 15.

¹⁶⁴ Mr. Kermode to Mr. Bevin (no 261, confidential), 'Political Development in Indonesia: the Future Role of the Army', 11 October 1950, *Further Correspondence Respecting Indonesia part 4: January-December 1950*, the U.K. Foreign Office, FH 480/4, Public Record Office (PRO), p. 89.

¹⁶⁵ Feith, *the Decline of Constitutional Democracy in Indonesia*, p. 171.

Sukarno himself was increasingly discontent with Natsir, as he saw that the cabinet had formulated a policy that was skewed towards the preferences of Hatta and Natsir. Therefore, Sukarno allied with the ‘solidarity maker’ group within the opposition in the parliament.

Overall, in a relatively short period of time, Natsir’s cabinet was able to pursue an economic reform policy, for instance, by lessening the dominance of the seven large banks over Indonesia’s economy.¹⁶⁶ Under Natsir’s cabinet, the military reform was progressing with the improvement of discipline and the absorption of the former guerilla warriors into civilian life by creating employment opportunities through financial credit.¹⁶⁷

Eventually, the alliance between Sukarno and the ‘solidarity maker’ group managed to bring down Natsir’s government, which was also related to Natsir’s closeness to the army. The chief reason why politicians resented the ascendancy of the Army’s role was because they had to share the significant economic patronage.¹⁶⁸ Eventually, Natsir was forced to resign as Prime Minister in March 1951, since the element within Masyumi conspired against him.¹⁶⁹

The continuing rivalry between the Solidarity Makers camp and the Administrator camp in Sukiman and Wilopo’s government.

The two big parties in parliament – the Masyumi and the PNI – had a common understanding that they had to work together in order to establish a stable government.¹⁷⁰ After it was agreed

¹⁶⁶ Mr. Kermode to Mr. Bevin (no 268 E), ‘Indonesia Government Political and Economic Programme’, 18 October 1950, *Further Correspondence Respecting Indonesia part 4: January-December 1950*, the U.K. Foreign Office, FH 480/4, Public Record Office (PRO), p. 92.

¹⁶⁷ Feith, *the Decline of Constitutional Democracy in Indonesia*, p. 173.

¹⁶⁸ Mr. Kermode to Mr. Bevin (no 261, confidential), ‘Political Development in Indonesia: the Future Role of the Army’, 11 October 1950, p. 89.

¹⁶⁹ Sundhaussen, *the Road to Power: Indonesia Military Politics 1945-1967*, p. 62.

¹⁷⁰ Mr. Kermode to Mr. Morisson (no 99, confidential), ‘Political Situation in Indonesia’, 12 April 1951, *Further Correspondence Respecting Indonesia part 5: January – December 1951*, the U.K. Foreign Office, F0 480/ 5, Public Record Office (PRO), p. 27.

that the Masyumi and the PNI had an equal number of people in cabinet, Sukiman from the Masyumi became Prime Minister.¹⁷¹

However, there were neither members of the Masyumi Party from Natsir's faction nor representatives from the PSI in the new cabinet and even the highly-respected Hamengkubuwono IX was excluded. Although politically stronger than its predecessor, the cabinet lacked individuals with technical expertise.¹⁷²

It is important to note that, during this period, 1951 – 1952, the public began to resent Indonesia's political leadership due to their continuous political infighting and its subsequent failure to get things done. In regard to the political life during that period, Feith observed that 'in the government service, they saw laziness, corruption and clique infighting...In the political elite, they saw more cliques and factions and, in addition, luxury, social climbing, and cocktail-party affection.'¹⁷³

After the two formateurs from the Masyumi and the PNI failed, Sukarno announced that he had appointed former Minister of Economic Affairs Wilopo from the PNI as formateur. As the process of negotiation progressed, it became clear that Wilopo intended to side with Prawoto, who had strong links with Natsir's faction in the Masyumi.

Although Wilopo was from the PNI, his policy leaning was towards the administrator group. The Wilopo case showed that the PNI had a faction that sympathized with the administrator group while, vice versa, Masyumi also had supporters among the solidarity maker group, like Isa Ansyari.¹⁷⁴ In March 1952, Wilopo form cabinet with majority

¹⁷¹ Mr. Kermode to Mr. Morisson, letter (no 118, confidential), 'Indonesia; Formation of New Cabinet under Dr. Sukiman', 3 May 1951, *Further Correspondence Respecting Indonesia part 5: January-December 1951*, the U.K. Foreign Office, F0 480/ 5, Public Record Office (PRO), p. 29.

¹⁷² Feith, *the Decline of Constitutional Democracy in Indonesia*, p. 182.

¹⁷³ Feith, *the Decline of Constitutional Democracy in Indonesia*, p. 222.

¹⁷⁴ The author would like to thank Dr. Greg Fealy to point this out.

administrator type of politicians from the PNI and Masyumi, including the PSI for Minister of Finance position.¹⁷⁵ Hamengkubuwono IX was reinstated as Minister of Defense in the expectation that a positive relationship would develop between the politicians and the army. Ironically, it was during Wilopo's term that Civil-Military relations became strained publicly for the first time in the parliamentary democracy.¹⁷⁶

One of the crucial governance reform effort was when Wilopo government had to make drastic cuts in government expenditure and eradicate unnecessary waste, because of government was facing budget deficit of Rp. 4,000 million in 1951.¹⁷⁷ This austerity measures including, stopped rice distribution scheme and Idul Fitri celebration bonuses for government officials.¹⁷⁸

Then, as part of the governance reform and to respond to the economic slump, the Wilopo cabinet pushed for the elimination of patronage, the supervision of all government spending, and planned military and civil service rationalization.¹⁷⁹ Sukarno, felt uneasy about the Wilopo cabinet since, like Natsir, provide challenges to him about the scope of Presidential prerogatives.¹⁸⁰ Therefore, the Wilopo cabinet limited presidential speeches, reduced the budget for the presidential office and restricted his state visits.¹⁸¹ As a result, Sukarno took advantage of any political movement, both in parliament and within the PNI, to undermine Wilopo's cabinet.

¹⁷⁵ Feith, *the Decline of Constitutional Democracy in Indonesia*, pp. 228-229.

¹⁷⁶ Sundhaussen, *the Road to Power: Indonesia Military Politics 1945-1967*, p. 62.

¹⁷⁷ Sir D. Kemorde to Mr. Eden, letter (no 10, confidential), 'Indonesia: Review of Events for 1952', 21 January 1953, *Further Correspondence Respecting Indonesia part 7: January-December 1953*, the U.K. Foreign Office, F0 480/7, Public Record Office (PRO), London, p. 6.

¹⁷⁸ Feith, *the Decline of Constitutional Democracy in Indonesia*, pp. 232-233.

¹⁷⁹ Herbert Feith, *the Wilopo Cabinet, 1952-53: A Turning Point in Post-Revolutionary* (Ithaca: Cornell University, 1958), p. 105.

¹⁸⁰ Mr. Scopes to Mr. Eden, letter (No. 52, confidential), 'Political Affairs in Indonesia', 4 March 1953, *Further Correspondence Respecting Indonesia part 7: January-December 1953*, the U.K. Foreign Office, F0 480/7, Public Record Office (PRO), London, p. 13.

¹⁸¹ Feith, *The Wilopo Cabinet, 1952-53: A Turning Point in Post-Revolutionary*, pp. 100-101.

The 17 October 1952 Furor and Disagreement on the Military Reform

The economic crises that implicated the Army budget accelerated the gradual demobilization of 80,000 Army personnel, of whom 40,000 were dismissed due to lack of professionalism.¹⁸² The military reform, led by Defense Minister Hamengkubuwono IX was executed vigorously by the Military Chief, Simatupang, and the Army Chief, Nasution, where they faced resistance from two fronts: the regional commanders, who felt threatened by the army's high command centralization policy, and the revolutionary veterans, who felt threatened by more highly skilled officers. In the end, Hamengkubuwono IX and his associates over-reached themselves, as the opponents of military reform found a powerful political ally, especially with the PNI led by Sidiq's faction.¹⁸³ Sukarno was also not pleased with the military reform as it curbed his influence through the rotation of the regional commanders close to him.¹⁸⁴

The tension between Sukarno and his followers and the military leadership, which was supported by the administrator group for military reform, originated when a number of motions proposed by MPs requested an inquiry into the whole aspect of the military reform. After this motion was passed decisively on 16 October 1952 by 91 to 54 in Parliament, it created a rupture in Wilopo's cabinet.¹⁸⁵

The conflict culminated in the 17 October 1952 affair, when 30,000 demonstrators gathered before the state palace to demand the dissolution of parliament. Subsequently, 17

¹⁸² Statement of the Minister of Defense, Hamengkubuwono IX, Risalah Perundingan D.P.R. (Parliamentary Records), 1 October 1952 quoted in Feith, *The Wilopo Cabinet, 1952-53: A Turning Point in Post-Revolutionary*, p. 109.

¹⁸³ Ruth McVey, 'The Post-Revolutionary Transformation of the Indonesian Army', *Indonesia*, No. 11 (April 1971), p. 144.

¹⁸⁴ Feith, *The Wilopo Cabinet, 1952-53: A Turning Point in Post-Revolutionary*, p. 110.

¹⁸⁵ Feith, *The Wilopo Cabinet, 1952-53: A Turning Point in Post-Revolutionary*, p. 120.

military officers met Sukarno and other political leaders to demand that parliament be dissolved and an election held. This request was rejected by Sukarno.

In the end, Hamengkubuwono IX and his associates in the Military clearly miscalculated the impact of the 17 October affair. With Sukarno's popularity and power strengthened by the incident, there was a move against the Military leadership by the overthrow of the local territorial commanders in East Java, South Sulawesi and South Sumatra.¹⁸⁶

This unfortunate political development for Hamengkubuwono IX and his associates forced them to compromise on the military reform agenda. In November 1952, they forged a compromise to focus strictly on the bill for the general election and the inquiry to censure the Ministry of Defense and its military reform program was forgotten. As part of this deal, the cabinet announced the first wave of suspensions within the Army leadership on 5 December 1952, which included Army Chief Nasution. Based on his reflection, Nasution thought that using too much of a technocratic approach for reform without mobilizing political support provided a means for his adversary to remove him from office.¹⁸⁷

Furthermore, on 16 December 1952, the cabinet appointed Col. Bambang Supeno, who was close to Sukarno, as acting Army Chief. Subsequently, Hamengkubuwono IX resigned in January 1953, because he was not being consulted by Supeno on new military appointment.¹⁸⁸ This showed how the administrator group suffered a set-back in seeking to advance the military reform, since no significant support from Sukarno.

¹⁸⁶ Sir D. Kemorde to Mr. Eden (no 9, confidential), 'Political Situation,' 17 January 1953, *Further Correspondence Respecting Indonesia part 7: January-December 1953*, the U.K. Foreign Office, F0 480/7, Public Record Office (PRO), p. 2.

¹⁸⁷ Penders and Sundhaessen, *Abdul Haris Nasution: A Political Biography*, p. 90.

¹⁸⁸ *Ibid.* pp. 3-4.

The Wilopo Cabinet and incremental progress of the governance Reform

The 17 October affair contributed significantly to the demise of Wilopo's cabinet, but this was not the only factor. There were other developments outside the rivalry within the military that splintered the political coalition that Wilopo had sought to maintain during his premiership due to policy differences and internal conflicts within the two main coalition parties – the Masyumi and the PNI.¹⁸⁹

Wilopo government's effort to keep the deficit down to Rp. 1.8 billion by introducing an austerity budget to address the potential inflation was not only affecting exporters but also importers.¹⁹⁰ However, the policy that had the most political ramifications for importers – who had strong links with the political elite who benefitted from the patronage – was the fact that Wilopo and Minister of Finance Soemitro issued an import restriction. As a result, this emboldened the opposition in parliament, leaving the cabinet overwhelmed by political pressure.

In the case of the military reform, the Wilopo cabinet tried to make concessions with the military by watering down the four bills on military reform; for instance, by abandoning the educational requirement. Also, the number of soldiers who would leave the service was estimated to be around 50-30,000 less than proposed by Hamengkubuwono IX.¹⁹¹ In the end, because of how the government handled the Tanjung Morawa affair as part of squatting on a Dutch plantation, five people died, which triggered the resignation of ministers from Masyumi.¹⁹²

¹⁸⁹ Mr. Morland to Sir W. Churchill, letter (no 125, confidential), 'Reasons for the Resignation of Dr. Wilopo's Cabinet,' 9 June 1953, *Further Correspondence Respecting Indonesia part 7: January-December 1953*, the U.K. Foreign Office, F0 480/7, Public Record Office (PRO), p. 19.

¹⁹⁰ Feith, *The Wilopo Cabinet, 1952-53: A Turning Point in Post-Revolutionary*, p. 179.

¹⁹¹ *Ibid.*, p. 175.

¹⁹² From Mr. Morland to Sir W. Churchill, letter (no 125, confidential), 'Reasons for the Resignation of Dr. Wilopo's Cabinet,' 9 June 1953, p.20.

Another significant factor that caused a deep division within the government was the fact that politically Sukarno and Hatta were no longer compatible. Where Sukarno sympathized with the Sidiq group of the PNI, Hatta was more comfortable with the Masyumi and the PSI.¹⁹³

Despite its limitations, the Wilopo cabinet should be credited with several governance reform initiatives. Under Wilopo's cabinet, there were few high political appointments within the bureaucracy, and corruption was relatively low, with few corruption cases within his 14 month stint.¹⁹⁴

The Wilopo Cabinet enjoyed relative success in managing the state budget by introducing an austerity budget and convincing several ministries of the importance of significant budget cuts. Finally, the government successfully improved the budget control mechanism.¹⁹⁵

The Start of Eroded Trust in Politicians and the Patronage of the Political Party Politics under Ali Sastroamidjojo's government

After the fall of Wilopo government, Sukarno played an active role in the formation of the cabinet that led to Ali Sastroamidjojo's appointment as Prime Minister in 1953.¹⁹⁶ It appeared that Sukarno resisted any attempt to include the Masyumi or PSI that would enhance Hatta's influence and installed his supporter, like Ali, Iskaq Tjokrodisurjo and Iwa Kusumantri.¹⁹⁷

Ali's government was also blighted by the growing politicization of Indonesia's bureaucracy due to personnel changes at the higher levels of the Ministerial bureaucracy. Thus, this increased the dependency of the civil servants on the political leaders. For example, Ali

¹⁹³ Feith, *the Wilopo Cabinet, 1952-53: A Turning Point in Post-Revolutionary*, p. 189.

¹⁹⁴ Feith, *the Decline of Constitutional Democracy in Indonesia*, p. 300.

¹⁹⁵ *Ibid.*

¹⁹⁶ Legge, *Sukarno A Political Biography*, p. 260.

¹⁹⁷ Mr. Morland to Mr. Eden (no 5, confidential), 'Indonesia: Annual Review for 1953,' 12 January 1954, *Further Correspondence Respecting Indonesia part 8: January – December 1954*, the U.K. Foreign Office, F0 480/8, Public Record Office (PRO), p. 2.

enacted changes in the secretary general position in six ministries, including Foreign Affairs, Economic Affairs and Education.¹⁹⁸

The motivation of all of these parties in power was to acquire political access within the civil service as one of the central powers along with the opportunity for commercial patronage. The party usually established a network of influence in certain parts of the bureaucracy, such as special licensing or depositing government-controlled banks' funding in the party's bank account.¹⁹⁹

As part of the business protection policy, Indonesianization, proposed by Minister for Economic Affairs Iskaq was an effort to empower the role of indigenous business. Iskaq introduced various credits, licenses, and protection for a large number of Indonesian firms, known as the 'Benteng Group Firms,' which increased from 700 when he assumed office to around 2211 business.²⁰⁰

To make matters worse, this easy credit attracted dubious businessmen with no experience, including civil servants. As for the import firms, these new national companies were popularly called 'Ali-Baba firms', which were basically dubious firms that resold licenses to established foreign or Chinese companies, whereby an 'Ali,' a civil servant, obtained a license and his 'Baba,' Chinese associates, managed the business.²⁰¹ According to Ali, 'Many Indonesians sold their licenses to Chinese businessmen, and became scornfully known as 'brief-case businessmen'.'²⁰²

¹⁹⁸ *Ibid.* p. 367.

¹⁹⁹ *Ibid.*, pp. 370-371.

²⁰⁰ John O. Sutter, *Indonesianisasi: A Historical Survey of the Role of Politics in the Institutions of Changing Economy from the Second World War to the Eve of the General Elections (1945-1955)* (Ph.D Dissertation, Cornell University, 1959), p. 1026.

²⁰¹ *Ibid.*, p. 1027

²⁰² Sastroamijoyo, *Milestones on My Journey: the Memoirs of Ali Sastroamijoyo, Indonesian Patriot and Political Leader*, p. 268.

This policy of preferential treatment that benefitted the PNI and Iskaq's associates was the target of criticism regarding cronyism and corruption by the opposition, led by the Masyumi and PSI. As a result, after a prolonged cabinet crisis, in November 1954, Ali reshuffled his cabinet, during which Iskaq, as one of the culprits, lost his post.²⁰³

The appointment of Iwa Kusumasumantri as Minister of Defense in Ali Sastsoamidjojo's cabinet gradually created a division between the cabinet and army due to Iwa's subsequent action. Iwa abolished the Chief of Military post that could also be seen as an opportunity to retire one of the military modernizers, T.B. Simatupang.²⁰⁴

However, faced with the intrusive intervention by politicians through the 'Yogyakarta Charter,' in February 1955, the Army showed its unity. At the conference, around 270 high- and mid-ranking officers recommended that any military appointments had to be based on merit and also opposed politician intervention in military appointments.²⁰⁵

The army's demand was ignored by Sukarno, however, as the conflict became ferocious when they boycotted Sukarno's favorite, Colonel Bambang Utojo's, installation ceremony as the new Army Chief on 27 June. Ali's Cabinet continued to lobby the army when Minister Iwa also resigned as part of the deal in July 1955. Ali felt that the present political

²⁰³ From Mr. Parkes to Mr. Sir Anthony Eden, letter (no 17, confidential), 'Indonesia: Annual Report for 1954' 27 January 1955, *Further Correspondence Respecting Indonesia part 9: January-December 1955*, the U.K. Foreign Office, F0 480/9, Public Record Office (PRO), London, p. 4.

²⁰⁴ Mr. Parkes to Sir Anthony Eden (no 17, confidential) 'Indonesia: Annual Report for 1954,' 27 January 1955, *Further Correspondence Respecting Indonesia part 9: January – December 1955*, the U.K. Foreign Office, F0 480/9, Public Record Office (PRO), pp. 6-7.

²⁰⁵ Sundhaussen, *The Road to Power: Indonesia Military Politics 1945-1967*, p. 80.; From Mr. Morland to Mr. MacMillan, letter (no 73, confidential), 'The Army and the President,' 8 July 1955, *Further Correspondence Respecting Indonesia part 9: January-December 1955*, The U.K. Foreign Office, F0 480/9, Public Record Office (PRO), p. 19.

situation was exacerbated by the on-going conflict with the army. Eventually, on 24 July, Ali tendered his cabinet's resignation to Hatta.²⁰⁶

At this stage in the continuing conflict, the army started to lost respect for politicians as they regarded them as incompetent and embroiled in corruption.²⁰⁷ As a result, they start distancing themselves from the military reform advocated by Hatta and became critical of the parliamentary democracy system.

The Short-Lived Anti-Corruption Measure, the successful national election in 1955 under Burhanuddin's government

The resignation of Ali's cabinet in July 1955 certainly strengthened the position of both the Masyumi and the PSI *vis-a-vis* the PNI, the PKI and their associates. They saw this as an opportunity to establish a professional cabinet. While Sukarno was abroad, the initial attempt to set-up a cabinet led by Hatta as prime minister was rejected by Sidiq's group in the PNI in August 1955. Hatta then decided to appoint Burhanuddin Harahap, from the Masyumi Party, as the prime minister.²⁰⁸

There was a mixed reaction following the announcement of Hatta about Burhanuddin's cabinet. The New Finance Minister, Soemitro Djojohadikusumo, embarked on economic reform by instituting a plan to balance the budget and curbed corruption by simplifying the import licensing system.²⁰⁹ However, Burhanuddin's cabinet was also criticized due to a

²⁰⁶ From Mr. Morland to Mr. MacMillan, letter (no 77, confidential), 'Resignation of the Government,' 29 July 1955, *Further Correspondence Respecting Indonesia part 9: January-December 1955*, the U.K. Foreign Office, F0 480/9, Public Record Office (PRO), London, p.21.

²⁰⁷ Legge, *Sukarno A Political Biography*, p. 266.

²⁰⁸ From Mr. Morland to Mr. MacMillan, letter (no 83, confidential), 'Attempts to Form a New Indonesian Government,' 5 August 1955, *Further Correspondence Respecting Indonesia part 9: January-December 1955*, the U.K. Foreign Office, F0 480/9, Public Record Office (PRO), p.29.

²⁰⁹ *Ibid.* p. 38.

number of ministers being implicated in cases of corruption, especially those from the small parties.²¹⁰

After Burhanuddin's cabinet was inaugurated, the Army, arrested former Minister of Justice Djody Gondokusumo on corruption in August 1955.²¹¹ The highly-regarded Attorney General, Soeprapto, prosecuted Djody for accepting a bribe of Rp. 40,000 for granting a visa to a Chinese foreigner. In January 1956, Djody was sentenced to a year in prison, but later pardoned by Sukarno.²¹² There was also an attempt to arrest former Minister of Economic Affairs Iskaq from the PNI but he fled overseas.²¹³

Meanwhile, the PNI felt that there was discrimination related to the anti-corruption drive by Burhanuddin's cabinet, since former ministers from the Masyumi and PSI were not prosecuted by the cabinet and army.²¹⁴ Thus, the opposition press was trying to expose the deficiency in the cabinet.²¹⁵

During the first general election held in Indonesia on 29 September 1955 to select MPs, around 43 million Indonesians cast their votes for the 257 parliamentary seats. The result of the general election sent a shock-wave through Burhanuddin's government as the Masyumi and its supporters were losing the vote.

The final result of the 1955 election was that the PNI, with over 8 million votes, garnered 57 seats in parliament, followed by the Masyumi, with almost 8 million votes, that

²¹⁰ From Mr. Morland to Mr. MacMillan, letter (no 108, confidential), 'Character of the New Indonesian Cabinet,' 22 September 1955, *Further Correspondence Respecting Indonesia part 9: January-December 1955*, the U.K. Foreign Office, F0 480/9, Public Record Office (PRO), p. 38.

²¹¹ 'Perkara "Djakarta Raja" kontra Djody di Depan Pengadilan {the case "Djakarta Raja" where Djody facing the Court},' *Pedoman*, 2 August 1955, p. 1.

²¹² 'Menghalau Korupsi di Awal Republik [Eradicating Corruption in the Beginning of Republic]', *Tempo Magazine*, No. 25, XXXVI, 13-19 August 2007, pp. 58-59.

²¹³ 'Menteri "Liseni" Tersangkut Korupsi [Minister of License Get Tangled on Corruption]', *Historia Magazine*, No. 2, Year 1, 2012, p. 46.

²¹⁴ Feith, *The Decline of Constitutional Democracy in Indonesia*, p. 423.

²¹⁵ *Ibid.* p. 424.

also acquired 57 seats. Meanwhile, the NU surprisingly gained almost 7 million votes, with 45 seats in parliament, followed by the PKI, with 39 seats. The PSI, the Catholic party and Parkindo, known for their intellectual cadre, were only able to secure 5-8 seats each.²¹⁶

Despite the widespread corruption accusations of Ali's government, the ruling party PNI still won the national election. Based on the observation by Sjahrir, former prime minister:

Knowledge of graft and incompetence of the previous government, monumental though they were, had not seeped down to the people. It is only a relative handful of newspaper-readers and radio listeners who have any inkling of the record of that government.²¹⁷

This was also shown by the failure of the administrator group that was unable to construct an effective populist message on the benefit of governance reform to society at large, as shown by the abysmal result of their political party. With their adversary, the PNI, NU and PKI won the national election in 1955, and the Burhanuddin government became *de facto* a transition government.

Meanwhile, the Burhanuddin Government also realized that the current rules and regulations were insufficient to prosecute corrupt officials, while the number of high officials with questionable assets was increasing. Therefore, he announced that his government intended to draft an anti-corruption bill whereby officials with suspicious wealth had to prove its source, and the bill could be applied retroactively.²¹⁸

However, in September 1955 the cabinet decided that the anti-corruption bill should become an emergency law. They argued that the corruption which was rampant in Indonesia

²¹⁶ 'Pemilu 1955 [the National Election 1955]', *Komisi Pemilihan Umum (KPU) website*, 21 February 2008, from <http://www.kpu.go.id/index.php/pages/index/MzQz>

²¹⁷ Letter Australia Ambassador in Jakarta W.R. Crocker to the Australia Acting Minister of State for External Affairs Phillip McBride, *The Indonesian Election*, Appendix of Dispatch number 12/ 1955 (confidential), 12 October 1955, the National Archives of Australia, Canberra, p.2.

²¹⁸ 'Orang Kaja Mendadak harus buktikan dia tidak korupsi [Person who suddenly become rich should prove that it is not because of corruption]', *Pedoman*, 20 August 1955, p. 1.

warranted an emergency measure.²¹⁹ The decision was taken against strong opposition from Nahdlatul Ulama, whose ministers were accused of corruption.²²⁰

In the end, Sukarno refused to sign the Anti-Corruption bill into law, arguing that it should be discussed in parliament first.²²¹ Finally, the government intended to bring the anti-corruption bill before the parliamentary committee on 8 November 1955 and Burhanuddin promised that his cabinet would consider every input on the anti-corruption bill,²²² but the bill never reached the parliamentary floor.

In light of the resignation of two ministers from the NU in January 1956 – the Minister of Home Affairs and the Minister of Religious Affairs – it appeared that Burhanuddin did not wish to antagonize both the PNI and NU, especially as the winner of the 1955 election, by pushing further for the anti-corruption bill enactment.²²³ This showed how administrator group was outmaneuvered by Sukarno and his solidarity maker group through the mobilization of masses with their high political skill that made them won the national election 1955 and deprived the legitimacy of Burhanuddin government.

Another important development within the army was that, after being dismissed due to the October 1952 affair, Colonel Nasution was making political come back as being reinstalled as the Army chief, in the midst of factional bickering in the army and managed to secure endorsement from the Masyumi and the NU due to his strong Muslim credential.²²⁴

²¹⁹ *Ibid.*

²²⁰ Feith, *The Decline of Constitutional Democracy in Indonesia*, p. 439.

²²¹ ‘RUU Anti-Korupsi tanggal 8 November akan ke P.P. D.P.R.S {The Anti-Corruption Bill on 8 November will go to the Parliament},’ *Pedoman*, 3 November 1955, p. 1.

²²² ‘Saran-saran terhadap UU Darurat Anti-Korupsi {Suggestions on the Anti-corruption Bill},’ *Pedoman*, 9 November 1955, p.1.

²²³ ‘Keadaan Darurat Korupsi [the Corruption Emergency Situation],’ *Historia*, p. 67.

²²⁴ Sundhaussen, *The Road to Power: Indonesia Military Politics 1945-1967*, p. 93.

When finally Nasution was re-appointed as Army Chief on 7 November 1955, he had a more specific demand of the government: *inter alia*, that the government should allocate a third of its budget to the army on a regular basis. Also, he demanded that the army should be consulted when a government decree related to security was to be issued.²²⁵

After only seven months in power, Burhanuddin's cabinet should be applauded for a number of reform measures in the economic sector: the rigorous supervision of export and import procedures as well as the eradication of fraud, combined with an effort to reduce the budgetary deficit from Rp. 3.5 billion to around Rp.2 billion by November 1955.²²⁶ Under the Burhanuddin government, it was the first time during the post-revolutionary era that an anti-corruption drive reached the high state officials, albeit with the help of the Army. Another important legacy of the Burhanuddin Government was that their success in holding a general election for parliament and the constituent assembly with a high turn-out.

Following the national election in 1955, Sukarno embarked on a nationwide tour, conducting a public campaign opposing Burhanuddin's government.²²⁷ After continuous pressure by Sukarno and the disappointing national election result, the Burhanuddin government finally returned its mandate to Sukarno to pave the way for the new government on 3 March 1956.

Related to the first argument of this thesis outlined in the introduction section, this chapter argues that governance reform pushed by the administrator group was not optimal, since it was facing resistance from their political rivals, particularly Sukarno and the solidarity

²²⁵ Mr. Morland to Mr. MacMillan (no. 133, confidential), 'Installation of the New Chief of Staff of the Indonesian Army,' 11 November 1955, *Further Correspondence Respecting Indonesia part 9: January-December 1955*, the U.K. Foreign Office, F0 480/9, Public Record Office (PRO), pp. 47-48.

²²⁶ Justus M. van der Kroef, 'A New Course in Indonesia?,' *International Journal*, Vol. 11, No. 2, Spring 1956, p. 133.

²²⁷ Letter Australia Ambassador in Jakarta W.R. Crocker to the Australia Minister of State for External Affairs R.G. Casey, *President Sukarno and the Political Maneuvering in Indonesia*, Dispatch no 15/ 1955 (restricted), 2 December 1955, The National Archives of Australia, Canberra, p.1.

maker group. The low public perception of politicians, who were seen as corrupt, also did not help the administrator group to accelerate the governance reform, due to the limited public support.

This was also tied into the second argument outlined in the introduction section, that the anti-corruption that accelerated during the Burhanuddin government in 1955-1956 remained arbitrary and of limited impact. As shown by the attempt to deliberate the anti-corruption bill, in my view, the administrator group did not gain political support particularly from Sukarno and political allies like the NU because they saw that the initiatives were part of a political ploy to undermine their authority. Therefore, the Burhanuddin government ceased discussing the bill in parliament.

Conclusion

In applying the political pluralism approach as advocated by Dahl, as explained in the introduction, it is evident that the Hatta-led administrator group, at least before the national election in 1955, in my view, possessed a slight advantage over the Sukarno-led solidarity maker group. They used their knowledge, organization, information and also international network, particularly Sjahrir and Hatta, to outmaneuver Sukarno through exerting international pressure to accept parliamentary democracy but gradually their political resources declined as the election approached, since Sukarno had skillfully stepped-up his political resources, like his charisma, communication and mass support, thus strengthening their political leverage, and they won the election in 1955.

During the period of parliamentary democracy from the Sjahrir to the Burhanuddin era, using the democracy indicator of Diamond and Morlano, at least in my view, Indonesia achieved the basic standard for democracy, like competitive elections, more than one big political party and an alternative source of information but, as the country had recently gained

its independence, Indonesia's quality of democracy, again using Diamond and Morlino's parameter, still in early stage for instance in achieving political and civil freedom as well as standards of good governance.²²⁸ As a result, during this period, using the democratic consolidation framework of Linz and Stepan, Diamond, Merkel as well as Croisant and Bunte, as outlined in the introduction section, Indonesia achieved only a basic democratic political system.

The leader of the administrator group from Sjahrir, Hatta, then Burhanuddin, in my view, can be categorized as policy entrepreneurs, using Kingdon's analytical framework, as described in the introduction section.²²⁹ They managed to identify the problem regarding the need to enact a democratic parliamentary system by skillfully using the momentum of the international rounds of negotiation for Indonesian sovereignty in the period 1946-1948 and international pressure, especially towards Sukarno. Therefore, in my view, the administrator group as policy entrepreneurs managed to enact and later maintain the parliamentary democracy system that led to the first relatively free-and-fair national election in 1955.

As for the leadership traits of Indonesia's political leaders during this period, based on Burns' political leadership framework, as explained in the introduction section, in my view, Sjahrir, Hatta and the subsequent administrator type prime minister with varying degree as transformational leaders in the context of governance reform.²³⁰ They, in my view, created a transformational effect in Indonesian politics by introducing and successfully maintaining parliamentary democracy until the 1955 national election, although, ironically, their success in organizing the national parliament democracy in 1955 led to their political downfall as they lost to Sukarno and his close political allies, like the NU and the PKI. Thus, despite the

²²⁸ Larry J. Diamond and Leonardo Morlino, 'The Quality of Democracy: An Overview', *Journal of Democracy*, Vol 5. No. 17, 2004, p. 21.

²²⁹ John W. Kingdon, *Agendas, Alternatives and Public Policies* (New York: Longman, 2003), pp. 182 – 190.

²³⁰ James M. Burns, *Leadership*, (New York: Harper Perennial Modern Classic, 2010), p.4.

political victory at the elite level since 1945, the administrator group failed to translate the benefit of their governance reform and some of the anti-corruption drive to the public at large, This was due, in my view, to Sukarno's skillfully mobilization of mass support through his, among other things, oratorical dexterity and the inability of the administrative group to maintain its cohesiveness with its important allies, such as the army, in pushing for military reform.

Chapter 3: The end of Parliamentary Democracy and the last Anti-Corruption Measures during the Post-Revolutionary Era

After the national election in 1955, it became evident that the administrator group's influence was significantly reduced, except the Masyumi, which held the second largest seats in parliament. Meanwhile, the Solidarity maker group secured the majority of parliamentary seats through political parties like the Indonesia Nationalist Party (PNI), the Revival of Religious Scholars (NU) and the Indonesian Communist Party (PKI). This chapter will highlight how the last parliamentary system government reached the verge of collapse due to both Sukarno and Nasution's restlessness regarding what they saw as a corrupt politician who caused the dysfunctioning of the parliamentary democracy system. Then, the chapter will outline how the partnership between Sukarno and Nasution to establish a new political governance structure was underpinned by the army's more assertive role in politics, called guided democracy. This chapter will then explain how the disunity between Hatta and Nasution resulted in a disjointed effort towards governance reform and anti-corruption initiatives that was later dismantled by Sukarno and his solidarity maker supporter.

This chapter is structured into seven sections. The first section discusses the academic debate on the formation of guided democracy. The second section illustrates the demise of the last parliamentary government led by Prime Minister Ali Sastroamidjojo in 1957, as evident from the declaration of state emergency by Sukarno. Then, the start of guided democracy and the initial anti-corruption measures by the army will be outlined in the third section. Moreover, the fourth section will examine the alliance between Sukarno and the army that was successfully dismantling the administrator group as they made several political blunders. Then, the fifth section will discuss the anti-corruption measures led by former Minister of Defense Sultan Hamengkubuwono IX, the economic reform by Prime Minister Djuanda and then the

anti-corruption initiatives by Army Chief A.H. Nasution, that were effortlessly dissolved by Sukarno. The last section provides the conclusion to this chapter.

There are four arguments advanced in this chapter. First of all, Sukarno managed to outmaneuver the administrator group through the formation of an authoritarian political governance structure called guided democracy with support from the Army led by Nasution. The second argument is that Hatta's tactical mistake in resigning from the Vice Presidency in 1956 and the various political blunders by administrator group contributed to the demise of their political influence. Third, Hatta and Nasution and others leaders from the administrator group were never able to build a credible political alliance, especially due to their disagreement over military reform. Therefore, there was insufficient political support by the administrator group in advancing governance reform and an anti-corruption agenda. Fourth, during the guided democracy period, Sukarno, with the support of the PKI, managed to dissolve completely the already weakened anti-corruption endeavor led by Nasution and Hamengkubuwono IX. The downfall of Nasution and Hamengkubowono IX showed their inability to solicit political support from Sukarno.

The Different Interpretations of the Formation of Guided Democracy

There are a number of streams of thought on the interpretation of the formation of guided democracy under Sukarno in 1959-1966. The first is that the army instigated the rejection of parliamentary democracy since it was well-known that they abhorred politicians who often interfered in their internal affairs. Daniel Lev is arguing that the army since independence has been 'ambitious, interested, assertive and engaged' in seeking its place in the foreground of Indonesia's politics since 1958.²³¹ This view is also espoused by Slater, who argued that, at the

²³¹ Daniel Lev, 'the Political Role of the Army in Indonesia', *Pacific Affairs*, Vol. 36, No. 4, Winter, 1963-1964, p. 360.

time, there was a partial-military take-over of control of the country's assets and bureaucracy.²³²

Meanwhile, another interpretation is that Sukarno's creation of guided democracy reflected his authoritarian streak. Hatta criticized the fact that 'Sukarno's guided democracy has become a dictatorship supported by a certain group.'²³³ Meanwhile, Feith observed that the relationship between Sukarno and the Army's Nasution changed from an equal partnership in 1958-1962 into the domination of Sukarno toward Nasution from June 1962.²³⁴ This view is also supported by Widjadjanto, who argues that, in the end, the military was becoming merely Sukarno's political instrument.²³⁵

Rather than interpreting the political leaders another stream of thoughts seen it guided democracy through the structure of Indonesian society. Selo Soemardjan argues that the emergence of guided democracy because 'the institutionalized authoritarian structure of Indonesian society' since it had been ruled by kings, sultans and other authoritarian types, a view that resonates with Abdullah, who added that the structure was protected by ideological ideals.²³⁶

Nonetheless, there is who challenged the authoritarian streak depiction of Sukarno's guided democracy. John Legge argued that there was no brutal elimination of the opposition and 'power was widely diffused in fact, even to the point of frustrating the proper

²³² Dan Slater, *Ordering Power: Contentious Politics and Authoritarian Leviathans in Southeast Asia* (New York: Cambridge University Press, 2010), p. 113.

²³³ Mohammad Hatta, 'Demokrasi Kita [Our Democracy]' 1 May 1960, *Pandji Masyarakat* in Herbert Feith and Lance Castle (eds.), *Indonesian Political Thinking 1945-1965* (Ithaca: Cornell University Press, 1970), p. 140.

²³⁴ Herbert Feith, 'President Sukarno, the Army and the Communists: The Triangle Changes Shape', *Asian Survey*, Vol. 4, No. 8, August 1964, p. 978.

²³⁵ Andi Widjajanto, 'Nasution, Jalan Tengah, dan Politik Militer [Nasution, Middle Road and Military Politics]', *Tempo*, No. 25/XXXVI, 13 – 19 August 2007, p. 93.

²³⁶ Selo Soemardjan, 'Guided Democracy and Our Cultural Traditions', paper presented to the Pacific Science Congress held in Hawaii in September 1961 in Castle and Feith (eds.), *Indonesian Political Thinking 1945-1965*, p. 129; Taufik Abdullah, *Indonesia toward Democracy* (Singapore: ISEAS, 2009), p.330.

authorities.²³⁷ Meanwhile former Vice President Malik, reflected that: 'Guided democracy... is logical reflection of our original idea "Centralism of Democracy".²³⁸

In my view, the authoritarian structure of Sukarno was established based on the political dynamic at the time that benefited him. Riding the political momentum emanating from his victory in the 1955 election, Sukarno as well as his solidarity maker group exploited his political resources, like his charisma and communication skills, so his popular support effectively won him the election, subsequently enabling him to build an alliance with the military to dismantle the parliamentary democracy. In my view, it would be difficult to argue that the military created the initiative, as they were not that unified. When Sukarno's popularity reached its pinnacle in 1955-1959, it was Nasution who had little leverage rather than *vice versa*.

Towards the end of Parliamentary Democracy under Sukarno

After winning the national election in 1955, Sukarno appointed former Prime Minister Ali Sastroamidjojo as formateur to set up a cabinet on 8 March 1956 that mainly consist of the PNI, the NU and the Masyumi.²³⁹

In the end, Ali Sastaroamidjojo's second cabinet was formed on 20 March 1956. Even though the PNI lead the political party coalition within the cabinet with six cabinet ministers including the position of Prime Minister, the important ministerial posts, such as the Minister of Finance, Minister of the Interior and Minister for Economic Affairs, belonged to the

²³⁷ John Legge, *Sukarno A Political Biography* (London: Allen Lane the Penguin Press, 1972), p. 318.

²³⁸ Adam Malik, *Mengabdi Republik, Jilid II: Angkatan 45 (Serving the Republic, part II: Generation of 45* (Jakarta: PT. Gunung Agung, 1978), pp. 237-238.

²³⁹ Jose E. Rocamora, *Nationalism in Search of Ideology: the Indonesian Nationalist Party, 1946-1965* (PhD Dissertation, Cornell University, 1974), p. 252.

Masyumi and the NU.²⁴⁰ Surprisingly, the administrator group type of figures remained influential in the cabinet.²⁴¹

However, there was growing dissatisfaction with Ali's Government, since their priority in the first four months of the cabinet was more the distribution of patronage through government appointments.²⁴² The problem was compounded by the growing concern that Ali's Cabinet was failing to implement the anti-corruption efforts of Burhannuddin's government. Sukarno on 20 July 1956 decided to grant a partial amnesty to Djody Gondokusumo, former Minister of Justice, who was convicted by the MA in January 1956²⁴³, which disappointed Vice President Hatta.²⁴⁴

When Major General Nasution was re-appointed as Army Chief in November 1955, he used the opportunity to continue the military reform that had stalled after his dismissal in 1952. He changed the management structure of the military by creating an Inspectorate for Education and Training section to improve the soldiers' professionalism. A further reform was to empower the Army Chief, especially with its supervision authority under the state of emergency through creating the Inspectorate for Territorial Affairs and People Defense office.²⁴⁵

In an effort to dismantle the power of the regional commanders, Nasution undertook a major re-assignment within the Army. Started with low- and mid-ranking officers and then accelerated, with the main targets being Nasution's rivals, like Deputy Chief of Staff Colonel

²⁴⁰ Rocamora, *Nationalism in Search of Ideology: the Indonesian Nationalist Party, 1946-1965*, p. 254.

²⁴¹ Feith, *the Decline of Constitutional Democracy in Indonesia*, p. 471.

²⁴² Mr. Saner to Mr. Selwin Llyod (no. 84, confidential), 'Lack of Progress by the Coalition Government,' 2 August 1956, *Further Correspondence Respecting Indonesia part 10: January-December 1956*, the U.K. Foreign Office, F0 480/10, Public Record Office (PRO), p. 22.

²⁴³ Feith, *the Decline of Constitutional Democracy in Indonesia*, p. 477.

²⁴⁴ Noer, *Mohammad Hatta: Biografi Politik [Mohammad Hatta: Political Biography*, p. 476.

²⁴⁵ Sundhaussen, *the Road to Power: Indonesia Military Politics 1945-1967*, p. 97.

Zulkifli Lubis who would be replaced by August 1956.²⁴⁶ This was also part of the military reform, creating an orderly promotion arrangement to give soldiers a sense of regularity and structure in their career and introduce a merit-based promotion policy by setting-up a commission in 1956 to review the army ranks and assignments.²⁴⁷

With the determination of the West Java officers to oppose corruption that was mounting under Ali's government in August 1955, the Lubis group through troops in West Java tried to arrest Minister of Foreign Affairs Roeslan Abdulgani.²⁴⁸ Abdulgani was summoned by the West Java troops in connection with his dealings with Lie Hok Tay, Deputy Director of the State Publishing House, who had been convicted for corruption.²⁴⁹

Prime Minister Sastroamidjojo was concerned that the arrest of Foreign Minister Abdulgani would jeopardize his government's credibility, and so instructed Nasution that the arrest warrant should be rescinded.²⁵⁰ Subsequently, Nasution overrode the instruction from the West Java troops and Abdulgani was released.²⁵¹

There was continuing fierce criticism in the press coverage about the alleged corruption between Abdulgani and Lie Hok Tay.²⁵² In response, Ali's Cabinet established an *ad hoc* committee led by First Deputy Prime Minister Muhammad Roem to hear evidence on corruption allegation. The committee decided that the evidence provided by West Java troops

²⁴⁶ McVey, 'The Post-Revolutionary Transformation of the Indonesian Army', p. 159.

²⁴⁷ Ruth McVey, 'The Post-Revolutionary Transformation of the Indonesian Army: Part II', *Indonesia*, No. 13 (April 1972), pp. 154-155.

²⁴⁸ Mr. MacDermot to Mr. Selwin Llyod (no. 37, confidential), 'Indonesia: Annual Review for 1956,' 30 April 1957, *Further Correspondence Respecting Indonesia part 11: January-December 1957*, UK Foreign Office, F0 480/11, Public Record Office (PRO), p. 10.

²⁴⁹ 'Corruption in Indonesia? Foreign Minister Nearly Arrested,' *Manchester Guardian*, 14 August 1956, p. 5.

²⁵⁰ Sastroamijoyo and Penders (ed.), *Milestones on My Journey: the Memoirs of Ali Sastroamijoyo, Indonesian Patriot and Political Leader*, p. 339.

²⁵¹ 'Minister Arrest Countermanded', *Manchester Guardian*, 16 August 1956, p. 7.

²⁵² 'Panggil Menlu (Called the Minister of Foreign Affairs)', *Pedoman*, 25 August 1956, p. 5.

in their attempt to arrest Abdulgani was insufficient and no grounds existed on which to charge Abdulgani.²⁵³

However, to the embarrassment of Ali's government, in December 1956, editor of *Indonesia Raya* Mochtar Lubis, in the court managed to demonstrate through convincing documents and photos that Abdulgani had indeed received a house and car from Lie and violated the foreign exchange regulations by taking foreign exchanges overseas.²⁵⁴ In the end, Abdulgani was prosecuted by the Attorney General²⁵⁵ and, ultimately, in April 1957, found guilty for illegally exporting foreign currency.²⁵⁶

In light of the fierce disagreement with Sukarno, Vice-President Hatta's resignation in December 1956 made the political situation more delicate. It was revealed that, as Vice President Hatta was bound by the constitution to give confidential advice, and so felt little hope that he would be able to do much amidst the increasing mismanagement and corruption that was one of the main reasons that he was resigning.²⁵⁷

Hatta realized that the political constellation was against him, as Sukarno received a fresh mandate from winning the election in 1955 through the PNI and their ally (PKI and NU). Sukarno's intention to dissolve parliament also attracted crucial support from the powerful army, led by Nasution, who disdain corrupt politicians.

During Ali's second cabinet, the party and parliamentary government rapidly lost their legitimacy due to their inability to solve the governance and economic problems, like reducing

²⁵³ A.H. Nasution, *Memenuhi Panggilan Tugas, jilid 4: Masa Pancaroba Kedua* (*Tour of Duty part 4: the Difficult Moments for the Second Time*) (Jakarta: Gunung Agung Press, 1984), pp. 23-24.

²⁵⁴ Muchtar Lubis, *Catatan Subversif* (*Subversion Notes*) (Jakarta: Penerbit Sinar Harapan, 1980), pp. 1-22.

²⁵⁵ 'Indonesian Minister in Court,' *the Manchester Guardian*, 2 March 1957, p. 7.

²⁵⁶ Mr. MacDermot to Mr. Selwin Lloyd (no. 67, confidential), 'Leading Personalities in Indonesia,' 11 September 1957, *Further Correspondence Respecting Indonesia part 11: January – December 1957*, the U.K. Foreign Office, F0 480/11, Public Record Office (PRO), p. 2.

²⁵⁷ Letter from Hatta to Jacobs, 20 November 1961 in Noer, *Mohammad Hatta: Biografi Politik* [*Mohammad Hatta: Political Biography*]), p. 474.

the number of civil servants or remedying the deteriorating infrastructure.²⁵⁸ Nonetheless, Ali's government should also be commended for successfully pushing for legislation on regional government whereby, in law no 1 of 1957, *inter alia* that established a legal framework for the financial relations between the Central Government and the autonomous regional governments.²⁵⁹

Meanwhile, the attitude of Indonesia's political leaders, with their lavish lifestyle and embroilment in corruption, increased the resentment toward the political party and parliamentary democracy system. Therefore, in the second Ali Cabinet, trust in the political parties and parliamentary democracy hit an all-time low.²⁶⁰

In response to the deep public dissatisfaction, Ali returned his mandate to Sukarno on 14 March 1957. The Army led by Nasution had ferociously lobbied to declare the state of emergency to deal with the rebel in the regions and also avoid internal divisions. Ultimately, Sukarno declared the state of emergency.²⁶¹ This marked the end of parliamentary democracy, as the state of emergency catapulted the Army into powerful political role.

The Introduction of Guided Democracy, the Army's Limited Anti-Corruption Measure and its Entanglement in Patronage

After several failed attempts to set-up a new cabinet, Sukarno form a cabinet by himself in April 1957, known as 'the extra-parliamentary Business Cabinet.' Sukarno appointed an experienced technocrat, Djuanda, as Prime Minister.

²⁵⁸ Kabinet Ali-Roem-Idham, Program dan Pelaksanaan {The Program of the Ali-Roem-Idham Cabinet and Its Execution} (Jakarta: Kementerian Penerangan, 1956), pp. 84-85, quoted in Feith, *the Decline of Constitutional Democracy in Indonesia*, p. 551.

²⁵⁹ Feith, *The Decline of Constitutional Democracy in Indonesia*, p. 552.

²⁶⁰ *Ibid.*, p. 555.

²⁶¹ Government Regulation No. 13 year 1957 on Revision of Government Regulation on the Appointment on the Leader of Military Emergency Authority.

The cabinet members were appointed as individuals, not for their political affiliation, and comprised a number of figures with technical expertise.²⁶² The cabinet was still dominated by the political parties, however, including four from the PNI, four from the NU and two sympathizers of the PKI.²⁶³

Under the state emergency, the Army introduced a number of anti-corruption measures that grew out of a meeting of the Army leadership in March 1957 about the ever-growing problem of corruption among politicians through decrees that gave them the authority to take action against corruption.²⁶⁴ Even during a state of emergency, the army had the authority to confiscate assets from suspect, but limited to corruption offences dating from 9 April 1957.²⁶⁵ The focus of these anti-corruption measures was to investigate politicians who had amassed suspicious assets by examining their personal account.²⁶⁶

The anti-corruption measures executed by the Army unnerved many opposition political party like from the Masyumi and the PSI, who were concerned about the possibility of being targeted discriminately by the Army. For instance, former Minister of Finance Jusuf Wibisono from the Masyumi was arrested on March 1957, accused of providing illegal credit to his business cronies.²⁶⁷ Meanwhile, Soemitro Djodjohadikusumo, was also interrogated for corruption related to the PSI fundraising and corruption in distributing credit as Minister of Finance. Sensing his imminent arrest, Soemitro managed to flee the country.²⁶⁸ Other

²⁶² *Ibid.*

²⁶³ Daniel Lev and Susan Finch, *Republic of Indonesia Cabinet, 1945 - 1965* (Ithaca: Cornell University Interim Reports Series, 1965), pp. 36-37.

²⁶⁴ Presidential Decision Decree (Keputusan Presiden – KEPPRES) number 48 year 1957 on mandate from President to all State officials to Continue Working; the Emergency Military Ruler number 6 year 1957 on anti-corruption measure.

²⁶⁵ 'Harta Benda Disita dan Dirampas {The Asset can be Confiscated and Taken by the State}, ' *Pedoman*, 4 July 1957. p. 1.

²⁶⁶ *Ibid.* p. 95.

²⁶⁷ Soebagijo I.N., *Jusuf Wibisono: Karang di Tengah Gelombang [Bedrock in the midst of sea wave]* (Jakarta: PT. Gunung Agung, 1980), pp. 221.

²⁶⁸ Lubis, *Catatan Subversif (Subversion Notes)*, pp. 67-69.

politicians also faced restrictions on their activities and even arrested. No wonder then that, by mid-1957, the emergency law was under continuous attack for its interference in political affairs.²⁶⁹

With a number of politicians being investigated, the relationship between the Army and the political parties became strained. Nasution finally admitted the shortcomings of the anti-corruption campaign: 'It was very difficult to prosecute high officials or former ministers accused of corruption because of difficulties in providing evidence',²⁷⁰

The state emergency provided an opportunity for the army to broaden its political role through their appointments to civil service positions or as the heads of local government.²⁷¹ It also provided an opportunity for the Army to expand its role in the state economy by taking over the Dutch companies.²⁷² For instance, 40 ships owned by the Dutch steamship company, KPM, were taken over by the army.²⁷³ Army officers were also assigned in these companies, which symbolized the start of the army's formal involvement in business.²⁷⁴

The involvement of the Army in business was well-known in export-producing commodity regions like North Sumatra and North Sulawesi to compensate for their limited budget by supporting the semi-official smuggling during the mid-1950s. However, these activities were very limited and did not provide any opportunities for personal enrichment.²⁷⁵

In contrast, the new opportunities provided by the state emergency implicated some army officers in corruption. Nasution and his loyalists were apprehensive about the increasing

²⁶⁹ *Ibid.* pp. 82 – 85.

²⁷⁰ Nasution, *Memenuhi Panggilan Tugas, jilid 4: Masa Pancaroba Kedua* {Tour of Duty part 4: the Difficult Moments for the Second Time}, p.96.

²⁷¹ McVey, 'The Post-Revolutionary Transformation of the Indonesian Army: Part II', p.159.

²⁷² Mr. MacDermot to Mr. Selwin Llyod (no. 85, Secret), *Indonesia: Annual Report 1957*, 11 September 1958, the U.K. Foreign Office, F0 371/15844, Public Record Office (PRO), p. 7.

²⁷³ 'KPM Diambil Oper oleh Pemerintah {Government Taking over KPM}', *Pedoman*, 6 December 1957, p.1.

²⁷⁴ Daniel S. Lev, 'The Political Role of Army in Indonesia,' *Pacific Affairs*, Vol. 36, No. 4, Winter, 1963-1964, p.350.

²⁷⁵ Harold Crouch, *The Army and Politics in Indonesia* (Ithaca: Cornell University Press, 1978), p. 38.

evidence of corruption and commercialism among the Army and ordered an investigation.²⁷⁶

For instance, Nasution introduced several measures against high-ranking officers, including Colonel Ibnu Sutowo,²⁷⁷ based on news leaked in November-December 1958, due to the involvement in rubber smuggling.²⁷⁸

The corruption cases certainly weakened the Army's position *vis-a-vis* politicians in parliament, but this was offset by the low standing of the political parties among the public. In the end, the Djuanda cabinet managed to secure parliamentary approval to extend the state emergency law in December 1958 because of Djuanda's implied threat of a possible Army coup.²⁷⁹

In other political developments, the tension between the government and rebel leaders was increasing during 1957 when the army order for the arrest of former Deputy Army Chief Zulkifli Lubis.²⁸⁰ It culminated the group proclaimed the Revolutionary Government of the Republic of Indonesia (PRRI) on 15 February 1958, led by Sjafruddin Prawiranegara as prime minister and supported by the rebel military regional leaders,²⁸¹ but PRRI failed to attract international support when their plea to the U.S. Federal Reserve to freeze the central government's funds was ignored.²⁸² The existence of the PRRI and the extension of the state emergency had strengthened the Army's political position.

Meanwhile, there was a deadlock between the President and political party leaders in government (the PNI, the NU and the PKI) on the negotiations for the restoration of the 1945

²⁷⁶ Lev, the Transition to Guided Democracy, Indonesian Politics 1957-1959, p. 214.

²⁷⁷ He was the future powerful CEO of the state-owned oil company, PERTAMINA, during Suharto's era.

²⁷⁸ *Ibid.*

²⁷⁹ Risalah Perundingan 1958 {Parliamentary Session Record}, 15 December 1958 in Lev, the Transition to Guided Democracy, Indonesian Politics 1957-1959, p. 219.

²⁸⁰ Mr. MacDermot to Mr. Selwin Llyod (no. 4, secret), 'Indonesia: Annual Review for 1958,' 12 January 1959, *Further Correspondence Respecting Indonesia part 12: January-December 1959*, the U.K. Foreign Office, F0 480/12, Public Record Office (PRO), p. 3.

²⁸¹ *Ibid.*

²⁸² Herbert Feith and Daniel Lev, 'the End of the Indonesian Rebellion,' *Pacific Affairs*, Vol. 36, No. 1, Spring, 1963, pp. 35 – 36.

constitution in the assembly that took place from April 1959 until June 1959. The deadlock occurred because the assembly could not secure 2/3 of the votes. In response, Sukarno dissolved the constituent assembly and issued a decree on 5 July 1959 for the restoration of the 1945 constitution and installed 'guided democracy'.²⁸³

President Sukarno's alliance with the Army, the end of the Administrator group

After the political and military victory by Sukarno and Nasution over the rebel government, they managed to dissolve the administrator group turned them into irrelevant political forces. Although some of Nasution's actions reflected the administrator group, he always had a strong commitment to the values of Pancasila (the state's five principles) like the solidarity maker group.²⁸⁴ Thus, after being reinstated in 1955 as Army Chief, Nasution's resentment of politicians reinforced his political tilt toward supporting Sukarno.

After Djuanda returned his mandate on 6 July 1959, Sukarno assumed full executive authority as both President and Prime Minister to form his own cabinet. However, he was concerned about the growing influence of the Army in both politics and commerce. Therefore, he tried to reduce Nasution's influence by offering him the Minister of Defense post, but Nasution publicly announced that he would take the Minister of Defense position, while also retaining the Army Chief post.²⁸⁵

Sukarno then appointed Djuanda as First Minister, who was tasked with running the daily governmental affairs and also acting as a buffer between Sukarno and Nasution, the political parties, the parliament and other government agencies.²⁸⁶ The composition of the cabinet that was announced showed the further decline of the political parties with the majority

²⁸³ Presidential Decree on 5 July 1959.

²⁸⁴ Penders and Sundhaussen, *Abdul Haris Nasution: A Political Biography*, p. 179.

²⁸⁵ *Pedoman*, 4 July 1959.in Lev, the Transition to Guided Democracy, Indonesian Politics 1957 – 1959, p. 497.

²⁸⁶ Presidential Decision Decree (*Keputusan Presiden – KEPPRES*) number 236 year 1960 on First Minister.

of members being non-party experts.²⁸⁷ In the end, the cabinet introduced a new organizational structure with the growing influence of Nasution, as evident from the exclusion of the PKI.

The cabinet consisted of nine core ministers, with each figure responsible for coordinating several junior ministers.²⁸⁸

In consolidating his authority, Sukarno announced the composition of the MPR, which was the highest authority state institution. The membership consisted of half parliament (DPR) and also a cross-section of society groups.²⁸⁹ The main tasks of the MPR included electing a President and Vice President. With many of Sukarno's appointments dominating the membership of both the DPR and the MPR, those two high state institutions were practically under the subjugation of the executive.²⁹⁰

The alliance between Sukarno and Nasution proved to be based on political mutual interest rather than a fundamental agreement, as shown when Acting Attorney General Gatot Tarunamihardja in August 1959 re-opened the investigation on trade import bartering at Tanjung Periok Port, which implicated powerful Army officers, like Col. Ibnu Sutowo. The Army retaliated by arresting Gatot in September 1959 and was accusing him of involvement in illegal textile trading.²⁹¹ In the end, Sukarno agreed on a compromise, in which Gatot was

²⁸⁷ Lev and Finch, *Republic of Indonesia Cabinet, 1945-1965*, pp. 43-45.

²⁸⁸ From the UK Foreign and Commonwealth Office to the High Commissioner of Canberra, 'Indonesia', Outward telegram (confidential), 20 August 1959, *Indonesia Political – General Part 29*, File no. 3034/2/1, the National Archives of Australia, Canberra, p. 2.

²⁸⁹ C.L.M. Penders, *the Life and Times of Sukarno* (London: Sidgwick and Jackson, 1974), pp. 161-162.

²⁹⁰ From G.N. Upton, Counselor, the Australia Embassy in Jakarta to the Secretary of Department of External Affairs, Attachment A of the Letter (No. 1162, Secret), 16 June 1962, *Indonesia Political General Part 6*, File no. 3034/2/1, the National Archives of Australia, Canberra, p.3.

²⁹¹ From the Australian Embassy in Jakarta to the Department of External Affairs, No. I.16590/91, 'Indonesia', Inward cablegram (confidential), 17 September 1959, *Indonesia Political-General Part 29*, File no. 3034/2/1, the National Archives of Australia, Canberra, pp. 1-2.

honorably dismissed in September 1959 in exchange for replacing the high-ranking army officers who were involved in corruption.²⁹²

The Sukarno then took a further step by dissolving parliament on 5 March 1960 and replacing with the new one, where all of the MPs were appointed by Sukarno. The 28 political party representations were reduced to nine, with fewer than half of the MPs representing political parties.²⁹³

However, political rivalry between Sukarno and the army began to emerge. The army started to pressure the PKI in July 1960 through interrogating the member of the PKI central committee, Sukirman, in Bandung and another four in Jakarta. Shortly after the pressure by the army, Sukarno retaliated by ordering that the two main opposition parties – the Masyumi and the PSI – should be dissolved.²⁹⁴

Due to their involvement with the regional rebel movement, the Masyumi and PSI became politically isolated and voluntarily dissolved themselves in September 1960.²⁹⁵ This marked the end of the ‘administrator group’s influence on the government that had been driving governance reform and anti-corruption in 1949-1957. Then, in 1961, all of the political parties were dissolved except for ten, including the PNI, NU, PKI and Murba.

The demise of the administrator group is linked to the first argument in this thesis as outlined in the introduction section, where governance reform could not be applied

²⁹² From the Australia Embassy in Jakarta to the Department of External Affairs, No. I.16693, Inward cablegram (confidential), 21 September 1959, *Indonesia Political-General Part 29*, File no. 3034/2/1, the National Archives of Australia, Canberra, p.1.

²⁹³ Mr. Leslie Fry to Mr. Selwin Lloyd (no. 33, confidential), ‘The Composition of the new Indonesian Parliament,’ 5 April 1960, *Further Correspondence Respecting Indonesia part 13: January-December 1960*, the U.K. Foreign Office, F0 480/13, Public Record Office (PRO), p. 30.

²⁹⁴ From the Australia Embassy in Jakarta to Australia Department of External Affairs, ‘Political Summary – Week ending 17 September 1960’, inward savingram (no. I.22139, secret), File no. 3034/2/1, *Indonesia Political General part 32*, the National Archives of Australia, Canberra, pp. 3 -4.

²⁹⁵ From the Australia Embassy in Jakarta to Australia’s Department of External Affairs, ‘Ban Parties’, inward Savingram (No. I.21806, Secret), File no. 3034/2/1, *Indonesia Political General part 32*, the National Archives of Australia, Canberra.

consistently. In this case, as a driver of governance reform, the administrative group was losing the election to the far more politically savvy Sukarno and solidarity maker group. Without a political leader with charisma who was able to mobilize the masses, like Sukarno, the administrator group was unable to attain significant votes in the 1955 election. To make matters worse, the already weakened administrator group was split over the decision by some of their faction to join the rebel government PRRI and lost an important ally, as the Nasution-led the army decided to support Sukarno and dissolve the parliamentary democracy.

The Failure to ‘Retool’ the state Apparatus due to a lack of political support

The Army’s decisive victory against the regional rebels and the further influence of the President not just in the executive but also in the legislative made Sukarno the principal power during 1960-1962. There was close cooperation between Sukarno and Nasution on large issues on which they agreed, but there was a mutual distrust. This cooperation between Sukarno and Nasution during the 1960s builds a stable political alliance that lasted until the end of the West Irian campaign in 1962.

Meanwhile, the PKI in 1959 had stepped-up its criticism of the government’s economy policy. One of their criticisms was the involvement of the army in a state enterprise that became inefficient and corrupt when they took over the Dutch business at the end of 1957. The fact that the army officer’s managers were seen to be making a profit for themselves created resentment from the labor union. In response, the PKI prepared and helped to articulate a political attack against corrupt officials or state-owned enterprise managers as ‘bureaucratic capitalists’ and ‘economic saboteurs.’²⁹⁶

²⁹⁶ D.N. Aidit, ‘ Mismanagement, Corruption, and the Bureaucratic Capitalists’, *Harian Rakyat*, 9-10 June 1965 in Herbert Feith and Lance Castles (eds.), *Indonesian Political Thinking, 1945 – 1965* (Ithaca: Cornell University Press, 1970), p. 404.

In his political manifesto, Sukarno emphasized the need to ‘retool’ all of the state instruments and eradicate the ‘liberal elements.’²⁹⁷ To implement this task, initially, he was setting up the State Apparatus Activities Supervision Agency (BAPEKAN), whose responsibilities included supervising any activities undertaken by the state apparatus and conducting research.²⁹⁸ BAPEKAN also had authority, *inter alia*, to provide advice based on their research and also to manage public complaints to improve the state apparatus’ performance.²⁹⁹ Sukarno appointed the highly-regarded former Minister of Defense, Sultan Hamengkubuwono IX, as BAPEKAN’s chief.³⁰⁰

The BAPEKAN received an enthusiastic response from the public, who had reported petty and large corruption cases, like the Rp. 40 million stolen from Jakarta’s custom office in 1950-1960 and the Rp. 274,135.49 stolen from Cooperatives within the State Apparatus Bank in Karo.³⁰¹ With only 40 secretariat staff, BAPEKAN was overwhelmed with public enthusiasm to report corruption that reached 912 complaints by July 1960, 400 of which had been processed.

The second agency to be established was PARAN in January 1960, initiated and chaired by General Nasution.³⁰² However, Sukarno wanted the PARAN to focus on the indoctrination of his revolutionary fanfare, while Nasution wanted the committee to focus its efforts on governance reform, particularly reorganization, personnel management and anti-

²⁹⁷ Sukarno, ‘Penemuan Kembali Revolusi Kita (The Rediscovery of our Revolution),’ *President Speech in the Fourteenth Anniversary of Indonesian Independence*, 17 August 1959.

²⁹⁸ Article 4 section 1 and 2, President Regulation number 1/ 1959 on the establishment of State Apparatus Activity Supervision Agency (Badan Pengawas Kegiatan Aparatur Negara – BAPEKAN).

²⁹⁹ Article 8, section 2 and 3, *Ibid.*

³⁰⁰ Presidential Decision Decree 177/ 1959 on the Appointment of Chair and Commissioner of State Apparatus Activity Supervision Agency (Badan Pengawas Kegiatan Aparatur Negara – BAPEKAN; Presidential Decree 178/1959 on Ministerial Rank given to the Chair of the BAPEKAN.

³⁰¹ *Ibid.*,p. 64.

³⁰² Presidential Decision Decree (*Keputusan Presiden – KEPPRES*) number 10 year1960 on the establishment of the Committee of Retooling State Apparatus (*Panitia Retooling Aparatur Negara – PARAN*).

corruption efforts.³⁰³ The initiative by Nasution to focus PARAN on the governance issue was seen as an effort to regain public trust in the army, since its image had been tarnished because of the corruption in the state owned enterprises.

However, the existence of PARAN created anxiety among civil servants, especially as those who were close to the opposition groups, like the Masyumi and PSI,³⁰⁴ to the less powerful positions. There was also tension with BAPEKAN, since these two agencies overlapped. The tension increased when PARAN announced its plan to ‘retool’ BAPEKAN, but the conflict was resolved when Hamengkubuwono IX managed to meet Nasution at the end of November 1960. They agreed that BAPEKAN should focus on supervision and research, while PARAN focused on ‘retooling,’ which emphasized prosecutions for corruption.³⁰⁵

BAPEKAN only lasted for around three years. The trigger for its downfall was when Indonesia was selected to host the Asian Games in 1962 and therefore accelerated its development projects around Jakarta, such as building, roads and sports facilities, involved huge financial resources. BAPEKAN received a number of reports from the public about corruption and started to investigate a development project related to the Asian games. Midway through this investigation, Sukarno announced the cabinet regrouping in March 1962, where the BAPEKAN excluded from the cabinet,³⁰⁶ followed by Sukarno’s disbandment of BAPEKAN in May 1962.³⁰⁷ Hamengkubuwono IX and the other commissioners of

³⁰³ Nasution, *Memenuhi Panggilan Tugas: Kenangan Masa Orde Lama {Tour of Duty: the Memories of Old Order Era}*, p.256.

³⁰⁴ From First Secretary of the Australia Embassy in Jakarta K.H. Rogers to the Australia Secretary of Department of External Affairs, letter (no. 1109), 13 September 1960, ‘Cabinet Committee on ‘Retooling’ of State Agencies’, *Indonesia Political General Pt. 32*, the National Archives of Australia, Canberra.

³⁰⁵ ‘Dari Tromol Pos No. 8 [From P.O. Box no. 8]’, *Majalah Historia*, No. 2, year 1, 2012, p. 64.

³⁰⁶ Point 2, Presidential Decision Decree number 94/ 1962 on the Reorganization of the Cabinet.

³⁰⁷ Article 1, President Regulation number 3/ 1962 on the Disbandment of the State Apparatus Activities State Agency (BAPEKAN).

BAPEKAN were discharged honorably in May 1962.³⁰⁸ Furthermore, Hamengkubuwono was appointed Chief of the Supreme Audit (BPK) in November 1963 that held stronger ground as it was attached to 1945 constitutions, which oriented more on financial audit. But, the authority still limited to audit financial position of government agencies, while any action on any financial discrepancy in the realm of law enforcement agencies, which mostly failed to act.³⁰⁹ To make matter worse, the BPK was further weaken when Sukarno decreed himself to be the chief auditor.³¹⁰

PARAN only received significant support for its indoctrination aspect, since Vice Chair Abdulgani was assigned by Sukarno as Spokesperson of his indoctrinasation ideological programs.³¹¹ As a result, Nasution's programs in PARAN did not receive support from the cabinet, for instance, Nasution's proposals to separate the political from the technical positions within the state agencies and the standardization of the Organizational Structure.³¹² PARAN was constantly attacked since its inception and accused by the PKI of being Nasution's platform for his presidential run.³¹³

The success of the West Irian campaign in 1962 enhanced the credibility of Sukarno among the other army leaders, thereby weakening Nasution's political leverage. Also, Nasution's anti-corruption drive through PARAN made his corrupt colleague feel uneasy and threatened, therefore intensified the division within the Army.³¹⁴ Sukarno seized the rare opportunity by challenging Nasution's authority within the army. As part of the structural

³⁰⁸ Point 2, Presidential Decision Decree number 166/ 1962 on Honorable Discharge of Chair and Member of BAPEKAN.

³⁰⁹ John Monfries, *A prince in a republic: the life of Sultan Hamengku Buwono IX of Yogyakarta* (Singapore: ISEAS, 2015), pp. 241 – 242.

³¹⁰ *Ibid.* p. 241.

³¹¹ Presidential Decision Decree Number 184 year 1964 on the Appointment of Dr. H. Roeslan Abdulagni

³¹² Nasution, *Memenuhi Panggilan Tugas: Kenangan Masa Orde Lama {Tour of Duty: the Memories of Old Order Era}*, pp. 258-259.

³¹³ *Ibid.*

³¹⁴ Sundhaussen, *The Road to Power: Indonesia Military Politics 1945-1966*, p. 164.

changes to the military's organization and hierarchy in June 1963,³¹⁵ Sukarno rotated Nasution was rotated as the Armed Forces Chief and forced him to surrender the influential Army Chief post to his deputy, Ahmad Yani. Then, all four services chief (the army, navy, air force, and police) were promoted to commander, reporting directly to the President, which left Nasution with merely administrative coordinator.³¹⁶ In November 1963, Sukarno further reduced Nasution's influence by separating the Attorney General posts from his Defense and Security portfolio.

With his authority deteriorating, Nasution, as Chair of PARAN, intensified his efforts to eradicate corruption through a military operation entitled *Operasi Budhi* in December 1963, with a mission to prevent and prosecute corruption in state enterprises and government institutions,³¹⁷ which implicated former ministers, MPs and politicians.³¹⁸ The initial target of this *Operasi Budhi* was the state enterprise (SOE) in which Nasution established a committee of experts that formed questioners targeted at SOE's CEO who inquired into company financial performance and required to submit their wealth report.³¹⁹

The findings of *Operasi Budhi* can be categorized into two groups: criminal offence findings, whereby the team would give evidence to the law enforcement agencies and administrative violations, whereby the team would provide evidence and advice for remedies. At the time, around 49 state enterprises/institutions were investigated by the operation³²⁰ that uncovered a hundred million losses because of conflicts of interest, whereby the executives

³¹⁵ Presidential Decision Decree (Keputusan Presiden – KEPPRES) number 225 year 1962 on the Appointment of the Armed Forces Leaders with new Organizational Structure.

³¹⁶ Crouch, *the Army and Politics in Indonesia*, p. 53.

³¹⁷ Presidential Decision Decree (Keputusan Presiden – KEPPRES) number 277 year 1963 on task force of *Operasi Budi*.

³¹⁸ Pusat Data dan Analisa Tempo (PDAT), *Jenderal tanpa Pasukan, Polisi tanpa Partai: Perjalanan Hidup A.H. Nasution [General without Troops, Politician without Party]* (Jakarta: Grafiti Press, 2002), pp. 312-313.

³¹⁹ Nasution, *Memenuhi Panggilan Tugas: Kenangan Masa Orde Lama {Tour of Duty: the Memories of Old Order Era}*, p. 262.

³²⁰ A.H. Nasution, *Speech in Kosgoro Conference*, 26 March 1963.

was using state enterprise facilities to run their own businesses, which around Rp. 14 billion of state money remained unaccounted for.³²¹

Nasution claimed that *Operasi Budhi* was successful in preventing around Rp. 11 billion state losses in its first 3 months of operation,³²² but it had discomfited Sukarno and his associates. The erroneous practice of supplying money to the palace to ensure that corrupt high state officials for lucrative posts was quite staggering. According to Rosihan Anwar, each official would donate around Rp. 300 million to US\$450,000, to secure their job or seek a more lucrative position.³²³

In the end, the PKI succeeded in persuading Sukarno to dissolve PARAN.³²⁴ First, Sukarno established the Supreme Command for Retooling the Tools of the Revolution (KORTAR), led by himself, with Major Gen. Yani as its Chief of Staff, in April 1964.³²⁵ Immediately after KORTAR was established, PARAN was disbanded by the President in May 1964,³²⁶ in the midst of handling only 10% of their cases.³²⁷

The vigor of PARAN in prosecuting fellow Army officers created further friction within the army. It was suspected that Yani's approval of the PARAN's termination stemmed from his concern that the corruption investigation had reached his close-aid.³²⁸ The end of PARAN reflected the second argument in this thesis as outlined in the introduction section, that

³²¹ Rosihan Anwar, *Political Diary: Sukarno – Tentara – PKI: Segitiga Kekuasaan sebelum Prahara Politik 1965 – 1966* (Jakarta: Yayasan Obor Indonesia, 2006), p. 284.

³²² Nasution, *Memenuhi Panggilan Tugas: Kenangan Masa Orde Lama {Tour of Duty: the Memories of Old Order Era}*, p. 262.

³²³ Anwar, *Sukarno – Tentara – PKI: Segitiga Kekuasaan sebelum Prahara Politik 1965 – 1966*, p. 285.

³²⁴ 'Politics: General Nasution', Undated report year 1963 (confidential), File: 3034/2/1, *Indonesia Political - General*, Pt 43, the National Archives of Australia, Canberra, p. 233.

³²⁵ Presidential Decision Decree [Keputusan Presiden – KEPPRES] number 98 year 1964 on the Establishment of the Supreme Command for Retooling the Tools of the Revolution (*Komando Tertinggi Alat Revolusi – KORTAR*)

³²⁶ Presidential Decision Decree (Keputusan Presiden – KEPPRES) number 117 year 1964 on the disbandment of the Committee for Retooling the State Apparatus (*Panitia Retooling Aparatur Negara – PARAN*).

³²⁷ Nasution, *Memenuhi Panggilan Tugas: Kenangan Masa Orde Lama {Tour of Duty: the Memories of Old Order Era}*, p. 266.

³²⁸ Crouch, *the Army and Politics in Indonesia*, p. 80.

the anti-corruption was arbitrary and also driven mostly by political motives. Therefore, the progressive the anti-corruption effort, including through PARAN by Nasution, was easily dismantled as it was not securing enough political support especially from the president.

The turbulent relationship between Nasution and Sukarno shows that Nasution possessed a puritanical streak that distanced him from most of Indonesia's political leaders.

Based on Penders and Sundhaussen observation:

He refused to be drawn into the increasingly Byzantine court culture which revolved around presidential palaces, and condemned the corruption which became a hallmark of Sukarno's style of government.³²⁹

While the Indonesian economy continued to deteriorate from 1963 due to the West Irian Campaign, it contributed to the heavy external debt related to the arms supply from the Soviet Union, where the government had little choice but to finance the budget deficit by printing money, which had significant inflationary effects.³³⁰ Realizing that the worsening economic conditions could dent his popularity, in March 1963, Sukarno delivered a speech to assure the public, known as the Economic Declaration (*Dekon*), which known as economic reform proposal. In formulating Dekon, Djuanda requested assistance from political and intellectual figures affiliated with the disbanded PSI, through which they were able to incorporate several governance reform proposals including bureaucratic reform and decentralized management.³³¹

In following up Sukarno's *Dekon* speech, First Minister Djuanda attempted to impose economic reform, aiming to solve Indonesia's economic predicament through various

³²⁹ C.L.M. Penders and Ulf Sundhaussen, *Abdul Haris Nasution: A Political Biography* (Queensland: University of Queensland Press, 1985), p. 160.

³³⁰ Mr. Gilchrist to Mr. R.A. Butler (no. 25, confidential), 'Indonesia: Annual Review 1963,' 6 March 1964, *Further Correspondence Respecting Indonesia part 18: January – December 1964*, the U.K. Foreign Office, F0 480/17, Public Record Office (PRO), London, p. 5.

³³¹ Anwar, *Political Diary: Sukarno – Tentara – PKI: Segitiga Kekuasaan sebelum Praha Politik 1965-1966*, p. 232.

governance reform measures while, he simultaneously pushed for the mission from the IMF to come to Indonesia and assess the feasibility of offering assistance.³³²

Subsequently, Djuanda introduced economic regulations outlining the need to increase prices, devalue the currency and deregulation to remove the bottlenecks in the bureaucracy in May 1963. However, this policy reform immediately came under attack from the PKI, who were concerned about the prospect of enacting the 'liberal policy'.³³³

The constant attack by the PKI during July-September 1963 was finally rewarded with the statement by Sukarno that the reform program needed to be corrected,³³⁴ but Djuanda's economic reform program was shattered by the initiation of Malaysia's confrontation campaign and his sudden death in November 1963.

Meanwhile, the political polarization continued, especially between Sukarno – the army – and the PKI. This aggravated the political division and the constant cabinet turnover hampered any efforts to address the economic morass.³³⁵

In the end, on 30 September 1965, the tension between Sukarno (supported by the PKI) and the army erupted in the form of an attempted coup by a number of mid-level army officers who were Sukarno's supporter, who took the life of six army generals, including the Army Chief Ahmad Yani. There were many versions of the cause of the attempted coup on 30 September 1965 that remains controversial even today.

³³² From Australia Ambassador to Jakarta J.C. Ingram to the Australia Secretary of Department External Affairs, 'Indonesian's Economic Policy - the President's Declaration', 5 April 1963, Attachment of Memorandum no. 604, *Indonesia Political General*, Pt. 38, file no. 3034/2/1, the National Archives of Australia, Canberra, p.2.

³³³ Mr. Gilchrist to Mr. R.A. Butler, letter (no. 25, confidential), 'Indonesia: Annual Review 1963,' p.7.

³³⁴ Harian Rakjat, 7 June 1963 in Mortimer, Indonesian Communism under Sukarno: Ideology and Politics, 1959-1965, p. 267

³³⁵ Anne Booth, *the Indonesian Economy in the Nineteenth and Twentieth Century: A History of Missed Opportunities* (London: MacMillan Press, Ltd., 1998), pp. 176-178.

The 30 September 1965 attempted coup and its subsequent events will be discussed further in the next chapter. Whatever motivated it, this tragedy gave momentum for the Army led by Suharto to consolidate its power, and it eradicated the PKI through the use of force as well as politically and eventually taking presidency from Sukarno in 1968. This marked the end of Sukarno's Guided Democracy.

Conclusion

Despite Hatta and Nasution famous for their high integrity and had a drive to push for governance reform and anti-corruption drive, but both incapable of expanding their distinguished personal character into a formidable political machine. Nasution attempted to become directly involved in politics by establishing the IPKI in 1954, but only acquired 4 parliamentary seats at the 1955 national election.³³⁶ Although Hatta was *de facto* leader of the administrator group in 1945-1956, he never formally led a political party.

Initially, Hatta and Nasution enjoyed an excellent collaboration in the late 1940s-early 1950s over the liquidation of the federal system and military reform.³³⁷ When Hatta and Nasution were both at the peak of their power during the late period of parliamentary democracy, philosophical differences arose between them, especially on the role of the army in politics.³³⁸

Therefore, based on Dahl's political pluralism analytical framework, the political resources possessed by Hatta, Nasution and Hamengkubowono like knowledge, education and organization were no match in the face of the resources of charisma, communication and, more importantly, popular support possessed by Sukarno and his solidarity maker group as reflected in Hatta's administrator group was losing in the national election 1955. More importantly, the

³³⁶ Sundhaussen, *The Road to Power: Indonesia Military Politics 1945-1967*, p. 91.

³³⁷ Penders and Sundhaussen, *Abdul Haris Nasution: A Political Biography*, p. 78.

³³⁸ Noer, *Mohammad Hatta: Biografi Politik [Mohammad Hatta: Political Biography]*, p. 467.

perilous legacy of guided democracy championed by Sukarno in 1959, in my view, created a template for the authoritarian political governance structure that undermined the checks-and-balance system; this was as argued by Linz and Stepan, Diamond and Merkel as democratic rollback.³³⁹ Thus the emergence of guided democracy was the first experience when Indonesia was facing democratic regression after the parliamentary democracy was de facto enacted by Sjahrir and Hatta in November 1945.

As for the short-lived anti-corruption endeavor under General Nasution through the Committee for Retooling the State Apparatus (PARAN) and the Budhi operation as well as the work by the State Apparatus Activities Supervision Agency (BAPEKAN) and BPK led by Hamengkubuwono IX, it should be recognized. In applying Kingdon's analytical framework as explained in the introduction section, however, both Nasution and Hamengkubuwono almost became policy entrepreneurs. Although both prominent figures were able to identify corruption as a pertinent issue and were trying to address it through their respective anti-corruption efforts, there was insufficient political momentum and support to enable them to bring about substantial changes.

Despite the fact that Sukarno was able to establish a guided democracy by outmaneuvering his political rivals, his government was unable to deliver sufficient economic and social welfare to the people as well as embroiling them in corruption. Therefore, in applying the political leadership analytical framework of Burns as outlined in the introduction section, Sukarno during guided democracy was only reflecting transactional leadership instead of transformation leadership in the context governance reform and anti-corruption. Despite the

³³⁹ Jual Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America and Post-Communist* (Baltimore: Johns Hopkins University Press, 1996), p. 15; Larry Diamond, *Developing Democracy Toward Consolidation* (Baltimore: John Hopkins University Press, 1999), p. 65, Wolfgang Merkel, 'The Consolidation of Past-Autocratic Democracies: A Multi-Level Model', *Democratization*, Vol. 5, No. 3, 1998, pp. 59 – 62.

strong nationalist rhetoric, in the end, Sukarno merely established a fragile alliance with the army and the PKI to ensure his political survival, as both of them needed his political popularity. According to Dahm, from the outset, Sukarno's efforts to bridge the two main political forces' opposing camps failed, as the army and PKI had distrusted each other from the start.³⁴⁰ As Friend sums up, 'By 1964-1965, despite all of Sukarno's talk about socialization, Indonesia was becoming laissez-faire, with a corollary of hyper-corruption.'³⁴¹ Meanwhile, John Legge observed that Sukarno's efforts to emphasize the style of politics over the substance of the political program protected the status quo of the corrupt elites.³⁴² As a result, when approaching the end of his reign in power, Sukarno had overseen both the political, economy and social crisis that became unravel.

³⁴⁰ Bernard Dahm, *Sukarno and the Struggle for Indonesian Independence* (Ithaca: Cornell University Press, 1969). p. 334.

³⁴¹ Theodore Friend, *Indonesian Destinies*, (Cambridge: the Belknap Press of Harvard Press, 2003), p. 98.

³⁴² John Legge, *Sukarno A Political Biography* (London: Allen Lane the Penguin Press, 1972), pp. 383-384.

Chapter 4: The Uncomfortable Marriage of Inconvenience: Suharto, University Students and the Opposition

This chapter examines the early period of the New Order era, which was not only supported by the army but also university students who were critical of President Sukarno. Thus, at the time, university students had high expectations that Suharto would not simply work to restore Indonesia's economic growth, but also addressing corruption in a more systematic way. However, the partnership between Suharto and the university students reflects a temporary convergence rather than a unifying alliance to address the corruption and governance predicament in Indonesia.

This chapter will start by examining Suharto's record prior to assuming the presidency when he was still commander of the army in Central Java, when he started and molded his business venture with a number of close business acquaintances also known as *cukong*. The chapter then discusses how, Suharto responded to the public demand to address corruption by setting-up several *ad-hoc* teams, like the Corruption Eradication team (TPK) and Commission Four (Komisi IV). It was during this period that Suharto's good relations with the university students initially reached its peak and then plummeted, triggered by the students' criticism of his family's involvement in cronyism. The chapter concludes with an analysis of the growing seeds of opposition because of the discontent among Suharto's former confidants, senior politicians and even former colleagues in the military, who were concerned about the growing personalization of state affairs which bred corruption.

There are seven sections in this chapter. The first section will assess the role of students and opposition group in the first two decades of the New Order era based on the existing academic literature. Suharto's stint as head of Army's Central Java Regional Commands which revealed his irregular practices in mixing business with military operation will be discussed in

the second section. Furthermore, Suharto's effort to address corruption and other irregularities under the previous Sukarno government will be illustrated in the third section. Then the fourth section will highlight the start of the uneasy relationship between Suharto and the university students in the context of addressing corruption. Moreover, the exposure of Suharto's family's irregularities in state affairs will be discussed in the fifth section. The sixth section will outline the breakdown of the relationship between Suharto and the university students that led to the dismantlement of the student activism and the opposition group. Then the seventh section provides the conclusion of this chapter.

Three arguments are advanced in this chapter. The first argument was that the various anti-corruption drives by Suharto were more of his reactions to the growing public discontent. As a result, Suharto addressed an anti-corruption drive using ad-hoc approaches rather than addressing the core of the problem. The second argument is that, as Suharto consistently prioritized the restoration of economic growth as the *raison d'être* of his presidency, which underpinned by political stability through the authoritarian structure. Therefore, the anti-corruption drive, pushed by the students was eventually thwarted – as evidenced by the restrictions the students' political activity on campus in the late 1970s.

The third and last argument is that it was Suharto who was sowing the seeds of discontent among the senior political elites and the intellectual community that led to the formation of opposition group. Although politically weak, this opposition started to create a dent in the credibility of Suharto to lead the nation. Although they were cast aside by the government, the leader of the opposition group under the New Order were successfully established a template for their successor to sustain the oppositional activities, albeit discreetly.

Assessing the Role of the Students and the Opposition Group in the first two Decades of the New Order

The role of the students' movement in the aftermath of Sukarno's fall was relatively supportive of the Suharto government in the 1960s especially in addressing corruption. Even in 1968, Suharto inaugurated a task force team composed of lecturers and students from the University of Indonesia to conduct research on a number of state apparatuses in order to tackle corruption.³⁴³ Even so, some former members of the Indonesia student movement Union (*KAMI*) joined the Indonesian Parliament as appointed MPs³⁴⁴ that played an important in the People's Consultative Assembly (*MPR*) by mobilizing the votes to ensure that Suharto became full president in 1968.³⁴⁵

Then, the students were starting to be critical, while targeting their criticism of corruption at Suharto's inner circle.³⁴⁶ At this stage Suharto still responsive to the students by setting up Commission IV to evaluate corruption-implicated institutions and was able to enact an anti-corruption law in 1971. However, as his family members were involved in corruption, the relationship between Suharto and the students deteriorated. As the national election approached, in 1971, the students adopted a confrontational approach by first criticizing the way in which the national election was organized. Then, they targeted Suharto's inner circle, especially his powerful personal assistant (ASPRI), which culminated in a huge student demonstration during the Japanese Prime Minister's state visit that triggered riots in Jakarta in January 1974, known as *Malari*.

³⁴³ Sjahrir, 'Pengamanan Dana dan Daya Negara: Soal Pemberantasan atau Pencegahan Korupsi? [Protecting State Funding and Resources: the Issue of Eradicating or Preventing Corruption?],' *Prisma*, No. 3, Year 1986, p. 13.

³⁴⁴ Max Lane, *Unfinished Nation: Indonesia Before and After Suharto* (London: Verso, 2008), p. 62.

³⁴⁵ Jusuf Wanandi, *the Shades of Grey: A Political Memoir of Modern Indonesia 1965-1998* (Singapore: Equinox, 2013), pp. 94-96.

³⁴⁶ Edward Aspinall, *Opposing Suharto: Compromise, Resistance, and Regime Change in Indonesia* (Stanford: Stanford University Press, 2005), p. 24.

The Malari incident marked the final break in the political rivalry between two powerful opposing political groups. The so-called pluralist group consisted of critical students allied with Chief of Operational Command for the Restoration and Security Order (KOPKAMTIB) Soemitro on the one hand, while the organicist group comprised of ASPRI led by Ali Moertopo. The battle was won by the latter group, as pluralist group figures and the student leaders who led the demonstration were arrested on charges of civil disturbance because of the riots in January 1974.³⁴⁷ Nonetheless, without powerful allies in government, the students became more radical and launched robust criticism directly against Suharto and his family in 1978. This led to a crack-down by the Suharto government that involved disbanding the student organizations on campus and applying the Normalization of Campus Life (NKK).

The crack-down on the student movement in 1974-1978 marked the end of the mass mobilization by students for the next eleven years.³⁴⁸ Most of the opposition figures at the time were either arrested or treated as exiles. Criticism of the ineffectiveness of the student movement in the 1970s and 1980s was posited by Indrakusuma by stating that the student lacks of boldness in mobilizing people.³⁴⁹ But, Sjahrir defended the student by arguing that at least they were engaging with the current social and political issues of the time.³⁵⁰

While mass mobilization was an important element in instituting pressure, in my view, it was not a chief factor. The opposition was easily dismantled because they did not receive support from the middle classes from the bureaucracy and military. The successful economic growth under the New Order made the middle class was willing to sacrifice their political freedom for their economic welfare. Whilst, the powerful conglomerates, which depended on

³⁴⁷ David Bourchier and Vedi R. Hadiz, 'Introduction' in David Bourchier and Vedi R. Hadiz, *Indonesian Politics and Society: A Reader* (London: Routledge, 2003), pp. 13-14.

³⁴⁸ Max Lane, *Unfinished Nation: Indonesia Before and After Suharto*, pp. 88-92.

³⁴⁹ Fazrul Akhmad, 'the Indonesia Student Movement – a Force for Radical Social Change', *Prisma*, No. 47, September 1989.

³⁵⁰ Sjahrir, Pilihan Angkatan Muda: Menunda atau Menolak Kekalahan? [The Choice of Youth Movement: Delay or Refuse to Lose?], *Prisma*, 6 June 1987, pp. 6-9.

the state patronage, wanted to ensure the political *status quo* as political openness would risk their business.³⁵¹ To make matters worse, the state intervened constantly to ensure that civil society did not become unified against the government.³⁵²

Facing greater constraints in the political arena by Suharto approaching the early 1980s, some former students activists were continuing their political struggle through engaging in Non-governmental Organizations (NGOs), since the government did not see them as a threat as focusing on ‘non-political’ issues, like poverty, law advocacy and consumer rights and without mass mobilization.³⁵³ As a result, despite a promising start in the early New Order period, the students were overpowered by the vested interest that supported by Suharto, which resulted in the marginalization of the anti-corruption effort in 1980s.

Suharto and corruption: the early years

Before we discuss further Suharto’s presidency that started in 1968, we should look back more than ten years to when Suharto headed the Central Java army command when he set up an economy governance structure which epitomized his rigid, domesticated view by mixing business interests with state affairs. Then, Suharto would replicate these at the national level during his Presidency.

However, what Suharto practiced in Central Java was not exclusive to him. During the 1950s, there had been constant conflict between the civilian political leaders and central military command that created uncertainty over supplying a sufficient budget. Therefore, the regional commanders started to make deals with local businesses to preserve the loyalty of the

³⁵¹ Jaques Bertrand, “Business as Usual” in Suharto’s Indonesia’, *Asian Survey*, Vol. 37, No. 5, May 1997, pp. 442-443.

³⁵² Arief Budiman, ‘Indonesian Politics in the 1990s’, in Harold Crouch and Hal Hill (eds.), *Indonesia Assessment 1992: Political Perspectives on the 1990s* (Canberra: Panther and Publishing Press, 1992) pp. 135-136; Arief Budiman, ‘Political Activities Before and After 1988’, in David Bourchier and John Legge (eds.), *Democracy in Indonesia 1950s and 1990s* (Clayton: Monash University, 1994), pp. 229-235.

³⁵³ Edward Aspinall, *Opposing Suharto: Compromise, Resistance, and Regime Change*, p. 92.

troops by providing basic needs. However, the lucrative dealings between the regional commanders and local businesses involved smuggling in export-producing border areas, which also provided the opportunity for the personal enrichment that was becoming the corruption pattern that had plagued the military until Suharto's presidency.³⁵⁴

Therefore, during his appointment in poverty and malnutrition stricken Central Java, in 1957, Suharto was facing the same budget challenges in order to ensure his troops' welfare.³⁵⁵ He justified his decision in the context of facing the growing influence of the PKI in the regions, particularly after the regional elections in July 1957.³⁵⁶ Suharto had observed that the solutions provided by the PKI to address poverty made them more popular in the region. To advance this mission, Suharto managed to recruit young army officers like Ali Moertopo and Soedjono Humardani,³⁵⁷ who later became highly influential advisors of Suharto as president.

In supplementing his troop's basic needs and supporting the economic activities in Central Java, Suharto set up the Territorial IV Foundation (YTE) to raise funds in June 1957. Then, he established the Development Fund Territorial IV Foundation (YPTE) to provide financial support to farmers and villagers and retired military officers.³⁵⁸ The foundation was based on their ability to impose tariffs on goods and services – like, the ownership of radio or use of electricity – and also received charity from local business. In early 1959, the YPTE's capital was around Rp.35 million and an accumulated reserve of around Rp.16 million.³⁵⁹

³⁵⁴ Ruth McVey, 'The Post-Revolutionary Transformation of the Indonesian Army', *Indonesia*, No. 11, April 1971, pp. 152 – 153.

³⁵⁵ R.E. Elson, *Suharto A Political Biography* (Cambridge: Cambridge University Press, 2001), p. 60.

³⁵⁶ Retnowati Abdulgani – Knapp, *Suharto: the Life and Legacy of Indonesia's Second President* (Marshall Cavendish: Singapore, 2007), p. 36.

³⁵⁷ Elson, *Suharto A Political Biography*, pp. 60-61.

³⁵⁸ G. Dwipayana and Ramadhan K.H, *Pikiran, Ucapan dan Tindakan Saya: Otobiografi Suharto* [My thoughts, words and Deeds: Suharto's Autobiography] (Jakarta: PT. Citra Lamtoro Gung, 1989), p. 23.

³⁵⁹ Elson, *Suharto A Political Biography*, p. 63.

However, Suharto's involvement in smuggling while in Central Java got him into trouble. In order to address the food shortage, Suharto with the support of local leaders decided that they needed to import rice from Thailand by illegally selling sugar that was obtained from the depleted former Dutch company sugar factories to Singapore with help of local businessmen Bob Hasan.³⁶⁰

Meanwhile, the Army Chief Nasution intensified the anti-corruption drive in 1959, in response to the growing dissatisfaction with the military due to the criticism that martial law caused the army leaders to become implicated in corruption, especially those assigned to managing the state enterprises.

Suharto's business activities in Central Java thus became a target for inspection by the Army brass. After the investigation in October 1959, the army announced that the unauthorized levies found in Central Java had not been found elsewhere.³⁶¹ After three and a half years, he was transferred for training to the Army Staff and Command School in Bandung.³⁶²

Based on Jenkins observation Suharto's Central Java stint shows 'cavalier attitude to the ethical issues of fundraising and to the commercialization of office, thereby undermining the viability of the Indonesian state.'³⁶³ Jenkins has a valid point on the Central Java episode. However, in my view, the mixing of business interests with state or military affairs was not exclusive to Suharto, since the regional commanders who applied the same practice, such as in West Java or North Sulawesi.

³⁶⁰ Abdulgani – Knapp, *Suharto: The Life and Legacy of Indonesia's Second President*, p. 36.

³⁶¹ *Ibid.* p. 37.

³⁶² G. Dwipayana and Ramadhan K.H, *Pikiran, Ucapan dan Tindakan Saya: Otobiografi Suharto* [My thoughts, words and Deeds: Suharto's Autobiography].

³⁶³ David Jenkins, 'One Reasonable Capable Man: Suharto's Early Fund Raising' in Edward Aspinall and Greg Fealy (eds.), *Suharto's New Order and its Legacy: Essays in Honor of Harold Crouch* (Canberra: Australian National University (ANU) E- Press, 2010), p. 18.

Promising Start for Suharto

As the head of the Army Strategic Reserve Command (KOSTRAD) Suharto had never been expected to be a successor of the charismatic Sukarno. After the attempted coup led by mid-ranking army officials, that led to the death of Army Chief General Ahmad Yani and five other officers in the early morning of 30 September 1965, it gave the Army, led by Suharto, the momentum gradually to take power from Sukarno in 1965-1968.

There has been continuing debate about the account of the murder of the army officer on 30 September 1965, especially as it triggered Lieutenant Colonel Untung from the presidential guard unit (Cakrabirawa) and his military group claimed that the 30 September movement took action based on an unconfirmed report about the planned coup against Sukarno by the Council of General, led by the army. The government's version was that the PKI had planned a coup, for which they had recruited elements of the army and air force to defeat the army, and take over the country.³⁶⁴ Another scenario was that Suharto was the main perpetrator of the plot that, at one stroke, could get rid of his rival in the army, destroy the PKI and topple Sukarno from the presidency.³⁶⁵ However according to Wanandi, since Suharto's military position was weak, coalesced with his humble origins, Suharto did not have the capacity to design such a complicated plan.³⁶⁶ Then, based on 'the Cornell report', it concluded that the coup was based on the internal rivalry within the army, whereby a small group from the Diponegoro division, led by Colonel Untung, initiated the movement against the generals, and

³⁶⁴ Nugoraho Notosusanto and Ismael Saleh, *the Coup Attempt of the 'September 30th movement' in Indonesia* (Jakarta: Pembimbing Masa, 1968).

³⁶⁵ Carmel Budiardjo, 'Did Suharto mastermind the 1965 "coup attempt"?' *Tapol Bulletin*, No. 50, year 1982, p. 12.

³⁶⁶ Jusuf Wanandi, *Shades of Grey: A political Memoir of Modern Indonesia* (Singapore: Equinox, 2012), pp. 50 – 51.

used their association with the PKI and Sukarno to advance their goal.³⁶⁷ However, my view more inclined toward Rossa's research, which is based partly on the self-reflection account of Soepardjo, the highest ranking military member involved in the 30 September plot. Rossa's concluded that the 30 September movement was a clandestine operation endorsed by PKI chair Aidit, which was executed erroneously. As a result, the PKI failed to mobilize its masses, without back-up plan and failed to receive Sukarno's support.³⁶⁸ As a result, Suharto was using the momentum of the PKI's plot's disarray to launch a counterattack and dismantle the PKI nationwide.³⁶⁹

Another controversy emerged as Suharto led the army to step up his anti-PKI campaign. Then Suharto skillfully positioned himself as a strong leader. Law and order broke down, whereby there was a systematic purge not only of members of the PKI but also their families. This episode still sparks controversy in Indonesia today, as the Indonesia Human Rights Commission concluded that there had been a gross violation of human rights during 1965-1966, whereby approximately 32,000 people went missing and around 2000 more were killed.³⁷⁰ Coordinating Minister for Security Djoko Suyatno defended the government's action, arguing that this would have been the other way round if the PKI had won the struggle.³⁷¹

It was clearly a mass-killing during 1966-1965, that has been continuously raised by leading national and international human rights activists and agencies. The question is whether

³⁶⁷ Benedict R. Anderson and Ruth T. McVey (with the assistance of Frederick P. Bunnell), *A preliminary analysis of the October 1, 1965 coup in Indonesia* (Ithaca: Modern Indonesia Project Cornell University, 1971), p. 63.

³⁶⁸ John Rossa, *Pretext for Mass Murderer: The September 30th Movement & Suharto's Coup D'etat in Indonesia* (Madison: the University of Wisconsin Press), pp. 215 – 220.

³⁶⁹ *Ibid.* pp. 220 – 224.

³⁷⁰ Komisi Hak Asasi Manusia (Komnas HAM). 'Statement by the Indonesia Human Rights Commission (Komnas – HAM) on the Investigation Result of Gross Human Rights Violation in the Event of 1965-1966, 23 July 2012, p. 23, retrieved on 2 January 2015 from

http://www.elsam.or.id/downloads/1343901109_Ringkasan_Eksekutif_Penyelidikan_Peristiwa_65.pdf

³⁷¹ 'Govt Denies 1965 Rights Abuses Happened', *the Jakarta Post*, 2 October 2012, retrieved on 2 January 2015 from <http://www.thejakartapost.com/news/2012/10/02/govt-denies-1965-rights-abuses-happened.html>

the killing was justified in defending the nation from the threat of the PKI, especially since it was extended to the PKI members' families. The truth and reconciliation commission on the 1965-1966 killings, in my opinion, ought to be established following the same model as in South Africa or the recent one involving Indonesia and East Timor to reach a closure for the government and the victims. Unfortunately, the truth and reconciliation commission, was disbanded by the Constitutional Court (MK) in December 2006.³⁷² As a result, the controversies surrounding the 1965-1966 killings still linger in Indonesia as no credible political mechanism to address this pertinent issue.

Amidst the controversy surrounding the nationwide purging of the PKI, the action enhanced Suharto's reputation among the army leaders, who were deeply disappointed by Sukarno's muted reaction to the killing of the generals.³⁷³ Then, Suharto pressured Sukarno through the mobilization of street demonstrations by students, and then sent three army generals to meet Sukarno, demanding the authority to restore order and security. As a result Sukarno issued the 11 March 1966 letter of instruction (SUPERSEMAR).

Suharto used SUPERSEMAR which was, *inter alia*, to dissolve the PKI, arresting Ministers closely associated with Sukarno and the PKI and establishing a new cabinet filled with his supporters.³⁷⁴ This created a dual leadership, whereby Suharto expanded its authority as evident from his influence over the cabinet composition. Meanwhile, Sukarno was still *de jure* the President.

³⁷² 'Undang-Undang Komisi Kebenaran dan Rekonsiliasi Dibatalkan (Law on the Truth and Reconciliation Commission was Annulled)', *Tempo.co*, 7 December 2006, retrieved on 2 January 2015 from <http://www.tempo.co/read/news/2006/12/07/05589110/Undang-Undang-Komisi-Kebenaran-dan-Rekonsiliasi-Dibatalkan>

³⁷³ John D. Legge, *Sukarno: A Political Biography* (London: Allen Lane the Penguin Press, 1972), p. 395.

³⁷⁴ From Mr. Phillips to Mr. Brown, 'Indonesia: Annual Review for 1967,' 9 January 1967, letter (confidential), *Further Correspondence Respecting Indonesia part 21: January-December 1967*, the U.K. Foreign Office, F0 480/19, Public Record Office (PRO), London, p. 2.

In February 1967, Suharto and his supporter managed to control the MPR and arranged assembly to reject Sukarno accountability speech and its addendum.³⁷⁵ Finally, on 12 March 1967, the MPR convened an assembly at which they stripped all Presidential privileges from Sukarno and installed Suharto as Acting President. Ultimately, through the provisional session of the MPR in 1968, Suharto became a full President.³⁷⁶

One of the main promises of Suharto was to address the corruption in Sukarno era.³⁷⁷ As a result, relationship between Suharto and the student activists in addressing corruption reached its peak when the army arrested 15 ministers because their connection with the 30 September Coup and those who lived in luxurious life.³⁷⁸ The prosecution of Chaerul Saleh and Jusuf Muda Dalam was not just exposing their governmental incompetence but also delegitimizing Sukarno's regime. The trial of former BI governor Jusuf revealed Sukarno's government's mismanagement and corruption.³⁷⁹

Furthermore, Suharto as the Army Chief and Vice Prime Minister for Security Affairs, established a Financial Supervision Team (PEKUNEG) on 30 April 1966 to focus on corruption prevention, led by Army Major General Suryo.³⁸⁰

The PEKUNEG uncovered corruption by businessmen with close-link to Sukarno's trusted ministers, such as Chaerul and Jusuf through special facilities and business dubious practices, like deferred tax payments and the abuse of revolutionary funds. The PEKUNEG's

³⁷⁵ Wanandi, *Shadows of Grey: A Political Memoir of Modern Indonesia 1965 – 1998*, pp. 71 – 72.

³⁷⁶ Mr. Hainworth to Mr. Brown, Letter (Confidential), 'Indonesia: Annual Review for 1969,' 17 January 1969, *Further Correspondence Respecting Indonesia part 23: January-December 1969*, the U.K. Foreign Office, FC0 480/20, Public Record Office (PRO), London, p. 2.

³⁷⁷ From Mr. Phillips to Mr. Brown, letter (confidential), 'Indonesia after Sukarno', 22 May 1967, *Further Correspondence Respecting Indonesia part 21: January – December 1967*, FO 480/19, Public Record Office (PRO), London, p.2.

³⁷⁸ Harold Crouch, *the Army and Politics in Indonesia* (Ithaca: Cornell University Press, 1978), p. 195.

³⁷⁹ 'Jusuf Muda Dalam dimuka Pengadilan Subversi [Jusuf Muda Dalam In front of Subversion Court Trial]', *Kompas*, 31 August 1966, p.1.

³⁸⁰ 'Fakta-fakta Penyelewengan Ekonomi Terbongkar (*Facts on various economic abuses is revealed*)', *Kompas*, 7 July 1966, p. 1.

work helped the Suharto-led army to shore up his power base in government.³⁸¹ Until September 1966, the PEKUNEG team claimed that they could avert a potential substantial state loss of more than US\$6.1 million, 1.1 million Hong Kong Dollars, and more than 58 million Yen.³⁸²

Then, Jusuf Muda Dalam became the first minister to be tried in August 1966, charged on several counts, including smuggling a weapon and its ammunition as well as dangerous explosive material into Jakarta and siphoning revolutionary funds worth more than Rp.97 billion.³⁸³

During his defense, Jusuf claimed that what he had done was to support Sukarno's revolutionary mission based on the cabinet support.³⁸⁴ Eventually, he was found guilty by the court and sentenced to death and his appeal was then rejected in 1967.³⁸⁵ .

As an acting president Suharto also established the Anti-corruption team (TPK) in December 1967. The TPK team – led by the Attorney General Sugih Arto – had the authority to lead, coordinate and supervise all of the law enforcement agencies in the investigation and prosecution of corruption cases.³⁸⁶

However, the TPK team was unable to prosecute the powerful high-ranking army officers. The press criticized Sugih Arto, for paying too much emphasizes on law procedure;

³⁸¹ Mr. Phillips to Mr. Brown, Letter (Confidential), 'Indonesia: Annual Review for 1967,' p.2.

³⁸² 'Pemasukan Uang Kas hasil Pekuneg (*The State Cash Revenue generated by Pekuneg*)', *Kompas*, 29 September 1966. P. 1.

³⁸³ 'Jusuf Muda Dalam dimuka Pengadilan Subversi [Jusuf Muda Dalam In front of Subversion Court Trial]', pp. 1-2.

³⁸⁴ 'J.M.D Ingkari Semua Tuduhan: Ketjuali mengenai soal Kawin [J.M.D. refused All Accusation: Except on his Marriages]', *Kompas*, 8 September 1966, pp. 1-2.

³⁸⁵ 'Keputusan Pengadilan Subversi: J.M.D. Mati [the Subversion Court Ruling: J.M.D Dead]', *Kompas*, 10 September 1966, p.1; Supreme Court Decision number 15/k/kr/ 1967 on Cassation Request by Jusuf Muda Dalam.

³⁸⁶ Presidential Decree (*Keputusan Presiden* – KEPPRES) number 228 year 1967 on the Anti-Corruption team (*Tim Pemberantasan Korupsi* – TPK), article 3.

thus, the prosecutions only involved low level officials.³⁸⁷ Nonetheless, the Deputy Attorney, General Sutrisno Hamidjojo revealed the real difficulties for the TPK was the lack of political support to prosecute powerful figures.³⁸⁸

In early 1970, the TPK team announced that the investigation had been completed for 144 cases, but a number of big cases remained incomplete, like on the state -owned oil company, PERTAMINA, and the National Logistic board (BULOG), led by Army leaders.³⁸⁹

The Fragile Relations among Suharto and the Students

After around three years, it was clear that the effort by Suharto to set up PEKUNEG and the TPK team to curb corruption had failed. To make matter worse, the head of PEKUNEG, Suryo, was also suspected of hiding his assets abroad. Frustrated, the students in Jakarta established their own anti-corruption committee (KAK). The relationship between students and government entered what Sjahrir called the ‘constructive-criticism’ stage.³⁹⁰ During the period of 1967-1970, the students along with their lecturers were part of ‘Task force of University of Indonesia (UI)’ that conducted a study in 1968 to simplify the bureaucracy to reduce corruption.³⁹¹

Another response from Suharto was the establishment of Commission Four (*Komisi 4*) on 31 January 1970. However, the commission was weak since it did not have the authority to

³⁸⁷ ‘Sorotan terhadap TPK [attention on TPK],’ *Kompas*, 15 April 1968, p. 2.

³⁸⁸ ‘Hukum Sulit Ditegakkan karena Ada Sistem Backing-backingan [Law Enforcement is Difficult because there is a ‘Back-up’ System],’ *Kompas*, 21 May 1968. p. 1 and p. 2.

³⁸⁹ *Kompas*, 3 February 1970 in Crouch, *the Army and Politics in Indonesia*, p.296.

³⁹⁰ Sjahrir, *The Political Economy of Basic Needs in Indonesia: A Prospective Appraisal* (Doctoral Dissertation: Harvard University, 1983), p. 162.

³⁹¹ Sjahrir, ‘Pengamanan Dana dan Daya Negara (Protecting State’s Resource and Funding]’, *Prisma*, edition number 3, year 1983, pp. 13 – 14.

prosecute, but only to review the government's policies and provide policy recommendations to address corruption.³⁹²

The Commission Four was chaired by the former Prime Minister Wilopo.³⁹³ The Commission Four became more credible when widely respected former Vice President Muhammad Hatta was appointed as its advisor.³⁹⁴

Mohammad Hatta realized Commission Four's limitation; therefore he requested Suharto's support:

Should there be an investigation into 'powerful' figures who are suspected of being involved in corruption, then if necessary President Suharto must become directly involved in helping the commission's work.³⁹⁵

Despite its limited authority, Commission Four performed reasonably well by asking questions and gather data from high officials, such as the ministers of finance and the state audit agency (BPK). In the end, Commission Four supplied seven reports at various stage, including on the Attorney General Office and the high profile corruption prosecution, followed by a couple of reports on the state oil company, PERTAMINA, BULOG and the state forestry enterprise, PERHUTANI. A report on the state administrative reform and the new method for corruption eradication was also produced.³⁹⁶

Overall, all of the reports provided by Commission Four criticized the governance and corruption issue, exposing the financial mismanagement and lack of accountability in state

³⁹² Presidential Decision Decree (*Keputusan Presiden* – KEPPRES) number 12 year 1970 on Commission 4, article 3 section 1.

³⁹³ Presidential Decision Decree (*Keputusan Presiden* – KEPPRES) number 12 year 1970 on Commission 4, article 1.

³⁹⁴ Presidential Decision Decree (*Keputusan Presiden* – KEPPRES) number 13 year 1970 on the Appointment of Mohammad Hatta as advisor to President, article 1.

³⁹⁵ 'Kalau Perlu Presiden Dapat Turun Tangan Menghadapi Koruptor-Koruptor Kebal [If Needed President could Directly Involved in facing powerful and Corrupt figures],' *Kompas*, 5 February 1970, p.1.

³⁹⁶ J.A.C. Mackie, 'the Commission Four Report on Corruption', *Bulletin of Indonesia Economic Studies*, Vol. 6, No. 3, p. 89.

enterprises, mentioned above.³⁹⁷ Perhaps it was the first high quality report to the President that address governance reform and anti-corruption issues comprehensively. However, Suharto was reluctant to endorse the report recommendation. Commission Four's report was later leaked by the leading Indonesia newspaper, *Sinar Harapan*, at the end of July 1970 that embarrassed Suharto.³⁹⁸ This was suspected of being a deliberate attempt by Commission Four to pre-empt an intention to water down the content of the report.

Meanwhile, the relationship between President Suharto and the students' Anti-Corruption Committee was deteriorating. At the first meeting, the students had a frank discussion with Suharto in July 1970, during which they reported the possible corruption by the head of PEKUNEG, Suryo.³⁹⁹

Then, during the second meeting in August 1970, the atmosphere changed dramatically.⁴⁰⁰ As described by Budiman:

Suharto suspected the students of being used by his opponents, who want to place a wedge between him and his close associates by bringing up the issue of corruption.⁴⁰¹ The government tried to display to the public that it was serious about stepping up its efforts to curb corruption. During the cabinet meeting in August 1970, Suharto required the state officials to report their wealth and discussed how to reform bureaucracy and strengthen the anti-corruption policy.⁴⁰²

³⁹⁷ Elson, *Suharto A Political Biography*, p. 195.

³⁹⁸ Interview with Aristides Katoppo, Chief Editor of *Sinar Harapan* during that period, 26 February 2014, Singapore.

³⁹⁹ 'Perutusan Mahasiswa Sampaikan Bahan mengenai Pekuneg (Student Delegation gave Materials on Pekuneg),' *Kompas*, 20 July 1970, p. 1.

⁴⁰⁰ From Mr. R.M. Hunt to Mr. D.F.B. Sullivan, letter (confidential), 'The Commission IV: Students Anti-Corruption Campaign,' 11 August 1970, *Demonstration by Students in Indonesia*, the U.K. Foreign Commonwealth Office (FCO), FCO 24/ 748, Public Record Office (PRO), p. 1.

⁴⁰¹ 'Sesudah Dua Kali Bertemu Pak Harto (After the Second Time Meeting Mr. Suharto],' *Kompas*, 8 August 1970, p. 7.

⁴⁰² *Ibid.*

However, the students were unimpressed because Suharto never announced the list of property owned by state officials and the prosecution by the AGO only involved minor officials.⁴⁰³ As a result, Suharto's relations with the student's KAK had deteriorated, even on 8 August 1970; Suharto refused to meet the students.⁴⁰⁴

Again, there was revived hope of anti-corruption efforts, when the Indonesian parliament (DPR) enacted the anti-corruption law on 12 March 1971. The law stipulated that corruption should be legally defined as a crime, whilst previously corruption had only been associated with other offences.⁴⁰⁵ However, there were some weaknesses in the law, since it could not be applied retroactively, due to intensive lobbying by the government.⁴⁰⁶ Another weakness of the anti-corruption law was that it did not subject army personnel to the jurisdiction of the civil administration.⁴⁰⁷

It was evident that by this time that the early anti-corruption effort through PEKUNEG and the TPK was selective and only prioritizing corruption cases in the previous Sukarno's administration. This is linked to the second argument of this thesis as outlined in the introduction section. Then, as the university students became critical of the alleged corruption involving his trusted aides, Suharto tried to accommodate their demands, for instance by establishing Commission Four. However, it was clear that Suharto never intended to address governance issues comprehensively as Commission Four had only limited authority. Even Commission Four's comprehensive corruption findings and progressive recommendations that

⁴⁰³ Crouch, *the Army and Politics in Indonesia*, p. 298.

⁴⁰⁴ From Mr. R.M. Hunt to Mr. D.F.B. Sullivan, letter (confidential), 11 August 1970, 'The Commission IV: Students Anti-Corruption Campaign.' *Op.Cit.*

⁴⁰⁵ From D. Reeves to Mr. Monfries and Mr. McLennan, Memo (confidential), 'Corruption Bill,' 22 March 1971, *Indonesia: Social and Cultural: Corruption and Smuggling*, File number 201/ 15, the Australia's Department of Foreign Affairs, National Archives of Australia, Canberra.

⁴⁰⁶ 'RUU Anti Korupsi di Sahkan [the Bill on Anti-Corruption is enacted],' *Kompas*, 13 March 1971, p. 1 and p. 12.

⁴⁰⁷ Inward Savingram number 19 (confidential), 19 March 1971, *Indonesia, Corruption*, The Australia's Department of external Affairs, F. 3034/2/9/1, National Archives of Australia, Canberra.

were leaked by the press were never followed-up seriously. This is linked to the first argument of this thesis where the governance reform, in this case under Suharto, was never applied consistently due to a lack of political support. Despite credible recommendations from the Commission Four, the unwillingness of Suharto to apply it undermined the governance reform effort.

The First Public Exposure of Irregularities involving Suharto's Family

A year after the students met Suharto, it was quite clear that the problem of corruption in Indonesia not just pertained to his close associates but was linked with Suharto. At first, the students established the White Group (*Golput*) that announced that they would boycott the election by refusing to vote due to the overwhelming manipulation by the government to ensure Golkar won the 1971 election.⁴⁰⁸ In a systematic fashion, the government hassled Golput by disbanding their discussion and interrogating the leaders.⁴⁰⁹

The relationship between Suharto and the students broke down completely when the student activists targeted Suharto's wife – Tien Suharto – over the development of amusement park called 'Taman Mini Indonesia Indah,' in January 1972. The allegation of Tien Suharto's involvement in corruption through her intervention in state projects also reached the diplomatic circles, leading to her nickname: 'Mrs Ten percent.'⁴¹⁰ The students' concern about the *Taman Mini Indonesia* project was raised by one of the student leaders, Marie Muhammad, that the project would hamper the Indonesia development program.⁴¹¹

⁴⁰⁸ Golongan Putih (The White Group), 'Boycott the Elections', in Bourchier and Hadiz (eds.), *Indonesian Politics and Society: A Reader*, pp. 73-74.

⁴⁰⁹ Sanit, *Analisa Pandangan Fenomena Politik Golput*, p. 29.

⁴¹⁰ From the UK Ambassador in Jakarta J.A. Ford to the Secretary of Foreign and Commonwealth Office James Callaghan, letter (confidential), 'Indonesia: the Anatomy of Corruption,' 5 April 1976, *Corruption in Indonesia*, the UK Foreign Commonwealth Office (FCO), FCO 15/2172, the Public Record Office, London, p.6.

⁴¹¹ 'Project Mini: Adakah Jalan Keluar? [Mini Project: Is there a way out?], ' *Kompas*, 3 January 1972, p.1.

During a panel discussion on the Taman Mini Project on 3 January 1972, Dorodjatun Kuntjoro-Jakti, stated that Rp.10.5 billion to establish the amusement park was too expensive and would burden society.⁴¹²

In response to the students' growing criticism of the *Taman Mini project* and his wife role, Suharto reacted angrily by defending the project that it would not affect development since it was a private project in his speech on 6 January 1972. Suharto went further, asserting that the real target of the protesters was not the *Taman Mini project*, but that their short-term target was to discredit the government, while their long-term target was to drive out the military from the executive.⁴¹³

This strong statement by Suharto triggered sympathy and support from academicians. On 25 January 1972, the group of seven academicians issued a statement sympathizing with the students' criticism of the Taman Mini projects. These lecturers included Dorodjatun Kuntjoro-Jakti, Mardjono Reksodipuro and Juwono Sudarsono. They also formed a discussion group that was critical of the government, called the University of Indonesia Group Discussion (GD UI), and organized regular seminars, which was helping to develop policies for student protesters in 1973-1974.⁴¹⁴ This academician in the campus aligned themselves with the technocrats and the progressive elements in the army, led by the KOPKAMTIB chief, Soemitro.⁴¹⁵ At the time, their strong competitor was the influential personal assistants (ASPRI) of Suharto, led by Ali Moertopo (politics) and Soedjono Humardani (the economy).

⁴¹² 'Diskusi Panel tentang Projek Mini Dibubarkan [Discussion Panel on Mini Project was Disband],' *Kompas*, 4 January 1972, p.1.

⁴¹³ 'Presiden Beri Tanggapan Keras [Presiden give his Strong Response],' *Kompas*, 7 January 1972. p.1.

⁴¹⁴ Lane, *Unfinished Nation: Indonesia Before and After Suharto*, pp. 70-72.

⁴¹⁵ Interview with Dorodjatun Kuntjorojakti, Coordinating Minister for Economic Affairs in 2001-2004 and junior academics from University of Indonesia who was critical of Suharto in early 1970s, 19 November 2013, Jakarta.

After Suharto's strong reaction to his critics, KOPKAMTIB acted swiftly in January 1972, by arresting a number of students and activists who was involved in various anti-corruption protests over the past two years, including Arief Budiman and HJ Princen.⁴¹⁶

The Confrontation and Dismantlement of the Student Movement as well as the Opposition Group

As a tactical political move, the Head of the Student Association at the University of Indonesia, Hariman Siregar, tried to forge a relationship with a powerful faction within the army which was led by Soemitro, head of KOPKAMTIB.⁴¹⁷

The students staged a protest in October 1973, where they announced a resolution to protest against corruption, the abuse of power, rising prices, unemployment and illegal activities by the ASPRI.⁴¹⁸ Despite the growing anti-government sentiment, KOPKAMTIB chief Soemitro was very accommodating of the students' concerns and in December 1973 tour around big state universities, tried to contain the rising political temperature.⁴¹⁹

The students stepped up their rhetoric on 10 January 1974, by passing a resolution calling for the abolition of the President's ASPRI, reduced prices and the addressing of corruption as well as demand to curb luxurious lifestyles.⁴²⁰

In the end, on 11 January 1974, 35 student council groups met President Suharto to discuss their various concerns, but many questions remained unanswered and the Suharto's

⁴¹⁶ 'Arief Budiman, Dkk., Sudah boleh Ditemui Keluarganya [Arief Budiman and his associates Can Meet his Family]', *Kompas*, 2 Februari 1972, p. 1.

⁴¹⁷ John Bresnan, *Managing Indonesia: the Modern Political Economy* (New York: Columbia University Press, 1993), p. 139.

⁴¹⁸ From R J Field to R E Palmer, letter (confidential), 'HANKAM Briefing on January Riot in Jakarta,' 12 February 1974, *Political Situation in Indonesia 1974*, the U.K. Foreign Commonwealth Office (FCO), FCO 15/1935, Public Record Office (PRO), London, p. 2.

⁴¹⁹ Ramadhan K.H., *Soemitro; Former Commander of Indonesian Security Apparatus* (Jakarta: Pustaka Sinar Harapan, 1996), p. 377 and p.351.

⁴²⁰ From Her Majesty Ambassador in Jakarta to Secretary of State for Foreign and Commonwealth Affairs, letter (Confidential), 'the Jakarta Riots of 15 and 16 January 1974,' 19 February 1974, *Political Situation in Indonesia 1974*, the U.K. Foreign Commonwealth Office (FCO), FCO 15/1935, Public Record Office (PRO), London, p. 2.

response was quite vague.⁴²¹ When the students asked Suharto about his wife and other family members' business interests, Suharto merely smiled and said nothing.⁴²² He even challenged the students to provide concrete evidence.⁴²³

In light of Japanese Prime Minister Tanaka's state visit, the students decided to continue protesting in the streets. But as the unidentified mob started to damage buildings and cars, the student demonstration led to the riot on 15 January 1974 became known as the 'Malari'. The riot cost 11 student lives while 137 others were injured. About 1000 vehicles were destroyed and 150 buildings damaged.⁴²⁴

In response to riots, the government announced on 17 January 1974 that preventive and repressive action would be taken to restore law and order.⁴²⁵ Pertaining to military factional rivalry, Suharto wanted to demonstrate his neutrality by taking over the command of KOPKAMTIB from Soemitro while at the same time disbanding the ASPRI who had been targeted by students.⁴²⁶

The repressive measure that was taken by the Indonesian government led to 820 arrests, including that of 14 university students, 83 other students, four MPs and several officers. These included human rights defenders (Adnan Buyung Nasution and HJ Princen) and other activists like Marsillam Simanjuntak and Dorodjatun Kuntjoro-Jakti. This was a set-back for the campus activist and the progressive faction within the army.

⁴²¹ 'Katakanlah dengan Senyuman [say it with a smile],' *Tempo Magazine*, 19 January 1974, Retrieved on 12 Desember 2013 from <http://majalah.tempo.co/konten/1974/01/19/NAS/63753/Katakanlah-Dengan-Senyum/46/03>

⁴²² From Her Majesty's Ambassador in Jakarta to Secretary of State for Foreign and Commonwealth Affairs, letter (confidential), 'the Jakarta Riots of 15 and 16 January 1974,' 19 February 1974, 'p. 2.

⁴²³ 'Katakanlah dengan Senyuman [say it with a smile],' *Tempo Magazine*.

⁴²⁴ From Her Majesty's Ambassador in Jakarta to Secretary of State for Foreign and Commonwealth Affairs, letter (confidential), 'the Jakarta Riots of 15 and 16 January', 19 February 1974, p. 3.

⁴²⁵ 'Enam Langkah Preventif dan Repressif untuk atasi Keadaan [Six Preventive and Repressive measures to restore the situation]', *Kompas*, 18 January 1974, p.1.

⁴²⁶ Cable from WI Combs to EN Claire, 'Indonesia Internal Situations,' 23 February 1974, *Political Situation in Indonesia 1974*, the U.K. Foreign Commonwealth Office (FCO), FCO 15/ 1935, Public Record Office (PRO), London, p. 1.

Eventually, only the student leaders were prosecuted by the attorney general's office – Hariman Siregar and Sjahrir from the University of Indonesia and Aidin Chalid from Gadjah Mada University.⁴²⁷ The leader of the University of Indonesia's student group, Hariman Siregar, was sentenced to six years in prison due to subversion, while Sjahrir was also sentenced to 6.5 years.⁴²⁸

In 1975-1977, the students intensified their criticism directed at Suharto's family members. They wanted Suharto's family to answer the accusation that Indonesia's first family was taking advantage of government projects to accumulate a vast personal fortune. During a press conference in October 1976, Suharto's brother, Probosutedjo, and eldest son, Sigit, denied the corruption accusation by the students.⁴²⁹

In another development, the government launched an anti-corruption campaign, known as *operasi tertib* (OPSTIB), in September 1977. The *OPSTIB* operation was led by J.B. Sumarlin, Minister for the State Apparatus, and its raid was conducted with the help of Sudomo, head of KOPKAMTIB. The mission of *OPSTIB* was *inter alia* to push for organizational and administrational reform in the government/state agencies as well as to eradicate illegal levy in the government services, like levies on tax submission or on the customs for goods or services.⁴³⁰ There was criticism when the *OPSTIB* operation applied

⁴²⁷ 'Cerita Janggalnya Peradilan Malari [Strange Story on the Trial of Malari],' *Tempo.co*, 15 January 2014, <http://www.tempo.co/read/news/2014/01/15/078544907/Cerita-Janggalnya-Peradilan-Malari>

⁴²⁸ 'Enam Tahun Penjara untuk Hariman Siregar [Six Years Prison Sentence for Hariman Siregar],' *Kompas*, 23 December 1974, p. 1; 'Sjachrir Divonis Enam Setengah Tahun Potong Tahanan [Sjachrir Sentenced to Six-and-half years in Prison with reduction to time in Prison],' *Kompas*, 13 January 1974, p. 1.

⁴²⁹ 'Answering Questions on Corruption,' *Far Eastern Economic Review*, 15 October 1976, p. 32.

⁴³⁰ Presidential Instruction number 9 year 1977 on Operasi Tertib (*OPSTIB*) or Discipline Operation, attachment section.

bottom-up approach⁴³¹, since it was vulnerable when it faced resistance from the powerful vested interest.

Initially, *OPSTIB* was carried out with a promising start. In the first eight months, every day around 15 officials were caught out by the operation. This led to the findings of the total number of officials who were found guilty, 1755 were given administrative sanctions, while 263 were taken to court.⁴³² In September, the operation had reached higher level officials, whereby four senior police officials were accused of embezzling US\$11.5 million between 1974 and 1977. The highest-ranking police officer involved was Siswaji, former deputy of the police chief. During the military trial, they were accused of using unused police funds to finance their lavish lifestyle, such as for fancy cars, and luxurious houses.⁴³³

Nevertheless, the bottom-up approach adopted by the *OPSTIB* operation finally reached its limit and was halted when it encountered strong resistance at the mid-level.⁴³⁴ Also, the corrupt practices continued, as shown by the various illegal levies applied by the government. This clearly shows that the Indonesian government's attempts to bridle corruption involving high level officials were failing.

The discrimination in terms of corruption prosecution was further amplifying the public cynicism.⁴³⁵ However, J.B. Sumarlin, claimed that between July 1977 and January 1980, the *OPSTIB* operation managed to save the state assets worth Rp200 billion and also claimed that the operation had succeeded in avoiding a state loss of Rp337 billion in 1981.

⁴³¹ 'Kita Sendiri Harus Bersih Dahulu (First We have to be Cleaned Ourselves),' *Tempo Magazine*, 1 October 1977, retrieved on 31 October 2013 from <http://majalah.tempo.co/konten/1977/10/01/NAS/75598/Kita-Sendiri-Harus-Bersih-Dulu-31/07>

⁴³² Winarno, *JB Sumarlin: Cabe Rawit yang Lahir di Sawah*, p. 155.

⁴³³ 'Bigger Fish in the Clean-up Net,' *Far Eastern Economic Review*, 15 September 1978, p. 35.

⁴³⁴ 'A Purge is Coming,' *Asiaweek*, 27 January 1978, p. 14.

⁴³⁵ The UK Ambassador at Jakarta J.A. Ford to the Secretary of State for Foreign and Commonwealth Affairs, letter (confidential), 'Indonesia: Annual Review 1977: Uneasy lies the head that wears the crown', 30 December 1977, FCO 15. 2370, Public Record Office (PRO), London, p.3.

However, Suharto government's effort to show that it was serious about combating corruption through OPSTIB was failing. Students from all over Indonesia in October 1977 held a gathering in Bandung and pledged to be an opposition to the government.

The student demonstration reached its peak during a rally at the Bandung Institute of Technology (ITB) in January 1978, when around 3,000 students gathered to oppose Suharto's re-election. They published a 'White Book,' containing a critical assessment of the government's overall policies, like development planning, agriculture, finance, trade, and regional development,⁴³⁶ including criticism of Suharto's wife using state facilities, that upset him.⁴³⁷

In the end, Heri Akhmad, chair of the Student Council of ITB, was arrested on a charge of insulting Suharto. During the trial, Heri used his defense to provide a comprehensive criticism of Suharto and his government for turning Indonesia into a nation of beggars and embezzlers by allowing a 'puppet' government, Indonesia Chinese businessmen and foreigners to drain the national wealth. In Akhmad's defense document, there is an appendix that listed the Suharto's family wealth and conglomerates.⁴³⁸

Then, the government also tried to restrict the students' political activities on campus with the launch of the Normalization of Campus Life (NKK) policy in March 1980. As a result of the NKK policy, the student movement became further marginalized, especially on corruption by Suharto's family. With the vigorous crackdown by the government, the student

⁴³⁶ 'White Book of the 1978's Student Struggle,' *Indonesia*, April 1978, no. 25, pp. 151-182,

⁴³⁷ *Ibid*, p. 181.

⁴³⁸ Heri Akhmad, *Breaking the Chains of Oppression of the Indonesian People* (Ithaca: Cornell University Press, 1981).

movement was forced to change the method of its activism after the NKK policy, becoming more underground and less confrontational.⁴³⁹

Dissatisfied with government, the opposition group, consisting of combinations of prominent retired generals, like A.H. Nasution (former Minister of Defense), Ali Sadikin (former governor of Jakarta) and well-known civilian figures, like Sjafruddin Prawiranegara (former governor of BI) and Mohammad Natsir (former prime minister), decided to submit a petition with 50 signatories, known as the 'Petisi 50,' to parliament.⁴⁴⁰ The petition criticized how Suharto was using Pancasila as an instrument to threaten his political enemies and his efforts to bring the military back into politics.⁴⁴¹

However, the Petisi 50 merely created limited public furor and restricted political impact. Subsequently, the signatories were disrupted by restrictions being placed on their activities, like closing off their access to bank credit and their rejection from government business contracts.⁴⁴²

It had become clear by this period that the relationship between Suharto and critical university students as well as academics had broken down when the criticism reached Suharto's family. Despite Suharto's limited efforts to address corruption, from various initiatives like TPK, commission four and *OPSTIB*, were never reached the highest officials. Thus, related to the second argument in the thesis as outlined in the introduction section, the anti-corruption efforts by Suharto were mostly politically motivated, since they focused mostly on cases during the Sukarno era or never reached, especially his close associate in the army. Furthermore, as Suharto had just started to consolidate his authority and political patronage, the

⁴³⁹ Aspinall, *Opposing Suharto: Compromise, Resistance, and Regime Change in Indonesia*), pp. 120 – 121.

⁴⁴⁰ 'Petisi dan Pamor Parlemen (Petition and the image of Parliament),' *Tempo Magazine*, 28 June 1980, Retrieved on 12 December 2013 from <http://majalah.tempo.co/konten/1980/06/28/NAS/53556/Petisi-Dan-Pamor-Parlemen/18/10>

⁴⁴¹ 'Defining the Limits of Criticism,' *Far Eastern Economic Review*, 25 July 1980, p. 33.

⁴⁴² Elson, *Suharto: A Political Biography*, p. 232.

anti-corruption effort was easily disrupted once it approached his inner circle in the military elites. As a result, the efforts failed to convince the students and growing opposition group that Suharto was serious about addressing corruption. In contrast, Suharto was using repressive measures to deal with the students, as evident in the aftermath of the Malari incident, and with the opposition, some of whom used to be Suharto's supporters in the early years.

Conclusion

When Suharto took over the Presidency from Sukarno, it was evident that the university students were the main drivers in pushing for the addressing of corruption and mismanagement during the previous regime. The plethora of anti-corruption teams and initiatives were a reactive response by Suharto to maintain support among students and the army as the prime custodians of his regime. Thus the approaches were *ad hoc*, and never addressed corruption in a comprehensive way, as this threatened to rattle the fragile coalition, particularly within the army. Therefore, applying Dahl's political pluralism analytical framework, Suharto, equipped with political resources mainly through organizations, physical force and money, was able to neutralize the anti-corruption efforts led by the students and later by the opposition group. As Suharto became politically stronger, the former student activist and opposition figures, although still no match for him, were using their political resources especially knowledge, education and international networks, by making their strategy less confrontational through NGOs that focused on one development issue, such as environment and human rights.

Also, in this period there was further democratic roll-back in referring to analytical framework by Linz and Stepan, Diamond, Merkel as well as Croissant and Bunte as mention in the introduction section of this thesis. This was evident when Suharto was pursuing aggressively the prosecution of critical students and member of oppositions especially for those who was critical of his family involvement in business that benefited from government

contracts. As a result, it impaired the political and civil freedom, one of the main pillars of democracy.

In the context of governance reform and anti-corruption effort there was almost none policy entrepreneur in this endeavor. Although, the students and opposition group was able to identify problem and push Suharto to establish various ad-hoc anti-corruption team, but it was evident that it was not sustainable since did not get sufficient political and financial resources from government. As result, the students and opposition group had almost none opportunity to push for policy that deliver significant impact in dealing with corruption.

Lastly in terms of the quality of political leadership using Burns analytical framework as mention in the introduction section, Suharto can be categorized as transactional leader in these period. Despite an array of anti-corruption effort or initiatives, but it was more of the reaction to the public outrage, rather than genuine Suharto-led initiatives to address corruption. To maintain his political support, Suharto was using economic patronage to maintain his loyal supporter especially from the army or close business associates. As dealing with critical students and opposition group, Suharto government was using physical force by intimidation or prosecution and treated them such as pariah in order to discourage potential opposition figures. Therefore, after the neutralization of students activity through NKK policy and the dismantlement of the opposition group, the anti-corruption initiatives was at the verge of collapse, while Suharto was growing more confident in consolidating his political authority.

Chapter 5: Suharto, the technocrats and their Fragile Alliance: the Authoritarian Consolidation, coalesced with Economic Reform in the New Order era

Suharto oversaw the development of Indonesia's political governance structure from a slightly competitive one into an authoritarian form, with him at its apex. On the other hand Suharto also needed vast economic and financial resources to funnel his political, and military or intelligence activities. As foreign investment and foreign loans from donors, which were usually channeled through the technocrats would invite demands for greater transparency and accountability, Suharto had to find an alternative financial source. The technocrat was a group an economist from University of Indonesia with post-graduate degree mostly from the US universities who was trusted by Suharto to steer the Indonesia economy. This chapter will discuss the political dynamics regarding how the technocrats faced tremendous challenges in pushing for economic reform during the New Order era, especially from their political rivals like financial general, the politico bureaucrat, Chinese conglomerates, Suharto's families and the engineering group led by Minister of Research and Technology B.J. Habibie. This chapter will also outline how Suharto consolidated the authoritarian structure that led him to the pinnacle of power in later 1980s – early 1990s by dismantling further the check-and-balance system, but at the same time put him in vulnerable political position as evident in his downfall in May 1998.

This chapter is structured into nine sections. The first sections will outline the debate in the academic literature on Suharto's political legacy. Then the second section will assess the role of the technocrats in the New Order era by engaging with the existing academic literature. The consolidation of political governance's authoritarian structure which made Suharto the central authority will be illustrated in the third section. Furthermore, the growth of two

influential political groups – the financial generals and technocrats - in the context of economic policy making rivalry is outlined in the fourth section. Then, Suharto's effort to find alternative financial schemes with the help of the Indonesia Chinese conglomerates is the subject of discussion in the fourth section. The fifth section will illustrate the alliance between the politico bureaucrats and indigenous business that provided a new competitor for the technocrats in the economic policy making under the New Order era. Then, as the technocrats were struggling to assert their authority over economic policy-making, the growing influence of the emerging political players (e.g., Habibie and Suharto's children) will be outlined in the fifth section. Subsequently, the technocrats' last efforts under the New Order era using IMF assistance during the financial crisis to impose economic reform will be examined in the seventh section. Suharto's loss of the political support of the Indonesian political elites due to the economic crisis, which led to his eventual resignation, will be examined in the eighth section. The conclusion of this chapter will be discussed in the ninth section.

Four arguments will be advanced in this chapter. First, Suharto managed to consolidate all of the executive power and dismantle the judicial as well as legislative system to ensure that his authority was unchecked. The second argument is that, although the technocrats were applauded for their ability to convince Suharto of the importance of implementing sound economy policies and won the foreign investors' confidence, they were politically vulnerable as heavily depended on Suharto's support. Third argument, Suharto had neither the desire nor commitment to push for further economic reform since it threatened his economic patronage which provided by the financial generals and subsequently by the Chinese conglomerates. Third, Suharto was blindsided by the fact that his political governance structure was vulnerable and ill-equipped to deal with the emerging generation and intricacy of the global economy, which evident in his downfall in May 1998 during the Asia financial crisis.

The Debate on Suharto's Political Legacy

There is still considerable debate about the cause of Suharto's downfall in 1998, although there are some issues that most agree upon, such as the idea that Suharto had eroded his own political legitimacy by the late 1980s or early 1990s as a result of his government preferential treatment of his family business.⁴⁴³ The existing academic debate centers mostly on the nature of the political structure of the New Order. As Robison and Hadiz argue, the economic reform that the technocrats pushed in the late 1980s-early 1990s consolidated the power of the politico-bureaucrat families and conglomerates, known as oligarchs, over Indonesia's economy. They dismantled the governance structure so that they could enjoy various monopolies, business protection, and special privileges.⁴⁴⁴

Meanwhile, Kian Wee argued that, since the early 1990s, the New Order's accumulated authority was used for rent-seeking activities that turned into predatory state.⁴⁴⁵ This parallels Anne Both's argument that Indonesia at the end of the 1990s succumbed to the interest of the predatory state.⁴⁴⁶

Using the premise of the oligarchy's role adopted by Winters, who categorized Suharto as a Sultanistic Oligarch, the first among equals which emerged since the birth of the New Order. According to Winters, Suharto concentrated all the authority around him and also used coercive power through the state instruments to tame the other oligarchs.⁴⁴⁷ Also, Winters

⁴⁴³ Ralph E. Elson, *Suharto a Political Biography* (Cambridge: Cambridge University Press, 2011), p. 293.

⁴⁴⁴ Richard Robison and Vedi Hadiz, *Reorganizing Power in Indonesia: The Politics of Oligarchy in an Age of Market* (London: Routledge Curzon, 2004), pp. 74-95.

⁴⁴⁵ Thee Kian Wie, *Indonesia's Economy since Independence* (Singapore: ISEAS, 2012), pp. 80-83.

⁴⁴⁶ Anne Booth, *the Indonesian Economy in the Nineteenth and Twentieth Century: A History of Missed Opportunities* (London: MacMillan, 1998), p. 336.

⁴⁴⁷ Jeffery Winters, *Oligarchy* (Cambridge: Cambridge University Press, 2011), pp. 143-144.

argues that the major factor that led to Suharto's downfall in May 1998 was his abandonment by his fellow oligarchs, who was threatened by Suharto's family business.⁴⁴⁸

While other academics and analysts have criticized the assumption of the oligarchy framework, Peppinsky, suggests that the oligarchy focus failed to identify the political dynamic within the coalitions that underlined Suharto's political support, which also involved the split within the military and the existence of pressure groups. Even, Max Lane argues that the grass-roots movement, comprised of students, labor associations, and opposition party elements was the main factor that led to Suharto's eventual toppling.⁴⁴⁹

It would be interesting to explore the impact of corruption and governance issues from the perspective of the key political actors in the New Order like Djiwandono and Kartasasmita who admitted that the ability for government in dealing with economy crisis was compromised due to governance issue and the corruption rooted especially in the judicial system.⁴⁵⁰

All in all, in light of the debate on the power structure under the New Order, in my opinion, it is difficult to subscribe to the view that Suharto had a preconceived, sophisticated plan when taking over the presidency from Sukarno to set-up the authoritarian political structure systematically. In my opinion, Suharto was applying pure power politics with a zero-sum-game approach in which it was necessary to accumulate all of the power if the opportunity arose to marginalize his adversaries. This created an authoritarian governance structure whereby the military and bureaucracy never gained independence, and also the subjugation of

⁴⁴⁸ Jeffery Winters, 'Oligarchy and Democracy in Indonesia' in Michele Ford and Thomas B. Pepinsky (eds.), *Beyond Oligarchy: Wealth Power and Contemporary Indonesian Politics* (Ithaca: Cornell Southeast Asia Program Publications, 2014), p. 18.

⁴⁴⁹ Max Lane, *Unfinished Nation: Indonesia Before and After Suharto* (London: Verso, 2008), pp. 174-176.

⁴⁵⁰ Djiwandono, *Bank Indonesia and the Crisis: An Insider's View*, p. 224; Ginandjar Kartasasmita, *Globalization and the Economic Crises: The Indonesian Story*, lecturer at the FASID/ GSPAS/ WIAPS joint ADMP, Waseda University, 26 October 2000, retrieved on 18 December 2014 from <http://projects.iq.harvard.edu/files/fellows/files/kartasasmita.pdf>

the parliament and judiciary under the executive, whereby practically Suharto was the *sin qua non* of the state.

As a result, the authoritarian streak of the political governance structure was outdated, unmatched and thus vulnerable as it had to accommodate the more critical generation. Once the main source of his political legitimacy, which was the sustainable, high economic growth, was swapped for the Asian financial crisis of 1997-1998, the fragile Suharto's political governance structure crumbled.

Assessing the Role of Technocrats in the New Order

A number of academics and analysts have applauded the success of the technocrats in reviving Indonesia's economic growth, from being an almost economic pariah at the end of the Sukarno era in the 1960s. As John Bresnan argues, 'they (the technocrats) provided the confidence of the international financial community, and policies and programs that produced demonstrable results.'⁴⁵¹ Meanwhile Resosudarmo and Kuncoro also stated that the technocrats 'helped Suharto in designing the economic stabilization policy in 1966.'⁴⁵²

However, there was some criticism of the way in which the technocrats were working and they were seen as 'too elitist.' McDonald described the technocrats as 'pursuing policies that at times made them extremely unpopular ..'⁴⁵³ This was admitted by Emil Salim in July 1974 that the technocrats were too busy in dealing with crisis, therefore they had little time to explain policy to group outside government.⁴⁵⁴

⁴⁵¹ John Bresnan, *Managing Indonesia: The Modern Political Economy* (New York: Columbia University Press, 1993), p. 282.

⁴⁵² Budy P. Resosudarmo and Ari Kuncoro, 'The Political Economy of Indonesian Economic Reforms: 1983 – 2000', *Oxford Development Studies*, Vol. 34, No. 3, 2006, p. 343.

⁴⁵³ Hamish McDonald, *Suharto's Indonesia* (Victoria: Fontana Books, 1980), p. 77.

⁴⁵⁴ From the Australian Ambassador in Jakarta R.W. Furlonger to the Australia Secretary of Foreign Affairs, 'Internal Political Situation – Conversation with Professor Emil Salim, Minister for Communications, and

There was a consensus that the technocrats had failed to communicate effectively with the other political stakeholders in order to mobilize political support for the economic policy. Even Sarwono Kusumaatmadja, former minister under Suharto, observed, ‘the technocrats’ lack of political network skill in advancing their policy agenda to their colleague.’⁴⁵⁵

However, in my view we should consider the political context at that time. The technocrats had been in no position to monopolize economic policy since the beginning of the New Order. They had to share their role with powerful military figures and civilians in government; for instance, Suharto’s personal assistant (ASPRI), Soedjono who also in charge of economy.

Moreover, not all of the major economic power in government fell under the auspices of the technocrats. Marie Pangestu admitted that despite the cohesiveness of the technocrats being central to the crisis management, ‘however, competing groups within the cabinet have had important bearings on the final policy outcomes.’⁴⁵⁶

Thus, the technocrats faced a more complicated task amid the complex political and economic environment, whereby they had consistently to push, cajole as well as make compromises with Suharto and their political adversaries in order to achieve their policy objectives. As a result, related to the first argument of this thesis in the introduction section, governance reform pushed by the technocrats was in the end limited and uneven due to the limitation of their authority. No wonder that the outcome of this governance reform in the economic and financial sector was relatively limited in addressing corruption.

Professor Soemitro, Minister for Research,’ letter (confidential), 16 July 1974, *Indonesia Politics: General*, File 3034/2/1, National Archives of Australia, Canberra, p. 3.

⁴⁵⁵ Interview with Sarwono Kusumaatmadja, Minister of the State Apparatus and Minister of the Environment under President Suharto, 16 April 2013, Jakarta.

⁴⁵⁶ Marie Pangestu, ‘The Role of the State and Economic Development in Indonesia’, *the Indonesian Quarterly*, Vol. XXI, No. 3, third quarter 1993, p. 277.

The Consolidation of the Political Authoritarian Governance Structure under the New Order Era

While it is clear that the military-led Suharto played a crucial role in consolidating the political authoritarian governance structure in Indonesia, it will be argued here that this was achieved through evolution through a number of intense political rivalries. Therefore with initial weak political support, it is difficult to envision that Suharto had the ability to dismantle the political governance structure as if he had a preconceived plan.

In the early period of the New Order, Suharto needed a cunning political operator whom he could trust to assert his authority. Ali Moertopo, his trusted lieutenant, since he led the Central Java military command in the late 1950s, fits this description since he was personal assistant (ASPRI) of the President in politics and entrusted to reorganize the political governance structure that emphasized political stability. Moertopo argues for strengthening Indonesia revolution the military need to involve in the all aspect of state affairs including political, economic, financial and social-cultural affairs.⁴⁵⁷

Then, as the national election of 1971, Suharto tasked Moertopo to revitalize Golkar as formidable political machine, as it experienced political legitimacy problems due to various personnel scandals.⁴⁵⁸ Golkar, that underpinned ‘guided democracy’ in the late 1950s, was established by Sukarno to curb political party influence. Then, in 1964, it was modified into the Golkar secretariat, which was eventually dominated by the army to counter the growing influence of the PKI.⁴⁵⁹

Moreover, after the military took power in 1966-1967, through Moertopo’s special intelligence operations (OPSUS, *Operasi Khusus*), they managed to force state elements and

⁴⁵⁷ Ali Murtopo, *The Acceleration and Modernization of 25 Years of Development* (Jakarta: CSIS, 1973), p. 45.

⁴⁵⁸ Jusuf Wanandi, *Shades of Grey; A Political Memoir of Modern Indonesia 1965 – 1998* (Jakarta: Equinox, 2012), p. 105.

⁴⁵⁹ Interview with Harry Tjan Silalahi, Vice Chairman of CSIS and former Secretary General of Catholic Party, 27 November 2013, Jakarta.

various political groups to support Golkar by taking control the General Election Campaign Board (Bappilu) of Golkar that had the authority to elect parliamentary candidate.⁴⁶⁰

In an effort to control the bureaucracy, after the election in November 1971, the government set up the Indonesia Civil Servants Corps (KORPRI), membership of which was mandatory for every Indonesia civil servants. To ensure control, the governors of the provinces – mostly army officers – automatically became the chairs of the KORPRI provinces.⁴⁶¹ Since then, the bureaucracy became the political instrument for Golkar's for national election as evident by winning the national election in July 1971 with a decisive majority of 62.8% of the votes.⁴⁶²

For Suharto to dismantle the check-and-balances system completely, he also sought to weaken the judicial system further from the collapse that had been done by Sukarno's guided democracy. By enacted law in judge authority in 1964, Sukarno could intervened judge ruling in the name of revolution and later appointed the Chief of the Supreme Court as the cabinet member.⁴⁶³

In the New Order era, the government, through OPSUS, managed to control the process of drafting and the deliberation on the new bill on the judiciary and exclude the judiciary influence.⁴⁶⁴ As a result, in the new judicial law in 1970, the executive still played a crucial role in the administration of the court.⁴⁶⁵

⁴⁶⁰ From the UK Ambassador to Jakarta to Sir Alec Douglas-home, KT, MP, letter (confidential), *The Indonesian Annual Review for 1970*, 12 January 1971, FCO 24/1703, the Public Record Office, London, p. 3.

⁴⁶¹ Presidential Decision decree number 82 year 1971 on the establishment of the Corps of Civil Service of the Republic of Indonesia.

⁴⁶² David Reeve, *Golkar of Indonesia: An Alternative to the Party System* (Singapore: Oxford University Press, 1985), pp. 298-299.

⁴⁶³ Daniel Lev, 'State and Law Reform in Indonesia' in Tim Lindsey (ed.), *Law Reform in Developing and Transitional State* (London; Routledge, 2007), p. 241.

⁴⁶⁴ Sebastian Pompe, *The Indonesian Supreme Court: the Study of Institutional Collapse* (Ithaca: Cornell University's Southeast Asia Program Publication, 2005), p. 107.

⁴⁶⁵ Article 11 section 1, Law number 14/ 1970 on the Basic Principles of Judiciary.

Then, the government further consolidated its authority over the judiciary by a number of new laws that were enacted in 1985 and 1986. Through law 14/1985 on the Supreme Court, it confirmed the restricted right of the judicial review.⁴⁶⁶ Then, law 2 year of 1986 on the General Court explicitly re-affirmed the dual management of the court whereby it would handle the technical management,⁴⁶⁷ while the Department of Justice would retain control of its role in the administrative, organizational and financial management of the court.⁴⁶⁸ The executive used their authority over the personnel and the financial management of the court to exert political pressure on the judiciary.⁴⁶⁹

Meanwhile, Benny Moerdani as Moertopo's successor, steadily gained Suharto's trust to execute military and intelligence operations, which led to his rapid promotion as Indonesia's Military Chief.⁴⁷⁰ The military, in an unprecedented move in the 1980s, tried to assert its independence over Suharto, but failed, triggered by the deterioration of Suharto's relationship with Moerdani due to the latter's criticism of Suharto's family involvement in state projects and suggestion that Suharto should planning for his successor.⁴⁷¹ This led to the abrupt dismissal of Moerdani from the Military Command in February 1988.

Suharto was planning to be independent of the military and was trying to empower Golkar as alternative political vehicle in the 1980s. Under the leadership of Sudharmono, Golkar managed to transform into a formidable political machine with a state-led, mass party base. Through his position as State Secretary, Sudharmono also managed to build his own patronage through government contracts, including military projects that irked the military

⁴⁶⁶ Article 31, Law number 14/ 1985 on the Supreme Court.

⁴⁶⁷ Article 5 section 1, law number 2/ 1986 on the General Court.

⁴⁶⁸ Article 5 section 2, law number 2/ 1986 on the General Court.

⁴⁶⁹ Sebastian Pompe, *The Indonesian Supreme Court: the Study of Institutional Collapse* (Ithaca: Cornell University's Southeast Asia Program Publication, 2005), p. 139.

⁴⁷⁰ 'Leading Personalities in Indonesia, 1979', report (confidential), 10 April 1980, FAG 010/ 2 Part A, *Leading Personalities Reports – Indonesia*, the UK Foreign and Commonwealth Office (FCO), Public Record Office (PRO), London, pp. 50-51.

⁴⁷¹ Julius Pour, *Benny, Tragedy Seorang Loyalis* (Jakarta: Kata Hasta Pustaka, 2007), pp. 343 – 344.

establishment. Golkar, managed to recruit a new cadre outside the military or bureaucracy like university activists, businessmen or NGO activists.⁴⁷² In 1987, Golkar claimed 28 million members and 9 million cadres.⁴⁷³ No wonder that, in the national election of 1987, Golkar managed to win, with 73.2% of the votes.⁴⁷⁴

The grooming of Sudharmono and his group marked Suharto's attempt to accommodate the growing middle class and more progressively-minded politicians, bureaucrats and military leaders who were willing to channel critics toward the government. At least on the surface, Suharto appeared unwilling to confront this political development head on, that started thriving in the late 1980s and early 1990s, which he called '*keterbukaan*' or openness.

In the end, Golkar was unable to be a relatively independent political party *vis-à-vis* Suharto since, financially, they still depended on Suharto's patronage and the Golkar politicians who were critical of Suharto were removed.⁴⁷⁵

After the military managed to force Suharto to accept Military Chief Try Sutrisno as vice president in 1993, Suharto eventually took full-control of the military. In fact, Suharto skillfully managed to appoint military officers who were closely associated with him and put them into two opposing groups to dispel the notion of any unifying threat.⁴⁷⁶ Before Suharto's downfall in May 1998, he was appointing Wiranto (Suharto's former adjutant) as the Military

⁴⁷² Interview with Sarwono Kusumaatmadja, Minister of State Apparatus and Minister of Environment under President Suharto and Secretary General of Golkar under Sudharmono, 16 April 2013, Jakarta.

⁴⁷³ David Bourchier and Vedi R. Hadiz, 'Introduction' in David Bourchier and Vedi R. Hadiz, *Indonesian Political and Society: A Reader* (Routledge: London, 2003), p. 15.

⁴⁷⁴ 'House and Households', *Far Eastern Economic Review*, 2 July 1987, p. 38.

⁴⁷⁵ Harold P. Crouch, 'An Ageing President, An Ageing Regime', in Harold Crouch and Hal Hill (eds.), *Indonesia Assessment 1992: Political Perspectives on 1990s* (Canberra: the Australia National University, 1992), P.61.

⁴⁷⁶ Salim Said, 'Suharto's Armed Forces: Building a Power Base in New Order Indonesia, 1966-1998', *Asian Survey*, Vol. 38, No. 6 (Jun., 1998), pp.550 – 551.

Chief, representing the nationalist group, while simultaneously promoting his son-in-law, Prabowo Subianto as KOSTRAD Chief, who represented the Islamic group.⁴⁷⁷

Approaching the early 1990s, Suharto was at the apex of his authority when the military were weakened due to the rivalry between the nationalist versus the Islamic camp, the Golkar Party was under his control, and the judiciary and bureaucracy were effectively weakened and became Suharto's *de facto* political instrument.

The Expansion of the Financial Generals' Military Business and the Rise of the Technocrats

Since Indonesia independence involved in business, the military expanded its involvement during 1957. That was when the government declared martial law as the military was taking over most of the foreign companies which at the time were under the Dutch, as mentioned in the previous chapter.

According to Crouch, from the outset of the New Order era, the army saw that the expansion of their commercial activities was vital in supporting their role as the custodian of Indonesia's political stability, but also an opportunity for the officers to accumulate tremendous wealth.⁴⁷⁸

The prime example of military involvement in business during the New Order era early period was their leadership role in the state oil company, PERTAMINA, and BULOG.⁴⁷⁹ The establishment of PERTAMINA began in 1957 when the Indonesian army took over an unused field in North Sumatra, with capital support from Japanese companies. After 1966, PERMINA

⁴⁷⁷ 'Chain of Command', *Far Eastern Economic Review*, 25 December 1997, p. 20.

⁴⁷⁸ Harold Crouch, *the Army and Politics in Indonesia* (Ithaca: Cornell University Press, 1978), p. 274.

⁴⁷⁹ Human Right Watch, *Too High a Price: The Human Rights Cost of Indonesian Military Activities*, Vol. 18, No 5©, year 2006, p. 11, retrieved on 23 June 2015 from <http://www.hrw.org/reports/2006/indonesia0606/indonesia0606web.pdf>

was taken over by two other companies and renamed PERTAMINA led by army general Ibnu Sutowo.⁴⁸⁰

Triggered by the increased oil price, 50 new production-sharing contracts had been signed with 35 foreign companies by 1975. As a result, between 1969-1975, the government revenue from oil increased significantly from Rp. 66.5 billion to Rp. 957.2 billion.⁴⁸¹

Then, when PERTAMINA expanded its business due to the oil boom, Ibnu Sutowo's took on the role of the President's political financier, dispensing patronage through 'non-budgetary' financing to their ally in the military, government officials, businessmen, and state projects, like PERTAMINA Hospital or Suharto's office's Bina Graha.⁴⁸²

Ibnu Sutowo's controversial political ascendancy was also admitted by the US Ambassador Galbraith who thought:

PERTAMINA illustrates some of the best and some of the worst aspects of the Suharto regime. It has introduced centers of Efficiency and Economic Accomplishment, entirely run by Indonesians...But Ibnu Sutowo Runs the state-owned oil company like it was his own...he has built his own Business Empire and become a multi-millionaire himself⁴⁸³

Nonetheless, the technocrats resented the difficulty of formulating economic policy because PERTAMINA was able to finance independently. The technocrats consisted of economist at the University of Indonesia, led by Widjojo Nitisastro, with Ali Wardhana, and Emil Salim among its group, which was also known as the 'Berkeley Mafia,' since some of them educated

⁴⁸⁰ Article 2, Government Regulation (Peraturan Pemerintah) 27, 1968, on the establishment of state oil company PERTAMINA.

⁴⁸¹ Richard R. Robison, *Indonesia: the Rise of Capital* (Sydney: Allen & Urwin, 1986), p. 152.

⁴⁸² From the US Embassy in Jakarta to the US Secretary of State, cable (confidential), 16 March 1976 (06:30), 'Dismissal of PERTAMINA Director Ibnu Sutowo,' p.3., *Wikileaks*, retrieved on 19 November 2014 from https://wikileaks.org/plusd/cables/1976JAKART03480_b.html

⁴⁸³ From US Ambassador in Jakarta Galbraith to the Secretary of State, 'Indonesia: Current Outlook: Part 1,' Cable (confidential), Tuesday 4 December 1973 (10:20), p.3, *wikileaks.org*, retrieved on 15 November 2014 from https://wikileaks.org/plusd/cables/1973JAKART14176_b.html

in the University of California, Berkeley.⁴⁸⁴ The technocrats initially became acquainted with Suharto in the army staff and command school in Bandung, SESKOAD from 1962-1964.⁴⁸⁵ As Suharto came to power in 1967-1968, the technocrats were entrusted with tackling the formidable challenge of saving Indonesia's economy from the brink as inflation had reached 1000 percent a year and the government had amassed more than US\$2 billion in foreign debt.⁴⁸⁶

Nevertheless, the technocrats, led by Coordinating Minister for Economic affairs Widjojo, had little choice but to turn to the international community in 1967-1968. They patched up the relationship with multilateral donors agencies, like the World Bank and the International Monetary Fund (IMF) and with the industrialized countries, led by the U.S.⁴⁸⁷

However, the western donor countries, realized that the technocrats were politically vulnerable and lacked a sufficient social base. Therefore, the US Embassy tried to help by informing the army leaders that Indonesia would not receive any aid unless it was approved by the technocrats.⁴⁸⁸

The technocrats succeeded in stabilizing Indonesia's economy within a couple of years by reducing inflation quickly and restoring their foreign creditors' trust.⁴⁸⁹ This was demonstrated by the vast amount of Indonesian foreign debt that was being rescheduled with

⁴⁸⁴ 'The Berkeley Mafia Meets the Military,' *Far Eastern Economic Review*, 16 May 1980, p. 49.

⁴⁸⁵ 'Acrobatics Technocrats Star in Indonesian Balancing Act,' *Far Eastern Economic Review*, 16 May 1980, p. 45.

⁴⁸⁶ Interview with Prof. Subroto, Minister of Mining and Minister of Labor under President Suharto, 25 November 2013, Jakarta.

⁴⁸⁷ From Ambassador Phillips to Secretary of FCO Brown, Letter (confidential), 'the State of Indonesia Economy,' 13 January 1967, no. 2E, FO 480/ 19, *Further Correspondence Respecting Indonesia: January – December 1967*, the UK Foreign and Commonwealth Office (FCO), Public Record Office (PRO), London, p. 8.

⁴⁸⁸ Memo, 'Indonesia: The Scope of United States Relations,' November 1968, RG 59, SNF, 1967 – 1969, POL-US, Box 2212, NA, in Bradley Simpson, *Economists with Gun: Authoritarian Development and U.S.-US-Indonesia relations in 1960-1968*, (California: Stanford University Press, 2008), p. 219.

⁴⁸⁹ Interview with Prof. Emil Salim, serving in a number of ministerial positions under President Suharto, 23 December 2013, Jakarta.

generous terms of payment in 1967-1970.⁴⁹⁰ The implementation of the Five Year Development Plan was a success as in 1973 economic growth reached over 7%, the investment rate increased by more than 15% and exports also increased substantially by 50%.⁴⁹¹ With the technocrats' growing stature, they became a formidable foe of Ibnu Sutowo's PERTAMINA.

The technocrats felt that their authority and effectiveness in coordinating Indonesia's economic policy were hampered by PERTAMINA's autonomy capital mobilization, because Sutowo had been very close to Suharto as fellow army officers.⁴⁹²

Suharto was conscious of the two-track system in the New Order economy governance structure and tried to put him above the fray should a conflict arise. However, the technocrat was wary about the potential debt problem caused by PERTAMINA for international donors and creditors.⁴⁹³

The concern by the Technocrats was vindicated when PERTAMINA's short-term debt increased almost tenfold from 1973 to 1975, from US\$140 million to US\$1,000 million, that almost bankrupted the country, with a total debt of around US10.5 billion.⁴⁹⁴

As a result, the technocrat-led government reacted quickly by guaranteeing all of PERTAMINA's foreign loans, supervising the firm's management and establishing several commissions to investigate the scale of PERTAMINA' debt problem.⁴⁹⁵ Sutowo was dismissed

⁴⁹⁰ 'Widjojo Puts Case for Cooperation,' *Far Eastern Economic Review*, 8 October 1976, p. 60.

⁴⁹¹ 'Dilemma of Repelita II,' *Far Eastern Economic Review*, 29 October 1973, p. 50.

⁴⁹² Ramadhan KH, *Ibnu Sutowo: Saatnya Saya untuk Bicara!* [Ibnu Sutowo: It's time for me to talk!] (Jakarta: National Press Club Indonesia, 2008), p. 344.

⁴⁹³ From the Australian Embassy in Jakarta to Department of Foreign Affairs Australia, 9 March 1972, savingram no 16, File 3034/2/9/1, *Indonesia: Corruption*, the National Archives of Australia, Canberra.

⁴⁹⁴ 'A \$10- Billion Lesson,' *Asiaweek*, no. 34, 1976, p. 15.

⁴⁹⁵ Her Majesty's Ambassador at Jakarta to the Secretary of State for Foreign and Commonwealth Affairs (No. 30/76, confidential), 31 December 1975, 'Annual Review for Indonesia for 1975', the U.K. Foreign and Commonwealth Office, FCO 15/ 2168, Public Record Office (PRO), p.2.

eventually in March 1976, Suharto having retained him despite the PERTAMINA debt problem the preceding year.⁴⁹⁶

Another form of military involvement in the state enterprises was exemplified by BULOG which enjoyed a monopoly over the distribution and price determination of basic commodities, like rice, sugar and flour. Originally, BULOG's mission was to provide rice for civil servants and military officers, but in 1970 this was expanded to maintaining price stability for essential commodities through a policy of purchasing, importing, marketing and pricing.

However, following the leadership of army general Tirtosudiro from 1967-1973, he left an unpleasant legacy, as BULOG was plagued by a number of corruption cases.⁴⁹⁷ The anti-corruption commission IV, led by former Prime Minister Wilopo, published a critical report, outlining, among other things, the potential deficit in BULOG's budget that had accumulated from 1968-1970 of around Rp. 44 billion.⁴⁹⁸ Nonetheless, despite systematic corruption, even the technocrats were unable to contain BULOG's influence.

When the rice price was again increasing at the end of 1972 due to insufficient stock, this led to significantly increased inflation, so Suharto took decisive action by dismissing Tirtosudiro as head of BULOG and was 'transferred' to become Indonesia Ambassador to West Germany in 1973.

⁴⁹⁶ From the US Embassy in Jakarta to the US Secretary of State, cable (confidential), 16 March 1976 (06:30), 'Dismissal of PERTAMINA Director Ibnu Sutowo,' p.2., *Wikileaks*, retrieved on 19 November 2014 from https://wikileaks.org/plusd/cables/1976JAKART03480_b.html

⁴⁹⁷ U.S. Embassy Jakarta to the Secretary of State, Telegram (confidential), 'Indonesia Miracle Beclouded: Proposals for Action at IGGI,' 14 December 1972, Lot File 76D446, Box 12, National Archives, the National Security Archives, the George Washington University, Retrieved on 15 November 2014 from <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB242/19721214.pdf>, p. 6.

⁴⁹⁸ 'Batasi Kegiatan BULOG dan Bubarkan BULOGda (Restricting BULOG activity and Disband BULOGda), 'Sinar Harapan,' 22 July 1970, p. 3.

In the early years of Suharto's rule, they were also influential generals known as financial generals who had a strong influence on economic policy. For instance, Soedjono Humardani became acquainted with Suharto since he commanded the army in Central Java.⁴⁹⁹

Soedjono became powerful when he was appointed as Suharto's ASPRI in economic affairs in mid-1966. Soedjono worked together with his old friend during his Central Java stint, Liem Sioe Liong –also very close to Suharto. Together, they revived Windu Kencana Bank, distributing the bank's shares to three military foundations. Soedjono was also director of Tri Usaha Bhakti, the holding company of the military business of more than 30 institutions, with an estimated value of Rp.9 billion.⁵⁰⁰

These military officers or foundations were usually provided with very minimum financial capital, but could provide concessions, like timber, fishing, and mining, which foreign investors were seeking.⁵⁰¹ There were hundreds of military-related businesses operating during the first two decades of the New Order, including foundations owned by various army regional headquarters.

It was clear, from the various business-related schemes run by the Financial Generals that their chief responsibility was to ensure a steady flow of funds into the army's coffers without causing economic disruption, contrary to Sutowo and Tirtosudiro's cases. As long as it was not disproportionate, they were permitted to reap part of the proceeds as a reward for their own efforts.⁵⁰² Meanwhile, Robison saw the involvement of army generals in business as being

⁴⁹⁹ Michael Sean Malley, 'Sujono Humardani dan Orde Baru [Sujono Humardani and New Order]', *Prisma*, Special Edition 20 years (1971-1991), p. 108.

⁵⁰⁰ 'Bintang-Bintang di Gelanggang Dagang [the Stars in the Business Competition],' *Tempo*, *Ibid.*

⁵⁰¹ 'The Octopus of Indonesia's Corporate-Military Complex,' *Far Eastern Economic Review*, 11 April 1980, p. 43.

⁵⁰² Harold Crouch, 'Generals and Business in Indonesia', *Pacific Affairs*, Vol. 48, No. 4, winter, 1975-1976, p. 524.

to preserve the ‘military bureaucratic state’ and lucrative economic resources like PERTAMINA and BULOG.⁵⁰³

It was evident that Suharto had only empowered the technocrats *vis a vis* the financial generals should a crisis threaten the state economy, as in the case of PERTAMINA and BULOG, but never allowed them to take full control of economic policy in order to maintain the balance of power.

The Need for Alternative Financing through Indonesian Chinese Conglomerates and their Competition with the Technocrats

Suharto would need significant financial and economic resources to finance his political and military operations, which had formerly been provided by the financial generals by the late 1980s.⁵⁰⁴ There were several schemes intended to mobilize funding from conglomerates or his wealthy relatives. The conglomerates were asked to support Suharto’s presidential assistance scheme, also known as *Bantuan Presiden (Banpres)* that was accumulated through the cloves monopoly granted to his brother, Probosutedjo, and his close business associate, Liem Sioe Liong, whereby 98% of the profits went to *Banpres*, where Suharto managed to collect Rp. 256 billion. The interest from this was at his disposal to undertake various social initiatives on his behalf.⁵⁰⁵

Another major avenue for mobilizing this off-budget funding from conglomerates was the charitable foundations, also known as *yayasan*. There were various methods available for accumulating funding for *yayasan* from conglomerates; for instance, the foundations owned shares in companies that were majority-owned by the conglomerates, like textile factories, and

⁵⁰³ Richard Robison, ‘Toward a Class Analysis of the Indonesian Military Bureaucratic State Author’, *Indonesia*, No. 25, April, 1978, p. 37.

⁵⁰⁴ Presidential Decision Decree 90, 1995, on the Tax Treatment for the Assistance of Poor Families, article 2 sections 1 and 2.

⁵⁰⁵ G Dwipayana and Ramadhan KH, *Suharto: Pikiran, Ucapan dan Tindakan Saya* (Jakarta: PT Citra Lamtoro Gung Persada, 1988), p. 292.

flour mills.⁵⁰⁶ The most political of these foundations was *Yayasan Dakab*, which was established in 1985, originally as political funding for the ruling party, Golkar. At its peak, Dakab managed to accumulate assets worth US\$43 billion in 1985.⁵⁰⁷ Other foundations including managing approximately US\$23 billion for *Yayasan Damandiri*, US\$65 billion for *Yayasan Gotong Royong* and Rp.474 billion for *Yayasan Dharmais*.⁵⁰⁸ However, these aforementioned foundations lacked transparency and accountability since they never published any audited financial statements.⁵⁰⁹

Nonetheless, the technocrats were compelled to compete with Suharto's close business associates, such as Liem Sioe Liong and Eka Tjipta Widjaja, for influence over economy policy-making in the 1980s and 90s, since they were benefited from monopolies and government protection.

The technocrats sought to enact a reform to contain the proliferation of monopolies, subsidies and other non-tariff barriers in the 1980s. It began with the bank reform in 1983, tax reform in 1983, customs reform in 1985, then partial trade reform in 1986, and in 1987. Also, there was easing of the foreign and domestic investment hurdles in 1986 and 1987.

The economic measures by the technocrats had little effect on the monopolies owned by the conglomerates and Suharto's family businesses. However, when the technocrats announced that 165 monopolies like import quotas or other forms of tariffs were being eliminated, they were only worth of US\$300-400 million per year or 3-4% of Indonesia's total non-oil imports in 1985. Meanwhile, the import monopolies which still existed, like steel,

⁵⁰⁶ *Ibid*, p. 51.

⁵⁰⁷ Retnowati Abdulgani-Knapp, *Suharto: The Life and Legacy of Indonesia Second President* (Singapore: Marshall Cavendish, 2007), p. 262.

⁵⁰⁸ *Ibid*. pp. 246-272.

⁵⁰⁹ *Ibid*. pp. 276-281.

plastic, and cotton, had an estimated value of US\$1.5 billion.⁵¹⁰ Nonetheless, once the technocrats had convinced Suharto of the importance of economic reform policies, the president could thwart any opposition to the policy.⁵¹¹

Based on presidential decree that was issued in April 1985, most of the customs inspection duties were transferred to the Swiss firm, Société Generale de Surveillance (SGS).⁵¹² The SGS was tasked to inspect the country of origin of all goods bound for Indonesia valued at over US\$5,000. Another drastic measure was that half of the 13,000 customs service employees were granted an ‘indefinite leaves of absence’- some were fired.⁵¹³ Unfortunately, the reform of the customs service proved unsustainable, as SGS’s contract was not renewed and the customs office was still prone to corruption.

The political motivation for the liberalization policy induced by the technocrats in some cases intended to challenge the monopoly of the Indonesian Chinese conglomerates. However, these conglomerates were in the best position to exploit the limitations of the liberalization policies.⁵¹⁴

As evident in 1988, the top 300 businesses, which were mainly Indonesian Chinese, had a combined sales turnover of Rp.70 trillion in 1989-1990. The largest conglomerate, the Salim Group, was owned by one of Suharto’s associates, Liem Sioe Liong. In 1996, the Salim group’s total sales were estimated to be around Rp.53 trillion, which was more than double that of the Astra Group and Sinar Mas.

⁵¹⁰ ‘All in the Family: Indonesian Decrees Help Suharto’s Friends and Relatives Prosper,’ *Asia Wall Street Journal*, p. 1.

⁵¹¹ M. Chatib Basri and Hal Hill, ‘Idea, Interests and Oil Prices: The Political Economy of Trade Reform during Suharto’s Indonesia’, *World Economy*, Vol. 27, No. 5, 2004, p. 649.

⁵¹² Presidential Instruction Decree 4, 1985 on Policy to Ensure the Free Flow of Goods to Support Economic Activity.

⁵¹³ Radius Prawiro, *Indonesia’s Struggle for Economic Development: Pragmatism in Action* (Oxford: Oxford University Press, 1998), p. 265.

⁵¹⁴ Anne Booth, *the Indonesian Economy in the Nineteenth and Twentieth Century: A History of Missed Opportunities* (London: MacMillan Press., 1998), p. 322.

Nevertheless, the inability for the technocrat to push for substantial economic reform showed that Suharto would ensure that the economic reform would not disrupt the economy governance structure that he created as the main source of patronage that underpinned by his business cronies and families,

The New Rivals of the Technocrats: the Alliance between the Political Bureaucrats and Indigenous Businesses

The resentment toward the growing business influence of the Indonesian Chinese conglomerates during the New Order era culminated in the Jakarta riot (*Malari*) in January 1974, which was precipitated by a mass student demonstration, which cost dozens of lives.

Following the National Stabilization Council Meeting called by Suharto on 22 January 1974, the Indonesian government introduced several protection policies to encourage indigenous business, including shortening the time period within which they should take over majority ownership of joint venture companies from foreign investors and required foreign investment should be in the form of joint ventures with an indigenous business partner.⁵¹⁵

Moreover, the new credit systems for small and medium sized enterprises (KIK)/Small Investment Credit and *Kredit Modal Kerja Permanen* (KMKP)/Permanent Working Capital Credit) provided loans to small businesses with a net worth of less than Rp.100 million in the construction industry, and Rp.40 million in other industries, whereby 75% of the company should be owned by an indigenous business.⁵¹⁶ Unfortunately, the distribution of credit proved ineffective. For example, in 1980, only 200,000 people received KIK and KMKP loans of Rp.2.8 million and Rp.2.2 million per person, respectively.⁵¹⁷

⁵¹⁵ From the US Ambassador in Jakarta to the US Secretary of State, cable (confidential), 'Suharto Announces Major Reforms and Curbs on Non-Indigenous Business,' 23 January 1974, *Wikileaks*, retrieved on 16 November 2014 from https://wikileaks.org/plusd/cables/1974JAKART00982_b.html

⁵¹⁶ R. Daroesman, 'Survey of Recent Developments,' *Bulletin of Economic Studies*, Vol. 17, No. 2, 1981, p. 17.

⁵¹⁷ *Ibid*, p. 18.

There were several measures taken by government to empower indigenous business to address this public discontent. One of them was the issuance of government Decree 14/ 1979 that stipulated the need to advance indigenous businesses through the project, with an estimated value of around Rp.50 million.⁵¹⁸ This protection policy, was expanded a year after the issuing of Presidential Decree 10, 1980, which set up a team led by Suharto's trusted aides from the State Secretary Office (SEKNEG) to oversee the procurement of goods and services.

The so-called 'team 10' was led by influential State Secretary Sudharmono, with members including several Vice Ministers and the Governor of BI.⁵¹⁹ From the outset, the setting up of team 10 coincided with the second oil boom, when Suharto thought about setting up an institution under his direct supervision to spend the \$1.4 billion oil boom windfall profit in the early 1980s.⁵²⁰

In subsequent years, the authority of team 10 expanded into becoming a *de facto* permanent unit stationed in the State Secretary Office (SEKNEG), responsible for approving government and state enterprise procurement of more than Rp.500 million, which later expanded into military equipment in 1983.⁵²¹ The technocrats had a politically savvy adversary inside the government, reflected in team 10.

During the eight year of its tenure, team 10 channeled around Rp52 trillion (\$60billion) worth of government procurements to indigenous businesses.⁵²² Therefore, the indigenous businesses capitalizing on the window of opportunity provided by team 10, including Fadel

⁵¹⁸ Presidential Decision Decree 14, 1979 on the Execution of the State Budget, article P, section 1.

⁵¹⁹ Presidential Decision Decree 10, 1980, on the Team to Supervise Goods and Services Procurement for the Government, article 3.

⁵²⁰ Ginandjar Kartasasmita, *Managing Indonesia's Transformation: an Oral History* (Singapore: World Scientific, 2013), p. 53.

⁵²¹ Presidential Decision Decree 17, 1983 on the amendment of Presidential Decree 10, 1980.

⁵²² Laporan Pelaksanaan Tugas – Tim Pengendali Pengadaan Barang/ Peralatan Pemerintah (Implementation Report – Government Procurement Team), Sekretariat Negara R.I., 1988, p. 24. In Jeffery Winters, *Structural Power and Investor Mobility: Capital Control and State Policy in Indonesia, 1965-1990*, p.201.

Muhammad who supplied fire hydrants; Aburizal Bakrie who provided pipes for construction work; and Arifin Panigoro who started his business in oil services.⁵²³

These indigenous businessmen were usually grouped into a number of business associations like HIPMI (The Association of Young Indonesian Businessmen), or KADIN (Indonesian Chambers of Commerce and Industry). Usually, they used these business associations as pressure groups to advance their collective business interests and affect the government policy outcome.⁵²⁴

The Demise of the Technocrats

The Technocrats had enjoyed almost unparalleled clout in shaping the economy policy terms since the early New Order era until the late 1980s. At the apex of their 20 years of influence, the technocrats dominated the economic ministerial cabinet portfolio, like trade, industry and finance. However, the technocrats' influence had been steadily declining since the late 1980s, started when Widjojo retired, along with Habibie's political ascendancy.

This was due to the combination factor in which Suharto's self confidence increased as he practically did not have any credible political rivals, and so would be less dependent on the technocrats but, more importantly, Habibie was able to convince Suharto that technology-led development was the way forward, and therefore to allocate substantial economic resources as well as institutional facilities to help to establish a long-term technological industry.⁵²⁵ Habibie was the State Minister of Technology and Research and BPPT for 20 years, making him the longest-serving minister under Suharto. He also chaired the Agency of Strategic Industries (BPIS) which is a holding company of state-owned strategic industries, including

⁵²³ Ginandjar Kartasasmita, *Managing Indonesia's Transformation: an Oral History*, p. 54.

⁵²⁴ Andrew Rosser, *the Politics of Economic Liberalization in Indonesia* (Surrey: Curzon, 2002), p. 35.

⁵²⁵ Thank you for Dr. Greg Fealy for providing me with this point also look at Sulfikar Amir, 'Symbolic Power in a Technocratic Regime: The Reign of B.J. Habibie in New Order Indonesia', *Sojourn: Journal of Social Issues in Southeast Asia*, Vol. 22, No. 1 (April 2007), p. 94.

transportation, defense equipment and weaponry. No wonder he was dubbed ‘Super Minister.’⁵²⁶ However, Habibie was well-known for his plan to build the aviation industry as CEO of the state-owned aircraft production company, IPTN, when a prototype N-250, that had a successful initial flight in August 1995, cemented his national profile.⁵²⁷

The demise of the technocrats’ influence was accelerated when Habibie became involved in politics in the early 1990s through initially joining the ruling party, Golkar, as a deputy coordinator of its advisory board and later was promoted to daily coordinator of the Golkar advisory board.⁵²⁸ Habibie, with Suharto’s blessing, expanded his political reach by appealing to the Islamic urban group by became the chair of the Indonesian Muslim Intellectual Association (ICMI) as Suharto tried to counterbalance the political influence of the military.⁵²⁹

The combination of political prowess through both Golkar and ICMI, and also Suharto’s support for Habibie’s technological development vision, proved a major set-back for the technocrats. When Suharto established his cabinet in 1993, it was obvious that the technocrat group was losing its clout by losing crucial portfolio such as minister of state planning and minister of trade, while Habibie’s associate increase its representation in the cabinet.⁵³⁰

The technocrats tried to push for reform in the banking sector through a deregulation policy. There was an unintended consequence that exacerbated the business stronghold of

⁵²⁶ ‘Sederet Jabatan (An Array of Positions), *Tempo Magazine*, 10 October 1992, retrieved on 9 March 2014 from <http://majalah.tempo.co/konten/1992/10/10/NAS/9564/Sederet-jabatan/32/22>

⁵²⁷ ‘Indonesia Unveils State-Made Plane With Global Aim --- IPTN Expects the N-250-100 To Lift Its Profit, Profile Among High-Tech Clients,’ *the Wall Street Journal*, 11 November 1994, p.1.

⁵²⁸ Amir, *the Technologic State in Indonesia: The Co-co Constitution of High Technology and Authoritarian Politics*, p. 51.

⁵²⁹ Jimly Asshidiqie, *Bang Imad: Pemikiran dan Dakwahnya* (Jakarta: PT. Gema Insani Press, 2002).

⁵³⁰ ‘Suharto Drops Key Incumbent from Cabinet,’ *the Wall Street Journal*, 3 March 1993, p. 1; ‘Banking’ New Boy’s Challenge,’ *Far Eastern Economic Review*, 1 April 1993, pp. 72-75.

Suharto's family and his business associate Indonesia conglomerates over the Indonesian economy through the mobilization of low-cost funding from society as well as financial access to the state-owned banks and stock market

Instead of creating a more open business environment, business' access to government projects was controlled by a complex network of political gatekeepers (Suharto's family or close business associates) who were entrenched in the bureaucracy. As consequence, they were able to acquire big government projects like petrochemical projects that were protected and the construction of toll roads for the Ministry of Public Works.

Then, the technocrats faced a tremendous task in trying to enforce regulatory reforms in the face of the strong opposition from the conglomerates and Suharto's families. This vested interest managed to acquire loans especially from the state banks through back-channels with generous terms and violating the financial regulations by channeling disproportionately to their own business group. Consequently, when these businesses default, several major banks became collapsed, as shown by the spectacular fall of Bank Summa in 1992.⁵³¹

To make matter worse, President Suharto himself was not shy about intervening with the technocrats to advance his family's business interests. BI governor Soedrajad Djiwandono recalls vividly how Suharto intervened personally on Tommy's behalf to acquire a US\$1.3 billion loan from BI to finance his national car project with an unrealistic proposal.⁵³²

Through the various government preferential treatment, Suharto and his family allegedly amassed a fortune during his three decades in power worth US\$15 billion according to the *Time Magazine*, which includes an equity share in 564 companies, a US\$4 million

⁵³¹ Richard Robison and Andrew Rosser, 'Contesting Reform: Indonesia's New Order and the IMF,' *The World Development*, Vol. 26, no. 8, 1998, p. 1599.

⁵³² Interview with Soedrajad Djiwandono, Governor of BI 1993-1998, 29 January 2014, Singapore.

hunting ranch in New Zealand and a 75% stake in an 18-hole golf course with 22 luxury apartment in Ascot, England.⁵³³ Transparency International named Suharto the most corrupt leader in the world based on their report published in 2004, with estimated alleged embezzled state funds of US\$15-35 billion, which is more than Ferdinand Marcos from the Philippines' allegedly embezzled US\$5-10 billion and Mobutu Sese Seko from Zaire's allegedly embezzled US\$5 billion respectively.⁵³⁴

The Last Effort by the Technocrats to Impose Reform through the IMF

The Indonesian economy to be hit hardest of all in the global economic crisis in 1997-1998 after triggered by the crisis in Thailand due to foreign exchange speculators.⁵³⁵ The various efforts by the technocrats to revitalize the rupiah currency from continued depreciation in 1997 through fully floated exchange policy in mid-August 1997 was not working.⁵³⁶ Instead, the new policy inspired the big corporations to buy more US dollars in anticipation of the crisis and rupiah depreciated significantly.

After the rupiah currency spiraled out of control, Suharto lost confidence in the technocrats and appointed a retired technocrat as his advisor, Widjojo Nitisastro, and Ali Wardhana, an effort to improve market confidence.⁵³⁷ Widjojo quickly gained influence over

⁵³³ 'The Family Firm', *Time*, 24 May 1999, retrieved on 21 December 2014 from <http://content.time.com/time/world/article/0,8599,2056697,00.html>

⁵³⁴ Transparency International, *Global Corruption Report 2004: Political Corruption* (Berlin: Transparency International, 2004), p. 13.

⁵³⁵ 'Leashed Tigers: Southeast Asia Seems Still on Track to Grow Despite Currency Slide --- But It Can No Longer Afford Easy Foreign Capital, Fixed Exchange Rates --- How the Baht Got Beaten Up,' the Wall Street Journal, 5 August 1997, retrieved on 13 May 2014 from

<http://search.proquest.com.gate2.library.lse.ac.uk/docview/398621525>

⁵³⁶ J. Soedrajad Djiwandono, *Bank Indonesia and the Crisis: An Insider's View* (Singapore: ISEAS, 2005). p.220.
⁵³⁷ Indonesia's Suharto Turns To a Past Economic Savior, 'the Asia Wall Street Journal', 17 October 1997, p. A16.

economic policy-making by persuading Suharto to request help from the IMF to anticipate major economic crises.⁵³⁸

Widjojo and Wardhana, saw that using IMF assistance with its strict conditions provided a rare window of opportunity to attack all of the monopoly subsidies of the conglomerates and Suharto's family's businesses plus Habibie's strategic industry. The monopoly and big projects, in the technocrats' view, caused an unnecessary market distortion that hindered a prudent macro economy policy. However, the IMF was also encouraged by Indonesia and international/national NGOs to use the conditionality in its assistance to address the corruption by Suharto.⁵³⁹

Evidently, the IMF's support for Widjojo and the NGOs' reform agenda by accommodating their proposal in the first Letter of Intent (LOI) by the Indonesian government in October 1997 that was outlining the government's intention for structural reform. In the first LOI, the government promised to dissolve the monopoly over the import of wheat, flour, soya beans and garlic held by Suharto's family or cronies.⁵⁴⁰ The LOI also contained a plan to postpone around 150 big government projects in an effort to reduce the state expenditure so it could reduce the state budget deficit to 1%.⁵⁴¹

However, the economic reform by the technocrats was challenged by Suharto's family and cronies. When due to its unsustainable debt caused by rupiah depreciation in November 1997 the governor of BI closed 16 insolvent banks, including owned by Suharto's relatives

⁵³⁸ 'Indonesia Reaches Out to IMF to Combat Loss of Confidence,' *the Asia Wall Street Journal*, 9 October 1997, p.1.

⁵³⁹ Paul Blustein, *the Chastening: Inside the Crises that Rocked the Global Financial World and Humbled the IMF* (New York; Public Affairs, 2003), p. 101.

⁵⁴⁰ Letter of Intent (LOI) Indonesia government to Managing Director of the International Monetary Fund (IMF) along with Memorandum of Economic and Financial Policies, 17 October 1997, retrieved on 15 May 2014 from <http://www.imf.org/external/np/loi/103197.htm#memo>

⁵⁴¹ Djiwandono, *Bank Indonesia and the Crisis: An Insider's View*, p. 96.

who were protesting the decision.⁵⁴² The government's efforts to restore market trust after closing the 16 banks was failing. It was clear that Suharto never intended to implement the reform program endorsed by the IMF.

After the US President Bill Clinton issued a warning about the need for the government to adhere to the IMF program as part of the conditions for the US\$33 billion assistance,⁵⁴³ Suharto led the negotiations directly with Stanley Fischer the Deputy Managing Director of the IMF on the second LOI reform in January 1998, which outlined a 50 point program that included the cartel elimination of cement, paper and plywood and the cancellation of support for Habibie's aircraft industry.⁵⁴⁴ To everyone surprise Suharto agreed to all of the conditions in the LOI. The market responded negatively to the second LOI because they did not believe that Suharto was willing to execute the program⁵⁴⁵

After realizing that the tough prescription by the IMF was not working, Suharto's was persuaded to enact a Currency Board System (CBS) to stabilize the rupiah currency by his children, after which the then John Hopkins University Professor, Steven Hanke, was brought in to provide academic justification for the plan.⁵⁴⁶

Finally, the CBS plan was shelved after the IMF postponed its assistance of US\$ 3 billion in March 1998.⁵⁴⁷ Then the major industrial countries' G7's leaders led by US President Bill Clinton and Japanese Prime Minister Ryutaro Hashimoto clarified their opposition to

⁵⁴² 'Suharto Son Alleges Indonesian Official Tried to Sully Family by Closing Banks,' *the Wall Street Journal*, 5 November 1997.

⁵⁴³ 'Ground Zero,' *Far Eastern Economic Review*, 29 January 1998, pp. 14-16.

⁵⁴⁴ LOI Indonesia government to Managing Director of the International Monetary Fund (IMF) along with a Memorandum of Economic and Financial Policies, 15 January 1998, retrieved on 15 May 2014 from <http://www.imf.org/external/np/loi/011598.htm>

⁵⁴⁵ 'Soaring Ambition,' *Far Eastern Economic Review*, 29 January 1998, pp. 14-15.

⁵⁴⁶ Fredy B.L. Tobing, *Praktik Relasi Kekuasaan: Suharto dan Krisis Ekonomi 1997 – 1998 (Power Relation Practice: Suharto and Economy Crisis in 1997 – 1998)* (Jakarta: Penerbit Kompas, 2013). pp. 108-109.

⁵⁴⁷ *Ibid.*, p. 164.

Suharto's plan to apply CBS.⁵⁴⁸ The failure of the technocrats to address corruption and nepotism, especially among Suharto's family and close associates, is linked to the second argument in this thesis as outlined in the introduction chapter. It stipulates that the anti-corruption measure at the peak of Suharto's political power was arbitrary and even experienced a set-back, thus failing to dismantle especially the economic patronage, for instance, in the form of off-budget funding created by the financial generals or social foundations that were used to mobilize funding from the Chinese conglomerates.

The Dwindling Political Support that led to Suharto's resignation

Meanwhile, his three-decade political reign started to crumble. One of the opposition leaders, Amien Rais, head of one of the largest Islamic mass organizations, Muhammadiyah raised the issue of leadership succession and criticized Suharto's family's corruption.⁵⁴⁹

In unexpected move, Suharto announced his cabinet a fortnight ahead of schedule. From its composition, it was apparent that Suharto was disappointed with the technocrats and handed an economic post to the nationalist group or his cronies; for instance, he appointed Muhammad 'Bob' Hasan, his golfing buddy, as Minister for Trade and Industry; and his daughter, Tutut, as Minister of Social Affairs.⁵⁵⁰

Meanwhile, the students protesters starting to mobilize in large crowds where both in Yogyakarta and Jakarta was demanding Suharto's resignation for causing systemic corruption in Indonesia.⁵⁵¹ However, in Jakarta, the peaceful demonstration held on 12 May 1998, led by

⁵⁴⁸ 'Indonesia's Plan For Rupiah Peg Is Suspended --- Pressure From G-7, IMF Halts Decision, At Least Temporarily,' *the Wall Street Journal*, 23 February 1998, p.1.

⁵⁴⁹ Interview with Amien Rais, Head of People Consultative Assembly (Majelis Permusyawaratan Rakyat- MPR) in 1999 – 2004, 22 November 2013, Jakarta.

⁵⁵⁰ 'Family and Friends: Suharto Unveils an Inner Circle Cabinet,' *Far Eastern Economic Review*, 26 March 1998, pp. 20 – 21.

⁵⁵¹ 'Campus Crusaders: Students Raise Temperature of their Protest,' *Far Eastern Economic Review*, 16 March 1998, pp. 22-23.

students from Trisakti University, turned into a public furor when four students were shot dead by a mysterious sniper. The day after the memorial service on Trisakti campus, major riots broke out in Jakarta as ordinary people ran amok in the capital, destroying anything that symbolized the corruption of the New Order.⁵⁵² With Jakarta on fire, Suharto abruptly shortened his participation in the G-15 summit meeting in Cairo.

During this juncture, the Indonesian elite started to withdraw their support for Suharto combine with pressure from around 10,000 students who flooded the DPR building in May 1998.⁵⁵³ Furthermore, the split within the Suharto cabinet was amplified. Ginandjar initiated a meeting with 14 ministers on 20 May 1998 that agreed to rejects any offer from Suharto to serve in the new cabinet due to political situation.⁵⁵⁴ Later that night Suharto ran out of option when the Military chief Wiranto, told Suharto that the military were unable to guarantee the security of Jakarta.

Also, international support was dissipated when the US Secretary of State Madeline Albright urging him to resign.⁵⁵⁵ As constitutionally required, Vice President Habibie took over the presidency on the morning of 21 May 1998 during a brief ceremony in which he was inaugurated by the MA chief. This marked the end of Suharto's 30-year reign in Indonesia after he took power officially in 1968.

Ultimately, Suharto became a victim of his own success as the political governance structure of the state became overly concentrated on him. As a consequence, any deficiencies would reflect directly on him, like the growing influence of his children as they expanded their

⁵⁵² 'People Power,' *Asiaweek*, 29 May 1998, pp. 22-23.

⁵⁵³ Peter Kasenda, *Suharto: Bagaimana Ia Bisa Melanggengkan Kekuasaan Selama 32 Tahun* (*Suharto: How Can He Be in Power for 32 Years*) (Jakarta: Penerbit Kompas, 2013), p. 217.

⁵⁵⁴ Kartasasmita, *Managing Indonesia's Transformation: an Oral History*, pp. 188-199.

⁵⁵⁵ James Luhulima, *Hari-Hari Terpanjang Menjelang Mundurnya Presiden Suharto dan Beberapa Peristiwa Terkait* (*the Long Days Before President Suharto is Resigning and Other Related Events*) (Jakarta: Penerbit Kompas, 2001), p. 190.

businesses rapidly through the government protection. As Indonesia's economic prosperity, the only source of Suharto's political legitimacy in his last decade was wiped out by the economic crises in 1997-1998, his supporters started to pull out their political support. As a result, Suharto was forced to resign.

Conclusion

When Suharto reached the apex of power in Indonesian politics between the late 1980s and early 1990s, by using the political pluralism by Dahl, the political resources were disproportionately matched in the form of, among others, physical force, organization and wealth. Also, during that period, Suharto was not just overseeing the democratic roll-back or regress, as warned by Linz and Stepan, Diamond, Merkel and Croissant and Bunte (see the introduction chapter), which started Sukarno's guided democracy period in the late 1950s, but Suharto took it further by consolidating the political authoritarian structure that made the president and his executive power the sole authority of the state to suit his political agenda at the expense of suppressing Indonesian society's political rights and freedom. The corruption, collusion and cronyism that was rampant especially in the last ten years of the New Order era was a manifestation of Suharto's authoritarian political governance structure, which in the end almost overshadowed his economic and social development success, and thus affected his overall presidency's legacy, both domestically and internationally.

Also, under the New Order, Suharto managed to establish economic patronage systematically through his close business associates and later through his relatives, which was crucial in providing off-budget funding for his crucial political operation. Therefore, using the political pluralism framework, under the three decades of Suharto's reign, the reformers – whether the technocrats, students or civil society activists – witnessed the heaviest set-back to the conservative elites or oligarchs, like Suharto's business associates and family, as they had

insufficient political support. Due to the economic crisis of 1998 and also continuous pressure especially from the students, however, Suharto's political resources were weakened substantially since the military and the political elites, in the end, retracted their support, that led to his downfall.

In addition, by applying the Kingdon analytical framework as explained in the introduction section, the Suharto period, as mentioned, was one of authoritarian consolidation, and there were only a few effective policy entrepreneurs in the context of the governance reform and anti-corruption efforts. The technocrats can be identified as policy entrepreneurs as, with their limited authority, they were able to leverage economic reform particularly in the first two decades of the Suharto era. The peak of their influence, in my view, was when Widjojo and Wardhana held various economic portfolio ministerial positions together. They managed to convince Suharto of the merit of the technocratic approach to economy policy that not only restored the economic morass under Sukarno in the late 1960s, but also witnessed remarkable economic growth of above 5% consecutively, that brought Indonesia from a poor, low income to a low middle income country before the economic crisis of 1998. Since, politically, Suharto was almost no match for his competitors, potential policy entrepreneurs in the realm of politics, like student leaders or opposition figures, were easily thwarted by Suharto before the economic crisis. Nevertheless in 1997-1998, the students were able to identify the problem, offer policy proposals, and utilize the window of opportunity produced by the economic crisis in 1998, by putting political pressure on Suharto through mass-demonstrations that made an important contribution to his downfall, based on Kingdon's analytical approach.

In assessing the political leadership traits of Suharto, in my view, these should be divided into two areas: politics and the economy. In using Burns' political leadership analytical framework, in my view, Suharto epitomizes transactional leadership that uses a combination of coercion especially through the military and co-optation by using wealth or offering positions.

Meanwhile, in terms of economic policy, although he was not initiating the idea, Suharto provides crucial political support for the technocrats in pushing for economic reform. As clearly, in my view, the technocrat was a transformational leader, Suharto should be given credit for being a semi-transformational leader in realizing the crucial economic policy reform in the New Order era.

Chapter 6: The Uneven Progress in Governance Reform and the Up-hill Struggle against Corruption: Indonesia's Habibie, Gus Dur and Megawati's Record 1998-2004.

After the fall of Suharto in May 1998, Indonesia was politically volatile where subsequent post-Suharto presidents had to deal with the demands from civil society for a more democratic political governance structure while at the same time oversee the economic recovery from the ruins of the major economic crisis. This chapter will start by discussing the academic debates on the political dynamic in the post Suharto era (1998-2004). Moreover, it is structured in chronological order based on pertinent issues related to the governance reform and anti-corruption initiatives that started with the interregnum Habibie presidency in 1998-1999, followed by the politically turbulent Gus Dur presidency of 1999-2001, and ended with the relatively political stable Megawati presidency of 2001-2004.

There are fifteen sections in this chapter. The first section focuses on the latest academic debate on the Indonesia political landscape during the post-Suharto era. Furthermore, the electoral reform introduced by B.J. Habibie is outlined in the second section. The third section focuses the discussion on the freedom of the press and freedom of expression that enacted during Habibie's stint. Moreover, Habibie's reluctant to resolve the corruption case implicating his predecessor, Suharto, will be examined in the fourth section. The Bali Bank Bali corruption scandal that allegedly involved Habibie's inner circle and basically ended his hopes of reelection will be discussed in the fifth section. The mixed progress on the military reform under Habibie will be examined in the sixth section. Subsequently, the seventh section will outline the anti-corruption drive by Gus Dur, followed by his handling of Suharto's family's corruption cases in the eighth section. The significant backlash faced by Gus Dur in pushing for military reform will be discussed in the ninth section and his unsuccessful

addressing of judicial reform in the tenth section. The crucial process of constitutional amendments to establish a more democratic political governance structure during Megawati's period will be outlined in the eleventh section. Moreover, the set-back to the military reform due to the rise of conservative military leaders in the Megawati period will be examined in the twelfth section. Meanwhile, Megawati's lack of enthusiasm to push for further anti-corruption initiatives will be discussed in the thirteenth section. The deliberation and later enactment of the Anti-Corruption Commission (KPK)'s bill will be outlined in the fourteenth section, and the conclusion is presented in the fifteenth section.

This chapter will outline three arguments in interpreting the political dynamics of the competing political actors in the context of governance reform and anti-corruption initiatives during the post-Suharto era. The first argument is that Habibie should be credited with several important political governance reforms, like the electoral reform that brought about the relatively free-and-fair national legislative (DPR) in 1999 and in ensuring the freedom of expression and freedom of organization that facilitated the significant growth of both the independent mass-media and civil society. However, Habibie was unable to resolve the rampant corruption that linked with his reelection presidential campaign and the alleged corruption implicating Suharto. The second argument stipulated that there was a valuable opportunity to push for further governance reforms and a bolder anti-corruption drive, after credible top leadership emerged from the free-and-fair election in 1999 embodied in the appointment of Gus Dur and Megawati Sukarnoputri as president and vice president. However, the political bickering and blatant competition over grabbing the state resources for the election campaign in 2004 that had bedeviled the Gus Dur presidency constitute a set-back in several governance reform areas – like military and judicial reform.

The third argument is that, during the Megawati era (2001-2004), important political governance reform was enacted through constitutional amendments driven by the reformist

elements in the MPR that later sanctioned by Megawati for her reelection campaign. Also, because of the push from civil society, reformist senior bureaucrats and international donors (the IMF), the anti-corruption commission (KPK) bill was finally enacted in 2004. This was crucial as KPK in the next administration emerged as the most effective anti-corruption agency in Indonesia's modern history. Nevertheless, Megawati was neither able nor willing to show her tenacity in pushing for further fundamental governance reform. On the contrary, Megawati's government over the course of three years in power continued to be embroiled in corruption allegations that exhaust her political capital, which cost her reelection in 2004.

The Debates' Political Landscape in the Post-Suharto Era

Several streams of literature interpret the new political governance structure after the fall of Suharto in May 1998. One of stream of thought during the post-Suharto era is the dominant political role played by the oligarchy. Hadiz and Robison, define an Oligarchy as a 'system of government which virtually all political power is held by a very small number of wealthy people...while displaying little or no concern for the broader interests of the rest of citizenry.'⁵⁵⁶ These oligarchs comprise conglomerates (mostly Indonesian Chinese), political businessmen (indigenous businessmen) and state officials.⁵⁵⁷

Other academics employ Robison and Hadiz's approach, like Chua's analysis of Indonesia's Chinese conglomerates⁵⁵⁸ or the role of the Politico-Business group by Rosser.⁵⁵⁹ Within the same stream of Oligarchy thought, Winters emphasizes that oligarchs' political prowess where, 'the transition to democracy does not constitute a significant disruption or even

⁵⁵⁶Richard Robison and Vedi R. Hadiz, *Reorganizing Power in Indonesia: The Politics of Oligarchy in an Age of Markets* (London and New York: Routledge Curzon, 2004), pp. 16-17.

⁵⁵⁷Vedi R. Hadiz and Richard Robison, 'The Political Economy of Oligarchy and the Reorganization of Power' in *Beyond Oligarchy: Wealth Power, and Contemporary Indonesian Politics* (Ithaca: Cornell Southeast Asia Program Publications, 2014), p. 38.

⁵⁵⁸Christian Chua, 'The Conglomerates in Crisis: Indonesia, 1997 – 1998', *Journal of the Asia Pacific Economy*, Vol. 13, No. 1, 2007.

⁵⁵⁹Andrew Rosser, 'towards a Political Economy of Human Rights Violations in Post-New Order Indonesia', *Journal of Contemporary Asia*, vol. 43, no.2.

diminution of their power.⁵⁶⁰ While Hadiz, Robison and Winters acknowledge the emergence of progressive forces like civil society or the technocrats, they also argue that these were easily marginalized by the oligarchs.⁵⁶¹

The other analytical framework focuses on the form of political dealings behind the scenes that facilitated the distribution of patronage by the formation of political cartels. This stream of thought was applied in Indonesian's politics in the post-Suharto era (2001-2004) by Slater and later Ambardi.⁵⁶² This cartel arrangement was reflected in the cabinet formed by Gus Dur in 1999 and Megawati's 'rainbow' cabinet that accommodated almost every political party in parliament in 2001.⁵⁶³ As a result, cartel theorists concluded that the political party elites managed to extract state resources through a power sharing arrangement without electoral accountability.

Then, in the third stream of thought (political pluralism) there was what Mietzner called the 'pluralist camp', Fukuoka's called the 'liberalist' camp and Pepinsky called 'pluralism'.⁵⁶⁴ The proponents of political pluralism argue that, in the post-Suharto era, the political governance structure facilitated ceaseless competition between the reformist and predatory elements. According to Aspinall, even the lower-class group (e.g., labor, farmers) were able to take an advantage of the political space in the post-Suharto era by advancing its interests and

⁵⁶⁰ Jeffery A. Winters, *Oligarchy* (Cambridge: Cambridge University Press, 2011), p. 16.

⁵⁶¹ Hadiz and Robison, 'The Political Economy of Oligarchy and the Reorganization of Power', p. 50; Jeffery A. Winters, 'Oligarchy and Democracy in Indonesia' in *Beyond Oligarchy: Wealth Power, and Contemporary Indonesian Politics* (Ithaca: Cornell Southeast Asia Program Publications, 2014), p. 22.

⁵⁶² Dan Slater, 'Indonesia's Accountability Trap: Party Cartels and Presidential Power after Democratic Transition', *Indonesia*, No. 78, Oct., 2004; Kuskrirdho Ambardi, *the Making of Indonesian Multiparty System: A Cartelized Party System and Its Origin* (PhD Dissertation, Department of Political Science, Ohio State University, 2008); Kuskrirdho Ambardi, *Mengungkap Politik Kartel: Studi tentang Sistem Kepartaian di Indonesia Era Reformasi [Exposing Cartel in Politics: Research on Political Party System in Reform Era]* (Jakarta: Kepustakaan Populer Gramedia).

⁵⁶³ Dan Slater, 'The Ironies of Instability in Indonesia', *Social Analysis, Volume 50, Issue 1, Spring 2006*, p. 210.

⁵⁶⁴ Marcus Mietzner, *Reinventing Populism: Jokowi's Rise, Democracy, and Political Contestation* (Hawaii: East West Center, 2015), p. 5; Yuki Fukuoka, 'Debating Indonesia's Reformasi: Bridging "Parallel Universes"', *Journal of Contemporary Asia*, vol. 44, no. 3; Thomas B. Pepinsky, 'Pluralism and Political Conflict in Indonesia' in *Beyond Oligarchy: Wealth Power, and Contemporary Indonesian Politics* (Ithaca: Cornell Southeast Asia Program Publications, 2014).

forcing the Oligarchy to compromise.⁵⁶⁵ Meanwhile, Lane emphasized the role of students in toppling Suharto and the growing mass-protests that expanded all over Indonesia.⁵⁶⁶

In my view, the Oligarchs were certainly one of the important actors in the political contestation. However, the number of reforms, such as constitutional amendments, showed that non oligarchy political leaders like the PDIP party's Jacob Tobing could play an instrumental role. This highlighted that the political actors unpredictably change alliances in their political battles, so neither the Oligarchs nor cartel theorists, in my view, sufficiently capture this phenomenon. However, nor does this mean that, in Indonesia post-Suharto, the democratic governance structure was fully consolidated. As Aspinall explained, 'The legacies of a political transition that kept the old Suharto regime's ruling elite and patrimonial governing style largely intact continue to bedevil democratic governance.'⁵⁶⁷

The Electoral Reform under the Habibie Presidency

Suharto was forced to resign due to the strong public protest and the Indonesian political elites rescinded their support in May 1998. Afterwards, there was a consensus among Indonesia's political elite that Habibie as Vice President would take over the presidency, albeit as an interim measure. This arrangement was also part of the deal between the military and political leaders to accommodate the demand for Suharto's resignation.⁵⁶⁸

Given the unpopularity, Habibie and Military Chief Wiranto decided that they needed to work together. There appeared to be a *pro quod pro*, whereby Habibie let the military decide the scope and pace of their reform. This arrangement was possible as Wiranto had consolidated

⁵⁶⁵ Edward Aspinall, 'Popular Agency and Interests in Indonesia's Democratic Transitions and Consolidations', in *Beyond Oligarchy: Wealth Power, and Contemporary Indonesian Politics*, p.135.

⁵⁶⁶ Max Lane, *Unfinished Nation: Indonesia Before and After Suharto* (London: Verso, 2008), pp. 271 -278.

⁵⁶⁷ Edward Aspinall, 'The Irony of Success', *Journal of Democracy*, Volume 21, Number 2, April 2010, pp. 33-34.

⁵⁶⁸ Kevin O'Rourke, *Reformasi: The Struggle for Power in Post-Suharto Indonesia* (New South Wales: Allan & Unwin, 2002), p. 133.

his authority within the military by January 1999 by marginalizing Prabowo Subianto's supporter.⁵⁶⁹

With his low political capital, to the great surprise of both his adversaries and even his supporters, Habibie managed to push for electoral reform. Habbie gave directions to ministers about the electoral reform in May 1998 by overhauling laws and regulations on political party.⁵⁷⁰

Habibie then set-up team seven, consist of government officials and academics led by the Ministry of Home Affairs' high officials, Ryaas Rasyid, who was tasked with preparing important draft laws on political reform, political parties, the national elections and the governance arrangement between parliament (DPR), the people's consultative assembly (MPR) and the Regional Parliament (DPRD) or *Susduk*.⁵⁷¹

Knowing that Habibie depended on its credibility, team seven managed to push for the preparation of a legislative framework for a more democratic electoral system. Habibie managed to sever the link between the civil service and Golkar which had existed for three decades.⁵⁷² Also, the National Election Commission (KPU), with representatives from the government, political parties and community, was tasked with organizing the national election of 1999.⁵⁷³

The government also relaxed its requirement to build a political party with the new political party law that only required 50 adults to establish a political party with other lenient

⁵⁶⁹ Jun Honna, *Military Politics and Democratization in Indonesia* (London: Routledge, 2003), pp. 169-170.

⁵⁷⁰ Bacharuddin Jusuf Habibie, *Decisive Moments: Indonesia's Long Road to Democracy* (Jakarta: Ilthabi Rekatama, 2006), pp. 116-117.

⁵⁷¹ 'Pemilihan Umum 1999,' Komisi Pemilihan Umum (National Election Commission), 21 February 2008, retrieved on 1 March 2015 from <http://www.kpu.go.id/index.php/pages/detail/2008/11/Pemilu-1999>

⁵⁷² Rourke, *Reformasi: The Struggle for Power in Post-Suharto Indonesia*, pp. 201-202.

⁵⁷³ 'Dawn of Age', *Far Eastern Economic Review*, 17 September 1998, pp. 25-26; article 8, law 3/ 1999 on the National Election.

requirements.⁵⁷⁴ Besides the three parties from the New Order era (Golkar, PPP and PDI), the number of political parties mushroomed, with an additional 145 parties, ranging from those with strong Islamic constituents like PKB (*Partai Kebangkitan Bangsa*), with majority Islamic mass organization Nahdlatul Ulama followers, PAN (*Partai Amanat Nasional*) with Islamic mass organization Muhammadiyah followers and certainly PDIP with a strong nationalist constituent.⁵⁷⁵

Then, through the law on *Susduk*, the number of military seats in parliament (DPR) was cut by half, to 38 seats.⁵⁷⁶ This was to accommodate a strong anti-military sentiment among the public.⁵⁷⁷ Under the same law, parliament received more power, as it was given *inter alia* the authority to propose draft law, conduct supervision and request direct clarification from the president.⁵⁷⁸

However, team seven also faced some set-backs. The strong vested interest in the political parties managed to scrap team seven's proposal for district voting to keep a proportional-representation system. Then, the KPU in April 1999 managed to give authority for the political leaders to decide candidates who got a seat in parliament.⁵⁷⁹ Furthermore, the number of non-elected seats of the regional and functional group representatives without a clear selection mechanism still allocated to 238 of the 700 seats in MPR.

Then, the government appointed credible figures within the team of eleven to make the political party selection for the national election in 1999. This team was led by the highly-

⁵⁷⁴ Article 2, section 1 and 2, Law 2/ 1999 on Political Party.

⁵⁷⁵ *Profil and Visi 100 Partai di Era Reformasi* [Profile and Vision of 100 political parties in the Reform Era] (Jakarta: Kipas Putri Aksara, 1999), p. 91.

⁵⁷⁶ Article 11 (3), Law 4/ 1999 on the governance arrangement between the parliament (DPR), the people's consultative assembly (MPR) and the Regional Parliament (DPRD).

⁵⁷⁷ Leo Suryadinata, *Elections and Politics in Indonesia* (Singapore: ISEAS, 2002), p. 85.

⁵⁷⁸ Article 33, Law 4/ 1999 on the governance arrangement between the parliament (DPR), the people's Consultative Assembly (MPR), the regional parliament (DPRD).

⁵⁷⁹ 'Unpopular Decision', *Far Eastern Economic Review*, 6 May 1999.

respected Islamic scholar, Nurcholis Madjid. Through the second stage election process, out of 150, only 48 political parties were qualified.

There were at least four institutions involved in monitoring the election, including: the University Network for Free Elections (UNFREL), the Independent Committee for Election Monitoring (KIPP), and the Rector Forum (Forum Rektor). UNFREL managed to mobilize around 159,000 volunteers to monitor 225,000 election booths nationwide with the assistance of volunteers from the KIPP, the Rector Forum and YAPPIKA.⁵⁸⁰

The Habibie government also decided to involve international NGOs and international organizations in monitoring the election to ensure its credibility. For instance, the Carter Center and National Democratic Institute (NDI) fielded around a 100-member delegation led by former US President Jimmy Carter, which observed 26 of the 27 provinces in Indonesia.⁵⁸¹ With an extensive international scrutiny, the national election in 1999 was seen as relatively free and fair.⁵⁸²

Despite Habibie's successful management of the relatively competitive national election, Golkar was defeated by Megawati's PDIP, which secured 33.74 percent of the votes and 153 seats in parliament, while Golkar only managed to get 23.75 percent of the votes and 120 seats. Surprisingly, the PKB won 13.34 percent of the votes, with 51 seats in parliament.⁵⁸³

⁵⁸⁰ 'Parpol dan Masyarakat Segera Laporkan Pelanggaran Pemilu', *Kompas*, 30 March 1999, retrieved on 4 March 2015 from <http://www.library.ohio.edu/indopubs/1999/03/29/0125.html>

⁵⁸¹ Statement of the National Democratic Institute and the Carter Center, 'International Observation Delegation to Indonesia's June 7, 1999, legislative elections', [www.cartercenter.org](http://www.cartercenter.org/documents/IndonesiaPreliminary percent20Statement percent20June percent2099_percent201999.pdf), 9 June 1999, retrieved on 5 March 2015 from http://www.cartercenter.org/documents/IndonesiaPreliminary percent20Statement percent20June percent2099_percent201999.pdf

⁵⁸² Post-Election Statement No. 3 of the National Democratic Institute and the Carter Center International Elections Vote Tabulation and the Electoral Process, Indonesia's June 7, 1999, Legislative Elections Votes Tabulation and the Electoral Process, 15 July 1999, [www.cartercenter.org](http://www.cartercenter.org/documents/Indonesia third post election statement 071599.pdf), retrieved on 5 March 2015 from <http://www.cartercenter.org/documents/Indonesia third post election statement 071599.pdf>

⁵⁸³ 'Pemilu 1999', *Komisi Pemilihan Umum (The National Election Commission)*, 21 February 2008, retrieved on 15 March 2015 from <http://www.kpu.go.id/index.php/pages/detail/2008/11/Pemilu-1999>

Freedom of Expression and Freedom of the Press: Other Habibie Accomplishments

Habibie should also be noted for his achievement in ensuring freedom of expression and opening up the free media. Initially, the press and NGOs were skeptical about the Habibie government's intention, especially the appointment of Yunus as the Minister of Information, who was an army general.⁵⁸⁴

In May 1998 there was a demonstration by the Alliance of Independent Journalists (AJI) where they demanded the revocation of the regulation that required the press association to be solely the Indonesia Journalist Association (PWI) and the rescinding of the Ministry's right to revoke press licenses. During the meeting, Yosfiah promised to fulfill the demands except for the new press law as the government needed approval from parliament. Yunus streamlined new media license approval process, thus providing an opportunity for a number of credible media to reemerge that had been disbanded during the New Order era, like Tempo Magazine and Detik tabloid.⁵⁸⁵

In drafting the freedom of the press bill, Yunus was again working closely with the important press figures, such as Atmakusumah Astraatmadja, former managing editor of the disbanded *Indonesia Raya* Newspaper. There was tension during the drafting process, as the government still wanted to impose some control, while the activists and the press wanted to have more freedom. Then, Yosfiah quietly asked UNESCO for assistance, and eventually an inter-governmental organization called Article 19 was involved in drafting the bill.⁵⁸⁶

⁵⁸⁴ 'Menpen: Saya takkan Kecewakan Pers (Minister of Information: I won't disappoint the press), *Kompas*, 25 Mei 1998, retrieved at 5 March 2015 from

<http://www.seasite.niu.edu/indonesian/Reformasi/Chronicle/Kompas/May25/memp01.htm>

⁵⁸⁵ Minister of Information Regulation number 1/ 1998 on the license for Publication of the Press (Surat Izin Usaha Penerbitan Pers – SIUPP).

⁵⁸⁶ Janet Steele, 'An Era as "Sweet as Honey": Habibie and 1999 Press Law' in Dewi F. Anwar & Bridget Welsh (eds.), *Democracy Take-Off? The Habibie Period* (Jakarta: Sinar Harapan, 2013), pp 201-207.

Finally, after a month-long deliberation process, the press bill was passed by parliament in September 1999 which guaranteed, among other things, the freedom of the press, freedom from censorship and freedom from being banned.⁵⁸⁷

The Elephant in the Room: Suharto's Corruption Case

Due to political and public pressure, the MPR intended to create a distance from Suharto, who was closely associated with corruption, collusion and nepotism (known in Indonesia as KKN). Thus, during the MPR special session in November 1998, the MPR decree on Good Government that is Free of corruption was issued that stipulates:

The effort to eradicate corruption has to be vigorous and without discrimination, including high state officials, former high state officials, their family and cronies, including private sector/conglomerates and former President Suharto...⁵⁸⁸

Habibie realized that the chance of being re-elected would depend on how he dealt with the corruption case related to Suharto, especially as public pressure increased after Suharto stated on national television denied the allegation.⁵⁸⁹

In an effort to show his seriousness, Habibie issued a presidential instruction to AGO to investigate Suharto's alleged corruption.⁵⁹⁰ Attorney General Andi Ghalib reported that seven foundations managed by Suharto had been identified, worth around Rp. 4.1 trillion, and also identified 72 bank accounts in Suharto's name with total deposits of around US\$3 million.⁵⁹¹ In December 1999, the team established by AGO, led by Deputy Attorney General

⁵⁸⁷ Article 4 (1), Law number 40/1999 on the Press.

⁵⁸⁸ Article 4, the MPR Decree number XI/ 1998 on Good Government that is Free of Corruption, Collusion and Nepotism.

⁵⁸⁹ 'Seluas Pulau Jawa untuk Pandito [As Vast as Java Island for the Mentor]', *Panji Masyarakat*, 2 December 1998, retrieved on 13 March 2013 from <http://www.library.ohiou.edu/indopubs/1998/12/02/0029.html>

⁵⁹⁰ Presidential Instruction Decree number 30/ 1998 on Corruption, Collusion and Nepotism Eradication.

⁵⁹¹ 'Attorney General: It's very Hard,' *Time*, 8 April 1999, retrieved on 14 March 2015 from http://kepustakaan-presiden.pnri.go.id/uploaded_files/pdf/article_clipping/normal/TIMEASIA_19990524_2.pdf

Antonius Sujata, interrogated Suharto about the national car project (Mobnas), his assets abroad and his ownership of a plantation and farm in Tapos village.⁵⁹²

Suharto then made a surprising political move by voluntarily returning assets with an estimated worth of US\$690 million of seven charitable foundations (*Yayasan*) in February 1999. However, these seven foundations' assets were suspected to be worth more than the amount that Suharto returned to the state. For instance, three *Yayasan* owned 87 percent of the shares in Indonesia's private Bank Duta, with an estimated value in 1990 of around US\$1 billion.⁵⁹³ Then, Ghalib announced that, based on the investigation of 15 Indonesian Embassies, AGO could not find any proof that assets existed abroad in Suharto's name.⁵⁹⁴ It appeared that AGO was irrationally focusing on tracing assets under his name.

Furthermore, an embarrassing telephone conversation between Habibie and Ghalib was leaked by the Indonesian press in February 1999, which showed that neither was seriously investigating Suharto's case.⁵⁹⁵ It was believed that the reluctance was due to that many of Habibie cabinet ministers had served Suharto's government.⁵⁹⁶

Then, *Time Magazine*, in May 1999, ran a cover story on how Suharto's family had benefited from rent-seeking activities to accumulate substantial wealth during Suharto's three decade presidency. The Time calculated that around US\$78 billion had been channeled toward Suharto's family members, including in the form of mining, timber, commodities and

⁵⁹² 'Kontra Suharto', *Kontras*, Bulletin published on 10 September 2010, retrieved on 14 March 2015 from http://www.kontras.org/buletin/indo/layout_percent20koran_percent20kontra_percent20Suharto_percent281_percent29.pdf

⁵⁹³ 'The Family Firm', *Time*, *Ibid*.

⁵⁹⁴ 'Kronologi Kasus Dugaan Korupsi Suharto', *Tempo.co*, 31 May 2004, retrieved on 14 March 2015 from http://tempo.co.id/hg/timeline/2004/05/31/tml_20040531-01.id.html

⁵⁹⁵ 'Transkrip Rekaman itu [Transcript of that Recording]', *Panji Masyarakat*, 24 February 1999, p. 76.

⁵⁹⁶ 'Habibie Calling', *Far Easter Economic Review*, 4 March 1999, pp. 20-21.

petroleum industries. Despite the major economy crisis in 1998, the net worth of Suharto and his six children was estimated at around \$15 billion.⁵⁹⁷

The Habibie government had little choice but to act swiftly following *Time*'s report, especially regarding a suspicious transfer of US\$9 billion from Switzerland to Austria that caught the attention of the US treasury and was associated with Suharto's family. The Habibie government dispatched both Ghalib and Minister of Justice Muladi to Switzerland to track the funding in May 1999, but never submitted a request for mutual legal assistance. No wonder, Muladi announced in June 1999 that the government had been unable to find such money transfer abroad.⁵⁹⁸

To make matter worse, Ghalib himself became embroiled in a corruption case when Indonesia Corruption Watch (ICW) reported him to the military police (PUSPOM TNI) for inappropriately receiving 11 money transfers around US\$ 180,000, including from conglomerates in June 1999.⁵⁹⁹ In the end, Habibie suspended Ghalib as Attorney General.

Disappointingly, Acting Attorney General Ismuldjoko announced that AGO had issued a letter announcing that the investigation into Suharto's alleged corruption would cease (SP3) on 11 October 1999 due to insufficient evidence.

The Bank Bali Scandal: The Scandal that affect Habibie's Reelection Bid

Habibie initially announced that he would not stand for reelection, but revised his position in June 1999.⁶⁰⁰ In response, his close political associates and family formed an informal group to support his reelection bid called *Tim sukses* that consisted of, Supreme Advisory Council

⁵⁹⁷ 'The Family Firm', *Time*, 24 May 1999, Vol. 52 No. 2., retrieved on 10 February 2015 from <http://content.time.com/time/world/article/0,8599,2056697,00.html>

⁵⁹⁸ 'Swiss dan Austria membutuhkan Keputusan Pengadilan [Swiss and Austria needed Court Ruling]', *Kompas*, 7 June 1999, p. 2.

⁵⁹⁹ 'Target: The Attorney General', *Asiaweek*, 25 June 1999, p. 27.

⁶⁰⁰ Ginandjar Kartasasmita, *Managing Indonesia's Transformation: an Oral History* (Singapore: Word Scientific, 2013), pp. 221 – 222.

(DPA) Chair A.A. Baramuli, Minister of State Enterprise Tanri Abeng and Habibie's brother, Timmy. The *Tim Sukses* was established because Habibie did not trust Golkar under Akbar Tandjung's leadership. After Golkar was defeated at the parliamentary election in 1999, it was suspected that Tim Sukses intended to bribe the MPR to appoint Habibie as president.⁶⁰¹

Then, the Bank Bali case was revealed by banking analyst Pradjoto in July 1999, showing a gap of Rp.576 billion on Bank Bali's balance sheet that had been used to pay a fee to Eka Giat Prima (EGP) Company that was owned by Setya Novatno, one of Habibie's *tim sukses* members. This fee was paid to collect a Rp. 905 billion government-guaranteed interbank loan from the Indonesia Central Bank (BI). It was suspected that the US\$70 million fee was used by *Tim Sukses* for Habibie's reelection campaign.

This scandal created not only a public furor but also a strong reaction from the IMF that threatened to suspend US\$ 1 billion financial aid.⁶⁰² Then, after pressure from civil society and international donors, the Habibie government invited the international auditors firm Price Waterhouse Coopers (PWC) to investigate the Bank Bali scandal. In the report, PWC concluded that they found 'preferential treatment, concealment, bribery, corruption and fraud' connected to the US\$70 million.⁶⁰³

Despite the PWC report and parliament's censure of high officials' related to the Bank Bali scandal, the Habibie government never conducted a serious investigation,⁶⁰⁴ although the testimony of IBRA (Indonesia Bank Restructuring Agency) Chair Glenn Jusuf in September 1999 revealed that DPA Chair A.A. Baramuli asked him to cover up the Bank Bali case.⁶⁰⁵

⁶⁰¹ 'Stuck in the Middle,' *Asiaweek*, 22 October 1999, p. 4.

⁶⁰² 'The situation of Indonesia and the IMF', comment by the IMF spoke person William Murray, 16 September 1999, retrieved on 16 March 2015 from <http://www.imf.org/external/np/vc/1999/091699.htm>

⁶⁰³ 'Follow the Money', *Far Eastern Economic Review*, 23 September 1999, p. 12.

⁶⁰⁴ 'Ronde Pamungkas Bank Bali', *Tempo*, 27 September 1999, retrieved on 16 March 2015 from <http://majalah.tempo.co/konten/1999/09/27/EB/96889/Ronde-Pamungkas-Bank-Bali/30/28>

⁶⁰⁵ 'On the Firing Line', *Asiaweek*, 24 September 1999, p. 25.

Consequently, the Bank Bali case became of the major incidents that made Habibie's reelection presidency bid almost impossible.

The Military Reform under Habibie: on the Military Pace

The military led by Wiranto realized that Habibie's interim government heavily depended on military support. Despite pressure to replace the Military Chief during cabinet formation in May 1998, Habibie kept Wiranto in this crucial post.⁶⁰⁶

The relationship between Habibie and the military was one of mutual dependence. While Habibie needed the military for political stability, on the other hand the military needed Habibie's good will in exercising his right to appoint the right personnel, resource allocation and in setting the military reform agenda.⁶⁰⁷

The military led its own reform in which Wiranto tasked the small group of 'intellectual' army generals - Susilo Bambang Yudhoyono (SBY), Agus Widjojo and Agus Wirahadikusumah - with designing a new concept for the military's future role. This group was to undercut the military's critics, bolster its credibility and preserve its influence.⁶⁰⁸ In September 1998, the military launched its reform concept called 'New Paradigm', which proposed that they should not always be involved in the forefront of Indonesian politics but play an influential role, avoiding intervention in politics, and offering power-sharing with civilians.⁶⁰⁹

As the media and civil society disliked the new concept as too abstract, the intellectual generals pushed for concrete measures. SBY downgraded his position as Chief of Social and

⁶⁰⁶ Kartasasmita, *Managing Indonesia's Transformation: an Oral History*, pp. 225 – 226.

⁶⁰⁷ Marcus Mietzner, *The Politics of Military Reform in Post-Suharto in Indonesia: Elite Conflicts, Nationalism and Institutional Resistance* (Washington, D.C.: East West Center, Policy Studies no. 23, 2006), pp. 10 – 11.

⁶⁰⁸ Honna, *Military Politics and Democratization in Indonesia*, p. 164.

⁶⁰⁹ Angkatan Bersenjata Republik Indonesia (ABRI), *Hasil Seminar ABRI [the Result of Indonesia Armed Forces Seminar]* (Bandung: Sesko ABRI, September 1998), retrieved on 17 March 2015 from <http://www.library.ohiou.edu/indopubs/1998/12/0019.html>

Political Affairs (Kassopol) to Chief of Territorial Affairs (Kaster), with only a limited role in overseeing the military territorial network. The military also issued a regulation requiring active officers in civilian political position to retire from the service by 1 April 1999⁶¹⁰ that was targeted to 4000 military officers who served as mayor, governor, or ministers.⁶¹¹

Due to public pressure, the military reduced its seats in the MPR from 75 to 38. Also, the military retracted its automatic support for Golkar which had occurred during Suharto era by being politically neutral. Then, the military span-off the police service out of their command to the Ministry of Defense and Security on 1 April 1999.

During the first half of the Habibie presidency, the military reformers attracted strong support from Wiranto. The military reformers had strong leverage because their proposals were seen as the only way to restore public trust from the troubled past of their human rights abuses during the New Order era.⁶¹²

Even Wiranto's initial support of the army intellectuals was seen as part of his political agenda to separate him from the conservative element. Supporting the reform gave Wiranto a reformist image which was crucial in consolidating his authority. However, Wiranto and SBY eventually drifted apart, due to the scope of the military's political role in the post-Suharto era. Wiranto wanted the military to continue to play a leading political role at the post-1999 election. This divergence led to Wiranto 'kicking' SBY upstairs to Minister of Mining in Gus Dur's government.⁶¹³

⁶¹⁰ 'KSAD: Kepastian Penting untuk Konsentrasi Tugas [the certainty is important to concentrate on duty], *Kompas*, 3 April 1999, retrieved on 17 March 2015 from <http://www.library.ohiou.edu/indopubs/1999/04/02/0049.html>

⁶¹¹ Ikrar Nusa Bakti et. All, *Tentara yang Gelisah [Uneasy Armed Forces]* (Bandung: Mizan, 1999), p. 143.

⁶¹² Crouch, *Political Reform in Indonesia after Suharto*, p. 135; Honna, *Military Politics and Democratization in Indonesia*, p. 167.

⁶¹³ Damien Kingsbury, *Power Politics and the Indonesian Military* (London: Routledge, 2003), p. 176.

Despite the progress, the territorial command structure was still in place to ensure the military political role and to access off-budget funding. This was perhaps an area of common ground between Wiranto and the intellectual generals who preferred the gradualist approach, where the military reform should not harm their long-term interest and avoiding the disaffection of the majority officers.⁶¹⁴

In my view, during his term Habibie surprised even his harshest critics by bringing about the crucial electoral reform, relaxing the restriction on the mass-media and ensuring the exponential growth of civil society. The outcome from Habibie's government was the first relatively competitive DPR election for four decades and the independent mass-media.

Nonetheless, Habibie faced a significant challenge in resolving the controversial corruption cases, especially those implicating his former mentor, Suharto. More importantly, his reelection campaign was marred by a corruption allegation, as the Bank Bali scandal emerged. As a result, Habibie was forced to rescind his reelection bid in 1999.

One Step Forward, two steps back: Gus Dur and the Anti-Corruption Drive

Following the 1999 general election, Habibie's accountability speech was rejected by the MPR by 355 votes to 322 on 19 October 1999. As a result, he announced that he would withdraw from the presidential race in October 1999.⁶¹⁵

With Habibie bowing out, Megawati Sukarnoputri became the next presidential frontrunner since PDIP won the national election legislative with more than 33 percent of the votes. However, her overconfidence and the Islamic Parties' wariness about having a female president made Megawati's presidential campaign ineffective. Meanwhile, two leading Islamic leaders, Gus Dur from PKB and Amien Rais from PAN, cleverly exploited Megawati's

⁶¹⁴ Crouch, *Political Reform in Indonesia After Suharto*, p. 136.

⁶¹⁵ Habibie, *Decisive Moments: Indonesia's Long Road to Democracy*, pp. 428 – 433.

presidential campaign implosion by forging an Islamic coalition called the middle axis or *poros tengah*, proposing Gus Dur as presidential candidate.⁶¹⁶

Megawati was defeated in the MPR by 313 votes to 373 with crucial support from Golkar that catapulted Gus Dur to become the fourth president.⁶¹⁷ Gus Dur finally decided to back Megawati as Vice President, after there was a huge protest from Megawati supporter on the street that caused riot in Jakarta. In the end, Megawati became Vice President by beating Hamzah Haz from the PPP in the MPR by 396 votes to 284.⁶¹⁸

Nevertheless since PKB only had 8 percent seats in the MPR, Gus Dur had to accommodate the political parties who had supported his presidential bid and the military in the cabinet. Therefore, Gus Dur established a ‘rainbow cabinet’ which was underwritten by leading political figures including Amien Rais, Wiranto, Megawati and Akbar Tandjung.⁶¹⁹ Despite the compromising nature of Gus Dur’s cabinet, there were several breakthroughs, like the appointment of the first civilian as Minister of Defense after 50 years, Juwono Sudarsono; the first Indonesian Chinese to the senior post of Coordinating Minister of Economic Affairs, Kwik Kian Gie; and a credible Attorney General Marzuki Darusman.⁶²⁰

However, Gus Dur’s health complications, combined with his erratic leadership style, led to his failure to manage his cabinet. After only a month in office, in December 1999, Laksamana Sukardi raised an allegation of corruption related to Indonesia’s biggest Textile Company, Texmaco, which was owned by politically-connected Marimutu Siniwasan.

⁶¹⁶ ‘Seeking Support’, *Far Eastern Economic Review*, 21 October 1999, p. 13.

⁶¹⁷ ‘Selawat Gedung Rakyat untuk Presiden Gus Dur [Pray for God in People’s Building for President Gus Dur]’, *Tempo*, 25 October 1999, retrieved on 19 March 2015 from <http://majalah.tempo.co/konten/1999/10/25/LU/97471/Selawat-Gedung-Rakyat-untuk-Presiden-Gus-Dur/34/28>

⁶¹⁸ ‘Sebilah Tongkat untuk Megawati [One Stick for Megawati]’, *Tempo*, 25 October 1999, retrieved on 19 March 2015 from <http://majalah.tempo.co/konten/1999/10/25/LU/97472/Sebilah-Tongkat-untuk-Megawati/34/28>

⁶¹⁹ ‘Sebelas Draf Menuju Kabinet Super kompromi [Eleven Draft toward the Super compromise Cabinet]’, *Tempo*, 1 November 1999, retrieved on 20 March 2015 from <http://majalah.tempo.co/konten/1999/11/01/LU/97620/Sebelas-Draf-Menuju-Kabinet-Superkompromi/35/28>

⁶²⁰ ‘Balancing Act’, *Far Eastern Economic Review*, 4 November 1999, pp. 18-19.

Laksamana revealed an array of documents that exposed Texmaco's misuse of 'pre-shipment export facilities' and also a loan to Texmaco from the state owned bank BNI, that violated the legal lending limit. Afterwards, the AGO, in December 1999, announced that Marimutu was the subject of alleged corruption related to the misuse of loans from a number of state-owned banks worth Rp.9.8 trillion. Later, AGO's Marzuki launched an investigation by interrogating not only Marimutu, but also BI Governor Syahril Sabirin.⁶²¹

However, Laksamana and Marzuki's efforts to expose Texmaco's corruption allegation did not attain Gus Dur's support. Eventually, the AGO halted the investigation on May 2000 because an audit by the Financial and Development Audit Agency (BPKP) revealed that Texmaco had not incurred the state loss.⁶²²

Laksamana's efforts to address corruption finally hit the heart of political patronage in Gus Dur's government. Inside the Ministry of State-owned Enterprise, Laksamana was constantly undermined by his deputy Rozy Munir, who was Gus Dur's proxy. Based on Barton's account, PKB and NU members' acted of self-serving and greedy inflicting Gus Dur's presidency.⁶²³

What made matters worse for Laksamana was the fact that Munir was working together with Megawati's husband, Taufik Kiemas. The owner of Texmaco, Marimutu Sinivasan, was also very close to Taufik, which was believed to contribute to Laksamana's removal from the cabinet.⁶²⁴

⁶²¹ 'Adu Dokumen Sinivasan vs Laksamana', *Tempo*, 27 December 1999, retrieved on 21 March 2015 from <http://majalah.tempo.co/konten/1999/12/27/NAS/98618/Adu-Dokumen-Sinivasan-Vs-Laksamana/43/28>

⁶²² Penyidikan Kasus Texmaco Dihentikan [The Investigation of Texmaco case is stopped], *Kompas*, 20 May 2000, retrieved on 21 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/05/19/0052.html>

⁶²³ Greg Barton, *Abdurrahman Wahid: Muslim Democrats, Indonesian President* (Honolulu: University of Hawaii Press, 2002), pp. 302 – 303.

⁶²⁴ 'Dibalik Pencopotan itu (Behind the Reshuffle)', *Tempo*, 1 May 2000, retrieved on 21 March 2015 from <http://majalah.tempo.co/konten/2000/05/01/LU/113114/Di-Balik-Pencopotan-itu/09/29>

Eventually, Minister of State Owned Enterprise Laksamana Sukardi and Minister of Trade and Industry Jusuf Kalla (JK) were dismissed from the cabinet in April 2000. Gus Dur accused JK of collusion involving his company, Bukaka, which won the project of the state-owned electricity company PLN and also JK's brother's involvement in rice imports to BULOG. Both of these allegations were strongly denied by JK.⁶²⁵ Meanwhile, Laksamana was accused of appointing a corrupt official to the telecommunications company, Indosat. It was clear Gus Dur committed a fatal mistake in sacking Laksamana and JK, thereby exhausting his political support from the parliament.⁶²⁶

When Gus Dur sacked two ministers based on an unfounded accusation of corruption, his commitment to address corruption was being questioned. Also, the mass-media and civil society became more hostile since Gus Dur was seen to be using corruption as a pretext for building his own financial patronage.

Then, the concern of the mass media and civil society appeared to be vindicated when the two corruption allegations emerged, known as BULOG Gate and Brunei Gate in May-June 2000. The Vice Head of Sapuan embezzled US\$4 million from the National Logistic Agency's (BULOG) Foundation and used it to bribe Gus Dur's masseur for promotion.⁶²⁷ Eventually, Secretary of State Bondan Gunawan resigned due to this scandal.⁶²⁸

Then another financial scandal emerged, in June 2000, when Gus Dur admitted receiving a donation of around US\$2 million from the Sultan of Brunei. According to Gus Dur,

⁶²⁵ Jusuf Kalla: Gus Dur Tukang Fitnah [Gus Dur like to tell Lies], 'Tempo', 1 May 2000, retrieved on 21 March 2015 from <http://majalah.tempo.co/konten/2000/05/01/LU/113117/Jusuf-KallaGus-Dur-Tukang-Fitnah/09/29>

⁶²⁶ Barton, Abdurrahman Wahid: *Muslim Democrats, Indonesian President*, p. 303.

⁶²⁷ 'Misteri Penadah Dana Jarahan BULOG [Mystery of the broker of BULOG embezzled Fund]', 'Tempo', 22 May 2000, retrieved on 24 March 2015 from <http://majalah.tempo.co/konten/2000/05/22/LU/113519/Misteri-Penadah-Dana-Jarahan-BULOG/12/29>

⁶²⁸ 'Ring of Scandals', *Far Eastern Economic Review*, 15 June 2000, p. 25.

he needed the donation for humanitarian purposes in Aceh province in a personal capacity,⁶²⁹ without considering the conflict-of-interest. Later, it was also revealed that Gus Dur's brother, Hasyim Wahid, had been an advisor to IBRA – a crucial bank restructuring program with asset worth of billions of US\$ – where he helped to negotiate the debt of Indonesian controversial businessmen.⁶³⁰ This nepotism appointment infuriated the business community and international donors, thereby forcing Hasyim's resignation from IBRA.⁶³¹

Negotiation or Prosecution? Gus Dur's dealing with the Suharto Family's Corruption Cases

Gus Dur realized that his presidency would be judged on how he dealt with Suharto's corruption cases. He announced that Suharto would be pardoned once convicted, on condition that he would return a significant part of his wealth.⁶³² Gus Dur's premature presumption that Suharto would be easily convicted hampered the investigation.

After his appointment as Attorney General, Marzuki Darusman declared that the prosecution of Suharto's alleged corruption was his highest priority.⁶³³ Initially, the Attorney General worked swiftly by overturning the SP3 letter and launching an investigation.⁶³⁴

In parallel, Gus Dur also sent Minister of Mining SBY to negotiate with Suharto's family about the possibility of returning big part of their wealth. However, Suharto's family

⁶²⁹ 'Dari Sultan untuk Presiden [From Sultan to President]', *Tempo*, 12 June 2000, retrieved on 25 March 2015 from <http://majalah.tempo.co/konten/2000/06/12/NAS/114086/Dari-Sultan-untuk-Presiden/15/29>

⁶³⁰ 'Hasyim "Gus Im" Wahid: Gus Dur tidak Meminta Saya Duduk di BPPN', *Tempo*, 15 May 2000, retrieved on 25 March 2015 from <http://majalah.tempo.co/konten/2000/05/15/WAW/113401/Hasyim-Gus-Im-Wahid-Gus-Dur-Tidak-Meminta-Saya-Duduk-di-BPPN/11/29>

⁶³¹ 'Ring of Scandals', *Far Eastern Economic Review*, p. 24.

⁶³² 'Gus Dur: Suharto Diampuni Bila Kembalikan Harta', *Kompas*, 11 December 1999, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/1999/12/10/0033.html>

⁶³³ 'Wawancara Jaksa Agung Marzuki Darusman: Hukum Bukan untuk Balas Dendam [Attorney General: Marzuki Darusman: Rule of Law is not for Revenge]', *Media Indonesia*, 19 March 2000, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/03/18/0066.html>

⁶³⁴ 'Suharto jadi Tersangka [Suharto became a Suspect]', *kompas*, 11 February 2000, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/01/0870.html>

insisted that their wealth had been obtained legally.⁶³⁵ In the end, government called-off the negotiation because of the public controversy surrounding the process.⁶³⁶

Furthermore, Suharto was interrogated at his home by the AGO for two hours in May 2000 regarding his potential misuse of funds in his foundation *Supersemar* and was later formally charged of corruption for misusing his position as Chair of seven foundations, leading to US\$416 million in state losses. The secondary charge against Suharto was for abusing his power while in office,⁶³⁷ but the South Jakarta court dropped this suit after Suharto failed to attend court due to health complication in August-September 2000.⁶³⁸

Meanwhile, Suharto's favorite son, Hutomo 'Tommy' Mandala Putra, was finally convicted of corruption related to a land fraud that benefited his company, PT. Goro, and incurred a state loss of Rp.96.6 billion. Eventually, the MA judge ruled in September 2000 that Tommy was to be sentenced to only 18 months in prison and had to pay a fine of a mere Rp.10 million.⁶³⁹

Another of Suharto's trusted businessmen, Mohammad 'Bob' Hasan, was also convicted of corruption by the court for stealing US\$75 million of government forestry funds

⁶³⁵ 'Susilo Bambang Yudhoyono: Saya tidak Mendapat Penolakan', *Tempo*, 19 June 2000, retrieved on 25 March 2015 from <http://majalah.tempo.co/konten/2000/06/19/LU/114359/Susilo-Bambang-Yudhoyono-Saya-Tidak-Mendapatkan-Penolakan/16/29>

⁶³⁶ 'Keluarga Suharto Pasrah {Suharto Family accept whatever happens}', *Kompas*, 31 August 2000, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/08/30/0015.html>

⁶³⁷ 'Suharto Resmi Terdakwa [Suharto officially is Defendant]', *Kompas*, 4 August 2000, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/08/03/0020.html>; 'Government Puts Suharto under House Arrest', *Jakarta Post*, 30 May 2000, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/05/30/0022.html>

⁶³⁸ 'All charges against Suharto Dismissed', *Jakarta Post*, 29 November 2000, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/09/28/0030.html>

⁶³⁹ 'Kasus "Ruislag" BULOG-Goro: Tommy Suharto di Hukum Penjara [the case of "Rusilag" BULOG-Goro: Tommy was Convicted]', *Kompas*, 26 September 2000, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/09/26/0038.html>

in February 2001. The MA ruled that he was sentenced to six years in prison, forced to return around US\$24 million of state losses.⁶⁴⁰

Gus Dur's mishandling of the Military Reform: A Significant Backlash

With Gus Dur's strong political legitimacy after being elected by the MPR in 1999, he was able to force Chief of Military Wiranto to accept the post of Coordinating Minister for Security Affairs and relieved Chief Military post. He also appointed the first civilian Minister of Defense in 50 years, an academic Juwono Sudarsono.

After realizing that Gus Dur was trying to curb his influence, Wiranto consolidated his authority in the military by signing-off the reshuffle in November 1999 without Gus Dur and Juwono being consulted.⁶⁴¹ Wiranto's trusted aides, such as Fachrul Razi, were promoted as Deputy Chief of the Military and Djaja Suparman was promoted to head of the KOSTRAD.⁶⁴²

Then, Gus Dur tried to marginalize further Wiranto's influence. Due to pressure from the international community, the government established the commission for human right abuses inquiry in the aftermath of the East Timor referendum (KPP HAM Timtim)'s human rights violence in August 1999.

Finally, KPP HAM Timtim announced the findings arising from its investigation in January 2000, which implicated Wiranto and five generals as being responsible for the East

⁶⁴⁰ 'MA Tolak Kasasi Bob Hasan [The Supreme Court Refused Bob Hasan's Cassation]', *Kompas*, 13 July 2001, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/2001/07/12/0052.html>

⁶⁴¹ Interview with Juwono Sudarsono, Minister of Defense and Security in 1999-2000 and Minister of Defense in 2004-2009 on 23 January 2012 in Jakarta.

⁶⁴² 'Pergeseran para Ajudan: Posisi KSAD akhirnya jatuh ke tangan Letjen Tyasno Sudarto. Pengaruh Wiranto masih Besar', *Gatra*, 27 November 1999, retrieved on 25 March 2015 from <http://www.library.ohiou.edu/indopubs/1999/11/27/0023.html>

Timor violence. Eventually, through intense negotiations, involving Vice President Megawati, Gus Dur managed to force Wiranto resignation.⁶⁴³

After Wiranto's replacement, Gus Dur further consolidated his authority within the military by promoting military officers who supported him. The highest profile officer promoted was Agus Wirahadikusumah, who advocated *inter alia* the dismantling of the territorial command and extraction of the military from politics.

Wirahadikusumah's outspokenness fitted Gus Dur's agenda of finding a trusted ally in the military to contain Wiranto's influence by promoting him to head the influential KOSTRAD post in February 2000.⁶⁴⁴ This promotion irked the high-ranking army officers, who regarded this as intervention in their personnel affairs. Chief of Army Tyasno Sudarto initially supported the reform proposal by Wirahadikusumah by supporting Saurip Kadi's proposal to run a pilot project to dismantle the two lowest levels of the command system in a number of urban areas.⁶⁴⁵ Furthermore, in March 2000 Gus Dur dissolved the BAKORSTANAS – the New Order era's intelligence army structure.⁶⁴⁶

Furthermore, Wiranto's military ally was lobbying Megawati to marginalize State Secretary Bondan since he was suspected of playing an important role in Wirahadikusumah's

⁶⁴³ 'Keputusan yang Mendadak Berubah Itu [the Decision that suddenly Changes]', *Tempo*, 21 February 2000, retrieved on 26 March 2015 from <http://majalah.tempo.co/konten/2000/02/21/NAS/111822/Keputusan-yang-Mendadak-Berubah-itu/51/28>

⁶⁴⁴ 'Agus Wirahadikusumah Pimpin KOSTRAD', *Kompas*, 30 March 2000, retrieved 27 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/03/29/0033.html>

⁶⁴⁵ 'Mayor Jenderal Saurip Kadi: "Mas Jaman Sudah Berubah, Tugas berubah..." [Maj. Gen. Saurip Kadi: "Sir, Times is changing, Our Task is also Change..."]', *Tempo.co.id*, 24 June 2000, retrieved on 26 March 215 from <http://www.library.ohiou.edu/indopubs/2000/06/24/0041.html>

⁶⁴⁶ 'Bakortsanas Bubar, Litsus Dihentikan [BAKORSTANAS Discarded. Litsus is Stopped]', *Kompas*, 9 March 2000, retrieved on 27 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/01/1641.html>

rapid promotion.⁶⁴⁷ The initial move to marginalize Wirahadikusumah and his allies was through the military reshuffle in June 2000.⁶⁴⁸

Realizing that his political allies were being dismantled, Wirahadikusumah attempted to retaliate by exposing corruption in KOSTRAD. Alleged corruption involving around US\$20 million that implicated Wirahadikusumah's predecessor, Djadja Suparman, emerged in August 2000. This was revealed by the external auditor that was invited by Wirahadikusumah to investigate KOSTRAD's foundation Darma Putera.⁶⁴⁹

The publication of financial impropriety by KOSTRAD's foundation enraged not only Wiranto's supporters but also moderate factions in the military. They viewed Wirahadikusumah as being motivated by personal ambition by leaking inside information about KOSTRAD to the press. The alliance between Wiranto's supporters and moderate reformers in the military took Gus Dur's allies to the brink.⁶⁵⁰ This was evident when Gus Dur was forced to accept Wirahadikusumah's dismissal from the KOSTRAD post in July 2000.⁶⁵¹

At the national level, Gus Dur also disagreed with Minister of Defense Juwono Sudarsono regarding the scope and pace of military reform. Although in principle supporting Gus Dur's agenda, Juwono realized that the changes had to be gradual and that a three or four year transition period was needed to achieve substantial civilian supremacy. Juwono was also skeptical about the civilians' readiness since the politicians remained entangled in the intrusive

⁶⁴⁷ 'Marsillam: Bondan Mundur Tanpa Tekanan [Bondan Resigning Without Pressure]', *Tempo*, 30 May 2000, retrieved 27 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/05/30/0057.html>

⁶⁴⁸ 'Mutasi Tentara Nasional: Agus WK Tetap, Saurip Kadi Tergeser.' *Kompas*, 17 June 2000, retrieved on 27 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/06/16/0039.html>

⁶⁴⁹ 'Lubang Kebocoran di "Kapal Keruk" KOSTRAD (The Hole that caused Leak in KOSTRAD's 'Ship')', *Tempo*, 7 August 2000, retrieved on 27 March 2015 from <http://majalah.tempo.co/konten/2000/08/07/LU/112679/Lubang-Kebocoran-di-Kapal-Keruk-KOSTRAD/23/29>

⁶⁵⁰ Honna, *Military Politics and Democratization in Indonesia*, p. 183.

⁶⁵¹ 'Tawar Menawar Politik Penjungkalan AWK [Political Bargain for AWK Dismissal]', *Forum*, 14 August 2000, retrieved on 27 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/08/14/0030.html>

competition for political funding.⁶⁵² Consequently, after Juwono suffered a mild stroke, Gus Dur seized the opportunity to replace him with a legal scholar and trusted aide, Mahfud M.D., in August 2000.⁶⁵³

Gus Dur survived the August 2000 MPR session since he agreed with the coalition leaders to give daily authority over the government to Vice President Megawati. However, Gus Dur only half-heartedly delegated his authority since all crucial decision, for instance the appointment of echelon one officials still required his approval.⁶⁵⁴ To make matters worse, Gus Dur appointed troubling figures in the cabinet like Minister of Finance Prijadi Praptosuhardjo, who failed the fit-and-proper test of the BI.⁶⁵⁵

The division between Gus Dur and Megawati was exploited by the military, knowing that the main political parties were shifting their support to Megawati. In the end, the promotion of Endiartono Sutarto to Chief of Army consolidated further the conservative group's hold over the military. At this stage, the radical reformer group was effectively demolished.

After the promotion by Gus Dur to the post of Coordinating Minister for Security Affairs in August 2000, SBY tried to mediate with the military and the opposition in parliament. Instead, SBY was given a mandate to restore security and order in May 2001. Gus Dur, disappointed at SBY's reluctance to execute his orders, replaced him with Agum

⁶⁵² ‘TNI Rela Posisinya Diganti Sipil (The Military will accept its position replaced by civilians)’, *Kompas*, 25 April 2000, retrieved on 27 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/04/24/0097.html>

⁶⁵³ ‘Menhan Mahfud; Saya tidak Pernah Pegang Senjata [Minster of Defense Mahfud: I never held Gun Before]’, *Kompas*, 24 August 2000, retrieved on 27 March 2015 from <http://www.library.ohiou.edu/indopubs/2000/08/23/0088.html>

⁶⁵⁴ Article 3, Presidential Decision Decree number 121/ 2000 on the delegation of the President to the Vice President the conducting of technical aspects of governmental daily activities.

⁶⁵⁵ ‘All the Wahid’s Man’, *Tempo*, 28 August 2000, retrieved on 28 March 2015 from <http://majalah.tempo.co/konten/2000/08/28/NAS/113316/All-the-Wahid-s-Men/26/29>

Gumelar.⁶⁵⁶ As a result, the last effort by the military's moderate camp to prevent Gus Dur from entering into direct conflict with the military failed.

Subsequently, Gus Dur made continuous political blunders through his perceived involvement in the BULOG and Brunei scandals that provided ammunition for the MPR to pass its first memorandum for violating the 1945 constitution and MPR decree on clean government that is free from KKN in February 2001. However, Gus Dur further antagonized the MPR that led for a second memorandum for a special session of the MPR.

Against the united army under Endiartono, Gus Dur demanded that the military should dissolve the MPR for violating the constitution, and then wanted to appoint MOD Secretary General Johnny Lumintang as Deputy Chief of the Military. However, Coordinating Minister of Security Agum Gumelar, accompanied by the Military chief Widodo A.S. in July 2001, declared that the military rejected his plan.⁶⁵⁷ Irked by the military's rejection, Gus Dur issued a decree to freeze the MPR and Golkar. Both Cabinet Secretary Marzuki Darusman and Coordinating Minister for Security Agum Gumelar rejected this decree and resigned.⁶⁵⁸

The MPR accelerated the special sessions, revoked Gus Dur's mandate as president and on the same day (23 July 2001) inaugurated Megawati Sukarnoputri as the fifth president. Megawati struck a deal with a middle axis to appoint Islamic Party (PPP) Chair Hamzah Haz as her Vice President through voting in the MPR.⁶⁵⁹

⁶⁵⁶ 'Pertaruhan Terakhir Presiden Gus Dur [Gus Dur last Gamble]', *Tempo*, 4 June 2001, retrieved on 28 March 2015 from <http://majalah.tempo.co/konten/2001/06/04/LU/80170/Pertaruhan-Terakhir-Presiden-Abdurrahman-Wahid/14/30>

⁶⁵⁷ Interview Admiral (Ret.) Widodo A.S. Chief of Indonesia Armed Forces in 1999-2001 on 21 September 2012 in Jakarta.

⁶⁵⁸ 'Dekrit Angin lalu (An Empty Decree)', *Tempo*, 30 July 2001, retrieved on 28 March 2015 from <http://majalah.tempo.co/konten/2001/07/30/LU/81911/Dekrit-Angin-Lalu/22/30>

⁶⁵⁹ 'Hamzah, Merdeka! [Hamzah, Independence!]', *Tempo*, 30 July 2001, retrieved on 6 April 2015 from <http://majalah.tempo.co/konten/2001/07/30/LU/111053/Hamzah-Haz-Merdeka/22/30>

After the initial military reform initiated by Gus Dur started with Wiranto's dismissal in February 2000, no progress was made because, as Honna observes, the 'President relied too much on his political skills in manipulating appointments and promotions.'⁶⁶⁰ Meanwhile, Kingsbury attributed this failure to Wirahadikusumah and his allies in the military playing politics.⁶⁶¹ In contrast, Mietzner observed that Gus Dur should be credited with some progress, including two MPR decrees in 2000, stipulating that the military should focus solely on defense, and required that the military had to depart from parliament in 2004 and from the MPR in 2009.⁶⁶²

However, in my view, despite his vision of civilian supremacy, Gus Dur made a fundamental tactical mistake in its execution; for instance, by forging an alliance with high profile Wirahadikusumah and thereby blatantly intervening in military personnel affairs. Gus Dur, alienated also the moderate reformer, whose support was crucial for military reform. More importantly he also alienated his political supporter in DPR, especially Megawati.

The Backfiring of Gus Dur's Intervention in the Law Enforcement Institutions

At the outset, Gus Dur's addressing the law enforcement institutions issues appeared promising, when he issued a decree to separate the police from military in July 2000 and place them under the president.⁶⁶³

Meanwhile, aware of the corruption of the Supreme Court (MA), Gus Dur was intending to replace most of the Supreme judges by displaying his preference for Benjamin Mangkoedilaga, an MA judge, who was famous for his decision about lifting the ban from

⁶⁶⁰ Honna, *Military Politics and Democratization in Indonesia*, p. 201.

⁶⁶¹ Damien Kingsbury, *Power Politics and the Indonesian Military* (London: Routledge, 2003), p. 178.

⁶⁶² Mietzner, *Military, Politics, Islam, and the State in Indonesia: From Turbulent Transition to Democratic Consolidation*, p. 224.

⁶⁶³ Article 2 point 1, 2 and 3 of Presidential Decision Decree number 89 2000 on the Position of Indonesia's National Police.

Tempo Magazine in 1995.⁶⁶⁴ Due to Gus Dur's rift with the political party leaders by the end of 2000, both the parliament and the MA united to oppose Mangkoedilaga's appointment.

In the fit-and-proper test in the DPR, Mangkoedilaga failed to be nominated as Chief of MA. Instead, the DPR managed to nominate two candidates as MA Chief – former Minister of Justice Muladi and former Director General of Minister of Justice Bagir Manan.⁶⁶⁵

Furthermore, under Gus Dur, there was also an effort to clean up the judiciary with the establishment of the Joint Team for Corruption Eradication (TGPTPK) in April 2000 comprising law enforcement officers and elements of civil society.⁶⁶⁶ The TGPTPK was led by former career MA judge Adi Andojo⁶⁶⁷ that had vast authority since they could tap conversations and request the freezing of suspicious bank accounts.⁶⁶⁸

The TGPTPK was depending on public reports for their investigation and was focusing on cleaning-up the judicial system.⁶⁶⁹ The litmus test came when a lawyer named Endin Wahyudin reported three MA judges to the TGPTPK for receiving bribes of Rp.96-100 million.

However, the two MA judges in turn reported Endin for defamation to the police. The two MA judges requested a pre-trial in troubled West Jakarta court, which approved the request on the ground that the TPTPK was established by Law 31/1999 on corruption and

⁶⁶⁴ 'Gus Dur soal Pencalonan Benjamin Mangkoedilaga: Kalau Takut Berarti ada Apa-apa [Gus Dur on Benjamin Mangkoedilaga: There is something wrong if they are afraid]', *Kompas*, 17 March 2000, retrieved on 3 April 2015 from <http://www.library.ohiou.edu/indopubs/2000/03/16/0058.html>

⁶⁶⁵ Presiden Soal Ketua MA: Kalau Bisa, tidak Terlibat Orde Baru [President on MA Chief: If it's Possible it doesn't have a link to the New Order]', *Kompas*, 13 December 2000, retrieved on 4 April 2015 from <http://www.library.ohiou.edu/indopubs/2000/12/12/0022.html>

⁶⁶⁶ Article 5, Government Regulation number 19/ 2000 on The Joint Team to Eradicate Corruption (TGPTPK)

⁶⁶⁷ Attachment of the Attorney General Office Decision Decree number KEP-102/J.A./05/2000 on the Establishment of the Joint team to Eradicate Corruption (TGPTPK).

⁶⁶⁸ Article 11, Government Regulation number 19/ 2000 on The Joint Team to Eradicate Corruption (TGPTPK).

⁶⁶⁹ Interview with former member of TGPTPK Chandra Hamzah on 4 September 2012 in Jakarta.

therefore they did not have the authority to investigate corruption cases for the period before the law was enacted.⁶⁷⁰

Not only that, the lawyer of Harahap – one of the MA judges – submitted a Judicial Review on Government Regulation number 19/ 2000, the legal basis for the TGPTPK. As predicted, a panel of MA judges annulled the regulations in March 2001, thereby dissolving the TGPTPK as done in August 2001.⁶⁷¹

Then, Gus Dur compounded the problem through his interference in the law enforcement process. After his request for Tommy Suharto's arrest was ignored, in September 2000, he replaced Rusdihardjo with Bimantoro as Chief of the Police.⁶⁷² However, in the end, Gus Dur conflicted with Bimantoro, demanding him to resign as Chief of Police in June 2001.

Gus Dur then went further by appointing Chaeruddin as Vice Chief of police and taking over the daily command.⁶⁷³ However, Chaeruddin was unable to assert his authority due to the significant internal resistance within the police.

Another case of Gus Dur personalizing the law enforcement process was when he aimed to replace BI Governor Syahril Sabirin. Subsequently, the AGO announced in June 2000 that Sabirin was a suspect in the Bank Bali case. Sabirini's detention sparked protests from Speaker of the Parliament Akbar Tandjung and other BI Deputy Governors.⁶⁷⁴

⁶⁷⁰ ‘Menuju “Impunity” korps Baju Hitam [Toward “Impunity” of Black Robe Corps]’, *Kompas*, 25 August 2001, retrieved on 5 April 2015 from <http://www.library.ohiou.edu/indopubs/2001/08/24/0044.html>

⁶⁷¹ ‘Kejaksaan Agung Resmi Bubarkan TGPTPK [AGO officially Dissolved TGPTPK]’, *Kompas*, 21 August 20, retrieved on 5 April 2015 from <http://www.library.ohiou.edu/indopubs/2001/08/20/0037.html>

⁶⁷² ‘Teka-teki dibalik Pergantian Kapolri [Riddle behind the Head of Police Replacement]’, *Kompas*, 19 September 2000, retrieved on 5 April 2015 from <http://www.library.ohiou.edu/indopubs/2000/09/18/0044.html>

⁶⁷³ ‘Soal Pelantikan Wakapolri, Presiden seret Polri jadi Alat Kekuasaan (On the Inauguration of Vice Chief of Police, President will make the Police as instrument of his power)’’. *Kompas*, 3 June 2001, retrieved on 5 April 2001 from <http://www.library.ohiou.edu/indopubs/2001/06/02/0015.html>

⁶⁷⁴ ‘Sjahril to Face Trial Soon:Abdurrahman’, *Jakarta Post*, 9 December 2000, retrieved on 5 April 2015 from <http://www.library.ohiou.edu/indopubs/2000/12/08/0023.html>

Amidst the turmoil, there was scant hope of addressing corruption in June 2001 cabinet reshuffle, Gus Dur managed to appoint the respected Marsillam Simanjuntak as Minister of Justice and Baharuddin Lopa as Attorney General. Following his appointment, Lopa vowed to re-open the case on Indonesia Central Bank's Liquidity Assistance (*BLBI*) that implicated major conglomerates and also re-opened the investigation into a case that implicated textile conglomerate Marimutu Sinvasan since Texmaco, had allegedly caused state losses of Rp.19.8 trillion⁶⁷⁵ and the investigation that implicated Speaker of Parliament Akbar Tandjung and Nurdin Halid MP - both Golkar leaders – related to BULOG's misuse of non-budgetary funds.⁶⁷⁶ Unfortunately, in July 2001, Lopa suddenly passed away due to a heart attack in Riyadh.⁶⁷⁷

Although Gus Dur targeted corrupt state officials in the New Order era, the timing of this was in response to the MPR proceedings on Gus Dur's impeachment.⁶⁷⁸ Thus, the prosecution process was seen as a political vendetta and Gus Dur's interference in the legal process led to the loss of his government's credibility with regard to judiciary reform.⁶⁷⁹

However, Arief Budiman noted, Gus Dur had inherited a quite appalling socio-political and economic legacy that would have presented challenges.⁶⁸⁰ Greg Barton also argues that the

⁶⁷⁵ 'Lopa Membongkar Gudang Koruptor [Lopa Dismantling Corrupter's Warehouse]', *Tempo*, 18 June 2001, retrieved on 5 April 2015 from <http://majalah.tempo.co/konten/2001/06/18/LU/99008/Lopa-Membongkar-Gudang-Koruptor/16/30>

⁶⁷⁶ 'Serangan Balik, Janji yang Terutang [Counter Attack, Unfulfilled Promise]', *Tempo*, 18 June 2001, retrieved on 5 April 2015 from <http://majalah.tempo.co/konten/2001/06/18/LU/80892/Serangan-Balik-Janji-yang-Terutang/16/30>

⁶⁷⁷ 'Marsillam Appointed as new AG', *Jakarta Post*, 11 July 2001, retrieved on 5 April 2015 from <http://www.library.ohiou.edu/indopubs/2001/07/10/0042.html>

⁶⁷⁸ Irman G. Lanti, 'Indonesia: The Year of Continuing Turbulence' in *Southeast Asian Affairs: 2002* (Singapore; ISEAS, 2002), p. 114.

⁶⁷⁹ Marcus Mietzner, 'Abdurrahman's Indonesia: Political Conflict and Institutional Crisis' in Grayson Lloyd and Shannon Smith (Eds.), *Indonesia Today* (Singapore: ISEAS, 2001), p. 38.

⁶⁸⁰ Arief Budiman, 'The Trials of President Wahid' in *Southeast Asian Affairs: 2001* (Singapore: ISEAS, 2001), p. 157.

post-Suharto period was not conducive for Gus Dur to due, *inter alia*, a self-serving, corrupt state apparatus, the absence of a functioning legal system and an antagonistic military.⁶⁸¹

Nevertheless, in my opinion, when Gus Dur was elected President by the MPR with strong political capital, he had an opportunity to bring about considerable reform and accelerate the anti-corruption drive. Unfortunately, his blatant political adventurism, in an effort to build his own political financial patronage for his 2004 reelection campaign, combined with his counterproductive governance style, not only cost him the presidency but also the rare opportunity to execute important governance reform initiatives.

The Constitutional Amendment during the Megawati Era: Crafting a More Democratic Political Governance Structure in Indonesia

There was strong public pressure for a more democratic political governance structure after the fall of Suharto. During the General Session in October 1999, the MPR agreed to the first amendment of the 1945 constitution through such measures as imposing a limit on the presidential term to only two five year terms and requiring any laws to be agreed by both the government and the DPR.⁶⁸²

When no political party won a majority in the DPR, a *quod pro quo* was agreed between the political parties and the military that the amendments would only be applied to non-core elements of the 1945 constitution. Therefore, the MPR working committee established an Ad Hoc Committee I (PAH 1) in October 1999. PAH 1 Chair Jacob Tobing was a senior MP from PDIP with the Golkar's Slamet Effendy Yusuf as Deputy Chair that played an important role in navigating the political challenges either in the MPR or their own political party.

⁶⁸¹ Barton, *Abdurrahman Wahid: Muslim Democrats, Indonesian President*, pp. 381-385.

⁶⁸² 'Perubahan Konsitusi ke Arah Dominasi Parlemen', *Kompas*, 18 August 2000, retrieved on 7 April 2015 from <http://www.library.ohiou.edu/indopubs/2000/08/17/0093.html>

During 1999-2000, PAH I conducted a public hearing, organizing consultative and hearings nationwide. Eventually, they managed to resolve politically contentious issues in the MPR, like addressing the dual function of the military, by stipulating that the military would focus on upholding the territorial integrity, while the police would focus on law enforcement.⁶⁸³ The second amendment also explicitly outlined the autonomy for regional government, and decentralization of the central government authority.⁶⁸⁴

The constitutional amendment process was postponed in 2001 due to a showdown between Gus Dur and parliament. The negotiation on the third amendment of the constitution continued in November 2001. There was an attempt by the two major political parties – PDIP and Golkar – to strike a deal. Golkar wanted greater authority for the newly-established Regional Representative Council (DPD), and PDIP wanted the President and Vice President to be appointed by the MPR in the second round election. However, a consensus could not be reached as the Middle Axis parties wanted a second round presidential direct election and also the functional group opposed the existence of DPD. To prevent negotiations breaking down, Tobing and other PAH I leaders in the MPR quickly decided to enact the amendments that had been agreed and postponed discussion of the rest by outmaneuvering the conservative that tried to stop the amendment.⁶⁸⁵

The outcome of the third amendment to the 1945 constitution marked a fundamental change. Andrew Ellis noted ‘.. it changes Indonesia from a state with a single all-powerful highest institution of state to become a state with constitutional checks and balances.’⁶⁸⁶ The important feature was that it diminished the authority of the MPR, in which the President and

⁶⁸³ Chapter XII on State Defense and Security, Article 30 of amended Indonesia Constitution 1945.

⁶⁸⁴ Chapter VI on Regional Government, article 18, 18 A and 18 B of Indonesia Constitution 1945.

⁶⁸⁵ Andrew Ellis, ‘Constitutional Reform in Indonesia: A Retrospective’, March 2005, *IDEA*, p. 11, retrieved on 8 April 2015 from <http://www.idea.int/cbp/upload/AEPaperCBPIndonesia.pdf>

⁶⁸⁶ Andrew Ellis, ‘Indonesian Constitutional Transition: Conservatism or Fundamental Change?’, *Singapore Journal of International & Comparative Law*, 2002, pp. 25-26.

Vice President were directly elected in the first round.⁶⁸⁷ Another important issue was that the President could not be impeached solely on policy differences, but only if it were proven that he/she had violated the law because of corruption, bribery, other criminal acts, and/or disgraceful behavior, or no longer met the requirements to serve that should be determined by the MK ruling. The third amendment also provided for a more independent judiciary, a new constitutional court (MK) and the DPD, with limited authority.

The third amendment was also an effort to empower accountability institutions, like the Supreme Audit Council (BPK) and Judiciary Commission (KY). The inclusion in the constitution empowered BPK as a constitutional agency to strengthen the checks-and-balances system. Moreover, KY was established to supervise the notorious MA. For instance, KY had the authority to supervise the conduct of MA judges.⁶⁸⁸

Then, in the fourth amendment of the constitution in July 2002, the conservative elite realized that it was progressing further than they had envisioned. The ruling PDIP grew concerned about the viability of holding a second round direct presidential election⁶⁸⁹ that was linked to concern about Megawati's chance of reelection in 2004.⁶⁹⁰ In the end, Megawati was persuaded by the reform element in the PDIP that her reelection prospects were greater through direct election in the second round presidential contest.

Another major development in the fourth amendment of the constitutions was that appointed members of the functional group (*Utusan Golongan*) in the MPR was finally dissolved. Furthermore, realizing the political shift, the military finally accepted that their 38

⁶⁸⁷ Article 6 A (2), The third amendment of the constitution 1945.

⁶⁸⁸ Article 24 B (1), The third amendment of constitution 1945.

⁶⁸⁹ Donald Horowitz, *Constitutional Change and Democracy in Indonesia* (Cambridge: Cambridge University Press, 2013), pp. 119 – 120.

⁶⁹⁰ 'Holding on to Megawati', *Far Eastern Economic Review*, 18 July 2002, pp. 21-22.

appointed seats in the MPR would be abolished by 2004.⁶⁹¹ Nonetheless, the military launched their last maneuver by tabling a proposal to establish a constitutional commission (KK) refined the new constitution by disregarding prior amendment.⁶⁹² However, the majority of the MPR members rejected this, demonstrating that the military's lack of political clout.

The four amendment processes in 1999-2002 proved a slow, cumbersome process due to fragmentation within the MPR, but it was crucial in building mutual support among the political leaders.⁶⁹³ Credit should be given to Tobing along with his PAH I associates for steering the amendment process amicably, and the NGO and media also played a crucial role in scrutinizing the process from being politicized.⁶⁹⁴

Furthermore, the fragmentation within the MPR created an environment that suited the Indonesian style decision making process through deliberation (Musyawarah) and consensus (Mufakat) to reach compromise.⁶⁹⁵ Consequently, according to Indrayana, despite some shortcomings, the four amendment process created 'a far more democratic constitution.'⁶⁹⁶

Despite many disappointments with the legislative performance of the DPR and the MPR in the post-Suharto era, in my opinion, this was a rare accomplishment, and should be attributed to the effective leadership by Tobing and his associates in the PAH1 of MPR with support from civil society. In my view, in addition to a more democratic political structure, the existence and empowerment of accountability institutions like KY and BPK facilitate a number of future anti-corruption and governance reform initiatives.

⁶⁹¹ Ellis, 'Constitutional Reform in Indonesia: A Retrospectives', p. 14.

⁶⁹² "Go ahead", kata Panglima ['Go ahead', said the Commander]', *Tempo*, 12 August 2002, retrieved on 9 April 2015 from <http://majalah.tempo.co/konten/2002/08/12/NAS/79860/Go-Ahead-Kata-Panglima/24/31>

⁶⁹³ Horowitz, *Constitutional Change and Democracy in Indonesia*, p. 264.

⁶⁹⁴ Denny Indriyana, *Indonesia Constitutional Reform, 1999-2002: An Evaluation of Constitution-Making in Transition* (Jakarta: Kompas, 2008), p. 291.

⁶⁹⁵ Harold Crouch, *Political Reform in Indonesia after Suharto* (Singapore: ISEAS, 2011), p. 341.

⁶⁹⁶ Indriyana, *Indonesia Constitutional Reform, 1999-2002: An Evaluation of Constitution-Making in Transition*, p. 291.

The Rise of the Conservative Generals and the Set-Back to the Military Reform

One of the main factors behind Megawati's ascendancy to the presidency was her alliance with the army in preventing Gus Dur's efforts to dissolve the DPR and the MPR in July 2001.

Megawati did not trust the other political leaders in light of Gus Dur's experience, and needed the military to counterbalance the political party's influence.

Subsequently, Megawati promoted Endiartono Sutarto as the military chief, a relatively professional soldier but defender of the military's political role. Megawati also promoted her favorite military figure, ultra-Conservative Ryamizard Ryacudu to the post of Chief of Army.⁶⁹⁷ Eventually, the conservative element dominated the military leadership by 2002.

As Mietzner and Crouch observed, the consolidation of the conservative element during Megawati presidency effectively ended the military reform.⁶⁹⁸ This was further evident when Megawati weakened the Ministry of Defense (MOD) by appointing former PKB Chair Matori Abdul Jalil, who possessed neither political clout nor military expertise.⁶⁹⁹ To make matter worse, when Matori was incapacitated due to a stroke in August 2003, Megawati simply left the Minister of Defense post vacant until the end of her term, showing her disengagement in the military reform.⁷⁰⁰

Adding further complication, a scandal involving the purchase of military equipment broke out in 2003. Following Megawati's state visit to Russia in April 2003, she decided to purchase four Sukhoi Jet fighters and two military helicopters through a deal to exchange 30

⁶⁹⁷ 'Ryamizard to Get New Job, Endiartono to Wait', *Jakarta Post*, 4 June 2002, retrieved on 9 April 2015 from <http://m.thejakartapost.com/news/2002/06/04/ryamizard-get-new-job-endiartono-wait.html>

⁶⁹⁸ Crouch, *Political Reform in Indonesia After Suharto*, p. 34; Mietzner, *Military, Politics, Islam, and the State in Indonesia: From Turbulent Transition to Democratic Consolidation*, p.203.

⁶⁹⁹ 'Brief profiles of members of the 'Gotong Royong' Cabinet', *Jakarta Post*, 10 August 2001, retrieved on 9 April 2015 from <http://m.thejakartapost.com/news/2001/08/10/brief-profiles-members-039gotong-royong039-cabinet.html>

⁷⁰⁰ 'No Plan to Replace Matori', *Jakarta Post*, 21 November 2003, retrieved on 9 April 2015 from <http://www.thejakartapost.com/news/2003/11/21/no-plan-replace-matori-ministry.html>

commodities worth US\$193 million for these six aircrafts. BULOG was in charge of collecting the commodities and was instructed by Minister of Trade and Industry Rini Soewandi to arrange a down-payment of US\$26 million through Bukopin Bank to Rosoboronexport, the Russian handling agent.⁷⁰¹

The deal appeared plausible until it was revealed that Minister of Finance Boediono refused to pay the US\$26 million down-payment, since it was not budgeted for 2003, thus became a national scandal. Subsequently, the DPR set up a special committee to investigate the Sukhoi scandal in June 2013,⁷⁰² but no serious investigation was undertaken of the ‘Sukhoigate’ case until Megawati finished her term.

Approaching the end of Megawati’s term in office in 2004, the new military (TNI) bill was finally drafted by the military headquarters (Mabes TNI) without much MOD involvement. A number of articles in the bill invited criticism, including explicitly insisting on the territorial function of the military and allowing active military officers to accept political positions like governor/ mayor.⁷⁰³

Ultimately, the TNI bill underwent a major overhaul during the deliberation process in the Indonesian parliament in June 2004 as an attempt to burnish Megawati’s reform credentials for her presidential reelection campaign.⁷⁰⁴ Several key reform amendments in the bill eventually became law on the TNI; for example, in regards to defense policy and strategy as well as securing administrative support, the TNI was coordinated by the MOD⁷⁰⁵ and it

⁷⁰¹ ‘It’s Never Simple’, *Jakarta Post*, 24 June 2003, retrieved on 10 April 2015 from <http://www.thejakartapost.com/news/2003/06/24/it039s-never-simple.html>

⁷⁰² ‘House Committee to Begin Inquiry into Sukhoigate’, *Jakarta Post*, 30 June 2003, retrieved on 10 April 2015 from <http://www.thejakartapost.com/news/2003/06/30/house-committee-begin-inquiry-sukhoigate.html>

⁷⁰³ ‘TNI bill: Professionally or Politically Motivated’, *Jakarta Post*, 31 August 2004, retrieved on 10 April 2015 from <http://www.thejakartapost.com/news/2004/08/31/tni-bill-professionally-or-politically-motivated.html>

⁷⁰⁴ Crouch, *Political Reform in Indonesia After Suharto*, pp. 145-146.; Interview with Rizal Sukma, Executive Director of CSIS in Jakarta, 23 April 2013.

⁷⁰⁵ Article 3 of the Law 34/ 2004 on the Indonesia Armed Forces (Tentara Nasional – TNI).

explicitly prohibited soldiers from joining a political party, as well as taking other forms of political or business position.⁷⁰⁶ However, there was an exemption regarding to the Coordinating Ministry for Political and Security Affairs, MOD, National Intelligence Agency and Supreme Court.⁷⁰⁷ The law also required that by 2009 the government was to take over the military business.⁷⁰⁸

From July 2001 until October 2004, the military reasserted much of its authority that had been diminished during the Habibie and Gus Dur periods. Thus, Megawati lack of interest in military issues coalesced with her sympathy for the military's nationalistic agenda at the cost of military reform. Under Megawati, the main elements of the military reform agenda were largely unaddressed. Based on Sukma and Prasetyono's observation is that 'the ongoing military reform is largely *ad hoc* in nature and not based on a comprehensive review.'⁷⁰⁹ Also, Megawati's military appointment, which Malley argued 'reflected her conservatism tendency',⁷¹⁰

The Politicization of Addressing Corruption Cases during Megawati's Era

During Megawati's term, little progress was made in addressing big corruption cases through law enforcement process, especially when Megawati appointed M.A. Rachman, an AGO career official, as the new Attorney General.⁷¹¹

As mentioned above, Suharto's youngest son 'Tommy' went missing in 2000 to avoid police arrest. MA Judge Syaifudin Kartasasmita, who sentenced Tommy for corruption, was

⁷⁰⁶ Article 39, *Ibid.*

⁷⁰⁷ Article 47 (1) (2) *Ibid.*

⁷⁰⁸ Article 76, *Ibid.*

⁷⁰⁹Rizal Sukma and Edy Prasetyono, *Security Reform in Indonesia: the Military and the Police* (The Hague: Working Paper Series, Clingendael, 2003), p. 25.

⁷¹⁰ Michael Malley, 'Indonesia in 2002: the Rising Cost of Inaction', *Asian Survey*, Vol. 43, No. 1 (January/February 2003), p. 141.

⁷¹¹ 'M.A. Rachman appointed new Attorney General', *Jakarta Post*, 15 August 2001, retrieved on 11 April 2015 from <http://www.thejakartapost.com/news/2001/08/15/ma-rachman-appointed-new-attorney-general.html>

shot dead while driving to work at MA in July 2001.⁷¹² After one year hiatus, the police finally managed to capture Tommy in November 2001, who was sentenced to 15 years' imprisonment in 2002 for masterminding Kartasasmita's killing.

However, Tommy's arrest in 2002 did not signal the improvement in the law enforcement process, because the judiciary felt obliged to respond to the killing of one of its own members.⁷¹³ The real *litmus test* was how Megawati dealt with the alleged corruption implicating DPR Speaker Akbar Tadjung who was also chair of the second largest party, Golkar.

Since being appointed DPR Speaker in 1999, Akbar Tadjung was bogged down by the corruption investigation of Rp.40 billion of misusing BULOG non-budgetary fund as State Secretary. Megawati's PDIP sparked public disappointment when he spurned efforts by the DPR to establish an ethics committee to investigate Akbar's case in June 2001 to ensure Golkar continued support⁷¹⁴ and also to take Golkar hostage through prolonging the corruption trial.⁷¹⁵ This plan to politicize Akbar's case corroded PDIP's reformist credentials.

The panel of judges at Central Jakarta Court in September 2002 found Akbar guilty of misusing the Rp.40 billion non-budgetary fund from BULOG and sentenced him to three years' imprisonment. Instead, Akbar was not arrested immediately pending a ruling by the highest court of appeal and eventually was acquitted by the MA in February 2004.⁷¹⁶ This

⁷¹² Syafiuddin was a quiet, humble person: Family', *Jakarta Post*, 28 July 2001, retrieved on 11 April 2015 from <http://www.thejakartapost.com/news/2001/07/28/syafiuddin-was-a-quiet-humble-person-family.html>

⁷¹³ Annette Clear, 'Politics: From Endurance to Evolution', in John Bresnan (Ed.), *Indonesia the Great Transition* (New York: Columbia University Press, 2005), p. 171.

⁷¹⁴ 'PDI Perjuangan; Betrays the People', *Jakarta Post*, 1 July 2002, retrieved on 12 April 2015 from <http://www.thejakartapost.com/news/2002/07/01/pdi-perjuangan-betrays-people-observers.html>

⁷¹⁵ 'Dibawah Permainan Banteng [Under the Bull's scenario], *Tempo*, 2 September 2002, retrieved on 12 April 2015 from <http://majalah.tempo.co/konten/2002/09/02/LU/80397/Di-Bawah-Permainan-Banteng/27/31>

⁷¹⁶ 'Balik Kanan ke Widya Chandra (Turn Right', *Tempo*, 16 February 2004, retrieved on 12 April 2015 from <http://majalah.tempo.co/konten/2004/02/16/LU/88981/Balik-Kanan-ke-Widya-Chandra/51/32>

verdict by the MA was controversial since two of Akbar's codefendants had their lower court sentences upheld by the MA.⁷¹⁷

In August 2001, Megawati claimed that she asked her family not to allow any opportunity for corruption, collusion and nepotism.⁷¹⁸ However, in the end, Megawati's government became embroiled in a number of corruption allegations involving her inner-circle and family – especially her husband, Taufik Kiemas (T.K.) who helped her enter politics in the 1990s.⁷¹⁹

There was also concern about T.K.'s business dealings, acting as his wife's gatekeeper *cum* political operator. Although T.K. was only a member of the DPR from PDIP, *de facto*, he almost controlled the party. T.K. raised eyebrows when he admitted having requested 4.7 percent of the U.S. mining giant Freeport's shares that were previously owned by Suharto's crony, Bob Hasan.⁷²⁰ Also, T.K. was interfering in a number of government policies and major appointments to key positions, like Syaefudin Temanggung as Chief of the IBRA.⁷²¹

T.K.'s influence on Megawati's economic policy was apparent, when he led the government delegation as special envoy on visits, such as to China and Japan. Nonetheless, what created a conflict of interest impression were his ties with conglomerates who attended the negotiations with the government regarding their billions of dollars of debt. The double-

⁷¹⁷ 'Bulwark of Justice', *Jakarta Post*, 13 February 2014, retrieved on 12 April 2015 from <http://www.thejakartapost.com/news/2004/02/13/bulwark-justice.html>

⁷¹⁸ 'Megawati says no to kickbacks', *BBC*, retrieved on 12 April 2015 from <http://news.bbc.co.uk/1/hi/business/1493709.stm>

⁷¹⁹ 'Jika Suami tidak sekedar Suami [If husband not just an ordinary husband]', *Tempo*, 7 January 2002, retrieved on 12 April 2015 from <http://majalah.tempo.co/konten/2002/01/07/LU/76453/Jika-Suami-Tak-Sekadar-Suami/45/30>

⁷²⁰ 'The President's Men Looming Large', *Time*, 15 July 2002, retrieved on 13 July 2015 from <http://content.time.com/time/magazine/article/0,9171,300688,00.html>

⁷²¹ Derwin Pereira, 'The Power Behind Megawati', *Strait Times*, 24 February 2004, retrieved on 13 April 2015 from <http://derwinpereiramedia.com/jakarta/derwin-pereira-the-power-behind-megawati.html>

role played created discomfort among the officials leading this negotiation,⁷²² due to T.K.’s friendship with Jacob Nursalim, nephew of Indonesian Tycoon Sjamsul Nursalim, who owed to government US\$2.7 billion.⁷²³

However, the cases that undermined Megawati’s government’s credibility in their anti-corruption drive was her position regarding the work of the State Official Wealth Audit Commission (KPKPN) and when KPKN exposed the corruption allegation implicating Attorney General M.A. Rachman.

The main task of the KPKPN was to investigate the state official’s wealth report.⁷²⁴ Gus Dur selected 35 members and the KPKPN that was led by Yusuf Syakir of the Islamic party PPP from January 2001. However, the KPKPN had insufficient staff or authority to sanction public officials who hid their wealth.⁷²⁵

Initially, the request by the KPKPN for public officials’ wealth report form was largely ignored. Of the 11,000 forms that were distributed to the executive, around 5049 were returned (45.08 percent), whereas of the 12,000 forms that were distributed to legislators including national and local MPS, only 2,000 were returned (15.48 percent).⁷²⁶

However, intensive lobbying by the KPKPN leadership, combined with their ability to use the media, they managed to persuade Megawati, and other high state officials to submit

⁷²² ‘As Megawati’s Husband Gains Influence, Some Cry Nepotism’, *the Wall Street Journal*, 19 March 2002, retrieved on 13 April 2015 from <http://www.wsj.com/articles/SB1016476678944428840>

⁷²³ ‘Tebarlah Koneksi Hingga ke Negeri Singapura [Expand Networking throughout to Singapore]’, *Tempo*, 20 May 2002, retrieved on 13 April 2015 from <http://majalah.tempo.co/konten/2002/05/20/LU/119713/Tebarlah-Koneksi-Hingga-ke-Negeri-Singa/12/31>

⁷²⁴ Article 17 (1) (2) (3), Law 28 1999 on Good Government that is free from Corruption, Collusion and Nepotism

⁷²⁵ ‘Sebuah Komisi tanpa Gigi [The Toothless Commission], *Tempo*, 9 September 2002, retrieved on 13 April 2015 from <http://majalah.tempo.co/konten/2002/09/09/NAS/80505/Sebuah-Komisi-tanpa-Gigi/28/31>

⁷²⁶ ‘Takut, tak setuju, atau malas? [Afraid, don’t agree, or lazy?]’, *Tempo*, 9 September 2002, retrieved on 13 April 2015 from <http://majalah.tempo.co/konten/2002/09/09/NAS/80506/Takut-Tak-Setuju-atau-Malas/28/31>

a wealth report.⁷²⁷ Eventually, wealth report publication and verification became politically complex for the KPKPN, when NGOs and the critical media started to criticize public officials with questionable wealth.

The most controversial case exposed by the KPKPN was Attorney General M.A. Rachman's wealth report manipulation, as his US\$543,000 mansion went unreported. Rachman also admitted to the KPKPN that part of his Rp.545.6 million deposit came from donations by his East Java business associates.⁷²⁸

Rahman's alleged corruption was the most damaging to the government, since it implicated the AGO. However, Megawati chose to ignore the public demand and instead accept Rahman's weak defense in October 2002⁷²⁹ based on the puny argument that the case was politically motivated.⁷³⁰

Ultimately, the KPKPN created discomfort for the political elite as it was acting too aggressively in exposing suspicious source of wealth. Consequently, it was suspected that the government and the DPR had conspired to merge the KPKPN into the newly-established Corruption Eradication Commission (KPK) under the new bill on KPK in 2002.⁷³¹ The KPKPN made a final effort to file a judicial review in 2003 regarding the law on the KPK to the MK, but the court rejected.⁷³²

⁷²⁷ ‘Megawati calls on Legislators to Report their Wealth’, *Jakarta Post*, 28 August 2002, retrieved on 14 April 2015 from <http://www.thejakartapost.com/news/2002/08/28/megawati-called-legislator-report-their-wealth.html>

⁷²⁸ “‘Lugur aku,’ kata Rahman [‘I’m going to fall’ says Rahman]’, *Tempo*, 7 October 2002, retrieved on 14 April 2015 from <http://majalah.tempo.co/konten/2002/10/07/LU/81386/Lugur-Aku-Kata-Rachman/32/31>

⁷²⁹ ‘Skandal Rahman Menggantung di Mega [Rahman Scandal hinges on Mega]’, *Tempo*, 14 October 2002, retrieved on 14 April 2015 from <http://majalah.tempo.co/konten/2002/10/14/LU/81710/Skandal-Rachman-Menggantung-di-Mega/33/31>

⁷³⁰ ‘No Plan to Replace Rahman: Mega’, *Jakarta Post*, 19 November 2002, retrieved on 14 April 2014 from <http://m.thejakartapost.com/news/2002/11/19/no-plan-replace-rachman-mega.html>

⁷³¹ ‘New Commission set to Replace KPKPN’, *Jakarta Post*, 26 November 2002, retrieved in 14 April 2015 from <http://www.thejakartapost.com/news/2002/11/26/new-commission-set-replace-kpkpn.html>

⁷³² ‘Court uphold KPKPN Dissolution,’ *Jakarta Post*, 31 March 2004, retrieved in 14 April 2015 from

Another of Megawati's controversial policies was her decision on the Indonesia Bank Restructuring Agency (IBRA) that was established during the financial crisis in 1998. With a defunct banking system, the IBRA almost took over the banking industry and oversaw the restructuring and liquidation of weak banks. The IBRA ended up with an estimated Rp.533 trillion worth of assets, with stakes in 200 companies, with the authority to seize assets without a court order.⁷³³

Therefore, with such powerful authority combined with a significant asset value, the IBRA became the battleground for the nation's economic resources, where politicians saw the IBRA as a potential source of political patronage. The IBRA officials had to deal with these devious competing interests to maximize their asset returns.

Unfortunately, the political calculation triumphed over the economic rationale in the IBRA's efforts to dispose of its assets. The IBRA was rarely allowed the authority to foreclose the assets of the former owners, instead brought the matter to court. With troubled judicial system, IBRA had handed over 18 cases to the Attorney General and police and lost all three court cases.⁷³⁴ Ultimately, the IBRA was targeted by the IMF to dispose of its assets to cover the budget deficit by selling the assets cheaply by providing an incentive for debtors through the issuance of 'release and discharge (R&D)' decree for big debtors. This decree stipulated that the big debtors would be exonerated from any criminal prosecution if they paid their debt

⁷³³ Indonesia Bank Agency Fading Out,' *New York Times*, 2 October 2003, retrieved on 17 April 2015 from <http://www.nytimes.com/2003/10/02/business/indonesian-bank-agency-fading-out.html?pagewanted=all>

⁷³⁴ 'As IBRA winds down, Chief sees Peril Ahead', *Asian Wall Street Journal*, 17 February 2004, p. A3.

in full, created a public backlash.⁷³⁵ Megawati defended her controversial policy as the move was a necessary to resolve the banking sector's huge debt problem.⁷³⁶

Unrepentant about the R&D policy, the AGO acquitted Sjamsul Nursalim from legal prosecution because he had returned Bank Liquidity Assistance Funds (BLBI) worth US\$1.2 billion. Seven conglomerates received a letter of certification for settling their debt from the IBRA, including Bob Hasan' of *Bank Umum Nasional* and Hasyim Djodjohadikusumo of *Bank Pelita*.⁷³⁷

Ultimately, the IBRA's operation came to an end in February 2004, since mandated with recovering the government's huge bank bailout costing around Rp.650 trillion. In its six-year operation, IBRA only managed to raise Rp.168.2 trillion (a recovery rate of 28 percent). The remaining 72 percent was declared the 'cost of the crises' by the IBRA.⁷³⁸ According to Bresnan, 'IBRA had a reputation as a corrupt instrumentality that failed to meet any objectives for which it had been created.'⁷³⁹

The Birth of the Corruption Eradication Commission (KPK)

Article 43 of law 31/1999 stipulated that a KPK should be established within two years. The process of drafting the bill for law number 30/2002 was led by the Director General for Laws and Regulations of the Ministry of Justice and Human Rights (MenkumHam) Romli Atmasasmita, Amien Sunaryadi and Chandra Hamzah, who represented the NGO. The

⁷³⁵ Presidential Instruction 8/ 2002 in providing a legal guarantee to debtors who paid their debt or legal action against debtors who did not meet their obligations to the shareholders.

⁷³⁶ 'Megawati defends the 'release and discharge' policy', *Jakarta Post*, 2 January 2003, retrieved on 17 April 2015 from <http://www.thejakartapost.com/news/2003/01/02/megawati-defends-039release-and-discharge039-policy.html>

⁷³⁷ 'Mega comes under fire over Sjamsul's case,' *Jakarta Post*, 26 July 2004, retrieved on 17 April 2015 from <http://www.thejakartapost.com/news/2004/07/26/mega-comes-under-fire-sjamsul039s-case.html>

⁷³⁸ 'IBRA closes, leaves huge tasks behind', *Jakarta Post*, 28 February 2004, retrieved on 17 April 2015 from <http://www.thejakartapost.com/news/2004/02/28/ibra-closes-leaves-huge-tasks-behind.html>

⁷³⁹ John Bresnan, 'Economic Recovery and Reform' in John Bresnan (ed.), *Indonesia: The Great Transition* (Maryland; Rowman & Littlefield Publishers), p. 222.

committee also received advice from the former Commissioner of Hong Kong's Anti-corruption Body's (ICAC) Bertrand de Speville.

The bill on KPK submitted to the DPR followed a three-pronged strategy: investigation, prevention and education. However, it did not completely follow the ICAC's Hong Kong model since the ICAC only handled the investigation of corruption cases, while KPK both handled investigation and the prosecution.⁷⁴⁰ Moreover, the KPK had the right to conduct searches, record conversations and conduct seizures which is more powerful than the ICAC.⁷⁴¹

In addition the international organization, especially the IMF, also played a role in pushing the Indonesian government for the enactment of the KPK bill. Furthermore, Megawati's economic ministers planned to establish KPK as part of a broader agenda to address corruption. This was outlined in its Letter of Intent (LOI) to the IMF in August 2001 and further elaborated upon in the LOI on 13 December 2001 that outlined the plan to establish the KPK in the second quarter of 2002.⁷⁴²

During the bill on KPK's deliberation in parliament, the government faced some resistance from the ruling political parties and the Military/Police factions.⁷⁴³ What was surprising was the ruling party PDI-P opposition of the bill as they warned that 'the commission would become the new authoritarian institution in the judiciary and create uncertainty in law enforcement process.'⁷⁴⁴

⁷⁴⁰ Interview with Erry Ryana Hardjapamekas, Vice Chairman of Corruption Eradication Commission (KPK) in 2004 – 2007, 30 August 2012.

⁷⁴¹ Gabriel Curis, *Inviting a Tiger into Your Home: Indonesia Creates an Anti-Corruption Commission with Teeth, 2002-2007* (Princeton: Innovation for Successful Societies (ISS) of Princeton University, 2012), p. 5.

⁷⁴² Letter of Intent of the Government of Republic of Indonesia to the International Monetary Fund, 13 December 2001, point 45 and point 46 in Section V on Legal Reform, Governance and other Structural Programs in supplementary Memorandum of Economic and Financial Policies.

⁷⁴³ 'Lahir dari Kemandulan (Born out of Impotence)', *Tempo Magazine*, 30 December 2012, pp. 72-76.

⁷⁴⁴ 'Position of PDIP Faction on the Bill on Corruption Eradication Commission', Statement by Don Mardono a representative of PDIP Party Faction in General Meeting of the Parliament on the Bill on Corruption Eradication Commission, 10 September 2001.

However, the MenkumHam provided a robust and reasonable defense of the bill's critical component with support from the reformist faction in parliament, led by the PPP's MP, Zain Badjeber.⁷⁴⁵ Therefore, the DPR accepted the proposal to keep the crucial articles, like the establishment of a special anti-corruption court.⁷⁴⁶

There were a number of delays in enacting the KPK law and the deadlines set in the LOI's of 11 June 2002⁷⁴⁷ and 20 November 2000 was missed.⁷⁴⁸ The IMF thus played an important role in pressuring the government to enact the KPK bill. As the KPK's Vice Chair Amien Sunaryadi explained, 'The IMF stated that, unless the government made the KPK operational, the tranches of the loan would be stopped.'⁷⁴⁹ Ultimately, at the plenary meeting of the DPR in November 2002, all of the factions in the DPR supported the KPK bill.⁷⁵⁰

There was a mixed result of Megawati's term in office in the context of the governance reform and anti-corruption measures. There was a fundamental constitutional amendment that recalibrates Indonesia's political governance structure from an authoritarian to a more democratic. However, in my opinion, the drive for that constitutional reform came from the progressive elements within in the MPR, led by PAH I Chair Jacob Tobing.

With Megawati's support for the conservative group, the military reform agenda was stalled. The military was given a free hand over defense affairs, which contributed to the

⁷⁴⁵ 'Lahir dari Kemandulan (Born out of Impotence)', *Tempo Magazine*, pp. 72-76.

⁷⁴⁶ *Ibid.*

⁷⁴⁷ Letter of Intent of the Government of Republic of Indonesia to the International Monetary Fund, 11 June 2002, Table 2. Structural Benchmarks (June 2002-December 2002).

⁷⁴⁸ Letter of Intent of the Government of Republic of Indonesia to the International Monetary Fund, 20 November 2002, Table 2. Structural Benchmarks (November-December 2002).

⁷⁴⁹ Curis, Inviting a Tiger into Your Home: Indonesia Creates an Anti-Corruption Commission with Teeth, 2002-2007, P. 5

⁷⁵⁰The Indonesian National Parliament (DPR) Decision Decree number: 17/DPR-RIIIII2002-2003, 29 November 2002.

declining pressure for military reform, as Honna observed.⁷⁵¹ This was aggravated by a lack of oversight by civilians of the defense policy by the fact that the Minister of Defense position was left vacant for over a year due to health reasons.

However, in my view, one of the main contributory factors to Megawati's failed presidential reelection in 2004 was her reluctance to address the corruption. Based on a national poll in July 2002, 85 percent of the respondents were dissatisfied with the efforts to eradicate corruption.⁷⁵² Meanwhile, Megawati's administration was plagued by streams of controversial decisions, from keeping Akbar as DPR speaker at the expense of a fair judicial process, giving her husband, T.K., a free hand to meddle in policies, and her insistence on keeping the troubled Attorney General M.A. Rachman.

Overall, it was clear that during the post-Suharto presidencies there was some commendable progress in governance reform. As described in the previous section, it was shown that this was the first free-and-fair election for 40 year, with freedom of speech under Habibie and subsequently a more democratic political structure through various constitutional amendment processes under Gus Dur and Megawati. However, in light of first argument of this thesis, the governance reform was not as extensive and comprehensive as shown by the lack of progress or even set-back in the area of judiciary and military reform.

Although, in the end, the DPR and the government managed to enact the law on KPK, but under Habibie, Gus Dur and Megawati, the prosecution of high profile corruption cases tended to be politicized, as evident in, for instance, the case of former president Suharto, the Bank of Bali scandal, and the Speaker of DPR Akbar Tandjung. Related to the second

⁷⁵¹ Jun Honna, 'From Dwifungsi to NKRI: Regime Change and Political Activism of the Indonesian Military', in Marco Buten and Andreas Ufen (eds.), *Democratization in Post-Suharto Indonesia* (London: Routledge, 2009), p. 240.

⁷⁵² 'Megawati Passes with Good Fortune', *Jakarta Post*, 26 December 2002, retrieved on 14 April 2015 from <http://m.thejakartapost.com/news/2002/12/26/megawati-passes-2002-with-good-fortune.html>

argument of this thesis as outlined in the introduction section, the lack of drive in pushing for prosecution in the big corruption cases was suspiciously, in my view, due to maintaining economic patronage for their political agenda during the national legislative and presidential election in 2004.

Conclusion

During the post-Suharto presidencies in 1998-2004, by applying Dahl's political pluralism analytical framework, some progress was achieved by the reformers in the context of governance reform. What was distinctive in this period is that it was the reformists, not necessarily the president or ministers who drove the reform. In some cases, like the constitutional amendment or the enactment of the KPK bill, there was a reform element either in the executive or legislative by working together with civil society, that formed a temporary alliance in pushing this crucial reform agenda effectively. Therefore, this reformist coalition was quite complex and diverse. In bringing about this reform, this reformist element, in my view, was employing their political resources in the form of knowledge, organization, political networks and communication by allying with the national mass media.

In terms of democratic consolidation, in my view, during the period 1999-2004, there was commendable progress and an important political milestone was passed, especially in bringing about procedural democracy especially in the Habibie and Megawati period after the authoritarian consolidation during the New Order era. This was evidently an effort to achieve political equality among Indonesia society in fulfilling the key requirements of Diamond and Morlino as outlined in the introduction section, at least in these areas: recurring competitive elections, more than one serious political party and an alternative source of information. However, as the democratic political system had re-emerged in the late 1950s, the democratic

consolidation as envisioned by Linz and Stepan, Diamond, Merkel as well as Croissant, as mention in the introduction chapter, was not achieved.

As for identifying the political leaders who brought about reform in the period 1998-2004 in the context of governance and anti-corruption, using Kingdon's analytical framework as explained in the introduction section, in my view, President Habibie, the PAH1 committee in the MPR led by Jacob Tobing and the coalition of reformists in government as well as in parliament, with support from civil society, that crafted the KPK bill, can be described as policy entrepreneurs. These political actors were able to identify problems such as the need for a more democratic political structure and the addressing of corruption as an effort to distance them especially from the last decade of Suharto's troubled authoritarian tenure. Then, these political leaders was able to develop policy reform proposals and capitalize on the political momentum where there was high pressure from people at large to enact this reform that made them able to institutionalize this important political governance reform. Thus these political leaders were able to maneuver effectively in three streams of situations, as outlined by Kingdon (problem, policy and political), in enacting considerable political governance reform and anti-corruption efforts.

In identifying the type of political leadership traits in the context of the governance reform and anti-corruption efforts by using modified Burns' analytical framework during the period 1999-2004, in my view, President Habibie, the PAH1 Committee in the MPR led by Jacob Tobing and the reformist coalition that was able to enact the KPK bill possessed transformational leaders' traits. This was because they initiated the reform proposal and in the end were able to forge a consensus among the Indonesian political elite to institutionalize their political reform like free and fair elections as well as constitutional amendment towards a more democratic political governance structure. Meanwhile, although Megawati was not initiating the reform for constitutional amendment and the law on an anti-corruption commission, her

late support as the leader of the ruling party PDIP was crucial in formalizing this important reform. Therefore, in my view, Megawati was in the category of a semi-transformational leader for her role in supporting the reform at the late stage. While there was an initial high hope for Gus Dur's presidency, with his strong track record as one of the opposition leaders during Suharto's era, in the end he was not able to enact a crucial governance reform and there was also a lack of progress in addressing corruption. As a result, in my view, Gus Dur was in the category of transactional leaders.

Chapter 7: Two Steps Forward, One Step Back or *Vice Versa*? President Yudhoyono's Struggle to Advance Governance Reform and Anti-Corruption Initiatives during his First Term

When Susilo Bambang Yudhoyono (SBY) became the first directly-elected President in 2004, there were high hopes among voters that he would fulfill his promise to eradicate corruption and promote good governance. However, to contain the influence of his powerful Vice President, Jusuf Kalla (JK), who took over the biggest political party in parliament (the Golkar), and his ally, tycoon Aburizal Bakrie, SBY appointed technocrats to the important economy portfolio, such as Coordinating Minister of Economy Boediono, Minister of Finance Sri Mulyani Indrawati and Minister of Trade Marie Pangestu. Therefore, within the difficult political environment, it was highly viable that the technocrats/professionals chose to start with their own governance reform, like civil service reform in the MOF and Ministry of Foreign Affairs.

It is worth noting that the most aggressive anti-corruption campaign in Indonesia commenced under SBY's presidency, initiated by the establishment of the Interagency Coordination Team for Corruption Eradication (Timtas Tipikor) in 2005, but the most important was the functioning of the Corruption Eradication Commission (KPK), perhaps the most effective anti-corruption agency ever established in Indonesia. The KPK managed to prosecute an unprecedented number of high-ranking officials, like former ministers, governors and the Chairman of the Election Commission (KPU). As outlined in the previous chapters, no anti-corruption agencies or ad-hoc team in the previous administration was underpinned by a strong legal standing or sufficiently resourced and, more importantly, did not get support from the top political leaders. As a result, compared to the KPK, this corruption eradication state

agency or ad-hoc team was not sustainable since they were quickly dissolved once they investigated the powerful figures that were close to the president.

The account of SBY's first term's governance and anti-corruption initiative in this chapter is structured into eight sections. First, the academic debate on the mixed progress of SBY's first presidential term will be outlined. The second section will highlight the emergence of SBY onto the national political scene, as an author of the military reform in 1998-1999 to becoming the first directly-elected president in 2004. The third section will describe the nature of the political relationship between SBY and JK. The fourth section will examine how SBY tried to consolidate his authority over economic policy by appointing the technocrats. The fifth section will analyze the political battle over economic policy between the technocrats and the oligarchs. The various challenges in implementing military reform faced by SBY will be discussed in the sixth section. Moreover, the institutional building process in the KPK and their initial high profile corruption case prosecution will be outlined in the sixth and the seventh sections respectively. Section eight will discuss the growing resistance by the vested interest as the KPK accelerated its prosecution work. The last section will present the conclusion of the chapter.

Three arguments are presented in this chapter. The first is that, despite the pocket of governance reforms pushed by SBY through technocrat/professional ministers, its impact remained limited, since they had to compete with powerful oligarchs. The second argument is that the success of the KPK's institutional building was crucial in establishing the KPK's capacity to prosecute high profile corruption cases. The third argument is that the KPK impressive start with its 100 percent conviction rate for high-profile corruption cases, in some ways, helped to establish SBY's anti-corruption credentials.

The Literature Debate and Assessment of SBY's First Term Performance regarding Governance Reform and Anti-Corruption Initiatives

Several scholars still have reservations about the viability of the democratic governance structure in Indonesia after the end of SBY's first term. Although Indonesia was equipped with a relatively legitimate democracy, Diamond warns that the conservative elite still existed, who was able to reverse democracy.⁷⁵³ The concern that the New Order elite might undermine the democratic reform was also espoused by Webber and Weiss.⁷⁵⁴ Davidson adopts a similar position, but emphasizes the lack of rule of law as the main cause.⁷⁵⁵ Meanwhile, Hadiz believed that the New Order's oligarchy still prevailed and influential up until SBY's era.⁷⁵⁶

In contrast, SBY received enthusiastic accolades from leading foreign leaders. Kevin Rudd praised Indonesia's transformation to democracy within the constitutional framework to become the third largest democracy,⁷⁵⁷ while Barack Obama appreciated how Indonesian 'democracy is sustained and fortified by its checks and balances.'⁷⁵⁸

Other observers focused on SBY's political flaws. According to Kingsbury, SBY preferred 'cautious reform,' so corruption, remained problematic.⁷⁵⁹ Meanwhile, Fatah

⁷⁵³ Larry Diamond, 'Indonesia's Place in Global Democracy' in Edward Aspinall and Marcus Mietzner (eds.), *Problems of Democratisation in Indonesia: Elections, Institutions and Society* (Singapore: ISEAS, 2009), pp. 46-47.

⁷⁵⁴ Douglas Webber, 'A consolidated patrimonial democracy?' *Democratization in post-Suharto Indonesia*, *Democratization*, Vol. 13, No.3, July 2006, p. 415; Meredith L. Weiss, 'What a Little Democracy Can Do: Comparing Trajectories of Reform in Malaysia and Indonesia', *Democratization*, Vol. 14, No. 1, January 2007, pp. 34-35.

⁷⁵⁵ Jamie S. Davidson, 'Dilemmas of democratic consolidation in Indonesia', *the Pacific Review*, Vol. 22, No.3, August 2009, pp. 304-305.

⁷⁵⁶ Vedi R. Hadiz, *Localising Power in Post-Authoritarian Indonesia: A Southeast Asia Perspectives* (Singapore: ISEAS, 2011), pp. 54-55.

⁷⁵⁷ Prime Minister of Australia Kevin Rudd, Opening Speech in Bali Democracy Forum (BDF), 10 December 2008, retrieved on 23 June 2015 from <http://pmtranscripts.dpmc.gov.au/browse.php?did=16304>

⁷⁵⁸ President United States of America Barack Obama, Indonesia's Example to the World, public speech given at University of Indonesia, Jakarta, 10 November 2010. Retrieved on 10 December 2012 from <http://www.whitehouse.gov/the-press-office/2010/11/10/remarks-president-university-indonesia-jakarta-indonesia>

⁷⁵⁹ Damien Kingsbury, 'Cautious Reform', *Asian Survey*, Vol. 47, No. 1, January/February 2007, p. 155.

highlights that SBY enthusiastically embraced the political accommodation that it imperiled substantive reform.⁷⁶⁰

In SBY's first presidential term, there were some pockets of progress in governance reform, that were pushed by professional ministers in the economic as well as security sectors and other agencies, according to Ramage and Juwono.⁷⁶¹ In my view, the number of governance reforms initiated by reform-minded ministers is laudable, although their impact was relatively limited, since the vested interest entrenched.

Many observers praised the KPK's emergence as a leading institution in combating corruption. The KPK with its effective prosecution by dissolving the high public officials 'sense of impunity', as Schutte observed.⁷⁶² As it only handled less than 5 percent of cases, Butt warns that the KPK's impact on reducing corruption remained limited.⁷⁶³ In my view, the KPK's effectiveness in prosecuting high profile corruption cases involving high-ranking officials set a new standard regarding anti-corruption measures, which previously had been easily dismantled.

SBY's role *vis a vis* the KPK was also debated in the context of pushing anti-corruption initiatives. Lanti applauds SBY's decision to establish Timtas Tipikor to complement the KPK in accelerating the prosecution of high-profile corruption cases. Meanwhile, Crouch praised SBY for freely permitting the KPK and Timtas Tipikor to investigate high-ranking officials' role in corruption cases.⁷⁶⁴

⁷⁶⁰ Eep Saefullah Fatah, 'Kekuatan Presiden adalah Kelemahannya (The Strength of President is also his Weakness)', *Kompas*, 9 October 2007, p. 6.

⁷⁶¹ Douglas Ramage, 'Indonesia: Democracy First, Good Governance Later', *Southeast Asian Affairs 2007* (Singapore: ISEAS, 2006), pp. 139 – 141; Vishnu Juwono, 'Reformasi Birokrasi di Indonesia Setelah Era Presiden Suharto : Kemajuan, Kemunduran atau Stagnan? (Bureaucratic Reform in Post-Suharto Era: Progress, Set-back or Stagnant?)' In Wijayanto and Ridwan Zachrie (eds.), *Korupsi, Mengorupsi (Corruption, to corrupt)* (Jakarta: Gramedia, 2006), pp. 210-213.

⁷⁶² Sofie Arjon Schutte, 'Against the Odds: Anti-Corruption Reform in Indonesia,' *Public Administration and Development*, Vo. 32, August 2012, p. 47.

⁷⁶³ Simon Butt, *Corruption and Law in Indonesia: the Unraveling of Indonesia's anti-corruption framework through law and legal process* (London: Routledge, 2012), p. 47.

⁷⁶⁴ Harold Crouch, *Political Reform in Indonesia after Suharto* (Singapore: ISEAS, 2010), p. 145.

Nevertheless, Aspinall and Mietzner warned that SBY did not wholeheartedly support the KPK's prosecution work by raising concern that the KPK was growing too strong.⁷⁶⁵ Meanwhile, Djani argues that the initiative was ineffective and counterproductive because it failed to address the entrenched politico-business network,⁷⁶⁶ whereas Hardjapamekas and Subagjo are concerned that the KPK had become a victim of its own success, since vested interest started to resist the KPK.⁷⁶⁷ Despite some negative rhetoric, in my view, the overall trajectory of anti-corruption under SBY's watch remained on the right track, especially in facilitating the KPK's institutional building efforts. Thus, SBY's support was also a crucial in the KPK's effective prosecutions, and its survival of the counterattack by the vested interest.⁷⁶⁸

The existing literature is silent on the political competition between the technocrats/professionals that were advancing the governance reform, while facing resistance from oligarchs. Aspinall and Mietzner employed political pluralism in their analysis of SBY's first term, but did not mention the technocrats' role,⁷⁶⁹ while McLeod and Hill focused solely on Sri Mulyani's struggle against Bakrie.⁷⁷⁰ Also, the current literature ignores the interaction between SBY *vis a vis* the KPK, that helped to burnish both as corruption fighters. Schutte et al.'s analysis is centered on the KPK's anti-corruption work, rather than their interaction with SBY. Therefore, this chapter attempts to fill this literature gap on those two issues to analyze the political interaction, especially among, SBY, KPK, the technocrats and the oligarchs.

⁷⁶⁵ Edward Aspinall, 'Indonesia in 2009: Democratic Triumphs and Trials', *Southeast Asian Affairs 2010* (Singapore: ISEAS, 2009), pp. 114-115; Marcus Mietzner, 'Indonesia in 2008: Indonesia Struggle for Reelection', *Asian Survey*, Vol. 49, No. 1, January/ February 2009, p. 47.

⁷⁶⁶ Luki Djani, 'Yudhoyono's Anti-corruption Machine', *Inside Indonesia*, Edition: 93, August – October 2008, retrieved on 25 June 2015 from <http://www.insideindonesia.org/feature-editions/inside-yudhoyono-s-anti-corruption-machine>

⁷⁶⁷ Erry Ryana Hardjapamekas and Natalia Soebagjo, 'The War against Corruption', *Strategic Review*, Vol. 1 No. 2, November/December 2011, pp. 31-32.

⁷⁶⁸ Emil P. Bolongaita, *An Exception to the Rule? Why Indonesia's Anti-Corruption Succeeds Where Others don't – Comparison with the Philippines' Ombudsman* (Bergen: U4/ Chr. Michelsen Institute, 2010), p. 23.

⁷⁶⁹ Aspinall, 'Indonesia in 2009: Democratic Triumphs and Trials'; Mietzner, 'Indonesia in 2008: Yudhoyono's Struggle for Reelection'.

⁷⁷⁰ Ross H. McCleod, 'Pionnering Public Sector Reform in Indonesia', *APEC Newsletter*, Vol. 12, No. 6, July 2008; Hal Hill, 'Where the Power Lies in Indonesia', *Wall Street Journal*, 17 May 2010, retrieved on 11 August 2015 from <http://www.wsj.com/articles/SB10001424052748703745904575247840785876832>

SBY's Road to the Presidency

SBY particularly came to the fore on the public stage during 1998-1999, when he was part of the 'intellectual general' group that conceptualized the military's internal reform. SBY's military career ended when he was forced to accept a cabinet position under Gus Dur in 1999. Subsequently, he experienced several political trajectories. First, he was promoted by Gus Dur to Coordinating Minister for Political, Social and Security Affairs (MenkoPoloskam) in 2000.⁷⁷¹ SBY's role in leading tumultuous political negotiation between Gus Dur and the opposition eventually led to his replacement due to his unwillingness to execute Gus Dur's decree to restore security order.⁷⁷² SBY then was reappointed as MenkoPoloskam in Megawati's 2001 cabinet, when he skillfully cultivated a public image as a competent, corruption-free high official. Meanwhile, SBY's wife helped him to establish the Democrat Party as his political vehicle.

Megawati and her husband tried to stop SBY's political rise, but SBY used the mishandling of his resignation in March 2004 to portray himself as a victim of political isolation in the cabinet through the media.⁷⁷³ As *de facto* presidential candidate, SBY's popularity skyrocketed after his resignation to over 40 percent in June 2004.⁷⁷⁴ Trading on SBY's popularity, his Democratic Party attracted 7.5 percent of the votes, placing them in a respectable fifth place during the national legislative election in 2004. Eventually, in the second round 2004 presidential election, SBY, who managed to appoint Coordinating Minister

⁷⁷¹ 'Gus Dur Picks- 26 member Cabinet', *Jakarta Post*, 24 August 2000, retrieved on 27 April 2015 from <http://m.thejakartapost.com/news/2000/08/24/gus-dur-picks-26member-cabinet.html>

⁷⁷² 'Susilo Replaced in Hasty Reshuffle', *Jakarta Post*, 2 June 2001, retrieved on 27 April 2015 from <http://www.thejakartapost.com/news/2001/06/02/susilo-replaced-hasty-reshuffle.html>

⁷⁷³ 'Akrobat Politik SBY [Political Acrobat by SBY]', *Tempo*, 8 March 2004 and 'Wawancara: Susilo Bambang Yudhoyono (Interview; Susilo Bambang Yudhoyono)', *Tempo*, 15 March 2004.

⁷⁷⁴ 'Dicari: Kaki Ketiga SBY – JK [Looking for Third Leg: SBY – JK]', *Tempo*, 26 April 2004.

of Social Welfare JK as his vice president candidate, trounced Megawati-Muzadi by 60.7 percent to 30.4 percent.⁷⁷⁵

Duet or Duel? The Partnership between SBY and JK

The partnership between SBY and JK in 2004-2009 appeared a perfect fit. SBY was known as an ‘intellectual’ military leader with a strong nationalist background. Meanwhile, JK was known to be an accomplished businessman with strong Islamic credentials.⁷⁷⁶

However, the tension between SBY and JK emerged after the cabinet formation in October 2015.⁷⁷⁷ The SBY-led political party coalition was forced to accommodate more coalition members and JK’s trusted aid within the cabinet. JK successfully lobbied to appoint influential businessman Aburizal Bakrie to the important post of Coordinating Minister for Economic Affairs.⁷⁷⁸ Eventually, SBY accommodated 20 political parties, affiliating 35 cabinet personnel, which disappointed the mass media and civil society.

Furthermore, the opposition coalition declared their intention to grab the majority of the leadership commission positions in the DPR to forestall any government-driven policy in November 2004.⁷⁷⁹ Therefore, the DPR and government were on the verge of deadlock.

Then, SBY and JK decided that they had to take over the Golkar, the 2004 election winner. During the Golkar chairmanship contest at the leadership meeting in November 2004, JK ran for chair, with the support of DPR speaker Agung Laksono, managing to beat the

⁷⁷⁵ The Carter Center, *The Carter Center 2004 Indonesia Election Report* (Georgia: the Carter Center, 2005), p. 49. & p. 63.

⁷⁷⁶ Eep Saefulloh Fatah, ‘Setahun Pertumbuhan SBY – JK (One year of SBY-JK interaction]’, *Tempo*, 24 October 2005, retrieved on 29 April 2015 from <http://majalah.tempo.co/konten/2005/10/24/LU/116998/Setahun-Pertumbuhan-SBYJK/35/34>

⁷⁷⁷ ‘Kening Berkerut pada Hari Pertama [Feel Pressured in the first day]’, *Tempo*, 25 October 2004, retrieved on 29 April 2015 from <http://majalah.tempo.co/konten/2004/10/25/LU/92847/Kening-Berkerut-pada-Hari-Pertama/35/33>

⁷⁷⁸ ‘Hikayat Kabinet Peragu [the Story of Indecisive Cabinet]’, *Tempo*, 25 October 2004, retrieved on 29 April 2015 from <http://majalah.tempo.co/konten/2004/10/25/LU/92845/Hikayat-Kabinet-Si-Peragu/35/33>

⁷⁷⁹ ‘Azab dan Sengsara di Senayan [Torture and Suffer in Parliament]’, *Tempo*, 8 November 2004, retrieved on 29 April 2015 from <http://majalah.tempo.co/konten/2004/11/08/LU/92980/Azab-dan-Sengsara-di-Senayan/37/33>

Akbar-Wiranto pair by 323 votes to 156.⁷⁸⁰ JK-Agung was accused of making large cash payment (around US\$6 million) to win the Golkar leadership contest.⁷⁸¹ As JK winning the Golkar chairmanship, SBY-JK was able to form a new coalition with 80 percent of the seats in the DPR, leaving the PDIP as the opposition leader.

Notwithstanding their tension, SBY and JK worked very well in achieving the instrumental Aceh peace agreement in 2005. JK had personally invested in cultivating ties with Aceh rebel leaders (GAM) for a long time and, as Golkar Chair, JK was able to secure the GAM's leader's trust.⁷⁸²

The devastating Tsunami in Aceh in December 2004, which killed more than 200,000 people, changed the social and political dynamic in Aceh, which placed great pressure on both the Indonesian military and GAM militia, especially from the international community, to resume peace talks in January 2005. After five rounds of talks, the Indonesian government and GAM signed a landmark MOU peace agreement in August 2005 in Helsinki. However, SBY also played a crucial role in personally preventing the conservative military from sabotaging the Aceh peace agreement.

Consolidating SBY's Authority and Embarking on Economic and Governance Reform through the Appointment of Technocrats and Professionals

SBY felt uneasy about JK's new political leverage as Golkar Chair, since within the DPR Golkar was holding more than double the number of seats of SBY's Democrat Party. There was also disagreement over economic policy, especially regarding the scale and speed of the fuel subsidy allocation to more productive sectors, i.e., health, education and the

⁷⁸⁰ 'Pagi yang pahit di Nusa Dua [Bitter Morning in Nusa Dua]', *Tempo*, 27 December 2004, retrieved on 29 April 2015 from <http://majalah.tempo.co/konten/2004/12/27/NAS/95383/Pagi-yang-Pahit-di-Nusa-Dua/44/33>

⁷⁸¹ From the US Ambassador to Indonesia Lynn Pascoe to the Secretary of State, the Secretary of Defense, the National Security Council and several US Embassies, 'JK Wins Chair of Golkar, Emerges as Powerful Political Force', cable (confidential), 21 December 2004, *Wikileaks*, retrieved on 30 April 2015 from https://wikileaks.org/plusd/cables/04JAKARTA12662_a.html

⁷⁸² International Crisis Group, 'Aceh a New Chance for Peace', *Asia Briefing*, No 40, 15 August 2000, pp. 1-4.

infrastructure.⁷⁸³ Consequently, the economic team was deeply divided between SBY's cautious approach due to concern for its social as well as political implications and JK-Bakrie's drastic approach to cutting the fuel subsidy.⁷⁸⁴ Eventually, SBY approved the proposal to cut the significant subsidy to Rp.89.2 trillion and reduce the budget deficit to 0.9 percent, thus drastically increasing the fuel price by 87.5-185.71 percent in October 2005.⁷⁸⁵

SBY also seemed wary of JK and Bakrie's perceived conflict-of-interest regarding their business dealings with a number of government-related projects, like toll roads being built by Bosawa and Bakrie Corporations. JK argued that his and Bakrie family had been in the infrastructure business for a long time.⁷⁸⁶

Due to a lack of trust and the economic team's unimpressive performance, SBY wanted to strengthen his grip on economic policy, by appointing technocrats to crucial posts in December 2005. He managed to persuade highly-respected technocrat Boediono to become Coordinating Minister for Economic Affairs and promote Sri Mulyani Indrawati to Minister of Finance.⁷⁸⁷ These two moves left the technocrats in a strong position to formulate economic policy and embark on governance reform.

⁷⁸³ There were a couple of rare instances of economic reform where the technocrats had an agreement with JK and Bakrie as Dr. Greg Fealy also pointed out. However, contrary to Dr. Fealy, in my view, based on my interviews, most of the technocrats under SBY confirm that there was continuous rivalry in terms of economic policy, especially that dealing with JK, Bakrie and other major Indonesian indigenous businesses. In fact, a number of articles in *Tempo* magazine highlight how Kalla and Bakrie, in most cases, disregard their family business' involvement in government projects as a potential conflict of interest in the name of advancing the interests of Indonesian indigenous businesses, which are principally at odds with the technocrats. This was evident when Kalla's business dealings under the SBY presidency became a source of concern regarding his Vice Presidential candidacy with Joko Widodo at the 2014 presidential election, as outlined in the article 'Demi Daeng Balik Kampung (for the home coming of Daeng)', *Tempo*, 12-18 May 2013, pp. 33-35. The new book by Jamie Davidson also highlight how JK and Bakrie's families business involvement had an unfavorable consequence for government infrastructure development; see Jamie S. Davidson, *Indonesia's Changing Political Economy: Governing Roads* (Cambridge: Cambridge University Press, 2015), pp. 163-179.

⁷⁸⁴ 'Nada Sumbang Kor Kabinet [False Voice of Cabinet's Choir]', *Tempo*, 22 August 2005, retrieved on 30 April 2015 from <http://majalah.tempo.co/konten/2005/08/22/EB/116313/Nada-Sumbang-Kor-Kabinet/26/34>

⁷⁸⁵ President Regulation number 55 year 2005 on the Market Domestic Price of Oil Price.

⁷⁸⁶ 'President adalah Tertinggi [the President is the Ultimate Decision Maker]', *Tempo*, 24 October 2005, retrieved on 1 May 2015 from <http://majalah.tempo.co/konten/2005/10/24/LU/116999/Presiden-Adalah-yang-Tertinggi/35/34>

⁷⁸⁷ 'Reinkarnasi Tim Berkeley [Berkeley Team Reincarnation]', *Tempo*, 12 December 2005, retrieved on 1 May 2015 from <http://majalah.tempo.co/konten/2005/12/12/LU/117509/Reinkarnasi-Tim--Berkeley/42/34>

Sri Mulyani made her mark by dismissing two perceivably corrupt officials in the Ministry of Finance (MOF) – the Directorate General (DG) of Tax and Customs –in April 2006.⁷⁸⁸ The MOF, led by Sri Mulyani, began rolling out the civil service reform initiative in July 2007, including: business process; human resource management; performance indicator; and monitoring and evaluation. It encompassed the improvement of 6,475 public service procedures under the MOF, with 35 top reform services priority within the MOF.

The most drastic move by Sri Mulyani was taken at Tanjung Priok Port's custom office when she transferred all 1720 staff members and reassigned only 820 new ones that helped to increase its revenue in 2007.⁷⁸⁹ Sri Mulyani also invited the KPK to conduct a raid in May 2008 which uncovered US\$54,000 worth of bribes in which 69 officials were implicated.⁷⁹⁰

SBY trusted another technocrat, Kuntoro Mangkusubroto, to oversee the important reconstruction of Aceh province after the devastating Tsunami in December 2004, which cost around 200,900 lives. The BRR of Aceh Nias was established in April 2005, and its governance set-up was based on input from former Singaporean PM Lee Kuan Yew, with consulting firm McKinsey provided a pro-bono support for devising the reconstruction plan and Multi-Donor trust fund support of around US\$655 million managed by the World Bank.⁷⁹¹

⁷⁸⁸ From the US Ambassador to Indonesian Lynn Pascoe to the Secretary of State, Department of Commerce, Department of Treasury and several US Embassies, 'Tax, Customs Chiefs Replaced in Reform Effort', cable (confidential), 29 April 2006, *Wikileaks*, retrieved on 1 May 2015 from https://wikileaks.org/plusd/cables/06JAKARTA5420_a.html

⁷⁸⁹ 'Indonesia Cracks Down Bureaucrats', *Financial Times*, 15 August 2007, retrieved on 2 May 2015 from <http://www.ft.com/cms/s/5f9ff8f8-4b45-11dc-861a-0000779fd2ac.html>

⁷⁹⁰ 'Ministry to tighten Supervision to Curb Graft', *Jakarta Post*, 3 June 2008, retrieved on 2 May 2015 from <http://www.thejakartapost.com/news/2008/06/02/ministry-tighten-supervision-curb-graft.html>

⁷⁹¹ 'After Tsunami, An Aceh Surprise: Good Government', *Wall Street Journal*, 2 November 2005, retrieved on 3 May 2015 from <http://www.wsj.com/articles/SB113089754732385956>; 'About Multi Donor Fund for Aceh and Nias', *Multi Donor Fund for Aceh and Nias*, retrieved on 3 May 2015 from <http://www.multidonorfund.org/about.php>

Kuntoro was responsible for US\$7.2 billion in international assistance and US\$2.1 billion of the state budget (APBN).⁷⁹² One of Kuntoro's innovative ideas was to build the BRR's capacity and preserve their integrity by hiring talented staff from both within and outside the bureaucracy through offering attractive compensation. As result, about 86 percent of the BRR's around 1000 core staff came from the private sector.⁷⁹³

Another innovative idea was the establishment of the BRR's anti-corruption unit (SAK). The SAK managed to set up a complaints handling mechanism, which successfully processed all 1,350 irregularities complaints about BRR projects. The SAK also worked with the KPK when, in December 2007, they reported 153 potential corruption cases, 43 of which the KPK followed up.⁷⁹⁴

Following its four-year operation, the BRR ended on a high note. It allocated US\$6.7 billion of the US\$7.2 billion that was pledged by around 900 international donors by building, *inter alia*, 140,000 houses, 3,700 kilometers of roads, 1,700 schools and 1,100 medical facilities. The BRR's success was even applauded by former US president Bill Clinton, who used it as a model for the Interim Haiti Recovery Commission after the major earthquake in early 2010.⁷⁹⁵

Another governance reform was led by Minister of Foreign Affairs (Kemlu) Hassan Wirajuda. Wirajuda initially instituted a governance reform in 2002, which was expanded under SBY and comprised: the restructuring of the ministry; the restructuring of the overseas diplomatic mission; and improvements to the diplomatic profession. This program aimed to

⁷⁹² 'Kuntoro Mangkusubroto: Working as the hand of God in Aceh', *Jakarta Post*, 26 December 2008, retrieved on 3 May 2015 from <http://www.thejakartapost.com/news/2008/12/26/kuntoro-mangkusubroto-working-hand-god-aceh.html>

⁷⁹³ The Executing Agency for Rehabilitation and Reconstruction (BRR) of Aceh – Nias, *10 Management Lessons for Hosts Governments Coordinating Post-Disaster Reconstruction* (Indonesia: BRR, 2009), p. 24.

⁷⁹⁴ BRR of Aceh – Nias, *Supervision: Eradicating Corruption without Tolerance*, p. 56.

⁷⁹⁵ Jean-Max Bellerive and Bill Clinton, 'Finishing Haiti Unfinished Work', 11 July 2010, [clintonfoundation.org](http://clintonfoundation.org/news_detail.php?id=117&source=5), retrieved on 20 July 2015 from http://clintonfoundation.org/news_detail.php?id=117&source=5

instill a strong corporate culture, aligned with increased transparency and accountability in the Kemlu.⁷⁹⁶

Moreover, by applying open and competitive recruitment process, Kemlu was one of ministries that successfully recruited highly-skilled staff. Furthermore, with a more competitive and fairer promotion system, it gave young, talented, driven diplomats the opportunity for fast-track promotion.⁷⁹⁷ Thus, rising star diplomats emerged, such as Presidential Spokesperson Dino Djalal and Minister of Foreign Affairs Marty Natalegawa.⁷⁹⁸

Kemlu in the 2005 second phase of the reform managed to restructure its 4000 staff's ratio from 2:1 (Administrative: Diplomatic) to 1:2 (Diplomatic: Administrative) within almost five years by freezing administrative staff recruitment and recruiting the diplomatic staff.⁷⁹⁹ Overall, Kemlu's governance reform constituted an overall effort to eradicate bureaucratic inefficiencies⁸⁰⁰ and to change foreign policy by reflecting democracy and good governance values.⁸⁰¹

The inescapable conflict between SBY with the Technocrats *vis a vis* JK with Bakrie and Golkar

The growing influence of the technocrats eventually led to a constant struggle with JK over economic policy. The first case was when Lapindo, the gas exploration company owned by Bakrie, caused a well blowout that led to a massive mudflow in Sidoarjo that affected the displacement of 65,000 residents.

⁷⁹⁶ 'Proses Benah Diri Kemlu [Self Improvement Process in Ministry for Foreign Affairs]', *Kementerian Luar Negeri*, retrieved on 2 May 2015 from <http://www.kemlu.go.id/Pages/AboutUs.aspx?IDP=4&l=id>

⁷⁹⁷ Interview with Minister of Foreign Affairs in 2001 – 2009 Hassan Wirajuda in Jakarta, 26 July 2012.

⁷⁹⁸ 'Hassan Boys' shape RI Current Diplomacy', *Jakarta Post*, 12 October 2009, retrieved on 2 May 2015 from <http://www.thejakartapost.com/news/2009/10/12/hassan039s-boys039shape-ri039s-current-diplomacy.html>

⁷⁹⁹ Interview with Minister of Foreign Affairs in 2001 – 2009 Hassan Wirajuda in Jakarta, 26 July 2012.

⁸⁰⁰ Greta Nabbs-Keller, 'Reforming Indonesia's Foreign Ministry: Ideas, Organization and Leadership', *Contemporary Southeast Asia* Vol. 35, No. 1, year 2013, p. 70.

⁸⁰¹ Muhammad Hadianto Wirajuda, *The Impact of Democratisation on Indonesia's Foreign Policy: Regional Cooperation, Promotion of Political Values, and Conflict Management* (PhD Dissertation, London School of Economics & Political Science, 2014), p. 192.

Bakrie planned to undertake some damage-control by selling off its Lapindo's share to Lyte Limited for US\$2 per share in September 2006. However, the sale fell through because the MOF, led by Sri Mulyani, halted negotiations due to concern about Bakrie's responsibility for clearing the mud in Sidoarjo. In December 2006, SBY decided that Lapindo must immediately pay US\$144.4 million to cover the mud problem plus US\$277.8 million in compensation to the victims.⁸⁰²

JK then entered into direct conflict with SBY, triggered by the establishment of the presidential delivery unit called UKP3R (*Unit Kerja Presiden Pengelola Program Reformasi*), with reform priority areas including: bureaucratic reform, reforming state enterprises, and improving law enforcement.⁸⁰³

From the outset, the UKP3R was undermined by JK and the State Secretary. On its launch in October 2006, JK and his supporters in the Golkar party conducted a public attack on the UKP3R, arguing that this was an effort to weaken JK's influence on economic policy.⁸⁰⁴

SBY appointed Marsillam Simanjuntak, a former Attorney General, as head of UKP3R. However, Marsillam's background also fuelled resentment, because his involvement in initiating Gus Dur's decree to disband the Golkar in 2001.⁸⁰⁵ In November 2006, JK was demanding SBY to freeze UKP3R. Ultimately, the unit was unable to function effectively because of under-resourced and under-staffed.

⁸⁰² From US Deputy Chief of Mission John Heffern to the Secretary of State, the Department of Commerce, the Department of Energy, the US Pacific Command and several US Embassies, 'East Java: Grim Mudflow Impact Forecast Prompts SBY Decisions', cable (unclassified for official use only), 3 January 2007, *Wikileaks*, retrieved on 4 May 2015 from https://wikileaks.org/plusd/cables/07JAKARTA13_a.html

⁸⁰³ Presidential Decision number 17 year 2006 on establishment of Presiden Delivery Unit (UKP3R) (http://www.setneg.go.id/index.php?option=com_perundangan&id=1972&task=detail&catid=4&Itemid=42&tahun=2006)

⁸⁰⁴ 'Satu Kapal Dua Nakhoda (One Ship Two Commanders)', *Tempo*, 13 November 2006, retrieved on 4 May 2015 from <http://majalah.tempo.co/konten/2006/11/13/LU/122273/Satu-Kapal-Dua-Nakhoda/38/35>

⁸⁰⁵ From US Ambassador Lynn B. Pascoe to the Secretary of State, the Secretary of Defense, National Security Council, US Pacific Command and several US Embassies, 'Showdown between President and VP over Reform Unit', cable (confidential), 9 November 2009, *Wikileaks*, retrieved on 4 May 2015 from https://wikileaks.org/plusd/cables/06JAKARTA13173_a.html

As Coordinating Minister for Economic Affairs, Boediono moved quickly by pushing for the new economic policy package in February 2006 that outlined 85 government plans to improve the investment climate including through tax and customs reforms.⁸⁰⁶ Nonetheless, Boediono and Sri Mulyani were criticized for being too conservative regarding fiscal policy and thus hindering government spending on the infrastructure.

Therefore, a clash with Kalla was unavoidable. Boediono stated that the government would not provide a guarantee for investors from China regarding 10,000 MW power generator constructions that JK opposed. On Jakarta's monorail system, JK was furious when Boediono refused to request a government guarantee in return for Dubai Islamic Bank's US\$500 million investment.⁸⁰⁷

Nevertheless, the technocrats did not always win the policy battle. For instance, following JK's insistence, presidential regulation 103/2006 was issued to guarantee Jakarta's monorail project and afterward Sri Mulyani, issued the finance minister's regulation required.⁸⁰⁸

Following the rejection of two external candidates, SBY proposed Boediono for Indonesia Central Bank (BI) governor, which was approved by the DPR in April 2008. Therefore, Sri Mulyani replaced Boediono as Acting Coordinating Minister for Economic Affairs, in June 2008.

With Boediono's appointment as BI Governor, Sri Mulyani lost an important ally since she was not given insufficient political authority over other economic ministers representing

⁸⁰⁶ From the US Charge d' Affaires W. Lewis Amselem to the Secretary of State, Department of Treasury, Department of Commerce, and several US Embassies, 'Indonesia – Slow Progress on Investment Reforms', cable (unclassified for Official Use Only), 23 June 2006, *Wikileaks*, retrieved on 4 May 2015 from https://wikileaks.org/plusd/cables/06JAKARTA7944_a.html

⁸⁰⁷ 'Cerita dari Lapangan Banteng [Story from Lapangan Banteng]', *Tempo*, 7 Mei 2007, retrieved on 4 May 2007 from <http://majalah.tempo.co/konten/2007/05/07/LU/123866/Cerita-dari-Lapangan-Banteng/11/36>

⁸⁰⁸ *Ibid.*

the political parties.⁸⁰⁹ Eventually, a clash between Sri Mulyani and Aburizal Bakrie emerged in 2008, centered on the public trading of the Bakrie-owned Bumi Resource on the Indonesian Stock Exchange (IDX). After the MOF suspended trading in Bumi's shares, since the price plummeted, Bakrie's request to extend the suspension for finalizing the deal with the potential buyer was rejected by Sri Mulyani.⁸¹⁰

Due to pressure from JK and Bakrie, SBY asked Sri Mulyani to maintain Bumi's share suspension when IDX was about to resume trade in November 2008 out of concern that Bakrie would be unable to compensate the Sidoarjo mudflow victims. Displeased at SBY's intervention, Sri Mulyani tendered her resignation, which SBY rejected.⁸¹¹

During his first term, SBY used the technocrats as his proxy for containing the influence of the politically-connected oligarchs and gave international credibility to economic policy. Despite governance reform by the technocrats, like in the MOF, BRR and Kemlu, its impact remained limited. In my view, the technocrats/professionals in SBY's era were politically vulnerable since they had to face fragmented political authority among the executives, legislative and judiciary.

With only 10 percent of the seats held by the Democrat party in the DPR, SBY's authority to influence the ministers representing the political party was limited. Therefore, SBY preferred consensus building and avoided intervening until the conflict spill-over into the public sphere, at the expense of the integrity of economic policy-making.

⁸⁰⁹ From US Ambassador Lynn B. Pascoe to the Secretary of State, the Department of Treasury, the Department of Commerce, Central Intelligence Agency and several US Embassies, 'Who's in Charge of Indonesia's Economic Policy?', cable (confidential), 14 January 2009, *Wikileaks*, retrieved on 5 May 2015 from https://wikileaks.org/plusd/cables/09JAKARTA69_a.html

⁸¹⁰ 'Drama Saham sejuta Umat [One Million Shares Drama]', *Tempo*, 17 November 2008, retrieved on 5 May 2008 from <http://majalah.tempo.co/konten/2008/11/17/LU/128781/Drama-Saham-Sejuta-Umat/39/37>

⁸¹¹ *Ibid.*

The consolidation of SBY's Political Authority over the Indonesia Military

On the military reform, SBY managed to tame the conservative military element from sabotaging the Aceh peace agreement in 2005, also consolidating his authority by appointing Air Force Admiral as Military chief in January 2006 to neutralize the army dominance. Subsequently, SBY managed to install his trusted aides in the army, especially Djoko Santoso, who later promoted to Military chief in December 2007.⁸¹² The marginalization of the military's political role was possible due to his high political capital as directly-elected president and his military experience.

In promoting the policy aspect of the military reform, SBY, *inter alia*, reappointed Juwono Sudarsono as Minister of Defense. Juwono was a former academic from the University of Indonesia, who had known SBY since he was a mid-ranking army officer.⁸¹³

However, Juwono's authority remained limited, especially with regard to the appointment of officials to strategic positions within his own ministry. The majority of appointments were still based on military assignments.

Despite these challenges, Juwono attempted to leverage his influence with the President by embarking on a military reform by integrating the military budgeting process and procurement of military equipment to avoid military expenditure spiraling out of control, since in the past the mark-up could reach up to 150 percent. Juwono claimed that he managed to reduce the number of vendors from 210 to 60.⁸¹⁴ However, he was outmaneuvered by well-connected military equipment agents, because they were able to pre-finance purchases. In

⁸¹² From US Ambassador to Indonesia Cameron Hume to the Secretary of State, the Secretary of Defense, Central Intelligence Agency and several US Embassies, 'New Armed Chief: Professional, Reformer, Friendly to US', cable (confidential), 6 December 2007, *Wikileaks*, retrieved on 17 May 2015 from https://wikileaks.org/plusd/cables/07JAKARTA3335_a.html

⁸¹³ Interview with Juwono Sudarsono, Minister of Defense in 2004-2009 in Jakarta, 23 January 2012.

⁸¹⁴ 'Lessons learned from military reforms, Thailand', *Jakarta Post*, 5 October 2006, retrieved on 18 May 2015 from <http://m.thejakartapost.com/news/2006/10/05/lessons-learned-military-reforms-thailand.html>

response, Juwono coordinated with Minister of Finance and BI Governor to discipline their subordinates and agreed upon a standardized market-based fee applied in North America and Europe.⁸¹⁵

Another important task assigned by SBY to Juwono was the taking over of the military business as mandated by law that had to be completed by 2009.⁸¹⁶ Juwono established an inter-departmental verification team that identifies 23 foundations, 1,000 cooperatives and ownership of 55 companies with assets worth Rp3.2 trillion.⁸¹⁷

There ensued reluctance from the military during the verification process as they had started selling their assets. In September 2005, one of the army's foundations, YKEP, sold its 11 percent share in the private bank, Artha Graha, for Rp. 121 billion.⁸¹⁸ Then, another army foundation sold its stake in Mandala Airline Company.⁸¹⁹

As the process of transferring the military's business dragged on, the government established a new advisory group led by Former KPK Vice-Chair Erry Ryana Hardjapamekas in 2008 and utilized 70 auditors from the leading accounting school, STAN. With only authority to give recommendations, Erry's team was able to speed-up the formulation of three recommendations within six months that were submitted to SBY in October 2008.⁸²⁰

SBY eventually issued Presidential Decision Decree 43/ 2009 on taking over military business that limited on businesses directly owned by the military, while restructuring the

⁸¹⁵ 'Market price fees in procurements tolerable', *Jakarta Post*, 6 October 2011, retrieved on 18 May 2015 from <http://www.thejakartapost.com/news/2011/10/06/market-price-fees-procurements- percentE2 percent80 percent98tolerable.html>

⁸¹⁶ Article 76, Law 34/ 2004 on military.

⁸¹⁷ From Lynn B. Pascoe to the Secretary of Defense, the Secretary of State, Joint Chief of Staff, Commander in Chief US Pacific Command, National Security Council and several US Embassies, 'Admiral Fallon's Meeting With Defense Minister Juwono Sudarsono', cable (confidential), 2 March 2006, *Wikileaks*, retrieved on 19 May, 2015 from https://wikileaks.org/plusd/cables/06JAKARTA2744_a.html

⁸¹⁸ 'Sebelum Berganti Tuan [Before New Master Came]', *Tempo*, 12 September 2005, retrieved on 19 May 2015 from <http://majalah.tempo.co/konten/2005/09/12/NAS/116554/Sebelum-Berganti-Tuan/29/34>

⁸¹⁹ 'Pangkostrad: Mandala Airlines Dijual tanpa Perpres', *Tempo*, 7 October 2005, retrieved on 19 May 2015 from <http://www.tempo.co/read/news/2005/10/07/05567659/Pangkostrad-Mandala-Airlines-Dijual-Tanpa-Perpres>

⁸²⁰ Point 3 and Point 10, Presidential Decision Decree 7/ 2008, the National Team to Take over Military Business.

foundation, cooperatives, and ownership of state assets.⁸²¹ This categorization was criticized by Human Rights Watch because the government, according to the regulations, only had a limited role in restructuring the foundations or cooperatives.⁸²²

Another Oversight Team was established, again with limited authority (to make an inventory of issues, provide recommendations and plan of action related to military business).⁸²³ The main weakness of the team was that there existed no clear timeframe for completing the assignment, and no managerial control over military businesses.⁸²⁴

Moreover, Juwono tried to reorganizing the whole defense and security governance structure by introducing the national security bill, with some progressive proposals, like the clear delineation between the formula policy agency (the ministries) and the implementing agency (the military and police).⁸²⁵

However, when the MOD started to reveal the draft bill to the public in 2007, it attracted strong opposition from civil society due to the possibility of restoring the domination of the military over security affairs, which was understandably opposed by the police.⁸²⁶ After arousing strong controversy, the national security bill was given to the national resilience institute (Lemhanas) for revision.⁸²⁷

⁸²¹ Article 4, Presidential Decision Decree 7/ 2008, the National Team to Take Over Military Business.

⁸²² Human Rights Watch, *Unkept Promise Failure to End Military Business Activity in Indonesia* (New York: Human Rights Watch, 2010), p. 11.

⁸²³ Article 9, point 2, Presidential Decision Decree 7/ 2008, the National Team to Take over Military Business.

⁸²⁴ Marcus Mietzner and Lisa Misol, 'Military Business in Post-Suharto Indonesia: Decline, Reform and Persistence', in Jurgen Roland et. Al (eds.), *the Politics of Military Reform: Experiences from Indonesia and Nigeria* (Berlin: Springer, 2013), p. 114.

⁸²⁵ Kusnanto Anggoro, *Monograph No. 12: Bridge Over Troubled Water* (Jakarta: ProPatria Institute, 2008), pp. 22 – 23.

⁸²⁶ 'Kapolri Tolak Bahas RUU Kamnas [The Chief of Police Refuse to discuss the National Security Bill]', *Detik*, 5 February 2007, retrieved on 21 May 2015 from

<http://news.detik.com/read/2007/02/05/122040/738211/10/kapolri-tolak-bahas-ruu-kamnas?nd771104bcj>

⁸²⁷ 'Bola Panas RUU Kamnas kembali ke Polhukam [the Hot Potato of the National Security Bill was given back Coordinating Minister for Security Affairs]', *Kompas.com*, 7 July 2008, retrieved on 21 May 2015 from http://nasional.kompas.com/read/2008/07/07/21344572/bola.panas.ruu.kamnas.kembali.ke.polkumham?utm_campaign=related_left&utm_medium=bp&utm_source=news

The effort to for military reform clearly faced a significant internal hurdle, especially from the army, as Juwono admitted.⁸²⁸ One of the main reasons for the military's resistance stemmed from the underfunded budget that justified military officers seeking outside income and senior officers' opportunity for wealth accumulation.⁸²⁹

The KPK's emergence and institutional Building Process

The reformist Indonesian officials, civil society and DPR learned from the previous failure of the anti-corruption bodies due to their lack of independence, resources and political support. Therefore, law number 30/2002 established the KPK as an independent anti-corruption body with a stronger mandate, including coordinating and supervising the other anti-corruption related agencies, and monitoring the state apparatus.⁸³⁰

The KPK's main focus was the prosecution of major corruption cases, including those involving law enforcement personnel or state officials. The KPK also handled cases that raised public concern and that caused state loss of at least Rp.1 billion.⁸³¹ The KPK also had the authority to take over corruption cases from the police and AGO.⁸³²

Moreover, all investigations undertaken by the KPK had to lead to prosecutions to avoid potential abuses where the discretion to halt prosecutions bred opportunities for blackmail, as in the past.⁸³³

Compared to the standard criminal procedures, the deadline for preparing an investigation and prosecution was stricter. In conducting its investigations, the KPK could tap

⁸²⁸ From Lynn B. Pascoe to the Secretary of Defense, the Secretary of State, Commander in Chief US Pacific Command, the National Security Council and several US Embassies, 'Indonesian Defmin Sudarsono on East Timor Accountability, Military Reform', cable (confidential), 14 December 2004, *Wikileaks*, retrieved on 22 May 2015 from https://wikileaks.org/plusd/cables/04JAKARTA12319_a.html

⁸²⁹ Harold Crouch, *Political Reform in Indonesia after Suharto*, p. 169.

⁸³⁰ Law number 30/2002 on the Corruption Eradication Commission (KPK), article 15, point c.

⁸³¹ Law number 30/2002 on the Corruption Eradication Commission (KPK), article 6.

⁸³² *Ibid.* article 8.

⁸³³ Stewart Fenwick, 'Measuring up? Indonesia's anti-corruption commission and the new corruption agenda', in Tim Lindsey (ed.) *Indonesia: Law and Society* (Annandale: The Federation Press: 2008), p. 410.

communication lines and record conversations, issue travel bans, and suspend suspects' financial or other transactions.⁸³⁴

The most progressive feature in the Law on the KPK was the anti-corruption (Tipikor) court that was established due to the notoriously corrupt court system and had a panel of five judges. The three *ad-hoc* court judge was usually independent legal experts, like academics, practitioners or retired judges, who contributed to the quality of the verdicts in the court.⁸³⁵

Another difference between Indonesia's general court and the anti-corruption court was the fact that Law 30/2002 on the KPK created a strict deadline for the court to make decisions at a maximum of 240 days from the Tipikor Court until the Supreme Court (MA) appeal.⁸³⁶

Initially, Civil Society and the mass media were skeptical of the KPK commissioners, who were dominated by law enforcement personnel. Two of the five commissioners came from civil society: Amien Sunaryadi and Erry Ryana Hardjapamekas, while the others included retired two-star police officer Taufiequrachman Ruqi and senior AGO prosecutor Tumpak. The DPR's Commission II selected Ruqi as KPK Chair.⁸³⁷

After almost one year's delay, the first KPK commissioners were finally inaugurated, in December 2003.⁸³⁸ The first program of the KPK was 'to establish and later improve the institutional capacity of the KPK', according to Ruqi.⁸³⁹ After one year of institutional building, KPK was able to announce its first corruption case prosecution as their investigation capacity was developed.

⁸³⁴ Law number 30/2002 on the Corruption Eradication Commission (KPK), article 12 and 44 – 52

⁸³⁵ Law number 30 year 2002 on the Corruption Eradication Commission (KPK), article 60.

⁸³⁶ Law number 30/2002 on the Corruption Eradication Commission (KPK), articles 58-60.

⁸³⁷ 'Pilihan yang di ragukan {Doubtful Choice}', *Tempo Magazine*, 22 December 2003. Retrieved on 11 February 2013 from <http://majalah.tempo.co/konten/2003/12/22/HK/92002/Pilihan-yang-Diragukan/43/32>

⁸³⁸ Interview with Taufiqurachman Ruqi, KPK Chair 2003-2007, on 3 April 2013 in Jakarta.

⁸³⁹ 'Taufiqurachman Ruqi: Korupsi Tidak Boleh Dikompromikan{Taupiqurachman Ruqi: There is No compromise on Corruption}', *Tempo*, 29 December 2003, retrieved on 12 February 2013 from <http://majalah.tempo.co/konten/2003/12/29/WAW/92213/Korupsi-Tidak-Boleh-Dikompromikan/44/32>.

Despite the lack of government support during the initial phase, they had an opportunity to adopt international best practice, developing their own human resources (HR) and IT system and employing a culture of integrity. The development of its own HR system was important, to avoid a hierarchical and non-transparent civil service system. After extensive lobbying, the exemption from civil service rule was obtained in December 2005.⁸⁴⁰

Thus, the KPK adopted a simplified salary system based on performance measurement indicators,⁸⁴¹ and was able to recruit professionals from private sector. For example, the KPK managed to recruit 7 of 10 new directors and deputies from multinational companies.⁸⁴²

The KPK utilized IT to monitor its staff in investigating and prosecuting the cases and avoid lenient sentences in the corruptors' indictment and catch corruption suspects when receiving bribes.⁸⁴³ Crucially, the KPK managed to get sufficient budget from the SBY government of more than Rp.19 billion in 2004. By the end of 2009, the KPK increased their budget by more than 10 times, to around Rp.315 billion.⁸⁴⁴

The first term KPK commissioners managed to build the KPK's organizational capacity by utilizing foreign donors' support and also to obtain budgetary support from SBY's government as well as personnel support from the police and AGO. More importantly, in my view, they managed to convince SBY that KPK would be a reliable partner in his anti-corruption agenda.

⁸⁴⁰ Interview with Mochammad Jasin, KPK Vice-Chair 2007-2011, 9 September 2012 in Jakarta, Indonesia.

⁸⁴¹ Government Regulation number 63/2005 on Human Resource System of the Corruption Eradication Commission, article 15, article 11, article 13 and article 14

⁸⁴² Hardjapamekas, 'The Establishment of the Corruption Eradication Commission', p. 177.

⁸⁴³ Komisi Pemberantasan Korupsi (KPK), *Laporan Tahunan 2006 (Annual Report 2006)* (Jakarta: KPK, 2006), pp. 13 – 14.

⁸⁴⁴ Komisi Pemberantasan Korupsi (KPK) {Corruption Eradication Commission}, *Perjuangan Melawan Korupsi Tidak Pernah Berhenti Sedikit pun: Laporan Tahunan 2009* {The Fight against Corruption will never Stop for even one second: Annual Report 2009} (Jakarta: KPK, 2009), p. 88.

Catching ‘Big Fish’: SBY, KPK and their Earlier Prosecution Work

As KPK was not fully functioning yet, SBY established Timtas Tipikor in 2005 that had 48 members, comprising AGO prosecutors, police investigators and BPKP auditors. Timtas Tipikor was led by Deputy Attorney General Hendarman Supandji, who was given a two-year to accelerate the investigation and prosecution of large-scale corruption cases in State institutions and State-owned enterprises.⁸⁴⁵

Timtas Tipikor performed admirably by prosecuting high-profile cases, like that of former Minister for Religious Affairs Said Agil Munawar, who in February 2006 was found guilty of diverting US\$71 million from the Hajj fund and was fined US\$250,000, with five years’ imprisonment.⁸⁴⁶ Another case involved US\$ 31 billion state loss in the State-owned Insurance Company Jamsostek due to violations of a medium-term notes purchasing fund. Jamsostek’s CEO Achmad Junaedi was found guilty in June 2006 and was imprisoned for 8 years and told to return US\$6.5 million to the state.⁸⁴⁷

Following his good performance in leading Timtas Tipikor, Supandji was promoted to Attorney General in May 2007. Consequently, Timtas Tipikor was officially dissolved in 2007. During its two years of operation, it had managed to process 72 cases, with 7 convictions, and claimed to have recovered a state loss of around Rp. 3.95 trillion.⁸⁴⁸

When SBY appointed Sutanto as Chief of Indonesia Police (Kapolri) in July 2005, there was a high hope. Sutanto, as Chief of Regional Police (Kapolda) in North Sumatra and

⁸⁴⁵ Point two, Presidential Decree 11/2005 on Interagency Coordination Team for Corruption Eradication (Timtas Tipikor).

⁸⁴⁶ *Ibid*; Attorney General Office, *Performance Assessment Report*, 5 September 2006, pp. 19 – 20.

⁸⁴⁷ ‘Divonis 8 Tahun, Djunaedi Gusar [Sentence for 8 Years, Djunaedi Disappointed]’, *Suara Merdeka*, 28 April 2006, retrieved on 6 May 2015 from <http://www.suaramerdeka.com/harian/0604/28/nas01.htm>

⁸⁴⁸ ‘Pemerintah Bubarkan Timtas Tipikor [Government Dissolved Timtas Tipikor]’, *Antaranews*, 11 Juni 2007, retrieved on 6 May 2015 from <http://www.antaranews.com/berita/65878/pemerintah-bubarkan-timtas-tipikor>

East Java in early 2000, was known for his tough stance on gambling through a number of big raids. He also led the police confiscation of around 34 luxury cars worth Rp.billions as Kapolda of East Java.⁸⁴⁹

As Kapolri, Sutanto moved quickly to deal with corruption in the internal police by appointing his trusted aides to key positions, such as Jusuf Manggrabani to Head of the Internal Division.⁸⁵⁰ The police's internal investigation was into the conviction of several generals who were implicated while handling a case of fictitious letters of credit issued by BNI, which caused a Rp. 1.7 trillion state loss. Thus, the three star general and former the police head of detectives Suyitno Landung was sentenced in October 2006 to 18 months in jail for accepting a car worth Rp.247 million.⁸⁵¹ This was the first case in the post-Suharto era in which an active three star ranking police general was convicted of corruption.

Then, Head of PPATK Yunus Hussein reported to Sutanto alleged 'fat bank accounts' owned by 15 high ranking police officers containing a suspicious money transaction. One police officer had a suspicious money transaction of Rp.800 billion.⁸⁵² The internal resistance was too high and Sutanto did not have sufficient allies to push this case through. Consequently, up until Sutanto retired in 2008, there was no progress in resolving the 'fat bank account' case.

⁸⁴⁹ 'Sutanto, Marsinah and Gus Dur', *Tempo*, 4 July 2005, retrieved on 9 May 2015 from <http://majalah.tempo.co/konten/2005/07/04/LU/115865/Sutanto-Marsinah-Gus-Dur/19/34>

⁸⁵⁰ 'Police Reshuffles brings Hope for Money Laundering Probe', *Jakarta Post*, 8 August 2005, retrieved on 11 May 2015 from <http://www.thejakartapost.com/news/2005/08/08/police-reshuffle-brings-hope-money-laundering-probe.html>

⁸⁵¹ 'Sutanto anticlimax', *Jakarta Post*, 14 February 2007, retrieved on 11 May 2015 from <http://www.thejakartapost.com/news/2007/02/14/sutanto039s-anticlimax.html>

⁸⁵² 'Rekening Gendut Tuan Polisi [Fat Account of Mr. Police]', *Tempo*, 8 August 2005, retrieved on 11 May 2015 from <http://majalah.tempo.co/konten/2005/08/08/LU/116235/Rekening-Gemuk--Tuan-Polisi/24/34>

Therefore, Sutanto's three-year stint in addressing big corruption cases was not optimal, despite his better record compared to his predecessor in the post-Suharto era.⁸⁵³

Meanwhile, as the institutional building about to be completed, the KPK was pressured to produce fast results in high-profile corruption cases. The KPK's first corruption case was that of Aceh governor Abdullah Puteh on the procurement of a type M-2 PLC Rostov helicopter from Russia. The case was reported by Aceh anti-corruption NGO Samak to the AGO in April 2003, that was accusing him of adding around a \$1.2 million mark-up to the helicopter purchase, and the KPK's investigation uncovered a potential state loss of around Rp.4 billion.⁸⁵⁴

The KPK faced tremendous challenges related to processing the Puteh case, firstly when Coordinating Minister for Security Hari Sabarno wrote to KPK in June 2004 to stop Puteh investigation as he needed to focus on his job of restoring Aceh security that was since under Martial Law.⁸⁵⁵

The next challenge was that the KPK was unable to prosecute Puteh after completing its investigation because Megawati was only able to inaugurate the anti-corruption judges in October 2004. Another problem was that the anti-corruption judges did not have the facilities to hear corruption cases, but the KPK continued to prosecute Puteh using the Central Jakarta court.⁸⁵⁶

⁸⁵³ 'Policing the Police', *Jakarta Post*, 18 September 2008, retrieved on 12 May 2015 from <http://www.thejakartapost.com/news/2008/09/18/editorial-policing-police.html>

⁸⁵⁴ 'Puteh Memasuki Gedung Salemba {Puteh going into Salemba Building}', *Tempo*, 13 December 2004 Retrieved on 10 February 2013 from <http://majalah.tempo.co/konten/2004/12/13/HK/94502/Puteh-Memasuki-Gerbang-Salemba/42/33>

⁸⁵⁵ Komisi Pemberantasan Korupsi (KPK) {Corruption Eradication Commission}, *Menyalakan Lilin di Tengah Kegelapan: 4 tahun KPK (Lighting a Candle in the Darkness: KPK in Four Years}*, p. 51.

⁸⁵⁶ 'Sidang Tidak Perlu Menunggu Gedung {The Court Ruling Shouldn't be waiting for the Facility}', *Tempo Magazine*, 6 December 2004 at tempo.co.id.

The KPK's prosecutor successfully showed that Puteh had violated a number of laws and regulations. Puteh was finally found guilty of corruption for using US\$2.17 million from the special assistance allocation fund (DAK) to buy helicopters, in violation of the MOF decree, and also for violating the procurement regulation by awarding contracts without any competitive bidding in June 2002.⁸⁵⁷ When Puteh appealed, the MA raised the amount that Puteh had to repay to cover state losses of around \$650,000, while reaffirming the 10 year prison sentence with a fine of US\$50,000⁸⁵⁸ that set a new precedent in which the active governor could be convicted of corruption.⁸⁵⁹

The second case, that was used to build public support, was that of KPU commissioner Mulyana W. Kusumah, who was caught trying to bribe Khariansyah, a BPK auditor, in April 2005 to dismiss its audit findings regarding the misprocurement of ballot boxes during the 2004 national election. Mulyana was caught red-handed giving Khariansyah US\$15,000 via a camera on one of Khariansyah's shirt buttons. The Central Jakarta District Court found Mulyana guilty of corruption and sentenced him to 3 years in prison and a fine of US\$5,000.⁸⁶⁰

Mulyana's case created a ripple effect that led to prosecution of other KPU commissioners, including KPU Chair Nazaruddin Sjamsuddin. During the investigation of Mulyana, the KPK received a statement from KPU Head of Finance Hamdani Amin that the Nazaruddin was involved in the mobilization of around US\$2.3 million from the KPU's vendor for off-budget funds.⁸⁶¹

⁸⁵⁷ *Ibid.* p.17.

⁸⁵⁸ The Supreme Court Ruling number 1344 k/ pid/ 2005 on Appeal by Abdullah Puteh in 9 September 2005 and announced to public in 13 September 2005, p. 25.

⁸⁵⁹ Komisi Pemberantasan Korupsi (KPK) {Corruption Eradication Commission}, *Menyalakan Lilin di Tengah Kegelapan: 4 tahun KPK (Lightning Candle in the Darkness: KPK in Four Years)*, p. 49.

⁸⁶⁰ 'Mulyana W. Kusumah, Anti Corruption Clearing House (ACCH) Retrieved on 6 May 2015 at http://acch.kpk.go.id/pnd_kk_mulyanawirakusumah_2011

⁸⁶¹ 'Jumat'an Terakhir Pak Ketua {the Last Friday Prayer for the Chair}', *Tempo Magazine*, 23 May 2005 at tempo.co.id.

When the KPK investigated Nazaruddin, he admitted that he had received a total of around US\$125,000 for off-budget funds, and was then found guilty of corruption. On appealing to the MA, he was sentenced to 6 years in prison, fined US\$30,000, and ordered to repay US\$106,800 to the state.⁸⁶²

The successful prosecution of corruption cases in Aceh and the KPU strengthened the public support for the KPK. By the end of its first term in 2007, the KPK had brought other cases against former Minister of Seas and Fisheries Rokhmin Dahuri, former Head of the Investment Coordinating Agency Theo F. Toemion, and a number of regional leaders.⁸⁶³

The KPK's Accelerated Prosecutions and the Initial Backlash from the AGO and Police

As the first term commissioners of the KPK's stint ended in 2007, there was concern among civil society regarding their potential replacement. Firstly, DPR Commission III voted out incumbent KPK's Vice Chairman Amien Sunaryadi, who had been instrumental in setting up a sophisticated IT system to support the KPK's effective investigation work. Eventually, the only new commissioner who represented civil society was Chandra Hamzah. Three others were senior prosecutors from the AGO Antasari Azhar, senior police officer Babit Samad Rianto, senior BPKP auditor Haryono Umar and KPK director Mochammad Jasin.

The DPR, based on Golkar and PDI-P's preference, chose the most controversial candidate Antasari as KPK Chair.⁸⁶⁴ Antasari was accused by an anti-corruption NGO of stalling the prosecution of Suharto and his youngest son, Tommy, for the murder of an MA

⁸⁶² 'Hukuman Nazarudin Sjamsuddin Dikorting Satu Tahun (the Nazarudin Sentence Reduced by One Year)', *Tempo.co*, 16 August 2006 at <http://www.tempo.co/read/news/2006/08/16/05582031/Hukuman-Nazarudin-Sjamsuddin-Dikorting-Satu-Tahun>.

⁸⁶³ Komisi Pemberantasan Korupsi (KPK) {Corruption Eradication Commission}, *Menyalakan Lilin di Tengah Kegelapan: 4 tahun KPK (Lightning a Candle in the Darkness: KPK in Four Years}* (Jakarta: KPK, 2007), pp. 129-131.

⁸⁶⁴ 'Permainan dibalik Kemenangan', *Tempo*, 22 December 2009 retrieved on 11 February 2013 from <http://majalah.tempo.co/konten/2007/12/10/LU/125805/Permainan-Di-Balik-Kemenangan/42/36>.

judge.⁸⁶⁵ Therefore, there was a low expectation from the public against the KPK. However, it appeared that Antasari wanted to prove the skeptics wrong by stepping up the KPK's prosecution including law enforcement officials.

Several cases catapulted Antasari onto the national scene as an anti-corruption fighter from January 2008 when the KPK declared former Chief of Police Rusdihardjo a suspect. Rusdihardjo allegedly received a total of up to Rp.2.2 billion during his stint as Ambassador to Malaysia related to immigration fee.⁸⁶⁶

Furthermore, the KPK declared that BI Governor Burhanuddin Abdullah as a suspect in February 2008 of allegedly misappropriating Rp.100 billion from BI's Indonesian Banking Development Foundation (YPPI) Funds.⁸⁶⁷ Then, one month later, the KPK managed to detain AGO senior prosecutor Urip Gunawan for receiving US\$660,000 related to the case of BI's liquidity support funds (BLBI).⁸⁶⁸

Antasari further burnished his anti-corruption fighter credentials as the KPK named BI Deputy Governor Aulia Pohan - SBY's in- law – and other BI officials as suspects in October 2008 in the YPPI case.⁸⁶⁹ The prosecution of Burhanuddin, Pohan, Urip and others signaled that the KPK under Antasari was more independent of the government and more willing in confronting the corruption at the highest level.

⁸⁶⁵ 'Antasari Azhar: Saya di tuduh terima Rp 3 miliar {I was accused of receiving Rp 3 billion}', *Tempo*, 10 December 2007, retrieved on 11 February 2013 from <http://majalah.tempo.co/konten/2003/12/22/HK/92002/Pilihan-yang-Diragukan/43/32>

⁸⁶⁶ 'Prosecutors seek 20 years for former envoy', *Jakarta Post*, 8 February 2008, retrieved on 13 May 2015 from <http://www.thejakartapost.com/news/2008/02/08/prosecutors-seek-20-years-former-envoy.html>

⁸⁶⁷ 'Dana Gelap Menuju terang [Shedding the Light of Illegal Fund]', *Tempo*, 18 February 2008, retrieved on 12 May 2015 from <http://majalah.tempo.co/konten/2008/02/18/LU/126420/Dana-/52/36>

⁸⁶⁸ 'Terjungkal Karena Dollar [Fall Because of Dollar]', *Tempo*, 10 March 2008, retrieved on 12 May 2015 from <http://majalah.tempo.co/konten/2008/03/10/LU/126601/Terjungkal-Karena-Dolar/03/37>

⁸⁶⁹ 'Anti-corruption watchdog officially names Aulia Pohan a suspect', *Jakarta Post*, 29 October 2008, retrieved on 13 May 2015 from <http://www.thejakartapost.com/news/2008/10/29/anticorruption-watchdog-officially-names-aulia-pohan-a-suspect.html>

In early 2009, the KPK led by Antasari was performed impressively regarding its prosecution and managed to recover \$36.5 million in State assets from corruption, which were ten times greater than in the previous year. Then, the KPK's investigation work increased significantly to 43 cases that they prosecuted in 2008.⁸⁷⁰

However, Antasari's misconduct as KPK Chairman haunted him when he was declared a suspect by the police in May 2009 of masterminding the murder of businessmen Nasaruddin Zulkarnaen that led to Antasari suspension.⁸⁷¹ Further investigation of revealed that many codes of ethics had been violated by Antasari.⁸⁷²

This was evident when Antasari later testified to the police that he had met fugitive and criminal suspect Anggoro Widjaja to clarify an alleged Rp.6 billion bribe to KPK staff. Subsequently, the KPK reported Antasari to the police for KPK code of conduct violation in meeting and fabricating a travel ban cancellation letter for Anggoro.⁸⁷³

Furthermore, two KPK commissioners, Chandra Hamzah and Bibit Samad Riyanto, were named as suspected of abusing the power to issue a travel ban on two fugitive corruption suspects – M. Anggoro Widjojo and Joko S. Tjandra.⁸⁷⁴ This ultimately crippled the KPK since

⁸⁷⁰ Komisi Pemberantasan Korupsi – KPK {Corruption Eradication Commission}, *Laporan Tahunan 2008: Optimalisasi Pelayanan Publik (Annual Report 2008: Optimizing Public Service)* (Jakarta: KPK, 2008), pp. 30-38.

⁸⁷¹ ‘Akibat Pesona Gadis Golf [Because of the Caddy Golf Woman’s Charm]’, *Tempo*, 4 May 2009, retrieved on 13 May 2015 from <http://majalah.tempo.co/konten/2009/05/04/LU/130242/AKIBAT-PESONA-GADIS-GOLF/11/38>

⁸⁷² From USAID’s Mission Director in Jakarta Walter North to the Secretary of State, the Department of Justice, Federal Bureau of Investigation, National Security Council, Millennium Challenge Account and US Representative in ASEAN, ‘Anti-Corruption Body Pursues High Profile Cases: President Reaps Dividends on Campaign Trails’, cable (confidential), 10 June 2009, *Wikileaks*, retrieved on 14 May 2015 from https://wikileaks.org/plusd/cables/09JAKARTA986_a.html

⁸⁷³ ‘KPK Resmi Laporkan Antasari {KPK Officialy Reported Antasari}’, *JPPN*, 12 August 2009, retrieved on 22 May 2015 from <http://m.jppn.com/news.php?id=30783>

⁸⁷⁴ ‘Ini Alasan Polisi Jadikan Bibit dan Chandra Tersangka (This is the reason by the Police named Bibit and Chandra as Suspect)’, *Tempo.co*, 16 September 2009, retrieved on 22 May 2015 from <http://nasional.tempo.co/read/news/2009/09/16/063198331/Inilah-Alasan-Polisi-Jadikan-Bibit-dan-Chandra-Tersangka>

they were the only two remaining commissioners.⁸⁷⁵ In an attempt to reverse the KPK's deteriorating fortunes, SBY issued a government regulation in 2009 to appoint KPK commissioners directly.⁸⁷⁶ This triggered a strong protest by civil society, as it was seen as SBY's interference in the KPK.⁸⁷⁷

In response, SBY established a 'Team 5,' comprised of, *inter alia*, Coordinating Minister for Security Widodo A.S. and Member of the Presidential Advisory Board Adnan Buyung Nasution. In short time, the team of five managed to select three KPK interim commissioners with its temporary Chair, former KPK Vice-Chair Tumpak Hatorangan - inaugurated by SBY in October 2009.⁸⁷⁸

The police's prosecution of Bibit and Chandra, that almost paralyzed the KPK, marked the start of the ongoing struggle between the two institutions that reached its culmination around the beginning of SBY's second term.

In sum, under the first term of SBY's presidency, there was some progress in terms of governance reform that was pushed by the technocrats/ professional ministers like the Minister of Finance Sri Mulyani and Minister of Foreign Affairs Hassan Wirajuda, but its impact was relatively limited. Therefore, as a link to the first argument of this thesis, under SBY's presidency, there was not quite a comprehensive governance reform that would improve significantly the quality of democracy.

⁸⁷⁵ Interview with Mochammad Jasin, KPK Vice-Chair 2007-2011, 9 September 2012 in Jakarta.

⁸⁷⁶ Article 1, Government regulation-in lieu-of-law 4/ 2009 on the revision of law 30/2002 on the KPK.

⁸⁷⁷ 'Tolak Intervensi Kekuasaan terhadap KPK [Refuse the Intervention from Government toward the KPK]', Civil Society Alliance (ICW,PSHK, KONTRAS, TII, Indonesia Police Watch, INFID, LeIP, Demos and other organizations) and public figures like Teten Masduki, Prof. Bambang Widodo Umar, Meuthia Gani Rochman, Zoemrotin and several public figure, Press release issued on 27 September 2009.

⁸⁷⁸ 'Three KPK interim leaders to be inducted later today', *Jakarta Post*, 6 October 2009, retrieved on 22 May 2015 from <http://www.thejakartapost.com/news/2009/10/06/three-kpk-interim-leaders-be-inducted-later-today.html>

Nonetheless, as it links to the third argument of this thesis, the emergence of KPK in the first term of SBY's presidency, in my view, should be acknowledged as an important milestone in the anti-corruption effort. As outlined in the previous section of this chapter, the KPK prosecution of high state officials constituted an unprecedented legacy, since it reduced their sense of impunity that would later introduce an important momentum in the more aggressive punitive approach by the KPK in SBY's second term.

Conclusion

During his reelection campaign, SBY's popularity reached its height based on the Indonesia Survey Institute's (LSI) public poll in July 2009, with 85 percent satisfied with his performance.⁸⁷⁹ Moreover, the level of public support was 84 percent for the government's corruption eradication effort, albeit this dropped to 70% when the KPK/police conflict emerged. Even regarding the rule of law, where reform is difficult to capitalize, the public support remained relatively positive, reaching almost 60 percent in July 2009.⁸⁸⁰ Therefore, public support for SBY's first term performance, especially regarding anti-corruption, was relatively positive.

Despite the persistence of the New Order era's oligarchs during the SBY presidency, in my opinion, by employing Dahl's political pluralism framework, the competition with the Indonesian reformers remained relatively equal in the context of governance reform. The technocrats/professional ministers, with civil society support, in some cases, were able to contain the Oligarchs' influence. These technocrats/ professionals employed their political resources like knowledge, prestige, information and education, while the Oligarchs possessed political resources mostly in the form of money, wealth and political organization. But, as the

⁸⁷⁹ Lembaga Survei Indonesia (LSI), *Akuntabilitas Politik: Evaluasi Publik atas Pemerintahan SBY – Boediono* (Political Accountability: Public Evaluation on SBY – Boediono government), 2 September 2010, Press Release material, slides 37.

⁸⁸⁰ *Ibid*, Slides, 16

only reliable political support that the technocrats/professionals attained came from SBY, their political influence was vulnerable.

In terms of democratic consolidation, SBY managed to preserve the democratic political structure that was achieved during the constitutional amendment under the post-Suharto presidency. Despite some progress of governance reform in respective ministry led by the technocrats, in my view, overall, SBY had not achieved democratic consolidation as Diamond, Linz and Stepan, Croissant and Bunte as well as Merkel envision, as mentioned in the introduction chapter due to the persistent influence of the oligarchs who continued to forestall democratic progress.

In applying Kingdon's analytical framework in the milieu of governance reform and anti-corruption measures, the KPK was a policy entrepreneur as its emergence was an important milestone in Indonesia's anti-corruption campaign history by changing the sense of impunity from prosecution among high-level state officials. It would be difficult to comprehend how the KPK would have emerged on their own, considering the failure of similar anti-corruption bodies due to the lack of political support. Therefore, SBY also played a crucial role as a policy entrepreneur as his support for institutional building was a key factor in developing the KPK's investigation and prosecution capacity. Consequently, the SBY/KPK alliance produced an unexpected outcome as the start of the most progressive and sustained anti-corruption effort in Indonesia since independence by maneuvering three important streams of problems, policy and political momentum. In this case, SBY and KPK were able to capitalize on the political momentum at a time when people's demand for the addressing of corruption among its political leaders reached its zenith.

In identifying the political leadership traits during 2004- 2009 utilizing Burns' political leadership framework in the context of governance reform and anti-corruption measures, in my view, the KPK can be categorized as providing transformational leadership

by starting to change the sense of impunity among the Indonesian political elite, as mentioned above. Meanwhile, SBY's role in helping the crucial institutional building of the KPK and the technocrats/professional ministers in embarking on their own governance reform, in my view, should be credited as semi-transformational leadership. While they were unable to bring about transformational change, it should be admitted that there was progress in terms of governance reform under their leadership.

Chapter 8: High Expectations, but under Delivery? Assessing One Decade of Yudhoyono's Presidency with regard to Governance Reform and the Anti-Corruption Initiative

Susilo Bambang Yudhoyono (SBY) was reelected as president by an overwhelming majority, trouncing his rivals, former President Megawati Sukarnoputri and his Vice President Jusuf Kalla (JK) in 2009. His Democratic Party was winning the national legislative election in 2009, with more than 20 percent of the vote, and also secured the largest parliamentary seats. Therefore, there were high hopes that SBY could push for more ambitious governance reform and anti-corruption measures in his second term. Instead SBY was occupied with numerous corruption cases, especially the constant conflict between the Corruption Eradication Commission (KPK) and the police. Another rivalry that SBY had to manage was between technocrats like Boediono and Sri Mulyani, in one camp, and the politically powerful Oligarchs led by the Aburizal Bakrie, Chair of the second largest party in parliament – Golkar. Thus, SBY was unable to meet the high expectations during the 2009 presidential campaign to bring about more substantive governance reform. Meanwhile, the KPK was taking over the anti-corruption agenda, especially in prosecuting ministers and the leaders of the ruling Democratic Party. Nonetheless, overall, SBY left a crucial legacy in the context of governance reform and anti-corruption, albeit its impact was limited.

The narrative of this chapter is divided into seven sections. The first will discuss the debates on the overall legacy of SBY in the context of governance reform and the anti-corruption initiative. The second section will depict how SBY managed to win his reelection presidential campaign and the legislative campaign. The third section will discuss the initial conflict between the KPK and the police during SBY's second term and how, ultimately, SBY managed to intervene. The fourth section will describe the rivalry between the

technocrats/professional ministers who tried to push for governance reform but faced resistance from powerful vested interests. The fifth section will describe how, ultimately, the KPK was taking over the anti-corruption agenda from SBY, while the sixth section will outline how the MA's Chambers of Crime's Chair Artidjo Alkotsar helped to create a deterrent against high profile corruption and SBY's failure to restore public trust in his government due to being embroiled in a number of corruption cases involving his ministers. The last section provides the conclusion to this chapter.

Four arguments will be outlined in this chapter. First, the survival of the democratic governance structure for SBY's one decade should not be underappreciated, since Indonesia's political history was marked by almost four decades of authoritarian rule. Second, while the appointment of technocrats/professional ministers was crucial in pushing for governance reform, their influence became more limited in the second term, as the oligarchs became more powerful. The third argument was that SBY gave some political space to the KPK to undertake effective high profile corruption prosecutions. SBY established the important precedent that even the President's inner circle did not enjoy immunity. Fourth, there was an alliance between SBY and the KPK for around one decade as the most sustained and aggressive anti-corruption drive in Indonesia to date compared with the past failure similar initiatives. Nonetheless, the initiatives were unable fundamentally to change the political, economic and social structures that form the patronage.

SBY's Overall Legacy: the Contentious Debate

During his decade in power (2004-2014), SBY managed to raise Indonesia's profile on the international stage as US President Barack Obama credited SBY with successfully

transforming Indonesia into a full-blown democracy.⁸⁸¹ Furthermore, the World Economic Forum (WEF) praised Indonesia's 'golden years' period under SBY's leadership and acknowledged his success in maintaining democracy.⁸⁸² Then, the Singaporean government awarded SBY the First Order of Temasek (First Class) that recognized a number of his achievements: *inter alia*, consolidating democracy and reforming Indonesia's economy.⁸⁸³

Despite appreciation by the international community, Indonesian political observers, international academics and the mass media tended to be highly critical of SBY's decade in power. Most observers felt that the political stability achieved by SBY also delivered stagnation. According to Kimura, the corruption controversies and scandals surrounding the SBY administration eroded his credibility as a reformer.⁸⁸⁴ Moreover, McRae outlines how, under SBY, the governance reform was stagnant because of the least reformist legislative products since 2005 and the many attempts by the legislative to weaken the KPK.⁸⁸⁵ Furthermore, Sidel views SBY as a military democratic transitional figure who – compared to his peers, PM Prem Tinsulanonda in Thailand and President Fidel Ramos in the Philippines – was successful in defending the *status quo* and less enthusiastic about enacting structural

⁸⁸¹ US President Barack Obama, Remarks at Open Government Partnership Meeting in the United Nations Building, New York, on 24 September 2014, retrieved on 16 June 2015 from <https://www.whitehouse.gov/the-press-office/2014/09/24/remarks-president-obama-open-government-partnership-meeting>

⁸⁸² 'Indonesia President Receives World Economic Forum's Global Statesmanship', *World Economic Forum*, News Release on 23 May 2014, retrieved on 16 June 2015 from <http://www.weforum.org/news/indonesian-president-receives-world-economic-forum-s-global-statesmanship-award>

⁸⁸³ Minister of Foreign Affairs Singapore; 'State Visit of the President of the Republic of Indonesia Dr Susilo Bambang Yudhoyono, 2-4 September 2014', Press Statement on 3 September 2014, retrieved on 16 June 2015 from http://www.mfa.gov.sg/content/mfa/media_centre/press_room/pr/2014/201409/press_20140903.html

⁸⁸⁴ Eihi Kimura, 'Indonesia in 2011: A Glass Half-Empty', *Asian Survey*, Vol. 52, No. 1, January/February 2012, p. 187.

⁸⁸⁵ Dave McRae, 'Indonesian politics in 2013: the emergence of new leadership?', *Bulletin of Indonesian Economic Studies*, Vol.49, No.3, December 2013, pp. 290 – 291.

reform.⁸⁸⁶ Meanwhile, Sherlock observes that SBY's legacy was a series of absences; thus, there were no obvious disasters but also no tremendous achievements either.⁸⁸⁷

The cause of the perceived stagnation under SBY's leadership style is also subject to academic debate. Fealy argues that his flawed personality contributed to his ineffective presidency.⁸⁸⁸ Meanwhile, Fatah observes that SBY applied adaptive leadership that emphasized a populist policy at the expense of progressive reform.⁸⁸⁹ According to Harris, SBY made blunders in forging a coalition with the Golkar's Bakrie that undermined his government's effectiveness.⁸⁹⁰

However, the other leading observers argue that the problem with the stagnation was due to Indonesia's political structure. Representing the Oligarchy theorists, Winters argues that SBY, as a 'hidden' oligarch, was part of the key arbiters in Indonesia's political life, especially due to their extensive grip on the political party that limits any attempt at comprehensive governance reform.⁸⁹¹ Meanwhile, other oligarchy theorist proponents Hadiz and Robison see that the oligarchy managed to consolidate its power by building a new political alliance under

⁸⁸⁶ John Sidel, 'Men on Horseback and Their Droppings: Yudhoyono's presidency and legacies in comparative regional perspectives', in Edward Aspinall, Marcus Mietzner and Dirk Tomsa (eds.) *The Yudhoyono Presidency: Indonesia's Decade of Stability and Stagnation*, p. 69.

⁸⁸⁷ Stephen Sherlock, 'A Balancing Act: Relations between State Institutions under Yudhoyono' in Edward Aspinall, Marcus Mietzner and Dirk Tomsa (eds.) *The Yudhoyono Presidency: Indonesia's Decade of Stability and Stagnation*, p. 110.

⁸⁸⁸ Greg Fealy, 'The Politics of Yudhoyono: Majoritarian Democracy, insecurity and vanity' in Edward Aspinall, Marcus Mietzner and Dirk Tomsa (eds.) *The Yudhoyono Presidency: Indonesia's Decade of Stability and Stagnation*, pp. 52 – 53.

⁸⁸⁹ Eep Saefullah Fatah, 'Warisan SBY (SBY Legacy)', *Kompas*, 8 May 2014, p. 6.

⁸⁹⁰ Syamsuddin Harris, 'Quo Vadis SBY', LIPI, 1 June 2010, retrieved on 18 June 2015 from <http://www.politik.lipi.go.id/index.php/in/kolom/politik-nasional/283-quo-vadis-yudhoyono>

⁸⁹¹ Jeffrey Winters, 'Oligarchy and Democracy in Indonesia' in Michele Ford and Thomas B. Pepinsky (eds.), *Beyond Oligarchy: Wealth, Power, and Contemporary Indonesian Politics* (Ithaca: Cornell Southeast Asia Program Publications, 2014), p. 33.

the new democratic governance structure in the post-Suharto era, where it limits the reformist in pushing reform.⁸⁹²

There was no significant breakthrough in the political governance reform by SBY. However, in my opinion, SBY's legacy in empowering and not obstructing the reformist institutions, like the KPK and MK, should not be underestimated, considering the failure of similar institutions in the past. Also, by appointing reformist technocrats to crucial positions like Ministry of Finance or establishing a special unit like the UKP4, some commendable governance reform took place in SBY's era.

SBY's Reelection

Approaching the 2009 national election, the relationship between SBY and JK clearly became more uneasy. SBY's Democrat Party supporters were discontent since JK became the Golkar Chair, and often forced SBY to compromise on certain policy. Meanwhile, the Golkar felt that SBY was insufficiently accommodating Golkar as the largest party in the cabinet. Thus, the separation became imminent.⁸⁹³

SBY was also growing more confident as, approaching the DPR election, the polls showed that the Democrat Party was taking the lead from the opposition party at the end of 2008, where the Democrats led by 18 percent to the Golkar's 17 percent.⁸⁹⁴

One of the main causes of this major turnaround in the Democrat Party's popularity was the government policy of introducing a massive social assistance program, including direct

⁸⁹² Vedi Hadiz and Richard Robison, 'The Political Economy of Oligarchy and the Reorganization Power in Indonesia' in Michele Ford and Thomas B. Pepinsky (eds.), *Beyond Oligarchy: Wealth, Power, and Contemporary Indonesian Politics*, pp. 52-53.

⁸⁹³ 'Dua Restu dari Cisitu [Two blessings from Cisitu]', *Tempo*, 23 March 2009, retrieved on 23 May 2015 from <http://majalah.tempo.co/site/2009/03/23/515/cover1205>

⁸⁹⁴ Lembaga Survei Indonesia, *Kecenderungan Swing Voter Menjelang Pemilu Legislatif 2009 (The trend of Swing Voters Approaching Legislative National Election 2009)*, November 2008, Press Release Material, slides 15.

cash transfers (BLT) targeted at the poor that was reallocated from the fuel subsidy. According to the World Bank, between 2005 and 2006, the government spent around US\$2.3 billion on BLT for 12 million households, and in 2008-2009, around US\$1.7 billion on BLT to 9 million households.⁸⁹⁵

As the BLT program took effect, it translated into public satisfaction with the government's economic policy. By June 2009, 52 percent of the public felt that the economy was better.⁸⁹⁶ SBY's job approval then skyrocketed to its peak of 79 percent in June 2009.⁸⁹⁷

It is also important to note SBY's public approval rating for tackling corruption. SBY was seen as supportive of the KPK's anti-corruption work by prosecuting high officials. The watershed came when the KPK named as a suspect and detained SBY's in-law Aulia Pohan who was involved in corruption case as the Deputy Governor of BI in November 2008.

Therefore, SBY's stance of not protecting his in-law Aulia Pohan helped to burnish his anti-corruption credentials. As the polls show, the public approval rating of the government for handling the anti-corruption effort was significantly increasing to its peak of 80 percent in June 2009.⁸⁹⁸ SBY's anti-corruption credential was still crucial especially in the presidential campaign, since integrity at 40 percent was the most important characteristic for the presidential candidate in 2009.⁸⁹⁹

⁸⁹⁵ The World Bank, *BLT Temporary Unconditional Cash Transfer: Social Assistance Program and Public Expenditure Review 2* (Jakarta: the World Bank Indonesia, 2012), p. 13.

⁸⁹⁶ Lembaga Survei Indonesia (LSI), *Trend Sikap Elektoral Pemilih Pada Calon Presiden – Wakil Presiden: Updated 15 – 20 June 2009 (The Trend on Electoral Responds toward President – Vice President Candidate: updated 15-20 June 2009)*, 24 June 2009, Press Release Material, slides 44.

⁸⁹⁷ *Ibid*, slides 45.

⁸⁹⁸ *Ibid*, slides 46.

⁸⁹⁹ Lembaga Survei Indonesia (LSI), *Isu-isu Paling Mendesak dan Positioning Citra Capres-Cawapres: Updated 25-30 Mei 2009 [The important issues need to be tackle and the Image Positioning of President – Vice President Candidate]*, 4 June 2009, Press Release Material, Slides 19.

Despite Mietzner and Honna's argument that SBY's successful reelection bid in 2009, mainly due to the BLT program,⁹⁰⁰ in my opinion, since the Democrat Party also depended on SBY's personal appeal, his anti-corruption credential also played an important role.

Accordingly, the Democrat Party successfully won the parliamentary election in 2009 with the majority of the votes (20.9 percent) and managed to beat the more established parties, the Golkar (14.5 percent) and the PDIP (14 percent). Then, the Democrat Party also managed to secure the parliamentary majority by acquiring 148 seats and followed by the Golkar with 108 seats.⁹⁰¹

After the election, SBY signaled his intention to forge a political coalition on his own terms. In April 2009, Golkar felt embarrassed as SBY requested more than one candidate for Vice President – a clear rebuke of JK.⁹⁰² Consequently, JK was pushed to run as the presidential candidate from the Golkar.⁹⁰³

Ultimately, SBY choose Boediono, a respected technocrat who was Governor of BI, as his vice president. SBY's decision was based on an internal survey, which showed that Boediono had the credibility, acceptance and integrity.⁹⁰⁴ Then, Jusuf Kalla's Golkar managed to choose former Chief of Military Wiranto as the vice presidential candidate. For the PDI-P

⁹⁰⁰ Marcus Mietzner, *Indonesia's 2009 Election: Populism, Dynasties and the Consolidations of Party System* (Sydney: Lowy Institute, May 2009), pp. 5-6; Jun Honna, 'Inside the Democrat Party: power, politics, and conflicts in Indonesia's Presidential Party', *Southeast Asia Research*, Vol. 20, No. 4, December 2012, pp. 482-483.

⁹⁰¹ 'Anak Bawang Pembawa Bola (the Underdog and the Ball Carrier)', *Tempo*, 13 April 2009, retrieved on 24 May 2015 from <http://majalah.tempo.co/konten/2009/04/13/LU/130052/Anak-Bawang-Pembawa-Bola/08/38>

⁹⁰² 'Cerita tentang Kisah tak sampai (The Unsuccessful Love Story)', *Tempo*, 27 April 2009, retrieved on 28 May 2015 from <http://majalah.tempo.co/konten/2009/04/27/LU/130181/CERITA-TENTANG-KASIH-TAK-SAMPAI/10/38>

⁹⁰³ From US Ambassador to Indonesia Cameron Hume to the Secretary of State, Central Intelligence Agency, National Security Council, Defense Intelligence Agency and The US representative to ASEAN, 'Golkar Splits with Yudhoyono, President not Worried', cable (confidential), 23 April 2009, *Wikileaks*, retrieved on 28 May 2015 from https://wikileaks.org/plusd/cables/09JAKARTA719_a.html

⁹⁰⁴ 'Panggung Kecil untuk Orang Besar (Small Stage for Big Person)', *Tempo*, 18 May 2015, retrieved on 28 May 2015 from <http://majalah.tempo.co/konten/2009/05/18/LU/130366/Panggung-Kecil-untuk-Orang-Besar/13/38>

party's presidential candidate, Megawati managed to pick former Chief of the KOSTRAD Prabowo Subianto as her running mate.

Ultimately, SBY cruised to win his second term with a convincing win over Megawati and Kalla in the Presidential election of July 2014 by 60.8 percent compared to 26.79 percent and 12.41 percent.⁹⁰⁵ Therefore, SBY became the first president to be directly reelected.

However, as SBY unveiled his cabinet in October 2009, there was much criticism that it reflected political accommodation more than the professional qualifications. Despite the criticism, there were still technocrats in important positions; Sri Mulyani was kept as Minister of Finance and Marie Pangestu as Minister of Trade, but the technocrats' influence was less dominant than in the first term.⁹⁰⁶

The New Coordinating Minister for Economic Affairs Hatta Radjasa became the most influential person in the new cabinet. The surprising choice of Hatta as Coordinating Minister of Economic Affairs also signaled that the economic policy was shifting since he had more political clout in the DPR and had close relations with SBY.⁹⁰⁷

SBY on the Defensive during his Early Second Term

The conflict between the KPK and the Police had begun to spiral out of control as SBY started his second term. The detainment of two KPK non-active commissioners, Chandra Hamzah and Bibit Samad Rianto, in October 2009, by the police as a suspect, created a strong public outcry. It was suspected that their detainment was triggered when a recorded conversation between a

⁹⁰⁵, Hasil Rekapitulasi Perolehan Suara Pasangan Calon Presiden dan Wakil Presiden (the Recapitulation of President and Vice President Candidate Votes), 24 July 2009, *Media Center KPU*, retrieved on 29 May 2015 from http://mediacenter.kpu.go.id/images/mediacenter/pilpres2009/rekapitulasi_nasional.pdf

⁹⁰⁶ 'Compromise Cabinet 2.0', *Jakarta Post*, 22 October 2009, retrieved on 29 May 2015 from <http://www.thejakartapost.com/news/2009/10/22/compromise-cabinet-20.html-0>

⁹⁰⁷ 'Kabinet Matriks dan Tuan Rambut Perak (the Matrix Cabinet and Mister Silver Hair)', *Tempo*, 26 October 2009, retrieved on 29 May 2015 from <http://majalah.tempo.co/konten/2009/10/26/LU/131806/Kabinet-Matriks-dan-Tuan-Rambut-Perak/36/38>

businessman, Anggoro, a fugitive who was suspected of corruption, and his brother, Anggodo and a high-ranking AGO and police officers in July 2009 to frame KPK commissioners – Chandra and Babit – for receiving bribes was leaked to the press.⁹⁰⁸

The detainment of Chandra and Babit sparked a huge protest and the efforts of civil society as well as the mass media and managed to mobilize public support through demonstrations.⁹⁰⁹ In response to the public protest in November 2009, SBY established an *ad-hoc* team of eight academics and legal experts, to investigate the alleged framing of Chandra and Babit, led by Presidential Advisory Board (Wantimpres) member Adnan Buyung Nasution, and its Secretary was Presidential Special Staff Denny Indriyana.⁹¹⁰ Team 8 was given only two weeks to conduct their investigation and produce a recommendation.

When the MK played the recording of Anggodo's cell phone conversation during the Chandra-Babit trial at the judicial review of the KPK law on 3 November 2009, it was consistent with the transcript that had been leaked earlier.⁹¹¹

With the recorded conversation between Anggodo, AGO and Police high official was revealed, public pressure was increasing to release Chandra and Babit. Then, the team 8 was upset since the head of Police failed to fulfill his promise to dismiss Susno.⁹¹² Later, Chief Detective of Police Susno filed for temporary suspension as Deputy Attorney General Abdul Ritonga tendered his resignation.⁹¹³

⁹⁰⁸ 'Gecko and Crocodile', *Jakarta Post*, 24 November 2009, retrieved on 30 May 2015 from <http://www.thejakartapost.com/news/2009/11/24/gecko-vs-crocodile039-2009.html>

⁹⁰⁹ 'How to Cage "House Lizard"', *Tempo English*, 10 November 2009, retrieved on 30 May 2015 from <http://magztempo.co/konten/2009/11/10/LU/19695/How-to-Cage-a-House-Lizard/11/10>

⁹¹⁰ Presidential Decision Decree number 31/ 2009 on the Independent Team on Fact Verification and Law Enforcement Process on the Case of Chandra Hamzah and Bibid Samad Rianto.

⁹¹¹ 'Astounding tape hints at KPK framing', *Jakarta Post*, 4 November 2009, retrieved on 30 May 2015 from <http://www.thejakartapost.com/news/2009/11/04/astounding-tape-hints-kpk-framing.html>

⁹¹² Todung Mulya Lubis, *Catatan Harian Todung Mulya Lubis: Buku 1 Diary of Todung Mulya Lubis: Book 1* (Jakarta: Erlangga, 2012). pp. 490-491.

⁹¹³ 'Gecko " scores against crocodile"', *Jakarta Post*, 7 November 2009, retrieved on 31 May 2015 from <http://www.thejakartapost.com/news/2009/11/07/gecko039-scores-against-crocodile039.html>

In November 2015, Team 8 recommended to SBY, *inter alia*, to halt the investigation by the police and AGO into Chandra-Bibit; punish the officials in the police, the AGO and Witness Protection Agency (LPSK) responsible for the flawed legal process; and eradicate case brokers in the judiciary.⁹¹⁴

However, SBY did not fully follow Team 8's recommendations.⁹¹⁵ To add to the confusion, Deputy Attorney General for Special Crime Marwan Effendi announced that he would issue a letter of order to stop the prosecution (SKPP) of the Chandra- Bibit case for 'sociological and legal reasons.' The reasoning outlined by the AGO was unknown in the criminal law (KUHAP).⁹¹⁶ Nevertheless, SBY used the SKPP as a basis for reinstating Chandra-Bibit as KPK commissioners in December 2009.⁹¹⁷

After a legal battle that lasted over a year, the Attorney General Basrief Arief finally signed all of the documents needed to invoke the legal principle of deponeering, which allowed the government officially to drop the case against Bibit and Chandra.⁹¹⁸

The Technocrats vs. the Golkar and the Political Parties: The Second Round

Following SBY's reelection in July 2009, the incumbent Chair of Golkar Jusuf Kalla's political capital dwindled. With only 12 percent votes at the presidential election, JK was forced to step down as Golkar chair.

⁹¹⁴ 'Ini Dokumen Lengkap Rekomendasi Tim Delapan (The Complete Documents of Team 8's Recommendation)', *Kompas.com*, 17 November 2009, retrieved on 31 May 2015 from <http://nasional.kompas.com/read/2009/11/17/19381368/Inilah.Dokumen.Lengkap.Rekomendasi.Tim.Delapan.1>

⁹¹⁵ 'A better solution: Don't take the case to court, says SBY', *Jakarta Post*, 24 November 2009, retrieved on 1 June 2015 from <http://www.thejakartapost.com/news/2009/11/24/a-better-solution-don percentE2 percent80 percent99t-take-case-court-says-sby.html>

⁹¹⁶ 'Kasus Bibit – Chandra dihentikan (The case of Bibit – Chandra is stopped)', *BBC Indonesia*, 30 November 2009, retrieved on 1 June 2015 from http://www.bbc.co.uk/indonesian/news/story/2009/11/091130_chandrabibit.shtml

⁹¹⁷ 'Bibit, Chandra reinstated, hit the ground running,' *Jakarta Post*, 9 December 2009, retrieved on 1 June 2015 from <http://www.thejakartapost.com/news/2009/12/09/bibit-chandra-reinstated-hit-ground-running.html>

⁹¹⁸ 'Jaksa Agung Tanda Tangani Deponeering Bibit – Chandra', *Tempo.co*, 24 January 2011, retrieved on 1 June 2015 from <http://nasional.tempo.co/read/news/2011/01/24/063308632/jaksa-agung-tanda-tangani-deponeering-bibit-chandra>

During the Golkar leadership conference in early October 2009, the Coordinating Minister of Social Welfare Aburizal Bakrie was able to win the chairmanship by beating fellow businessmen Surya Paloh, who was supported by JK, by 297 votes to 239.⁹¹⁹ Bakrie's winning of the Golkar chair gave SBY a political advantage, as Golkar strengthened support from the parliament. Instead of becoming minister, Bakrie chose to work full-time as Golkar chair.

With his new role, Bakrie enjoyed a relative degree of independence from SBY, sometime choosing to oppose the government. Bakrie and the Golkar used this new leverage to expose the bailout of a small private bank, Century, by BI amidst the global financial crisis of November 2008, to marginalize his archrivals –BI Governor Boediono and Minister of Finance Sri Mulyani Indrawati.

The Century Bank saga began when the Financial Sector Stability Committee (KSSK), chaired by Minister of Finance Sri Mulyani Indrawati, with members including Governor of BI Boediono, decided that the defunct Century Bank needed to be bailed out through the Deposit Insurance Agency (LPS) as it posed a systematic risk to the financial system in November 2008. The problem later emerged when the short-term fund injection for Century Bank increased significantly, from Rp.132 billion to Rp.6.7 trillion.⁹²⁰

In response to the DPR's request, the BPK in November 2009 completed the audit report on Century Bank, concluding that BI officials had intentionally provided inaccurate data to KSSK and BI so the bailout decision was unjustified and also questioned the legality of the decision.⁹²¹

⁹¹⁹ 'Malam terakhir Paloh (The last Night for Paloh)', *Tempo*, 12 October 2009, retrieved on 1 June 2015 from <http://majalah.tempo.co/konten/2009/10/12/NAS/131666/Malam-Terakhir-Paloh/34/38>

⁹²⁰ 'The Seven-Level of Century Fund', *Tempo*, 1 December 2009, retrieved on 2 June 2015 from <http://magz.tempo.co/konten/2009/12/01/LU/19820/The-Seven-Level-Century-Funds/14/10>

⁹²¹ 'BI "manipulated" data to channel Century bailout: BPK', *Jakarta Post*, 23 November 2009, retrieved on 1 June 2015 from <http://www.thejakartapost.com/news/2009/11/23/bi-quotmanipulatedquot-data-channel-century-bailout-bpk.html>

The showdown between the technocrats and the Golkar dragged on, with various probes by parliament which targeted Sri Mulyani and Boediono's role in the decision to bailout Century Bank. SBY, during a public speech in early March 2009, defended Sri Mulyani and Boediono.⁹²²

However, the Indonesian parliament, led by the Golkar and opposition PDIP party cast votes of no confidence in the government policy of bailing out Century, with 325 votes to 212 votes. Parliament also recommended to the law enforcement agencies to take legal action against the officials responsible for the Century case – including Sri Mulyani and Boediono.⁹²³

Although there was no legal ramification of the DPR votes, the continuing scrutiny by the DPR and the media of Sri Mulyani and Boediono relating to the Century Bank case undermined their public image and effectiveness in performing their task.

Eventually, Sri Mulyani was 'sacrificed,' as she accepted an offer from the World Bank to become Managing Director in May 2010.⁹²⁴ Before leaving for Washington, D.C., Sri Mulyani chidingly implied that there had been a 'political marriage' between Bakrie and SBY that cost her Finance Minister position.⁹²⁵ Meanwhile, Boediono was subjected to various parliamentary and the law enforcement agencies' inquiries and negative publicity about his role in the Century Bank case.

In his second term, SBY got off to a rocky start. As evident in the Century Bank cases, Bakrie and the Golkar had managed to neutralize the reform efforts of the technocrats by

⁹²² 'Pidato Lengkap SBY tanggapi Paripurna DPR soal Century (Speech by SBY in Response to Parliament Plenary Session on Century)', *Detik.com*, 4 March 2010, retrieved on 2 June 2015 from <http://news.detik.com/read/2010/03/04/224141/1311613/10/10/pidato-lengkap-sby-tanggapi-paripurna-dpr-soal-century>

⁹²³ 'SBY loses Century Votes', *Jakarta Post*, 4 March 2010, retrieved on 2 June 2015 from <http://www.thejakartapost.com/news/2010/03/04/sby-loses-century-vote.html>

⁹²⁴ 'Indonesia Finance Chief to Join World Bank', *Financial Times*, 5 May 2010, retrieved on 2 June 2015 from <http://www.ft.com/cms/s/0/31278f1a-57ed-11df-855b-00144feab49a.html#axzz3brN0uw00>

⁹²⁵ Public Lecture on Politics and Public Policy by Sri Mulyani Indrawati on 18 May 2010 in Ritz Carlton Hotel, Jakarta. Retrieved on 2 June 2015 from <http://p2d.org/home/?p=88>

making deals with SBY.⁹²⁶ The Chandra-Bibit and Century cases had dented SBY and Boediono's popularity, where SBY's public satisfaction reached a record low of 65 percent in March 2010 while Boediono's fell to 45 percent in March 2010.⁹²⁷

Boediono had another ally in the cabinet to push for governance reform – Head of the UKP4 Kuntoro Mangkusubroto.⁹²⁸ Kuntoro's ability to choose his cabinet post stemmed especially from his internationally praised reconstruction work in Aceh through the BRR in 2005-2008.

The UKP4 was tasked with helping the President to monitor and supervise the development program.⁹²⁹ The priority program to be executed by the UKP4 including: increasing the effectiveness as well as accelerating the bureaucratic reform and public services improvement; and enhancing the performance of the state-owned enterprises.⁹³⁰

Another crucial task that SBY gave to the UKP4 was to evaluate the performance of ministers. This created tension between the UKP4 and the political parties that supported their underperforming ministers. For instance in July 2010, Kuntoro gave a quarter of the 45 ministers a 'red mark' for failing to implement a priority program in the first half year.⁹³¹

⁹²⁶ From US Ambassador to Indonesia Cameron Hume to the Secretary of State, the Department of Treasury, National Security Council, Central Intelligence Agency, Defense Intelligence Agency and the US Representative in ASEAN, 'Internal Power Struggles Slows Progress on Reform, Indonesia – U.S. Partnership', cable (confidential), 25 February 2010, *Wikileaks*, retrieved on 2 June 2015 from https://wikileaks.org/plusd/cables/10JAKARTA256_a.html

⁹²⁷ Lembaga Survei Indonesia (LSI), *Akuntabilitas Politik: Evaluasi Publik atas Pemerintahan SBY – Boediono* (Political Accountability: Public Evaluation on SBY – Boediono government), 2 September 2010, Press Release material, Slides 37.

⁹²⁸ 'Akhir Cerita Tim Jambu (The end of Story for Guava Team)', *Tempo*, *Ibid.*

⁹²⁹ Article 3 (1), President Regulation number 54/ 2009 on Presidential Working Unit for Supervision and Management of Development (UKP4).

⁹³⁰ Article 3 (2), *Ibid.*

⁹³¹ 'Ministers get red marks for missing targets', *Jakarta Post*, 9 July 2010, retrieved on 3 June 2015 from <http://www.thejakartapost.com/news/2010/07/09/ministers-get-red-marks-missing-targets.html>

Nonetheless, SBY still kept the underperforming ministers despite the UKP4's critical evaluation report and so the unit started to lose its clout.⁹³² Furthermore, Kuntoro was given an additional task by SBY of eradicating the case broker in the corrupt judicial system by heading a task force for the Judicial Mafia, with Denny Indrayana as its secretary.⁹³³

This task force had no enforcement authority, but was limited to advising, monitoring and evaluating the reform by all of the law enforcement institutions. Initially, the task force, working with the national mass media, conducted a number of crackdowns by exposing the luxurious cell of businesswoman Artalyta Suryani in the Women's Detention Center in East Jakarta.⁹³⁴ The task force managed to formulate recommendations for reform, such as that high-ranking official should be recruited via a fit-and-proper test and the revision of several laws, including the criminal law (KUHAP).⁹³⁵

Furthermore, the task force managed to bring fugitive junior tax official Gayus Tambunan to face trial in Jakarta. Gayus was suspected of a number of high profile tax evasion cases that allegedly implicated law enforcement officials and a number of private companies linked to powerful politicians. The Gayus case became political when he testified that he had amassed an Rp.28 billion fortune from three Bakrie-linked companies in return for

⁹³² 'Hasil "Reshuffle" yang antiklimaks (The Anticlimax Outcome of Cabinet Reshuffle)', *Kompas.com*, 18 October 2011, retrieved on 3 June 2015 from

<http://nasional.kompas.com/read/2011/10/18/23121754/Hasil.Reshuffle.yang.Antiklimaks>

⁹³³ Keputusan Presiden nomor 37 tahun 2009 tentang Satuan Tugas Pemberantasan Mafia Hukum (Presidential Decision Decree number 37/ 2009 on the Task Force for Judiciary Mafia Eradication).

⁹³⁴ 'Judicial Mafia Task Force: The unsung crusader', *Jakarta Post*, 29 December 2011, retrieved on 3 June 2015 from <http://www.thejakartapost.com/news/2011/12/29/judicial-mafia-task-force-the-unsung-crusader0.html>

⁹³⁵ Satuan Tugas Pemberantasan Mafia Hukum (Satgas – PMH), Ringkasan Eksekutif Laporan Satgas PMH 2010 – 2011 (Executive Summary Report of Task force for Judiciary Mafia Eradication, 2010 - 2011), January 2012, pp. 10 – 11.

undervaluing their tax bills. Bakrie denied Gayus' testimony.⁹³⁶ Gayus was eventually only charged with bribery linked to a smaller firm's tax problems.⁹³⁷

Eventually, SBY did not extend the task force's two year term that ended in December 2011, preferring to empower the UKP4 by appointing Achmad Santosa, a member of the task force, as Kuntoro's Deputy in charge of Law reform.⁹³⁸ Meanwhile, Denny Indrayana was promoted to Vice Minister for Law and Human Rights in October 2011.

From the outset, SBY was on the defensive as some of his cabinet members were tainted by corruption allegations and on-going the KPK-police conflict. Therefore, he was unable to push for significant governance reform in other areas, like the security sector. Nonetheless, in his second term, SBY continued the positive tradition of military Chief rotation appointments among the three military services – the Army, Navy and Air Force – by appointing Navy Chief Admiral Agus Suhartono.⁹³⁹ This symbolic action signaled SBY's effort to exert equal influence on other military services, after the army's domination during Suharto era. Despite some criticism, SBY was also credited with maintaining the military and police's neutrality during the fierce 2014 national election.⁹⁴⁰

There was continuing criticism overall of SBY's military reform record. Baker argues that SBY had deliberately squandered an opportunity for greater civilian oversight over the

⁹³⁶ 'Taskforce denies trying to bring down Bakrie', *Jakarta Post*, 2 December 2010, retrieved on 3 January 2015 from <http://www.thejakartapost.com/news/2010/12/02/taskforce-denies-trying-bring-down-bakrie.html>

⁹³⁷ 'Gayus' "vacation" indicates intrigues, rifts', *Jakarta Post*, 22 November 2010, retrieved on 3 June 2015 from <http://www.thejakartapost.com/news/2010/11/22/gayus percentE2 percent80 percent99- percentE2 percent80 percent98vacation percentE2 percent80 percent99-indicates-intrigues-rifts.html>

⁹³⁸ 'We're working on system improvement, not case by case', *Jakarta Post*, 21 February 2012, retrieved on 3 June 2015 from <http://www.thejakartapost.com/news/2012/02/21/we-re-working-system-improvement-not-case-case.html>

⁹³⁹ 'Agus Appointed as TNI Commander', *Jakarta Post*, 28 September 2010, retrieved on 19 June 2015 from <http://www.thejakartapost.com/news/2010/09/28/agus-appointed-tni-commander.html>

⁹⁴⁰ Endy Bayuni, 'View Point: Election fiesta of democracy a day at the presidential race', *Jakarta Post*, 13 July 2014, retrieved on 19 June 2015 from <http://m.thejakartapost.com/news/2014/07/13/view-point-election-fiesta-democracy-a-day-presidential-race.html>

security institutions.⁹⁴¹ Another criticism by Honna outlines that the military was still able to dictate the pace and scope of the reform by playing the politics of insecurity.⁹⁴² Meanwhile, Mietzner highlights that, while SBY was able to control the military and maintain its neutrality during the national election, he was unable to institutionalize this reform.⁹⁴³ In my opinion, to expect full civilian control over the military as a benchmark was a very difficult task for the post-Suharto presidency. There was a continuing structural problem in the Indonesian military due to the lack of military funding, the sense of impunity over civilians, and the sense of entitlement as a national guardian. It was also propagated by politicians, who were seen as corrupt, which provided a justified opposition to full civilian control.

The KPK's Taking Over of the Anti-Corruption Agenda

After the on-going conflict between the KPK and the police culminated with Bibit-Chandra case, the KPK tried to reinvigorate its prosecution work, naming former Minister of Social Affairs Bachtiar Chamsyah as a suspect in a corruption case in his ministry in February 2010.⁹⁴⁴

Furthermore, the KPK charged 26 former MPs for receiving bribes related to the selection of the BI Deputy Senior Governor, Miranda Gultom, in September 2010. This was the first time that the KPK named more than 20 former MPs as suspects in a single case.⁹⁴⁵

⁹⁴¹ Jacqui Baker, 'Professionalism without Reform: the Security Sector under Yudhoyono' in Edward Aspinall, Marcus Mietzner and Dirk Tomsa (eds.) *the Yudhoyono Presidency: Indonesia's Decade of Stability and Stagnation*, p. 132.

⁹⁴² Jun Honna, 'Security Challenges and Military Reform in Post-Authoritarian Indonesia: The Impact of Separatism, Terrorism, and Communal violence' in Jurgen Roland and Maria-Ganriela Manea (eds.), *the Politics of Military Reform: Experiences from Indonesia and Nigeria* (Berlin: Springer, 2013), p. 198.

⁹⁴³ Marcus Mietzner, 'Indonesia Democratic Consolidation and Stagnation under Yudhoyono' in William Case (ed.), *Routledge Handbook of Southeast Asia Democratization* (London: Routledge, 2014).

⁹⁴⁴ 'PPP to provide legal advocacy for former minister', *Jakarta Post*, 2 February 2010, retrieved on 7 June 2015 from <http://www.thejakartapost.com/news/2010/02/02/ppp-provide-legal-advocacy-disgraced-ex-minister.html>

⁹⁴⁵ 'Terseret Durian Runtuh (Reversal of Fortune)', *Tempo*, 6 September 2010, retrieved on 5 June 2015 from <http://majalah.tempo.co/konten/2010/09/06/LU/134551/Terseret-Durian-Runtuh/28/39>

The KPK continued to accelerate its prosecution by naming former Minister of Home Affairs Hari Sabarno as suspected of corruption in procuring fire trucks for several provinces, with an estimated state loss of around Rp.86 billion. This was the first time that the KPK managed to prosecute retired four star-ranked Army General.⁹⁴⁶

Furthermore, the KPK was strengthened by the advent of a new KPK chief, Busyro Muqqodas, who was selected in November 2010.⁹⁴⁷ Under Busyro's leadership, the KPK exposed corruption cases in the athletes' accommodation construction for the Southeast Asia Games (SEA Games) in Palembang that implicated the ruling Democrat Party leaders by naming its treasurer Muhammad Nazaruddin as a suspect in July 2011. Nazaruddin demanded 13 percent of the project's Rp.191 billion cost for fixing a tender for his company to develop the athletes' accommodation.⁹⁴⁸

Moreover, Nazaruddin named his MP colleagues including Democratic Party Chair Anas Urbaningrum and Youth and Sport Minister Andi Mallarangeng was also mentioned as allegedly receiving a bribe. Nazaruddin also faced questions about his role in 31 corruption cases related to government projects valued at Rp.6 trillion.⁹⁴⁹

As the second term KPK commissioners' term reached its end in 2011, only Chandra ran for re-election as KPK commissioner but failed. To avoid the DPR choosing the weak candidates, the selection committee of the KPK commissioners decided that they would reveal the ranking of the best candidates. The best three candidates were the former head of the Legal

⁹⁴⁶ 'Where there's smoke: Former minister named suspect by KPK', *Jakarta Post*, 30 September 2010, retrieved on 7 June 2015 from <http://www.thejakartapost.com/news/2010/09/30/where-there percentE2 percent80 percent99s-smoke-former-minister-named-suspect-kpk.html>

⁹⁴⁷ 'Why Busyro?', *Tempo English*, 1 December 2010, retrieved on 5 June 2015 from <http://magz.tempo.co/konten/2010/12/01/HK/21938/Why-Busyro/14/11>

⁹⁴⁸ 'KPK names Nazaruddin suspect in bribe scandal', *Jakarta Post*, 1 July 2011, retrieved on 5 June 2015 from <http://www.thejakartapost.com/news/2011/07/01/kpk-names-nazaruddin-suspect-bribe-scandal.html>

⁹⁴⁹ 'Nazaruddin led Rp 6t in state funds', *Jakarta Post*, 15 August 2011, retrieved on 5 June 2015 from <http://www.thejakartapost.com/news/2011/08/15/nazaruddin-led-rp-6t-state-funds.html>

Aid Institute (YLBHI) Bambang Widjayanto, followed by former Head of PPATK Yunus Husein, and Advisor of KPK Abdullah Hehamahua.⁹⁵⁰

The DPR chose the top-ranking candidate Bambang Widjojanto, but the rest of the KPK commissioners were dominated by the bottom four rankings. Repeating the previous practice, the DPR selected Abraham Samad as KPK Chair, an anti-corruption activist from South Sulawesi.⁹⁵¹

There were numerous internal conflicts at the start of Abraham Samad's leadership. During KPK's restructuring in January 2012, Busyro was not given any authority to conduct prosecution work, despite his previous experience.⁹⁵² Internal tension emerged when the four KPK investigators returned to their home institutions, the police and the AGO in March 2012 because of their protest against the KPK commissioner.⁹⁵³

Nonetheless, the KPK under Samad increased its prosecution of high profile cases to an unprecedented level. In following up Nunun's case, the KPK named former Deputy Senior BI Governor Miranda Goeltom as suspect of bribery in late January 2012 for masterminding the distribution of travel checks worth Rp.24 billion to around 33 former and current DPR members.⁹⁵⁴

⁹⁵⁰ 'Bambang Widjojanto Calon Terbaik Pimpinan KPK', *Suara Pembaruan*, 18 August 2011, retrieved on 5 June 2015 from <http://sp.beritasatu.com/home/bambang-widjojanto-calon-terbaik-pimpinan-kpk/10408>

⁹⁵¹ 'Ini alasan Abraham Samad Terpilih Menjadi Ketua KPK (This is the reason why Abraham Selected as KPK's Chief)', *Republika*, 2 December 2011. Retrieved on 5 June 2015 from <http://www.republika.co.id/berita/nasional/hukum/11/12/02/lvkvg6-ini-alasan-abraham-samad-terpilih-jadi-ketua-kpk>

⁹⁵² 'KPK revamps top jobs' *Jakarta Post*, 4 January 2012, retrieved on 6 June 2015 from <http://www.thejakartapost.com/news/2012/01/04/kpk-revamps-top-jobs.html>

⁹⁵³ 'KPK Bantah Para Penyidik Protes Abraham Samad (KPK Denied its Investigators Protested Abraham Samad)', *Vivanews*, 13 March 2012, retrieved on 6 June 2015 from <http://nasional.news.viva.co.id/news/read/295881/penyidik-demo-ketua-kpk-abraham-samad>

⁹⁵⁴ 'Miranda officially suspect in Bank Indonesia vote-buying case', *Jakarta Post*, 26 January 2012, retrieved on 7 June 2015 from <http://www.thejakartapost.com/news/2012/01/26/miranda-officially-suspect-bank-indonesia-vote-buying-case.html>

Furthermore, the KPK's prosecution work also started to affect the ruling Democratic Party, naming one of its leaders, DPR member Angelina Sondakh, as a suspect in early February 2012 related to the corruption in the construction of athletes' accommodation for the SEA Games. Angelina was implicated after key witness Mindo Manulang, testified in court that she had received a Rp.2 billion 'fee' for the project.⁹⁵⁵

Moreover, key fundraiser for the Democratic Party Hartarti Murdaya was also named as a suspect by the KPK in August 2012. Hartarti allegedly paid an Rp.3 billion bribe to head of Regent Buol in connection with business permit for Hartati's two companies.⁹⁵⁶

Another conflict between the KPK and the Police emerged, when the KPK raided the Police traffic Corps Headquarters at the end of July 2012 for investigating the corruption in the procurement of vehicle simulator equipment worth Rp.190 billion. After the raid, the KPK named former Head of Traffic Police Djoko Susilo as a suspect.⁹⁵⁷

The peak of the conflict occurred when 150 police officers raided the KPK headquarters in October 2012, targeting Commissioner Novel Baswedan, KPK's top investigator, after he interrogated Djoko Susilo for the corruption case related to the procurement of vehicle simulators.⁹⁵⁸

The police squad brought a warrant to arrest Novel for a shooting incident involving bird-nest thieves that cost a life in 2008 when he served in Bengkulu. However, hundreds of anti-corruption activists and public figures 'shielded' the place from police attack and the next

⁹⁵⁵ 'Angelina Sondakh Named Suspect in SEA Games Scandal', *Jakarta Globe*, 3 February 2012, retrieved on 8 June 2015 from <http://thejakartaglobe.beritasatu.com/archive/angelina-sondakh-named-a-suspect-in-sea-games-scandal/>

⁹⁵⁶ 'KPK arrests business tycoon Hartati Murdaya', *Jakarta Post*, 12 September 2012, retrieved on 8 June 2015 from <http://www.thejakartapost.com/news/2012/09/12/kpk-arrests-business-tycoon-hartati-murdaya.html>

⁹⁵⁷ 'Cops, KPK in all-night standoff in investigation of police general', *Jakarta Post*, 1 August 2012, retrieved on 9 June 2015 from <http://www.thejakartapost.com/news/2012/08/01/cops-kpk-all-night-standoff-investigation-police-general.html>

⁹⁵⁸ 'Cops target graft-fighter Novel to scare the KPK', *Jakarta Post*, 8 October 2012, retrieved on 9 June 2015 from <http://www.thejakartapost.com/news/2012/10/08/cops-target-graft-fighter-novel-scare-kpk.html>

day triggered a public reaction through intense mass media as well as social media coverage, and mass protests in Jakarta's streets.⁹⁵⁹

Ultimately, SBY intervened in the conflict between the KPK and the police. In a nationally-televised speech on the night of 8 October 2012, SBY decided that the simulator corruption case involving Djoko Susilo was to be handled by the KPK and felt that the investigation against Novel Baswedan was inappropriate.⁹⁶⁰ In December 2012, Djoko Susilo, was finally detained by the KPK.⁹⁶¹

KPK also exposed corruption cases implicating Chair of the Islamic Justice and Welfare Party (PKS) Luthfi Hasan Ishaak by catching Ahmad Fattanah, Luthfi's aide, as he accepted a bribe from a beef import company. The bribe worth Rp.1 billion was suspected of securing a slot in the government-run beef importation program under the Ministry of Agriculture led by PKS member Suswono. Luthfi was detained by the KPK after being interrogated in 2013.⁹⁶²

The KPK also expanded its investigations into the construction of a sports complex in Hambalang in Bogor City worth Rp.1. 2 trillion that implicated Minister of Youth and Sport Andi Mallarangeng and Chair of the Democratic political party Anas Urbaningrum. After being mentioned numerous times by Nazaruddin during their corruption trial, eventually the KPK named Minister of Youth and Sport Andi Mallarangeng as a suspect in December 2012 in

⁹⁵⁹ 'President to break silence on KPK-Police fiasco', *Jakarta Post*, 7 October 2012, retrieved on 9 June 2015 from <http://www.thejakartapost.com/news/2012/10/07/president-break-silence-kpk-police-fiasco.html>

⁹⁶⁰ President Susilo Bambang Yudhoyono Speech responding to KPK – Police Conflict on 8 October 2012, *Kompas.com*, retrieved on 9 June 2015 from

<http://nasional.kompas.com/read/2012/10/09/16035782/Ini.Pidato.Lengkap.Presiden.soal.KPKPolri>

⁹⁶¹ 'Djoko Detention big Victory for KPK', *Jakarta Globe*, retrieved on 9 June 2015 from <http://thejakartaglobe.beritasatu.com/archive/djokos-detention-a-big-victory-for-kpk/>

⁹⁶² 'PKS Chairman Luthfi Resigns Over Beef Graft Allegations', *Jakarta Globe*, 31 January 2013, retrieved on 8 June 2015 from <http://thejakartaglobe.beritasatu.com/archive/pks-chairman-luthfi-resigns-over-beef-graft-allegations/>

the Hambalang case and he immediately resigned.⁹⁶³ The case showed that, for the first time, the KPK named an active minister as a corruption suspect.⁹⁶⁴ Andi's fall from grace was disheartening as he had been one of the architects of the free election and regional autonomy concept.⁹⁶⁵

Then the draft letter related to the investigation (*Sprindik*) of Democratic Party Chair Anas and other internal documents of the KPK leaked to the press in February 2013. The ethics committee, chaired by Paramadina University's Rector Anies Baswedan, was established and conducted investigation, followed by an open trial in April 2013 of two KPK leaders – Chair Abraham Samad and Vice-Chair Adnan Pandu Praja. Baswedan announced that Samad had committed a minor ethical violation and thus received a written warning for failing to supervise his secretary who leaked an internal KPK document.⁹⁶⁶ The ruling by the KPK's *ad-hoc* ethics committee also signaled the deepening rift among the KPK commissioners, as one of the committee members was KPK Vice-Chair Bambang.⁹⁶⁷

The string of scandals that implicated the Democratic Party leaders affected the ruling party's popularity. According to a survey, the Democratic Party was seen as the most corrupt political party (at 44.8 percent) and followed by the Golkar (6.5 percent) in June 2012.⁹⁶⁸

⁹⁶³ 'Youth and Sports Minister resigns', *Jakarta Post*, 7 December 2012, retrieved on 7 June 2015 from <http://www.thejakartapost.com/news/2012/12/07/sports-and-youth-minister-resigns.html>

⁹⁶⁵ 'Andi Mallarangeng: Road to Resignation', *Jakarta Post*, 8 December 2012, retrieved on 7 June 2015 from <http://www.thejakartapost.com/news/2012/12/08/andi-mallarangeng-the-road-resignation.html>

⁹⁶⁶ 'KPK chief's secretary found guilty of Anas document leak: Panel', *Jakarta Post*, 3 April 2013, retrieved on 7 June 2015 from <http://www.thejakartapost.com/news/2013/04/03/kpk-chiefs-secretary-found-guilty-anas-document-leak-panel.html>

⁹⁶⁷ 'Leak probe leaves KPK tarnished', *Jakarta Post*, 4 April 2013, retrieved on 7 June 2015 from <http://www.thejakartapost.com/news/2013/04/04/leak-probe-leaves-kpk-tarnished.html>

⁹⁶⁸ Saiful Mudjani Research Consulting, Kinerja Pemerintah dan Dukungan Kepada Partai: Trend Anomali Politik 2012 – 2013 (Government Performance and Support toward Political Party: Political Anomaly Trend in 2012 – 2013), December 2012, Power Point Presentation, slides 51.

Another survey in December 2012 showed that the electability of the Democratic Party nosedived from its peak in December 2009 (32 percent) to only 8 percent in December 2012.⁹⁶⁹

Consequently, SBY relieved Anas Urbaningrum as Democratic Party Chair and took over the party.⁹⁷⁰ Ultimately, Anas was named a suspect by the KPK in relation to receiving bribes related to the Hambalang case in February 2013 and immediately resigned.⁹⁷¹ This was the first time that the KPK managed to prosecute the Chair of the ruling party.

As the KPK was able to survive internal crises and external threats, they were able to refocus their investigation. Then, the KPK caught Head of Special Task force for Upstream Oil and Gas Business Activities (SKK Migas) Rudi Rubiandini at his home after receiving a bribe from Kernal Oil. The KPK confiscated US\$400,000 in cash and a BMW motorcycle worth US\$90,000.⁹⁷² Again, Rudi's arrest was quite discouraging, since as distinguished academics there had been high hopes that he would reform corrupt oil and gas sector.

The most shocking arrest organized by the KPK in 2013 was when their sting operation managed to detect Chief of the Constitutional Court (MK) Akil Mochtar receiving a bribe at his official residence in October 2013.⁹⁷³ The raid managed to confiscate three envelopes containing S\$284,050 and US\$22,000 from Chairun Nusa, a DPR member, and Cornelis Nalau, a businessman from Central Kalimantan related to the case that implicated the head of

⁹⁶⁹ *Ibid*, slides 33 and slides 46.

⁹⁷⁰ 'SBY takes over Dems leadership', *Jakarta Post*, retrieved on 7 June 2015 from <http://www.thejakartapost.com/news/2013/02/09/sby-takes-over-dems-leadership.html>

⁹⁷¹ 'Anas Mundur sebagai Ketua Umum Partai Demokrat', *Kompas.com*, 23 February 2013, retrieved on 8 June 2015 from <http://nasional.kompas.com/read/2013/02/23/14090477/Anas.Mundur.sebagai.Ketua.Umum.Partai.Demokrat>

⁹⁷² 'Sasaran Raksasa setelah Rudi (Giant Target after Rudi)', *Tempo*, 18 August 2013, retrieved on 10 June 2015 from <http://majalah.tempo.co/konten/2013/08/18/LU/143323/Sasaran-Raksasa-setelah-Rudi/25/login>

⁹⁷³ 'Special Report: Indonesia's Graft Busters Battle the Establishment', *Reuters*, 16 November 2013, retrieved on 10 June 2015 from <http://www.reuters.com/article/2013/11/17/us-indonesia-graftbusters-specialreport-idUSBRE9AG00V20131117>

the regent of Gunung Mas, that was still pending in the MK.⁹⁷⁴ What was shocking was that the MK was one of the centerpieces of the democratic governance reform during the post-Suharto era. Under Akil's two predecessors (Jimly Asshidiqie and Mahfud, M.D.), the MK gained prominence as the bastions of Indonesia's justice system, with its credible ruling.⁹⁷⁵

The KPK under Samad's leadership was actively using the Money Laundering Law 2010 in their prosecution in an effort to recoup money from corrupt officials. For instance, the KPK was able to seize assets from Djoko Susilo worth around Rp.200 billion in September 2013, like luxury houses in West Jakarta, a villa in Bali and vast lands in West Java.⁹⁷⁶ Furthermore, the KPK managed to confiscate assets owned by the former MK Chair Akil also of around Rp.200 billion in January 2014, which included 33 luxury cars. However, the biggest assets that the KPK managed to confiscate were from former Democratic Party Treasurer Nazaruddin, from his share of the national flight carrier Garuda Indonesia, which was worth Rp.400 billion in July 2013.

Moreover, after the *Tipikor* court was expanded to 34 regional courts with the enactment of the new Law on *Tipikor* in 2009, the court started to issue light sentences, contrary to the 100 percent conviction rate only based on the Jakarta Court.⁹⁷⁷ Furthermore, several regional *Tipikor* court judges were arrested for receiving bribes, like two *Tipikor* judges in the City of Semarang in 2012⁹⁷⁸ and, in 2014, former *Tipikor* judges from Bandung.⁹⁷⁹ As

⁹⁷⁴ 'Akal-akalan Putusan Aki (The Tricky Ruling by Akil)', *Tempo*, 7 October 2013, retrieved on 10 June 2015 from <http://majalah.tempo.co/konten/2013/10/07/LU/143667/Akal-akalan-Putusan-Akil/32/42>

⁹⁷⁵ 'Jakarta Rocked by Justice Chief Akil Mochtar's Arrest for Bribery', *the Australian*, 4 October 2013, retrieved on 10 June 2015 from <http://www.theaustralian.com.au/news/world/jakarta-rocked-by-justice-chief-akil-mochtars-arrest-for-bribery/story-e6frg6so-1226732545588>

⁹⁷⁶ 'KPK Sita Rp. 200 Miliar Aset Djoko Susilo (KPK Confiscate Rp. 200 billion Djoko Susilo's Asset)', *Suara Pembaruan*, 4 September 2013, retrieved on 10 June 2015 from <http://sp.beritasatu.com/home/kpk-sita-rp-200-miliar-aset-djoko-susilo/41204>

⁹⁷⁷ 'Plan to dissolve anti graft court good news for crooks', *Jakarta Post*, 13 February 2007, retrieved on 11 June 2015 from <http://www.thejakartapost.com/news/2007/02/13/plan-dissolve-antigraft-court-good-news-crooks.html>

⁹⁷⁸ 'KPK Tangkap 2 Hakim Tipikor di Semarang', *Kompas.com*, 17 August 2012, retrieved on 11 June 2015 from <http://nasional.kompas.com/read/2012/08/17/14224622/KPK.Tangkap.2.Hakim.Tipikor.di.Semarang>

Butt and Schutte argue, an important indicator was the need for tougher sentences for those guilty of corruption and that the regional *Tipikor* court issue more lenient sentences than the original Jakarta *Tipikor* Court.⁹⁸⁰

Justice was served: the emergence of the Crime Chamber of the Supreme Court (MA) and the Fall of SBY's Democratic Party

In creating a deterrent effect, the KPK found an ally in the Chair for the Crime Chamber of the MA, led by the MA judge Artidjo Alkotsar. Artidjo became an MA judge as part of a non-career judge batch who arrived in 2000, with expertise in handling criminal-related cases.

Artidjo became more influential when the MA created the Chamber System in late 2011, whereby MA judges would only work in cases related to their expertise to reach verdicts faster. As Chair of the Crime Chamber in MA, Artidjo had the influence to choose which cases he wished to preside over – usually those that attracted public attention – including corruption among 15 of his colleague judges.

The case that catapulted Artidjo's public profile was his ruling on former Democratic Party leader Angelina Sondakh. After receiving a light sentence from the anti-corruption court of only 4.5 years imprisonment, with a US\$25,000 fine, in January 2013, the ruling by the MA judge Artidjo in November 2013 extended her prison term to 12 years and Sondakh had to refund US\$3.42 million in stolen funds. Furthermore, in September 2014, in a corruption case related to the PKS Chair, Luthfi Hasan Ishak, the MA again added two years to his 18 year prison sentence, and also rescinded Luthfi's political right to seek public office and had to pay

⁹⁷⁹ 'Eks Hakim Tipikor Bandung Ramlan Comel Ditahan KPK', *RMOL.co*, 15 August 2014, retrieved on 11 June 2015 from <http://www.rmol.co/read/2014/08/15/167839/Eks-Hakim-Tipikor-Bandung-Ramlan-Comel-Ditahan-KPK->

⁹⁸⁰ Simon Butt and Sofie Arjon Schutte, 'Assessing Judicial Performance in Indonesia: the Court of Corruption Crimes', *Crime Law Social Change*, Vol. 62, Issue 5, December 2014, pp. 614 – 615.

a fine of Rp.1 billion.⁹⁸¹ As for former Democratic Party Chair Anas Urbaningrum, the MA increased his eight year prison sentence to 14 years, stripped him of his political right to run for office and ordered him to pay a fine of Rp.5 billion for his offenses and return a total of Rp.57.5 billion to the state coffers.

SBY's efforts to salvage the Democratic Party's fortunes proved unsuccessful as the 2014 National election approached. According to a public poll in October 2014, SBY's public approval remained at a respectable 57 percent just before he ended his term. However, SBY's government was unable to match his personal appeal, with public approval at 42.3 percent. Even by October 2013, the poll showed that 76.8 percent of the public believed that SBY's government was implicated in corruption.⁹⁸²

Consequently, at the 2014 national legislative election, the Democratic Party attracted only 10.9 percent of the votes, placing them in fourth place.⁹⁸³ During the Presidential election of 2014, SBY attempted to hold presidential candidate conventions that would allow non-party figures to compete for the Presidential candidate. Minister of State Owned Enterprises Dahlan Ishkan won the presidential candidate race in May 2014, but his national electability, was very low only 2-2.9 percent.⁹⁸⁴ The lack of the Presidential candidate's electability, combined with the disappointing result at the legislative election, made it impossible for the Democratic Party to endorse its own candidate.

⁹⁸¹ 'MA Perberat Vonis LH: 18 Tahun Penjara dan Hak Politik Dicabut (The Supreme Court gave a stronger sentence to LH: 18 years in Prison and No more Political Rights)', *Liputan6.com*, 16 September 2014, retrieved on 19 June 2015 from <http://news.liputan6.com/read/2105857/ma-perberat-vonis-lhi-18-tahun-penjara-dan-hak-politik-dicabut>

⁹⁸² 'Jajak Pendapat Kompas: Menebak Akhir Kabinet Indonesia Bersatu II (Kompas' Public Opinion Poll: Prediction on the faith of Indonesia Unity Cabinet II)', *Kompas.com*, 16 December 2013, Retrieved on 17 December 2013 from <http://nasional.kompas.com/read/2013/12/16/0840480/Jajak.Pendapat.Kompas.Menebak.Akhir.Kabinet.Indonesia.Bersatu.II>

⁹⁸³ The National Election Commission (KPU) Decision Decree no. 411/Kpts/KPU/year 2014 on the Final Result of Election to member of parliament, member of Regional Representative Body, member of provincial parliament, member of regional parliament in 2014.

⁹⁸⁴ 'SBY Abaikan Hasil Konvensi (SBY ignore the Convention's Result)', *Jawa Pos*, 17 May 2014, retrieved on 13 June 2015 from <http://www.jawapos.com/baca/artikel/1110/sby-abaikan-hasil-konvensi>

There was uneven progress under SBY's overall presidency in the context of the governance and anti-corruption efforts. Most observers argued that SBY brought a period of stagnation in terms of governance reform, but the source of this stagnation as outlined above was diverse – some focus on his leadership style, while others highlight the political structure where the Oligarchy was still powerful and hindered any attempt at progressive governance reform. This was linked to the first argument of the thesis that there was insufficient political support for reformers – including in the SBY period – to effect substantial reform. Therefore, according to leading political analysts and journalist, the SBY period was unimpressive, which was stagnant and a lost opportunity, as outlined by Aspinall et al,⁹⁸⁵ Mietzner,⁹⁸⁶ and McBeth.⁹⁸⁷ Although there was a perception of democratization stagnation, in my view, SBY is to be credited with maintaining the democratic governance structure in Indonesia during his decade-long reign. Especially after independence in 1945, Indonesia had experienced almost four decades of an authoritarian system, and showed that the survival of Indonesia's democratic system should not be taken for granted as there were always oligarchs that prepared to dismantle democracy.

There was also strong criticism of SBY's anti-corruption record, especially in the second term, where he was accused of providing only half-hearted support to the KPK. However, in his second term, there were two SBY legacies that were important in the context of the anti-corruption initiatives. Despite his visible discomfort about the growing 'unchecked' influence of the KPK, SBY gave the KPK sufficient political space in which to prosecute high

⁹⁸⁵ Edward Aspinall, Marcus Mietzner and Dirk Tomsa, 'The Moderating President: Yudhoyono's Decade in Power' in Edward Aspinall, Marcus Miezner and Dirk Tomsa, *The Yudhoyono Presidency: Indonesia's Decade of Stability and Stagnation*, p. 19.

⁹⁸⁶ Marcus. Mietzner, 'Indonesia Democratic Consolidation and Stagnation under Yudhoyono' in William Case (ed.), *Routledge Handbook of Southeast Asia Democratization* (London: Routledge, 2015).

⁹⁸⁷ John McBeth, 'Yudhoyono Decade of Missed Opportunities', *Jakarta Post*, 15 October 2014, retrieved on 20 June 2015 from <http://www.thejakartapost.com/news/2014/10/15/yudhoyonos-decade-missed-opportunities.html>

level corrupt officials.⁹⁸⁸ Although the SBY legacy sounds minimalistic, in my view, this was an important endeavor, as shown by the similar fate of various anti-corruption task forces/institutions from the Sukarno to the post-Suharto presidencies that were easily being dismantled. This is linked to the third argument, as explained in the introduction, where the emergence of the KPK was an important milestone in Indonesia political history because they became the most effective anti-corruption institution since Indonesia's independence.

Nonetheless, despite the scale plus the effect of the anti-corruption drive by the KPK was progressing, but its impact remained limited because SBY continued to accommodate the oligarch in his government. Therefore, the previous political, economic and social structure that underpinned the patronage, which breeds corruption, still largely persisted until the end of SBY's second term.

Conclusion

During the decade of SBY's presidency, there was uneven progress towards governance reform and anti-corruption initiatives as outlined above, due to the continuing existence of oligarchy in Indonesian politics that moderated, or even regressed, the reform. By applying Dahl's political pluralism analytical framework, the technocrats and professional ministers possess political resources in the form of education, knowledge, political networks, and prestige in pushing for governance reform to improve the democratic quality. While the powerful oligarchs with their political resources especially their wealth, organization, vote buying and political organization managed to contain any progressive reform by the reformers especially in the second term of SBY's presidency.

⁹⁸⁸ Simon Butt, 'The Rule of Laws and Anti-corruption Reforms under Yudhoyono', in Edward Aspinall, Marcus Mietzner and Dirk Tomsa, *The Yudhoyono Presidency: Indonesia's Decade of Stability and Stagnation*, p. 186.

The maintenance of the democratic governance structure during the decade of SBY's presidency should be applauded considering that various attempts were made by the oligarchs and conservative forces to roll-back Indonesian democracy. However, it should also be realized, in my view, that there was no significant progress made under SBY's presidency that would constitute the achievement of democratic consolidation as Diamond, Linz and Stepan, Merkel, Croissant and Bunte envision, as explained in the introduction section. Therefore, democratic progress in the SBY period can be viewed as a *status quo*.

In applying Kingdon's analytical framework in the context of governance reform and anti-corruption initiatives, there were several policy entrepreneurs during the SBY period. The effectiveness of KPK in prosecuting high state officials changed the level of impunity among Indonesia's political elites that made them eligible to be identified as policy entrepreneurs. SBY, especially by letting reformist institutions like the KPK and the MK conduct their credible work in reforming the judicial sector and anti-corruption drive, in my view, also should be put in the category of policy entrepreneurs. The technocrats and professionals, due to their efforts in pushing governance reform especially in their respective institutions and confronting the oligarchs, in my view, should also be identified as policy entrepreneurs.

Lastly, in determining the leadership characteristics of Indonesia's political leaders in 2004-2014 using Burns' leadership analytical framework in the context of governance reform and anti-corruption measures, SBY in my view can be viewed as a semi-transformational leader. As mentioned above, his effort in providing political space for the KPK and MK was crucial, but despite his strong political capital, SBY, especially in his second term, was unable to achieve further democratic consolidation. Also, in the case of the technocrats or professional ministers with support from civil society, while their governance reform effort in their respective institutions was commendable, as evident from SBY's second term, they were still outmaneuvered by the oligarchs that impeded their effectiveness in bringing about governance

reform beyond their respective institutions. Therefore, the technocrats and professional ministers, in my view, possessed a semi-transformational leadership trait. Nevertheless, as mentioned in the previous section, the KPK's emergence in the first term of SBY's presidency and the acceleration of their prosecution of high state officials including SBY's inner circle was unprecedented in Indonesia's political history. Consequently, despite the fact that the KPK's work remained limited in changing Indonesia's patronage structure, by setting a new standard in prosecuting high state officials, in my view, the KPK possesses transformational leader traits of anti-corruption initiatives.

Chapter 9: Conclusion

The thesis has presented a detailed account of a number of governance reform and anti-corruption initiatives in Indonesia at the national level since Independence in 1945 until the end of the presidential term of Susilo Bambang Yudhoyono (SBY) in 2014. It has outlined the ebbs and flows of the dynamic competition between the political elites in Indonesia, in which each historical period had different political groupings or cleavages and a coalition set-up in the context of governance reform and anti-corruption initiatives. Therefore, this conclusion section will assess the use of the political pluralism analytical framework regarding the governance reform efforts as well as anti-corruption initiatives based on important Indonesian political milestones in chronological order. In addition, the political pluralism approach will also assess the democratic consolidation as well as political actor theory, which identify the policy entrepreneurs and also take into account how these actors deal with problem identification, policy proposal and political events as outlined by Kingdon. As part of political actor theory, it will also attempt to examine the leadership traits of certain important political leaders who were crucial in determining the policy direction at the national level using Burns' modified analytical framework to identify the transformational leaders in the context of governance reform and anti-corruption initiatives, as discussed thoroughly in the introduction chapter. The analysis will be divided into four periods, starting with the Sukarno period in 1945-1968, from the democratic governance structure – parliamentary democracy – until the initial setting-up of an authoritarian structure in the form of Sukarno's 'guided democracy.' This section will also highlight several limited anti-corruption measures that never gained ground due to insufficient political support. The following section will examine the New Order period (1968-1998), where the authoritarian governance structure was further consolidated, thereby making Suharto almost the embodiment of the state. It will also discuss the several anti-corruption measures pushed by students and the opposition during this same period.

Moreover, a number of limited governance reform measures, driven mainly by technocrats, will also be measured.

The section on the post-Suharto period will scrutinize the important milestones, whereby major political governance reform at the national level was undertaken in 1998-2004 from electoral democracy, the major constitutional amendments that laid solid foundations for the democratic governance structure and the establishment of important accountability institutions, particularly the Corruption Eradication Commission (KPK). As for SBY's two terms (2004-2014), this thesis will examine his record in the context of strengthening the democratic governance structure as well as looking out for his fragile alliance with the KPK and other anti-corruption initiatives. Moreover, it will discuss the arguments that underpinned this thesis. Furthermore, it will evaluate each Indonesian presidency in terms of governance reform and anti-corruption initiatives, utilizing various international indicators and analytical tools, like the Corruption Perception Index (CPI), World Bank Governance Indicators and the Freedom Index. Lastly, we will outline the three general conclusions of this thesis on governance reform and anti-corruption initiatives by Indonesia's central government from independence to the end of the SBY period in 2014 that is analyzed comprehensively in this thesis.

The Short-lived Governance Reform and Anti-corruption Initiatives under Sukarno's Period

As mentioned in chapter one, Indonesia, after independence in 1945, through Sjahrir, was able to force President Sukarno to accept parliamentary democracy by reducing his role as a figurehead president in exchange for Sjahrir becoming the first Prime Minister in late 1945. Later, Vice-President Hatta, who was also Prime Minister in 1948-1950, and his like-minded colleagues were able to push the governance reform initiative, like civil service reform and military reform. Subsequently, Hatta's allies, who succeeded him as prime minister or became

ministers in the crucial portfolio, who were mostly from the Islamic Masyumi party and Indonesia Socialist Party (PSI), initiated their disparate reform, but their political clout was receding. One of the main factors was that, because Sukarno's political currency was increasing, especially through his superb mass-mobilization skills, he was able to solicit public support. Meanwhile, the growing public dissatisfaction with politicians and the parliamentary democracy system in general was increasing due to a perception of implied corruption. Sukarno, who politically became more legitimate after his Indonesian Nationalist Party won the nation election in 1955, was able to capitalize on this public dissatisfaction by dismantling the parliamentary democracy and its political democratic governance structure officially in 1959.

Applying the analytical political pluralism framework, it is clear that there was a reformist coalition that Feith categorizes as an administrator group, which was pushing for governance reform, led mostly by Vice-President Hatta with the Islamic modernist party Masyumi, the PSI and Catholic Party as its core group. In the context of military reform, the 'administrator group' with the Minister of Defense Sultan Hamengkubuwono IX formed an alliance reformist faction within the military, including Chief of Armed Forces T.B. Simatupang and Chief of Army A.H. Nasution, but this military reform effort faced a significant backlash that cost Nasution and Simatupang their job in the military in the early 1950s. Therefore, since independence and before the election in 1955, the distribution of political resources was benefiting the administrator group, which was started by Sjahrir and later taken over by Vice President Hatta. This advantage of political resources by the administrator group was because, at least until the republic emerged, the administrator group received international support and therefore managed to apply a parliamentary democracy system. According to the criteria of Dahl, in my view, the administrator group led by Vice

President Hatta possessed a political resource in the form of knowledge, organization, education and information.⁹⁸⁹

Although during 1945-1957, parliamentary democracy was emerging in Indonesia, it did not qualify, as Indonesian democracy at the time was already consolidated in meeting the criteria outlined by Diamond, Linz and Stepan, Merkel as well as Croissant and Bunte in the introduction section. In my view, despite some progress, it did not meet the behavioral criteria of Linz and Stepan since there are still powerful political players, like Sukarno and his associates, who had significant political resources and was intending to replace the democratic system. This did not meet the criteria whereby all powerful political actors with their vast resources have to support and commit fully to democracy as the only framework for political participation.⁹⁹⁰

Therefore, using the Kingdonian framework, the policy entrepreneurs in the 1945-1957 period, in my view, were Prime Minister Sjahrir, Vice President Hatta and, to a lesser degree, subsequent administrator-type prime ministers like Muhammad Natsir and Burhannudin Harahap.⁹⁹¹ This policy entrepreneur identifies that Indonesia at the time needed a proper checks-and-balance system in its political governance structure as opposed to 'unified' leadership that was centered on the president as proposed by Soekarno as a problem. As a result, they developed a policy proposal to apply the parliamentary democracy system and tried to apply it consistently amidst the fierce attack from the rival solidarity maker group and even from the army who were disillusioned at what they perceived as corrupt and self-serving politicians in that period. Then, in terms of political events, this policy entrepreneur was taking advantage of the momentum of international pressure during the international negotiations after

⁹⁸⁹ Robert Dahl, *On Democracy* (New Haven: Yale University Press, 1998), p. 177.

⁹⁹⁰ Juan Linz and Alfred Stepan, 'Toward Consolidated Democracy', *Journal of Democracy*, Vol. 7, No. 2, 1996, p. 16.

⁹⁹¹ John W. Kingdon, *Agendas, Alternatives and Public Policies* (New York: Longman, 2003).

the Dutch military operations in 1946 and 1948. Furthermore, they also managed to maintain parliamentary democracy and enact limited governance reform by taking advantage of the political momentum caused by the consensus among political leaders to maintain democratic parliamentary with the goal of winning the national election in 1955.

In terms of political leadership, using Burns' analytical framework, in my view, Prime Minister Sjahrir and Vice President Hatta could also be seen as transformational leaders in the context of governance reform during 1945-1957. They have a strong vision and determination regarding the application of a democratic system in Indonesia. They were able to inspire and convince their fellow Indonesian political leaders at least to accept parliamentary democracy as the formal political framework institutions for channeling their political aspirations in the hope of obtaining a positive national election result in 1955. Despite the disappointing result for Hatta and his associates in the national election in 1955, in my view at the very least, they were able to convince people at large of the merit of parliamentary democracy in channeling their political aspirations as shown by the strong popular enthusiasm and participation in the election. The ability of Prime Minister Sjahrir and Vice President Hatta as well as subsequent administrator-type prime ministers to enact and maintain the parliamentary democracy system with the outcome of a relatively free-and-fair election in 1955 with strong people participation, in my view, would qualify them as transformational leaders, based on Burns' notion.⁹⁹²

Despite having huge political clout after Indonesia gained independence in 1945, gradually, the 'administrator group' lost influence to their main rival, the nationalist populist group, known as the 'solidarity-makers'. Sukarno was the *de facto* leader of the 'solidarity-makers,' with his Indonesian Nationalist party (PNI), who formed a coalition mostly with Nahdlatul Ulama and the Indonesian Communist Party (PKI). The army under Nasution – after

⁹⁹² James M. Burns, *Leadership* (New York: Harper Perennial Modern Classic, 2010), pp. 169 – 170.

his reappointment – decided to change sides, providing crucial support for Sukarno’s state of emergency in 1957 that led to the significant demise of the administrator group and later replaced parliamentary democracy with guided democracy. Sukarno and his allies won the battle that culminated in the 1959 formation of ‘guided democracy,’ as the Army that was led Nasution became an important political player, along with the PKI. Consequently based on Dahl’s conception, Sukarno had political resources advantage over the administrator group as gradually he consolidated his authority and increased his political leverage. Based on Dahl’s criteria, in my view, the political resources that Sukarno deployed that led to his political triumph were charisma, communication and popular votes⁹⁹³ that feature his greater political oratorical skill. In the end, both the army and PKI vied for approval and support from Sukarno who was at the peak of his authority.

On the contrary, the ‘administrator group’ was gradually losing its clout and in the end fell into complete disarray and became almost ineffectual, especially since the resignation of Hatta as Vice President in 1956. The effort of the anti-corruption drive by General A.H. Nasution in the early 1960s was too insignificant as he was being rotated from the Army chief post by Sukarno, and so the initiatives were easily ignored and later dismantled by Sukarno. Thus, the guided democracy period was completely dominated by Sukarno – with support from the PKI – over Nasution, whereby it constituted a regression of the governance reform agenda and also the corruption accelerated as the government was becoming more authoritarian.

The Sukarno-led government was dismantling the parliamentary⁹⁹⁴ and judicial system⁹⁹⁵ — the two institutions that ensure a checks-and-balance system. Instead of leading

⁹⁹³ Dahl, *On Democracy*, p. 177.

⁹⁹⁴ Daniel S. Lev, *The Transition to Guided Democracy: Indonesian Politics 1957-1959* (Ithaca: Cornell University Press, 1966).

⁹⁹⁵ Sebastian Pompe, *The Indonesian Supreme Court: A Study of Institutional Collapse* (Ithaca: Cornell University, 2005).

toward democratic consolidation, there was a democratic roll-back during the guided democracy period under Sukarno that started officially in 1959. This was possible because, after the successful national election, the political party leaders became deeply fragmented and the endless infighting among politicians, combined with their corrupt behavior as exposed by the media, reduced the legitimacy of parliamentary democracy. Sukarno with help from the army was able to capitalize on people's discontent with politicians and also dissolve parliament. This democratic rollback can also be seen as a failure of governance as Diamond argues, especially after the national election of 1955, where the government consists of a coalition of political party supporters who were unable to deliver sufficient public services as demanded by people at large.⁹⁹⁶ However, with the dissolution of parliamentary democracy in 1959 by Sukarno that in the end led to the formation of an authoritarian political structure that was centered on him in my view deserves to be put in the category of transactional leadership using Burns' political leadership analytical framework.

During guided democracy in the context of governance reform, in my view, there was no policy entrepreneur, borrowing Kingdon's term, who was able to carry out governance reform, since they were mostly defensive and experienced a significant set-back. The monitoring of the state apparatus' wealth led by former Minister of Defense Sultan Hamengkubuwono and the anti-corruption drive led by General A.H. Nasution through the Committee to Retool State apparatus (PARAN) had to be carried out within a limited time frame and the outcome was not optimal as both institutions were dissolved by Sukarno before becoming effective. Political leaders who were expected to be policy entrepreneurs were unable to open windows of opportunity to change policy that constituted the merging of the

⁹⁹⁶ Larry Diamond, 'the Democratic Rollback: The Resurgence of the Predatory State,' *Foreign Affairs*, Vol. 87, No. 2 (Mar. - Apr., 2008), pp. 42 – 46.

three main Kingdonian factors (problem, policy and politics) that would have a profound impact.⁹⁹⁷

Meanwhile, during the guided democracy era (1959-1966), in my view and using Burns' framework, Sukarno had the traits of a transactional leader in the context of governance reform and anti-corruption efforts.⁹⁹⁸ Despite Sukarno's personal claim that guided democracy was groundbreaking and fitted the Indonesian model of political governance, it was evident that, in the end, it only became the instrument for centralizing the state authority under him as president. This trait was also seen in Sukarno's reduced enthusiasm for the anti-corruption drive and dissolution of institutions that were supposed to play a major role in curbing corruption, like PARAN and BAPEKAN as well as weakening the BPK. This effort was suspected of ensuring that Sukarno's political authority remained unchallenged, protecting his loyal advisors or ministers in government's uninterrupted supply of financial or other material resources for his political operations and maintaining his regime's durability. In the end, as discussed comprehensively in chapter 2, Sukarno's guided democracy was unsustainable as Indonesia's economic performance was deteriorating and his political coalition fell apart as the army led by Suharto was able to take over his presidency, after basically dethroning the PKI in the 1960s.

The Consolidated Authoritarian Governance Structure and Rampant Corruption in the New Order Era.

In the early New Order period under Suharto, as described in detail in chapter 4, there were a number of anti-corruption initiatives by the government, especially as it was being driven by pressure from university students, critical of Sukarno era's corruption. However, as Suharto corruption implicating his trusted aides and especially his wife, the alliance began to fall apart.

⁹⁹⁷ Kingdon, *Agendas, Alternatives and Public Policies*, pp. 145 – 164.

⁹⁹⁸ Burns, *Leadership*, p. 4 and pp. 262 – 265.

In the context of political pluralism, it was clear that there was an alliance between Suharto and the students in addressing corruption, but it was an unstable one, at best. It seems clear that Suharto was never interested in addressing corruption systematically except in terms of cases that occurred during Sukarno's era. It was evident that, when his army officers' close aides were accused of corruption, his response was defensive. Instead of conducting a thorough investigation of corruption, Suharto began to dismantle the student movement; for instance, arresting the student leaders and opposition leaders, accused of triggering the mass riot in Jakarta, known as the 'Malari' tragedy, in 1974. Therefore, by applying the Dahlian framework, Suharto held vast political resources but not total domination since other army leaders remained influential and thus the inequality of resources was not substantial.

Furthermore, Suharto started to consolidate the authoritarian structure through intelligence operations undertaken by his trusted Ali Moertopo in the 1970s. As the consolidation of the authoritarian governance structure was underway, in my view, there was rivalry among competing influential groups like the military and the Golkar, as each tried to increase their political leverage in the 1980s. Then, in the early 1990s, Suharto started to accommodate the Islamic modernist group through the emergence of the Minister of Research and Technology B.J. Habibie to balance the nationalist group in the Golkar and the military. Thus, by the early 1990s, Suharto at the peak of his influence indicated a move toward the personalization of the state and construction of patronage networks. At this stage, Suharto had reached political domination compared to his main political adversary and using Dahl's analytical framework criteria, in my view, Suharto's political resource that was employed including physical force by using military, organization especially in establishing patronage and money to co-opt his political rival or to ensure the loyalty of his close advisors.⁹⁹⁹

⁹⁹⁹ Dahl, *On Democracy*, p. 177.

The almost total political domination by Suharto's not just only caused a democratic Rollback as Diamond and Merkel assert in the introduction section, but in my view it was a deepening of the authoritarian political structure. Building on the legacy of the 'guided democracy' of Sukarno, Suharto dismantled almost completely the judiciary and the legislative during this period under the subjugation of the executive, so there was significant political governance degeneration, which was more significant than merely a democratic rollback.

However, in my view, despite the concentration of power in the hands of Suharto, there were still other political actors who would be able to influence government policy. In other words, as Aspinall puts it, 'although the New Order was repressive, it also tolerated many forms of independent and non-independent societal organizations'.¹⁰⁰⁰ This independent organization became an opposition or semi-opposition that contributed to the erosion of public trust in Suharto by highlighting the systemic cronyism/corruption by his family, through their public advocacy activity, within political parties or even inside government. These semi-opposition and opposition groups consisting of critical NGOs, university students, critical parliament members or party leaders and opposition party can be categorized as policy entrepreneurs. Based on the Kingdonian approach, in my view, this semi-opposition and opposition group managed to identify the problem of the legitimacy of Suharto in the last decade of his presidency due to, among other things, the fact that his family were embroiled in corruption and cronyism, then this group developed a policy proposal that demanded a more democratic political structure with greater public say in policy making, and lastly they identified the political momentum of the major Indonesian economic crisis in 1997-1998 that shook the confidence of international investors and people at large in Suharto's government. Therefore, this group was able to capitalize on the economic crisis' momentum by stepping-up

¹⁰⁰⁰ Edward Aspinall, *Opposing Suharto: Compromise, Resistance, and Regime Change in Indonesia* (Paolo Alto: Stanford University Press, 2005), p. 240.

the public pressure and eventually contributing toward forcing the resignation of Suharto from power.

In terms of economic policy, the technocrats were one of the most influential groups during the period from the late 1960s to the early 1990s. However, they had to compete vigorously and even compromise with their rivals. The technocrats had to compete with the nationalist group led by the powerful CEO of the State Owned Oil Company (PERTAMINA), Ibnu Sutowo, from the late 1960s to the early 1980s. Afterwards, the nationalist group, led by Vice-President Sudharmono - until the early 1990s - was the main competitor for the technocrats. Eventually, as the technocrats' influence on economic policy diminished from the early 1990s, they had to face a number of powerful rivals and developed stronger ties with Suharto, such as Minister of Research and Technology B.J. Habibie, Indonesian/Chinese major conglomerates and Suharto's own children. Despite the technocrats' declining influence especially in the last decade of the New Order era, in my view, the Technocrats were policy entrepreneurs who successfully enacted a prudent economic policy that delivered economic growth of almost 8 percent per year for over quarter of a century, that benefited millions of people and took Indonesia from a poor country to a middle-low-income country, as outlined by Hill, Booth and Trimmer.¹⁰⁰¹ They managed to navigate the Kingdonian problem, policy and politics factors by convincing Suharto of the merit of the technocratic approach in economic policy making and taking advantage of several types of political momentum like a number of economic or major commercial crises - as described in detail in chapter 5 - in accelerating the economic reform.

¹⁰⁰¹ Anne Booth, *the Oil Boom and After: Indonesian Economic Policy and Performance in the Suharto Era* (Singapore: Oxford University Press, 1992); Hal Hill, *Indonesia Economy since 1966* (Cambridge: Cambridge University Press, 1996); Peter Timmer, 'the Road to Pro-Poor Growth: the Indonesian Experience in Regional Perspective', *Bulletin of Indonesian Economic Studies*, Vol. 40, No. 2, 2004, pp. 177 – 207.

In terms of assessing Suharto's three decade reign in the context of governance reform and anti-corruption measures by applying Burns' leadership analytical framework, in my view, it can be categorized into two aspects: political and economic development. As mentioned above, the New Order era was a period of consolidating the authoritarian political structure, which qualified Suharto as a transactional leader. In this sense, contrary to the expectations of his main supporters in his earlier years of a more democratic and open political structure, instead Suharto managed, in my view, to oversee the most consolidated authoritarian political structure since Indonesian independence. This was done in what Burns described as transactional matters, in this case political co-optation through economic or business dealings/transactions or through coercion through military means by those who refuse to cooperate. Therefore, as Burns outlined, the exchange values underpinning this type of leadership, projected no mutual or continuing pursuit of higher purpose.¹⁰⁰² No wonder that, as the economic crises and later political crisis unfolded in 1998, most of Suharto's supporters quickly abandoned him.

Meanwhile, in terms of economic reform, in my view, it was widely acknowledged that the technocrats played an important role in pushing for economic reform and maintaining a fiscal discipline that contributed unprecedented economic growth that *inter alia* turned Indonesia from a rice importer in 1970 into a self-sufficient country by the 1980s, after which the poverty index fell dramatically.¹⁰⁰³ This helped Indonesia to transform its economy and catapulted it at the time to become one of the 13 successful countries with high sustained economic growth mentioned in a report commissioned by, among others, the Economy Nobel

¹⁰⁰² Burns, *Leadership*, pp. 19 – 21.

¹⁰⁰³ M. Chatib Basri and Hal Hill, 'Idea, Interests and Oil Prices: The Political Economy of Trade Reform during Suharto's Indonesia', *World Economy*, Vol. 27, No. 5, 2004, p. 649.

Prize winner Michael Spence in 2008.¹⁰⁰⁴ However, as explained in chapter 5, the technocrats were politically vulnerable with limited constituents in government, so political support from Suharto was essential. Nevertheless, Suharto had a mixed motivation. In the first twenty years, he certainly had an interest in empowering the technocrats as a vast amount of his political capital was dependent on him achieving high economic growth. Nevertheless, in the last 10 years of his reign, it was evident that Suharto was more interested in sharing exclusively the economic growth benefits with his children and close associates that triggered corruption and nepotism. Therefore, the technocrats, using Burns' modified leadership framework, should be credited with being transformational leaders while Suharto with being a semi-transformational leader in terms of economic reform at least until the early 1990s, during the peak of the technocrats' influence.

Post-Suharto Indonesia: the Mixed Governance Reform Effort and Muddling through in terms of Anti-Corruption Efforts

During the Habibie period, there were some breakthroughs in terms of electoral reform, with Habibie appointing professional academics and bureaucrats to design laws and regulations for a free-and-fair election, and also his efforts to ensure the freedom of the press as well as guarantee the growth of civil society. Also, there was some progress in military reform where the formal political role had been reduced and maintained its neutrality during the national legislative and presidential election of 1999. However, Habibie's government was tainted by the alleged corruption by his presidential campaign team related to BI's Bank Liquidity Assistance (BLBI) to the private Bank Bali. Also, Habibie was seen to be protective of his mentor, Suharto; therefore, the corruption cases under the New Order era were never resolved.

¹⁰⁰⁴ Commission on Growth and Development, *The Growth Report: Strategies for Sustained Growth and Inclusive Development* (Washington, D.C.: the World Bank, 2008), pp. 26 – 55.

Under Abdurrahman Wahid (Gus Dur), in 1999-2001, there was an attempt to push for more significant military reform initially by sidelining powerful Coordinating Minister for Political Affairs Wiranto and conducting some pilot projects involving dismantling the two lowest levels of the army's territorial command in the urban areas. However, by sidelining the gradualist reformist camp due to the dwindling political support in the DPR, Gus Dur was forced to abandon the reform in exchange for military support.

Then, in addressing corruption, Gus Dur established the Joint Team for Corruption Eradication (TGPTPK) in April 2000, which was supposed to be an interim anti-corruption team before the anti-corruption commission was established. However, the TGPTPK was facing a strong backlash especially from the Supreme Court (MA). In the end, the TGPTPK was being undermined by disunity and a lack of leadership, and later was dissolved after the MA approved the judicial review request that annulled the TGPTPK's regulations in March 2001.

It was perhaps during the Megawati era that the crucial governance reform was able to be enacted, through the third and fourth constitutional amendment in 2001-2002. The crucial third and fourth constitutional amendments ensured that the President and Vice-President were directly elected, established the constitutional court (MK), empowered by the accountability of institutions like the Supreme Audit Agency (BPK), and ensured that the President could not be impeached solely due to policy differences but based on the MK's ruling.

As MacIntyre and McLeod observe, after the fourth constitutional amendment, Indonesia resolved some of the primary institutional choices pertaining to 'the relationship between the executive branch and the legislature; and the way elections are organized as well

as the type of party system that will result'.¹⁰⁰⁵ The constitutional amendments' effort should be credited to the Chair of Ad Hoc Committee I Jacob Tobing and his colleague in the People's Consultative Assembly (MPR), who more importantly were able to persuade Megawati to support the amendment. During this period, it should be noted that the Law on the Corruption Eradication Commission (KPK) in 2002 was enacted due to effective collaboration between the reformist elements in the government, civil society and also support from the progressive element in parliament.

The interpretations during the post-Suharto period were quite different as the political resources using Dahl's framework were relatively dispersed, rather than concentrated around Suharto's presidential office as during the New Order era. With the growing influence of the oligarchs, with wealth as their main political resources, they were able to influence the outcome of national policy from the Habibie to the Megawati era.¹⁰⁰⁶ In the post-Suharto era, the political actors involved were more diverse, with the parliament (DPR) becoming more empowered as well as civil society and, with regard to economic policy, the role of international donors was quite influential as the Indonesian state budget at the time was still heavily dependent on international aid especially from the IMF. Therefore, subsequent presidents in the post-Suharto era were not the only dominant political actors who could have a significant influence on the outcome of national policy since it had to take into account other actors, like the parliament and civil society. Furthermore, the political coalition to effect reform was also more complex, diverse and fluid, encompassing different actors, both state and non-state, as seen in the drafting and later deliberation of the KPK bill, as discussed in chapter 6. Although, formally, Indonesia became more democratic especially through the constitutional

¹⁰⁰⁵ Ross H. McLeod and Andrew MacIntyre, 'Introduction' in Ross H. McLeod and Andre MacIntyre (eds.), *Democracy and the Promise of Good Governance* (Singapore: ISEAS, 2007), p. 7.

¹⁰⁰⁶ Dahl, *On Democracy*, p. 177.

amendment process of 1999-2004, as it had just emerged, democratic consolidation was not achieved, as described by Linz and Stepan, Diamond, Croissant and Bunte as well as Merkel, as mentioned in the introduction chapter.

In determining the policy entrepreneur by applying Kingdom's analytical framework, the political actors varied quite considerably in the context of governance reform as they came from different institutions with different rankings. Habibie could be considered a policy entrepreneur as he initiated, perhaps also due to pressure from civil society, a relatively free-and-fair election in 1999 after 4 decades. Also, in terms of opening up freedom of expression and ensuring a free press, by correctly combining the three streams of situations by defining Habibie's political legitimacy as his main problem, therefore he proposed a reform of parliamentary elections amidst the political turmoil, after the major economic crises and fall of Suharto in 1998. By combining these three situations, Habibie managed to identify the political momentum in 1998-1999 at least to push for electoral reform and to some extent open up the press and ensure freedom of expression to burnish his democratic credentials.

Meanwhile, during the Gus Dur period, in my view, there was a shortage of policy entrepreneurs who could deliver a national policy that led to significant and lasting governance reform. Most of the important reforms that Gus Dur tried to push, like military reform and anti-corruption efforts in the judiciary through TGPTK's team, were easily dismantled. This was due to his erratic and combative leadership style that isolated him from his former political supporters especially in parliament, which led to his impeachment in 2001.

Whilst, as mentioned above, the leadership of *Ad Hoc* committee I led by Jacob Tobing in the MPR for constitutional amendment was, in my view, one of the policy entrepreneurs. In addition, the alliance between the reformist element in government, civil society and the reform element in parliament played an important role in the deliberation and enactment of the

anti-corruption commission bill, as discussed in chapter five, in my view, also part of policy entrepreneur group. These two different reform initiatives were able to identify two main problems, which were the authoritarian political structure and rampant corruption within the state agencies. Then they developed each policy proposal to enact the reform to address each of the problems. They also managed to use a political event, in this case the constitutional amendment process and pressure from the public at large to address corruption more vigorously. In the end, these policy entrepreneurs were able to capitalize on the respective windows of opportunity by, among others, convincing Megawati the chair of the ruling party PDIP and president of the merit of their reform proposal as shown by the fact that the more democratic political structure in Indonesia and the KPK outlived their administration. Also, the alliance between the reformist parliament members and government officials with civil society that successfully enacted a crucial law on KPK should be credited as being policy entrepreneurs for their contribution in the context of the anti-corruption efforts.

In terms of political leadership, using Burns' framework, Habibie in my view is qualified as a transformational leader as he was willing to take a bold decision in the risky reform endeavor, such as electoral reform as well as freedom of expression and information. This was an important first step for building a democratic governance structure. In combination with the corruption scandal that implicated his presidential election team, known as the Bali Bank scandal, this bold move by Habibie damaged his political career by losing him the 1999 national parliament election. He was forced to cancel his presidency bid after his accountability speech was rejected by parliament in 1999.

As for Gus Dur, despite their reform rhetoric, in the end, the action constituted a transactional leader, based on Burns' analytical framework. The transactional nature of Gus Dur was apparent when he tried to take over the economic patronage structure from the Suharto era that largely remained intact for financing his political activity with the ultimate

goal of winning the national election in 2004 and even tried to dissolve parliament in order to hang onto power as he was facing an impeachment process, thus risking reversing the democratic progress that Habibie had achieved. However, it should be admitted that not only Gus Dur but also Habibie and Megawati preferred to accommodate the oligarchs, the New Order elites as well as other vested interests in a political coalition to keep the economic patronage largely intact for the distribution of spoils rather than embarking on substantial governance reform and addressing corruption. This informal channel for mobilizing funding that bred economic patronage in post-Suharto Indonesia, as Dick and Mulholland note, was ‘the informal behaviors that govern the collection and distribution of slush funds have monetized relations even between the organs of the state and created a large political marketplace at its heart’.¹⁰⁰⁷

Nevertheless, under Megawati’s presidency, there was an important reform, like a constitutional amendment and the enactment of KPK law but the original ideas for this reform, as outlined in detail in chapter six, came from the reformist element of various state institutions that, in some cases, were working together with civil society and even international donors in pushing these reforms. Therefore, in my view, using Burns’ modified analytical framework, the reformist element in the government, parliament and civil society that successfully pushed for constitutional amendment and the enactment of the KPK law can be credited with being transformational leaders, while Megawati’s role in providing crucial support for these two important initiatives, albeit with more political motives, deserve to be credited as semi-transformation leaders.

¹⁰⁰⁷ Howard Dick and Jeremy Mulholland, ‘The State as Marketplace: Slush-Funds and Intra-Elite Rivalry’ in Edward Aspinall and Garry Van Klinken, *The State and Illegality in Indonesia* (Leiden: KITLV Press, 2010), p. 84.

One Decade of President Yudhoyono: Progress, Stagnation or Regression?

As the transformation to a democratic governance structure had taken place in 1999-2004, the challenge for SBY was whether he was able to meet the democratic consolidation requirement as outlined by Linz, Stepan, Diamond and Merkel.¹⁰⁰⁸ In the context of anti-corruption, he was pressured to deliver his promise to address corruption through prosecuting high profile cases. During his first term, a number of governance reforms were conducted by SBY's appointed technocrats or professionals at the national level, albeit these were limited to their own institution, like civil service reform in the Ministry of Finance and the Ministry of Foreign Affairs. Also, the technocrats were used as SBY's proxy to contain the influence of the oligarchs in economic policy, especially with regard to policy that benefited their business disproportionately as discussed in detail in chapter 7 and chapter 8.

It is also noteworthy that, in 2004-2009, the Corruption Eradication Commission (KPK) underwent successful institutional building. At the same time, SBY created the Interagency Coordination Team for Corruption Eradication (*Timtas Tipikor*) in 2005, led by Deputy Attorney General Hendarman Supandji, who initiated the effective prosecution of high profile corruption cases in the post-Suharto era.

During SBY's first term, there was an important milestone when the KPK emerged to become the most effective anti-corruption agency in Indonesia. After the first term, the KPK, led by Taufiqurachman Ruqi, successfully oversaw the institutional building, gradually increasing their credential and public profile by prosecuting former Ministers under Megawati, then by handling corruption implicating the Chair of the National Election Commission (KPU). During the second term, led by Antasari Azhar, the KPK undertook a more aggressive anti-

¹⁰⁰⁸ Jürg Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America and Post-Communist* (Baltimore: Johns Hopkins University Press, 1996), p. 15; Larry Diamond, *Developing Democracy Toward Consolidation* (Baltimore: John Hopkins University Press, 1999), p. 65, Wolfgang Merkel, 'The Consolidation of Past-Autocratic Democracies: A Multi-Level Model', *Democratization*, Vol. 5, No. 3, 1998, pp. 59 – 62.

corruption campaign by increasing its prosecution from 7 cases in 2007 to 53 cases in 2008, including ones implicating the former Governor of the Indonesia Central Bank (BI) Burhanuddin Abdullah, SBY's father-in-law (who was also a former Deputy of BI Governor Aulia Pohan) and former Chief of Police Rusdihardjo. Nevertheless, the KPK was starting to face a significant backlash, like the detainment of two KPK commissioners, Bibit Samad Riyanto and Chandra Hamzah, almost paralyzed the KPK as explained in chapter 6.

During the second term, despite winning the legislative and presidential elections overwhelmingly, SBY disappointed some critics who had hoped that he would achieve significant governance reform as his notable legacy. Throughout his second term, he preferred to maintain political stability by preserving broad coalition political support in parliament and cabinet at the expense of deepening the governance reform. Consequently, the technocrats and professionals were unable to push for governance reform as progressively as had been the case during the first term. Notwithstanding the work done by technocrats and professionals like the President's Delivery Unit (UKP4) and the Task Team for Eradicating Judicial Mafia, the progress for substantial reform remained very limited.

Also in the second term, SBY was mainly on the defensive with regard to the anti-corruption agenda, as he was struggling to resolve the continuing conflict between the Police and the KPK's second and third term commissioners led by Abraham Samad. Nevertheless, since SBY was always susceptible to public opinion, he ultimately supported the KPK in their conflict with the Police.

Despite the struggle among its commissioners, the KPK under Abraham Samad reached the peak of its influence by accelerating the prosecution of high profile cases including an unprecedented number of incumbent Ministers as well as Vice Ministers and Chiefs of the Constitutional Court. This had grave implications for SBY's government and Democratic Party in the second term, since a number of his close-aides, like Minister of Sports and Youth Andi

Mallarangeng and Minister of Mining Jero Wacik were being investigated by the KPK. As a consequence, this affected SBY's government and his Democratic Party's popularity, as reflected in its disastrous result at the legislative election in 2014. The Democratic Party lost more than 50 percent of its votes, which put them only in fourth position.

Therefore, in applying Dahl's political pluralism framework in the context of governance reform and anti-corruption measures, the political resources were less dispersed than during the post-Suharto presidency era (2004-2009), but also not quite as concentrated as under Suharto in the New Order era. SBY the first directly elected president who served his two full-terms clearly - using Dahl's criteria - had the almost complete political resources, in my view, to be an effective political leader, including popular votes, charisma, communication, knowledge and some cases organization, when his Democrat party won the legislative election in 2009.¹⁰⁰⁹ Like other post-Suharto presidencies, however, SBY still accommodated oligarchs especially in maintaining the economic patronage and obtaining political campaign funding from their vast amount of wealth as their main political resources. Meanwhile, to balance the influence of the oligarchs, the technocrats and professionals with knowledge, respect and education as their main political resources were installed by SBY to conduct a governance reform. The newly established Anti-corruption commission (KPK) certainly became one of the important political actor that could not be ignored by capitalizing their political resources (organizations, legal standing, knowledge) especially through their aggressive prosecution of high state officials such as active ministers, governors, ambassadors or other municipalities leaders during the SBY period.

Therefore, while SBY was successfully maintaining the democratic governance structure during his decade in power, he struggled to carry it to the next level that would have left the legacy of a sustainable democratic system. As Meitzner argued, SBY only achieved

¹⁰⁰⁹ Dahl, *On Democracy*, p. 177.

the minimum criteria by preventing the institutional collapse of the democratic governance structure.¹⁰¹⁰ In my view, the difficulty during SBY's second term was his inability to form a cohesive and significant reformist critical mass in his party, government and legislative that would potentially be able to push for significant governance reform. According to Diamond, Linz, Stepan and Merkel's criteria, during the SBY period, there were still powerful figures that had a vast amount of political resources, which potentially could rollback the democratic structure, which made Indonesia unqualified with regard to democracy consolidation.¹⁰¹¹

The emergence of the KPK marked an important milestone in Indonesia's political history. Compared to the grave failures of the various anti-corruption initiatives in the past, the KPK set a new standard for success in prosecuting high level officials and can be seen as one of the policy entrepreneurs, based on Kingdon's analytical framework. They identify the problem of rampant corruption especially in Indonesia's public sector and in terms of policy the KPK started to shake the sense of impunity among high level officials, as shown by their ability to prosecute the Chief of the Constitutional Court, incumbent ministers, governors and other high officials. Then, related to a political event, the KPK exploited the fact that, during the SBY period, one of the government's priorities was to respond to the high demand from people at large to address the rampant corruption in Indonesia.

Nonetheless, the success of the KPK should not be overestimated, since the KPK was still vulnerable to a backlash from the vested interests, as shown by their constant clashes with the police. Therefore, in my view, SBY should also be categorized as a policy entrepreneur, providing crucial support for KPK's institutional building effort as well as – albeit reluctantly – intervening in favor of the KPK when their conflict especially with the police became

¹⁰¹⁰ Marcus Mietzner, 'Indonesia: Democratic consolidation and stagnation under Yudhoyono, 2004 – 2014' in William Case (ed.) *Routledge Handbook of Southeast Asian Democratization* (London: Routledge, 2015). p. 378.

¹⁰¹¹ Linz and Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America and Post-Communist*, p. 15; Diamond, *Developing Democracy Toward Consolidation*, p. 65, Merkel, 'The Consolidation of Past-Autocratic Democracies: A Multi-Level Model', *Democratization*, pp. 59 – 62.

contentious. Also, as mentioned above, the technocrats and professionals ministers who embarked on their own governance reform especially in SBY's first term should also be credited as policy entrepreneurs in that era as they managed to leverage their influence when the political window opened.

In applying Burns' modified leadership analytical framework in terms of governance reform, in my view, SBY had the potential to be a transformational leader with his substantial political capital as the first directly elected president in 2004, but in the end turned into a semi-transformational leader particularly when he preferred to maintain political stability by accommodating the political party leaders – some of them oligarchs – by allocating them seats in the cabinet. This was at the expense of broader governance reform to consolidate democracy further, although SBY managed to maintain that the democratic political structure should be appreciated considering that Indonesia had been experiencing almost 40 decades of authoritarian rule. Meanwhile, in my view, the technocrats or professional ministers who pushed their own governance reform especially in their respective ministries should be applauded, but compared to their predecessors in the New Order era, their policy implication was not far reaching. Thus, with the scale of their achievement, in my view, the technocrats under SBY can be placed in the category of semi-transformational leaders.

KPK has created a breakthrough through their aggressive prosecution work in corruption cases, with credible conviction results in the anti-corruption court, which was unprecedented compared to the failure of the same initiatives during the Sukarno era to the post-Suharto era before the KPK emerged. Thus, in my view, related to their anti-corruption work, the KPK in 2004-2014 was qualified to introduce a transformational leadership qualification but the emergence of KPK as the most zealous anti-corruption commission in Indonesia's political history was impossible if there was no crucial support from SBY's government especially in the institutional building phase and not intervening, particularly in

the prosecution of cases involving high state officials who were part of his inner circle. The lesson learnt from the past anti-corruption initiatives from Sukarno until the Megawati presidency is that, once political support was retracted, then the anti-corruption body could easily be dissolved but, despite the fact that SBY's support for the KPK in his second term was less fervent than in his first term, in my view, SBY still qualifies as a semi-transformational leader due to the fact that at least he did not obstruct the KPK's prosecution work.

Table 1: Type of Indonesia Political Leaders in each Era in the Context of Governance Reform and Anti-Corruption Initiatives

Indonesia Political History Milestone	Kingdon's Policy Entrepreneur	Modified Burns's Type of Political leadership		
		Transformational	Semi-transformational	Transactional
Parliamentary Democracy era (1945 – 1959)	Sjahrir and Hatta's led Administrator Group	Sjahrir and Hatta's led Administrator Group		Sukarno
Guided Democracy (1959 – 1968)	None			Sukarno
New Order Era (1968 – 1998)	<ul style="list-style-type: none"> Opposition group, NGO, students (in politics) Technocrats (in economy) 	Technocrats (in economy)	Suharto (in economy)	Suharto (in politics)
Post-Suharto Era (1998 – 2004)	<ul style="list-style-type: none"> Habibie Leaders of PAH1 in MPR for constitutional amendments The alliance of reformist parliament member, government officials with civil society for law on KPK 	<ul style="list-style-type: none"> Habibie The alliance of reformist parliament member, government officials with civil society for law on KPK Leaders of PAH1 in MPR for constitutional amendments 	Megawati	Gus Dur
SBY Era (2004 – 2014)	SBY (first term), KPK, Technocrats/ professionals ministers	KPK	SBY, Technocrats /professionals ministers	

Sources: the Author interpretation and analysis based on empirical chapters of this thesis.

Indonesia's Trajectories in the Context of Governance Reform and Corruption

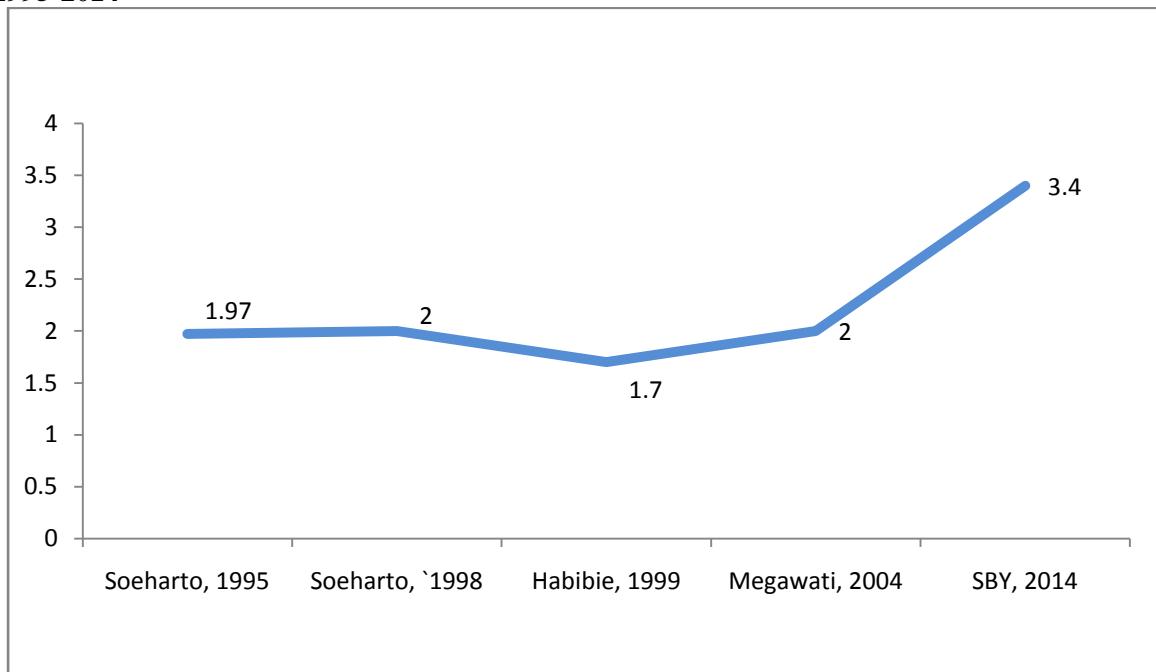
As mention in the introduction, several international governance and corruption index indicators that measure country performance annually will be utilized as one of the analytical

tool. In this section, Indonesia's trajectories in the context of governance reform and anti-corruption initiatives from the Suharto to the SBY periods can be measured using these various international performance indicators. However, Transparency International's Corruption Perception Index (CPI), the World Bank Governance Indicators and Freedom Index will be utilized, that have only published data since the 1990s. Consequently, there are no data available that would make it possible to learn about Indonesia's performance by applying these international indexes to the period from Independence in 1945 until the mid-Suharto period. Also, the discussion on the rational in using these governance and corruption indicators as well as controversies regarding the methodology is already explained in the introduction chapter.

Based on the CPI, Indonesia's performance was improving. During the Suharto era, Indonesia's score was the lowest in the world in 1995, it being ranked the bottom of the 41 countries surveyed, with a score of 1.97 out of 10, increasingly only slightly by 1998 to a score of 2.0, which ranked it at 80 out of the 85 countries. During the post-Suharto period, Indonesia's CPI score fell in 1999 during the Habibie period to 1.7, ranking it as 96 out of the 99 countries, toward the very bottom, with a slight increase during the Megawati period in 2004, when it scored 2.0, which ranked it as 133 out of the 145 countries. After the end of SBY's second term period, Indonesia's CPI score rose significantly, from 2.2 (ranked 137 out of the 158 countries) to 34 (on a scale of 0 (highly corrupt) to 100 (very clean), which meant that it was ranked as 107 out of the 174 countries.¹⁰¹² Based on the CPI index, the trajectories show that Indonesia is improving, albeit below the middle-ranking countries.

¹⁰¹² Transparency International, Corruption Perception Index from 1995-2014, retrieved on 6 July 2015 from <http://www.transparency.org/research/cpi/overview>

Chart 1: Transparency International Corruption Perception Index (CPI) on Indonesia in 1995-2014



Notes: Each year, the number of country participants on the CPI index was different. All of the CPI's scores during the SBY era are on a scale of 1-100 so it is divided by 10 to turn the score into a 1-10 scale so that it is comparable with previous years. All of the information about the methodology and data of CPI is available at <http://www.transparency.org/research/cpi/overview>

Another international indicator is the World Bank Institute (WBI)'s Governance Indicators that measure six aggregates over 200 countries – no ranking, only a scoring system – from the worst (0) to the best (100). Based on the WBI Governance Index, corruption hit a peak during the late Suharto period when it plunged from a score of 31.7 in 1995 to the lowest score, in 1998, of 9.8. During the post-Suharto period, the score improved to 19.9 during the Gus Dur period in 2000 before slightly falling again to 17.1 during the Megawati Period. As for the SBY period, in terms of controlling corruption, Indonesia's WBI governance index score increased from 20.5 in 2005 to 34.1 in 2014.¹⁰¹³

¹⁰¹³ The World Bank Institute (WBI), Worldwide Governance Indicators: Country Data Report for Indonesia in 1996 - 2013, retrieved on 6 July 2015 from [file:///C:/Documents%20and%20Settings/User/My%20Documents/Downloads/c102%20\(1\).pdf](file:///C:/Documents%20and%20Settings/User/My%20Documents/Downloads/c102%20(1).pdf)

In other dimensions of the WBI governance index – voice and accountability – again, Indonesia fared worst during the later Suharto period, with its score falling from 23.6 in 1996 to 17.3 in 1998. Then, the country recovered in 2000 in the post-Suharto era, from a score of 34 during the Gus Dur period to achieving a score of 40.4 under Megawati. Then, during the SBY period, the score slightly increased, from 45.2 in 2005 to 53.2 in 2014.

As for the rule of law dimension of the WBI governance index, Indonesia had its highest scores during the later period before Suharto fell in 1998, with 39.7, before falling to 27.3. In fact, in this dimension, Indonesia attracted its worst score during the post-Suharto period under Megawati (20.1), which slightly increased at the end of her term in 2004 (to 25.4). In the SBY period, the score for this dimension saw its highest increase, from 25.4 in 2005 to 41.8 in 2014.¹⁰¹⁴

Another dimension of the WBI governance index was regulatory quality, for which Indonesia received its highest score during the later period of Suharto (57.4 in 1996) before experiencing the greatest fall (to 36.8) by the end for his presidency in 1998. During the post-Suharto period, the score continued to fall, after slightly increasing during the Gus Dur period (41.7 in 2000) to the lowest score under Megawati (20.6. in 2003) then slightly increasing in 2004 (25.0). In the SBY period, the score increased from 31.4 in 2005 to 49 in 2014.¹⁰¹⁵

Then, with regard to the government effectiveness dimension of the WBI governance index, Indonesia attracted its lowest score during the Suharto period (37.1) in 1996, and then reached the lowest (29.3) during the political as well as economic crisis in 1998. During the post-Suharto period, the score increased to 44.9 in 2000 during the Gus Dur period, then

¹⁰¹⁴ *Ibid.*

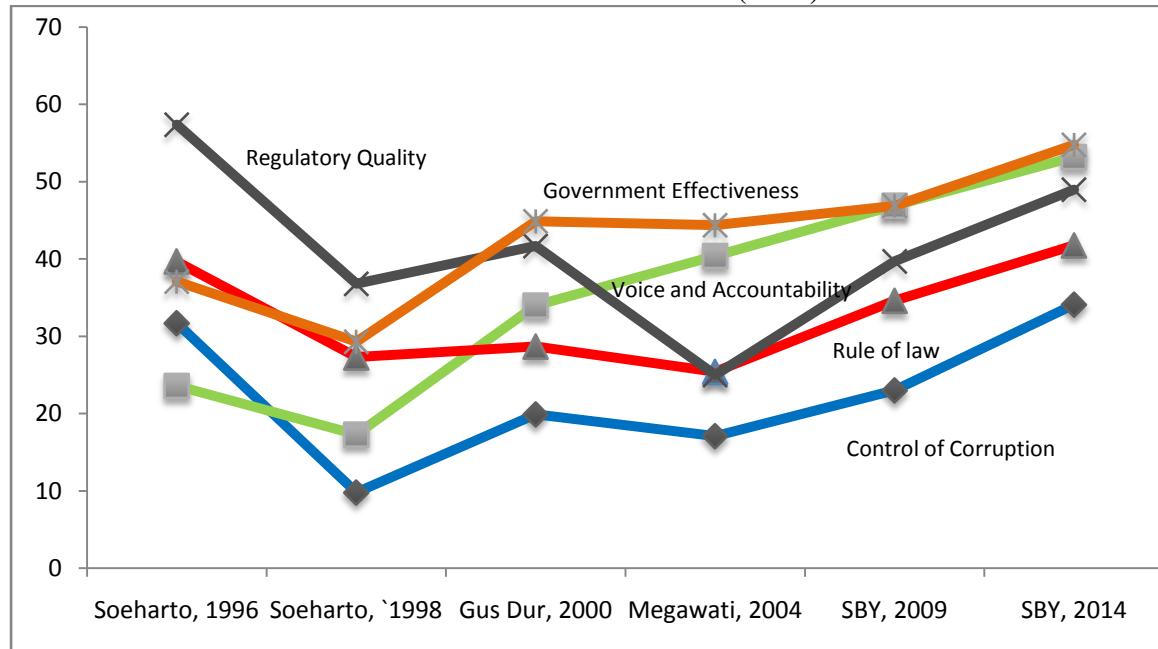
¹⁰¹⁵ *Ibid.*

became relatively stable, with a score of 44.4 in 2004 during the Megawati period. In the SBY period, the score fell to 38.5 in 2004 before reaching its peak of 54.8 in 2014.¹⁰¹⁶

As mentioned in the introduction section, there is a question about the methodology of the governance index when the result is quite different from Indonesia's political situation on the ground; for instance, it gives the highest score for the Rule of Law during the Suharto period, which was known for its disregard of the law enforcement process, and it is also puzzling that it gives the chaotic Gus Dur administration a high score in terms of government effectiveness. There was certainly a divergence between the perceptions of the sample that were used to aggregate the index and the political reality during the Suharto and Gus Dur era. This was perhaps due to the fact that the rule of law under Suharto was seen by the business players only in the context of settling commercial cases that were more 'predictable' by then, compared to the high legal uncertainty during the post-Suharto era. In the case of Gus Dur, it is possible that, as the first truly democratically elected government, the euphoria was still running high, especially in the first year. Thus, it was a reflection of the hope rather than the overall performance of Gus Dur's government. Nevertheless, the outlier is only those two particular cases, as the remaining indicators are quite consistent, in my view, with the political reality and the result of other governance indicators. The index shows a mixed trajectory, with certain indicators pointing to a positive trend from the Suharto period to the SBY period (government effectiveness as well as voice and accountability), while other indicator fell after Suharto (with regard to regulatory quality). As for the control of corruption and rule of law, there was relatively little change from the Suharto period to the SBY period, albeit in positive direction.

¹⁰¹⁶ *Ibid.*

Chart 2: World Bank's Worldwide Governance Indicator (WGI) on Indonesia in 1996-2014.



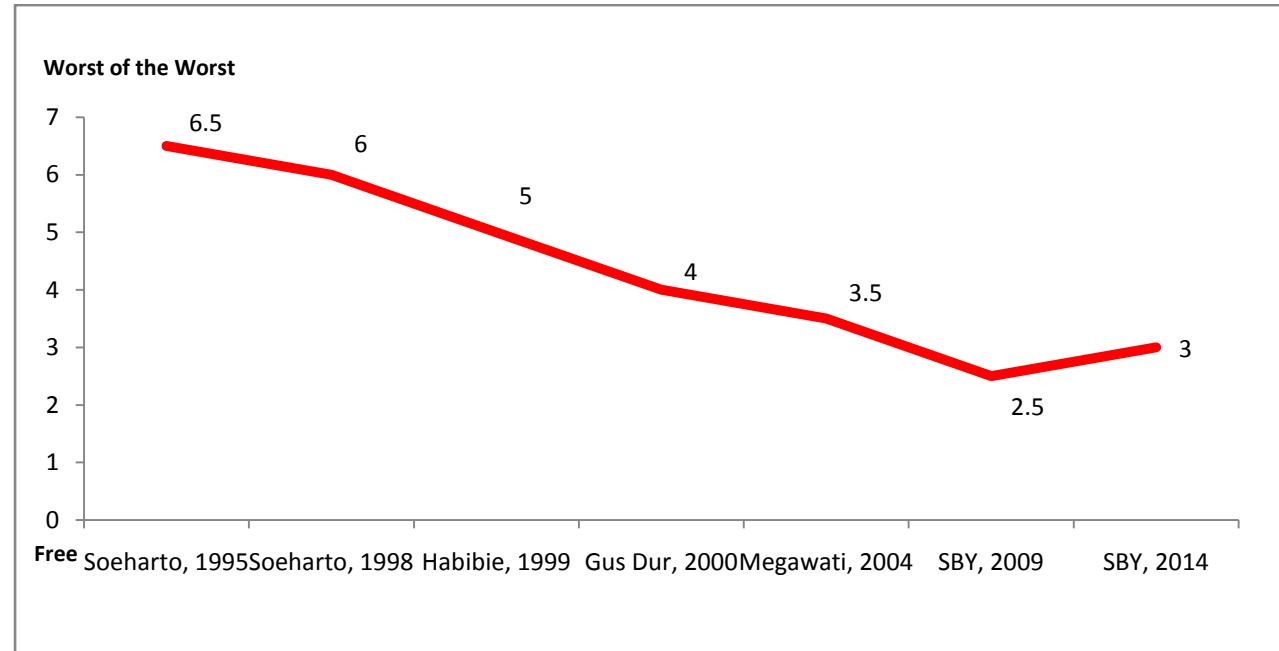
Notes: for the methodology and complete data of WGI index look at <http://info.worldbank.org/governance/wgi/pdf/c102.pdf>

In using the freedom index, published by Freedom House, it showed a positive trajectory from the Suharto to the SBY periods. Using a scale from 0 (the freest) to 7 (the worst of all), based on Freedom House's assessment, Indonesia during the Suharto period was given a freedom rating score of 6.5 which put it in the category of not a free country. During the post-Suharto period, during the relatively free national election in 1999, Indonesia improved its score to 5, thereby placing it in the category of a partly-free country. For this same category, its score improved to 3.5 during the second, relatively free and fair, national election in 2004 under Megawati presidency. During the SBY period, Indonesia reached its highest score of 2.5 in 2005, thereby placing it in the category of a free country, which remained stable until 2013. However, during the last year of the SBY period, Indonesia's score fell slightly, to 3, thereby designating it a partly-free country.¹⁰¹⁷ This downgrade, according to

¹⁰¹⁷ Freedom House, Indonesia: Evolutions of Freedoms in the last 20 years, retrieved on 6 July 2015 from <https://freedomhouse.org/report/freedom-world/freedom-world-2015#.VZpBixtVikq>

Freedom House, was, among other things, ‘due to the adoption of a law that restricts the activities of non-governmental organizations.’¹⁰¹⁸

Chart 3: Freedom Index from Freedom House on Indonesia in 1995 – 2014.



Notes: for the methodology and complete data look at <https://freedomhouse.org/report/freedom-world/freedom-world-2015>

In sum, based on a historical comparison analysis and trends of governance and corruption indicators, in my view, Indonesia on balance has been on a positive trajectory in the context of the governance reform and anti-corruption initiative since the fall of Suharto, from 1998 to 2014. This was in contrast to the grim assessment of the country’s trajectory by the majority of Indonesia’s national mass media or the highly skeptical Indonesian and international political analysts or journalist of that period.¹⁰¹⁹

It should be admitted, however, that there was no dramatic progress in terms of governance reform and anti-corruption initiatives in that period that would have brought Indonesia via a faster trajectory to the next level as a high-middle-income country in an effort

¹⁰¹⁸ Freedom House, Indonesia Freedom Rating in 2014, retrieved on 6 July 2015 from <https://freedomhouse.org/report/freedom-world/2014/indonesia#.VZpAExtViko>

¹⁰¹⁹ Yudi Latif, ‘Di Ambang Negara Gagal (On the Verge of Failed State)’ *Kompas*, 8 February 2011, p. 6. Thomas Friedman, ‘What a Mess!’, *New York Times*, 3 October 2000, retrieved on 8 September 2015 from <http://www.nytimes.com/2000/10/03/opinion/foreign-affairs-what-a-mess.html>

to avoid ‘the middle income trap’ as experienced by developing countries like Mexico, Brazil and South Africa in the period 1980s-2014.¹⁰²⁰ Although progress has been made in terms of democratization that changed the political governance structure from the authoritarian streak under the New Order era into democratic one, the fundamental social and economic patronage structure of the previous regime remained largely intact, at least in the case of the post-Suharto to the SBY periods. To add further complication, the oligarchs, the nationalist political elites and conservative elements from the previous regimes also remain largely politically influential. Therefore, the progress and set-backs in the governance reform and anti-corruption efforts in Indonesia at the national level from 1945-2014 have been largely based on the outcome of the compromise between the reformist and conservative elites at the expense of the potential for broader governance reform and more extensive anti-corruption efforts during that period.

Indonesia’s Historical Baggage: Impediments to the Progressive Governance Reform and Anti-Corruption Effort

The evaluation of Indonesia’s governance reform and anti-corruption initiative from the Sukarno to the SBY era that is outlined comprehensively in this thesis has led to an extensive descriptive result and analytical findings with three general conclusions. First of all, from Indonesia’s independence until the end of the SBY period in 2014, some of the reformer leaders, like the administrator group during Sukarno’s era, the technocrats during Suharto’s era or the technocrats as well as civil society during the post-Suharto era were unable to bring about comprehensive, deeper or sustainable governance reform. This was because, by using Dahl’s political pluralism framework, the political resources that this reformist possessed, like knowledge, information, and education, were insufficient to overcome the other more traditional political resources possessed by conservative actors such as charisma (Sukarno era),

¹⁰²⁰ The World Bank, *Indonesia: Avoiding the Trap* (Jakarta: the World Bank Indonesia, 2014), pp. 3-4.

voters (Sukarno era), physical force (Suharto era) or wealth (Suharto era). However, in age post-Suharto era, this reformist group managed to push for some significant reform, like constitutional amendment and the empowerment of the KPK, by using their knowledge, information and organization through an alliance with more prominent politicians who were popularly elected, like Megawati or SBY. This reformist individual/ group, or using Kingdon's terms, 'policy entrepreneurs' or 'transformational leaders', using a modified Burns' leadership framework, were unable to enact more comprehensive or sustainable reform because of the lack of political support. Therefore, as their effectiveness was dependent on this populist leader, the scale and depth of the governance reform was compromised with the political or commercial interests of the mainly conservative figures/oligarchs. These oligarchs or conservative figures zealously maintained the economic patronage in Indonesia's political system to finance and ensure their political influence at the national level.

Nonetheless, until the end of the SBY period, in my view, Indonesia achieved the requirements that constituted basic democracy, like: free and competitive elections; more than one serious political party; and alternative sources of information. This was evident in the governance and democratic indicators, as discussed above. As evident from chart 2, after the fall of Suharto, there was a positive trend in most governance indicators by the World Bank as shown by the scores for: rule of law; voice and accountability; and government effectiveness. As for regulatory quality indicators, it shows that the score was worsening until the Megawati period and then increased during the SBY period. On the freedom index as outlined in chart 3, Indonesia started to become a partly free country after the fall of Suharto.

However, in my view, it should be admitted that the quality of the democratic governance structure in Indonesia did not achieve substantial progress with regard to

governance issues such as transparency, rule of law and public accountability.¹⁰²¹ The conservative political actors were still able, from their political position, to moderate or even roll back some of the reforms.

As for the second conclusion, the anti-corruption effort from independence in 1945 until the emergence of the KPK in 2004 was arbitrary and mostly imbued with political motives that limited its impact. Dahl's analytical framework again shows that the various anti-corruption teams or institutions only possessed 'high skilled' political resources such as knowledge, organization and education but the more traditional political resources, like popular votes, charisma, physical force and wealth, were clearly more influential in determining the national policy outcome during the Sukarno and Suharto periods. Accordingly, the number of anti-corruption drives during the Sukarno and Suharto eras was limited and fractured, since these were seen by both as politically motivated and not aligned with their political and economic interests. This was evident when the 'policy entrepreneurs' as described by Kingdon or 'transformational leaders' as defined by Burns during both periods had only limited opportunities and a short time frame for pushing the anti-corruption effort. For instance, Sukarno was unenthusiastic about providing support for Nasution's PARAN or Hamengkubuwono IX's BAPEKAN and BPK during his reign. Meanwhile, despite the early pledge to the student activists to address corruption in the late 1960s to early 1970s, Suharto was never enthusiastic about pursuing anti-corruption measures, especially involving his trusted aides. Even if there were some anti-corruption initiatives, their scope was limited. Later, Suharto and his associates became part of the problem and even a symbol of the corruption, collusion and nepotism that were so pervasive during the New Order Era. These two periods also show that the economic patronage was not easily dismantled by the reformists

¹⁰²¹ Larry J. Diamond and Leonardo Morlino, 'The Quality of Democracy: An Overview', *Journal of Democracy*, Vol 5. No. 17, 2004.

since it was one of the main instruments for these political leaders to maintain and even expand their traditional political resources to ensure their regime's durability. It is also evident from the TI's Corruption perception index in chart 1 that Suharto's era was one of the low scores, with only the Habibie era earning a lower score. The World Bank governance index in chart 2 also showed that, in the Suharto era, Indonesia had the lowest score for control of corruption.

The final general conclusion is that, in my view, the emergence of the KPK was an important milestone in Indonesia's anti-corruption history that started to change the sense of impunity of high state officials during the SBY period but, as the influence of the KPK was growing, it was hampered by a lack of resources and vulnerable to attack by vested interests, especially from the law enforcement institutions like the police and the attorney general. Using Dahl's political pluralism analytical framework, the emergence of the KPK as the leading anti-corruption agency in Indonesia was clearly one of the rare occasions on which the reformists with high skill-related political resources (like knowledge, information, organization) were able to enact a policy change that had a significant political outcome. This was achieved, in my view, through effective collaboration with important actors with strong traditional political resources like strong constituents or popular support; for instance, the Ministry of Law during the deliberation of the KPK bill and SBY's government during the crucial KPK's institutional building effort. As one of the prime actors in the anti-corruption effort, the KPK was equipped with a strong mandate and authority, and supported by sophisticated organizations and competent human resources. As a result, the KPK was able to prosecute high-ranking officials indiscriminately, as shown by the conviction rate of almost 100 percent. This was also supported by the TI's corruption perception index that showed that, during the SBY period and the emergence of the KPK, it has the highest score, as evident in chart 1. Furthermore, the World Bank governance index also shows that the score for control of corruption was highest during the existence of the KPK and SBY period, as shown in chart 2.

The change in the level of impunity among Indonesia's top political leaders through its prosecution work, in my view, led to the KPK becoming the main 'policy entrepreneur' or 'transformational leader' in the context of the anti-corruption initiatives. However, the significant backlash and resistance by vested interests and the law enforcement agencies showed that the overall social, political and economic structure that incubated corruption in Indonesia remained largely intact. One of the main sources of corruption was the continuing existence of economic patronage that helped these conservative figures or oligarchs to mitigate any robust anti-corruption efforts. Thus, due to the complexity and scale of the corruption and governance structural problem up until the end of the SBY period, the KPK were unable to tackle this by themselves. This is because, in my view, there were too few other policy entrepreneurs or transformational leaders who were able to work together or provide support for the reformers or KPK (in the SBY period) so that it could bring more robust and significant prosecutions of big corruption cases. Adding further complication, instead of being a reliable partner, the Police and Attorney General were actively trying to undermine the KPK's work that meant that the overall anti-corruption efforts could not achieve their full potential. Consequently, from independence until the end of SBY's presidency, the anti-corruption effort as a short term measure was not optimal for reinforcing the long-term measure in addressing corruption through governance reform to build a better quality democratic political system in Indonesia.

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Prof. Dr. Juwono Sudarsono, Minister of Environment 1998, Minister of Education 1998 – 2000, Minister of Defense 2000 – 2001, Minister of Defense 2004 – 2009, Jakarta, Indonesia, 23 January 2012.

Dr. Hassan Wirajuda, Member of the Supreme Advisory Council to President on Foreign Affairs 2010 - 2014, Minister of Foreign Affairs in 2001 – 2009, Jakarta, Indonesia, 24 January 2012.

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Dr. Rizal Sukma, Executive Director of CSIS in Jakarta, 23 April 2013.

Prof. Dr. Dewi Fortuna Anwar, Deputy Secretary to Vice President on Political Affairs, Jakarta, 24 April 2013.

H.E. Charles Humpfrey, former UK Ambassador to Indonesia, London, 23 August 2013.

Prof. Dr. J.B. Sumarlin, Minister of State Apparatus, Head of State Planning Agency (BAPPENAS), Minister of Finance under President Suharto Era, Jakarta, 14 November 2013.

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Dr. Arifin Siregar, Minister of Trade, Governor of Indonesia Central Bank, Indonesia Ambassador to the US under President Suharto, Jakarta, 16 December 2013.

Prof. Dr. Emil Salim, serving in a number of ministerial posts under President Suharto, Jakarta, 23 December 2013.

Dr. Bert Hoffman, former Lead economist of the World Bank Jakarta, Singapore, 12 February 2014.

Aristides Katoppo, former Chief Editor of *Sinar Harapan*, Singapore, 26 February 2014.

H.E. Barry Desker, former Singapore Ambassador to Indonesia, Singapore, 7 March 2014.

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