

VAN ZORGE

REPORT

ON INDONESIA

COMMENTARY & ANALYSIS ON INDONESIAN POLITICS AND ECONOMICS

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Van Zorge Report

VZR is a bi-weekly report specialising in the analysis of Indonesian politics and economics for foreign businesses.

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FROM THE EDITOR...

A Crisis of Leadership

Looking back over the political crisis that has engulfed Indonesia for the past three years, one must wonder: Aren't there any capable leaders who can extricate the country from its state of overwhelming uncertainty? The current cast of political figures, which includes President Abdurrahman Wahid, Vice-President Megawati Soekarnoputri, MPR Chairman Amien Rais, and DPR Speaker Akbar Tandjung, has failed the litmus test of leadership—the ability to build a national consensus. Each of these politicians has, unfortunately, displayed a lack of direction and purpose in their respective offices. Instead of pulling together for the sake of trying to solve the country's problems, they have become increasingly polarised. Persistent backstabbing and finger-pointing among the elite has exacerbated the climate of uncertainty, further eroding confidence in Indonesia as a place to do business.

More recently, the foreign investment community has been fretting over the continuing battle between the president and his political opponents. Slightly more than one year in office, Wahid has been besieged with charges of corruption and incompetence. Incessant talk by Amien Rais and, at times, even Akbar Tandjung about the possibility of impeaching Wahid rose to a high level pitch before August's MPR session. Having failed, there are now renewed attempts within Rais' camp to build a wider consensus that Wahid should be ousted. Rais is arguing that if Wahid is not removed from office, there is a risk of national disintegration. Joining hands in this new chorus is the noted Indonesian economist, Sjahrir, who recently made statements to the effect that Wahid is undoubtedly corrupt and must resign.

It is ironic that, in the wake of the failed prosecution of former President Soeharto and question marks over whether his son, Tommy, will actually serve his sentence of 18-month sentence for corruption, the nation's politicians and self-appointed pundits are clamouring for Wahid's demise. That Soeharto and his family were corrupt there can be no doubt, whereas any wrongdoing by Wahid has yet to be proven by state investigators. Here, the blame for continued failure in

the Soeharto family trials must be laid at the doorstep of a compromised judiciary, which has neither the will nor the moral fortitude to incarcerate the nation's most notorious criminals. Even more ironic is the fact that Wahid's detractors today were among the more vocal in their criticism of Soeharto during the latter's years in power, and now remain stunningly silent as Soeharto and friends remain beyond the reach of justice.

Bemoaning the fact that Wahid has yet to make significant progress on complex problems such as secessionism and economic reform also misses the mark. Pressures for secessionism are the backlash of over three decades of brute suppression and exploitation of the richer outer provinces by the Soeharto regime and its military commanders. The tremendous challenges posed by economic reforms, in particular corporate and bank restructurings, are the costs of Soeharto's egregious style of crony capitalism. These legacies of the Soeharto era, and many others, are the inheritance of President Wahid and they will remain daunting challenges for his successors in the future, as well.

This is not to argue that Wahid does not have glaring deficiencies. His incorrigible appetite for intrigue, perplexing tactical manoeuvres, and an opaque style of decision-making evoke exasperation and confusion at the same time, which is hardly the ideal management model for a nation mired in crisis. Wahid perhaps recognises his shortcomings, and has taken the right step in assigning a capable spokesman but, until now, it seems that the president is unable to resist the temptation of reverting to form and taking the podium.

So the question remains: Given the poor profile of today's political figures and a maelstrom of crises facing the nation, how could one ever be optimistic about Indonesia's being able to turn the corner and instill greater confidence about its future? The answer lies obviously not in undermining the incumbent and therefore creating even more uncertainty. Solutions are not to be found simply by engineering Wahid's removal from office. Rather, a change in Indonesia's fortunes will require a higher and nobler sense of purpose by Indonesia's political elite, which in the final analysis will demand a show of true leadership. □

IRIAN JAYA

A Province At The Crossroads: Irian Jaya or Papua?

The recent tragedy in Wamena, a town situated in the hinterland of Irian Jaya, has refocused attention on the remote and restive province. This outbreak of violence, in which over 30 people were killed and dozens injured, was triggered when a group of Brimob police removed one of the separatist 'Morning Star' flags that were flying in the town. However, most of those killed were transmigrants. This event, together with the subsequent shift in stance towards the separatist movement, signals a definite change in both the tactics and policy being used by the central government. This change is of immense importance, as it provides insight into the current power struggle among the political elite in Jakarta and could have the most profound implications for the government's attitude towards other provinces with secessionist tendencies. It could also have major implications for Indonesia's foreign policy.

In order to understand this change and where it could lead, it is first necessary to examine the push for independence in Irian Jaya in greater detail. We then go on to look at what the implications of the new policy could be, and the directions in which this could take the province.

THE SITUATION IN IRIAN JAYA IS UNIQUE, WITH CULTURES UNCHANGED FOR 30,000 YEARS COLLIDING WITH MODERNITY.

Political Overview

Characterised by a rapid and drastic transformation of society, the socio-political environment of Irian Jaya is quite unique. Within the space of one or two generations, indigenous tribal cultures that had remained unchanged for 30,000 years have suddenly collided with the 20th century. These cultures find themselves struggling to come to terms with a modern society in which industrial activities are replacing traditional means of seeking a livelihood. With the pressures of cultural transformation and, as a result, of perceived injustices suffered at the hands of the central government, the military and PT Freeport Indonesia, the Papuan independence movement has gained strong grassroots support among the native population of the province.

NATIVE PAPUANS FEEL LITTLE AFFINITY FOR INDONESIA, HAVING FEW ETHNIC, CULTURAL OR RELIGIOUS SIMILARITIES.

For many native Papuans, the independence movement has become a means of expressing their frustrations and anger towards government policies, which they feel deny them their basic human dignity, violate their human rights, and irreparably damage their traditional lifestyles. Through the movement, the Papuan people are seeking an affirmation of their unique identity and history and, perhaps most importantly, their dignity; all of which they feel have been suppressed under Indonesian rule. In general, native Papuans feel little affinity with other Indonesians, particularly the dominant Javanese, with whom they share few ethnic, cultural, or religious similarities.

SECESSIONIST SENTIMENTS STEM FROM A VARIETY OF FACTORS.

Root Causes of Secessionist Sentiment

The secessionist sentiments of native Papuans are the result of a combination of cultural and historic factors. These include rapid cultural change, many years of poor governance, the recent precedent set by East Timor and a general desire for self-determination. In addition, there are strong indications that opportunists and organised criminal elements are fermenting and exploiting the independence movement for their own ends.

THE DUTCH RETAINED CONTROL AFTER INDONESIAN INDEPENDENCE IN 1947.

Historical Basis: The Dutch presence, in what was then known as Western New Guinea, was tenuous at best prior to Indonesian independence in 1947, at which time the vast majority of the interior of the island remained unexplored. When the UN recognised Indonesian independence in 1947, the Dutch retained control over Western New Guinea, despite claims to sovereignty from the fledgling republican government to the west. With this their

only remaining colonial possession in the region, the Dutch actively encouraged and prepared the territory for self-government. Having already lost their other possessions, the Dutch were loathe to see Western New Guinea also fall under Jakarta's control.

In October 1961, for the first time the Dutch installed a local parliament known as the *Volksrat*. Shortly afterwards, a group of native Papuans convened what they described as the First Papuan National Congress, which subsequently declared the Dutch possession an independent state on 1 December 1961. It was at this congress that the *bintang kejora*, or 'Morning Star' flag as it is known internationally, was first adopted as the symbol of a free Papuan nation.

Despite Jakarta's ambitions, the under-equipped Indonesian military was unable to challenge Dutch control until 1962. As part of Soekarno's *konfrontasi* policy, Indonesian forces attempted to infiltrate the territory with over 2,000 soldiers. However, they met with little success, primarily because the Papua population failed to welcome them as liberators. While Soekarno had boasted that Papuans kept Indonesian flags hidden under their beds, more often than not the Indonesians were attacked or captured, and handed over to the Dutch authorities. Subsequently, manipulating cold war tensions, President Soekarno threatened the Dutch colony—which he relabeled West Irian—with a soviet-built air force in an attempt to distract public attention at home away from an ailing economy.

Finally, in the face of mounting Indonesian threats and, more importantly, under considerable diplomatic pressure from the US, the Dutch government reluctantly transferred its authority over Western New Guinea to the UN in 1962, on the condition that the Papuans were given the opportunity to vote on their future. The UN eventually acquiesced to an Indonesian proposal to conduct a poll among 1,000 handpicked tribal leaders in 1969 in what later became known as the Act of Free Choice.

The validity of this Act of Free Choice is still hotly debated in Irian Jaya. Because local conditions precluded a popular referendum, Indonesian officials argued that the best option was to convene a congress of more than 1,000 prominent native Papuan leaders to determine the territory's future. By contrast, the UN favoured a mixed system, with the balloting of registered voters in the cities and appointed tribal leaders for the hinterlands. However, at the height of the cold war, western nations had no desire to upset Soekarno over the issue of a sparsely populated island inhabited solely by 'primitive tribes.' As a result, in an episode that the UN does not look back on as its finest hour, the Indonesians got their way.

In the event, far fewer than 1,000 individuals actually participated in the Act of Free Choice, and there are plausible claims that the Soekarno government used bribery and coercion to ensure a vote for integration with Indonesia. The UN, eager to appease Soekarno and divest itself of responsibility for the former colony, accepted the result of the poll and recognised West Irian, as it was known at that time to the Indonesians, as an integral part of the Indonesian republic. In August 1969, Indonesia officially took over control of the territory, and renamed it Irian Jaya. However, many pro-independence Papuans

THE FIRST PAPUAN NATIONAL CONGRESS MET IN 1961 AND DECLARED PAPUA AN INDEPENDENT STATE.

INDONESIA STARTED TO THREATEN TO TAKE CONTROL OF THE COLONY IN 1962. UNDER INTENSE DIPLOMATIC PRESSURE FROM THE US, THE DUTCH FINALLY AGREED TO PASS CONTROL TO THE UN.

THE UN AGREED TO AN INDONESIAN PROPOSAL TO CONVENE A CONGRESS OF 1,000 TO DECIDE THE COLONY'S FATE, LATER CALLED THE ACT OF FREE CHOICE.

MANY PAPUANS DISPUTE THE VALIDITY AND FAIRNESS OF THE ACT OF FREE CHOICE. THERE IS EVIDENCE THAT INDONESIA USED COERCION AND BRIBERY. NEVERTHELESS, THE TERRITORY OFFICIALLY BECAME PART OF INDONESIA IN 1969 AND WAS RENAMED IRIAN JAYA.

MOST INDONESIANS DISAGREE WITH THOSE WHO DISPUTE THE ACT AND ARGUE THAT IRIAN JAYA SHOULD HAVE BEEN INCORPORATED INTO NEWLY INDEPENDENT INDONESIA IN 1947.

THE ARRIVAL OF MODERN INDUSTRY AND AN INFLUX OF TRANSMIGRANTS HAVE PUT INDIGENOUS TRIBES UNDER GREAT STRAIN.

MANY PAPUANS FEEL THEY HAVE BEEN ECONOMICALLY EXPLOITED AND THAT THEY ARE THE VICTIMS OF RACISM.

THE PAPUANS HAVE SUFFERED THEIR SHARE OF HUMAN RIGHTS ABUSES FROM THE MILITARY AND THEY FEEL THAT THE LEGAL SYSTEM CONTINUES TO WORK AGAINST THEM.

PAPUANS ALSO FEEL THEY HAVE NOT BENEFITED SUFFICIENTLY FROM FREEPORT'S OPERATIONS.

continue to reject the legitimacy of this decision. Given the undemocratic process and the dubious circumstances surrounding the Act of Free Choice, their position is not entirely without basis.

Conversely, some Indonesian nationalists argue that there was no justification for conducting the Act of Free Choice in the first place. They argue that because of Irian Jaya's shared colonial heritage and language with the rest of Indonesia, the international community should have recognised it as an integral part of Indonesia in 1947. These opposing views regarding the Act of Free Choice are difficult to reconcile, with each side believing that its own position is morally justified.

Cultural Shock: Irian Jaya is characterised by an extraordinarily complex interplay of traditional cultures, most of which are under enormous strain as a result of attempts to come to terms with the industrial age. Until the middle of the twentieth century, the bulk of Irian Jaya's native population used stone-age implements and lived in isolation from the outside world. For many native Papuans, a 30,000 year-old pattern of existence changed suddenly, within the space of one generation, with the arrival of Indonesian influence in 1962 and the subsequent development of modern industry together with an influx of transmigrants from other more overcrowded parts of the archipelago. However, the state apparatus of Soeharto's New Order regime was ill-equipped to facilitate this cultural transformation, and New Order officials were probably disinclined even to try. Consequently, a major cultural collision ensued, and Papuan society remains in deep cultural shock. The recent calls for political independence are just one symptom of this.

Perceived Injustices: For many native Papuans, the independence movement is a means for expressing anger at the perceived injustices of the central government, the military and PT Freeport Indonesia. These perceived injustices relate to the overall disruption to traditional life, as well as a feeling that government policies have resulted in a failure to treat ethnic Papuans with basic human dignity. Under Indonesian rule, many ethnic Papuans feel that they are the victims of racism.

Human Rights Violations: The Indonesian army has a poor track record in Irian Jaya, and has been accused of numerous instances of human rights abuses. The sense of injustice has been exacerbated by a lack of legal recourse for Papuan victims of human rights abuses, due to the influence of the military over the courts, and by a feeling that the legal system is inherently biased against native Papuan interests. This feeling was reinforced shortly after the recent Second Papuan National Congress: While military officers remain almost entirely above the law, the legal system promptly instigated investigations into allegations of treason by some of the delegates attending the congress.

Perceived Inequities: With the boomtown atmosphere surrounding PT Freeport Indonesia's massive mining operations, severe social jealousies have emerged. There is a widely held belief that Irian Jaya's mineral wealth is being unfairly exploited and that native Papuans have failed to benefit from the mine's operations. This belief is visceral and held by the vast majority of

native Papuans, not merely the Papuan elite. Ironically, it is worth pointing out that most Indonesians feel that Indonesia has been cheated by PT Freeport Indonesia.

Violations Of Land Rights: Complaints that traditional Papuan land rights (*ulayat*) have been violated by government transmigration programmes and commercial logging activities are common. Unfortunately, the norms of traditional land rights and of the traditional use of resources clash sharply with commercial practices, at least in an Indonesian context. While this is a problem over the entire archipelago, it is particularly acute in Irian Jaya.

AGGRAVATED BY THE TRANSMIGRANT PROGRAMME, PAPUANS' TRADITIONAL LAND RIGHTS HAVE NOT BEEN RESPECTED.

Poor Governance: More sophisticated native Papuans take issue with the manner in which the New Order government administered the province. A common complaint relates to the highly centralised civil bureaucracy and decision-making process. More than three decades of domination by a Jakarta-based bureaucracy have generated deep resentment in a large number of Indonesia's regions, not just Irian Jaya. Widespread, brazen corruption on the part of public officials has exacerbated this resentment.

THE PROVINCE HAS BEEN POORLY GOVERNED AND SUFFERED AT THE HANDS OF CORRUPT PUBLIC OFFICIALS.

Desire for Self-Determination: Apart from the resentment against the central government due to the factors stated above, there is also a genuine desire for self-determination among native Papuans. This desire is based upon a perception that indigenous Papuans share a common history and culture that are quite distinct from other Indonesians. Many Papuans lack a sense of affinity with other Indonesians, particularly the dominant Javanese, with whom they share few ethnic, cultural or religious characteristics.

ON TOP OF THEIR OTHER COMPLAINTS, PAPUANS FEEL NO AFFINITY FOR INDONESIANS.

The East Timor Precedent: Support for the ethnic Papuan independence movement received a boost, albeit a transient one, after the independence of East Timor. In late 1999, there were widespread expectations among Papuans that the UN, the US and Australia would somehow liberate the province from Jakarta within a matter of weeks. These false hopes have since dissipated.

THE EAST TIMOR PRECEDENT HAS BEEN A FACTOR IN INCREASING THE EXPECTATIONS OF THE PAPUANS.

Opportunists: Opportunists with vested interests have also come to the support of the native Papuan independence movement. As in the new states emerging as a result of decentralisation elsewhere in the world (such as in the former Soviet republics), local thugs and racketeers have emerged as powerful figures. For such individuals, the independence movement provides a means of achieving greater power and wealth while simultaneously fending off threats to their interests resulting from democracy and the rule of law. By insulating Irian Jaya from Jakarta, independence—or failing that, special autonomy—promises to provide these individuals with a means of preserving Soeharto-era business arrangements and to prevent the process of political reform from shedding light on their shady dealings.

LOCAL THUGS AND RACKETEERS, WHO HAVE PROSPERED IN RECENT YEARS, AND ARE USING THE SEPARATIST ISSUE TO THEIR ADVANTAGE.

With their ability to manipulate and exacerbate the various causes of discontent mentioned above, opportunists play a particularly important role. There is the potential for a vicious cycle in which the process of political reform threatens the position of gangsters, gangsters provoke popular dissent, popular dissent strengthens the independence movement, and the movement presents greater demands for political reform.

THIS INVOLVEMENT BY MORE UNDESIRABLE ELEMENTS COULD CREATE A VICIOUS CYCLE.

THE FREEDOM OF EXPRESSION SINCE SOEHARTO'S RESIGNATION HAS ALSO EMBOLDENED THE SEPARATIST CAUSE.

THE JUSTIFICATION FOR SECESSION IS WEAKER THAN EAST TIMOR, BUT STILL CANNOT BE IGNORED.

DEMANDS FOR EAST TIMOR'S INDEPENDENCE WERE COMPELLING AND SUPPORTED BY THE UN TOGETHER WITH MOST OF THE INTERNATIONAL COMMUNITY.

WHILE LESS CLEAR CUT THAN EAST TIMOR, IRIAN JAYA HAS THE STRONGEST CASE AMONG THE INDONESIAN PROVINCES CURRENTLY SEEKING SECESSION.

IRIAN JAYA IS TOO IMPORTANT TO LOSE, AND WOULD ALSO SET A PRECEDENT LEADING TO DISINTEGRATION.

PREVIOUS ARMED INSURRECTION WAS PUT DOWN WITH RELATIVE EASE BY THE INDONESIA ARMED FORCES.

Press Liberalisation: Finally, the seemingly sharp increase in calls for independence could be, to some extent at least, a function of the liberalisation of Soeharto-era controls on public discourse. Thanks to political reform and liberalisation, opinions can be voiced and heard with far greater freedom now than in the past. Thus, the apparent increase in secessionist sentiment may be partly the result of latent sentiments suddenly becoming public after a long period of suppression.

Justification for Secession

The strength or otherwise of the rationale for secession is a vital factor in assessing the level of support the independence movement can generate, both domestically and within the international community. Indonesian unity is typically justified in terms of a common national language and a shared colonial history. On this basis, the justification for the Papuan independence movement is far weaker than in the case of East Timor, albeit somewhat stronger than in the case of Aceh.

Other Provinces: East Timor had compelling grounds for its demands for independence. Apart from the fact that Indonesia acquired the territory by force, East Timor had previously been governed by the Portuguese, and the province had little sense of shared history with Indonesia, virtually all of which was ruled by the Dutch colonial government prior to independence. In addition, at the time of East Timor's integration, the use of the Indonesian language was extremely limited. Crucially, the UN never recognised Indonesia jurisdiction over the territory.

In contrast to Irian Jaya, the rationale for the secession of provinces such as Riau and East Kalimantan is weak. These provinces were always an integral part of the Dutch East Indies, to a large degree the provinces share similar religious beliefs and the Indonesian language is widely spoken throughout. Aceh, which never fully succumbed to Dutch rule and was ruled by a thriving, independent sultanate until the 17th century, has a slightly stronger rationale for succession than Irian Jaya. In recognition of these facts, Indonesia's founding fathers granted Aceh the status of 'special region,' (although in practice, this has meant little).

Status of the Independence Movement Since the Fall of Soeharto

The increased strength of the independence movement in recent times is largely the result of the transformation of Indonesia's political system from authoritarianism towards democracy. However, notwithstanding the upheavals in the Indonesian political system, the Indonesian president, his cabinet, parliament, and the military are all united in their determination to prevent Papuan independence. The province is simply too large and too valuable for Indonesia to lose. Furthermore, there is a strong perception that the precedent set by the loss of Irian Jaya would spell the start of an unraveling of the territorial integrity of Indonesia, encouraging separatist sentiment in other provinces.

Armed Papuan insurrection is unlikely to ever present a real threat to the Indonesian military, given the sheer size of the province and the geographic, physical and cultural barriers that divide its population. While guerilla offensives launched by the Organisasi Papua Merdeka (Free Papua

Organisation) once justified the classification of Papua as an area of military operations by the central government, the rebels were largely ineffective against the superior numbers and might of the Indonesian military due to a lack of effective leadership, and poor training and equipment. Although the Free Papua Organisation is believed to remain in existence, its numbers are probably tiny, with most of its surviving members from its active period are now in their 50s and 60s.

Spurred on by the calls for *reformasi* during the Habibie administration, the independence movement in Irian Jaya started to gain strength once again in 1998. A group of native Papuans known as Team 100 visited then President Habibie with the intent of pressing the case for greater autonomy. Team 100 included many of the eventual senior members of the Papuan Presidium, together with many moderates who wanted to address the grievances of the Papuan people within the context of a unitary state. The report that they presented to Habibie contained many of the points that became the basis of the demands of the Second Papuan National Congress held in June 2000.

The general election in June 1999 had predictable results, with Golkar receiving the greatest number of votes, followed by PDI-P and a host of smaller parties including PDI. Reflecting the arbitrary allocation of seats to prospective delegates under the Indonesian electoral system, the majority of the delegates elected were not native Papuans. This is because delegates are selected by their respective parties, and not chosen directly by the electorate. In addition, there were allegations of electoral fraud but, given the lack of election observers and the small number of voters relative to the general Indonesian population, these were generally overlooked in the euphoria of the first free and fair elections in most people's living memory. The DPRD vote was similar to that of the DPR, ensuring a generally conservative (pro-Jakarta) regional parliament. While this may have come as a disappointment to the separatists, the referendum in East Timor, which followed three months later, served to embolden them and add momentum to the drive for independence.

BUT THE NEW ERA HAS CREATED GREATER UNDERSTANDING AMONG PAPUANS OF THEIR COMMON CAUSE.

PAPUANS WERE DISAPPOINTED BY THE LOCAL RESULTS OF THE GENERAL ELECTION. BUT THE REFERENDUM RESULT IN EAST TIMOR ENCOURAGED THEM.

Comparison of Indonesia's Regional Differences

Javanese Characteristic	Provinces With Secessionist Sentiment			
	Riau	Aceh	Irian Jaya	East Timor
Lingua Franca	■	■	□	△
Colonial History	■	□	□	△
Race	■	■	△	△
Religion	■	■	△	△
Culture	△	△	△	△
Shared: ■	Shared to Some Extent: □		Not Shared: △	

The election of Abdurrahman Wahid as president gave native Papuans further hope that the old policies of the New Order would soon end. In many ways, Wahid was the perfect choice for the Papuans: A widely respected Islamic leader with strong secular tendencies, he had the ability to listen and seemed the type of person who could address the grievances of the Papuan people.

THE ELECTION OF ABDURRAHMAN WAHID TO THE PRESIDENCY GAVE A BOOST TO THE PAPUAN CAUSE.

WHILE MAINTAINING THAT IRIAN JAYA SHOULD REMAIN PART OF INDONESIA, WAHID ENCOURAGED AN OPEN DIALOGUE WITH THE PAPUANS.

Indeed, President Wahid initially provided a strong vision for the Papuans, and was undoubtedly sincere in his overtures. He seemed to understand that the greatest desire of the Papuans was to be treated as equals with respect. In his speech to the Papuan people, delivered on the eve of the new millennium, he made a number of statements that resonated well with those in the audience. He stated that the name of the province would change from Irian Jaya to Papua, and he personally guaranteed the Papuans' right to freedom and their freedom of speech. He also indicated his willingness to conduct a dialogue with them and address the wrongs of the past. He went on to indicate that freedom could be discussed as a concept in a democratic nation. This point was to provide the greatest amount of momentum for the independence movement. For the first time, Papuans could freely express their aspirations without fear of reprisal. He also warned that he was responsible for maintaining the territorial integrity of Indonesia, but that this would not preclude him from maintaining an open dialogue.

WAHID'S VISION RAN INTO TWO PROBLEMS. FIRST, HE WAS TOO FAR AHEAD OF BOTH HIS CABINET AND PARLIAMENT.

This vision, if followed to its logical conclusion, could have served as the basis for finding a solution to the problems of the Papuan people. However, the vision eventually encountered two problems. The first was that the president got out too far ahead of his cabinet in Jakarta, as well as parliament. This was also at a time when his critics were becoming increasingly vocal, and parliament was turning against him. Without the support of his cabinet at the very least, he would be unable to implement his vision.

ALSO, A MISUNDERSTANDING STARTED TO OCCUR, AND PAPUANS FAILED TO UNDERSTAND THAT WHAT WAS ON OFFER WAS NOT INDEPENDENCE.

The second problem was that in many ways, the president's vision created a deliberate misunderstanding. For a people who had been subject to the worst excesses of the New Order, the distinction between discussing freedom on a theoretical basis and implementing it in fact may have been too fine. From the vantage of the Jakarta elite and a military still smarting from the loss of East Timor, it looked as though the new president was going down a path that would result in exactly the same outcome in Irian Jaya. This ultimately set President Wahid on a collision course with the vested interests in Jakarta, the impact of which is only now being played out.

NOW THE GOVERNMENT HAS REALISED WHERE THINGS ARE LEADING, AND HAS DECIDED TO TAKE A HARDER LINE, STARTING WITH THE SEPARATIST FLAG.

Recent Developments

The probability of violent conflict has undoubtedly increased in recent weeks. The central government in Jakarta has been sending signals that indicate a new get-tough policy towards anyone advocating independence for the province. The most telling example of this can be seen in the policy shift towards the flying of the *bintang kejora* flag, the 'Morning Star', in the province. Previously, President Wahid had indicated that the flag would be permitted to fly as long as it was flown alongside the Indonesian national flag, and was smaller and lower.

THE FLAG WILL BE BANNED AND THE PAPUAN TASKFORCE DISBANDED.

Despite the president's original acceptance of the flag, Marsilam Simanjuntak, the cabinet secretary, announced on 12 October, that the flag would be banned, along with all other items displaying its image, such as T-shirts, bags and caps. He also stated that the Papuan taskforce, known at Satgas Papua, would be ordered to disband.

Local police in Jayapura set a deadline of midnight on 19 October for the flag to be lowered in Jayapura, with additional deadlines to follow for other cities still flying the flag. It is interesting to note that this announcement was made by the Superintendent for Jayapura, not the Kapolda Brig Gen S.Y. Wenas, provincial chief of police for Irian Jaya. Wenas was transferred from his post as Kapolda to National Operations Director for Patrols, a position which he characterised as a lateral move. In an interview in Jayapura with the *Van Zorge Report* on 18 October, Brig Gen Wenas indicated that he had received strong pressure from Jakarta to take a harder line with the separatists. However, he also indicated that he felt the officials in Jakarta did not understand the situation in Irian Jaya, and that it was his job to keep the peace. He also stated that it was not worth shedding blood "over a piece of cloth." While his reappointment was part of a larger police reshuffle, questions remain as to why he was transferred, given that he has only been in the position for one year and was considered by most Papuans to have been one of the best Kapoldas they had ever had. As such, his transfer could be seen as a further indication that a harder line will be taken in the province in the future.

This change in government policy came in the wake of the tragic Wamena incident. But the Wamena incident itself also begs the question: Why was the Wamena flag pulled down in the first place? The answer is complex, and has perhaps less to do with events in Irian Jaya than with the continuing power struggle among the Jakarta elite.

Early on in his tenure, President Wahid assigned Vice-President Megawati responsibility for Irian Jaya, as well as responsibility for the provinces of Maluku and North Maluku. Megawati has made two trips to Irian Jaya, the most recent in May of this year. Although highly publicised, the May trip failed to yield any positive results. In many ways, her trip only served to strengthen the resolve of Papuans further, as they felt slighted by her brief appearances at each stop and frustrated by their inability to engage her in a dialogue on the issues confronting the province.

During the time that Megawati had responsibility for Irian Jaya, President Wahid was also conducting his own campaign in the province. The most memorable trip was on the eve of the millennium, when he viewed the sunrise from Jayapura. During that trip he stated that the province should be renamed Papua and that the Papuans would be allowed to fly their 'Morning Star' flag. It was at this time that he was also approached by the Papuan leadership about attending their Second Papuan National Congress, to be held in May and June 2000. His initial comments were supportive and this was taken as a positive sign by the Papuan leadership.

This was to later become one of his first major points of conflict with his cabinet and parliament. He indicated that he would support the congress financially and would also open the congress in Jayapura. Members of his cabinet at that time balked at the idea, criticising him both for his policy and also for not consulting them prior to making what they felt was a major policy decision. President Wahid had subsequent meetings with the Papuan

BUT DESPITE THE GOVERNMENT'S NEW POLICY, THE AUTHORITIES ON THE GROUND IN IRIAN JAYA HAVE FOR THE MOMENT HELD BACK

THE POLICY CHANGE CAME AFTER THE WAMENA INCIDENT, BUT JAKARTA SEEMS TO HAVE HAD A HAND IN BRINGING THINGS TO A HEAD.

DESPITE HER RESPONSIBILITY FOR THE PROVINCE, MEGAWATI HAS DISAPPOINTED MANY PAPUANS BY HER LACK OF ENGAGEMENT.

THIS CONTRASTED WITH PRESIDENT'S WAHID MUCH MORE APPROACHABLE STYLE.

BUT WAHID WAS SO CLOSE TO THE PAPUAN LEADERSHIP THAT HE ATTRACTED CRITICISM FROM ELEMENTS IN JAKARTA, INCLUDING HIS CABINET.

leadership and a good rapport was developed between them, to the extent that the main source of contact between the Papuan leadership and the central government was through the president himself, to the exclusion of almost all others. This is important, since the Papuan leadership strongly pinned its hopes of finding a solution to the Papuan problem on the president himself. However, only days before the congress, the president let it be known that he would not attend after all. There is little doubt that he was under great pressure in Jakarta not to make the trip, and this was perhaps one of the first clear signs of the president bowing to such pressure, in order to protect his political position.

WAHID'S FAILURE TO ATTEND THE SECOND PAPUAN NATIONAL CONGRESS WAS A TURNING POINT.

In the wake of President Wahid's failure to attend, the government's mood towards Irian Jaya and the leadership started to change immediately following the Second Papuan National Congress. A number of statements by the cabinet secretary underscored the change in policy, branding some of the leaders as traitors. Accusations were also made at the time about unnamed foreign involvement behind the separatist movement. These themes, although unproven, would gain additional credibility.

THE AUGUST 2000 MPR SESSION SHOWN A FURTHER HARDENING OF ATTITUDES.

As the August MPR session approached, President Wahid found himself under additional pressure from a number of sources regarding the efficacy of his presidency. His sympathetic stance towards the Papuans made him vulnerable to attacks from his political opponents.

THE MPR REJECTED WAHID'S PROPOSAL TO CHANGE THE PROVINCE'S NAME TO PAPUA. IN ADDITION, MEGAWATI ACQUIRED MORE AUTHORITY IN RUNNING THE CABINET.

During the MPR session, the delegates took an increasingly hard-line position towards separatists. One indication of this was seen in the decision to reject the proposal to change the name of Irian Jaya to Papua, or West Papua, in direct opposition to the statement that the president had made to the Papuan people. If ever there was a sign that the president's previous vision was dead, then this was it. Such a small but highly symbolic gesture could have been used to advantage in diffusing the Papuans loss of faith in Jakarta. Instead, their fears were only confirmed, hardening their resolve. To make matters worse from a Papuan perspective, President Wahid was also forced to relinquish daily responsibilities of the presidency to Vice-President Megawati. Indeed, it was this move that gave her a mandate to take a more hard-line stance towards the Papuans, which she appears to have done in September with dire results.

WAHID HIMSELF HAS CONTINUED TO DISTANCE HIMSELF.

Interestingly, President Wahid has continued to distance himself from the Papuan problem. It is possible that he has now come to realise that his previous position put him too far ahead of his cabinet and parliament, just when he was feeling increasingly vulnerable politically. Continuing to be closely associated with the issue would leave him exposed to further attacks at a time when he is trying to diffuse potential areas conflict between himself and his political opponents.

THESE CHANGES LEFT THE PAPUAN LEADERSHIP IN A DIFFICULT POSITION WITH THEIR SUPPORTERS.

One consequence of his disengagement from the process was that it left the Papuan leadership in an increasingly awkward position. Papuan leaders were able to hold off the more radical elements at the Second Papuan National Congress (who had wanted to form a government in exile immediately), by pushing for a structured dialogue with the central government. Members of the congress gave the leadership until 1 December 2000 to achieve their

mains goals, which included establishing an electoral commission in the province, writing a constitution and setting up an embassy with Indonesia.

That date is rapidly approaching with no clear progress having been made by the Papuan leadership. Their hope had been to come to an interim agreement with the central government in the form of an MOU stating three points: (1) declaration of Irian Jaya as a zone of peace, which would be weapons-free on both sides, (2) the start of a comprehensive dialogue addressing the concerns of the Papuan people, and (3) the acceleration of economic development. The Papuan Presidium (known under the Indonesian acronym of PDP) had hoped that this MOU could be signed and socialised among native Papuans before the 1 December 2000 deadline. This would have enabled them to declare a small victory and turn the day into one of celebration rather than one of demonstration and possible conflict.

It now seems highly unlikely that the signing of the MOU will take place any time soon, if ever. This puts the current leadership of the Papuan Presidium at serious risk, as Papuan leaders have no concrete results to present to their Papuan constituents. Calls for changes to the leadership have already started to emerge in some of the local Jayapura newspapers. If new leadership emerges it will most likely be more radical and less inclined to engage in meaningful dialogue.

To date, the efforts at dialogue have not met with success. The original plan for a team included Barnebas Suebu and Izaak Hindom, was rejected by the Papuan Presidium. They indicated that since the two were Papuans there was potential to create horizontal divisions among the Papuan community. Based on this, the proposal was rejected. In an interview, Barnebas Suebu stated that he has been appointed by President Wahid to act as an intermediary between the central government and the Papuans. It has not yet been confirmed that he will be accepted by the Papuan Presidium; nor is there any clearly defined timetable for dialogue.

A broader dialogue between the central government and the Papuan people also does not have universal support, especially in parliament. A.M. Fatwa, the deputy speaker of DPR (House of Representatives), made the argument that the dialogue should occur within the context of the democratically elected representatives of the province, and not by creating a new channel of communication when one was already in place (see interview on page 18). Thus, the dialogue should be restricted to include only the central government and the regional and local parliaments. Anything else would subvert the democratic process. While technically correct, this narrow viewpoint will do little to socialise the decisions that would be made within this context.

The Papuan Presidium had high expectations for a meeting that occurred on Tuesday 24 October in Jakarta between Theys Eluay, leader of the Papuan Presidium, and President Wahid. Both sides had deferred any further action on the issue of the 'Morning Star' flag until the meeting took place. But the meeting, which was also attended by Yorrys Raweyai, controversial member of the Papuan Presidium and leader of the notorious Pemuda Pancasila (see

THE PAPUAN PRESIDUM MADE A PROPOSAL TO KEEP THINGS MOVING AND AVOID 1 DECEMBER 2000 BECOMING A SHOWDOWN, BUT THIS FELL ON DEAF EARS.

THERE ARE NOW CALLS FOR A CHANGE IN THE LEADERSHIP OF THE PAPUAN PRESIDUM.

OTHER ATTEMPTS TO REOPEN A DIALOGUE HAVE MET WITH LITTLE SUCCESS AS MUTUAL SUSPICION HAS INCREASED.

MANY IN JAKARTA DO NOT WANT TO SEE ANY FURTHER DIALOGUE OUTSIDE THE INSTITUTIONS ALREADY IN PLACE.

THE MOST RECENT MEETING BETWEEN THE PRESIDUM LEADER AND WAHID WAS INCONCLUSIVE AND THOUGHT TO BE UNSATISFACTORY.

interview on page 19), was less than satisfactory and seems to have led nowhere. Certainly, no positive outcomes were forthcoming. They indicated that there were wide differences in opinion between the president and the Papuan Presidium. No timetable for further meetings was established and future contact will be with Coordinating Minister for Political, Social and Security Affairs Bambang Susilo Yudhoyono, and not the president or the vice-president. Judging by his previous comments, Yudhoyono is likely to be less than sympathetic to the Papuan leadership.

SUBSEQUENT GOVERNMENT STATEMENTS HAVE REITERATED THE HARD-LINE STANCE: THE 'MORNING STAR' FLAG MUST GO.

Subsequent to this meeting, the president announced through his cabinet secretary, Marsilam Simanjuntak, that the 'Morning Star' flag would remain banned because it has become a political symbol of separatism. He indicated that the Papuans would be free to fly another flag, if it carried only cultural significance. This offer has so far been rejected by the Papuan Presidium.

PRESIDENT WAHID IS LITTLE ROOM FOR MANOEUVRE, AS HIS OWN POSITION IS UNDER PRESSURE. AS A RESULT IT IS DIFFICULT FOR HIM TO FIND A SOLUTION.

Clearly President Wahid is on the ropes in regards to the question of Irian Jaya. He realises that a solution must be found, but that his heartfelt attempts are now a liability to his political standing. Nonetheless, failure to find a solution will inevitably result in a loss to his own credibility, already a commodity in somewhat short supply. Failure to find a solution would most probably result in increased violence, for which he would also be blamed. This would also provide a further rallying point for his opponents, at a time when he needs every success that he can muster.

MEGAWATI'S MOTIVES FOR FINDING A SOLUTION ARE DIFFERENT TO WAHID'S.

Vice-President Megawati, on the other hand, also wants to find a solution to the problem, but for rather different reasons. Failure to solve the problem could result in the disintegration of the republic and, with it, her father's legacy. By all accounts, she has become increasingly sympathetic to the military's view on disintegration since the loss of East Timor one year ago. Furthermore, by taking a hard-line approach, she can also gain additional credibility within the military, something that will be an important source of support if she is to take greater control of the government in the future. With the pressure building on President Wahid, this may have been in her mind when the decision was taken to remove the 'Morning Star' flag in Wamena.

THE CURRENT PAPUAN LEADERSHIP NEEDS TO FIND A SOLUTION IF IT IS TO SURVIVE.

The Papuan Presidium must also find a solution acceptable to its base of support if it is to survive. The expectations that have been instilled among the native Papuan people are now extremely high. They are also very immediate.

WHILE ALL PARTIES MAY DESIRE A SOLUTION, THEY HAVE VERY DIFFERENT INTERESTS THAT MAY BE DIFFICULT TO BRIDGE.

It is clear that the various actors are anxious to find a solution to the problem of Irian Jaya and the question of Papuan separatism. However, their motivations for finding one are diverse and to some extent divergent. This has led us to look at how these motivations might intertwine, and the possible outcomes that could emerge in the coming months. We have isolated three scenarios that we consider the most probable.

Scenarios

IF THERE IS A CRACKDOWN, THE STATUS QUO COULD RETURN AFTER INITIAL RESISTANCE.

One scenario is that the security forces, comprising the police with substantial military support, take an increasingly hard-line approach on the issue, despite the temporary pause that has been reached at this juncture. In this scenario, flags would be pulled down across the province and arrests made amid a general tightening of security. After an initial outbreak of resistance by

native Papuans, violence would gradually abate and be replaced by a general resignation and acceptance of the status quo. People would return to their everyday lives. Eventually, order would return along the lines of that which existed before expectations were raised by Papuan Presidium leaders.

If this were to occur, President Wahid would be discredited. It would signal that the military and the hardliners within the cabinet had gained the upper hand. Equally, it would indicate that the president's vision had been proven unrealistic and dangerous. One of President Wahid's most cherished and few remaining causes would be no more. The Papuan Presidium would also be marginalised, with Papuans losing confidence in their leaders' ability to lead.

The realisation of this scenario would depend primarily upon the reaction of the Papuans to a general crackdown. While this outcome would have been more probable a decade ago, communications have improved significantly in recent years, and there is a likelihood that native Papuans' awareness of their own 'togetherness' on an issue has risen in line. Given the broad popular support that exists among the Papuans for independence, this scenario is the least likely to occur.

A more likely scenario is that following a crackdown by the security forces, there would be violent resistance from the Papuan community on a scale not seen hitherto. Such a government policy would probably also serve to radicalise the Papuan Presidium, marginalising the moderates within the leadership. A violent reaction to the extent that it targets the non-indigenous residents of Irian Jaya would have a disastrous effect on the province. It could trigger a mass exodus of transmigrants, especially from the interior districts of the province. This would have the effect of crippling the economies and social infrastructures of those districts, which are dominated by transmigrants. Furthermore, an exodus of refugees towards the coastal towns would place great strain on the infrastructure and systems of those hubs that are key to the province. It is worth remembering that thousands of transmigrant refugees sought shelter in police and army installations following the Wamena violence. It could take only a relatively small escalation of such localised violence to set into motion a massive wave of refugees across the province. Such an obvious impact of the social infrastructure could serve to embolden the native Papuans further and fill them with confidence. Being relatively sparse on the ground and easily outnumbered, police and army personnel could also be tempted to join the exodus.

This second scenario would also trigger a strong international reaction and further depress foreign investment, both in the province and in Indonesia generally. It would give the international NGO network additional ammunition with which to pressure Indonesia. If unrest spiralled out of control, the prospect of images of traditionally clad tribesmen fighting heavily armed Indonesian soldiers (who already have a less-than-enviable reputation) being flashed onto television screens across the world is horrifying and would do irreparable damage to the country's reputation. This, in turn, would inevitably trigger a nationalistic backlash within Indonesia, stoked by members of the Jakarta elite, adding further fuel to the fire and provoking a full-blown crisis with the international community. Under such a scenario everyone would

BUT THE CRACKDOWN WOULD DISCREDIT WAHID AND HIS VISION, AND MARGINALISE THE PRESIDIUM.

BUT IT IS IMPOSSIBLE TO KNOW HOW THE PAPUANS WOULD REACT TO A HARD-LINE APPROACH.

A MORE LIKELY POSSIBILITY IS THAT A HARD-LINE CRACKDOWN WOULD TRIGGER A SPIRAL OF VIOLENCE, SETTING IN MOTION AN IRREVERSIBLE TRAIN OF EVENTS IN THE PROVINCE.

THE INTERNATIONAL COMMUNITY COULD ALSO BE DRAWN INTO THE PROBLEM, CREATING A BACKLASH AGAINST FOREIGNERS AND PLACING FURTHER STRAIN ON THE ECONOMY.

lose, although certain sections of the elite might hope to profit from the turmoil. Again, President Wahid would shoulder much of the blame, as the person responsible for encouraging Papuan separatist sentiments in the first place. The police and military would be subject to additional international condemnation. It is not inconceivable that such a breakdown in the situation could even pressure the UN to reconsider its stance on the Act of Free Choice of 1962, realising one of Indonesia's worst fears.

ANOTHER POSSIBILITY IS THAT THE GOVERNMENT COULD GET TOUGH WITHOUT EXCESSIVE VIOLENCE. LIMITED DIALOGUE WOULD HAVE TO BE KEPT OPEN, AND AN ATTRACTIVE AUTONOMY PACKAGE PRESENTED TO THE NATIVE PAPUNS.

A third scenario involves a get-tough policy that minimises the use of violence. The government would increase pressure to eradicate the symbols of independence, while engaging in a limited, but nonetheless sincere, dialogue. The main difference would be that existing institutions were used, such as the local parliaments and religious groups, in order to facilitate this dialogue. This would satisfy one of the main concerns expressed by Deputy Speaker A.M. Fatwa in his interview with the *Van Zorge Report* on page 18, namely that the government institutions already in place would be short-circuited and undermined by a dialogue process (for example with the Papuan Presidium) that did not include them. By way of a compromise, a special autonomy package giving wide-ranging fiscal and administrative powers to the province would be unveiled. Sufficient native Papuans would see the benefits of this approach and would support the policy of the government. The international community would be able to justify its position of supporting the territorial integrity of Indonesia by citing increased local autonomy. The police and the military would be relieved at not having to deal with a possible full-blown insurgency on their hands. It would also serve to marginalise some of the more radical elements with the Papuan community and brand them as troublemakers.

WHILE THIS WOULD BE THE MOST DIFFICULT SCENARIO TO BRING ABOUT, IT WOULD BE THE BEST FOR ALL CONCERNED.

While this scenario may fall short of establishing the comprehensive dialogue that many in the Papuan leadership and community demand, it might nonetheless be achievable and satisfactory if conceived creatively and with vision and trust. It would almost certainly be the preferable scenario for the majority of people in Irian Jaya, both native Papuans and transmigrants. However, the majority does not always control events. Indeed, this has been the problem in the entire history of the Papuan people. It would, in some ways, vindicate President Wahid's previous approach. It would be a tragedy if aversion to such a vindication of Wahid's policy were to make the solution less appealing to certain elements of the elite.

THE FINAL OUTCOME DEPENDS ON THE JAKARTA ELITE. IT IS A CRITICAL MOMENT, AND THE TIMING IS HARDLY IDEAL.

Which particular road is followed will be primarily driven by the Jakarta elite and how these decision-makers choose to relate to the restive province and its people, and perhaps even each other. The stakes are, in truth, incredibly high; not just one province is in the balance here, but an entire method for dealing with a vast archipelago searching to find a way of living with itself is being formulated. President Wahid had the vision, but maybe not the secure political base of support back in Jakarta or the political acumen to carry it through. He needed to convince both the Papuan leaders and the Jakarta elite, and in the end failed on both counts despite the best of intentions. Now, the halls of the State Palace and the House of Representatives reverberate with fears of foreign manipulation and politically inspired moves to bring down the president. This is hardly an auspicious environment in which to approach one of

the most vital and yet finely balanced problems facing Indonesia today. It is a great challenge, especially at this juncture in Indonesia's tortuous progress towards re-inventing itself after three decades of authoritarianism.

Given the Papuans' conviction of pursuing their objectives through organisation rather than violence, Irian Jaya could be the definitive case for determining Indonesia's success or failure in dealing with regional discontent. The opportunity is still there, but the situation hangs in the balance. However, an uncompromising position that fails to address the valid grievances of the Papuan people in an open and egalitarian manner will most likely have disastrous consequences. Notwithstanding this danger, the central government has so far done a very poor job of presenting the case for how native Papuans will benefit from greater autonomy. As a result, a significant proportion of Papuans still vehemently rejects the central government's regional and special autonomy proposals.

It seems as though all the parties involved are at a turning point, and one at which true leadership and statesmanship are required. If the central government, and specifically President Wahid and Vice-President Megawati, pursue a policy that includes native Papuans in the decision-making process as equals, then there is a chance that a positive solution can be found; one that will bind Irian Jaya and the restive native Papuans to Indonesia through choice and common prosperity. If such a policy were followed, it could create a rallying point for all that Indonesia has to promise in the future. It would be supported wholeheartedly by the international community, and would help to demonstrate the short-sighted nature of much of the recent nationalistic rhetoric. However, the leadership required and the ability to transcend narrow political interests has been in short supply in recent months, and it is saddening that such a test should come at such a difficult time, when views are becoming increasingly polarised. But, a turning point has been reached, and directions can still be chosen—not just for one province, but for an entire country. □

IRIAN JAYA COULD BE THE DEFINITIVE CASE FOR DEALING WITH REGIONAL DISCONTENT. BUT THE GOVERNMENT HAS SO FAR FAILED TO RISE TO THE CHALLENGE.

WHILE THE OPPORTUNITY STILL REMAINS, ONLY TRUE LEADERSHIP AND VISION ON ALL SIDES CAN AVERT WHAT COULD BECOME A CATASTROPHE.

INTERVIEW WITH A.M. FATWA
Deputy Speaker Of The DPR

“Many Foreign Powers Do Not Want Indonesia To Be Strong.”

Following his return from leading a recent fact-finding mission to the Wamena district of Irian Jaya, the Van Zorge Report met with A.M. Fatwa, one of four deputy-speakers of the DPR (Indonesian House of Representatives) and a chairman of PAN (National Mandate Party). In his capacity as deputy speaker to the DPR he is responsible for parliamentary Commissions IV, V and VIII, covering transport and infrastructure, industry and trade, and energy and mineral resources. Born in South Sulawesi, Fatwa was jailed without trial for a total of eight years during the Soeharto era, on account of his being a founder and signatory of the Petisi 50, a group of activists and prominent Indonesians critical of Soeharto. He was rehabilitated when B. J. Habibie took over the presidency. He has served in ICMI, the Indonesian Association of Muslim Intellectuals, and also in Muhammadiyah.

Van Zorge Report: *The DPR is currently considering the issue of special autonomy for certain provinces. How will that affect Irian Jaya?*

A.M. Fatwa: The People's Consultative Assembly [MPR] has proclaimed the existence of two special territories, Aceh and Irian Jaya. Legislation to divide Irian Jaya into three provinces has already been promulgated, in the form of Law No. 45/1999. However, it is difficult to implement this legislation for a variety of reasons. First, Irian Jaya's natural resources are very unevenly divided. The Kepala Burung (Vogelkop) area is quite rich, and so is Timika. But Jayapura is small and poorly endowed in natural resources.

The second reason for the postponement is the issue of human resources. The local people need to be ap-

proached on a psychological or cultural level, in order for them to understand the reasons for the measure. They seem to be apprehensive about the fact that if human resources are limited and the province is divided into three sections, too many outsiders will enter the region and dominate the administration.

One of the main reasons that the central government in Jakarta considers it necessary to divide the province into three separate provinces is to enable the acceleration of the development of the region. The area is too vast. Currently, the roads are practically non-existent, with poor connections between the various *kabupaten* [regencies]. Therefore, all economic activities have to be undertaken by air, which increases costs dramatically. To enhance the quality of life in the area, the administrative areas should be made smaller.

There is some resistance to the idea that the province should be divided, with suspicion among the Papuan population that the policy is intended to prevent the emergence of pan-Papuan solidarity.

As a matter of fact, this is not the intention. However, I can understand why the people feel that way. That is one of the reasons why the implementation of the legislation has been postponed.

What was the purpose of your recent visit to Irian Jaya, and what problems and issues did you encounter?

Well, it is my duty as a representative of the people to visit the regions personally to experience the situation on the spot, particularly in view of the recent unrest in Wamena. However, it is a routine part of the responsibili-

ties of a representative of the people to visit the regions. The uprising merely added to the sense of urgency.

You have said that there is a conspiracy behind the Papuan Presidium. What do you mean? Can you explain further?

We are extremely suspicious of foreign powers that hope to gain from the fragmentation of the Indonesian nation. Our intelligence agencies indicate that there have been a number of foreign nationals who have been detained in Irian Jaya, and of these a number have been arrested and subsequently brought to Jakarta.

In their own self-interests, many foreign powers do not want Indonesia to be strong. Many of these powers hope to gain a foothold in a weakened or fragmented Indonesian nation. If Indonesia is divided or broken up as a nation, it becomes easier for the foreign power to implant, or instill their interests. Yes, of course, the foreigners are free to disagree with us, but we as a nation should be on our guard and be concerned with such considerations.

Haven't the US and other developed nations provided support to Indonesia, thus ensuring that it is able to maintain its territorial integrity?

We are grateful, if that is the case. However, from past experience we have learnt that when there has been an outbreak of social unrest in Indonesia, foreign powers have been behind it. For example, every time there is an uprising or revolt, it is usually supported by NGOs or LSMs [*lembaga suara masyarakat*, Indonesian NGOs] most of which are supported by foreign funds. The unrest is intended to serve foreign interests. □

INTERVIEW WITH YORRYS RAWEYAI
Member of the Papuan Presidium

“Maybe The Output Could Be: One Nation, Two Systems.”

The Van Zorge Report recently interviewed Yorrys Raweyai, who was invited by leaders of the Papuan Presidium to join their organisation earlier this year, in what remains a rather controversial decision that has done little to improve the Presidium's standing. Yorrys rose to prominence in the 1990s, when he came to lead the notorious Pemuda Pancasila group, which was associated with many of the strong-arm tactics of Soeharto's New Order regime. Many remain suspicious of his motives in being involved in Papuan separatist politics, especially in view of the fact that he remains the president of Pemuda Pancasila.

Yorrys' father, who was mixed ethnic-Chinese and Bugis, came to Irian Jaya from Ujung Pandang in 1939, and later married Yorrys' mother, a native Papuan. Yorrys was born in the province 1951, and lived there until the age of 27, when he decided to leave for the bright lights of Jakarta, arriving in the capital in 1979.

Van Zorge Report: *You are a member of the Papua Presidium. The press portrays you as a bad influence, a negative influence, on the presidium. When you read these things in the Indonesia press, if you were to answer those newspaper stories, what would you have to say?*

Yorrys Raweyai: Time will tell what will happen, because the opinions are from the newspaper and are just political opinions. But I think that whatever they say it's just part of the national political process. Actually, I didn't want to be in the presidium, and it's all because of the democratic processes employed by the presidium. It wasn't from me. I wasn't even in

Papua at the time, but they chose me to be a part of the presidium.

Even though some newspapers say some rather unflattering things about you, the leaders of the presidium swear by you. They say that you are a solid fellow and that they appreciate you as part of their group. But why do you think they wanted you on the presidium?

I don't know. I was a member of a cultural council. Maybe, when they were thinking about the people they wanted to include in the presidium,

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they were looking for people who had capability and credibility. But it's better if you ask them why they chose me, and not me. But maybe they thought that I could help them.

Where do you see your role on the presidium? How can you help them?

They have given me a role in the political and social aspirations of the Papua people. I have been specifically assigned to social and political objectives within the Asia Pacific region; talking with the Indonesian government; and matters of aspirations and the dialogue with the government if Indonesia and the Asia Pacific region.

How about the Satgas Papua and the Satgas merah putih? Are you involved with either one of these organisations?

On 2 August we talked with the head of police and the chief of the military, because there is an incorrect interpretation of these Satgas groups. There are different perceptions about the Satgas, and I have already spoken to the head of the police and the military chief about the Satgas to explain to the military and the police that the Satgas groups are not meant to be like a militia force. We are organising the Satgas as volunteers for the benefit of the community in Papua.

What would they do in the community? How would they help the community? Community work?

Right now we are developing concepts for the Satgas groups, for utilising them by giving them training and education so that they can serve as a partner of the Papua presidium; a partner with the government, but beneath the Papua presidium. For the future we still don't know.

What's the difference between the two groups: Satgas Papua and Satgas Merah Putih?

Satgas Merah Putih has evolved within the interest of the local government. It's the local government that has formed Satgas Merah Putih. And the Satgas Papua is beneath the presidium and the LMA [the cultural council].

What would you like to see happen in terms of the relationship between the central government in Jakarta and Papua? I mean the new democratic government, not the old government. If you could have the best outcome for Papua, what would that be?

We see that President Gus Dur, Akbar Tandjung and Amien Rais all have different and conflicting perceptions and understandings of Papua. This is the problem. Within the Papuan struggle we are trying to place humanity above politics.

How are these perceptions between Gus Dur and Akbar Tandjung and Amien Rais different? What are the differences? Gus Dur is more moderate in his stance towards Papua. Akbar Tandjung is still using the old paradigms to view Papua and the Papuan struggle. Amien Rais, in my view, is more concerned with moving PAN into the future. In fact, when he campaigned in Papua in order to try and lure Papuan votes he said that if PAN won the elections they would give Papua a federal system of government.

Do you think that either Akbar Tandjung or Gus Dur are willing to approach this sort of view that Papua would be one of the states within a federation?

This is one of our basic rights. The government must talk to the presidium. Maybe the output could be: one nation, two systems. International diplomacy would be through Indonesia. So, we could have an economy like Hong Kong, but a political system like Puerto Rica.

Describe the old paradigm that people like Akbar Tandjung and the old government use. What is it that you think they see in Papua. How do they view Papua. What characterised the old paradigm?

We saw this before the congress had finished. The results of the congress were not yet known. Before the congress had finished and before the congress had issued any statements or conclusions Akbar Tandjung had already come out with a statement say-

**“GUS DUR IS THE ONLY
ONE WHO IS TRYING TO
BE OPEN AND TRYING
TO FIND SOLUTIONS.”**

ing that the congress was separatist and its members as traitors. And his statements were very emotional statements. Gus Dur is the only one who is trying to be open and trying to find solutions. And you have to ask yourself why has the Papuan community made these demands, which cannot, after all, be ignored.

Do you think that the congress will announce that if Gus Dur remains the president the congress will be open to negotiations, but if not Papua will harden. At the present time, we see that in the entire government it is only Gus Dur who accepts that there should be

a dialogue. So, if there is no more Gus Dur, then what does Papua have? We're back to square one. They would be better off independent. That's for sure.

There is one person that I don't see on your list, and that's Megawati. Where do you think that Ibu Mega comes down in this?

[laughter] Well, Megawati doesn't talk about it. So, I can make no comment.

What did she say when she came back from her journey to Papua?

She was only here for 10 minutes. You cannot do anything in that time. It's just wasting time. She spent a lot of money. Doing nothing.

What did she say when she came back?
No statement?
No statement.

I think that she believes there is too much talk in Indonesia right now and not enough action.

All critical. No one can give a solution. Every day there are demonstrations and more demonstrations. So there is no certainty.

What is your guess about Megawati. Do you think that she has sympathy for the Papuan people?

I have no comment on that. □

VZH LEADERS' GETAWAY, SPEECH BY ADAM SCHWARZ, EDITOR-IN-CHIEF, ASIAWISE.COM

“Indonesia’s Political Transition: Forwards or Backwards?”

Adam Schwarz was a guest speaker at the Van Zorge, Heffernan & Associates Leaders' Getaway held in Yogyakarta in September—a biannual gathering of senior executives from the foreign business community and key decision-makers within the Indonesian government and parliament. Widely respected for his book *A Nation in Waiting*, Mr Schwarz is currently editor-in-chief of *Asiawise.com*, an online business and finance publication, and living in Hong Kong. Drawing on his great experience in Indonesia and his understanding of the views of investors looking at Indonesia from the outside, we include the highlights of his keynote address.

I like to begin any discussion of contemporary Indonesian politics with a reference to where Indonesia was a few years ago. It's a point that often gets lost in discussions, particularly by those outside Indonesia. I always hear Indonesia being compared with its peers, or fellow crisis countries: Thailand, Malaysia and, to some extent, South Korea. Often, Indonesia comes off poorly in such comparisons. But these comparisons are part of the problem, because if we look at the magnitude of the difficulties Indonesia started with, Indonesia has no real peer. Alone among these countries, Indonesia was up against a fundamental political and economic crisis the likes of which these other crisis countries did not have to face. So, it's unfair to measure Indonesia against these other countries. In Indonesia the problems were greater and, as a result, the solutions are going to take longer to find, all other things being equal.

Let me talk briefly about those 'other things.' I want to go over a couple of positive trends, at least as I see them. One is the pace of change. It's been just over two years since President Soeharto stepped down. It's about 15 months since parliamentary elections, and about 10 months since President Wahid took power. It seems like a lifetime ago—all the more so for people who are living here and paying attention—since President Soeharto stepped down. It seems like a lifetime ago since President Wahid took power.

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GREATER.....”

There's a lot been going on. But, after all, it is actually quite a short period of time. Now, some people would not put this in a list of positives. They would say that the pace of this change is a liability, and that's certainly an argument one can make. It is very rapid. But, a better question to ask is, what is the alternative? What choice does Indonesia have? And I don't myself have an answer to that. I don't see how this could have been done differently in a credible way that would have been better. So, although there is very much the sense of a blindfolded dive into the deep end of a pool, which is an uncomfortable experience, I don't really see how it

could have been done differently. Reflecting on comments I hear abroad, about how things should have been done differently, and how things should be done differently, it is worth remembering that this is not an academic exercise. This is reality pushing the process along, and politicians have to deal with that.

The second thing to note, which often gets swept under the carpet because so much remains undone, are the things that *have* been done. That is to say, there have been changes, and there have been improvements. There has been a good deal of what we might put into the broad category of political reform. These include the military's role in politics, once dominant but no longer. Then there is the emergence of a whole class of civil-society organisations, from the parliament to the media, to corruption watchdogs, to

consumer advocacy groups and many other groups. These were all once ineffectual and at the margins, and now they have come to be in the middle of the action in a very short period of time. The attorney-general's office, almost a decoration in the New Order, is now a viable, important player on the political scene. And lastly, the economy, which is an area where I think the disconnect with the views on the outside is particularly strong. The view from abroad, and particularly the view from the financial markets, is that there is very, very little of anything positive going on in Indonesia. It's hard to engage the financial markets in Hong Kong (where I

live), and the people who work in it, on the subject of Indonesia. People don't want to hear about it. That is in itself a major hurdle for Indonesia to get over.

But again, the focus there is often on those leading indicators you get by watching CNBC. You're talking about the currency and the stock market, and those are indicators that are particularly vulnerable to political swings. They go up and they go down, and there's been a lot of down. People tend to take their cues on what's going on in the economy from these indicators. But, as you know, there's actually more going on here. Growth is picking up, exports are picking up, there is growth in consumer demand, and there is some investment growth. If you look at a range of statistics, some anecdotal, in small- and medium-size enterprises, there is activity.

If you're looking at indicators on car sales and residential leases, on the price of cement, you can see that there is activity going on; there are pockets of wealth here, leading one to conclude that there has been some recovery of purchasing power in the economy. Obviously, a great deal remains to be done, but the point is that we shouldn't draw too many conclusions from simply watching the currency and the stock market. As I said, I think these are very subject to political swings, especially given that there is very little ballast and very little turnover in both.

That's not an exhaustive list but, having gone through it, one is tempted to then say to the pessimists, to those who want to despair: "Okay, you're missing the forest of this gradual political reform for the trees of regular setbacks." But, this does beg the ques-

tion: "Which is the forest and which are the trees?" My own feeling is that the forest is, in fact, the underlying trend of erratic but inexorable reforms. For me, this is the forest, the big picture. But others might argue that the setbacks are the issue. The violence, the political in-fighting, the political immaturity, a recalcitrant military (or pockets of the military), the disappointment that one hears in the political process, in the president himself.

Some would say that this is the real story; this is the forest. That, for me, is the question to be asked of Indonesian politics today. But, my own view

"WE SHOULDN'T DRAW TOO MANY CONCLUSIONS FROM SIMPLY WATCHING THE CURRENCY AND THE STOCK MARKET."

is that the former underlying trend is closer to the truth. I still think that on a trend basis there is movement forward and that this is the real story.

But there are obviously plenty of people on the other side of that debate, and they have some pretty good arguments in their arsenal. And it's true also that the consensus view in the international financial markets is that it is the trees that are becoming the forest. It is the problems and setbacks that are increasingly forming people's views in the financial markets about developments here, and that, I think, is slightly unfair and somewhat incorrect. But, at some point, perception becomes reality, and, for Indonesia, this is becoming one of its challenges: to manage that perception process better.

For my part, I take heart in some of the things that have *not* happened. It's useful to note that there has not been, despite a society and a political system being under tremendous stress, a turning inwards as one might have expected and which one sees happening elsewhere. There is no surge of protectionist populism. There has not been, to date, a surge or resurgence of ethnic-based economic favouritism. So, although resources broadly defined (material, physical, natural, human) are stretched very thin, my sense is that there's enough here to move the system forward, that it's adequate for the job.

But, obviously, there are still some very, very serious obstacles in the road. I want to wrap up here by going through a very short list of what I see as the key things that have to be done. Once again, this is the view that is admittedly colored by what I do from Monday to Friday, from my perspective living in Hong Kong.

To clarify this view, let me run through what I see as the real challenges that lie between the forest and the trees. First is the broad issue of stability, of law and order. This again comes through very clearly when you talk to people abroad about investing in Indonesia. No government of any political persuasion can survive for long without providing a basic level of security. One of the truisms of politics is that capable law enforcement is a necessary and vital element of running an effective government. That's an obvious point. The more interesting question is: what do you do about it in this political system? I don't have the answer to that. But the core of that issue involves moving to the next step of finding and defining the military's role in the political system, writ large.

Law enforcement is normally a function of the police force and, down the road, I have no doubt that this will be the case in Indonesia. But it's not the case today, and there seems to be general agreement that the police force is not up to the task today. And that brings us back to the military. It's pointless to pretend that the military does not have political influence. It does. Either through action or inaction, it has influence. If there's going to be an improvement in law enforcement, this influence has to be recognised and accommodated in some way. I want to be careful in using the word 'accommodated' because I'm not actually suggesting a particular course of action. What I'm saying is that there are two ends to the spectrum. At one end of the spectrum, the military is scapegoated for the sins of the past and, at the other, the military is absolved of any responsibility for the sins of the past. Both of those poles are untenable as a political choice in an emerging democracy. The question is: where in the middle do you go? And that, obviously, is a question for the Indonesian political leadership. My point is that the issue needs to be settled. The harm here is in the status quo; in avoiding any decision. A difficult decision is being ignored, as if it will go away untreated. I don't think it will. Indeed, I would argue that it will only become more difficult if the decision remains unaddressed.

The second broad area that the outside world is looking at is the economy. To be brief, I will take a fairly easy way out by borrowing Laksamana Sukardi's mantra, which is that, "The answer lies in the institutions." I don't see any real reason why—and I've never been persuaded by any economic analysis to the contrary—Indonesia cannot grow its way out of its

current problems, large and intractable as they may seem. Just imagine, if we were talking about growth this year of five or six percent rather than three to four percent, and if we were talking about a rupiah in the range of Rp 6,000 to Rp 7,000 to the dollar as opposed to bumping up against Rp 9,000, that already would make a huge difference in the perception of Indonesia and its prospects today. There is, after all, a lot of bad news already priced into Indonesian assets. There is wealth in this country and a large wealth-creating capacity. But the issue does tend to come back to institutions. Can you get the courts to function, can you get the bureaucracy

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more generally to facilitate productive enterprise rather than extract rents from it? Can you get the banks to lend on collateral and not on connections? One could go through a longer list, but that is the idea. How do you get some of the inefficiency out of the high-cost economy. There's still a long way to go there. Where Indonesia needs to go is generally well understood, but the progress is frustratingly slow for many people. The common view held by foreign investors, particularly as they look at Indonesia as one of many possible alternatives for their investment capital, is that progress has been painfully slow.

Third and last, we always end up on the issue of political leadership. As they say in that old Porsche commer-

cial, "There is no substitute." There's nothing automatic about recovery and herein lies another danger: one often comes away from discussions with policymakers in Jakarta without feeling a sense of urgency. Often, there's an unstated assumption that there is something inexorable about recovery; it's coming almost no matter what we do. Well, I don't think it is. Recovery is achievable, but it's going to take action and activity to bring it. Now, President Wahid has actually done a fine job on a number of fronts, although it's often tough to find company in that argument. He understands the critical issue, namely national unity. I'm impressed with his vision and his decision to put this at the very top of his priority list. But I think now the time has come to push forward and to apply that vision more concretely on a number of different fronts, and to do so with a sense of urgency: on the military, for the reasons just discussed; on corruption, where court cases are languishing; on a range of economic policy issues, such as whether to sell

IBRA assets, when, and to whom; whether to sell state enterprises, for how much, how many, and to whom; fiscal decentralisation: what, how fast, and how soon. These are questions that are not going to answer themselves. Leadership is crucial in providing these answers, or at least in initiating an enlivened debate on these issues. And it is a source of concern, to put it mildly, that there hasn't been more of a vigorous debate on some of these issues already. These problems, again, are of that category that aren't going to go away if untreated. They can be resolved, but not by inaction.

So, to conclude, memories are famously short in politics. I think the president can still, but perhaps less so than he once was able to, credibly

blame frustrations over the pace of progress on the magnitude of the problems that were inherited at the starting line. This is an implicit way of pinning some of the blame for his problems on previous governments, which, I think, is fair enough. But I also think that time is running out. It seems to me that the onus is increasingly falling on the president to produce solutions to today's problems and not explanations for why they are problems. The president is going to be judged, and, indeed, is increasingly being judged, on his performance rather than his plans for what he intends to do. Now, the gap between these two boils down to political leadership. I think there

is room for optimism in that the capacity for leadership and the people in positions to be leaders are there. There are those resources; there are

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those tools. But whether they are going to be put in a position to provide that leadership and to exert that pressure on this process is the question

which remains unanswered. If the forest and trees questions are the short-term questions today, then the political leadership question is the medium-term question. I don't have an answer to that. But, from my perspective, that's what I would focus on. Are we going to see the Indonesian political leadership make this shift from explaining and dealing with an admittedly difficult-to-deal-with past, and turning the ship around and moving it forward? Those are the signposts that I'm trying to keep an eye on and that is all we can do.

So, I will stop there and thank you for giving me a chance to talk this morning. Thank you very much. □

REGIONAL AUTONOMY

Indonesia's Progress Towards Fiscal Decentralisation

With the 1 January 2001 deadline for the implementation of decentralisation fast approaching, more information is now becoming available from the government. While there seems to be general agreement that many issues will not be decided in time to meet the deadline, the government is nonetheless making steady progress with some of the technical details required, while leaving bigger decisions for later. We take a look at the latest developments in this critical area of government policy, and the risks and concerns that remain.

In recent weeks, significant additional details have been made available by the Indonesian government regarding the ongoing planning process for the implementation of fiscal decentralisation in Indonesia. On 13 October 2000, a meeting of the Pre-Consultative Group on Indonesia was held to discuss decentralisation. This meeting was attended by many donors and key officials from the relevant Indonesian government agencies. This venue provided the government with the opportunity to present a clear and reasonably coherent status report that formed a useful foundation for assessing Indonesia's progress towards decentralisation. Much useful work was included in the decentralisation reports made available at the meeting, the contents of which indicate that around 75 percent of the preliminary technical work required to underpin successful decentralisation is now in place.

However, while the government has made much progress with the technical work, it has avoided making clear decisions regarding the ultimate goals of the decentralisation process. The key technical documents have already been worked through within the government and subsequently made public, although major details could still differ from those currently stated. Despite this, the involvement of key groups such as the business community, parliament and the general public, still appears to be limited.

The substantial benefits of a successful fiscal decentralisation programme for Indonesia, as elsewhere, lie in the expenditure decisions that better reflect local needs and aspirations. Some believe that these benefits relate to a more democratic decision-making process, which basically amounts to the same thing, since such improved decision-making will better match consumer preferences with government expenditures. Most of the major questions that need resolution have already been formulated, and many have been usefully addressed.

Although hidden from public view for a number of months, there have been numerous disagreements within both the government and among the foreign community regarding the pace and extent of Indonesia's decentralisation programme. The disagreements among the Indonesian players have been broadly similar to those coming from the various foreign players and relate to the benefits and costs of decentralisation. As might be expected, central agencies that risk losing authority and functions have resisted moves towards decentralisation. Conversely, those who stand to gain from the decentralisation process, such as local government officials, have called for more power and authority than they are likely to be granted.

The Ministry of Finance has been more forthcoming than has often been the case in other countries embarking on a similar course. However, the recent

FROM GOVERNMENT REPORTS RECENTLY MADE AVAILABLE ON PLANNING FISCAL DECENTRALISATION, IT APPEARS THAT AROUND 75 PERCENT OF THE TECHNICAL WORK IS NOW IN PLACE.

HOWEVER, THE GOVERNMENT HAS AVOIDED MAKING CLEAR DECISIONS ON ULTIMATE GOALS, AND THE INVOLVEMENT OF KEY GROUPS REMAINS SUCH AS THE BUSINESS COMMUNITY AND PARLIAMENT REMAINS LIMITED.

THE MAIN BENEFITS OF DECENTRALISATION RELATE TO A MORE DEMOCRATIC SYSTEM OF DECISION-MAKING.

THERE HAVE BEEN DISAGREEMENTS, BOTH AMONG INDONESIAN AND FOREIGN INTERESTS, AND A STRUGGLE BETWEEN THOSE WHO WILL LOSE AUTHORITY AND THOSE WHO WISH TO ACQUIRE AS MUCH AUTHORITY AS POSSIBLE.

THE MINISTRY OF FINANCE IS BECOMING MORE REALISTIC. THERE IS ACCEPTANCE

THAT NOT EVERYTHING WILL HAPPEN BY 1 JANUARY 2000.

LOCAL AUTHORITIES ARE ALREADY TRYING TO EXTRACT REVENUE FROM FOREIGN COMPANIES, EVEN BEFORE THESE GOVERNMENTS HAVE BEEN FORMALLY GRANTED INCREASED POWERS.

CENTRAL GOVERNMENT WILL CONTINUE TO DETERMINE MOST OVERALL POLICY, ALTHOUGH MANY ASPECTS RELATED TO ADMINISTRATION AND MANAGEMENT WILL BE DECENTRALISED. ALTHOUGH DECISIONS RELATING TO THE PROCESS ARE SUPPOSEDLY FINAL, THEY MAY IN FACT BE MODIFIED AT A LATER STAGE.

SOME LOCAL GOVERNMENTS ARE ALREADY ABLE TO MANAGE THE DECENTRALISATION PROCESS, BUT THE GOVERNMENT PREFERS TO MOVE UNIFORMLY ACROSS THE BOARD. THIS MEANS THAT THE MORE ADVANCED LOCAL GOVERNMENTS WILL BE HELD BACK INITIALLY.

pronouncements by the government are much more uniform and would seem to indicate that reality has set in concerning the appropriate pace of decentralisation. Moreover, officials in the now-defunct Ministry of Regional Autonomy and the Ministry of Home Affairs have probably ensured that the decentralisation process is irreversible by building up local government demand for the process. The result is that advocates of decentralisation are now more willing to acknowledge that not everything will happen on 1 January 2001, the date previously scheduled. This acknowledgement permits a more realistic assessment of decentralisation: who is ready, who is not, and if ready, ready regarding which matters. Consequently, the government is now deciding that critical decisions relating to certain aspects of the decentralisation process, such as the issue of local governments' right to borrow funds, will be deferred.

For the foreign business community, decentralisation raises a number of important issues. For example, some local governments have attempted to extract additional fiscal resources from foreign companies, using decentralisation to justify themselves, even before these governments have been formally granted increased powers. So far, the central government has helped foreign companies to defend themselves from unreasonable demands and to negotiate reasonable outcomes with decentralised governmental units. However, problems of this nature are likely to continue and these will undoubtedly have a negative effect on the expense and efficiency of these companies' operations. Thus, the decentralisation process will almost certainly be costly. While the situation is not yet fully under control, the risks to foreign companies, particularly extractive companies, seem to be somewhat more manageable than these companies may have feared a year ago.

One core decision in the decentralisation programme that has been taken is that the central government will retain its authority to determine overall policy more or less across the board, while many aspects related to administration and management will be decentralised. The issue of the extent to which the control of expenditure will be delegated has been under public discussion since the beginning of the year. Although 'final' decisions have supposedly been made, it seems likely that further discussions and adjustments will take place. For example, those *kota/kabupaten* that consider their capacity to manage their new responsibilities too limited, may re-delegate some of these responsibilities back to higher levels of government. However, the process of delegation is poorly defined and could be difficult to manage.

Some local governments, such as those comprising the administration of DKI Jakarta, probably have sufficient capacity to manage the process of decentralisation. However, an apparent government desire to treat all decentralised units in the same way in order to appear equitable is likely to curtail the degree to which authority is devolved to local governments in general. The result is that local government units that are ready to proceed are likely to be granted a lower degree of authority than they might have expected under decentralisation. For example, such units might not be permitted to borrow funds within Indonesia without prior central government approval. The experience of decentralisation elsewhere suggests that allowing such borrowing leads to bad choices by some local governments. However,

the constraints that are likely to be imposed on local governments units will almost certainly hamper initiative and lead to continued over-dependence on Jakarta, undercutting the efficiency benefits of decentralised decision-making.

The major gain over the past year is that most participants now agree that a successful decentralisation process will require several years to implement. A year ago, there was no consensus between the government, parliament and the decentralised local government units about the necessary steps to achieve decentralisation and how to carry it out. Discussions with the wider public about the issues involved and means of achieving goals had yet to start. While there has been substantial progress in this regard, a defined framework would go further towards generating an increased level of involvement outside government circles. Although some public discussion has started on matters related to decentralisation, a broad consensus on fiscal decentralisation has yet to be achieved. Key unresolved issues relate to the roles of parliament and the MPR (People's Consultative Assembly), which will probably rewrite the rules regarding the Indonesian decentralisation process over the next year or so, with unpredictable results. The decentralisation process could also be severely affected by Indonesia's turbulent presidential politics. To avoid this risk, there is a need for analysis in the public domain to justify the key decisions on decentralisation that have been made. As such, the decisions made so far should be viewed as nearly final, but still potentially subject to major revision.

Many measures need to be implemented over the next couple of months in preparation for a successful soft opening of fiscal decentralisation in Indonesia on 1 January 2000. The Minister of Home Affairs and Regional Autonomy Surjadi Soedirdja, in a speech to the donor community on 13 October 2000, placed fiscal decentralisation in the context of democratisation and discussed the risks realistically for the first time. Viewed from the perspective of decentralisation, the cabinet reorganisation of two months ago was interpreted by many outsiders as suggesting that the pace of decentralisation reform had slowed. For example, a strong advocate of the decentralisation process, Minister Rias Rashyid, did not receive the key position of Minister of Home Affairs in the new cabinet. However, in his new position in charge of the government administrative apparatus, he still has the capacity to influence key events related to the process, such as the planned transfer of civil servants from the centre to the provinces. However, the signals suggest that the major strategy for implementing decentralisation remains intact, and that the decentralisation process will continue, albeit perhaps at a slower pace. The government itself has begun to move more rapidly.

The key unresolved factor that affects decentralisation is the reform of the military. This relates in particular to a reassessment of the role of the military's territorial system and the necessity under current financial constraints for the military to raise much of its own budget. Most major foreign companies are usually too large to be pushed around by the military. However, they must remain on good terms as, on occasion, these foreign companies may need to call on active military support to help control civil unrest.

WHILE WIDER PUBLIC DISCUSSION HAS STARTED, THERE IS STILL NO BROAD CONSENSUS ON THE ISSUES. ROLE OF THE MPR AND PARLIAMENT IS ALSO UNRESOLVED, AND IT COULD REWRITE THE RULES IN THE FUTURE.

DESPITE CONCERNS AFTER THE LATEST CABINET RESHUFFLE, THE MAIN STRATEGY OF DECENTRALISATION REMAINS INTACT, ALTHOUGH IT MAY MOVE FORWARD MORE SLOWLY.

THE ROLE OF THE MILITARY REMAINS A MAJOR CONCERN.

THE ONLY VIABLE SOLUTION IS TO BRING THE MILITARY ON BUDGET AND SELL OFF ITS BUSINESS INTERESTS. OTHERWISE, SMALLER COMPANIES OUTSIDE THE MAIN URBAN AREAS COULD BE AT THE MERCY OF MILITARY RENT SEEKING.

The key solution to military reform is the regularising of the financing of the military. One strategy to minimise the fiscal costs of this change would be to nationalise military businesses. The funds obtained could be used to formalise and finance what should become an ongoing government obligation to the military—one that the military is currently carrying out informally. However, such a measure would be a very difficult decision for the Indonesian government to implement. Despite the obstacles, until this issue is resolved it is hard to see how smaller businesses can function outside the major urban centres with the threat of excessive military rent seeking. In larger cities, such businesses have a certain level of immunity, but outside these areas, where future economic development must occur, such businesses are vulnerable to extortion.

THE MILITARY HAS A VESTED INTEREST IN SEEING THE DECENTRALISATION PROCESS FUNCTIONING POORLY.

The major management issue facing the government is that for a solution to be reached, the military must be prepared to accept a reduction in its discretionary use of funds. It seems clear that at the present time, not all elements of the military would be happy to see the implementation of decentralisation going entirely smoothly. In the event of a poorly implemented decentralisation process, the opportunities for the military to exert power and influence at the local level would be uncomfortably high. Regrettably, the process of military reform has yet to begin. The major constraint on military reform is that the government is largely dependent on military support to maintain control throughout the archipelago at a time when regional unrest is high.

BUDGETING ISSUES FOR THE FIRST YEAR SEEM TO BE SETTLED. THE FIRST YEAR WILL BE A LEARNING PROCESS.

The major budgeting issues relating to the financing of the first year of fiscal decentralisation seem to be more or less settled. A compromise appears to have been reached to ensure that major efforts will continue to increase the participation of local governments in fiscal decision-making relevant to their interests. However, this year is mostly a dry run in which the decentralised units have the opportunity to learn what to do. At the regional level, Bappenas and the Bapedas will continue to call the shots for the moment, while crucial experience is acquired by local governments. Nonetheless, some larger local governments will have a more immediate influence on the allocation of resources allocated to them.

REVENUE ISSUES REMAIN UNRESOLVED AND THERE ARE LIKELY TO BE ANOMALIES BETWEEN HISTORICAL EXPENDITURE AND ACTUAL INCOME.

Issues related to the raising revenue remain unresolved but are moving towards resolution. The proposed level of revenue to be provided by the central government to each *kota/kabupaten*, as indicated by a formulae based on various demand factors specified in Law No. 25 (population, per capita income, etc), often fail to match historical pre-decentralisation expenditure levels. A provision that guarantees each local government unit at least 80 percent (or some similar percentage) of its current income will probably be utilised to resolve most of the anomalies. Meanwhile, the formulae design process is still ongoing. However, it is clear that decentralisation will increase fiscal disparities among *kota/kabupaten* in exchange for increased expenditure efficiencies and reductions in the potential for national fragmentation.

INCOME AND PROPERTY TAXATION AUTHORITY IS NOT BEING DECENTRALISED, AND THIS COULD JEOPARDISE LOCAL GOVERNMENT DECISION-MAKING

The decentralisation of authority over decisions related to taxation is a normal requirement if responsibility for financial decision-making is to be exercised by local government. Significant decentralisation of control over income and property taxation is not currently a part of the decentralisation process,

although there has been a recent announcement regarding a relaxation of a current Indonesian law restricting the right of local governments to raise tax within their jurisdictions. Local governments with increased authority over expenditure but insufficient authority over broad-based revenue raising are likely to find new and ingenious ways of raising funds (potentially a significant problem for resource extracting companies), or to challenge national authorities. This is a problem that will not go away. Foreign businesses will find their activities subject to more pressures from decentralised local governments lacking sufficient revenue authority to act in an independent and responsible fashion. The central government hopes that local governments will choose to act responsibly, but the option to act independently and irresponsibly remains. Many of the potentially large efficiency gains from decentralisation are at risk until local governments are more able to finance themselves. Without the authority to borrow in a viable municipal bond market, or to impose local taxation on property, income, and perhaps sales, hard-pressed local governments could well become overly reliant on trade taxes.

RESPONSIBILITY AS LOCAL GOVERNMENTS SEARCH FOR INGENIOUS WAYS OF RAISING SUFFICIENT REVENUE.

The potential for local government intervention is still high. While the Ministry of Industry and Trade appears to be coming to grips with this issue, putting a wide range of local trade taxes into place could have an adverse effect on Indonesia's economic growth. The trade-off between the necessity of local governments being able to raise a sufficient volume of revenue and benefits of retaining a free national market to help Indonesian companies achieve a sufficient economy of scale to become efficient have not been resolved. In the US, problems of this nature are prevented by a non-corrupt judiciary, the lack of which remains a grave problem in Indonesia.

THE TRADE-OFF BETWEEN LOCAL GOVERNMENT REVENUE NEEDS AND A FREE NATIONAL MARKET HAVE YET TO BE RESOLVED. THE LACK OF A RELIABLE JUDICIARY IS AN ADDED CONCERN.

The ASEAN Free Trade Area (AFTA) will come into effect in 2002. There is a strong likelihood that Indonesia will not collaborate fully with this effort to improve efficiency and increase collaboration through reducing tariff barriers within ASEAN. The increased level of authority of local governments will make Indonesian compliance with these new rules even more difficult to enforce. This process has yet to be managed, even at the national level, although Indonesian companies afraid of competition from other ASEAN countries are likely to try to pressure the government into delaying the introduction of AFTA.

ALTHOUGH AFTA IS DUE TO BE INTRODUCED IN 2002, THERE IS LIKELIHOOD THAT INDONESIA WILL DRAG ITS FEET. DECENTRALISATION WILL MAKE COMPLIANCE EVEN MORE DIFFICULT TO ENFORCE.

The authority to make policies regarding natural resources remains with the central government to a large extent. A reasonable resolution of problems related to this issue now looks likely. However, the process of resolution has been difficult, and these issues will not go away until local governments gain a better revenue base. Moreover, such key issues as the location of natural resources across *kota/kabupaten* boundaries are still to be resolved. Most local governments with natural resources are looking for new sources of revenue, and problems arising in this area are likely to plague foreign companies for many years.

POLICY REGARDING NATURAL RESOURCES HAS BEEN RETAINED BY THE CENTRE, BUT PROBLEMS COULD STILL ARISE.

National government officials will not be transferred to provincial and local governments in large numbers immediately after the implementation of decentralisation, although the process will begin in 2001. However, provin-

THE TRANSFER OF GOVERNMENT OFFICIALS FROM JAKARTA TO THE LOCAL GOVERNMENTS IS BEING RESISTED,

PROLONGING THE TRANSITORY PERIOD. CONSEQUENTLY, NEW EXPERTISE WILL HAVE TO BE HIRED AT SIGNIFICANT ADDITIONAL COST.

TRAINING OF NEW PERSONNEL WILL TAKE FIVE YEARS AND HAS YET TO BE FINANCED. THIS PROLONGED LENGTH OF TIME IS A MAJOR FLAW.

IT IS UNLIKELY THAT LOCAL GOVERNMENTS WILL BE PERMITTED TO BORROW MONEY.

DECENTRALISATION NEEDS SUPPORT FROM THE NON-PROFIT SECTOR. THESE INSTITUTIONS NEED TO BE STRENGTHENED AND PARLIAMENT SHOULD BE ENCOURAGED TO BECOME MORE INVOLVED.

ADMINISTRATION OF LABOUR MANAGEMENT RELATIONS IS BEING DECENTRALISED, UNLIKE THE PRACTICE IN MOST OTHER COUNTRIES.

THIS COULD CREATE PROBLEMS, ESPECIALLY IN VIEW OF THE WEAK LEGAL SYSTEM.

cial and local governments will still need to acquire new expertise in accounting, finance, budgeting, financial management and auditing. In all, perhaps 2,500 new experts will be required. National government officials scheduled for transfer to local governments will pass through a much longer transition period than first planned, if indeed they ever are finally transferred. There will therefore be significant double-spending during the transition. This financial burden will be difficult for Indonesia to deal with, given the country's budgetary constraints. The government understands the problem of fiscal sustainability, but has accepted that this costly transition is unavoidable.

Substantial additional training is required to ensure that the necessary human resources will be available at the local level within the next five years. The delay in the availability of these resources is a significant flaw. The required training has not yet been financed, and will be a major drain on the development budget. The salary costs of these new officials will necessitate a significant rise in government expenditure as a share of GDP. Issues related to the transferring of current officials and financing of the hiring of new officials to implement the necessary tasks remain contentious, although they will probably be resolved over the course of 2001.

Decentralised debt-finance by provincial and local governments is being addressed in government regulations, but it appears that the central government will not permit most local governments to borrow independently of the national government. While it is understandable that Indonesia might decide not to permit many local governments to borrow within Indonesia, this will limit those that are ready to borrow responsibly.

A decentralisation that achieves increased efficiencies will require substantial support and participation from the non-profit sector. Some of the non-profit institutions necessary to support this process are already playing a major role. These are key institutions to help make decentralisation work, and they will need to be strengthened. It would be helpful, therefore, if the new intergovernmental forum were not to continue as a creature of the national government, but had a more direct relationship with parliament.

One matter of significance to the foreign business community that is not being addressed in accord with standard international practice is the issue of labour management relations. The control of policy relating to labour management relations is being retained by the central government, which is consistent with international practice. However, the administration of labour management relations is being delegated to local governments under decentralisation. This solution is not in full accord with international practice.

In the US, for example, the National Labor Relations Board (NLRB), an independent national government body that reports to Congress, makes administrative judgments about the complex procedural issues that arise between American labour unions and management. Such issues that arise between the two groups are not addressed by the NLRB until after union grievance procedures with management have failed to resolve the problems. It is difficult to see how the additional differences that decentralised decision-

making will add to this process can be resolved—even in a US context where there is a responsible non-corrupt legal system. Furthermore, Indonesia has not yet put in place anything like the complex procedures that make the US labour management system workable. The only way for labour management relations to function under something approaching the US model would be for Indonesia to decide not to decentralise all the administration and management of its evolving labour relations system.

Conclusion

The bottom line for Indonesian decentralisation is that the efficiency gains brought about by the combination of increased democracy and decentralisation should still be fully available in the longer term. However, the initial introduction of the process still seems difficult, and much more needs to be done: the involvement of parliament has not been obtained; foreign investment in Indonesia is at risk until investors with other choices believe that the Indonesian system, including both decentralisation and the local government decision-making system, will permit successful company operations; the military 'wild card' needs to be brought under control; and certain decentralisation decisions on the expenditure side may have gone too far, while some decisions on the revenue side probably have not gone far enough. Both of these latter problems will create difficulties for foreign companies.

Given Indonesia's overall government circumstances, it is hard to be too optimistic that all that needs to be done will be completed in a timely fashion. Further adjustments in the law and regulations are likely to be needed. Nonetheless, it is worth remembering that the US government has been involved in such a process for about 200 years, and it still finds good reason to continue to be concerned with such issues. □

POLITICAL/ECONOMIC BRIEFS

Political Briefs**UN team to visit West Timor in November**

According to the government, a delegation from the UN Security Council will be permitted to visit West Timor in mid-November to evaluate progress in disarming the militias and registering those refugees who wish to return to East Timor. Indonesia refused to allow a visit last month, in the weeks following the murder of three unarmed UN humanitarian workers in the West Timor border town of Atambua.

A 47-man government team reportedly left Jakarta bound for the province in mid-October, comprising government officials and members of TNI and Polri (national police). The team has been assigned to work from Atambua for the next three months. In the absence of any UNHCR officials in the province following the tragic events of September, this team is tasked with registering refugees in the camps prior to their relocation or return to East Timor.

Coordinating Minister for Political, Social and Security Affairs Susilo Bambang Yudhoyono has said that when the UN team arrives it will be able to observe the registration of refugees and inspect the arms collected from the militias. According to Yudhoyono, the Indonesian authorities intend to re-register the refugees in early November and allow them to "choose freely" whether to return to East Timor or be resettled in other parts of eastern Indonesia.

However, Human Rights Watch, a New York-based human rights group, has issued a statement calling for the Indonesian administered registration to be stopped, saying that there was

no guarantee that refugees will be free from intimidation and able to make a free choice.

Yudhoyono also stated, rather vaguely, that between 41 and 91 percent of the militias' weapons had been seized. He went on to claim that Indonesia had fulfilled the requirements of the UN Security Council resolution passed two days after the murder of three aid workers in Atambua. The disarming of the militia came to a close on 10 October, having yielded only 85 standard rifles, although some 1,100 home-made guns were collected. Police have also stated that the investigation into the murders of the three UN aid workers was close to completion, and that the police had sufficient evidence to prosecute seven suspects.

In view of the fatal shooting of a third militiaman by New Zealand peacekeepers on 25 October well inside East Timorese territory, Indonesian government claims that the militia groups have been disarmed and disbanded seem dubious.

Militia leaders claim their lives are in danger from the military

In a surprising development, four former leaders of pro-integration militia groups in West Timor have written a letter to the UN Security Council offering to reveal everything they know about the violence surrounding the East Timor vote for independence, in return for a guarantee of safety. The four say that the Indonesian military tried to assassinate them in an attempt to ensure that they would not reveal the true facts about the Indonesian army's involvement in the campaign of violence and intimidation. They also alluded to knowledge of the army's complicity in the killings of three UN relief workers in the border

town of Atambua, West Timor, in early September.

The four leaders are seeking guarantees not just for themselves but for 54 of their associates, including the former Aitarak militia leader, Eurico Guterres. Guterres seems to be finding his own relationship with the Indonesian authorities more amenable, especially following his release from police detention on 26 October.

While there may be a few cracks appearing in the previous discipline and solidarity among militia leaders, it would be surprising if the Indonesian military were unable to reassert its influence over the wayward militiamen. Members of the Indonesian military (TNI) are likely to exert considerable pressure in what is after all an internal affair. If not, then this could have serious implications for senior officers in TNI who were involved in operations in East Timor in the build-up to the referendum in 1999.

Court orders the release of Guterres

Following a ruling by the South Jakarta District Court, the police were ordered to release the notorious pro-Indonesia militia leader Eurico Guterres on 24 October, on the grounds that he had been wrongly arrested on 4 October. As we suggested in our previous issue, the release of Guterres seemed to be inevitable, given the public support he had received from prominent politicians, including Akbar Tandjung (speaker of the DPR) and Amien Rais (speaker of the MPR), but that any decision would probably wait until after the CGI (Consultative Group for Indonesia) meeting in Tokyo. However, as we go to print, the status of Guterres appears unclear. Although apparently free, he has now sought police protection and

remains in the safe house that had been used for his previous house arrest during his final weekend in custody—a luxury residential complex used by senior police officers at police headquarters.

President Wahid admits to meeting with Tommy Soeharto

President Wahid has confirmed that he met with Tommy Soeharto in early October, following the court's announcement of Tommy's 18-month jail sentence for corruption. Tommy was found guilty of causing Rp 95.4 billion (US\$11.2 million) in losses to the state in a land-swap deal between the State Logistics Agency (Bulog) and the Goro supermarket chain, jointly owned by Tommy and his then business partner Ricardo Gelael.

Although the president has stressed that he had no intention of making any deal with Tommy and that the matter lies with the Supreme Court, the fact that such a meeting took place at all would suggest that the president is not happy to let the matter rest with the courts. In fact, there are rumours of two meetings, at least one of which was attended by Tommy's elder sister, Siti Hardiyanti Rukmana. If true, this suggests that members of the former first family are looking to strike a deal with the president, presumably offering to return some of their allegedly ill-gotten wealth in return for dropping the legal moves against members of the family. The fact that Wahid should be involved in clandestine meetings with a convicted criminal is highly dubious, and says little for the president's respect for the due process of the law. In addition, the president also runs the risk of creating another source of conflict with parliament, since the MPR has passed a decree requiring the president to bring to court all those suspected of serious crimes of corruption. Failure to do so will give the DPR

further ammunition should it wish to call a special session of the MPR to push for the president's impeachment.

Suwondo questioned, says president not involved

In what could become a crucial case in President Wahid's political career, Alip Agung Suwondo, the president's former masseur, was questioned by police for eight hours on 24 October regarding Rp 35 billion that Suwondo claims to have "borrowed" from the national State logistics Agency (Bulog). Despite an official receipt from Bulog showing Suwondo's signature and title as 'the president's personal assistant,' together with evidence that the money was subsequently transferred to a variety of political and business people, Suwondo stuck to his story that he had borrowed the money for his own use.

In a previous court hearing of the case, the former deputy chief of Bulog, Sapuan, had stated to police that Suwondo had demanded the money on behalf of the president for a humanitarian project in the troubled province of Aceh. The evidence so far is hardly encouraging from the president's point of view, despite the current denials by both Suwondo, and now Sapuan himself. Currently, a 50-member committee drawn from the various factions in the DPR is investigating the case and will decide if there are sufficient grounds to take further action against the president.

Major police reshuffle announcement triggers speculation over the motives

A major reshuffle of Polri (National Police) officers was announced on 17 October, involving 31 mid- to high-ranking officers. Most notable among the moves was the promotion of Irian Jaya police chief Brig Gen Silvanus Yulian Wenas to head police patrol operations, and the transfer of the

Jakarta police chief Insp Gen Nurfaizi to the position of head of the National Police Training Centre.

The transfer of Brig Gen Wenas comes one week after the violence at Wamena, Irian Jaya, following the change in the government's policy towards the flying of separatist flags in the province. Wenas is replaced by Insp Gen F. X. Soemardi, former head of the police academy, and a Catholic from Central Java. In an interview with the *Van Zorge Report* on 18 October, Wenas said that he had no intention of allowing people to be killed over "a piece of cloth," a reference to the deadline for removing separatist 'Morning Star' flags from flagpoles across the province. Wenas was widely respected in the province for his conciliatory approach and his attempts to open up a dialogue with local leaders in order to avoid confrontation. It may be that the government was uncomfortable with this openness to discussions with Papuan leaders, and felt a new man was needed to implement Jakarta's new hard-line policy towards separatist sentiments in the provinces. Nonetheless, in his last few days in the job, Wenas has announced that the deadline for removing all separatist flags (which had been previously set for 19 October) would be postponed.

Meanwhile, the transfer of Nurfaizi to head up police training could be seen as a measure to remove him from active duties in the field. Nurfaizi is replaced by Insp Gen Mulyono Sulaeman, former deputy assistant of logistics at police headquarters.

Interestingly, there are rumours that the move was made as a result of the arrest of Suwondo, President Wahid's personal masseur and co-founder of an airline called Awair, who is implicated in the National Logistics Agency (Bulog) scandal (see previous story). Many observers believe that the po-

lice knew Suwondo's whereabouts ever since the scandal first broke, but have only now made any attempt to arrest him. If this is so, then the arrest could have been encouraged by various groups within the DPR in an attempt to increase the pressure on the president. Suwondo received a disbursement of Rp 35 billion from Bulog's employee foundation, and an official receipt indicates that he asked for the money in the name of the president.

Papuan leaders promise no more violence

With the deadline for the removal of 'Morning Star' separatist flags having passed without any violence thanks to the police decision to postpone any showdown, Theys Eluay, head of the Papua Presidium, has promised that there will be no more bloodshed. Eluay was in Jakarta last week waiting to have talks with President Wahid on ways of diffusing the tension surrounding the flag issue. Eluay is quoted as saying that if the flags had to come down, it should be done in a "decent way." The question is whether members of the separatist Satgas Papua taskforce will see things in the same way as their leader. Two separatist flags remain aloft in the provincial capital of Jayapura, while many still fly in towns outside the capital, most in violation of the president's conditions that the national flag had to flag alongside and higher than the Morning Star flag.

Meanwhile, Yorrys Raweyai, the president of Pemuda Pancasila (see interview on page 19) and a controversial member of the Papua Presidium Council, headed by Theys Eluay, has said that the central government should pay more attention to development in Irian Jaya as a means of reducing separatist sentiment in the province. However, Yorrys also said that he wanted Irian Jaya to remain a part of Indonesia.

Yorrys was born in the province and lived there until the age of 28, at which point he moved to Jakarta. The invitation from the Presidium to bring Yorrys into the group has caused considerable controversy in view of his past associations with Soeharto and Permuda Pancasila, and done little to legitimise the cause.

Results of Presidium meeting with President Wahid disappointing

President Wahid finally met with Papuan Presidium leader Theys Eluay on 23 October following the police decision not to enforce the removal of separatist 'Morning Star' flags from the province after the 19 October deadline for their removal had passed. Also present at the meeting was Yorrys Raweyai (see above). Yorrys is quoted as saying that the president had asked that the Presidium change the meaning of the flag in the eyes of the Papuan people, something which the Presidium members had said would be impossible. A compromise appears to have been reached in which a joint team will be established comprising government and Presidium members to search for a way to resolve the issue.

Following a cabinet meeting on 26 October, Cabinet Secretary Marsilam Simanjuntak said that President Wahid had decided that the flag could no longer be used a symbol of Papuan aspirations and that Papuans should find an alternative cultural symbol.

Military personnel withdrawn from Soeharto's residence

It seems that President Wahid was not entirely joking when he said on a recent overseas trip that student demonstrators should be allowed access to Jl Cendana, the leafy street in central Jakarta on which Soeharto and most of his family live. Since the second week of October, all military units assigned to guard the former

president's residence have been removed, and any further disturbance will have to be dealt with by the police. Soeharto and his family previously received special military protection in the two and a half years since the former president stepped down.

In the event of serious demonstrations, the police have the option of calling for assistance from the military. However, as we pointed out in our previous issue, there seems to be a sense of rivalry between the army and the police to the extent that the police might prefer to deal with any disturbances single-handed. It will be interesting to see how they cope with the challenge.

Intelligence agencies to be overhauled

In separate announcements by Coordinating Minister for Political, Social and Security Affairs Susilo Bambang Yudhoyono and Minister of Defence Mahfud M.D., the government has let it be known that its non-military intelligence coordinating agency, the State Intelligence Coordinating Board (Bakin) will be renamed the National Intelligence Agency (BIN) and given more responsibility than its forerunner. In comments that seem to indicate a third intelligence agency is required, Minister of Defence Mahfud M.D. also spoke of creating an entirely new intelligence network under the Ministry of Defence, to supply "accurate information" to the government. His reasoning seems to be that the Ministry of Defence no longer has adequate access to military intelligence, from TNI's intelligence service, the Strategic Intelligence Agency (Bias). However, observers are puzzled as to why a third agency should be necessary when the existing Bakin could be improved to supply information to the Ministry of Defence.

In subsequent comments, President Wahid has indicated that there has

been too much overlap between the two organisations, and that from now on the military's Strategic Intelligence Agency (Bias) should concern itself only with military matters and no longer handle political issues. This would seem to contradict the need for a third agency.

One question to be asked here is whether the changes are aimed at reforming and democratising the existing intelligence agencies, or simply increasing their influence in assessing internal threats to the security of Indonesia. One indication of this will be whether any new agency would be staffed by civilians or military personnel. If the latter, then public suspicion of the murky underworld of the Indonesian intelligence is unlikely to be allayed. In the public eye, the country's intelligence agencies are widely seen as being responsible for engineering incidents that then create a pretext for acting against 'undesirable elements' in society.

Minister Mahfud's comments on establishing a new intelligence network have some observers worried, while the more recent statement from the president suggesting a scaling back of the military's involvement in monitoring political issues augur well.

Syarwan Hamid named a suspect in attack on PDI office

While the investigations into human rights abuses in East Timor in 1999 and the subsequent court cases seem to have all but run out of steam, the case against senior officers allegedly involved in the July 1996 attack on the PDI headquarters continues to make the headlines. On 16 October, former Home Affairs Minister Syarwan Hamid was named a suspect in the attack. Syarwan was head of the military's social and political affairs

department at the time. He now joins Jakarta governor Sutiyoso on the list of suspects.

Sutiyoso, who was Jakarta's military commander when the attack took place, admitted earlier this year that the order to attack the headquarters had come from former president Soeharto. At the time of the attack, which triggered serious rioting in central Jakarta and left at least five dead, the government maintained that it was carried out by supporters loyal to PDI leader Soerjadi. This version of events is not generally accepted, since Soerjadi had been elected by a government organised PDI conference, and his 'loyalists' were reportedly hired thugs.

Raining Hawks

For the third time since June, and the second time in a fortnight, a British-built Indonesian air force Hawk jet fighter has crashed, on this occasion in Pontianak, West Kalimantan, killing both the pilot and the co-pilot. The fighter was on a routine training flight. The Indonesian air force purchased 32 Hawk 100 and 200 fighters in 1995, which means that it has lost almost 10 percent of its Hawk aircraft over the past five months. While comments in the local press suggest that the string of accidents was a result of difficulties in obtaining spare parts due to an embargo on military supplies, in fact the arms embargo affecting EU countries was lifted back in January 2000. The Indonesian air force is investigating the accidents but it seems that pilot error is the most likely cause. However, while the EU may have lifted its arms embargo, to the annoyance of the Indonesian military, the US embargo remains in place. All Hawk 100 fighters have been grounded since this latest accident. An air force spokesman

was quoted as saying that none of the Hawks were insured. □

Economic Briefs

President Wahid delays legal proceeding against three top businessmen

In an announcement that has been greeted with widespread dismay, President Wahid has said that legal proceedings against three top businessmen will be delayed as their role in boosting exports and contributing to economic recovery is vital. The three businessmen involved are: Marimutu Sinivasan of the Texmaco Group, Prajogo Pangestu of the Barito Group and Sjamsul Nursalim of the Gadjah Tunggal Group. Together they are responsible for causing massive losses to the state. The move has since been described by Attorney General Marzuki Darusman as resulting from the rescheduling of the three tycoons' debts with IBRA. However, the move has created an outcry, with the president being accused of collusion and an unwarranted intrusion into the judicial process.

Bomb explodes at Newmont's office in Lombok

A small bomb exploded at the office of PT Newmont Nusa Tenggara, in the West Nusa Tenggara provincial capital of Mataram on the island of Lombok on 13 October. Newmont operates a copper and gold mine in the Batu Hijau region of West Sumbawa. There was only minor damage, and no casualties were reported. Following the incident, the speaker of the provincial assembly was quoted as saying that the attack could have been due to local people's disappointment with the benefits they had received as a result of the mining operations in Sumbawa. □