Corruption is central to understanding the failure of Indonesia’s new rulers to deliver meaningful reform, well-founded prosperity or a measure of social justice. In the late Suharto period the country was widely thought of as a kleptocracy, with one extended family figuring as kleptocrats-in-chief. Since Suharto’s ‘fall’ (which has been much exaggerated) and the advent of a Reformasi (which has been largely understood as a MUST, or ‘invented comma’), we have a democratised — or at least oligopolised — and decentralised version of Suharto-era KKN.

The Krony conglomerates, both Chinese and priomu (indigenous Indonesian), and their ‘in-house’ money lenders survived the crash of the currency, the crash of the banks, the crash of export-led growth and the rise of poverty. Persisting, perverting corruption has permitted most of them to weather default, bankruptcy, bank restructuring and asset sell-offs. They have preserved their business empires in the face of complete financial and economic disaster for the state and the people. And they have resorted once again to the tried and trusted mechanisms and networks of KKN to sceptacular effect.

**How did things go so wrong so quickly?**

Or we might ask: How did it all go so right for the cronies and their threatened business empires? As Robinson and Hadzic have shown, the refinancing of the bankrupt banks following the Asian financial crisis of 1997–98 was long on carrot but short on stick. Almost all of the International Monetary Fund’s $14 billion, distributed through the Bank Indonesia liquidity support fund (BLBI) to rescue and reflate Indonesia’s private banks, was promptly embezzled by the corporate cronies who controlled them. The banks lent the money ‘in-house’ whence it disappeared, mainly into offshore investments and debt repayment.

The court actions intended to recover this money were another sorry illustration of the failings of the Indonesian legal system in the reform process. Case after case collapsed under the influence of flawed judicial reasoning and action. The IMF, the bountiful source of this new instant debt mountain that was supposed to rescue the economy, watched astonished (though why should it have been?) and censurably — but ultimately powerlessly — from the sidelines.

Seven years on from the IMF ‘rescue’ Indonesia is essentially still prostrate and now doubly crucified by the gnomes of Washington and Wall Street. In the Suharto years the World Bank’s toleration of a steady haemorrhage of 30% or so of its own development loan funding to KKN-left a $10 billion public debt overhang at the moment of crash in 1997. The fresh multibillion dollar fiasco of the IMF rescue package has now saddled the long-suffering Indonesian public with an additional debt of sever- al hundred billions.

Jeffrey Winters has suggested that there should be international criminal accountability for the former debt mountain; it seems there should be moral-political accountability at least for the latter one, since the IMF saw fit to lend once again into a rotten structure. There is also the issue of domestic Indonesian accountability, which was submerged in the rush to money politics under Suharto’s successor and political crony, President Jusuf Habibie. Habibie pioneered his way on the back of the Golkar Party’s attempted looting of Bank Bali and by bilking the poverty alleviation fund of Bolek (Badan Uraian Logistik, the national logistics agency) to assure funding for the 1999 election.

The Suharto-era cronies were joined in resuming the plunder of the Indonesian interior (to borrow a phrase from Marx) by a widening circle of senior bureaucrats, state industry sector executives, judges, prosecutors, court officials, police and military generals (many retired) and politicians and party officials. Then, as decentralisation reforms took hold from 2001, officials, both bureaucratic and elected, joined the KKN club, colluding with local business and government entities and operating even without the centralised constraints of Suharto’s dictatorship. This has gravely sabotaged the potential of special and regional (ordinary) autonomy to deliver long-delayed economic justice or a sense of effective local participation in the aggrieved provinces of Aceh and Papua and elsewhere.

**To protect and swindle**

Thus money politics in parliament was complemented by money justice, kleptocratic state administration and TNI (Tentara Nasional Indonesia, or armed forces) capitalism, corruption and patronage. New government-established institutions to combat corruption have proliferated since 1998 — most notably an Anti-Corruption Commission (KPK, Komisi Pemberantasan Korupsi) and Court — while anti-corruption NGOs from Transparency International to TNI Watch are active and articulate. But despite backing from mass print media, notably the Tempo group, Indonesian civil society remains embattled, struggling for real empowerment in the anti-corruption campaign.

A principal reason for this is the impunity of the military and military-dominated sectors of the government in their violent dealings with civil society opponents who seek to expose and undermine the military business empire, which includes illegal logging and log export, and fuel smuggling and theft on a vast scale in collusion with corrupt officials at the state oil and gas company, Pertamina (Pertambangan Minyak dan Gas Bumi Nasional). TNI and the police also routinely extend protection to big business associates who themselves employ violence and intimidation in defence of corrupt empires.

TNI remains a prime guarantor of Suharto family wealth, which became clear when Tommy Suharto spent a year on the run in Jakarta under military protection after procuring the murder of the judge who sentenced him to prison on corruption charges in 2002. Meanwhile, retired military generals at BIN (Badan Intelijen Negara, the State Intelligence Agency) were plainly involved in the poisoning-murder of the founder of Kontras (Komisi Untuk Orang Hilang dan Korban Tindak Ke- korosan, Commission for Disappear- ances and Victims of Violence) and leading the scourage of the TNI, Munir, in 2004. Only the BIN field operative Garuda pilot, Pollycarpus, has been brought to trial for the killing.

In Indonesia corruption thrives under the influence of a large and still growing business, political, administrative and military elite who are prepared to unsurprisingly withstand state authority and state violence — as well as private violence under state or military protection — to defend their interests. Tackling KKN effectively depends on far-reaching reforms that must go well beyond the window-dressing of Reformasi. Bitter political struggles over corruption undoubtedly lie ahead.

Peter King is a research associate in Governance and International Relations at Sydney University, where he was founding president and later director of the Centre for Peace and Conflict Studies. His most recent book is 2004’s West Papua and Indonesia: Since Suharto: Independence, Autonomy or Chaos? UNSW Press, Sydney. He was an IIA fellow in 2005.