Corruption, collusion and nepotism after Suharto: Indonesia’s past or future?

When the Asian economic crisis struck Indonesia in 1997 it was generally thought to signal the end of a system of power defined by the corrupt and collusive relationships of KKN (Korupsi, Kesusilaan dan Nepotisme). Surely the days of the cronies were over, and their corporate empires would be taken over by large international investors.

Richard Robison

Indeed, the future looked bleak for Indonesia’s large conglomerates consumed by unsustainable debts and last-ditch struggles to keep their assets from creditors. Nor was Indonesia in any position to resist the stringent IMF conditions for reform. Suharto’s demise in May 1998 unravelled the regime that had provided the framework for the highly organised system of KKN and triggered a series of political and administrative reforms that would not only transform Indonesia into a formal democracy but shift administrative authority to the provinces and sub-provinces. Given the wave of popular opposition to corruption, a central feature of anti-Suharto politics, here, surely, was the opportunists, fixers and corporatists which became machines to capitalising on the resignation of popular authority over state administration to the IMF, the Asian crisis demonstrated the consequences of transgression of the rules of the marketplace. According to this view, enjoying the benefits of global markets requires governments to accept the foundations of good macro-economic policy and promote ‘good governance’, and that corporate defaulters repay their debts and repair their reputations if they are to be accepted again into the global marketplace.

But is reform in Indonesia really being enforced by the discipline of global markets? Huge inflows of foreign direct investment and other forms of financial capital into Southeast Asia before the crisis, made with the full knowledge that corruption and rent-seeking were central to the whole process of investment, suggest that in practice reformist parties emerged. Instead, Will the new economic and political entrepreneurs of Indonesia now be forced to address the costs of crony capitalism by creating the institutions to resolve their growing collective action dilemmas – including the provision of effective courts and an honest judiciary? Will new democratic institutions open the door to reformers? Are we seeing the emergence of a new administrative capitalist society as administrative oligarchy collides with neoliberal globalisation in the early 21st century? Other similar neopatrimonial market hybrids have shown amazing resilience. The Philippines, for example, has been mired in oligarchic money politics for more than five decades despite deep immersion in global markets.

Since the crisis and the fall of Suharto optimism has waned. Even the World Bank has admitted the loneliness of reformist technocrats operating in an indifferent and hostile environment. The failures of two presidents to drive reform suggest that that of the world commercial courts and well-connected conglomerates in the organisation of KKN rather than the fact of its continued existence. While global investors have been frightened by the difficulties of dealing with defaulters and by the way commercial courts and well-connected conglomerates have colluded to avoid debt and bankruptcy, the evidence suggests that they are prepared to engage with former defaulters where new opportunities seem to outweigh risks, especially in well-subscribed that Indonesia would triumph over the state.

Yet, while predatory and rent-seeking coalitions cannot any longer organise their power in the same ways, they have been able to survive within the new institutional frameworks. Money politics has subsumed the new democratic political parties. New legal and judicial arrangements, banking regulations and environmental regulations are often ignored. The policies for policy-makers is not necessarily about capacity or program design but about politics: Why are these institutional changes not undermining entrenched interests or strengthening reform coalitions? How is the future going to affect investment and finance from global markets and under what conditions? And which economic model allows us to observe the collision of markets and under what conditions? We must also rethink the nature of those fundamental of good macro-economic pol-

capitalism with highly illiberal, populist and predatory systems of power. It poses the question of whether the reform process set the country on an inevitable course towards a grand liberal triumph of markets, democracy and ‘good governance’, or whether the market dynamic is a more sinister one that preserves or even generates new systems of highly illiberal, regulatory state authority.

Richard Robison is Professor of Political Economy at the Institute of Social Studies, The Hague.

Notes

4. The failures of two presidents to drive reform suggest that that of the world commercial courts and well-connected conglomerates have colluded to avoid debt and bankruptcy, the evidence suggests that they are prepared to engage with former defaulters where new opportunities seem to outweigh risks, especially in well-subscribed that Indonesia would triumph over the state.
5. Geertz 1963; Greenfeld 1963.
6. The fall of Suharto and Megawati’s election as President would make history in Indonesia.
10. See, for example, the market in Indonesia in 1990s.