

# Indonesia: Political Insecurity Linked to a Sense of Injustice

By Hilton L. Root

*This is the first of two articles.*

**MANILA** — The recent riots in Jakarta expose Indonesia's tenuous political security. For the first time in many years, opposition to President Suharto's "New Order" government have a rallying point.

The removal, by pro-government forces in late June, of Megawati Sukarnoputri as chair of the Indonesia Democratic Party, one of three political groups authorized by the state, has acted as a catalyst.

Uncertainty about the health of Mr. Suharto, who is 75, has added to the nervousness. Political insecurity caused stocks and the value of the currency to fall sharply this week.

The insecurity is rooted in a pervasive sense of injustice and resentment that can directly affect the economic prospects of the country's largest firms, most of which are controlled by friends and relatives of Mr. Suharto or by the ethnic Chinese minority.

But why do fissures suddenly open up when average per capita income has reached \$1,000 and statistics suggest that living standards for many Indonesians have greatly improved in the last couple of decades while the number living in absolute poverty has fallen sharply?

In the late 1960s, Indonesia appeared to be a broken-backed country with little hope of recovery. The support of the armed forces was necessary to sustain Mr. Suharto's rise to power because Indonesia lacked most of the institutional foundations of a modern state.

Working closely with the military, he and his government of economists and technocrats

were able to keep an ethnically diverse and geographically dispersed island nation together. Stability helped produce economic growth in a country rich in natural resources.

Eventually the administration's political power and control over local administration were leveraged into economic power with the help of a regulatory maze that required would-be entrepreneurs to seek out fixers with good political connections. These entrepreneurs generally emerged from among the Chinese who had dominated business since Dutch colonial times.

Chinese provided the capital and commercial expertise, the military officers the regulatory privileges. This very lucrative partnership left many senior officers financially secure.

Chinese, who are no more than 3 percent of the population, now control more than 70 percent of non-landed wealth.

The importance of fixers diminished when the export-oriented trading sectors were deregulated in the mid-1980s. But the key role of the armed forces in the fortunes of the Chinese did not diminish. Their authority is needed more than ever to deter labor unrest.

Resentment of the wealth acquired through political patronage by both groups contributes to Mrs. Megawati's support. The young, more professional officers figure prominently in her potential constituency.

Some Chinese fear the Indonesia Democratic Party's close ties with the country's largest Muslim organization because they see such an alliance

as another potential challenge to their economic dominance. More than 80 percent of Indonesia's population of some 200 million professes adherence to Islam.

Chinese firms depend on informal networks to power brokers and must defend themselves from arbitrary tax levies and ad hoc regulations. As a result, many have secretive ownership structures and accounting methods. Such practices do not inspire confidence among outsiders, hence shares in the companies are not easily sold to the public.

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