

## IN BRIEF: POLITICAL

**The sound and the fury**

In recent weeks, an issue which has periodically resurfaced over the past nine years has moved back into the spotlight. Demonstrations have been held, legislators have called for the president to be directly questioned and the Attorney General's Office has launched a new investigation. The subject of all this attention is the Rp 150 trillion (US\$15 billion) of state funds dispersed to domestic banks at the height of the 1998 economic crisis. This money is known as the Bank Indonesia Liquidity Support fund, but is more commonly called by its Indonesian abbreviation—BLBI.

The BLBI scandal refuses to die largely because it remains unresolved. The government only ever recouped around 30 percent of the funds it is owed by the nation's handful of multi-millionaire businessmen. It also exposes an underside of dodgy dealings, which shows just how little the modus operandi of the country's elite has changed in the *reformasi* period.

As 1997 turned into 1998 and the financial crisis tightened its grip on the country, most domestic banks became insolvent. Unable to cope with a customer rush to withdraw their deposits, it looked certain that the whole of the Indonesian banking system would collapse. To forestall this threat, the government told Bank Indonesia to inject Rp 150 trillion into banks, to be paid back at a later date.

The problem was that the banks' owners used this money to prop up their other failing businesses, or simply skipped the country with the windfall. Subsequent efforts by post-Soeharto governments to recoup those funds failed abysmally. While many of the debtors handed over assets to cover their debt to the government, there was substantial disagreement about the value of those assets. For example, in July 1999 a Lehman Brothers audit estimated the value of assets surrendered for one tranche of the BLBI to be Rp 52.6 trillion, but just five months later a PricewaterhouseCoopers audit put the value of the same assets at just Rp 23 trillion. A vast grey area had been borne, where negotiations and backroom deals were held between the debtors and successive governments about how much was still owed.

After large payouts, previous presidents Habibie and Megawati both issued "release and discharge" letters for the biggest debtors. These legal documents effectively absolved the debtors from any future obligations, ensuring that no further legal action could be taken against them. If this is so, it seems strange that the Attorney General's Office plans to re-open investigations.

The latest round of BLBI-related activities gained impetus after an obscure and complex court trial in Lampung against one of the biggest debtors, the Salim Group. The case revolved around four Salim-owned sugar companies which the group sold to two separate buyers at the same time in 1999. The court verdict ordered Salim to repay one of the buyers, but also said that the conglomerate had violated agreements it had made with the government at the time. It was this last point that NGOs seized on as a possible new legal avenue to bring Salim back to the legal process over its debt repayments.

## IN BRIEF: POLITICAL

Meanwhile, as well as recalling the owner of Salim for questioning, the AGO has also been investigating members of Megawati's cabinet who were involved in the decision to issue the release and discharge letter. The problem for the Attorney General, however, is that the decision to let the debtors walk free was made during a 2002 meeting headed by Megawati. Also attending the meeting were two of her ministers who have since gone on to bigger and better things: Jusuf Kalla and Susilo Bambang Yudhoyono.

DPR members are also clamouring for the BLBI issue to be brought back into the open, recently voting for an interpellation session to ask the president what he plans to do about it. PDI-P members conspicuously withheld their support of such an interpellation until the last minute, worried about the ramifications on their dear leader Megawati.

But, according to a well-placed source in the government, none of these moves are serious attempts to finally resolve the BLBI issue.

“The debtors are not likely to face any serious problems. The [AGO] investigation will go no where, but simply lead to another back-room deal like what happened before,” the source told the *Report*.

Similarly, the interpellation called for by DPR members is just empty rhetoric. “The legislators just want money,” a member of Golkar’s inner circle told the *Report*. “They consider the government and the debtors as money machines,” he said candidly.

Rather than a serious attempt to sort BLBI out once and for all, the current noise about it has been generated from several different quarters to wring money out of those who are vulnerable to it. These people include several senior politicians along with the debtors themselves.

It has suited every administration from 1998 onwards to keep the BLBI issue unresolved. It has been highly convenient to periodically pressure debtors, to offer them the carrots of release and discharge letters and the sticks of drawing them into another long and uncertain legal process. Rather than pursuing one big official and transparent resolution, it suits everyone concerned to keep the issue dripping away in the background so that when additional payments are made, they can disappear in campaign war-chests or personal Singaporean bank accounts.

It suits everyone, that is, except the Indonesian people, who loose the possibility of ever seeing the missing money go toward much-needed public services.

### The new rules are: there are no rules

Back in June, the *Report* published an extended political brief about the problems associated with campaign donations during the 2004 elections. At the time, lax regulations allowed parties to hand over inaccurate and incomplete financial reports to the National Elections Commission (KPU), which independent auditors admitted were, to all intents and purposes, useless.