because of their high profile in the independence movement. In contrast, there have been no previous en masse arrivals of Papuans seeking asylum on Australian soil, the nature of which obligates Australia to grant asylum under international conventions. This, our source maintains, represents a conscious strategy by the Papuan movement to gain international attention and support, something which is considered by political theorists to be crucial to a successful secession.

Bank Indonesia's accountability under question?

Reports emerged in mid-March that the work of the newly established oversight board for Bank Indonesia (*Badan Supervisi Bank Indonesia:* BSBI) has been hampered by a lack of cooperation from Bank Indonesia (BI) staff. Obviously frustrated by the refusal of BI staff to submit the required data, the head of the eight-month-old BSBI finally took his concerns to the president and the media.

The *Report* situates this conflict by looking at how the roles of BI have changed over the last seven years and the efforts so far made to guarantee transparency and accountability for this crucial financial institution.

Until 1998, political interference in BI was demonstrated most obviously through the turnover of BI governors, who were hired and fired directly by President Soeharto and expected to serve as personal bankers for his family's business empire and those of his friends. The extent of BI's lack of autonomy became apparent as the economic crisis hit in 1998. All senior management of BI were suddenly changed and monetary policy moved into the hands of the Ministry of Finance. Most damagingly and most memorably, BI staff were implicated in the massive BLBI scandals, where BI pumped funds into failing banks ostensibly to ensure that depositors could recover their savings. However, it later emerged that 10 well-connected banks received 70 percent of the total amount issued, using the funds to pour into their own collapsing business empires and speculate on dollars, further aggravating the rupiah's devaluation.

Since that time, two major revisions of BI's role occurred in 1999 and 2004. Now BI neither provides credit to the government nor is it involved in financing development or any other spending, although it is still the official account holder for the government. The 1999 law, which reduced BI's work to the sole function of maintaining domestic price stability, was changed again in 2004 to reinstate temporarily its roles as supervisor of the country's banking system and lender of last resort—the function which enabled the BLBI scandal.

A newly created agency, the Deposit Insurance Agency, has now taken over as lender of last resort and is slowly phasing in a deposit insurance scheme to cover only small deposits—up to a maximum of Rp100 million per bank customer by March 2007—in the event of another banking crisis. Similarly, supervision of the banking sector is due to be handed over to another new agency by 2010. Other BI roles continue to include managing the domestic debt and foreign exchange.

At the beginning of the *Reformasi* era, the most contentious issue concerning the autonomy of BI was the process of appointment and dismissal of BI governors. In 2000, a controversy erupted when then President Wahid tried to replace then BI governor Sjahril Sabirin, who had been appointed by Soeharto in his final days as president and had been mired in extensive allegations of corruption. Ironically, the 1999 BI law prevented Wahid from replacing Sabirin through its provisions to curb the political appointment of BI governors. After the end of Sabirin's tenure, current BI governor Burhanuddin Abdullah became the first governor of BI to be elected into office by the DPR, which submitted a list of names to the government rather than allowing the president to handpick a new governor. Another important measure was introduced in the 2004 BI Law, which stated that the BI governor no longer has to be a career BI banker and can now be selected from candidates outside the bank.

The DPR is now largely responsible for the oversight of BI, which is required to submit quarterly progress reports and meet regularly with legislators, especially Commission XI in charge of financial matters. BI's internal operations budget also has to be approved by the DPR and the Supreme Audit Board's (BPK) annual audits of BI made publicly available. Encouragingly, since 2003 the BPK has been able to give "unqualified" opinions of BI's accounts.

Stipulated in the 2004 law, the creation of a supervisory board was conceived as an additional effort to ensure BI's autonomy and prevent corruption. Staffed by five members who were chosen from a list of names submitted to the DPR by the government, the main task of the board is to "assist the DPR in conducting surveillance on BI's accountability, independence, transparency, and credibility." Formed on August 4, 2005, the BSBI has the power to oversee BI's operating budget, financial reporting, investment decisions, and policy-making processes. However, as the recent media reports testify, BI staff has been less than forthcoming in providing the information necessary for the BSBI to do its job effectively. Does this mean that BI has something to hide?

The consensus seems to be no. To be sure BPK has sometimes found irregularities in its audits of BI. For example in its 2003 audit, BPK reported that an astonishing US$748,000 was spent on artwork for BI, with the suspicion that they would later disappear into the homes of outgoing members of the Board of Governors. However, these kinds of irregularities are a world away from the massive and sustained systematic abuses which took place under Soeharto.

The dysfunction of the BSBI over the past eight months is more likely connected to the political compromises made when the institution was first created. Perhaps thinking of the problems which beset the Oversight Committee of IBRA around 2001- 2002, the Governor of BI was wary that the BSBI should not become politicised. If the BSBI's staff were to be chosen by members of the DPR, there existed a potential to fill it with political appointees loyal to particular political parties who could then use their position to bolster their party's bargaining power in parliament. The original intention to give BSBI the authority to dismiss members of the Board of Governors was later retracted after pressure from BI.

Meanwhile, DPR Commission XI attempted to safeguard its own influence by arguing that the job could be done more effectively by an internal commission taskforce. This all led to a fudging of the rules regulating the institutional set-up and functioning of the BSBI and the lack of a clear political mandate to carry out its tasks. The president has just instructed its Cabinet Secretary to clarify the working mechanisms between the BSBI, Bank Indonesia, and the DPR. If the great strides that have been taken in the last few years to guarantee BI's accountability are to be kept on track, the smooth functioning of an effective oversight board indeed needs to be prioritised.

Indonesia-Malaysia palm oil alliance: A blow for the economic nationalists?

The announcement of an alliance between Indonesia and Malaysia in the oil palm sector means that the two countries together will now account for 84 percent of the world production of crude palm oil (CPO) and have the ability to control world prices of the increasingly attractive commodity. In a sector that has long reflected the configuration of politico-economic interests in Indonesia, this most recent move also has implications for the economic nationalist agenda, as it relates directly to the dire predications made for the Indonesian oil palm industry in 2001, when one of Indonesia's biggest oil palm plantations was sold through IBRA—the government debt collecting agency created after the financial crisis—to a Malaysian company.

Control of Indonesia's palm oil industry was initially run by state-owned enterprises in the immediate post-independence era. Expansion of the sector began in earnest in the 1960s, as industries in the West began using oil palm as a cheap alternative to crude oil in soaps, margarine, and other edible oils. Around the mid 1980s, President Soeharto made a conscious effort to compete with the much more developed Malaysian oil palm industry by allocating vast swathes of mostly forested land to Indonesian business groups to develop into plantations. Those businesses that gained the most were the familiar "inner circle" conglomerates of the Soeharto era, including Salim, Sinar Mas, Texmaco, and Bakrie. Concessionary credit rates from state banks fuelled the expansion, but with only around 16 percent of the land allocated actually used for plantations, it was an open secret that companies used their plantation permits to simply clear the land of timber and then leave it empty.

Beginning in 1998, the Asian Economic Crisis changed the structure of ownership in the Indonesian oil palm sector in two main ways. First, the unmanageable dollar denominated debts of many domestic conglomerates meant they had to either sell some of their assets or cede them to the Indonesian government in repayment for previous loans. Oil palm plantations were among the assets surrendered to IBRA. Secondly, the policy leverage obtained by the IMF through their provision of emergency funding enabled a raft of economic liberalisation measures to be pushed through, including one that removed existing barriers to foreign investment in the oil palm sector.

A well-publicised controversy erupted in 2001 when IBRA tried to sell a bundle of 25 plantations previously surrendered by the Salim Group to a Malaysian company, Guthrie Berhad. Echoing the recent ExxonMobil