

# Corruption Continues

## *More of the Same in Habibie's Indonesia*

by George Aditjondro

THE RELUCTANCE OF INDONESIAN PRESIDENT SUHARTO'S successor, B.J. Habibie, to press an aggressive investigation of the wealth of Indonesia's former First Family has left the Suhartos shielded from close scrutiny. Even after the worst financial crisis in the country's history, *Forbes* magazine estimated the Suharto family is worth \$6 billion — notwithstanding protestations from former President Suharto himself that he has no money socked away.

Habibie's reluctance can be traced perhaps to two factors: the fear that investigation of the Suharto family wealth may spark calls for an inquiry into the Habibie family companies; and the intermingling of the business enterprises of the Habibie and Suharto families.

Many of the more than 100 Habibie family companies are closely linked with those owned by members of the Suharto family and their close friends.

### LEARNING FROM THE MASTER

Under the full patronage of Suharto for two decades, Habibie learned the nepotism game well from his mentor.

The overlapping business interests of the two successive First Families run from Batam Island, Indonesia's main free trade zone, located just across the Straits of Malacca from Singapore, to Germany, where the current Indonesian presi-

dent spent 12 years as a student and later as a top executive of Germany's aircraft giant, MBB (Messerschmidt Bolkow Blohm).

For nearly 20 years, Habibie held the position of Head of the Batam Island Authority, which he passed on to his younger brother, Fanny Habibie, after accepting the vice presidential slot on Suharto's ticket in March 1997.

During those 20 years, Batam swarmed with members of the Habibie clan. Most prominent among them was (Ret.) Major General Sudarsono Darmosuwito, a younger brother-in-law of Habibie, who was the head of Batam's executive body, BIDA (Batam Island Development Authority), from 1978 to 1988. Darmosuwito remained an adviser to BIDA until Habibie became acting president. Then he and Fanny Habibie stepped down from their positions, as the Indonesian anti-corruption movement gained strength.

The Indonesian Technology Assessment and Development Body, or BPPT in its Indonesian acronym, which Habibie headed for more than two decades, has also been blemished with Habibie-style nepotism and cronyism. Truly Sutrasno, the eldest daughter of Habibie's eldest sister, a psychologist by training, was appointed as Deputy Head of BPPT for Administrative Affairs, in charge of budget planning for the entire institution and related organizations.

Her catering company supplied most of BPPT's catering needs, while her husband, Mohammad Ridwan Sutrasno, obtained contracts worth tens of millions dollars to repeatedly renovate the BPPT building in Central Jakarta.

Truly's younger brother, Askar Subono Mantofani, who had worked at BPPT while still finishing high school, set up his own company to carry out printing orders from three state-owned companies under Habibie's control: the aircraft

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factory (IPTN), the shipyard (PT PAL), and the arms and ammunition factory (PT Pindad). Askar also supplied chairs, toilets and carpets for IPTN-made aircrafts, while his sister's



Indonesian President B.J. Habibie

company met IPTN's catering needs.

Truly and Askar's companies are only two of the dozens of Habibie- and Suharto-linked companies involved in IPTN and the nine other strategic industries headed by the current president. Among the others were joint ventures between the two families in the Natuna Islands natural gas project in the South China Seas, which fell under Habibie's jurisdiction.

#### THE GERMAN CONNECTION

**O**VERSEAS, the Habibie family has its strongest business links to Germany. A younger sister of the current president, Sri Rahayu Fatima Mochdar, also known as Yayuk Habibie, is the agent of the German steel and engineering giant, Ferrostaal, through her company, PT Ferrostaal Niaga Utama.

Two companies controlled by Suharto's middle son, Bambang Trihatmojo — PT Samudra Petrindo Asia, an oil tanker company, and PT Samudra Ferro Engineering, which is involved in oil refinery engineering — have joint ventures with Ferrostaal.

As the sole agent of Ferrostaal in Indonesia, Yayuk Habibie has influenced EKONID, the main Indonesia-Germany business association in Jakarta. Using EKONID as her vehicle, she has been able to lobby from the private sector for German economic interests in Jakarta, while her elder brother, the current president, did it from his official position as

minister of research and technology.

Assisted by their aunt, B.J. Habibie's two sons, Ilham Akbar Habibie and Thareq Kemal Habibie, have forged their own business connections with German companies. Three Habibie family company groups — Repindo Panca, Trimitra Upayatama and Citra Harapan Abadi — have developed joint ventures with German companies, ranging from a large heat exchanger factory in East Java, to 30 percent shares in a company that owns the Deutsche Bank building in Jakarta, to a growing portfolio of Repindo Panca businesses in Germany.

The Habibie connection has paid off for German business. As state minister of research and technology, Habibie successfully lobbied for a German company, Interatom, a subsidiary of Siemens AG, to construct Indonesia's first full-sized nuclear research reactor in 1981. Interatom won the bid even though its reactor was priced much higher than those of U.S., Canadian and French contenders.

In 1994, it was Habibie again who managed to get Suharto's approval to buy 39 used ships from the former East German Navy for \$1.1 billion, more than three times the price agreed to by the Finance Minister and against the wishes of the Indonesian Navy and Armed Forces commanders, who were left out of the negotiations. To avoid intra-elite frictions, three news media — *Tempo*, *Editor* and *Detik* — which reported the controversy were banned.

Sources in Germany and Indonesia alleged that Habibie's youngest sister, Yayuk, was the broker for the German sellers of the used Navy ships.

Yayuk Habibie vehemently denied any involvement in that deal in a phone interview with *Multinational Monitor*. She did admit, however, that her husband's air-conditioning repair company received a contract from the Navy shipyard, PT PAL, to repair the air-conditioning apparatus of the German ships. That in itself could be a sizable contract, since the former East German ships were outfitted for the subzero Baltic and North Sea waters, rather than Indonesia's tropical waters.

Before Habibie's success in forcing the Indonesian Navy to buy the used East German ships, he persuaded Indonesian airlines to buy 32 Boeing 737-200 airplanes which had been used for 20 years by the Germany's Lufthansa. As with the used German Navy ships, he argued that repair of the discarded German equipment would create jobs. With German government financing, he contended, workers at the IPTN aircraft factory in Bandung, West Java could be employed.

Eventually, the Indonesian flag carrier, Garuda, agreed to buy seven of those used airplanes. Merpati, which is owned by Garuda, bought three, and two private Indonesian airlines bought five planes total. One of these companies, Mandala Airlines, which has since gone bankrupt, is jointly owned by the army and the Suharto family.

Even Habibie's purported anti-corruption measures have been tainted by his German and Suharto connections. One notable area where Habibie has been slow to move on his anti-corruption proposals is the electric power generating industry, which is beset by shady deals with the Suharto family.

When Habibie finally decided this summer to replace Djiteng Marsudi, the director of Indonesia's state electricity company (PLN), the move followed Marsudi's announcement that he was going to cancel a special deal between PLN and a joint venture involving Siemens and Suharto's middle son, Bambang Trihatmojo. Thinking that the moment had arrived to speak out, Marsudi had complained in the parliament about several deals between Suharto family companies and German partners. These arrangements, Marsudi said, were agreed upon at high-level meetings between Suharto and now-outgoing German chancellor, Helmut Kohl, during Suharto's frequent visits to Germany in the last three years. In other words, just like in the East German ship deal, the Siemens-Suharto deal bypassed the head of the relevant agency, here PLN. Little did Marsudi realize that Habibie himself — the man who is currently running the country — had arranged most of those visits and business deals.

Habibie's German lobby was recently strengthened by the election — tainted by bribes and arm-twisting by top army commanders — of Habibie's state secretary, Akbar Tanjung,

to the top position of Indonesia's ruling party, Golkar.

Tanjung's family company, Marison Nusantara, has overlapping shares and directorships with Indonesia's largest business conglomerate, the Salim Group of Liem Sioe Liong, Suharto's old friend from his early army days in the 1950s. Their joint businesses include a former joint venture partnership with the Australian Dairy Board, an oil palm plantation in North Sumatra, Tanjung's home province, to a company which deals in industrial chemicals manufactured under license from the Dusseldorf-based company, Henkel KgaA, with sales reaching \$50 million in 1996.

#### A NEW FACE, THE SAME OLD SYSTEM

So far, President Habibie has lived down to most of the Indonesian pro-democracy movement's worst expectations. He has shielded Suharto from serious investigation and perpetuated the nepotism and cronyism that has marked the Indonesian economy for decades. Fundamental change in Indonesia, it appears, will require a renewed push from the country's democratic forces. ■

## THE HABIBIE FAMILY EMPIRE

