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Indonesia: May 1998 Political Crisis and Implications for U.S. Policy

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Summary

After years of mounting political tensions and amidst acute economic difficulties, the shooting of students by Indonesian riot police and massive rioting in Jakarta, Indonesia's capital, in May 1998 has moved the crisis into a more uncertain period. The political crisis centers on demands from anti-government activists, supported by large numbers of university students, for political changes including President Suharto's resignation, a clarification of presidential succession, an end to corruption and economic privileges, open elections, and independence of parliament and political parties from government control. Another key issue is the influential role of the military in Indonesia's politics and government. Several scenarios or outcomes are possible in the near term: a Burma-style military crackdown on anti-government elements, the initiation of limited political reforms by Suharto, action by the military to oust Suharto or reduce his powers, and a "peoples power" revolution. The new situation affects U.S. policy by bringing the issue of political reform into the center of U.S. decision-making and making the ability of the United States to influence the Indonesian military as the key determinant of U.S. influence. This report was written before President Suharto's resignation and will not be updated.

Background

The shooting of students by Indonesian riot police and massive rioting in Jakarta on May 13-14, 1998, has moved Indonesia's economic and political crises into a new stage, more uncertain and volatile. Political discontent with the government of President Suharto emerged in the early 1990s. After a period of relaxed controls on civil liberties in 1993, the government imposed new restrictions on the press and other institutions in mid-1994. Sporadic, localized outbreaks of violence began in mid-1995. In July 1996, a riot broke out in Jakarta as a result of the Indonesian government-instigated ouster of Megawati Sukarnoputri from her position as head of the Indonesian Democratic Party. The Democratic Party (PDI) is one of two "opposition parties" the government has allowed since the early 1970s. The government has closely regulated and restricted these

two parties, and it feared Megawati's aim of converting the PDI into an independent political party. Acts of violence rose again prior to parliamentary elections in May 1997. The elections were held under severe government-imposed restrictions on campaigning.

Political turmoil declined after the elections but grew again in 1998 in response to the collapse of Indonesia's currency, the rupiah, the inability of Indonesian companies to service over \$60 billion in private sector debt, and rising inflation and unemployment. University students took the lead in organizing protests that increasingly called for President Suharto's resignation. President Suharto responded in early May 1998 that there would be no political reforms until the end of his presidential term in 2003.¹

Tensions mounted in early May when the government began to lift subsidies from fuel and electricity, as mandated by the government's agreement with the International Monetary Fund (IMF) for a package of IMF-facilitated aid of \$43 billion. A riot took place in the city of Medan on the island of Sumatra the first week of May. On May 13, Indonesian riot police (a branch of the armed forces) fired on students from Trisakti University, who had moved a protest from the campus to the streets.² In reaction, a massive riot broke out in Jakarta.

Until the Trisakti incident, the Indonesian military had allowed students to protest on campus and had not used lethal force against off-campus protests. In early May, President Suharto and General Wiranto, the Defense Minister and armed forces commander, had warned of tougher measures against protesters. The military also had been accused of a series of disappearances of anti-government activists since January 1998. General Wiranto denied that the military command was involved in the disappearances, and he stated that the military was prepared to discuss political reforms.³

The Contentious Political Issues

Suharto's status: President Suharto has been in power since 1967. Student leaders and other anti-government activists have placed Suharto's resignation at the top of their demands.

Presidential succession: Suharto, who is 77, never has named a successor. He was re-elected President in March 1998 for a five-year term. This has raised political and economic uncertainties as reports of health problems surface periodically. Speculation has grown that he seeks a dynastic succession, possibly through his daughter, Siti Hardijanti (known as Tutut), who is expected to assume the top position of Golkar, the ruling, pro-government political party, in October 1998.⁴ Under the constitution, Vice President B.J. Habibie would succeed Suharto if Suharto left office before his term ended. Habibie has been a close confidant of Suharto. Some analysts interpreted his selection

¹ Shiner, Cindy. Indonesia's Leader Stands Tough. *Washington Post*, May 2, 1998. P.A1.

² Landler, Mark. Indonesian Riot Police Open Fire at Protests, Killing Six Students. *New York Times*, May 13, 1998. P.A1.

³ Richburg, Keith. Military's Role Seen as Key to Indonesia's Fate. *Washington Post*, May 10, 1998. P.A19.

⁴ Emmerson, Donald K. Indonesia: Will Suharto Survive? *PacNet*, May 8, 1998.

as Vice President as a tactic by Suharto to sideline Habibie as a potential rallying point for anti-Suharto elements. His relations with the military have not been close, but the military did accept his elevation to the Vice Presidency in March 1998. He was controversial as Minister of Research and Technology where he initiated programs and advocated policies that appeared contrary to the economic policies advocated for Indonesia by the IMF and the World Bank. Habibie's views on political reform are uncertain. An organization he chairs, the Association of Indonesian Muslim Intellectuals, issued a statement on May 5, 1988, criticizing the government's position on political reforms as "vague, too little and too late."⁵

"Crony capitalism": Speculation of a dynastic succession is controversial partly because of the extensive economic monopolies that President Suharto has granted to Tutut and his other children and to close friends.⁶ Anti-government critics have called for an end to "crony capitalism." The IMF also has called for a dismantling of several of the monopolies as part of its financial assistance program.

The role of the parliament: The 500 member House of Representatives has been viewed generally as obedient to President Suharto. Suharto appoints 75 members from the military, and he plays a role in selecting most of the others. Any discussion or debate over political reforms will focus on the relationship of the parliament to the executive.

Elections and political parties: A key element of the Suharto political system has been to restrict the number of political parties to three (including Golkar) and control the other two political parties, including restricting their campaigning during parliamentary elections. President Suharto's successive re-elections in the 1970, 1980s, and 1990s have been insured by his control over the Peoples Consultative Assembly, which elects the President every five years. The Peoples Consultative Assembly has 1,000 members, composed of the 500-member House of Representatives and 500 chosen by the government. The importance of this issue was demonstrated by the struggle between the government and Megawati Sukarnoputri over control of the PDI in 1995 and 1996.

Role of the military: Since Indonesia gained independence from the Netherlands in 1949, the armed forces has acted in accordance with a doctrine known as the dual function. Under the dual function, the military has both a defense role and a political-governmental role. Besides enforcing internal security, the military is integrated into the civil administration of the country, occupies 75 seats in the House of Representatives (formerly 100), and participates in the top levels of Golkar.⁷ Military officers have said that the military expects to choose Suharto's successor.

⁵ Richburg, Keith B. Jakarta Protesters Angry, Organized. *Washington Post*, May 8, 1998. P. A33.

⁶ Thoenes, Sander. Taking Aim at Asia's 'Crony Capitalism,' *Christian Science Monitor*, January 21, 1998. P.1.

⁷ Cronin, Patrick and Ott, Marvin. The Indonesian Armed Forces (ABRI). *Strategic Forum*, Number 26, August 1997; Mydans, Seth. To Some Indonesians, Army is Rock of Nation, *New York Times*, February 16, 1998. P.A3.

Near Term Scenarios

The government and the military will “do a Burma,” fire on protesters, declare martial law, and institute mass arrests to suppress dissent. Despite the Trisakti University incident, the military leadership appears to want to avoid such action. Suharto would have to have united military support for a Burma option. There is speculation that the military is divided between factions loyal to General Wiranto and General Prabowo Subianto, Suharto’s son-in law, whom Suharto recently appointed to command the well-equipped 27,000 Army Strategic Reserve or Kostrad. Exercising a Burma option likely would suppress the protests but would isolate Indonesia internationally and likely would result in a termination of the IMF program. However, Suharto and the military could employ it as a last resort if they fear losing their powers in the wake of mounting disorders and public opposition. A first step could be the sustained employment of lethal force against violent rioters, if the government concluded that public fears of rioting would bring about public approval of strong military measures.

Suharto initiates a process of limited political reform or leads a dialogue on reform. Suharto’s apparent opposition to political reform leads to a conclusion that he would have to be persuaded by the military, his children, close friends, or a combination of all three groups. Such a Suharto initiative could include a clarification of his view of succession and disavowal of any design for a dynastic succession. It also could include a plan for consideration of future electoral reforms. Such a Suharto initiative likely would lower political tensions if his opponents perceived him to be sincere and would be most conducive to economic stabilization and future recovery. Those opponents who continued to demand his resignation would lose public support at least in the short term.

The military ousts Suharto or reduces him to a figurehead. A figurehead role would be similar to the situation of 1965-1967 when the military disarmed President Sukarno of his powers but kept him in office. Such action by the military would satisfy the leading demands of the anti-Suharto forces. The military might institute limited political reforms, such as clarifying presidential succession, reducing the economic privileges of Suharto’s children and friends, and enlarging the role of parliament. However, the military probably would not allow a broad democratization, which would threaten its political and governmental roles. Whoever would lead a military move against Suharto might seek the presidency for himself. The longer term outcome of the scenario would depend on whether the military and the anti-Suharto forces could reach an accommodation on the scope of political reforms.

A “peoples power revolution”. Like the Philippines in 1986 and Thailand in 1992, urban middle and working classes would take to the streets in the thousands, paralyze the operations of the government and the economy, force Suharto to step down, and bring about a fundamental political re-structuring toward democracy. The emergence of a peoples power revolution would require a greater unity among anti-Suharto groups than presently exists so that protests could be directed rather than descend into violence and rioting. It also would require the support of the military or key elements of the military, as was the case in Manila in February 1986. If a peoples power revolution brought down Suharto, political restructuring would take several years with many uncertainties along the way, as the Aquino presidency demonstrated in the Philippines after Marcos’ fall. Potential civilian leaders are inexperienced in running a government, and there are

potential rivalries among them.⁸ Their relations with the military could be a potential obstacle to political stability and restructuring. Economic recovery likely would be a slow process as investors and bankers would act cautiously until the political outlook clarified.

President Suharto will feel pressure in the coming days to decide between a Burma-style crackdown or the initiation of limited political reforms. If he does not make a decision and elects to try to muddle through the present crisis, the prospects of a military move against him or a popular revolution likely will grow.

Implications for U.S. Policy

The turn of events in May 1998 has several implications for U.S. policy. Until the incident, the Clinton Administration followed a policy of supporting President Suharto politically, endorsing the IMF's pressure on Suharto for economic reforms, urging the Indonesian military to show restraint in dealing with protests, and criticizing the disappearances of anti-government activists.⁹ The new situation will force the Administration to decide whether and to what extent the issue of political reform becomes part of the U.S. policy agenda. It will raise the tactical question of whether President Clinton will address President Suharto on political reform as he has on economic reform. Making political reform a visible element of the U.S. policy agenda could create pressures on the Administration to distance itself from Suharto if he does not take the initiative in this direction.

The Administration also will have to decide how to react if the Indonesian government cracks down on its opponents Burma-style. The Administration would have to decide whether to impose sanctions on Indonesia as the United States did to the military regime in Burma after the September 1988 massacre of pro-democracy demonstrators, thus aborting the IMF program. The dilemma for U.S. policymakers is that economic sanctions and termination of IMF assistance likely would aggravate internal instability in Indonesia and the possibility of greater violence. The alternative response would be *de facto* accommodation to a crackdown similar to the Administration's accommodation to the Chinese government, which would be criticized in Congress, the U.S. media, and by elements of the American public.

The ability of the United States to influence the Indonesian military probably will be the key determinant of the American ability to influence future political developments. The military would play the crucial role in all of the above scenarios. Projecting U.S. influence may require the utilization of U.S. military officials as *de facto* diplomats, since the U.S. military, especially the Navy, has had more extensive contacts with the Indonesian armed forces leadership than have U.S. civilian officials. Moreover, in any of the above scenarios, the U.S. military could be expected to continue to act in accord with the vital national security interest in securing the cooperation of the Indonesian

⁸ Cohen, Margot. Divided They Stand. *Far Eastern Economic Review*, March 12, 1998. P. 22-24.

⁹ Mann, Jim. U.S. Backs Suharto Despite Calls for Reform. *Los Angeles Times*, March 1, 1998. P. A1; Sanger, David E. and Kristof, Nicholas D. U.S. Set to Back \$1 Billion Outlay to Aid Indonesia. *New York Times*, May 1, 1998. P. A1; Blustein, Paul. U.S. Urges Suharto to Show Restraint. *Washington Post*, May 2, 1998. P.A15.

military in allowing the passage of American warships through Indonesian waters connecting the Pacific and Indian Oceans to deal with military crises in either the Persian Gulf or the Western Pacific.