

An Old-Guard Indonesian Titan Falls

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The decision by Indonesia's notorious Coordinating Minister for People's Welfare, Aburizal Bakrie, to leave President Susilo Bambang Yudhoyono's cabinet could well mark a major change in the country's politics and a victory for Sri Mulyani Indrawati, the finance minister, who staged a fierce struggle to keep Bakrie from tapping government coffers to bail out his flagging empire.

It is always possible that the confirmation by Lalu Mara, Bakrie's spokesman, Tuesday of an earlier Forbes Magazine article is a bluff to attempt to keep Bakrie's crony, Vice President Jusuf Kalla, on the presidential ticket for April 8 presidential elections, although Lalu said Bakrie wouldn't return to the cabinet no matter who is on the ticket. Certainly, the finance minister remains firmly in her chair while Bakrie is vacating his - a fact that makes other Indonesian tycoons secretly giddy about his demise.

In the meantime, Bakrie also appears in an increasingly difficult struggle to rescue his distressed Bakrie Brothers group, Indonesia's biggest corporate entity, which melted down the country's stock market in October in the midst of the global credit crisis.

The 46-year-old Mulyani, named Euromoney's Finance Minister of the Year this year, refused to allow the government to bail out the Bakrie empire as it has done twice before. That resulted in an effort by Bakrie to topple what Jakarta media called the "iron lady," a take-no-prisoners technocrat who formerly worked with the International Monetary Fund.

Just how the political equation will play itself out remains to be seen. The 62-year-old Bakrie was an obvious powerhouse within the formerly dominant Golkar political party and a holdover from the Suharto era, under whom he built his first fortune, then lost it in the Asian financial crisis of 1997-1998. He rebuilt it under the two successive presidents, Abdurrahman Wahid and Megawati Sukarnoputri.

He and his colleagues at Kadin, along with Vice President Jusuf Kalla of Golkar, were instrumental in Yudhoyono's 2004 presidential election. Yudhoyono has been wincing ever since, partly because of a disastrous gas well blowout on the part of the Bakrie-owned PT Lapindo Brantas, which caused the eruption of a mud volcano that has displaced more than 75,000 East Java villagers from their homes and turned into the biggest environmental disaster in Indonesia's history.

Lapindo Brantas claims the rupture was caused by a distant earthquake fault. The government may have held its nose, but although Bakrie has so far paid out Rp4 trillion to the displaced villagers for their land while denying culpability, Jakarta has assumed responsibility for cleaning up the disaster and the Environment Ministry even awarded Lapindo Brantas its "Oscar" for complying with safety and environmental standards.

When the global financial crisis hit, Bakrie expected the government to step in until Mulyani refused to allow it. When a delegation from Kadin attempted to push her to allow a bailout, she reportedly told them : « I am the Finance Minister, my job is to protect the state fund. Companies have a job to protect their own financial affairs. If they fail, it is their fault and they deserve to go bust. »

It was then a question of whether she would back down, be ousted or prevail. The answer is quite clear. But she also had to battle her cabinet colleague, Sofyan Djalil, the State-Owned Enterprises Minister, who was found to have held roughly 1 million shares of the Bakrie flagship PT Bumi Resources bought at about Rp7,000. He claimed there was no conflict, even as he was putting up two state owned firms to buy into Bumi Resources

In any case, Mulyani's obstinacy has thrown Bakrie Brothers into a fight for survival, in itself a dramatic indication of the changed atmosphere in Jakarta. On Monday, the company announced that the sale of 35 percent of the shares in its flagship PT Bumi Resources to Northstar Pacific Partners Ltd, a Jakarta-based merchant bank and venture capital firm, initially set at US\$1.3 billion, may have to be "adjusted" because of the plunging value of the company's shares. They have lost 51 percent of their value since they resumed trading on Nov. 6 and 90 percent of their value this year despite the announcement by the group of a share buyback, meaning the market appears not to believe the group has the money to finance it.

A spokesman acknowledged that the group has defaulted on US\$12.32 million in debts to two Jakarta-based financial firms, PR Recapital Securities and PT Aldira for shares that were pledged earlier to the two companies.

In the meantime, Golkar, the bulwark of Indonesian politics that put Yudhoyono into the presidency, is in its own disarray. Bakrie is said by political analysts to be considering his options in the faction-ridden party, which has yet to come up with a candidate to nominate for president to oppose Yudhoyono. That is difficult, since Kalla, the Golkar chairman, is Yudhoyono's current vice president. However, last week the Jakarta Globe reported that Yudhoyono was considering dropping Kalla from the ticket in a bid to fulfill his 2004 pledge to clean up Indonesian politics. Kalla is doing his best to stay where he is.

Bakrie's hopes have been further dashed by the fact that a protégé and former aide, Rizal Mallarangeng, has apparently resisted the patriarch's blandishments to run against Yudhoyono in 2009. A US-educated television talk show host, Rizal is telegenic, urbane and a one-time Bakrie spokesman. His decision not to run leaves Bakrie with the job of finding a Golkar horse to ride - or becoming one himself.

However, the competition is fierce, and Bakrie, if he is metaphorically a horse, is a dark one. Akbar Tandjung, the party's previous chairman, House Speaker Agung Kaksono, Yuddhi Chrisnandi, a younger political figures, and others as well as Bakrie are all said to be jockeying to head Golkar with eyes to running for president. Kalla has been urged to call a national nominating convention, something Kalla has resisted because of his desire to stay on the ticket with Yudhoyono.

With technocrats like Sri Mulyani and the trade minister, Mari E. Pangestu, with him, Yudhoyono might be able to steer away from Golkar, except for one major problem.

Indonesia's parliament recently passed a bill which requires a party or a coalition to win at least 20 percent of total seats, or 25 percent of the popular vote to be able to nominate a candidate. Yudhoyono's own Democratic Party has only a small fraction of those figures, thus requiring him to make common cause with much bigger parties. In 2004, after the initial round of voting, he made common cause with Golkar, considered one of Asia's most corrupt political organizations and a particular representative of old-style politics.

Given Golkar's special needs, for lack of a better expression, that has made it extremely difficult for the president to carry out that 2004 anti-corruption pledge.

P.-S.

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