CHAPTER SEVEN

THE CASE OF THAILAND, THE PHILIPPINES AND INDONESIA
CHAPTER VII

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7.1 INTRODUCTION

As part of the systematic assessment of corruption in the region of Southeast Asia, the previous chapter was designed to investigate the problem of corruption in Myanmar and Cambodia respectively. Hence, this chapter is an attempt to address various issues of corruption in three other Southeast Asian countries. These issues include political corruption in Thailand, abuse of presidential office in the Philippines, and multidimensional case of corruption in Indonesia.

These cases cover countries from both mainland and insular Southeast Asia. They also represent the various religious background of the region; Islam, Buddhism, and Christianity. They also include countries with and without colonialism experience. The Philippines represents the US ex-colonies, Indonesia represents the Dutch ex-colonies, and Thailand is an example of never been colonized countries. The selection of these cases has taken into account that it should cover some aspects of corruption unexplored before or not systematically studied. The analysis of these cases will emphasize the most striking phenomenon of corruption in the specific country such as power for money and money for power in Thai politics, Marcos’s and Estrada’s abuse of presidential office, and bribery and extortion, nepotism and cronyism, and graft in Indonesia.
7.2 POLITICAL CORRUPTION IN THAILAND

Thailand, or Siam, from many aspects could be considered a unique country in Southeast Asia. Historically, it is said that the Thai Kingdom has been one of the most corrupt in Southeast Asia. ¹ Present-day Thailand, according to the Transparency International Corruption Perception Index (TI-CPI), is seen internationally to be even more corruptible now than before the 1997-98 economic crisis.² Among the unique aspects of Thailand is that since 1932 it has been ruled for a period of more than 40 years by military dictatorships. It has also seen more than 20 premiers, some of whom have been in power more than once, 15 constitutions and 17 military coup attempts that have mostly been bloodless.³ Two revolutions have taken place: First, the economic revolution under a dictatorial military leader; General Marshal Sarit Thanamarat, in 1957. Under Sarit’s regime a prolonged period of economic growth has been inaugurated. Second: the political revolution, with the emergence of civil society as a result of economic development demanding a voice in the formulation of policy. Thailand is the only Southeast Asian country never to have been colonized, though its politics and economy have always been affected by outsiders, particularly the Americans and the Japanese. Thailand also enjoyed the world’s highest growth rate from 1985 to 1995. Political corruption in Thailand is also a unique feature of corruption that is closely associated with other forms of corrupt practices, which should not be excluded from the general corrupt atmosphere in Thailand. Corruption is prevalent in the Thai political system, and has affected the major constituents of the Thai polity, namely, military and government officers, political parties, businessmen and technocrats. From within these constituents the

¹ Jacoby et. al., Bribery and Extortion in World Business, op. cit., p. 156.
² See: Appendix 3.
ongoing discussion will analyze two important issues, which include the trading of power for wealth and the trading of money for power. In the course of the discussion, some historical circumstances, causes, and consequences of political corruption in Thailand will also be addressed.

7.2.1 Power for Money

The acquisition of power for wealth is an evident phenomenon in Thai political history. Since 1932, the date of the bloodless revolution that led to a constitutional monarchy, more than twenty Premiers and regimes have ruled Thailand. Leading Thai military and civilian bureaucrats dominated Thai politics from the 1930's until the early 1970's, though military takeovers and coups d'etat also occurred in 1976 and in 1991. Scott points out that: “The scenario of these coups was so standardized as to have become virtually and institutionalized means by which rival military-civilian coalitions achieved power.” Like the military juntas in Myanmar, the Thai military elite presents itself to the public opinion and the world community as honest and effective leadership, which has the potential to eradicate corruption and all forms of injustice and underdevelopment. However, soon the real reason behind their coups appears and their corrupt practices gradually start to be disclosed. Most of the military-civilian regimes claim that they seized power to fight corruption and enhance honesty and good governance. On the contrary, the reality is to acquire wealth and prestige and secure a continuous protection of sources of wealth and privileges. The military moves towards power are usually motivated by corrupt ends. For instance, although General Sarit’s coup in 1957-58 marked a turning point in Thailand’s development, Sarit benefited from such an atmosphere

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4 Scott, Comparative Political Corruption, op. cit., p. 57.
and enriched himself with impunity. After his death in 1963, the Thais came to know that Sarit "built up immense private interests for himself in banking, real estate, constructions contracting and other sectors. He placed his friends in key positions to make money for him and hold people's loyalty by both gratitude and fear." Sarit's successful coup could be attributed to his control of troops, his contact with the United States, and his association with monopoly capital. It was reported that one group of Chinese businessmen came to be associated with General Sarit seeking protection for their assets and advancing their business concerns in return for money. Hence, a primary form of accommodation between wealth and power emerged. Sarit started trading power for wealth in collaboration with representatives of the Chinese business minority in Thailand. It was said that Sarit had personally appropriated US$ 28 million out of his secret funds, which were only discovered in 1963 after his death.

The situation with Sarit's successor, General Praphat, became more terrible. Corruption became scandalous during Praphat's rule, particularly when Praphat's son and the son-in-law of the Interior Minister joined his father and father-in-law and they collectively became known as the 'Tyrannical Trio' to head an agency supposed to combat corruption, but became an instrument for the systematic destruction of the rival faction. Praphat's excessive illegal enrichment and corrupt practices led to his collapse in 1973 under the public revolution led by students. Praphat attempted to bring the revolution under control in order for him to remain in power and continue his corrupt affairs, however, his Army Commanders seemed to have tired of a decade

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5 Girling, Corruption, Capitalism and Democracy, op. cit., p. 66.
7 Girling, Corruption, Capitalism and Democracy, op. cit., p. 61.
8 Rafique Rahman, Legal and Administrative Measures Against Bureaucratic Corruption in Asia, op. cit., pp. 133-134.
9 Girling, Corruption, Capitalism and Democracy, op. cit., p. 62.
of systematic corruption under Sarit’s regime, so they refused to obey orders. In such circumstances, the king intervened and the Tyrannical Trio were detained. Consequently, in 1974 Praphat had his own assets confiscated for corrupt charges.10

Many observers thought that the 1973 revolution was the first dramatic challenge to the power of the military institution, the beginning of the drawing of democracy, a sign of the emergence of a civil society, and the end of the acquisition and trading of power for wealth and prestige. However, the military coups in October 1976 and in February 1991 proved the opposite. As far as corruption is concerned, the 1991 coup could be seen as a typical example of military coups that are motivated by corruption urges, although the military leaders of this coup claimed that they intended to eradicate corruption. During his rule from 1988 to 1991, Prime Minister Chatichai Choonhaven, had made strong statements and also had taken strong action and set up new policies that have been seen as a threat to military interest in many aspects. These aspects include the budget cut, the enforcement of accountability on the military institution and commanders; they became accountable to the Prime Minister as far as ten years back, the reduction in some military spending and welfare benefits, and the defense restructuring plan.11 The Chatichai regime had also declared a radical shift in foreign policy towards Vietnam and Cambodia, envisaging the market place replacing the battleground, which was contrary to security and material interests of certain factions in the military and other hard liners. The Prime Minister’s criticism on the military practices included corruption, and finally and this probably was the most threatening move of all.

10 Ibid., p. 63; Rafique Rahman, Legal and Administrative Measures Against Bureaucratic Corruption in Asia, op. cit., p.134.
11 http://www.atimes.com/se-asia/AA23Ae01.html
Chatichai announced the appointment of a former Army Commander-in-Chief, who opposed the current army leadership, as Deputy Minister of Defense.\footnote{Girling, Corruption, Capitalism and Democracy, op. cit., p. 68.}

Against this background, in addition to the dissatisfaction of the public with the Chatichai government because of widespread corruption within its rank, the military elite felt that the only way to protect its private interests and privileges was to seize power and assume control of key resources of wealth and power. On 23 February 1991, the Armed Forces Supreme Commander announced a total seizure of power over Army Television. Then, the so-called National Peacekeeping Council (NPC) arrested Chatichai and his aids as they were about to take off in a plane at Don Muang airport, abrogated the Constitution and ruled by martial law, dissolved the National Assembly, banned political parties and trade unions, and took control of the press.\footnote{Ibid., p. 66; http://www.atimes.com/se-asia/AA23Ae01.html} As usual, the Armed Forces Supreme Commander gave several reasons for seizing power, which included the need to maintain democratic rule under his Majesty the King. Others were: Corruption; political appointees, interference in bureaucratic affairs, and the Chatichai government’s practice of parliamentary dictatorship. Other reasons given were the government’s alleged attempt to destroy the military institution.\footnote{Girling, Corruption, Capitalism and Democracy, op. cit., p. 65.} The Chatichai new policy that clearly aimed at diminishing the role of the military institution and curbing or even depriving the military agents, particularly the commanders, from certain privileges, together with the enforcement of accountability over them, and giving Parliament a bigger role in the political arena. All of these factors undoubtedly prepared the ground for the coup and provide justification to seize power from Chatichai by force. However, the real reason behind the takeover, as the later actions that were taken by the National Peacekeeping
Council prove, was to seize power to protect the military’s group interests, privileges, corrupt affairs, and not to be accountable before anybody.

Having outlined the mechanism and circumstances of key examples of military takeovers that are moved by corrupt ends; either in forms of protection of benefits and privileges and securing their future continuous flow, or in the form of seizing total power for enrichment and prestige. The following discussion will highlight the mechanism of corrupt transactions of trading power for money. The analysis will be centered on the politician traders of power for money, because trading power for money is not restricted to politicians only, it also involves all those who have power and want to sell it. This does not mean that the politician and bureaucrat traders of power are working separately in two different markets without any connection or collaboration. Indeed, in the atmosphere of trading power for money, every power holder is encouraged to do so, and get into internal connections within the system of the market and deal with its different components, particularly politician traders in order for him to ensure the prosperity of his business.

Corrupt politicians in power acquire wealth and prestige by using various means with impunity. The traditional sources of enrichment of Thai politicians in power include, black money, government projects, diversion of government funds and extortion of the business elite, which is largely Chinese. Mc Vey points out that: “the most direct and obvious economic advantage to be gained by political participation was the acquisition of preference or monopoly. Public contracts, logging or mining concessions, rights of distribution, and the like were sources of great profit, and they were the particularly targets of entrepreneurs whose strength was political as much as economic…the earliest business to play a notable part in Thailand’s politics were the banks, which supported the sophisticated conservation of
metropolitan finance." The ruling political elite are used to selling power by giving licenses or providing protection to illegal businesses such as gambling, prostitution, drinking and logging activities. Girling points out that, large sums of black money flow to the Thai political leadership from the proceeds of illegal business.  

Government projects are usually given to contractors or businessmen who provide the largest bribe or give the highest commission. At times, the government projects are deliberately created to source money. In such conditions, as Crispin clearly stated, corruption is becoming more sophisticated because of collusion between politicians and business, where it is usually decided before the bidding starts who will win the government contracts. Therefore, corruption will continue to decide who wins contracts. An Asiaweek observer points out that: "Corruption, greed and government interference directed capital to uses that were unproductive or downright wasteful."

The diversion of government and donors' funds to private accounts by the ruling politicians is uncommon behavior in some Southeast Asian countries, as some aspects of the phenomenon have been addressed in the previous chapter. Although it is very hard to detect such diversions due to their impunity and the sophisticated methods, from time to time scandals broke out and the corrupt politicians would be uncovered, and forced to resign, or even prosecuted and punished. In the case of Thailand, in 1998, senior political figures were alleged to have been involved in diversion of government funds totaling US$ 37.8 million from the public health budget. The National Counter Corruption Commission's 1,315-pages report on the

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16 Girling, Corruption, Capitalism and Democracy, op. cit., p. 67.
18 Asiaweek. 31 October 1997, p. 48.
scandal included 98 witnesses and 22 testimonies of allegations pointing to possible links between corrupt health officials and senior political figures. The local media’s crackdown on this scandal together with the anti-corruption move by the NCCC led to the forced resignation of the then Public Health Minister, Rakkhat Sukkthana, and to serious investigation and prosecution.  

Bribery or extortion paid by the Chinese business elite or even small traders in return for protection of their business is also one of the most important traditional sources of enrichment for the politician in power. Historically, the Chinese have been involved in Thailand’s commercial activities since the seventeenth century when the Thai King appointed them to key posts in state monopolies and trading affairs. By the 20th century, the Chinese elite had become the largest business power that dominated the import-export trading, rice milling, shipping, banking, and large-scale retail trade. However, Scott points out that: “Since the reign of King Wachirawat the clamor for a reduction of Chinese control over Thai economic life has become an essential part of nationalist sentiment.” Therefore, due to ethnic reasons, formal positions of authority are seldom open to the Chinese, and their business property and even their eligibility to be considered as Thai citizens, were threatened. They were also divorced from landownership, and public office. The Chinese community realized the extent of the danger, and thus directed their efforts to win over the Thai power figures, who by virtue of their authority, can afford reliable protection in return for money. Scott describes such behavior saying that: “Members of the Chinese commercial community have established fairly stable relations with

19 http://www.atimes.com/se-asia/AG17Ae01.html
20 Scott, Comparative Political Corruption, op. cit., p. 72.
21 Ibid.
individual clique leaders to protect and advance their entrepreneurial concerns.\textsuperscript{22} It was reported that since the early 1950's Chinese businessmen and small traders had been harassed constantly by police raids, revocation of leases or deeds, or forcefully transfer their business to Thais, new control measures, or sudden inspection. In this situation, bribery and pay-offs have become constant features of Chinese business functioning in Thailand. Therefore, an accommodation between the Chinese business and high placed politicians, high ranking military commanders, and senior officials took place.\textsuperscript{21} Thus, power is being traded for money and the business elite has to pay, willingly or unwillingly, to buy security for themselves and their business enterprises.

The institutionalization of such collusion between the indigenous political elite and the alien Chinese business elite required the establishment of durable and good relations with the ruling elite to secure reliable protection, and also to hold a monopoly over economic activities and avoid competition. To build such a system the Chinese invented several ways and means, and restructured the forms of contacts between them and the top officials to allow the system to work smoothly and avoid waste of time and even reduce the cost of protection. For the increase of cost of protection could be attributed to the increase in the number of the indigenous power holders involved. Among the means invented to secure protection, as it could be summarized from Scott's approach to the issue, is to assign small numbers of Chinese business leaders who deal directly with small numbers of Thai political leaders, who by their authority can provide effective and continuous protection. It is in fact a short cut to achieve the security of individuals, community and business.

\textsuperscript{22} Ibid., p. 22.
\textsuperscript{21} Ibid., p. 73; Girling, Corruption, Capitalism and Democracy, op. cit., pp. 43, 61.
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22 Ibid., p. 22.
23 Ibid., p. 73; Girling, Corruption, Capitalism and Democracy, op. cit., pp. 43, 61.
Another tactic used by the Chinese businessmen to achieve peace and avoid trouble is that they include top Thai officials on their boards of directors thereby entitling them to a share of the profits. These profits have afforded huge amounts of money to add to the political elite's income, and provided a potential source of patronage. A final measure that has been taken by the Chinese business elite is to create a network of representatives of the different Chinese business communities whereby an individual Chinese leader would act on his own behalf and for his business following. Similarly, an individual Thai official would act for his many allies and subordinates. Ultimately, clique leaders from both sides have in this fashion established durable alliances. Each faction of the Thai ruling elite is affiliated to one set of Chinese commercial interests, while each Chinese group is, in turn, linked to a particular clique of Thai leaders. It should be noticed that this pattern of corruption applies to the Chinese business elite in other Southeast Asian countries notably Indonesia. However, the experience of some Southeast Asian countries like Indonesia and Malaysia shows that it is not necessary for a minority to resort to corruption and dishonest means to protect themselves or their business. The Malaysian Chinese and Indian communities are generally integrated in Malaysian society through their political participation, political parties, professional associations, skills etc., which enable them, together with other political and socio-economic factors, to protect their lives and businesses. Similarly, the Arab minorities of Yemeni origin in Indonesia, for example, are well established in society and have their lives and business well protected without resorting to corruption. It seems that the major reasons behind the wrong direction of the Chinese include their low religious and moral belief and attitude, domination of the materialistic mentality on their life, and the low level of education, particularly for the early Chinese
immigrants. Habir maintains that: “ethically Chinese business people are untrustworthy, opportunistic, and even disloyal.”

But it seems that the Chinese in general and those in Indonesia specifically, realized their mistake and now are undergoing a radical change in their life style. In brief, the Thai Chinese have a predisposition for being exploited by those who are in power, they also provide the indigenous political elite a great opportunity to enrich themselves. Therefore the Chinese are also responsible to a greater extent for the corrupt practices and for the minority problem. The trading of power for money remains the key feature of modern Thai politics despite the different attempts of reform.

7.2.2 Money for Power

Scholarship on the political history of Thailand, in general, considers the 1973 revolution to be the turning point in the Thai political system. Despite the few military takeovers that have occurred since 1976, the general outlook of the Thai political system was democratic. This democracy involved civilian politicians linked and backed by the business elite and bureaucrats. Girling points out that: “Following the turbulence of the 1976, the situation seemed to have stabilized around a bureaucratic-business-parliamentary consensus.”

The shift in the political orientation had been accompanied by a shift in political corruption. Instead of resorting to a coup to seize power and then sell it for enrichment, politicians resort to money to acquire power and ultimately remain as rulers, and of course, secure wealth and prestige. The most obvious feature that characterizes the Thai civilian rule is the

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25 Girling, Corruption, Capitalism and Democracy, op. cit., p. 63.
use of money to finance electoral campaigns and to buy votes. The money itself could be generated from illegal sources such as theft or diversion of government funds, it could also be provided by corrupt businessmen and business interests for a return in the form of protection, more facilities and privileges etc.

Throughout the years from 1973 to 1980, the phenomenon of vote buying and campaign financing was not so apparent. This probably could be attributed to, at least, two factors. These factors include the ‘childish’ nature of democracy, whereby corrupt civilians are not well versed in the tactics and mechanisms of corruption, and maybe lack of the skills and experience. Meanwhile, the public vigilance and strong demand for reform, especially after the 1973 revolution, might have deterred them from corruption. The other factor is that the democratic period was cut short by a military takeover in 1976. Therefore, the military leaders came to power by a coup and needed to spend money rather than to accumulate as much as they could from within the system as explained earlier.

Since 1980, money politics became more prominent and widely practiced probably by all political parties and leaders including the one in power. Hewison argued that: “As social and economic transformation has taken place, and especially as electoral politics developed in the 1980's and 1990's, the role of money politics has become increasingly significant...money has become the single most important factor in electoral success.”26 Moreover, it has been practiced within the political parties themselves particularly in party competition.

During most of the 1980's, General Prem Tinsulanonda, former Army Commander-in-Chief, was directing a civilian Cabinet, under the benevolent auspices of the King. It has been reported that nearly half of Prem’s Cabinet

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26 Kevin Hewison and Manienmai Thongyou. Developing Provincial Capitalism, op. cit., p. 199.
ministers were businessmen. These cabinet ministers played a prominent part in the regime’s policy and practice. Prem who was a non-elected prime minister, stabilized the country under a system that maintains balance between the military and politicians until 1988. Scholarship on the 1980’s political processes in Thailand highlighted the practice of bribery in the sphere of politics and explained some of its mechanisms. The words of Girling are, probably, the most illustrative. He says:

“Throughout the 1980’s money politics featured prominently in electoral and party competition. Newly emerging politicians, without traditional bureaucratic connections to hold them, needed money for their electoral campaigns or, more crudely, to buy votes. Enormous bribes being paid at that time (1980’s) in various government ministries and agencies (National development, transport, highways, police) millions of bath changing hands in a single transaction”.

After the 1991 military coup, that has been analyzed earlier, up to the present date three elections took place in Thailand in 1992, 1995, and 2001 respectively. During these elections vote-buying and illegal electoral campaign financing prevailed and became more sophisticated. After the forced resignation of General Suchinda under public pressure in 1992, a general election took place on September 13. it was said that: “the 13 September election was probably one of the most memorable and exciting chapters in Thailand’s political history. a new government was formed in late 1992 with the leader of the Memorat Party, Chuan Leekpai, as prime minister.” During the elections, the political parties who had been opposing the military pretensions were actively involved in money politics. The 1995 general

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27 Girling, Corruption, Capitalism and Democracy, op. cit., pp. 47, 63.
28 Ibid., p. 67.
election was no better than its precedent for business in the realm of vote buying remained as usual.30

The non-availability of detailed information and statistical data about the scope and the amount of money utilized in vote buying and financing the electoral campaigns in the 1992 and the 1995 elections could be attributed to several factors. These factors include the limited press freedom, the fact that the techniques of vote buying and campaign financing were so sophisticated and practiced in an ingenious way that could not be easily detected and reported. There is also the possibility that due to the prevalence of such forms of political corruption, the public admitted it as part of the culture, to the extent that they tolerate it, or may not consider it as corruption.

Prominent Thai political leaders in the late 1990’s admitted that elections were not free from money influence and political patronage. For instance, in 1997, Thaksin Shinawatra, current Prime Minister and the then Deputy Prime Minister, in an interview with Asialweek admitted that vote buying is a common practice of the ruling party as well as the opposition in almost every country. The only problem seems to be if it goes beyond the degree that prevents good government. He sees that if politicians put the premiership as a goal and there are no checks or balances they would invest huge sums of money to win the elections.31 Maisrikrod pointed out that: “vote buying can take many forms, the most direct of which is candidates giving money in exchange for votes ranging from 30 to 500 baht per vote. Besides vote buying there are other forms of illegal activities undertaken by canvassers… these include organizing feasts for potential voters, arranging tours for canvassers both in

30 Girling, Corruption, Capitalism and Democracy, op. cit., p. 70.
31 Asialweek. 27 September 1997, p. 27.
Thailand and abroad, contributing to temples, schools, and so forth.\textsuperscript{32} Chuan Leekpai, former Prime Minister, in an interview in 1997, points out that political patronage is a culture among the Thais, which cannot be changed overnight. He sees that such culture could be changed by uplifting education, broadening the scope of democratic practice so that it would not be restricted to voting but extends it to a large participation in the decision making processes and also in the government of the country, and enabling the people to earn a decent livelihood.\textsuperscript{33}

The new constitution, which was passed by Parliament on September 27, 1997 was indeed strong evidence against the prevalence of political corruption in Thailand. The constitution, or the ‘People’s Charter’ was meant to help clean up politics, foster citizen’s rights, and reduce corrupt practices so common in public life. Abhisit Vijajiva, a spokesman for the opposition Democratic Party, says: “The new constitution will go a significant way toward getting rid of money politics with the introduction of new institutions to check performance.”\textsuperscript{34} According to the new constitution, voting is mandatory, polls will be monitored by an independent election commission and not by the Interior Ministry, ballots will be counted in central locations rather than at each polling place under the watchful eye of local candidates and patrons. Elected officials and Cabinet Ministers and their families have to declare their assets before and after taking office, with enough signatures, citizens can petition the Counter Corruption Commission to investigate politicians suspected of corruption. Cabinet Members have to resign as MPs before taking up their ministerial posts. Senators will be directly elected instead of appointed. Election

\textsuperscript{32} Maisrikrod, Thailand’s Two General Elections in 1992 Democracy Sustained, op. cit., p. 50.
\textsuperscript{33} Asianweek, 10 October 1997, p. 21.
\textsuperscript{34} Ibid., pp. 23-24.
Commission, National Counter Corruption Commission, and a Human Rights Commission will be established.\textsuperscript{35}

Despite the constitutional reform, the 2001 general elections proved that vote buying and illegal campaign financing were, perhaps, more prevalent than constitutional reform. One of the election committee members reported that 100 candidates under the Thai Rak Thai banner were implicated in a vote buying scam in the Northeast province of Khon Kaen.\textsuperscript{36} During Thailand's first Senatorial elections in 2000, the election commission disqualified many candidates suspected of vote buying.\textsuperscript{37}

There are allegations that some members of the election commissions are being paid off by political parties so that they will overlook discrepancies and electoral fraud. Moreover, the government has also exerted some pressure on the commission for the same reason, and has given power to the council of State, a conservative government arm, to review the commission's findings of electoral fraud.\textsuperscript{38}

Thai elections, particularly in 2001, are said to be the most notorious for widespread vote buying and fraud. The 14 Members of Parliament, who were from three coalition parties including Thai Rak Thai and an opposition Party, violated the election law. The violation included sponsoring movie shows during the election campaign.\textsuperscript{39} The Transparency International watchdog reported that vote buying, whether at polls or in the legislature, is widespread in Southeast Asia. However, in

\textsuperscript{35} Ibid.
\textsuperscript{36} http://www.feer.com/articles/2001/0001-18/index.html
\textsuperscript{38} Ibid., http://www.globalcorruptionreport.org (regional reports, op. cit., p. 28)
Thailand the lack of grassroots support for businessmen who run for office compelled them to buy votes.  

Vote buying and illegal campaign financing, or in other words using money to win elections and remain in power, are in fact the best means for politicians to get rich and live a prestigious life. This is actually the real political problem that poses a lot of challenges to be reformed. What makes the situation worse, is the ever changing methods and forms of money politics, and the reluctance of the current Thai political leadership to treat the issue of political corruption and reform seriously. With the ascendance of Thaksin Shinawatra, who has been accused since 1997 of breaching anti-corruption laws, to the Premiership in Thailand, together with his open attack against the Election Commission and the NCCC, and press freedom, one can feel that corruption in general and political corruption in particular will continue to weigh heavily on the future of the country. Other factors such as the public awareness and history in the struggle against corruption and injustice, the existence of efficient NCCC, the press, and the different steps of the democratic processes, will help maintain an optimistic view that corruption, especially after the 2001 election, is on the decline. In brief, the words of Myrdal seem to be still valid and convincing as a conclusion about corruption in the case of Thailand. He says: “Thailand was always corrupt in its peculiar fashion an is thought to have became more so of late. The business world has been particularly active in promoting corrupt practices among politicians and administrators.” The words of Mc Vey could summarize the whole scene of Thai political corruption. He says: “Money must be offered, and compliance is not certain… money has thus come to dominate politics at

http://www.globalcorruptionreport.org (regional reports, op. cit., p. 31)

Myrdal, Corruption as a Hindrance to Modernization in South Asia, op. cit., p. 234.
all levels. One must have money to run and must make money from office too. All parties in Thailand are now basically business parties, and business leaders consider politics a natural extension of their accumulative efforts.\footnote{Mc Vey, Of Greed and Violence and Other Signs of Progress, op. cit., p. 16.}
7.3 ABUSE OF THE PRESIDENTIAL OFFICE IN THE PHILIPPINES

The Philippines is one of the key Southeast Asian countries due to its political history, role in ASEAN, population, ethnic groups, and religions. However, the emergence and growth of corruption since the Philippine’s independence in 1946 have steadily deterred foreign investors and donors, discouraged the WB and the IMF to grant aid funds and loans, and urged watchdog institutions, particularly Transparency International, to rank the Philippines among the highly corrupt countries not only in Southeast Asia but also at the world level.43

A brief survey of the socio-political and economic history of the Philippines would suggest that corruption has been one of the most energetic factors behind social and political unrest, economic problems, and public struggle. Some issues of corruption in the Philippines have been addressed either in the form of case studies or news reports. These issues include bureaucratic corruption in the first stage and in a second stage some political malfeasance and irregularities. The presidential office and its links to corruption have, to the best of my knowledge, not been systematically studied. Although the study involves personal cases, viz Marcos and Estrada, the main target remains the presidential office as a potentially corrupt institution.

Since independence, around nine Presidents have assumed presidential office including, Quirino, Magsaysay, Garcia, Macapagal, Marcos, Corazon Acquino, Ramos, Estrada, and Arroyo. Each one of these presidents has had his own way of dealing with the issue of corruption either as initiator and beneficiary, or as a reformer and supporter of anti-corruption drives. The notorious presidents Ferdinand Marcos and Joseph Estrada could never be forgotten in the history of corruption in the Philippines. What is astonishing is that although the people have elected the two

43 Appendix 3, 7.
of them, they betrayed them and were involved in black corruption in the country from within the Presidential Office. The ongoing discussion is, therefore, an attempt to analyze Marcos and Estrada's abuse of the presidential office. It is meant by Marcos and Estrada's abuse of the presidential office, the role of these two presidents in using their office to hoard personal or family fortunes.

7.3.1 Marcos's Abuse of the Presidential Office

Ferdinand E. Marcos was the fifth president of the Philippines after independence. Marcos, who was a former war hero, congressman, and senator, was elected president of the Philippines in 1965 and re-elected in 1969 for a four-years term. Such re-election never happened before. Marcos spent the greater part of his rule enhancing his personal political interests. His abuse of the presidential office took many striking forms since long before he declared martial law, shortly after he assumed the presidency in 1965. The most serious of these include the changing of laws and proclaiming of a new constitution, the declaration of martial law, the 1973 referendum to extend his tenure in the presidential office beyond its legal expiration, and self-enrichment.

Anti-corruption laws and bodies have been the target of presidential interference since Marcos's assumption to office in 1965. During his rule, president Marcos established around six anti-corruption agencies. The first of these agencies was the Presidential Agency on Reforms and Government Operations (PARGO). It was functioning as an investigative bureau for unlawfully acquired wealth. It was abolished in 1966 and replaced by a smaller unit called the Presidential Complaint Office (PCO), which functioned solely as a receiver of complaints. After a year, the president reactivated PARGO and expanded its organizational structure. By 1969,
after his re-election, Marcos reduced the structure of PARGO, transferred it into the Complaint and Investigative Office (CIO), and burdened it with many functions that were beyond its capability. In 1973, the President created a special Cabinet Committee on the “backsliding” of government officials. This committee had jurisdiction over military personnel appointive and elective officials as well as those in local police forces.\textsuperscript{44} These ad hoc anti-corruption committees together with the lack of legislation reflect Marcos’s monopoly over the anti-corruption drives, and its manipulation to promote his own political fortune. Indeed, it was obvious that all these anti-corruption bodies were dependent on the Presidential Office and thus did not lead to the eradication or reduction of corruption. Usually, a committee was established to achieve certain purposes, and soon it would be abolished. Moreover, during the period of martial law the existence of anti-corruption committees may have had only one sense, which was to serve the president’s ambitions.

The re-election of Marcos in 1969 raised some skepticism about the possible use of corruption as a means to retain presidential office, for none of the previous Philippines presidents had got such a mandate from the public although some of them, at least, were more honest than him. Soon after assuming office in 1969, Marcos’s abuse of the Presidential office targeted the change of the constitution to suit his political ends and had forced the Filipinos to accept his dictatorship as a matter of fact. Butwell points out that: “A sitting Constitutional Convention was told how to finish its job of writing a new basic law, and in January 1973, President Marcos proclaimed the resulting constitution after hastily and illegal ‘approval’ by so called ‘Citizens Assemblies’ created overnight for the purpose.”\textsuperscript{45}

\textsuperscript{44} Rafique Rahman, Legal and Administrative Measures Against Bureaucratic Corruption in Asia, op. cit., pp. 129-132.

\textsuperscript{45} Butwell, Southeast Asia: A Political Introduction, op. cit., p. 74.
In early 1970, Marcos convened the Citizen Assemblies to adopt the new constitution to keep him in power. This was a grave abuse of power to change the constitution, for the constitution should be above anybody’s private interests including the President, and such an action is a clear breach of the Philippines law. The Philippine Supreme Court stated that Marcos’s action to change the constitution to extend his stay in power had no basis whatsoever in the Philippine law.  

Another striking example of abuse of the presidential office is that in September 1972, Marcos declared martial law, arrested his leading political rivals among others, closed down all the newspapers, TV and radio stations, dissolved the Congress, abandoned elections, and ruled through the military although he himself was a civilian. The declaration of martial law and the various actions that followed it reflect the graveness of Presidential Office abuse. Marcos’s personal power and interest were put above the constitution, the will of the Filipinos, and all civil society’s institutions. The use of the military institution to achieve his personal political purposes particularly to remain in the public office of presidency is a serious abuse of presidential power. The basic function of the armed forces is not to protect a dictator who disregarded the will of his people and nation; which was the real source of his distinction to rule not only for one but for two terms, to kill democracy, to destroy all civil society’s institutions, and to enhance dictatorial practices, but to defend the nation, the territories, and the country as whole before the external enemies, and to secure peace and stability in the country. The Philippines armed forces were used in a deviant form from their original role for almost fourteen years, from 1972 to 1986. The major manifest reasons to declare martial law included the ruling out of communist insurrection, and to fight against the Muslim minority in the

46 Ibid., p. 157.
Southern Philippines. It is assumed that these two issues were politically used to cover the real cause of the 'military coup', for Marcos resorted to such actions to extend his tenure in the presidential office beyond its legal expiring date, which was at the end of 1973. Williams points out that: "It is not to be assumed that the declaration of martial law by president Ferdinand Marcos in 1972 was unrelated to the fact that the man's second term in office was due to expire at the end of the following year." Moreover, the 1973 referendum on whether Marcos should remain in office beyond the end of his second term was a political arrangement whereby a very serious abuse of power took place to put the people in a position of fear and favor in order for the dictator to get a license to remain in public presidential office for life and also to legitimize his dictatorial rule. The words of Butwell on comments on the referendum are worthy of note. He says: "The price for not voting in let alone opposing, the 1973 Philippine referendum was high enough so that most Filipinos accustomed to chief executives who did what they wanted to do anyway, took easy political way out and cast their ballots for Marcos by a margin for a better than nine out of ten." Therefore, in July 1973, Marcos obtained a 90 per cent-plus vote of confidence to remain in the presidential office after his second elected term as President expired.

The other actions such as the closing down of newspapers, TV and radio, dissolving Congress, and abolishing freedom of association and expression, clearly show that the matter has nothing to do with fighting communists and Muslim enemies, but a corrupt conspiracy to kill democracy and erect a dictatorship, thus turning the country into one big political jail. If the danger of communism and

47 Williams, Southeast Asia: A History. op. cit., p. 44.
48 Butwell, Southeast Asia: A political Introduction, op. cit., p. 156.
Islamic resurgence had been genuine issue and danger, all political parties, the press, the public opinion, and even the military would have been actively committed to the fight. However, what happened later is that all those parties including the military succeeded in revolting against Marcos and forcibly removed the dictator from power in 1986. Besides, even if it is assumed that those dangers were real, Marcos’s regime from 1972 to 1986 seems to have solved nothing. Williams maintains that: “Philippine living costs continue to soar, while wages remain depressed. Hunger and degradation have not been driven from urban slums; exploitation of the peasants is not a thing of the past. Communist insurrection is certainly not ruled out for the future; in the Southern part of the country, warfare between Muslim villagers and Marcos’s Christian soldiers drags on.”

Marcos’s abuse of the presidential office was also obvious in treating the problem of the Muslim minority in Mindanao and Sulu. Muslims in the Southern Philippines are indigenous people, however, they have been subject to a systematic destruction by all regimes because of holding and practicing a different religion to that of those who are in power or the majority. The Marcos regime employed all-out force against the Filipino Muslims; bombing, military attacks, exploitation, preventing them from political, economic, and social development and assistance. Marcos was not the president of all Filipinos since he discriminated against a group of his nation and tried to eliminate them all. It is true, as Aquino puts it “Marcos martial law regime opened the floodgates of corruption by embarking on an overly ambitious economic program which created enormous possibilities or opportunities for the personal enrichment of Marcos and his ruling circle.”

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49 Williams, Southeast Asia: A History, op. cit., p. 247.
Ultimately, after proclaiming the new constitution and declaring martial law Marcos disclosed what had been covered up, and vowed to rule for seven years without elections.\textsuperscript{51} He, indeed, ruled for almost double that period without elections.

Marcos’s 21 years of rule was long enough to enable him to abuse his office for private gain. In a dictatorial atmosphere, a dictator would find it very easy to enjoy all resources in the country without accountability to anybody or any institution. His dealing with or ‘management’ of the country and the nation’s wealth is unquestionable. Since his early years in the presidential office, Marcos had build a formidable fortune. At least a million US dollar he had safely tucked away in Swiss bank accounts.\textsuperscript{52} The situation became worse especially in the absence of parliament, political opposition, free press, and civil society institutions. Due to this condition, even after the collapse of Marcos, it was very difficult to detect the whole illegal appropriated wealth. Marcos developed sophisticated mechanisms for for abusing his office such as controlling banks to siphon off public resources, illegal appropriation of real estate holdings, shopping centers, office building, condominium, stealing government funds, creating state monopolies for most of the nation’s major industries such as the coconut, sugar, timber, and tobacco industries, and awarded them to his loyal followers.\textsuperscript{53}

According to the Presidential Commission on Good Government (PCGG), Marcos and his cronies believed to have stolen US$ 5 to 10 billion over a period of twenty years.\textsuperscript{54} Aquino points out that the main source from which Marcos accumulated his wealth are as follows:

- Direct raiding of the public treasury.

\textsuperscript{51} Butwell, Southeast Asia: A Political Introduction, op. cit., p. 169.
\textsuperscript{53} Ibid., pp. 2-4, 30, 42.
\textsuperscript{54} Ibid., p. 2.
- Creating of monopolies of state enterprises for vital sections of the economy and placing them under the control of Marcos' cronies.
- Skimming off foreign loans and other forms of international assistance.
- Extracting kickbacks and commissions from firms and companies doing or wanting to do business in the Philippines
- Awarding of government loans and other sources to Marcos' cronies.55

Marcos had amassed a huge amount of money but only US$ 590 million had been seized from Marcos's Swiss bank deposits. This amount had been turned over to the Philippine government and put escrow, to be divided among the victims of human rights abuse by Marcos's regime. These victims claimed US$ 1.9 billion in damages to them.56 Marcos's personal wealth estimated US$ 1.2 billion in terms of cash deposits and investment in the Philippines, Swiss, American, and French banks.57

Marcos is an example of a notorious president who abused the public office of presidency to retain power and enrich himself on the account of his nation. The endless changes of anti-corruption laws and bodies, the proclamation of the new constitution, forcing the people and cheating the nation to legitimize his dictatorial ends, killing the democratic processes and institutions, making the army the chief support of his dictatorial regime for fourteen years, impoverishing his nation and enriching himself by plundering the wealth of his nation, enhancing disintegration among the different ethnic and religious groups of the Philippine society, immortalized him as the most corrupt leader not only in the history of the Philippines or Southeast Asia but also in modern human history.

55 Ibid., p. 4.
56 http://www.atimes.com/se-asia/AC03Ae01.html
7.3.2 Estrada’s Abuse of the Presidential Office

The most prominent development in the Philippines in the new millennium has been the prosecution of former president Joseph Ejercito Estrada now on trial for graft, perjury, illegal use of an alias, and economic plunder. Estrada, leader of Labang Ng Demokratikong Pilipino- LAMP (Struggle of Filipino Masses), was distinguished by obtaining approximately 40 percent of the vote to become the President of the Philippines in the general elections of May 11, 1998. However, on 18 October 2000, impeachment proceedings against Estrada were filed. The public patience was exhausted and the Filipinos revolted against the President showing the limit of tolerance to abuse of the presidential office and corruption in general. Demonstrations and civil struggle erupted on 16 January 2001 and within a few days, on January 20, Estrada was removed from office. The Philippine Supreme Court declared Joseph Estrada unable to rule and administered the oath of office to Vice-President Gloria Macapagal Arroyo as his constitutional successor. During his 31 months of rule, Estrada had flagrantly abused the presidential office. His gross abuses of the presidential office could be grouped under three major categories and spheres of action that include, his illegal interference in the judicial proceedings, government activities and appointments, and self and family enrichment.

Although the president has the power to appoint judges for four-year terms, which raises the question of independence of the judicial system from the executive, Estrada seemed to be not happy to see some criminal culprits with whom he had relations and benefits brought to justice or convicted and punished. Among the

requirements of holding presidential office is to uphold justice, not to create injustice and disorder. The most striking abuses of the presidential office to influence justice are Estrada’s interference to release Herbert Webb and his six co-accused in a murder case, and his interference to clear his friend and long time crony Lucio Tan from the stock manipulation scandal.

It has been reported that Herbert Webb, son of former Senator Freddie Webb, and six other youths were convicted in 2000 of grisly 1991 murders of the wife and two daughters of Lauro Vizconde. They were all brought to justice and sentenced to life imprisonment. During Estrada’s impeachment trial Senator Renato Cayetano testified that the President was obviously involved in unlawful and malicious interference in the administration of justice. The fact is that in 1998 Estrada had approached Cayetano during the birthday party of the then Trade Secretary Jose Pardo and sought his help in bringing about the acquittal of the young Webb and his co-accused and Cayetano refused the President’s request. Then, Estrada summoned Judge Amelita Tolentino and Chief State Prosecutor Jovencito Zuno in 1999, before the verdict on the Vizconde murder case was handed down. Estrada told Tolentino: “Why don’t you acquit them? Anyway, the case is weak.” Zuno later said he was also called and asked to convince Judge Tolentino to acquit the accused. Instead of being congratulated and commended because the prosecution did a wonderful job over and above all obstacles and the way the case was assessed, Estrada sacked the then secretary Serafin Cuevas.59

The other example of Estrada’s abuse of the presidential office took the form of interfering in the job of the government investigators to clear his friend and business partner Lucio Tan. Tan is Estrada’s Long time crony and major financier of

Estrada’s standing for presidential office. Tan applied for a loan to cash in strap his Best World (BW) Resources from the Philippine National Bank (PNB). Although the applicant was not qualified, according to the bank’s standard and the loan criteria, by the interference of the President, Tan was granted a P 600 million loan. Moreover, Tan wanted to merge PNB with his allied Bank and he also got support from Estrada. In November 1999, Tan was put under investigation, and Estrada vigorously interfered to defend him and instructed the then Securities and Exchange Chair Perfecto Yasay Jr. to clear his friend in the multibillion-peso BW Resources scandal, which nearly caused the collapse of the Philippine stock market. In his testimony in the impeachment trial, Yasay quoted the president as ordering him in a telephone conversation to speed things up and clear Tan.60 Estrada’s strong protection of Tan is a serious interference in justice for private interest. For it has been said that Estrada is one of the shareholders of WB Resources from which he gets huge amounts of money, besides, Tan is the main presidential election campaign financier so Estrada was protecting him as a matter of recouping Tan’s financial favors.

Government activities and appointees were also the target of the Estrada’s illegal interference for private gain. Traditionally, as the Far Eastern Economic Review observed, the president awards government funds, appointments and contracts not to the most worthy or needy, but to congressmen in return for loyalty, to provincial governors in return for votes, and to businessmen in return for campaign financing.61 President Estrada nominated for instance the presidents as well as the 11 members of the Philippine National Bank Board, who approved the loan to WB Resources on July 2, 1999.62 Lucio Tan had been occupying top

management positions in the tobacco, beer, and airline business through the support of Estrada. The relationship between the two had been one of the main pretexts for the accusation for cronyism, which dogged Estrada ever since he took office. Perhaps, Estrada’s lack of political knowledge and experience together with his intention to get rich quickly, probably urged him to appoint a large number of unofficial advisers. These advisers were neither accountable to Congress or to the public. The World Bank realized the danger of such abuse of the presidential office in the appointment of unofficial advisers or high-ranking officials in the bureaucracy, thus the WB urged president Estrada to cut loose from them in addition to other recommendations for reform.63

Ultimately, the most notorious form of Estrada’s abuse of the presidential office was his use of power to amass a huge amount of money in a short period of time. In fact the two types of Estrada’s abuse discussed earlier are, by one means or another, associated to the President’s self and family enrichment practice. The 2001 Global Corruption Report stated that: “Estrada estimated to have stolen as much as P 20 billion (US$ 400 million) during his two-and-half year presidency.”64 Estrada has been using the public office to enrich himself through various illegal and corrupt means. He accepted P 414 million (US$ 8.5 million) as a bribe from Luis Singson, the Philippine Provincial Governor between 1998 and 2000. On 9 October 2000, Singson disclosed the President’s corruption at a news conference. He declared that he personally gave Estrada 10 million pesos a month for more than two years from gambling syndicates running illegal numbers game, juenteng. Singson also testified

64 http://www.globalcorruptionreport.org (regional reports, op. cit., p. 33)
that Estrada demanded 130 million pesos to approve the release of the province's share of tobacco taxes.65

Estrada also used an illegal alias to enrich himself. During Estrada's impeachment trial Clarissa Ocampo, the Vice-President at Equitable-Plc Bank, the third largest in the country, testified that she watched in shock as the President signed a false name in February 2000 to open a US$ 10 million investment agreement.66

Estrada's abuse of the presidential office leaves no room for doubt that he stood for the presidency not to serve the poor or to develop his nation but to serve himself, family, and cronies. It is amazing that in only 31 months of rule, part of which was in the new millennium, such unpleasant political corruption prevails. It became evident and true as David Roche, a World Bank investment adviser, predicted that the wrong person might win the presidential elections of 1998, and Manila may try to win votes by adopting wrong-headed policies.67

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67 Asiaweek. 31 October 1997, pp. 48-49.
7.4 MULTIDIMENSIONAL CASE OF CORRUPTION IN INDONESIA

Indonesia, the world’s largest archipelago and the world’s fourth most populous country, is one of the key corrupt countries not only in Southeast Asia but also in the world. The prevalence of corruption, particularly since independence, has urged the Transparency International watchdog to rank Indonesia 88th out of 91 with a score of 1.9 out of ten in 2001. Corruption is perhaps the most severe problem that Indonesia faces for its enormous and diverse negative impact on all aspects of life, and also its complex matrix of causes and forms. The uncountable number of cases of corruption and scandals associated with its complicated causes and consequences, created some theoretical and methodological difficulties in addressing the phenomenon of corruption in Indonesia. Due to the worrying nature of the issue, it has been receiving the attention of scholars from various academic backgrounds, international and regional organizations, and journalists, particularly since the middle of the 1990’s. However, it is hard to find a systematic analysis of corruption in Indonesia that takes into account, at least, the major factors that have shaped its experience, and finds the common ground of political, economic, social and bureaucratic behavior. Corrupt practices in the above spheres will be grouped and discussed under three forms of corruption, which include bribery and extortion, nepotism and cronyism, and graft.

7.4.1 Bribery and Extortion

Bribery is one of the serious social ills, which if it prevails in a society, justice and rights will be at stake. It has been highlighted in the previous chapters that scholars like Furnivall, Mook, Scott, and Alatas are of the idea that bribery was unknown to pre-colonial Indonesia, and has basically emerged and increased in both
the colonial and post-colonial eras. In post-colonial times, the practice of bribery has manifested itself in three major forms, which are: (1) The offering, demand, and acceptance of bribery by the Chinese businesses or extracted from them in return for protection and privileges, (2) Bribery extracted from or offered by the public in return for services and privileges, and (3) Bribery paid to buy votes and win the elections.

Chinese Indonesians represent a minority of 3 % of Indonesia’s population, largely concentrated in towns and cities, but control three-quarters of the nation’s wealth. For instance, Girling reported that in the middle of the 1990’s some 80 percent of companies listed on the Jakarta Stock Exchange were Chinese-owned. Moreover, the Chinese Indonesians make up 247 of the top 300 taxpayers. Mills points out that business operations have been largely controlled by the Chinese, who have dominated retail trade, and produce-buying from the peasants, and provide them with the bulk of their credit at very heavy rate interests.

Due to several factors, including corrupt attitudes and practices, the indigenous people have regarded the Indonesian Chinese as aliens who have enriched themselves on the account of the nation. The Chinese bad position, which was possibly acquired by what their hands have worked and from their own mistakes, urged them to extend their practice of bribery to those who are in power in return for protection in persons and in business. This type of bribery practice became obvious in Indonesian society. Girling points out that the Indonesians used the term Cukong to refer to a Chinese businessman, who is protected by a powerful official in return for a share of the profits. Former president Suharto and his family were connected

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67 Girling, Corruption, Capitalism and Democracy, op. cit., p. 44.
with several Cukong. Most prominently, Liem Sioe Liong, who is now reported to be the wealthiest men of Chinese origin not only in Indonesia but also in the world.71 Tycoon Liem benefited economically from his collusion with Suharto. Suharto was, indeed, heavily criticized for colluding with ethnic-Chinese tycoons especially Liem Seo Liong. Wertheim reported that the Chinese headmen used to offer incredible prices at the auctions aiming at holding a monopoly of some businesses such as the farming out of opium, pawnshops, gambling leases and brothels.72

Since the early years of independence the practice of bribe offering and accepting had steadily increased to the extent that it became difficult, if not impossible, to obtain services, rights, and privileges without bribery. Bribery became the means of transactions at almost all levels of the Indonesian bureaucracy. In the early years of independence, Mook maintains that while the economic conditions were chaotic, and there was a shortage of food and facilities, smuggling and graft corrupted some major services like permits for transportation and travel, which itself had to be bought many times over without guaranteeing that the traveler or the goods would not eventually be captured or confiscated by corrupt persons or groups along the roads.73 For instance, Le Vine points out that during Sukarno's Guided-Democracy, 1958-1965, top powerful business millionaires offered huge bribes for state-guaranteed economic privileges, and for protection of their black market sales; illegal gambling, smuggling etc. Lavish “gifts” were given to ministers and bureaucrats were bought to conspire in the falsification of accounts and inventories, and other practices to secure profit with safety.74

71 Girling, Corruption, Capitalism and Democracy, op. cit., p. 56.
72 Wertheim, Sociological Aspects of Corruption in Southeast Asia, op. cit., p. 204.
73 Mook, The Stakes of Democracy in South-East Asia, op. cit., p. 239.
At the public level, the peasant had to pay for any service including those that should be provided gratis. Scott points out that payments were extracted for almost every service. Officials, for instance, extorted bribes for expediting a claimant’s case, for issuing necessary permits and licenses, for arranging appointments with a superior. Indonesian police and civil servants regularly extorted cash and goods from the public. The prices were highly unstable and the delivery of services by corrupt sellers was highly uncertain. It seems that over the years Indonesians have adjusted themselves to the ‘Corruption-Market’ and the pricing system. For what is understood from the recent struggle of the people is their intolerance of all forms of graft and nepotism in the upper echelons; those who are in power rather than petty cases of corruption at the lower levels of the bureaucracy and society.

Historically, bribery in the realm of politics seems to come onto the scene after the collapse of Suharto’s authoritarian rule in May 1998. Observers of the 7th June 1999 parliamentary elections and the 20th October 1999 presidential elections reported that a huge amount of money was paid as bribery in many different ways and at many different levels. It has been reported that: “Money politics was not limited to election day itself, but was apparent throughout the entire political process from early 1999, through the campaign period until the election of the president in October.” Furthermore, at the national level, bribery played a vital role in the selection of candidates and parliamentary members. The political parties made their utmost efforts to buy votes. They gave cash, rice, T-Shirts as “gifts” to induce the voters to favor them in the elections. Although some observers see the 1999 elections as the first democratic election since 1955, the prevalence of bribery.

75 Scott, Comparative Political Corruption, op. cit., pp. 82-83.
77 Ibid.
extortion, cronyism, and graft that appeared in the newly elected president Abdurrahman Wahid’s regime, which ended in his stepping down in 2001, reflect that democracy is at stake, and bribery particularly in the sphere of politics is just erupting, taking root, and breeding from the heritage of the Suharto era and the glamour of holding power for enrichment and prestige.

7.4.2 Nepotism and Cronyism

Nepotism, cronyism, and favoritism are obvious practices in Indonesian society. This aspect of corrupt affairs has deeply affected social justice and democracy. Services, licenses, positions in the public as well as in the private administration are being granted not on qualification, merit, and efficiency but on family and friendship ties. Political, bureaucratic, and economic power holders at all levels of society, most likely use their power to favor their family members and cronies in services and privileges.

Since the early stages of modern Indonesia, as late as 1957, it had been noticed that: “All the personal in one particular office belonged to a single family group; that is of the office chief.”78 Nepotistic appointees and favoritism, together with other factors, have lead to many bureaucratic diseases and social problems notably bureaucratic inefficiency and social discrimination among the citizens, which in turn caused corruption and instability to increase. Indonesians seem to have adjusted themselves to the nepotistic system and generally are benefiting from it by one means or another. However, the public tolerance of nepotism, cronyism, and favoritism that are practiced in the upper echelons of politics and the bureaucracy seems to have been exhausted. Since the 1960’s from time to time eruptions of

protest occurred. For instance, in early March 1966 students and jobless graduates filled the streets of Jakarta in a massive protest against Sukarno’s corrupt behavior, which led to his collapse.\textsuperscript{79} The Indonesians, as well as the people all over the world may never, ever forget the notorious system of nepotism and cronyism that had been established, developed, and even institutionalized during Suharto’s 32-years of rule. It was pointed out that Suharto’s family members and cronies “are put in pole position for many state projects, and the six children with their integral links to the power center, could command projects almost at the drop of a hat. State-owned companies (BUMN) were easy targets. TV and airline monopolies were broken. The children were usually awarded an upfront loan to secure licenses.”\textsuperscript{80} Girling highlights the issue of Suharto’s nepotism and favoritism to his family in more detail and thus may help understand the extent of the problem. He points out that: “Suharto’s wife, five of his six children, a son-in-law, a half brother, and a cousin all have extensive business interests: in banking, cooking oil, forest products, insurance, oil and gas marketing, pesticides, pharmaceuticals, real estate, sugar, tea and vehicle assembly. In activities ranging from highway construction to satellite repair, members of the family have benefited from what appears to be privileged government contracts.”\textsuperscript{81} In 1997, Suharto’s children reported to be the owner of the top five business conglomerates. Habir reported that the five business groups owned by Suharto’s children were: “Bimantara (Bambang Trihatmodjo), Citra Lamtoro Gung (Siti Hardiyanti –Tutut Rukmana), Humpurs (Hutomo “Tomy Mandala

\textsuperscript{79} Williams, Southeast Asia: A History, op. cit., p. 257.
\textsuperscript{80} http://www.atimes.com/se-asia/DA03Ae01.html
\textsuperscript{81} Girling, Corruption, Capitalism and Democracy, op. cit., p. 56.
"Titiek Prabowo"  

Besides, on March 14, 1998 Suharto announced that his eldest daughter, Siti Hardiyanti Rukmana "Tutut", would become Indonesia's Minister for Social Affairs. and his long time crony Mohammad "Bob" Hassan would handle the Trade and Industry portfolio, which meant that friends and family headed his cabinet. The Indonesians have labeled the 1998 cabinet the '3 K Cabinet, for Korrupsi (corruption), Kolusi (collusion), and Keluarga (family). Even during the last days of his rule, many observers expected Suharto's appointment of Baharuddin Jusof Habibie as his successor. For Suharto would usually favor his close friends and business associates, rather than other qualified figures. Suharto's second son Bambang Trihatmodjo got permission to import parts at a state-subsidized exchange rate of 5,000 rupiah the greenback. Having been granted such privileges, Suharto's family members and cronies have amassed huge amounts of money at the expense of millions of poor and tax payers.  

The circumstances the different types of graft engendered from Suharto's nepotism, cronyism, and favoritism will be explained later in the topic of graft. It should be noticed that Suharto's family and friends themselves created many mechanisms and sought many ways to guarantee their own interests in power, enrichment, and privileges.

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82 Habir, Conglomerates: All in the Family, op. cit., pp. 187-188.  
84 Ibid.
7.4.3 Graft

Graft is one of the most apparent forms of corruption that has characterized Indonesian society since independence. Use of illegal, unfair, and dishonest means to gain an advantage in business and politics seems to have taken root in the political and bureaucratic spheres as early as the rule of Sukarno. Sukarno’s lechery and extravagant lifestyle and deposits in European banks were attained through various forms of graft. Sukarno’s hoard, as it has been highlighted in chapter five, is estimated to range between US$ 135 million and US$ 15 billion. It has been said that such huge wealth was grafter from the so-called Revolution Fund, the illegal appropriation of ancient Javanese treasures accumulated or recovered from the Dutch and the Japanese after World War II, and from siphoning funds donated by world leaders. From Sukarno’s wealth only US$ 1 million was seized during Suharto’s early years of rule.\(^55\)

Following in the footsteps of the political leadership, the military and the bureaucratic cliques resorted to illegal and dishonest means to enrich themselves. For instance, Scott points out that: “The military-bureaucratic cliques encouraged budget deficits to increase the spoils at their disposal. Each clique overspent in order to increase its members income...Informal commission were exacted from foreign supplies, civilian and military leaders let contracts to firms in which they had an interest, government equipment and supplies were sold in the black market.”\(^56\)

In the post Sukarno era, particularly during Suharto’s rule, graft attained epidemic proportions, for its scope became wider, its techniques became more sophisticated, and its dividend and income became huge. One of the most striking

\(^{55}\) McBeth, Wahid and Sukarno’s Gold, op. cit., p. 34.  
\(^{56}\) Scott, Comparative Political Corruption, op. cit., pp. 81-82.
examples of Suharto’s graft was his use of presidential decrees to enrich himself and his family. It was reported that Suharto raised huge amounts of funds through his seven foundations. He issued a presidential decree, which stipulated that all state corporations set aside 5% of their profits to Suharto’s foundations. The fund of these non-profit foundations were manipulated and used in illegal transactions. For instance, the Dharmais Foundation lent 750 billion rupiah (US$312.5 million) to the Nusamba group, a holding belonging to Suharto’s crony Mohammad ‘Bob’ Hassan. This was one of the reasons that urged the Attorney General to declare Suharto a suspect on May 3, 2000.\(^{87}\) Suharto was accused of diverting US$ 571 million from charity foundations into the business of family and friends.\(^{88}\)

Endowed by the power of the presidential office, Suharto’s children and friends have amassed huge amounts of money through graft. Suharto’s eldest daughter, Siti Hardiyanti, remains a suspect in a multi-million dollar graft case involving the state oil and gas company in 1992. Sigit Harjojudanto, Suharto’s eldest son remains a suspect in an alleged US$ 113 million mark up of the Balongan oil refinery project. Suharto’s youngest son is alleged to have creamed off massive amounts of state money from various monopolies he controlled.\(^{89}\) Suharto’s family members were said to have grafted an estimated US$ 30 billion, from which, Tomy’s share alone is about US$ 800 million.\(^ {90}\)

One of the most attractive spheres of graft for many Indonesian political figures and high-ranking bureaucrats is the financial institutions. Probably none of the most prominent banks in Indonesia; Bank Negara Indonesia BNI (Central Bank),

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\(^ {87}\) http://www.atimes.com/se-asia/DF14Ae01.html
\(^ {89}\) http://www.atimes.com/se-asia/DA03Ae01.html
Bank Nusa, and Bank Bali was spared from use of illegal means to gain wealth. For instance, Bank Bali paid Rp 546 billion (US$ 78 million) to a private firm, PT Era Giant Prima (EGP) for recouping Rp 904 billion in inter-bank claims on closed down banks. The ruling party deputy treasurer, Novanto, controls EGP. By law the service of any third party in any inter-bank claims is illegal, this is in addition to some speculations that were raised that part of the fee was illegally used to finance the ruling party’s campaign and vote-buying during the 1999 general elections. The Bank Bali scandal involves many prominent Indonesians, including cabinet ministers such as finance Minister, Bambang Subianto, and Justice Minister Muladi. It also involves high-ranking officials like the then Bank Indonesia Governor Syahril Sabirin, and Pande Lubis, deputy head of the Indonesia’s Bank Restructuring Agency (IBRA), and Rudy Ramly, Bank Bali’s former president.91

The leader of the Muslim-based United Development Party, politician Hamza Haz, challenged Akhbar Tanjung Golkan Party chairman, former House of Representatives Speaker, and also a former Wahid’s ally, in July 2001. After his defeat, Akhbar Tanjung was brought to justice for corruption allegations that he had taken bribes and abused state funds. One of the most serious corruption charges is Tanjung’s involvement in abusing Rp.40 billion donations to “Dana Untuk Orang Miskin”, Poor People Fund.92 What is amazing in Tanjung’s corruption is that poor people suffer not only from those who attain power by force, but also from those whom they elect they themselves.

Graft in other realms of bureaucracy is also rampant. In the civil bureaucracy, it has been reported that police agents and civil servants regularly use illegal means

92 http://www.siliao.com; http://www.agnnews.org
to generate extra income from the public with little risk of prosecution.\footnote{Scott, Comparative Political Corruption, op. cit., p. 83.} Besides, in the military bureaucracy graft practices\footnote{http://www.atimes.com/editor/AL14Ba01.html} prevail, and seem to remain a challenge for reformers. It is maybe not expected that during an authoritarian corrupt military rule, military personnel would be immune from graft particularly when they hold power. For instance, in 1999, Indonesian Defense Minister, Juwono Sudarsono stated that he intended to cut military graft by half, but that it was impossible to cut it further as the armed forces needed more funds than provided in their budget.\footnote{http://www.atimes.com/editor/AL14Ba01.html} The minister acknowledges that graft is rampant in the military institution, however, he offered to reduce it only by half!

The above underlined forms of corruption, notably bribery and extortion, nepotism and cronyism, and graft prove that the Indonesian case of corruption is distinctive. In view of the total volume of corruption, the complicated matrix of causes and consequences, the absence of any limit and strong strategy and commitment to the checking of corruption, and other factors, corruption tends to destroy the nation’s potential and assets, tarnish the country’s reputation, debar foreign investors, increase the proportion of the population below the poverty line, promote social injustice, and widen the gap between society and the government. Indonesia’s current corruption situation, once put under systematic investigation, would probably prove that it is the worst situation in Southeast Asia. An in-depth study of the total volume of corruption and its various forms and diverse impacts and mechanisms in Southeast Asia, would suggest that it is may be sufficient to refer to Indonesia.