

1 One Reasonably Capable Man: Soeharto's Early Fundraising

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In the post-independence history of Indonesia, Soeharto played a hugely important role. Yet the man, as has often been observed, was frustratingly enigmatic, closed and difficult to read with any confidence. That, I believe, makes it even more important than is usual in such cases for anyone writing about Soeharto to examine closely his formative years in Central Java and his first twenty years in the army, looking for any clues that may tell us more about his character and personality.

Much of what we know about Soeharto's early years has come from Soeharto himself or from his associates, or from *The Smiling General*, a 1969 authorised biography by O. G. Roeder. A great deal of this material is suspect, slanted, hagiographic or downright mendacious. It was only in the 1970s and 1980s that we began to get what lawyers would call 'further and better particulars' about Indonesia's second President, and learn more about the dark underside of the New Order. Academics and journalists made a major contribution to our understanding. Interestingly, it was not until 2001, when Bob Elson published *Suharto: A Political Biography*, that we got the first serious, full-length treatment of the former President's life.

Twelve years after Soeharto stepped down there is an urgency to the task of looking into his past, given that documentary sources can tell us only so much and given that so many of his contemporaries and subordinates, let alone his former superiors, have died or are now growing quite old. I have been talking to these men on and off for forty years, having set off down this path when Jamie Mackie suggested during a visit to Jakarta in 1970 that I begin a clippings file on each of the six most interesting generals around Soeharto, in addition to the one I had on the President himself. Before long, I found myself with clippings files on dozens of senior officers. In the early 1990s, after an involuntary 10-year absence from Indonesia, I resumed my research, interviewing a large number of retired officers, many of whom had known Soeharto well.

These interviews, supplemented by extensive archival research, provide, I believe, a fuller and more rounded picture of Soeharto in the years before he came to power. They also confirm that some of the strengths and weaknesses that Soeharto brought to the Indonesian presidency were well developed—and well-known to his colleagues—at the time he came to office. In October 1965, Soeharto may have been little known outside the army. But to his military colleagues and to his former superiors he was anything but a mystery. Many officers had known him well for two decades or more.

In a forthcoming book I hope to take a broad look at Soeharto during those early years. In the pages that follow I will consider one aspect of that past—Soeharto's interest and growing expertise in raising off-budget funding, ostensibly for the welfare of his troops, and his willingness to tolerate, when not actively encouraging, the commercialisation of office. As a young military officer, Soeharto indulged in practices which could not stand the light of day but which were condoned, even encouraged, by the high command during the revolution and the early years of independence. In time, he turned fundraising into an art form. It will be argued in this chapter that Soeharto's fundraising in the 1940s and 1950s not only tells us a good deal about his personality and his attitude to rules and conventions but also foreshadows the freewheeling commercial practices that were to be such a feature of his New Order government. As President, Soeharto continued to adopt a cavalier attitude to the ethical issues of fundraising and to the commercialisation of office, thereby undermining the viability of the Indonesian state.

The following section will look briefly at Soeharto's fundraising practices at two early stages of his career: first, when he was a regimental commander in Yogyakarta during the late 1940s; and second, when he was commander of the Central Java Diponegoro Division in the late 1950s.

Soeharto's fundraising during the revolution

Throughout his time in the military, Soeharto was obliged to operate in an environment in which commanders could not expect the central government to meet more than a small part of their financial needs. To cover the shortfall, officers were allowed to requisition state-owned property; from time to time, some of them seized private property as well. They were also allowed to engage in business transactions occasionally, to raise the funds to support their military operations. During his time as a regimental commander in Yogyakarta in the late 1940s, Soeharto began to take a keen interest in business. He rented out army trucks to private businessmen. He bought—or simply seized—sugar from

the large sugar mills and had it transported to market, to be sold to Chinese middlemen. Before long, fellow army officers began to suspect that Soeharto was pocketing some of the profits from these undertakings.

In the second half of 1949, Soeharto and one of his army colleagues set up a vehicle repair shop and a bus and trucking company, ostensibly to create employment for 'demobilised' guerrilla fighters. At the time, the two men had one truck, one bus and two sedans, all of which had been requisitioned for army purposes. They also had a complete set of workshop tools, a priceless asset in the Republican capital, where everything was in short supply after years of Japanese occupation, revolutionary instability and a tightly enforced Dutch blockade. The business was a private venture between the two men. They divided the profits between themselves. They never gave any thought to turning the money over to the army.

Many of Soeharto's military colleagues in Central Java disapproved of his fundraising, believing that he went much further than he needed to. They expressed concern that not all the money was accounted for. The Sultan of Yogyakarta was also concerned. He saw how Soeharto operated during the revolution, and strongly disapproved. He was to refer to these concerns when, at the end of 1965 or early 1966, four or five Javanese politicians and student leaders called on him at his office in Jakarta. During the meeting, the visitors pushed the idea that Soeharto would make a better President than General A. H. Nasution, a former army chief of staff who had the drawback in their eyes of being an Outer Islander. The Sultan received the suggestion coolly. There are three different versions of what he replied when his visitors said they wanted Soeharto as President.

According to the first, he said, 'What! That thief!' According to another, he asked if Soeharto was 'still in the habit of stealing?' According to a third, he invited his visitors to think very carefully about any such move, albeit using a suitably polite form of words. 'Are you sure,' he is said to have asked, 'that you want Soeharto as President? Because my experience was that when we were all working hard to push the Dutch out, he took all these things for himself.'

In the course of writing about Soeharto, I have had to chase down many stories like this and try to assess where the truth lies. In this case, it became apparent that the two more colourful versions of this encounter were based, with varying degrees of elaboration and invention, on comments made by one of the men who attended the meeting with the Sultan that day. The third—and most moderate—version proved to be the accurate one.

Soeharto's fundraising in Central Java

Soeharto spent nearly three-and-a-half years (1956–59) as the commander of the Central Java military region. But his posting, although successful in many ways, putting him on track for further advancement up the military ladder, was to end abruptly in dismissal and humiliation. This dramatic turn-around in Soeharto's fortunes arose from his need to raise much-needed funds for his command. In Indonesia in the 1950s, the high command still took the view that a certain amount of fundraising was acceptable and indeed commendable. In Soeharto's case, a quest for money turned into a fundraising free-for-all in which subordinate officers ran loose in the province, exceeding all the then current notions of propriety and restraint.

In Semarang, Soeharto engaged in what is often described as unconventional or irregular fundraising. This is a misnomer. Soeharto's 1957–59 fundraising campaign seems at times to have had more in common with stand-over tactics, extortion and straight-out theft. Under Soeharto, the Diponegoro Division's financial officers left no stone unturned when it came to raising money. They squeezed and cajoled ethnic Chinese businessmen. They imposed illegal levies on the copra trade. They seized the assets of foreign-owned businesses. They set up a lucrative smuggling operation, bartering sugar for rice. They sought 'assistance' from the manufacturers of kretek cigarettes. They controlled, 'unofficially', the distribution of kerosene in Central Java. There was, it is true, a tradition of fundraising in the Central Java command, as there was in every other military region. But as Michael Malley has noted in an impressive study of this period, the declaration of martial law and the subsequent nationalisation of all Dutch businesses 'greatly broadened the scope for military fundraising activities.' Soeharto took full advantage of that. Not long after becoming military commander in Central Java, he established two foundations, ostensibly for charitable purposes. These bodies were soon being used for other, less noble purposes, clearly with Soeharto's full encouragement.

As divisional commander, Soeharto 'needed someone with established business connections and proven business experience on whom he could rely to raise the extra-budgetary funds' required by the command. Major Soedjono Hoemardhani, the number two man in the division's Financial and Economic Planning Staff (Finek), was tailor-made for the job. An old hand in army finance, with a wide range of business contacts in Semarang, he had a nimble mind, adaptable ethics and a voracious appetite for new business opportunities. He knew how to set up companies and he knew which trees to shake to harvest the rich commercial pickings of Central Java's only major north coast port. He was a money raiser par excellence.

In some ways, Soedjono's gifts as a fundraiser ministered to all that was best in Soeharto, giving him an opportunity to look after the welfare of his men and their families, a responsibility he took far more seriously than did many other officers. They also gave him a chance to do good works for the community at large, especially farmers. In other ways, Soedjono's gifts ministered to all that was suspect and base in Soeharto's nature. During this time Soeharto seems to have been prepared to raise funds by any means, fair or foul, going well beyond what was considered normal or acceptable. Worse, according to former colleagues he began helping himself to some of the money thus raised. Why did Soeharto engage in behaviour which not only breached the norms of many Diponegoro officers but affronted his superiors in Jakarta? There were four reasons. He was deeply and genuinely concerned about the welfare of his men. He had staff officers who were unusually adept at raising funds. He thought he could get away with it. And he was insatiably greedy, not only at a professional level but also at a personal level, determined, some of his army and civilian colleagues later came to believe, to compensate for the acute material deprivation of his childhood.

By this time, army-backed smuggling had become routine in the Outer Islands; it was also emerging as a problem in Jakarta, thanks to the entrepreneurial instincts of two senior officers on the Nasution's general staff. However, the army commanders in East and West Java had not gone down this path, and there were many in the Diponegoro who were dismayed by Soeharto's actions. As commander in Central Java, Soeharto was striking out boldly—and dangerously—on his own.

Soeharto's strengths and weaknesses as a regional military commander were noted by Lieutenant Colonel G. V. Rouse, the then British military attaché in Jakarta. In October 1958, Rouse went to Semarang to attend a celebration marking the first eight years of the Diponegoro Division. It was a grandiose affair, spread over two days and attended by President Sukarno and by General Gatot Subroto, the Deputy Army Chief of Staff. Rouse judged it a great success. 'The whole performance had been carefully planned well in advance,' he wrote in his monthly report to the War Office in London

and was carried out under the supervision of the Divisional Commander, Colonel Soeharto.... The celebration was a monument of what Indonesia can do if there is one object, the attainment of which is directed by one reasonably capable man. It was excellent and made the ill-planned, unpractical and muddled shambles which took place on October 5 in Jakarta to celebrate Armed Forces Day look the disaster it was.

In his next monthly dispatch to the War Office, Colonel Rouse was a good deal less effusive about Colonel Soeharto, about whom he had begun to receive

disquieting reports. In Central Java, he now informed his superiors in London, the British-owned United Molasses Company had been experiencing 'great trouble' with the Military War Administration. This body had 'arbitrarily instructed the company' that the army would now be responsible for the sale and distribution of molasses within the country, even though all relevant storage facilities and transport vehicles belonged to the company. The company was being asked to lend these facilities to the army as a measure of its 'co-operation'. The War Administration had also decreed that no molasses was to be shipped from the port of Tegal without an army permit, which had until recently been withheld.

After considerable investigation it appears that Col. Soeharto, Commander of T&T IV ('Diponegoro Division') and Head War Administrator of Central Java, is responsible for these troubles, hoping to divert to himself the Company's very considerable profits but, in fact, disrupting the whole organization and thereby losing a large amount of foreign exchange, which the country so badly needs.

In these successive and highly prescient dispatches, Rouse had identified two cardinal points about Soeharto. The first was his exceptional gift for organisation and leadership, attributes that would help him transform a bankrupt and almost broken-back state into one of the fastest growing Asian 'tiger' economies of the late twentieth century, before the great crash of 1997–98. The second was his almost equally exceptional greed, which was to become more and more pronounced with the passing of the years, helping to ensure that Indonesia would go on suffering long after he was finally driven from power.

As it happens, Soeharto's fundraising was of concern not only to the United Molasses Company. It was creating deep disquiet within the Central Java Military Territory, where a somewhat conservative ethos prevailed. As early as 1956, the Semarang night markets, organised by Major Munadi, one of Soeharto's more entrepreneurial subordinates, were being closely watched by the local Military Police chief, Lieutenant Colonel Soenarjo Tirtonegoro, who believed they were being used as a cover for illegal gambling. 'It was unheard of at that time' a senior Military Police officer recalled.

So we, the MPs, were after these people. Sometimes Munadi held a *pasar malam* [night market] to raise funds.... And always under the sharp eyes of the MPs!.... Because it was unheard of at that time. No army man was doing things like that.

Central Java had always been puritanical, this officer noted, 'and suddenly they had a panglima who was not puritanical.' This had led to disquiet. 'Internally, the division was complaining. But the way the Javanese complain is silently—just whispering this, whispering that. And this MP man was against all this.'

Soenarjo, a strict disciplinarian, respected throughout the Military Police Corps (Corps Polisi Militer, CPM), took it upon himself to investigate further the allegations of financial impropriety. Before long, he included the names of Munadi and another Soeharto subordinate on a Military Police 'alert list', circulated to MP officers throughout Java and advising them of people who were of interest in ongoing investigations. He also raised the matter with the Diponegoro Chief of Staff, Lieutenant Colonel Pranoto Reksosamudro, a man noted for his probity and rectitude. Pranoto had known Soeharto for sixteen years and had once been close to him. But he was himself dismayed by Soeharto's actions and his subsequent report to headquarters was to play an important part in Soeharto's dismissal as Diponegoro commander.

In smuggling goods to and from Singapore and working so assiduously to raise funds by other means, Soeharto had been sailing dangerously close to the wind. Nasution had promised shortly after the proclamation of martial law in March 1957 that the military authorities would take strong measures against corruption, and in November that year, following complaints that he was turning a blind eye to corruption within the army, he set up a committee to investigate the sources of income of senior army officers, particularly territorial and district commanders. In August 1959 he renewed that drive, declaring that he was ready to take 'drastic measures' to root out corruption in the army.

Soeharto was an obvious target. However it was Gatot, rather than Nasution, who delivered the coup de grace. When Soenarjo contacted Gatot about the situation in Central Java, the Deputy Army Chief of Staff sent the Inspector General of the Army, Brigadier-General Sungkono, to investigate the activities of the two foundations set up by Soeharto. Sungkono's findings were damning, pointing as they did to a widespread and systematic abuse of power. Indignant at this behaviour and without bothering to consult Nasution, Gatot flew to Semarang. Here, on 14 October 1959, he dismissed Soeharto, appointing Pranoto in his place. As it turned out, Soeharto's career was not irreparably damaged, but he never forgot this humiliation and he eventually had his revenge. In 1966, shortly after he came to power, Pranoto and Soenarjo were arrested and jailed. Various reasons were given for the arrests but friends of the two men were convinced they had been made to pay for their actions in 1959. Significantly, Soeharto did not change his ways. When, in the early 1960s, he was appointed Commander of Kostrad, the Army Strategic Reserve, he not only set up a foundation for the welfare of his men and their families but a private bank as well. (In the years after 1965, Soeharto and his associates maintained that he had behaved

with complete propriety in Central Java but had been smeared by leftist officers who feared his strong anti-Communist stance.) It is not clear what, if anything, Soeharto knew of the CPM investigations into illegal fundraising at the time. However, in January 1959, about nine months before his dismissal, he piously informed a class of graduating soldiers that they had joined the colours 'not for earning their bread, but to give sacrifices to the Indonesian state and nation.'

In later years, when Soeharto was President, some analysts argued that the corruption that bedevilled New Order Indonesia had to be seen in its proper cultural context. Soeharto, they suggested, always a little too conveniently, was simply acting in the manner of a traditional Javanese prince; behaviour which might dismay outsiders was not particularly shocking in the Javanese framework. The resentment and silent opposition which Soeharto's actions generated among so many of his more honest fellow officers in Central Java in the late 1950s suggests that this argument is not at all compelling.

The case against Soeharto was never formally closed. In 1962, when he was the commander of a force that was preparing for major military operations against the Dutch in West New Guinea, his file was re-opened. This time, the examination of Soeharto's actions in Semarang involved not one but three of the nation's most senior Military Police officers, with a fourth keeping an informal, but watchful, eye on developments from the sidelines. Significantly, all four CPM officers were from Central Java, where the military police had long been interested in Soeharto's activities. After much deliberation, two officers reported to Nasution that they intended to formally investigate Soeharto. Nasution gave the go-ahead but several days later his deputy, Gatot, asked the officers to drop the matter. Priority was to be given to the West New Guinea campaign; the corruption case was to be shelved. Not for the first—or last—time in his career, Soeharto had had a lucky escape. By the time the West Irian dispute had been resolved in 1963, the danger of prosecution had passed. As Susan McKemmish has pointed out, during 1962–64, 'there was a radical change in the moral climate in elite circles as inflation made corruption more widespread.' Corruption, like treason, can be a question of dates.

Had Soeharto not pushed his fundraising so far beyond the limits of acceptability, had he not presided over what quickly became in many ways an organised crime ring, his term as military commander in Central Java would have been judged a success by his superiors. When it came to his core responsibilities as Commander, Soeharto had done all that Nasution could have asked of him. He had maintained order in a time of rising political tension. He had supported the Chief of Staff's hard line against the rebel colonels in the Outer Islands. Greed, however, had proved to be his Achilles heel.

Soeharto had shown that he was all too ready to abuse the power that was given to him. In no time at all, he had become the most innovative of Indonesia's corrupt colonels. Some of his Outer Island colleagues would have made far more money by smuggling rubber and copra—we have no way of knowing how well they each did—but none had managed to conjure money out of thin air as Soeharto and his minions had done. This was not just a crime but a folly, the more so in that it had been attempted in a province where many people, army officers and civilians alike, subscribed to a value system that put considerable store on honesty and propriety.

In 1966, seven years after Soeharto had been stripped of power for his abuse of office in Semarang, Indonesians were to find themselves living under a man who, perhaps more than anyone else in the army, appeared to believe there were few, if any, limits to what the army could do to finance itself and who was prepared to allow officers to plunder the nation's wealth for their own benefit. When it came to unbridled corruption and greed, Semarang was a foretaste of all that was to come.

Colonel Rouse, the British military attaché, had been on to Soeharto in 1958. Surprisingly, some Americans who might have been expected to follow such matters with equal interest, seem to have noticed nothing amiss. On 8 November 1965, five weeks after the coup and seven years after Colonel Rouse had begun putting Soeharto under the microscope, the CIA's Office of Current Intelligence sent the White House a secret memorandum on Soeharto. Describing him as 'the army's pivotal military and political figure', it went on to say that: 'Suharto is regarded as a strong, efficient and decisive officer. He lives modestly, is reputed to be incorruptible, and is noted for his smart appearance.'

Thinking of all this, I was reminded of the story told about the time when the elderly H. L. Mencken paid a visit to the Baltimore Sun, which had carried his columns for so many years. During the visit, Mencken's hosts took him on a tour of the building. As they passed the obituaries section, Mencken asked if he could read his own obituary. His hosts agreed. The lead in the galleys was inked up and the words printed off on a large sheet of paper. Mencken read the proof, then took out his pen and added a few words at the end. When his hosts inspected the page, they found that he had written, 'And as he got older, he got worse.' Soeharto acquired a taste for money at an early age. And as he got older and more powerful, he got worse.