

Suharto Scion's Channel Islands Treasure Hunt

Contributed by Our Correspondent
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A dispute over a fortune in Guernsey illustrates the interweaving of Suharto family fortunes with still-serving Indonesian officials

The shadowy world of offshore British financial hideaways is the latest battleground for efforts by Indonesians to come to terms with the legacy of their former dictator, Suharto, and his children. The case demonstrates how closely intertwined the disgraced dictator and his family remain with tainted Indonesian officials still in office, and how difficult it is to break the cycle of corruption that characterized Suharto's 31-year reign.

Tommy Suharto, whose family name is Hutomo Mandala Putra, is now at the center of a dispute with Banque Nationale de Paris (BNP) Paribas over vast amounts of money allegedly parked in a Guernsey account with the French bank. Court hearings began in Guernsey last week against a backdrop of investigations in Jakarta into the role played by two senior Cabinet ministers in a questionable earlier transfer of funds from Paribas.

Tommy Suharto is the only member of the family to have been found guilty and jailed for any offence. He was released last October after serving only five years of a 15-year sentence for plotting the murder of Supreme Court Judge Syafiuddin Kartasasmita, who was killed after sentencing him to 18 months in prison in 2000 for a multimillion-dollar land scam.

Garnet Investment, one of Tommy's companies, which is registered in the British Virgin Islands, is suing a Guernsey branch of Paribas for refusing to release some \$45.6 million to him from an account there. Transparency International Indonesia claims that Garnet deposited the funds on 22 July 1998, only weeks after Suharto stepped down amid violent street protests, and that the Paribas branch has since refused three separate withdrawal requests. A year ago, Garnet filed a suit against the branch of the French bank.

Indonesia's ambassador to the UK, Marty Natalegawa, told the Financial Times the money in the account "is beneficially owned by Indonesia" because "it was obtained by corrupt use of power" during the Suharto era. He said that evidence would be submitted when the trial got underway.

Paribas has invited Indonesia's Attorney General as a third party in the Garnet vs. Paribas trial, which started March 9.

The Indonesian ambassador's assertion that the money is beneficially owned by Indonesia because it was obtained through corruption is considerably different from the position of other top government officials over another US\$10 million, which was parked in a London branch of BNP Paribas. While the millionaire playboy scion of the former dictator was serving time for Syafiuddin's murder — and widely reported to be carrying on business as normal from his prison cell — he hired lawyers from the law firm Ihza and Ihza to retrieve the US\$10 million.

Ihza and Ihza was founded and is controlled by Yusril Izha Mahendra, who was Minister of Justice at the time of the successful transfer of the US\$10 million to Tommy, a felon in Yusril's prison system. Yusril is now State Secretary.

Another of Tommy's companies, the Bahamas-based Motorbike Corporation, with the help of the Indonesian lawyers and others from the UK, was able to withdraw this US\$10 million in 2004. The funds were transferred to the government through a justice ministry account at the insistence of Paribas before being immediately deposited into Tommy's bank account. Either Yusril or his successor as justice minister, Hamid Awaludin, was able to obtain a letter from the Jakarta High Court, stating that the funds were corruption-free and that there were no cases involving corruption against Tommy Suharto in any of Indonesia's courts.

By the time the funds were all safely back in Tommy's hands, Yusril, a former speechwriter for President Suharto, had been promoted to his new position. He was replaced as Justice Minister by Hamid Awaludin. Both have been questioned over other corruption cases although no charges have been brought against either of them.

Awaludin, the current justice minister, claims the money had been verified as clean by Indonesia's money laundering watchdog, the Financial Transaction and Report Analysis Center. But Yunus Husein, the chairman of the center, categorically denies there was any such sign of approval. He says the only questions asked by the Justice Ministry concerned Motorbike, and whether or not it was connected to money laundering.

These questions had been put to Zulkarnain Yunus, the Director-General of Administration for Legal Affairs at the Justice Ministry. Husein is said to have replied that the commissioners, stockholders, founders, and board of directors of Motorbike were not involved in any money laundering. He is now being held by the Corruption Eradication Commission

on another charge -his involvement in the irregular procurement of fingerprinting machines for the Justice Ministry.

Last month Yusril was questioned for nine hours by Indonesia's Corruption Eradication Commission over the same case, which dates back to when he was Justice Minister in 2004. Visibly riled, he hit back within days of the questioning, by laying similar accusations against the head of the anticorruption agency, Taufiequrachman Ruki, over a tender for the purchase of phone tapping equipment, triggering a very public and embarrassing spat between the two men.

Awaludin was investigated last year over irregularities in the procurement of goods and services for the General Election Commission for the 2004 Elections. No charges were laid against him although two members of the Commission were prosecuted and eventually jailed after the probe.

Some mainstream newspapers in Jakarta are now asking the obvious questions: Why did the two ministers not retain the money on behalf of the government? The inference is that they could both have been paid substantial amounts of commissions. Even more ominously, could the deal be connected to the 10 year cut in Tommy's sentence?

Jakarta hopes the Guernsey court will endorse its view that the funds in the Paribas account should be used to pay back some of the outstanding money owed by Tommy's businesses to the state. This is unlikely to happen unless the state's lawyers can produce masses of evidence in Guernsey, although the court could extend its current freeze on the funds indefinitely.

Action is likely to be quicker back in Jakarta, where the problem of the involvement of the two ministers in the transfer of funds back to the Suharto family is clearly a dilemma that President Susilo Bambang Yudhoyono needs to resolve sooner rather than later.

Yudhoyono swept to power in a landslide 2004 victory promising to put an end to Indonesia's endemic graft and corruption, perhaps the worst in Asia. Although he has made progress on both fronts, critics say the only big fish that have been netted and delivered all the way to the dock so far are those connected to his political opponents, mainly Megawati's opposition Indonesian Democratic Party of Struggle, better known by its Indonesian initials PDI-P.

Yudhoyono's intervention in the public spat between the two ministers resulted in a quick change of tack by the commission, with Ruki, the head of the anticorruption agency, soon claiming Mahendra had done nothing wrong.

The inference was clear enough. Mahendra remains untouchable. In May last year Mahendra was specially appointed by Yudhoyono to investigate the case against 85 year old Suharto. Weeks later, side-by-side with Yudhoyono at a press conference, Mahendra announced that the government would drop charges against Suharto and take steps to "rehabilitate" his name.

In November a panel of judges in the notorious South Jakarta District Court, where it is alleged justice can easily be bought, decreed Tommy's national "Timor" car company the rightful owner of some Rp 1.3 trillion in a Bank Mandiri account. The state-owned bank and the Ministry of Finance had been sued by Tommy after the money was frozen as collateral against Rp 4 trillion still owed to Mandiri.

The president's critics have said for some time that the corruption eradication commission, which he set up three years ago and which was intended to be a powerful and independent enforcer, has become a weapon used against Yudhoyono's adversaries. A team from the Justice Ministry is currently evaluating the court's performance and an insider told Asia Sentinel that at the very least the commission will lose many of its powers if the ministry has its way.

With elections due in 2009 increasingly worried reformers are concerned that Yudhoyono needs to make his mark on corruption issues related to the 84-year-old Suharto. Failing this he could end up like his predecessor Megawati - genuinely popular and voted in on a raft of promises, but in the end, bereft of the will to tackle impunity and destined only for a role in opposition..