

Security and the Corruption-Terrorism Relationship in Indonesia

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Indonesia and the Global War on Terror: A Causal Analysis of Corruption's Influence on Terrorism and the Policy Implications for International Security

Introduction

In 2011, Indonesia announced its anticorruption campaign to promote economic development. Spearheaded by the recently-formed KPK, Indonesia primarily sought to topple elite government officials whose acceptance of bribes, political campaign electioneering, and indifference to illicit trade or money laundering schemes have engrained corruption as a legitimate practice within the public sector. Such a precedent has allowed private businesses to escape legal ramifications as well, ultimately stifling economic growth. Due to the government's inability to eradicate corruption, public dissociation towards government has also risen. According to the TI 2012 CPI report, Indonesia ranks 118 out of 174 countries and receives a rank of 32 out of 100 (100 being 'clean') in perception of public sector corruption.[1] Similarly, in the 2011 TI Global Corruption Barometer, citizens believed that corruption had increased within the past three years and that parliament was the institution most affected by corruption.[2] While the KPK serves to defend the citizens and combat corruption, recent allegations of internal corruption within the KPK have swayed public faith in this government agency as well.[3] As a result, low public opinion toward the government's ability to deal with high corruption levels means there is a high margin of political instability that poses national security concerns.[4]

Utilizing Indonesia as a case study for the broader context of GWOT foreign policy, this paper will argue that internal corruption merely perpetuates sub-state violence as political instability allows gaps in national security. While Indonesia has one of the largest economies within Southeast Asia, corruption has arguably hindered further development and is preventing the country from reaching its full potential.[5] Economic stagnation and political inability to counteract entrenched practices therefore support the conditions which propel radicalization into terrorism and insurgency movements. As evidenced by the recent U.S. reaffirmation of its Asia pivot policy, America views its future prosperity and security as inherently connected to the events and developments in the Southeast Asia region.[6] Thus, U.S. foreign policy has diplomatically cemented its commitment to these countries politically, militarily, and economically through trade agreements, foreign aid packages, and military support.

This rebalancing of U.S. foreign policy focus is significant for two reasons. First, it alleviates tensions that arose after the U.S. initially aided Asia in the GWOT and then subsequently shifted support to the Middle East. Rekindling transpacific relations will therefore require increased multilateral collaboration. Second, the pivot will allow officials to more adequately address economic development as well as the existing concerns of terrorism and transnational crime networks, which threaten the stability and security of Asian governments and Western allies. The Indonesia case study will show that regional organizations are the most prominent actors in Southeast Asia. For the Asia pivot to be successful, America must increase its interaction with these groups in combatting corruption, poverty and terrorism if it wishes to debilitate violent security threats.

Essentially, the paper will establish an influential relationship between domestic corruption and terrorism and

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insurgency within Indonesia, and will explore several underlying themes. First, it will consider the theoretical foundations of corruption and its effects on structural security. The second chapter is a historical narrative that will elucidate the challenges of consistent structural instability. The third chapter will discuss Indonesia's current domestic security policies followed by the fourth chapter's expansion of policy analysis to a supranational level. Finally, contextualizing the Indonesia case study within the U.S. 'Asia pivot' and the GWOT, this paper will conclude that on the broader scale of international security, responsibilities to eradicate corruption and poverty are synonymous to—if not more important than—commitments to dispelling terrorism because corruption acts as a catalytic factor for radicalization by reinforcing the economic conditions that instigate terrorism.

Chapter 1: Literature Review and Methodology

In order to understand the relationship between corruption and terrorism, we must first elucidate the previous research on corruption and its impact on societies. While corruption is generally described in relation to the behaviours and actions which violate legal paradigms, limiting corruption to a singular definition is difficult because it exists in numerous forms with influential outcomes varying across political, economic and social sectors.[7] Due to the myriad environments in which corruption can develop, previous academic literature on corruption studies has proceeded in three thematic waves concentrating on the consequences of corruption, causal factors, and how societies deal with corruption.

Corruption, the Economy and Consequences

The first grouping largely focuses on the economic link between corrupt government activity and private business firms as well as the consequences resulting from public corruption. For instance, in 1975 Susan Rose-Ackerman first examined how the “organization of private markets and the structure of government programs themselves create incentives for criminal behaviour,” often resulting in bribes between government officials and businesses.[8] While the relationship between market structures and government marked corruption as an “illegal or unauthorized transfer of money or an in-kind substitute,”[9] it illustrated that corruption is not merely affected by the amount of resources funnelled into law enforcement and surveillance programs; its existence also depends on market structures which may be conducive to bribery and entrench government officials in cycles of corruption.[10] Combatting corruption therefore requires changing such structures to negate incentives for corruption by improving other socio-economic aspects.[11]

Developing countries like Indonesia—which have achieved large economic growth in tandem with high levels of corruption—risk sinking into a downward spiral if the market structure remains unchanged as higher illegal payoffs will undermine growth.[12] While economic data may display continuous growth, corruption actually distorts the allocation of resources and produces uneven income distribution, inefficiency, unfairness, and economic stagnation.^[13] It further limits direct and foreign investment, which detracts from potential GDP and directly reduces the conditional growth rate.[14] Additionally, corruption weakens financial institutions by ignoring regulations and fostering exorbitant government expenditures to recover losses. Consequently, economic development must depend on justly rewarding productive entrepreneurship, which will efficiently and evenly reallocate the influx of funds and resources to escalate growth.[15]

Though corruption often benefits a select few elite individuals, it more broadly impacts the general public as it “changes the institutions, economies and societies within which it occurs,” making any assessment of corruption overtly subjective and hard to define.[16] Michael Johnston therefore suggests corruption is the “abuse of public roles or resources or the use of illegitimate forms of political influence by public and private parties.”[17] By extending corruption beyond the economic market structures to include political influence, Johnston shows that corruption “blocks off legitimate channels of political access and accountability” while opening up illicit channels that cement corruption as a standard practice within society.[18] Corruption ultimately bypasses due process, weakens civil rights, and—combined with uneven financial distribution—results in political instability whose repercussions can drastically affect entire government systems.[19]

Determinant Factors of Corruption

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The second wave of corruption research has extended deeper focus into the political and social sectors to identify the determinant factors that cause corruption which hinders economic growth, particularly within developing countries. Empirical analyses of corruption studies literature categorize determinant factors into four broad groups: economic institutional factors, political factors, judicial and bureaucratic factors, and religious and geo-cultural factors.[20] Economic institutional factors that can lead to corruption may vary from the size of government to country's wealth to income distribution. Even more influential however, are international institutional factors such as foreign investment, restrictions on foreign trade, and import revenue shares that can create greater distortion in the economic environment thereby increasing corruption.[21] On the other hand, greater economic freedom, which includes higher import shares resulting in lower tariffs, removes barriers within capital market systems that would otherwise lead to corruption in the form of bribery.[22] Political determinant factors that lead to corruption are predominantly countries that obstruct transparency and power constraint with civil liberties violations or centralization of government power.[23] However, the evidence also suggests decentralization offers ample opportunities for corruption to manifest in developing democracies like Indonesia because it geographically scatters government across multiple islands, making it harder to impose unified policy or regulations and instill transparency in government processes.[24] Additionally, the quality of government is a determinant factor because monetary incentives, checks and balances, rule of law conceptions, and public support all affect whether bureaucrats decide to fund institutions, and whether programs retain strength and legitimacy or ultimately fail under the weight of corruption.^[25]

Perhaps the most varied of all the categories are the social determinants influencing corruption. Ethnically diverse communities which contain various religious and cultural views lead to corruption because there is more dissension and power inequality between majority and minority factions.[26] More importantly, research has shown that countries with colonial heritage tend to suffer corruption due to the remnants of the "command and control habits and institutions" that become embedded within colonized countries' political systems.[27] Similarly, a socio-psychological research approach using social identity theory to describe the development and spread of corruption shows that social structures may inhibit, enable, stimulate or force people into corruption.[28] Often people are able to commit corrupt acts due to their rationalizations, motivational pressures, or available opportunities from lapses in regulatory control.[29] In addition, there are also three 'downward organizational spirals' that may intensify and accelerate corruption—the spiral of divergent norms, the spiral of pressure and the spiral of opportunity—which are "self-sustaining deterioration processes of organizational norms."^[30] By increasing the spread of rationalized divergent norms, motivational pressures, and incentives, these spirals become embedded within social structures.[31] As a result, they are prototypes for group action, spreading corruption in societies.[32]

Dealing with Corruption

The third wave of corruption studies has analysed repercussions for corruption and legal failures to prevent corruption or prosecute suspects. One such study connects corruption incentives with punishment incentives by analysing individual attitudes in decision-making processes against corrupt acts.[33] Much like previous literature, Cameron et al. also find that culture influences individual attitudes: citizens exposed to corruption on a daily basis typically have a higher tolerance for corruption and therefore do not effectively fight it. However, some countries with high levels of corruption sought to punish it more than countries with lower levels, showing that once again corruption is influenced by culture.[34] Previous acquiescence for poor legal systems and high corruption has waned so that now punishment of corruption as a moral responsibility must be enforced via reformed legal institutions.[35] Despite this emergent trend, most of the individuals who voted not to punish corruption cited "difficulty in changing the system" as the reason for upholding corrupt practices, showing a perceived sense of futility in pursuing legal ramifications.[36] Therefore, as a growing body of literature, formulating retribution policies for corruption is the current focus of academic research.

Corruption as an Indicator for Terrorism

These groups each offer their own definitions of corruption, yet they simultaneously converge on a similar trait: corruption always entails a misuse of power and authority which results in wide-sweeping, detrimental effects that often hamper economic development, weaken stability of political and legal institutions, and proliferate public distrust in these institutions. Thus, the academic literature successfully establishes the link between corruption and economic

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conditions as well as political instability. However, despite its successful analysis of the political, economic and social attributes of corruption and its influence in promulgating poverty and economic stagnation, the majority of academic research has not directly linked corruption to terrorism. For this connection, we must therefore consider the economic motivations of terrorism.

As one of the leading researchers on the economic roots of terrorism, Martha Crenshaw first established in her 1981 publication that terrorism resulted from the fragmentation of the elite within a society rather than a cleavage within social masses, and that often these individuals had average or above average socioeconomic status and education.[37] While prominent insurgent group leaders (e.g. Osama Bin Laden) have exemplified this trend, research after 9/11 surmised that poverty and economic stagnation are a strong driving force for young individuals to participate in terrorism as a response to their feelings of disenfranchisement within their society.[38] At the same time however, the post-9/11 literature has been inconclusive on the precise role of poverty as a sole influencer for terrorism.[39] To clarify this debate, James Piazza has ultimately determined that while poverty or economic stagnation cannot irrefutably be a primary motivation for terrorism alone, when combined with particular social or political factors, poverty becomes a socioeconomic motivational pattern that draws recruits to insurgent groups.[40] In particular, minority economic discrimination—or the lack of access to employment, health, housing, educational, or social services opportunities—becomes a catalyst for terrorism by marginalizing certain communities and inadvertently enforcing social exclusion.[41] As a result of these economic grievances, individuals lose trust and support in state institutions and are more susceptible to radicalization processes because they perceive terrorism as a way to express these discriminatory issues. On the other hand, non-aggrieved minority groups who receive remunerations or social benefits from remediation policies are more likely to cooperate with the government and abstain from extremist violence.[42] Additionally, increased social welfare policies can lead to a decline in terrorism.[43]

While there is a firm link established between economic conditions and terrorism, we must still establish the connection between corruption and terrorism via this economic link. The vital factor here is the transnational crime nexus in Southeast Asia. Corrupt individuals involved in illicit schemes often have connections to criminal networks, which can lead to terrorist groups through financing or weapons and recruits procurements. Interpol chief Ronald Noble most famously noted that corruption is a source of terrorism because certain individuals in key positions could be compromised as targets of organized crime or criminal groups, and if this should happen then there would be imminent failure of counterterrorism security systems.[44] Indeed, Asia-Pacific terrorist groups—once inconvenienced by the GWOT's enhanced supervision and constriction of financing networks—have now turned to organized crime to finance their activities, particularly focusing on illicit trades, corporate money laundering schemes, and even resorting to bank robbery.[45] As we have previously seen, key enabling factors which sustain the transnational terror-organized crime-corruption continuum are the socio-cultural acceptance of corruption, weak law enforcement and rule of law, wavering political stability, and economic poverty.[46] These forces become justification and reinforcement for corruption as illegal gains outweigh incentives to combat corruption, organized crime, or terrorism.[47]

For Indonesia in particular, Dr. Kumar Ramakrishna has confirmed that JI continues its operations because of its ability to utilize the “functional space” within the Asia-Pacific. Because corruption is endemic in these countries, JI has the freedom to “carry out illicit activities in a context in which money, individuals, and material circulate in the absence of effective—and incorruptible—restriction.”[48] Furthermore, the geographic isolation of the Indonesia archipelago allows the spread of insurgency across the islands with little risk of detection, which only increases due to the lack of coordination between law enforcement officials and these officials' own susceptibility to corruption from meagre incomes.[49] The functional space also makes it easier for groups like JI to raise funds through international charities and false-front companies by promoting investment in legitimate causes such as Islamic education or business enterprises and then skimming funds from these institutions.[50] Thus, corruption may not only be an indicator of terrorism, but it also promotes terrorism through organized crime channels.

The three wave corruption studies categorization is useful for several reasons. First, the procession is partially a chronological evolution. At its inception, corruption research could only analyse current trends but couldn't explain causal factors until social psychology insight determined cultural traits influenced corruption. By then of course,

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embedded practices remained until institutions collapsed, regimes changed, and citizens spurred anticorruption movements. Second and more importantly, the three waves in conjunction with terrorism and transnational crime literature offer a multipronged causal delineation of corruption's various developmental environments and consequences, which particularly enables us to link cultures of corruption to systemic effects—and by proxy—to terrorism. Above all, this literature demarcates a basis for historical analysis in the Indonesian case study. From the various strands we can elicit a culture of corruption through Indonesia's colonial legacy, trace its structural results to ensconced inequalities, and directly associate it with the rise of terrorism following Indonesian independence. Essentially, this categorization helps visualize emergent patterns of causes, results, and repercussions in a society, and the historical analysis will provide temporal parameters for the conveyed patterns over time.

Methodology

Since the content of this thesis centres on the relationship between corruption and terrorism, we must first operationally define corruption for the Indonesian case study. As the literature suggests, the various forms, determinant factors, and environments of corruption make it difficult to settle on a singular definition. Therefore, this paper will combine several accepted definitions into a workable description for the term.

The World Bank simply defines corruption as the “abuse of public office for private gain.”[51] While this definition is generally the accepted version for many Asian organizations, it knowingly limits itself to public-sector corruption as the primary focus for the World Bank's economic policy. TI further breaks down corruption into petty, political and grand schemes in the public sector. Political corruption is a manipulation of political policy or procedure, institutions, and resources in order for officials to maintain their powerful status or wealth. Grand corruption takes place at the top echelon of government and distorts the general functioning of the state at the expense of the citizens. Petty corruption on the other hand refers to mid or low-level public officials' systemic abuse in which these culprits take advantage of the general public through daily interactions (e.g. civil service, law enforcement, school systems etc).[52]

In addition to public sector corruption, other organizations recognize that corruption also occurs in the private sector through NGOs, political parties, or business firms, which can permeate an entire society. For instance, the UNDP splits corruption into spontaneous and institutionalized categories, whereby spontaneous corruption describes random acts that occur within a society and institutionalized corruption relates to embedded practices over time.[53] Law enforcement agencies such as Interpol, however, interpret corruption as the absence of societal protection. Rather, corruption is “any course of action or failure to act by individuals or organizations, public or private, in violation of law or trust for profit or gain.”[54] For the purposes of this study, corruption will refer to both public and private sector illicit acts or trades at all levels of society. Furthermore, it will examine corruption in Indonesia as an institutionalized practice: this occurs when the rule of law regularly fails to protect the society from spontaneous corruption thereby becoming a continuous cycle of institutionalized corruption.

This study will follow both qualitative and quantitative methodologies. It will draw off of primary source materials including public opinion polls regarding corruption levels in Indonesia from TI, index indicators from the World Bank, and from nongovernmental statistical reports such as the AIM corruption survey. For secondary source material the study will draw from scholarly literature as well as historical narratives. In addition, the study will examine legal documents, speeches, newspaper articles, reports, documentaries, and political policies. The empirical nature will focus on the context of corruption, poverty, and terrorism in Indonesia, engaging in critical historical analysis and policy analysis of the presented literature. Each chapter will also employ normative critique leading to recommendations for improving current policies and conclusions for the broader security environment.

This study must focus on a wide variety of primary and secondary sources precisely because of the difficulty in defining and measuring corruption. While the previous literature offers solid grounds for analysis, academic research alone will not suffice for this case study because often these sources are too methodical, theoretical or empirical. For instance, many journals base the analysis within a theoretical framework such as patrimonialism or kleptocratic state theory, which—despite its utility for understanding corruption—brings with it certain analytical biases for political power relations.[55] These positivist approaches subjectively limit analyses to describing and problem-solving particular conditions using pre-set epistemological and ontological foundations while denying a multifaceted

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analytical approach.[56] On the other hand, post-positivist or normative approaches objectively analyse various systemic factors with no epistemological foundations; however, certain theories maintain ontological bias.[57] Therefore, to best understand corruption and its relationship to terrorism, this study must adopt a normative critical approach, incorporating various methods and sources. Naturally, the historical and political analysis will emphasize trends endemic to cultures of corruption; yet, this is in lieu of any specific theoretical lens in order to offer what will hopefully be a more accurate and unbiased narrative with practical results.

In short, it is evident that corruption can be linked to economic conditions within societies as well as political instability, which can disseminate distrust in public institutions and ultimately motivate sub-state violence. Nevertheless, corruption has not specifically been linked as a determinant factor for terrorism and insurgency in the general public. Particularly for Indonesia, relatively few studies have examined the connection between radical insurgency movements, terrorism, and poverty as a result of continuous corruption within the context of the GWOT and Asia pivot. This paper will therefore bridge the gap in previous academic research by intrinsically linking corruption to terrorism and explicating the resulting broader security concerns. Finally, it will posit that in addition to institutional reform, the best approach to countering corruption and terrorism in Indonesia is through the promotion of sustainable economic development with particular emphasis on policy guidance via regional organizations.

Chapter 2: Historical Overview

The previous chapter concluded that because corruption has various determinant factors, its reach is widespread; the slightest bit of economic disturbance can affect political and legal institutions while simultaneously creating social unrest. In addition, structural instability is linked to the emergence and sustainability of terrorism and insurgency within states. Therefore, an accurate analysis of Indonesia as a case study must consider the historical context of corruption, sub-state violence, and state responses prior to exploring contemporary issues and counterstrategies. This chapter will discuss Indonesia's national security environment from independence to present in parallel with the development of public and private sector corruption. In doing so, it will establish a relationship between corruption and security threats during regimes over time, illustrating that Indonesia's unique post-colonial brand of militant democracy resulted in policies that undermined stability, which unintentionally enabled or enforced corrupt practices.

The Sukarno Era: Post-Colonial Politics and the Rise of Sub-State Violence

Prior to 1945, Indonesia had been occupied by Portuguese, British, Dutch, and Japanese powers, which resulted in Indonesian resentment of imperialism reaching a climax in the Indonesian National Awakening by August 1945.[58] Subsequently, the founder of the Indonesian nationalist political party PNI—Kusno Sosrodihardjo (henceforth Sukarno)—declared Indonesia's official independence from all colonial powers and the principles of his political philosophy known as Pancasila.[59] This ideology was comprised of five interrelated and inseparable pillars, which sought to unite Indonesia under one religion, one language and one culture: belief in one god, just and civilized humanitarianism, a united Indonesia, representative democracy, and social justice via welfare provisions for the entire Indonesian population.[60] In spite of Sukarno's peaceful revolutionary aspirations, a four year armed rebellion ensued. While the movement succeeded in unifying Indonesians to expel Dutch forces, it also created political divisions within the country. Sukarno's nationalist movement garnered great support in Jakarta; however, the majority of citizens on the outlying islands were from indigenous rurally-based ethnic groups that were not privy to the same benefits as the PNI's elite class, and therefore did not share nationalist sentiments.[61] As a result, numerous social movements grew as people began to challenge feudal aristocratic practices and property rights.[62] Emerging leaders from these islands garnered a strong communist, separatist, or socialist following, whose opinions regarding independence, political structures and government responsibilities all varied.[63]

During the state-building process, Sukarno used the tension between opposing political views to play parties against each other and advance his policies. He established a representative democratic republic along with the TNI to secure this institution against protestant groups such as DI, which called for an Islamic state ruled under sharia law and the PKI, which abhorred the emerging elitist system. Sukarno's policy of Guided Democracy attempted to quell dissatisfied groups by upholding the citizens' democratic freedom to vote; nevertheless, it simultaneously nullified their power to change the political system by creating a National Council to appoint government officials under

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presidential guidance. Thus, Sukarno's democracy was essentially an authoritarian patrimonial rule that graduated into a militant state.[64]

As Sukarno's prowess to bolster favourable foreign relations and economic development wavered by the 1960s, the TNI gradually increased its political power into the social and economic realms. Sukarno allied himself closely with the PKI, utilizing the largest political party to counteract the TNI's capacity. He revoked martial law in favour of his NAKASOM strategy, which combined nationalism, religion, and communism as the central influence for domestic policies. Mirroring communist insurgent tactics, Sukarno and the PKI called for a people's militia to counterbalance the TNI and increased the government control over media and the public via the use of political propaganda to enforce his agenda.[65] Additionally, Sukarno decreased his public support by decreeing war against Malaysian independence.[66] Consequently, in September 1965, he was successfully overthrown by a prominent member of the TNI—Major-General Suharto.

Sukarno's regime shows us two significant trends. First, the rebellion grew from both anti-imperialist sentiments as well as a need for self-expression and assertion of power, which ironically fed off of dominant cultural traits gained from Indonesia's colonial counterparts. In fact, a large part of the revolution's success in uniting the population was due to the imperial culture. For instance, Indonesia's Islamic roots stem from colonization, and several revolutionary Islamist groups rose out of the nationalist rebellion, urging the citizens to build an Islamic state. As David Kilcullen notes, these radicalized fighters were a by-product of Japanese training during WWII occupation: in attempting to create anti-Allied jihadist forces, the Japanese sought the Muslim population's support and provided them with military training.[67] The most significant of these military and paramilitary forces created by the Japanese were the Masjumi which became the forerunner of the republic's national army and the Hizbollah which served as a defensive reserve guerrilla unit under Masjumi leadership and was the precursor to DI and contemporary radical Islamic factions—most notably JI.[68] The PKI also used Japanese guerrilla tactical training to promote its anti-capitalist agenda and expand its influence during the Bersiap period across rural villages in Southeast Asia.

The second important trend is how power relations combined with the embedded colonial traits shaped the foundations of corruption, sub-state violence and poverty that remain today. For example, while colonial traits were influential in assisting the nationalist cause via social movements like the PKI and Hizbollah, they also hindered democratic development and stifled self-expression. In the power vacuum following independence, the lack of complete solidarity and increasing power differentials among these parties caused Sukarno to invoke patrimonial authoritarian rule, much like his predecessors. Sukarno used ideological terminological discrepancies between Marxism and his nationalist philosophy for self-advancement via a socialist policy—one which claimed concern for "the rights of the community rather than the individual" as Marxism espoused—that could unite the people.[69] For this reason, Sukarno could ultimately adjudicate that any parties opposing the PNI were potential threats even if they supported the republican Pancasila beliefs.[70] Consequently, Sukarno's power combined with the colonial characteristic of authoritarianism allowed him to increasingly use the TNI to quell opposing parties, violating democratic freedoms of expression.

In particular, both Sukarno and the TNI catalysed the development of insurgency and terrorism. As a result of the initial independence power void, the TNI had a fragmented authority structure which meant soldiers often had a strong commitment to unit commanders and paramilitary groups such as the PKI or DI, rather than the army as a whole.[71] Dissenting individuals often resigned to follow such groups, which sparked the DI insurgency in the Aceh, West Java, and South Sulawesi provinces throughout the 1950s and the PKI insurgency across Java, Bali and Sumatra in the 1960s. Due to Sukarno's centralization and declaration of martial law, the TNI eventually became a "social-political force" whose activities spanned ideological, social, economic, political and cultural fields, and it had a strong conviction in its "responsibility to intervene to 'save' the nation." [72] Thus, although the TNI became a dispelling force for sub-state violence, its overwhelming power often incited insurgency movements as well. By reshaping authority relationships which often placed power in the hands of a few central individuals, the Sukarno era established the basis for a corrupt system that would ultimately restore and entrench elitist colonial trends under the guise of democracy.

Suharto to Megawati: New Order Democracy, Patronage, and Separatism

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Because Suharto's rise to power happened amidst political turmoil and economic hardship, his regime began precisely how Sukarno's ended—on a balance of interests and loyalties. Trying to appease the old elitists and secure the support of the younger generations, Suharto adhered to his predecessor's Pancasila philosophy and simultaneously issued his own socio-economic policy—the New Order—as a way to fix the country's deviations from its traditional ideals. The New Order espoused economic growth and social justice as its platform to rebuild order by demolishing embedded corrupt patronage systems that had become commonplace under Sukarno.[73] Instead, the New Order systematically abolished all opposing political forces including the PKI and DI. With the help of the Golkar party, Suharto's conservative regime maintained the democratic façade of public elections for legitimacy and participation, while simultaneously replacing most cabinet ministers with technocrats who reported and received guidelines for policy directly from Suharto.[74] Consequently, he secured public complacency in the emasculation of the political system's power of representation.[75]

The TNI subsumed power over the New Order's economic realm, raising entrepreneurial funds to encourage domestic and foreign investment in expanding commercial, manufacturing, and extraction industries.[76] The encamped patronage system rewarded both army members and business associates with percentages of the profits or positions within the bureaucracy, allowing the TNI to outrank even the private sector as it nationalized most industries and gained corporate executive leadership.[77] Furthermore, the TNI then lent money to struggling industries and new enterprises in exchange for their contribution to army funds.[78]

Suharto's regime highlights two developments. First, despite its intentions, the New Order only managed to further cement corruption as a staple in Indonesian society. Second, this era resulted in greater public fragmentation and an increase in separatism. In spite of a 7% annual growth rate, both the patronage system and illicit TNI practices increased income gaps leading to public pressure for corruption investigations, which ultimately failed to produce convictions.[79] As a result, public cynicism rose and separatist sentiments eclipsed national unity across Java, East Timor and New Guinea. In particular, radical Islamic groups such as the Jihad Command, Islamic Revolutionary Council and GAM united local constituents in pan-Islamic solidarity against the state, using terrorism as a means to protest corruption and the TNI, whilst pushing for a separate Muslim state ruled by sharia law, free of the "corrupting effects of Western secular society" neoliberalism that had infiltrated the government.[80] Predictably, the military responded to dissent with excessive force and the ensuing human rights violations only spurred greater recruitment for extremist groups as well as backlash from Western powers, resulting in economic sanctions that slowed growth. Consequently, the Suharto regime's heavy-handedness and ethnic marginalization only increased Indonesia's security threats by fuelling radical groups' resentment that has dispelled into contemporary radical Islamic insurgent networks.

After Suharto's overthrow, his successor Habibie lifted ethnic minority legislation, decentralized government and military power in favour of regional autonomy for local leaders, made drastic economic reforms via IMF loans, and granted East Timor independence.[81] However, the Asian financial crisis capsized Indonesia's economy, bringing Abdurrahman Wahid into power. Wahid restored economic growth to 5% which boosted consumer direct and foreign investments.[82] Additionally, he advocated reconciliation among ethnic and religious groups, accountability from Suharto-era elites and the TNI, and attempted to negotiate peace agreements with Aceh and West Papua.[83] Nevertheless, the fragile state required stability from nationalist conservative politics, which led to Sukarno's daughter, Megawati Sukarnoputri, taking office in 2002. Displaying continuity with the New Order instilled unpopular support, however, and led to her resignation by 2004.[84] As Vickers states, the cultural legacy of corruption and oligarchic manipulation from Suharto's regime made "power synonymous with access to the economy" so that any attempt at reform would fail.[85] Directly resulting from the colonial view that the state is separate from public interaction and citizen participation, this belief allowed the New Order to remove any challenge to political and military power. As a result, the state became incapable of addressing social issues and "unwilling to act beyond self-interest." [86]

Yudhoyono and Current Trends

Since 2004, Susilo Bambang Yudhoyono's (SBY) presidency has expanded democratic political freedoms, improved economic conditions, and enhanced social participation in public affairs; yet, the threat of terrorism from separatist

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and religious extremist insurgent groups still remains prevalent. According to the independent research facility TRAC, out of a total of 122 political parties and religious groups with potential or verified affiliations to terrorism, 8 of these organizations are still vibrantly active and considered a threat to Indonesian security.[87] Abu Sayyaf, AQCC, FPI, FPIS, JAT, JI, Khilafatul Muslimin, and MIT are the primary groups, many of which are radical religious splinter cells of JI or AQ and support a either Salafist Islamic regime or complete separatism from Indonesia. TRAC also notes that international groups such as Aleph (Aum Shinrikyo) and LTTE have also been important in influencing Indonesian terrorism through the creation of local franchises similar to AQ.[88]

Furthermore, both the RAND Institute's terrorism database, which lists 243 incidents from 1977 to 2008[89] and the START Consortium Global Terrorism Database, which lists 558 incidents from 1970 to 2011,[90] converge on similar trends in Indonesia's history of sub-state violence: whereas pre-Yudhoyono Indonesia suffered communist and separatist insurgencies, SBY's regime currently experiences religious and separatist terrorism motivated by ideologies from both national and international factions. In addition to the previously mentioned groups, RAND and START both link the most recent terrorism figures to OPM, LJ, GAM, MILF, and RMS.[91] Recent news reports have also confirmed this trend, particularly in Jakarta, as protest to government misrepresentation of non-centric ideals.[92]

Independent research reports also provide an accurate assessment of the current state of governance affairs within Indonesia. For instance, the most significant report, the TI CPI, ranks countries by averaging their scores on a scale of 0-100 where zero is extremely corrupt and 100 clean. In the 2012 report, Indonesia ranks 118 out of 176 countries, weighing in the lower third of all countries assessed for this year. In addition, with an average score of 32/100 for public sector corruption, Indonesia scores as relatively corrupt at the bottom half of the scale.[93] Furthermore, according to the TI 2011 BPI, which uses surveys to measure the likelihood of business officials to participate in bribery schemes abroad, Indonesia ranks 25 out of 28 countries surveyed with a score of 7.1/10 where 10 means executives are least likely to engage in bribery when doing business abroad.[94] The 2013 Government Defence Anti-Corruption Index also notes a high risk of corruption in the defence sector. This report graded a total of 82 countries on a scale of A-F in which Band A is said to have the least risk of government corruption. Indonesia was classified in Band E for having low financial integrity in either budgets or audits processes and relatively inconsistent political integrity in legislative procedure.[95] In addition, Indonesia is characterized as having high personnel, operational, and procurement corruption risks due to a widespread account of illicit trades, facilitation or hospitality payments among officials, and little anti-corruption training for government and military personnel.[96] Thus, the TI reports indicate that although the country has increased law enforcement prosecution powers, expanded judicial conviction capacity against corruption, and has reformed its military and political systems, corruption is still rampant.

Indeed, public opinion surveys purport this fact as well. AIM reported earlier this year that private sector corruption in Indonesia vastly detracts from the overall business environment. In a survey of 100 executives, the average group score ranked Indonesia at 8.83 out of 10 (with 10 being the most corrupt) for public perception of corruption in the private sector affecting business.[97] While AIM notes that not all private sector corruption entails a public counterpart, many businesses may employ bribery of public officials for licenses or contracts in order to gain hold in certain market areas. In many cases, private firms also resort to distorting business records or manipulating the market for their benefit.[98] Additionally, the 2013 TI Global Corruption Barometer asked 1,000 Indonesians a series of questions regarding current public sector corruption levels. 75% of the survey group voted it is a serious problem with slightly over half agreeing that corruption increased tremendously in the past 2 years, and nearly 50% said that government action against corruption is largely ineffective.[99] Although the majority of citizens believe they could change corrupt practices, the results suggest that they are encumbered by staggering corruption within the primary institutions that should be assisting in this effort. For instance, 91% of respondents rated the police as an extremely corrupt institution, followed by 89% for the parliament and legislature, 86% for both the judiciary and political parties, 79% for public officials and civic servants, and 54% for business.[100] Those institutions falling below half of the surveyed body—and therefore perceived as less corrupt—were education (49%), medicine and health (47%), military (41%), religious bodies (31%), NGOs (27%) and media (19%).[101] Furthermore, out of the 1,000 participants who had been in contact with a civil service member in the past year, 75% reported that either they or someone in their household paid a bribe to the police and 66% reported the same for the judiciary. Additional bribes were also reported for registry and permit, education, land, medical and health, utilities, and tax revenue

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services.[102] Accordingly, we can see that corruption remains a serious issue that permeates all levels of society.

Monitoring corruption allows us to see its detrimental impact on the economy and raises a broader question of concern for governance capacity. As the AIM report concluded, corruption can impede economic growth and TI reports suggest that corruption is impairing government functionality as well. The World Bank Worldwide Governance Indicators report marks corruption control, political stability and absence of terrorism, government effectiveness, and rule of law as 4 of 6 indicators which determine a country's overall governance level, whereby higher scores mark effective governance and lower scores signify critical danger of being a failed state. As of 2011, Indonesia ranked close to the 50th percentile for government effectiveness, in the 30th percentile for corruption and rule of law, and only in the 20th percentile for political stability and absence of terrorism.[103] Despite Yudhoyono's improvements within Indonesia, there is still no lack of motivational grievances to offset individuals from radicalizing participating in sub-state violence. High levels of corruption and poverty persist, minority representation is not consistently upheld, and public faith in the government's abilities to overcome economic stagnation and enforce rule of law against illicit practices remains relatively low. Indeed, the overall state of Indonesia's government suggests that it is at risk of 'failed state' status because these issues create a suitable environment for terrorism to breed.[104]

The current governance and security trends therefore illustrate an important caveat for counterterrorism programs and domestic policy: the increasing regionalization of national security threats will require a more regional combative approach. For instance, while the majority of religious extremist and separatist groups developed from dissidence to cultural norms embedded in government practice—i.e. Pancasila ideals combined with the country's colonial authoritarian legacy—these groups were influenced by ideals from international non-state actors such as AQ. As a result, national movements transformed into part of a broader transnational globalized insurgent movement that the GWOT has sought to counteract with a blend of both counterterrorism and COIN measures in law enforcement, judicial practices, and military campaigns. However, the domestic and international GWOT policy successes against such groups have once again altered the threat; we now see terrorism centring on regional hubs of activity.

The fractionalization of national movements into various splinter cells outwardly appears to have marginalized these factions from regrouping into a cohesive network, which GWOT campaign leaders and academics believed had marked the downfall of radical Islamic terrorism and temporarily stymied separatist activity. Nevertheless, the recent spike in terrorism underscores the importance of the continuous transnational spread of ideology that has sustained such groups and allowed them to grow their power base in regional hubs.[105] Social grievances such as poverty and corruption that affect the entire region provide adequate motivation for terrorist groups to increase their power further. If groups within the Asia-Pacific can successfully unite their aims, then national security will be in critical condition.

As this chapter has shown, Indonesia's colonial legacy left a power vacuum that was filled with elitist favouritism and oligarchic patrimonialism, resulting in numerous systemic instabilities. When left unaddressed, these flaws consistently reinforced themselves and created an embedded cyclic practice of corruption and uneven development. These practices promulgated social unrest as a catalyst for terrorism, resulting in militant state responses that undermined democratic freedoms. Although the current regime has drastically improved governance, corruption and poverty remain. Furthermore, religious and separatist terrorism threatens the state and has spread across the Asia-Pacific region. The next chapter will therefore review domestic security policies followed by international and regional policies in the fourth chapter, proposing that as security issues become more regional-centric in nature, regional organizations will be most efficient for Indonesia's future success.

Chapter 3: National Security Policy

The previous chapter's depiction of the historical foundations for corruption, economic stagnation and sub-state violence has both reaffirmed the fundamental connection between these issues and proven them imminent concerns for the current government. Therefore to further understand their relationship, the case study must also examine the practical implications of the connection in terms of current national security policy. This chapter will analyse anticorruption legislation, counterterrorism operations, and economic policies that promote fiscal growth to counteract sustained corruption and terrorism, noting how social relationships and Indonesia's conceptions of rule of

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law affect the efficacy of policy enforcement.

Corruption Policies: KPK and Tipikor Court

Formed from DPR Law 30/2002, the KPK and Tipikor Court were created to challenge Indonesia's legacy of corruption politics. One of the key assets of both institutions is their operational stature as independent superior bodies which possess many powers beyond the realm of law enforcement or the judiciary, including extensive surveillance techniques, access to all government and private company records (particularly financial audits), oversight on all indictments or prosecutions from the Police or Prosecution's Office for corruption, and direct briefings with the President and heads of State agencies. The KPK even holds authorization to carry out preventative measures against corruption by organizing educational or social programs.[106] The Tipikor Court's power lies in its separate network of district, high, and supreme level courts whose supremacy allows them to effectively operate beyond the influence of corruption in the general judicial system where judges often dismiss court cases or accept bribes for favourable rulings. Instead, each Tipikor case consists of a five-judge panel, two of whom are career judges from the general courts. More importantly, the remaining three are 'ad hoc' judges—legal practitioners, academics or retired judges—whose professional natures serves unbiased justice.[107] As a result of such broad powers, both bodies have dealt with various high-profile trials for elite politicians with conviction rates near 100%.[108] In addition, KPK has been increasingly successful in recent years with recovering financial assets from convictions that have then been funnelled back into the KPK's prosecutions budget. Therefore due to these verdicts, the public has largely viewed both the KPK and the Tipikor Court as successful in combatting corruption since their inception.

However, criticism of these institutions has grown exponentially as citizens have questioned whether certain predominant figures and institutions are immune to KPK and Tipikor and whether these bodies are losing sight of their purpose. For instance, only in 2006 did the KPK begin investigating corrupt political officials like former president Suharto. Furthermore, in 2009, pressure from the INP to discredit and dissolve the KPK by framing individual members for various crimes began to unravel the commission.[109] While this affair was merely a setback for the KPK, it led to further attempts to undermine Law 30/2002's authority. In 2006, the Constitutional Court declared Tipikor unconstitutional because it created a duality in the judicial system if cases could be tried either at the general court level or through the Tipikor circuit. In exchange for Tipikor to remain, the original court had to expand into its current network of district, high and supreme regional courts.

Granted, this manoeuvre increased Tipikor's power across the country; however, as Butt argues, franchising the original court's authority into regional officials' jurisdiction merely encapsulates the judicial system in corruption once more.[110] Because expansion placed greater strain on Tipikor courts by demanding a greater supply of ad hoc judges, Law 46/2009 gives district general judges the option to appoint ad hoc judges, which allows for bias from the reputedly corrupt public judicial circuit.[111] Furthermore, Law 46/2009 simultaneously seeks to undermine KPK prosecutorial powers by imposing restraints on KPK's ability to prosecute individuals (on the basis of ambiguity in the judicial system) and allowing general attorneys from outside the Tipikor Court to prosecute Tipikor cases, which will decrease the conviction rate.[112] Finally, the separation of Tipikor into regional courts invites increasing difficulties in the collaboration process with KPK, which remains centrally located in Java. This hindrance creates extra unneeded strain on the criminal proceedings that may result in missing or miscommunicating vital information and incorrect convictions or mistrials, which fails to support the anti-corruption aims.

A final ominous flaw in Indonesia's legal attempts to oust corruption is the increasing acquittal rate of Tipikor Court cases since 2011. In an eight month period during 2011, Tipikor issued over twenty acquittals and since the 2009 ruling to establish regional courts, these Tipikor branches have issued at least 75 acquittals in 2012 alone.[113] Granted, an increase in acquittals may not necessarily signify an imminent collapse in the judicial system's fight against corruption as there are many factors that can play into the acquittal decision. The investigation process may be weak, flawed, or there may not be a strong case for the prosecution to issue an indictment in order to start the criminal trial. Moreover, in the smaller regional courts there may not be adequate resources available to find the necessary evidence to carry through with convictions. Or in assuming that these acquittals are accurate, perhaps the judges have determined the defendants not guilty merely due to a reasonable doubt that the acts constitute

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corruption.

In any case, while the decline in convictions alone may not signal the collapse of Tipikor or KPK, it is arguably overtly coincidental that the recently-imposed legal limitations on these institutions coincide with such statistics. Moreover, the lack of public information on these acquittals—specifically judicial statement justifications in high-profile cases—leads one to infer that corruption may infiltrate these institutions as well. Ultimately, the attempts to delegitimize KPK and Tipikor will result in neutralizing anti-corruption efforts altogether, leaving Indonesia stuck in the downward spiral of corruption.

Security Policies: The D-88 and Law Enforcement Responses

In order to determine the efficacy of domestic policies, we must also examine security sector counterterrorism responses because law enforcement plays a crucial role in the fight against corruption by halting the illicit flow of goods such as weapons or funds which often cycle through insurgents' hands. Indonesia's primary counterterrorism force, the D-88, is a Special Forces squad under INP jurisdiction formed after the 2002 Bali bombings. Habibie's Reformasi era had split the INP from the TNI to check the armed forces' power, placed the INP under presidential jurisdiction, and developed elite counterterrorism detachment units to coordinate with the BIN anti-terror desk.[114] After several failed attempts to align the TNI, INP and BIN under the Ministry of Defence, Law 15/2003 declared the INP as the national counterterrorism authority and shuffled forces into the D-88. Pursuing closer coordination of counterterrorism forces, Presidential Decree No. 46/2010 established the over-arching BNPT, which supervises and facilitates information sharing among law enforcement and intelligence officials, formulates and implements counterterrorism policies, and will help D-88 launch a de-radicalization program within the next year to dispel future terrorism.[115]

Yoko Iwama notes that Reformasi era's outcomes were essential for Indonesia's democratization and stabilization amid the rise of terrorism in the post- 9/11 security environment , and foreign aid has been vital to D-88 functionality by supplying training, monetary donations, and weapons provisions.[116] The U.S.-funded ICITAP assists in improving MARSEC, emergency response systems, management systems, protection of marine and forest ecosystems, and training for investigative and cybercrime purposes.[117] In addition, the U.S. OPDAT abets Indonesia's Attorney-General Office in prosecuting terrorists, drafting new asset forfeiture laws, and reforming criminal procedure codes.[118] Australia and the EU contribute to security and legal sector research and training, while Japan has trained the INP in its Koban system, which encourages community policing to protect civilians' safety and peace.[119] By positively reinforcing the relationship between the police and the public as a protective civil service rather than a militant regime, aid donors hope to dually ensure that the D-88 will effectively eradicate terrorism with the support of the community and maintain democratic stability.

In decentralizing operational command to enhance cooperation with the BNPT and civilians, D-88 increases its efficiency in counterterrorism operations. According to the Jamestown Foundation, D-88's record over the last 10 years consists of over 500 arrests with numerous instances in which it has killed or captured prominent figures connected to terrorist or insurgency groups.[120] Indeed, the U.S. State Department announced over 150 arrests with 10 suspects killed during raids in 2012,[121] and in the past two months alone, news reports on two large raids have estimated the death or capture of 25 individuals connected to JI or similar factions with the confiscation of 401.5 million rupiah (£25,600 or \$39,900) in terrorism funds.[122] The D-88's high success rate encourages greater interagency coordination, assures future investments, and proves the government's commitment to protect its citizens from terrorism. Moreover, D-88's success in shutting down terrorist financing networks ensures less corruption, which will increase public opinion of Indonesian institutions. According to the FATF, corruption breeds terrorism because it generates large amounts of proceeds, which via money laundering schemes, often form the majority of terrorist funds. The FATF also notes that identical techniques in these operations means pursuing corruption as a predicate offense for money laundering will empower authorities to investigate and prosecute criminals more efficiently and lead to higher terrorist conviction rates.[123] If law enforcement is successful in capturing such criminals and shutting down terrorist financing, then risks of participating in corrupt acts will increase and incentives for corruption will decrease. In this way, forces like the D-88 will improve the efficacy of the judicial system as well, increasing public support and strengthening these institutions.

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Despite its success, the D-88 has not been without controversy. Both Amnesty International and Human Rights Watch reported in 2012 that Indonesian security forces consistently face allegations of human rights abuses including torture and unnecessary use of force against terrorism suspects, separatists and religious minorities in Papua, Aceh, and Maluku.[124] Moreover, according to the Australian investigative journalism program *Dateline*, interviews with INP members and former president Wahid in 2005 revealed that D-88, government officials, business executives, military intelligence, and senior level police officers were involved in a corruption ring that used state-sponsored terrorism to subdue religious minority groups.[125] While state-sponsored terrorism claims remain conjecture, police officials have admitted that terrorism has become a business enterprise fuelled by corruption as senior-level authorities have used international counterterrorism funds for personal gain.[126] Furthermore, due to the intricacy of corruption networks, INP forces have avoided investigations, leaving the burden to fall upon the KPK and Tipikor. Therefore, it is questionable whether these institutions can withstand the power of high-level corruption and whether they may be inadvertently facilitating security issues instead.

As D-88's record shows, successful counterterrorism operations utilize a population-centric approach to target terrorist actors and finances. Conversely, corrupt officials or flagrant human rights violations in counterterrorism operations promulgate terrorism and corruption by destroying trust and inciting further violence in protest of such atrocities. In Indonesia, the absence of actual trust in law enforcement is hidden behind a formal trust—an understood contract of law enforcement's power. Yet, once the public reaches a breaking point in complacency, the ensuing collapse of law enforcement will reverberate to other areas of government because the public consensus of trust is rooted in citizens' evaluation of government performance and equal resource distribution.[127] In other words, the efficiency and success of institutions depends on public trust, which develops at a societal level.[128] The government-citizen relationship is essential to combatting corruption and terrorism because it builds cooperation and legitimacy for efficient policing, and it offers citizens incentives of protection or rewards. If law enforcement violates this trust and denies accountability however, it reinforces a negative relationship that disenfranchises individuals, leading them to potentially seek out extremist groups, undergo radicalization, raise funds via corrupt sources, and participate in terrorism. Ultimately, without reform, D-88 risks losing legitimacy, public support, and funding, which would only increase security threats.

Rather than providing immunity for corrupt figures, the government must increase INP accountability and transparency, enforce judicial consistency, and create incentives to avoid corruption. For example, offsetting corruption benefits of monetary or power gains with greater salary increases, performance bonuses, and advanced promotions can make corruption an undesirable endeavour. Additionally, judicial and law enforcement reforms must tighten punishment to make it a high-risk act. Utilizing a multi-pronged approach for reform will help Indonesia build societal trust relationships, which will improve resilience against security threats. Granted, it is impossible to fully eradicate crime or terrorism as there will always be individuals who subscribe to radical ideologies. However, if the government improves public perceptions of trust, legitimacy, efficiency, accountability, and transparency, and removes the hindrances of corrupt gains networks, then underlying motivational grievances for terrorism may decrease.

Economic Alternatives for National Security Policy

Gaining support as an alternative to traditional security methods, economic development initiatives present a positive approach to combatting terrorism through redistributive justice and empowerment to mitigate social grievances. Additionally, economic focus can reciprocally encourage anticorruption campaigns when combined with judicial and law enforcement support to promote sustainability.[129] Indonesia's recent economic trends and policies suggest that it is following this strategy. For example, Yudhoyono's regime has lowered the poverty level from 16.7% in 2004 to 12% in 2012,[130] GDP has increased from \$257 billion (£167.34 billion) in 2004 to almost \$878 billion (£572.43 billion) as of 2013,[131] and the GDP annual growth rate has also increased from 4% in 2004 to 6% in 2013.[132] In addition, SBY recently announced his 'Blue and Green Economy' (BGE) policy, which promotes ecological development in the marine and natural resource extraction sectors.[133] In particular, this policy will be useful to Indonesia in two ways. First, it seeks to increase education for work in these sectors which will lift employment rates and reduce poverty levels. Second, by promoting greener methods of extraction and increasing surveillance on the trade techniques in these areas, this policy will largely reduce illegal trades as a source of corruption. Thus,

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Indonesia's economic trends suggest that development policies will be an effective tool to diminish poverty, corruption, and terrorism.

It must be noted however, that in spite of Yudohoyono's overall success, Indonesia's economy has stagnated over the past quarter due to a plummeting stock market and expanding inflation, while the government has been marred with political corruption scandals and public unrest.[134] Although reports suggest Indonesia's economic setback is temporary, its political and social pressures threaten to impair governance and stability. Hence, it is evident that the country's situation will worsen if there is not both legal and cultural reform to uphold anticorruption policies, support economic development, and garner trust between law enforcement and the public. Societies that have corruption as a cultural trait cannot merely benefit from isolated change such as replacing corrupt individuals or instituting new legislation; change requires both institutional and cultural reform across all sectors.

Since Indonesia's shortcomings in rule of law and its enforcement can be traced to a contentious amalgam of its postcolonial legacy[135] imbued with Asian values[136] and nationalist ideology,[137] it is imperative that government policies take these cultural nuances into greater account. For instance, the KPK and Tipikor setbacks, D-88 human rights allegations, and negative public opinion regarding government illustrate that Indonesia struggles to avoid ruling *by law*: the legal system focuses too closely on creation and implementation of laws to ensure legitimacy, but its narrow focus does not allow it to accurately assess itself within the broader political context.[138] To increase legitimacy while combatting corruption and terrorism, the system must consistently produce positive results, ensure the universal protection of minority rights and civil liberties, increase government transparency and accountability, and uniformly apply rule of law to result in successful criminal prosecutions and convictions. In addition, it must consider greater incorporation of communitarian values in economic development policies that can help curb corruption and terrorism.[139] Certainly cohesive trust-building ideals will yield greater support for legal reforms to reduce corruption and poverty and appease alienated groups, concurrently decreasing terrorism and improving government.[140]

In effect, this chapter has broadly defined current Indonesian national security policy in relation to both traditional defence threats and contemporary human security concerns to reflect how corruption and poverty can influence terrorism via a weakened state, whose shortcomings are mirrored in domestic policy. Restructuring rule of law and economic policies to better complement certain communitarian ideals and reinforce positive social relationships may be most beneficial for increasing government efficiency and economic growth whilst concurrently diminishing corruption and poverty. Ultimately, as the next section will further detail, regional organizations advancing economic sustainability will stabilize developing countries like Indonesia because they are most effective in coordinating resources against terrorism, corruption, and poverty.

Chapter 4: International vs. Regional Organizations and Economic Alternatives

The previous chapter's domestic policy analysis illustrated that improving national resilience to security challenges will require greater emphasis on social cohesion, alternate policy measures, and intergovernmental collaboration. Accordingly, the case study must also examine Indonesia's participation in supranational organization policies and the efficacy of these organizations against the triumvirate of corruption, poverty and terrorism. This chapter will first discuss Indonesia's commitment to international UN working groups, followed by ASEAN and APEC as the primary Asia-Pacific regional policy groups. Reiterating the increasingly regional-centric nature of threats, this chapter will posit that regional organizations will be most adept in inhibiting security challenges, advancing development alternatives, and reinforcing positive social relationships that will enrich both national and international efforts.

UNODC and UNEP: International Organization Policy in the Asia-Pacific

As the principal international organization for enhancing economic growth and combatting corruption and terrorism in Indonesia, the United Nations has two offices which oversee Indonesia's progress in these areas: the UNEP and the UNODC. The UNODC is the main vehicle for corruption and terrorism prevention, having crucially strengthened international campaigns in two ways.

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First, it has devised two treaties—the UNCATOC and UNCAC—which internationally criminalized corruption, illicit trades, and money laundering and outlined operational protocol for handling these matters. As the overarching resolutions governing state legislation, these treaties have increased multilateral cooperation and strengthened national infrastructures to combat corruption and terrorism. For instance, UNCATOC Article 7 stipulates that besides increasing domestic and international cooperation among law enforcement, judicial, intelligence agencies, nations must form FIUs to “serve as national centres for the collection, analysis and dissemination of information regarding potential money laundering.”[141] As a result, Indonesia established the PPATK, which works as a member of the Egmont Group, an independent network comprised of regional working groups.[142] FIUs are an important addition to international campaigns because they enhance collaboration by working in tandem with states and intergovernmental organizations while simultaneously acting as a buffer between them: not only do FIUs offer nonbiased analysis and compliance with international law, but they allow states to maintain their own sovereignty—and thus domestic legitimacy—in the fight against transnational crime, corruption, and terrorism. In addition, UNCATOC Article 8 also grants states adequate means for the prevention, detection, punishment and deterrence of corruption as determined by domestic law,[143] which the UNCAC details in greater depth.

The articles advocate corruption deterrence via public education programs and frequent public expenditures reviews to provide greater transparency and accountability;[144] address public and private sector detection from accounting and auditing standards, fraudulent practices, and public monitoring networks;[145] grant specialized authoritative bodies powers to accurately combat corruption;[146] and suggest preventative technical assistance and economic development programs to foster growth as a counterbalancing force against the negative effects of corruption.[147] Due to the treaties’ policy foci, the UNODC has partnered with Indonesia’s BNPT and regional organizations to facilitate ratification and continuity of national laws with international obligations, assist regional counterterrorism responses, enable transnational judicial cooperation in extradition and mutual legal assistance, and improve de-radicalization programmes in correctional institutions.[148] In addition, the UNODC focuses on countering transnational crime by strengthening maritime border security with increased training, armament, and commercial freight tracking systems for illicit trades to abolish potential terrorism funds.[149] Thus, these protocols have clearly been influential in strengthening anticorruption and counterterrorism infrastructure and multilateral cooperation.

Second, the UNODC’s 2012 to 2015 Country Programme in conjunction with Indonesia’s National Strategy of Corruption Prevention and Eradication ensures quicker implementation for UN protocol and a stronger alliance with regional organizations. The UNODC programme will improve media and civilian corruption awareness and money laundering identification via investigation training courses.[150] In addition, the UNODC programme will focus on unified collective action and global south cooperation by cultivating new ASEAN business partnerships.[151] The Indonesian national strategy identifies 6 strategies in both its medium (2012-2014) and long-term (2012-2025) plans: prevention to systematically eradicate corruption, law enforcement development to build public trust, harmonization of laws and regulations with the UNCAC, restructuring international and regional institutions to allow for greater mutual legal assistance in the asset recovery of corruption proceeds, internalization of an anticorruption culture via education, and increased accessibility to reporting mechanisms for the implementation and progress of corruption eradication measures.[152] To this extent, the UNODC oversight will assist national policy in complying with the UNCAC and will simplify implementation, which will improve performance. Specifically, UNODC aims to decrease the number of permits or licenses needed for certain business trades and execute integrity tests in both the public and private sectors, which will support national and regional strategic aims to reduce corruption, illicit trades, and ultimately terrorism through supranational alliances.[153]

The second UN body, the UNEP, promotes economic development as an alternative means to deter participation in corruption and terrorism. UNEP’s 2012 Green Economy report established sustainable environmentally-focused practices as the most beneficial for developing maritime economies like Indonesia because they will boost productivity and efficiency in current trades which will “create sustainable jobs, lasting economic value and increased social equity.”[154] In tandem with Indonesia’s BGE policy, the UNEP report outlines several sectors of maritime trade in which investment in sustainable infrastructure and revised trade practices can vastly increase profits because current methods result in poor quality control, damaged ecosystems, and up to \$50 billion in annual lost profits in one sector of maritime trade alone.[155] Furthermore, this shift in economic focus means greater labour diversification, stronger market resilience and sustainable prosperity.[156] UNEP predicts the market demand will

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require more intensive labour requirements—and therefore enhanced education and training systems as well—which will decrease unemployment and poverty and increase social equity, empowerment, participation and self-determination.[157] Combined with anticorruption efforts, the positive developments in human security, particularly greater social inclusion and equality, will then arguably bring greater political stability and security by reducing potential motivational factors for terrorism.

ASEAN and APEC: Regional Organizations in the Asia-Pacific

As the primary Asia-Pacific regional organization, ASEAN not only participates in economic development initiatives, but also develops security policy in cooperation with APEC and ARF. ASEAN is currently augmenting regional architecture in three ways. First, ASEAN's 3 pillar approach to build a united regional community focuses on cultivating political stability, economic security, and diplomatic alliances. Second, through the ARF, ASEAN's most recent security report refines infrastructure against security threats. Third, ASEAN is currently negotiating multiple new trade agreements that could boost economic development among the ASEAN countries and improve international diplomatic ties.

The ASEAN Community policy advances three constituent pillars of infrastructure for improvement by 2015—the ASCC, the APSC, and the AEC—with a fully-integrated regional community by 2020. The ASCC endorses human development by increasing civil service employment, education and investment opportunities, and access to new science and technology developments.[158] In addition, it will improve environmental sustainability and income gaps by targeting corporations' social responsibility to invest in green projects using local labour sources and afford to greater benefits to employees. The ASCC also seeks to solidify the ASEAN identity among its community by engaging citizens in cultural education programmes and generally increasing regional social interaction.[159] Using the enhanced interaction, ASCC ultimately aims to build sustainable relationships and foundations of trust that will deter individuals from participating in illicit acts or carrying out acts of terrorism against fellow ASEAN members. The AEC envisions a free trade market for ASEAN countries, which would also entail free flow of capital, labour, goods, services, and investments.[160] By building a single market and production base, the AEC would increase ASEAN competition in international trade and would bring greater prosperity to the region. Additionally, the AEC requires equal economic development across all employment sectors while advancing green initiatives, maintaining commerce law, and upholding labour rights.[161] Therefore, AEC commitment to forging strong economic ties also focuses on trust relationships, which would deter participation in terrorism and corrupt acts while reducing poverty via economic development.

The APSC promotes political development “in adherence to the principles of democracy, the rule of law and good governance, respect for and promotion and protection of human rights and fundamental freedoms as inscribed in the ASEAN Charter.”[162] APSC requires ASEAN members to follow a shared set of responsibilities to uphold regional security whilst increasing international integration. APSC will incorporate a greater percentage of the population into civil service and academia to increase intelligence sharing and bolster public support for ASEAN values and policies. In addition, it will ensure transparency and security compliance with the ACCT declaration and the ASEAN Comprehensive Plan of Action on Counterterrorism as defined by the AMMTC, which both outline regional counterterrorism procedural capacities.[163] Thus, the APSC develops political and military connections to broaden ASEAN involvement in international affairs, establish its centrality in regional institution building, and generally strengthen the ASEAN region vis-à-vis cross-cultural information sharing and counterterrorism techniques.

While ASEAN espouses cultural norms that prefer peaceful security countermeasures, it also recognizes that security and resilience must develop from defensive ties. An integrated ASEAN community will be more likely to accurately assess security risks, predict and prevent terrorist attacks, and address root causes that lead to radicalization. Furthermore, due to the APSC's expanded political security network, the community will be more effective in shutting down corruption rings and transnational criminal money flows or other illicit trades that can contribute to terrorist financing, whilst simultaneously enhancing public trust. If corporations notice greater political stability as a result of decreased crime and corruption, then they will be more likely to invest in areas with lower risk, which will boost ASEAN nations' economic development as well. Consequently, as a whole, the ASEAN Community will be an effective tool to combat terrorism, corruption and poverty.

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Through intergovernmental cooperation with ARF, ASEAN is also improving security architecture. In the 2013 Annual Security Outlook, the ARF highlighted Indonesia's role in the promotion of regional security and preventative diplomacy. Specifically, Indonesia aligns with the ACCT and ARF CTTC work plan through its people-centric counterterrorism approach aimed at counter-radicalization, re-education of former terrorists and inmates, and promoting inter-civilization dialogue between internal ministries, citizens in Islamic or minority groups, and supranational task forces.[164] The ARF also noted increased regional participation in intelligence sharing and counterterrorism and transnational crime cooperation, with Indonesia now being party to 7 international legal frameworks, enhancing maritime border security against trafficking rings to AMMTC standards, passing anticorruption legislation, and leading regional dialogue.[165] Furthermore, since 80% of the region falls within the maritime domain, the AMF in coordination with ARF will draft a Maritime Security work plan which will spearhead development in regional navy and coast guard patrol cooperation, port monitoring and audit programs, and boosting coastal community growth.[166] Ultimately, via intergovernmental cooperation with ASEAN nations, ARF advocates ASEAN centrality within the region, better synergy between traditional and human security policies, and increased focus on action-oriented policy which suggests ASEAN and ARF will maintain a premier position in regional affairs.

A final critical contribution to the region is ASEAN's negotiations for new trade agreements which would expand trade and investment, create jobs, and reduce unemployment and poverty. From the 2012 U.S.-ASEAN E3 Initiative, which was a joint commitment to enhance transpacific economic cooperation and a mechanism for ASEAN countries to join future FTAs, two regional trade agreements have emerged that are currently under negotiation: the RCEP and the TPP.[167]

The ASEAN RCEP is essentially an expanded unilateral FTA between the ASEAN+3, Australia, New Zealand and India, which aims to widen and deepen economic ties among these 16 countries by encouraging foreign direct investment and liberalizing the trade of goods and services.[168] The RCEP is an Asia-centric pact in that it does not have strict trade regulations whose imposition could potentially harm weaker economies; rather, the lax regulatory approach allows greater flexibility for less-developed states to join the FTA when they meet adequate standards.[169] Alternately, the US-based TPP proposes a transpacific partnership that would expand both trade and investment among 12 countries; however, presently the agreement only includes 4 ASEAN nations with a possible extension to 7 members.[170] This FTA is considered a 'WTO Plus' Western-centric pact because it holds states accountable to higher common trade standards for goods and services, binding them to additional regulations for investment, intellectual property rights, environmental protections, labour laws, and financial services.[171] Rather than benefiting all members equally, the TPP standards pursue a stronger net profit to maximize gains.[172]

The vastly different ideas advanced in these FTAs point to several criticisms. First, while the RCEP's low standards will immediately reduce the development gap by capping larger countries' gains to improve the weakest economies, in the long term this will detract from overall GDP growth. However, the RCEP does afford greater regional security by promoting ASEAN communal ideals through inclusivity. Conversely, the TPP's high standards will offer rapid GDP growth for capital investment in the short term, but this will only improve the development margin over time at the expense of excluding less-developed ASEAN nations. The TPP's competitive economic favouritism could alienate certain states—most notably China by lack of inclusion and several ASEAN members—which could incite further regional disputes, divide the ASEAN Community and weaken its status as a regional power, cause economic regression, and undermine transpacific cooperation.[173] Thus, the precarious balance of gains versus equality creates tensions that could obstruct either agreement and weaken regional security. Despite these criticisms, however, the agreements need not be mutually exclusive if they combine benefits from both to improve infrastructure. Since several ASEAN nations will initially participate in both agreements, immediate redistribution of TPP and RCEP profits among the ASEAN community's weaker economies could advance complete ASEAN integration, radically minimizing development gaps within a few years. Thus, the ASEAN FTAs will be extremely beneficial to supporting economic development and ensuring the regional security and stability.

Much like ASEAN, APEC initially focused on increasing economic cooperation but gradually increased its influence to the security sector as well, resulting in two primary groups to promote regional security and development. The first of these groups, the APEC CTTF, monitors progress in regional counterterrorism efforts, facilitates coordination between private sector trade and governments' law enforcement capacities, and improves technical assistance and

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training among APEC members in support of the APEC CCTSTS, which enables the security, efficiency and resilience of supply chains, travel, finance, and infrastructure across the APEC region.[174] Since its inception, the task force has initiated workshops on air cargo security, terrorist financing, combatting corruption, anti-money laundering, and progress evaluation programs.[175] In addition, CTTF initiated STAR to combat terrorist financing and supply chains in the maritime and aviation sectors to secure economic regional trade. By incorporating business expertise, STAR recognizes that the private sector is just as fundamental as the public sphere in upholding economic security. Finally, CTTF also announced it will draft the APEC CTTF Strategic Security Plan for 2013-2017 to be unveiled this October. Adopting a people-centric counterterrorism approach, this plan will centre on expanding infrastructure security and resilience among APEC nations to safeguard an increasingly interconnected community from future threats.[176]

The second influential APEC group, the ACTWG, targets economic corruption, promotes good governance, and boosts transparency by enforcing the Santiago Commitment to Fight Corruption and Ensure Transparency and the APEC Course of Action on Fighting Corruption and Ensuring Transparency, which support the UNCAC as the “first legally-binding global instrument specifically targeted to fight the scourge of corruption.” [177] These conventions expand preventative and punitive anticorruption policies, increase multilateral legal and intelligence cooperation among intergovernmental institutions, and intensify anticorruption training to broaden transparency standards in line with the WTO Doha Agenda for developing nations, the FATF and OECD Conventions on Anticorruption and Combating Bribery.[178] Under these stipulations, ACTWG’s 2012 self-assessment report commended APEC for empowering public-private sector anticorruption collaboration leading to Indonesia’s 2013 Anticorruption Law amendment, which will levy higher fines in excess of 10 billion rupiah (£647,000 or \$1 million) for foreign bribery.[179] However, the report also notes APEC’s structural weaknesses in disrupting money laundering schemes; therefore, ACTWG’s current agenda will create a law enforcement authority network and a strategic plan of recommendations for increasing anticorruption and transparency cooperation with ASEAN.[180] Additionally, in conjunction with ASEAN nations, APEC’s Ecotech strategy will endorse SMEs and minority group enterprises via trade liberalization and business facilitation as an alternate means to strengthen national infrastructures, spur APEC’s future growth, and achieve an ASEAN community.[181] Having already established a women’s micro-enterprise trade network, SME research and support centres, and new ecological construction methods, Ecotech has amplified pressure to reduce trade barriers and development costs.[182] Overall, APEC posits that these efforts will bring greater security to the Asia-Pacific region.

Despite the overarching hierarchy of the UN in shaping international policy, regional organizations are gaining greater recognition for boosting economic development and trade and strengthening international security because they “facilitate the sharing of intelligence and best practices and challenges in effectively tracking cross-border corruption, other crime, and illicit financial flows.”[183] Thus, regional organizations will be tantamount to future international security and development for two reasons. First, their position as middle agencies between the UN and states makes them adequate vehicles for advancing policy agenda negotiation, synchronization, and implementation in instances where state policies may fall into corrupt practices, or international policy is not fully instilled at the national level. Second, regional networks offer a unique cultural perspective to supranational cooperation and policy formation that can strengthen security by promoting community values of social cohesion and economic development. As evidenced by ASEAN and APEC expansion, greater unity and multilateral cooperation opens channels for increasing transparency, accountability and vigilance. Furthermore, the regionalization of security threats means there will be greater convergence of national and international aims in both defensive policies and economic opportunities such as business investment and development initiatives. Consequently, regional policies will fill state and international policy security gaps with agendas that benefit all sectors of society, making them crucial actors in reducing corruption, terrorism, and poverty.

Conclusion

In conclusion, this paper has intrinsically linked corruption as a causal factor to terrorism. The first chapter established this relationship, concluding that while there are various determinant factors of corruption, the consequences are always the same: corruption directly hinders economic development, additionally reverberates to political and social sectors, and creates structural vulnerabilities that cataclysmically enable sub-state violence. Used

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as a means to protest social grievances, terrorism is then indirectly a product of corruption. Furthermore, corruption widens gaps in international security by sustaining the operational hybridization of terrorism with transnational organized crime networks. As a result, the corruption-terrorism relationship illuminates how vast and increasingly interconnected security challenges have become, which raises concerns for current security policies' efficacy in combatting corruption and terrorism.

To engage with contemporary security challenges and policies, the second chapter initiated the Indonesia case study, which historically analysed the connection between economic conditions, corruption, and terrorism in greater depth. This chapter focused on two legacies that directly ensued from the power vacuities following Indonesian independence: how power relations merged with fixed cultural traits, and how the subsequent state practices conflicted with democratic individualism, which consistently enabled corruption, poverty, and terrorism to enfeeble state institutions. The third chapter's contemporary policy analysis examined the relationship between national security elements and citizens' support of public policy. This chapter found that despite effective increases in security capabilities, myriad structural liabilities encumber current policy. Reform must incorporate social cohesion, trust, transparency and accountability to improve security conditions.

The final chapter's comparison of international and regional policies has shown that regional organizations will eventually eclipse state and UN agendas due to their policy focus on constructing inclusive institutional architectures that support sustainable economic growth programs, reward SMEs and minority groups, and build relationships of trust and confidence in a community of shared values. Rather than solely relying on international assistance to combat increasingly regional-centric security issues, APEC and ASEAN directives will autonomously expand investment and employment prospects to reduce poverty, while ensuring greater transpacific cooperation against transnational crimes, corruption, and terrorism.

Although this paper's critique has uncovered numerous areas of improvement, it does not mean to say Indonesia is an ineffective democracy or a failed state. Contrarily, as a developing democracy, Indonesia has vastly improved its legal and judicial systems to support democratic governance. It must be noted that the case study is at an unintended disadvantage of cultural and external perceptions. If this study were done from a non-Western perspective without language barriers, or had been able to provide first-hand accounts of current country trends, the results may have shown Indonesian institutions are more effective than represented here. Therefore, recommendations for future research would be to conduct in-field studies on security conditions with increased access to government statistics on anticorruption measures, sub-state violence trends, and economic improvements that would result in greater accuracy on current terrorist motivations and the direct influence of corruption on these groups.

Overall, the implications of this research challenge current international security methods and present alternative recommendations, but most importantly, do so in light of the Asia-Pacific region's foreign relations with the U.S. and in the context of the GWOT. The corruption-terrorism relationship illustrates that security threats are constantly evolving, transformed by their own nature and government responses. If policy can remove motivational origins for corruption or terrorism, then the outcomes can inform organizations on how to successfully combat other security dilemmas. However, institutional reform must concurrently happen with cultural change and must evoke positive relationship enforcement to be most effective, otherwise countries risk returning to corrupt practices. With the Asia pivot, we have seen greater policy focus on economic trade, cultural diplomacy, and military support to the extent that it benefits individual state interests. However, if foreign policy enhances interregional cooperation and supports regional policies above all, arguably the U.S.-ASEAN and U.S.-APEC alliances would have better success in reducing poverty, corruption, and terrorism, which would yield greater international security.

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[9] *Ibid*, 187.

[10] *Ibid*, 202.

[11] I.e. working conditions, promotion opportunities, increased power in influencing decisions, or possibly even nationalization of certain private sector trades. *Ibid*, 203.

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[46] See Fig. 2, Rob McCusker, "Transnational Crime in the Pacific Islands: Real or Apparent Danger?" *Trends and Issues in Crime and Criminal Justice*, no. 308 (March 2006): 3.

[47] Ibid, 51.

[48] National Defense University Institute for National Strategic Studies, "Corruption and the War on Terrorism: Lessons from South East Asia and India," *Transnational Threats Post 9/11 Roundtable Series*, 12 June 2003, accessed 01 Aug 2013 via the Naval Postgraduate School Homeland Security Digital Library. www.hsdl.org/?view&did=458433.

[49] Ibid.

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[57] e.g. Marxist critique focuses solely on economic relations etc.

[58] Adrian Vickers, *A Modern History of Indonesia*, (Cambridge: Cambridge University Press, 2005), 85-95.

[59] Michael Vatikiotis, *Indonesian Politics under Suharto*, (London: Routledge, 1993), 95.

[60] Ibid.

[61] Under the Dutch 'Ethical Period,' education expanded beyond European descendants to include indigenous Indonesians as an attempt to indebt them to the Dutch. This created a small class of new elites, which formed the basis of the nationalist party in Java. On the other islands elite aristocratic rulers typically remained supportive of colonial apartheid rule for fear of retaliation. Colin Brown, *A Short History of Indonesia: The Unlikely Nation?* (Sydney: Allen & Unwin, 2003), 123 & 153-184.

[62] This period of social movement development during national upheaval is often referred to as 'Bersiap.' Vickers, 102.

[63] Brown, 157-158.

[64] Harold Crouch, "Patrimonialism and Military Rule in Indonesia," *World Politics* 31, no. 4 (1979): 573.

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[67] David Kilcullen, "The Political Consequences of Military Operations in Indonesia 1945-1999: A Fieldwork Analysis of the Political Power-Diffusion Effects of Guerrilla Conflict," PhD diss., University of New South Wales, 2000, 37.

[68] Ibid, 37-38. Also see Brown, 148.

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[72] Ibid, 24-25.

[73] E.g. rent-seeking, whereby employees skimmed off of state resources, allocating funds as personal income, or accepted bribes in trade and housing. The TNI typically smuggled goods for personal gain, which reduced government tax income and depleted public resources. The system also reallocated land, money and goods to political elites and party supporters. Vickers, 124, 136-137, and 151.

[74] Crouch, 242 and 264.

[75] Ibid, 271.

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[76] Ibid.

[77] Ibid, 275.

[78] Ibid, 276-282.

[79] Ibid, 295-299.

[80] Vickers, 169-181.

[81] Ibid, 210.

[82] Ibid, 220.

[83] Ibid, 211.

[84] Ibid, 212.

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[106] Simon Butt, "Anti-Corruption Reform in Indonesia: An Obituary?" *Bulletin of Indonesian Economic Studies* 47, no. 3 (2011): 382.

[107] Ibid, 383.

[108] Ibid.

[109] Titled the "gecko vs. crocodile affair," this scandal saw commissioners charged with murder and misuse of power resulting in their suspension until proven innocent. Ibid, 382.

[110] Ibid, 389.

[111] Ibid.

[112] Ibid, 389-390.

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