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	L-01	ADS-00	MMP-00	NSAE-00	NSCE-00	OIC-02	OIG-04
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R 030708Z AUG 98
 FM AMEMBASSY JAKARTA
 TO SECSTATE WASHDC 2879
 INFO AMCONSUL HONG KONG
 ASSOCIATION OF SOUTHEAST ASIAN NATIONS
 DEPTTREAS WASHDC
 USDOC WASHDC
 AMEMBASSY SEOUL
 AMEMBASSY TOKYO
 AMEMBASSY CANBERRA
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 AIT TAIPEI 0917
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DEPARTMENT PASS FOR EXIMBANK FOR IMAM

PASS USDA FOR FAS

UNITED STATES DEPARTMENT OF STATE
 REVIEW AUTHORITY: CHARLES E LAHIGUERA
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 DECLASSIFY AFTER: 2 AUG 2023
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USCINCPAC FOR FPA AMB SALMON

E.O. 12958: DECL: 08/02/08

TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

1. (U) CLASSIFIED BY POLCOUNS ED MCWILLIAMS, REASON: 1.5 (D).

2. (C) SUMMARY: TDY POLOFF CONDUCTED 22 INTERVIEWS IN JAKARTA'S SINO-INDONESIAN COMMUNITY TO GAUGE CURRENT SENTIMENT TOWARDS INDONESIA'S POLITICAL AND ECONOMIC SITUATION. SINO-INDONESIANS CANVASSED INCLUDED ACADEMICS, PROFESSIONALS, SMALL AND MEDIUM SCALE BUSINESSPEOPLE AND CONGLOMERATE OWNERS. THIS CABLE, A FOLLOW UP TO
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JAKARTA 4031, ENDEAVORS TO CORRECT SOME OF THE MOST COMMONLY HELD MISPERCEPTIONS OF THE CHINESE (SINO-INDONESIANS) IN INDONESIA, FIRST AND FOREMOST BY SHOWING THAT THERE IS NOT ONE MONOLITHIC COMMUNITY WHICH IS REACTING TO INDONESIA'S CURRENT CRISIS IN A FORMULAIC WAY. THE FIRST SECTION EXAMINES IMPORTANT BUT LITTLE UNDERSTOOD STATISTICS ABOUT THE SOCIO-ECONOMIC COMPOSITION OF THE CHINESE COMMUNITY IN INDONESIA. THE SECOND ADDRESSES THE CRITICAL ISSUE OF CAPITAL FLOWS, IDENTIFYING THREE DISTINCT PERIODS OF OUTFLOW DRIVEN BY DIFFERENT POLITICAL AND ECONOMIC DYNAMICS. CONTRARY TO POPULAR PERCEPTION, CAPITAL OUTFLOWS BEGAN IN EARNEST IN THE MID-1990'S, AND THE AMOUNT OF FLIGHT CAPITAL AVAILABLE FOR REPATRIATION MAY BE LESS THAN OBSERVERS BELIEVE.

3. (C) THE THIRD SECTION EXPLAINS WHY THE CHINESE SEE THIS CRISIS AS PROFOUNDLY DIFFERENT THAN PREVIOUS ANTI-CHINESE UNREST, PRESENTING A PICTURE OF PERVERSIVE PESSIMISM WHICH SPANS DIFFERENT GROUPS WITHIN THE COMMUNITY. THE FOURTH SECTION EXAMINES DIFFERENT RESPONSES TO THE CRISIS, SHOWING HOW AGE, CLASS, EDUCATIONAL BACKGROUND AND CULTURAL ORIENTATION ALL INFORM THE CHOICES BEING MADE BY DIFFERENT KINDS OF CHINESE. CERTAIN GROUPS ARE LEAVING OR TRYING TO LEAVE, WHILE OTHERS ARE FIGHTING FOR THEIR RIGHTS AND ATTACKING THE CORRUPT PRACTICES OF THE CRONY CHINESE. MANY BUSINESSPEOPLE ARE WAITING TO SEE HOW EVENTS UNFOLD, WHILE THE VAST MAJORITY OF CHINESE HAVE NO CHOICE BUT TO STAY PUT AND START OVER.

4. (C) THE INDONESIAN CHINESE ARE A HETEROGENEOUS COMMUNITY, AND BEING ANTI-CONGLOMERATE DOES NOT MEAN BEING ANTI-CHINESE. THE MINIMUM REQUIREMENTS FOR A RETURN OF CONFIDENCE AND CAPITAL TO INDONESIA ARE POLITICAL AND MACROECONOMIC STABILITY; A CREDIBLE

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GUARANTEE FOR PHYSICAL SECURITY; INVESTIGATION OF THE MAY RIOTS AND RAPES; AND ACCOUNTABILITY FOR THOSE FOUND GUILTY. IN THE SHORT CONFIDENTIAL

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TERM, THEN, THE PICTURE IS BLEAK, FOR THESE CRITERIA WILL NOT BE EASILY OR IMMEDIATELY MET. MOREOVER, SHOULD ATTACKS ON CHINESE RESUME, THE CHINESE HAVE BEEN ARMING THEMSELVES AND ARE PREPARED TO FIGHT. IN THE MEDIUM TO LONG TERM, HOWEVER, IF ELECTIONS AND CREDIBLE GOVERNMENT FOSTER A MORE STABLE POLITICAL AND ECONOMIC ENVIRONMENT, THERE IS REASON FOR SOBER OPTIMISM. ON THE ECONOMIC SIDE, WHILE CAPITAL IS INDEED MOBILE AND CHINESE, LIKE CERTAIN KINDS OF OTHER INVESTORS, CAN KEEP THEIR MONEY ABROAD, VIRTUALLY ALL CHINESE BUSINESSMEN ACKNOWLEDGE THAT A STABLE INDONESIA WOULD PRESENT ENORMOUS INVESTMENT OPPORTUNITIES. ON THE POLITICAL SIDE, PERANAKAN CHINESE ("INDONESIANIZED CHINESE") ARE PRO-ACTIVELY ENGAGED IN "REFORMASI" AND ARE PROMOTING THE KIND OF DISCOURSE NECESSARY TO FIND LONG-TERM SOLUTIONS TO INDONESIA'S LONGSTANDING CHINESE PROBLEM. END SUMMARY.

SINO-INDONESIANS: MISPERCEPTIONS AND STEREOTYPES

5. (U) MANY OF THE MISPERCEPTIONS AND STEREOTYPES ABOUT THE CHINESE (AKA SINO-INDONESIANS) IN INDONESIA STEM FROM THE LACK OF ACCURATE DATA. THE LAST CENSUS THAT EMPLOYED RACE AS A DISTINGUISHING VARIABLE WAS TAKEN BY THE DUTCH IN 1930. SINCE INDEPENDENCE, INDONESIA HAS INSISTED THAT RACE/ETHNICITY NOT BE USED AS DISTINGUISHING CRITERIA; HENCE THE ABSENCE OF CONCRETE DATA

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FRB-00 H-01 IM-01 TEDE-00 INR-00 IO-00 ITC-01
L-01 ADS-00 MMP-00 NSAE-00 NSCE-00 OIC-02 OIG-04
OMB-01 OPIC-01 PA-00 PM-00 PRS-00 P-00 SP-00
SSO-00 STR-00 T-00 USIE-00 PMB-00 DSCC-00 PRM-01
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E.O. 12958: DECL: 08/02/08

TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

ABOUT THE SIZE, DEMOGRAPHIC BREAKDOWN AND INCOME DISTRIBUTION AMONG CHINESE INDONESIANS. (IT IS INTERESTING TO NOTE THAT THE GOVERNMENT DOES HAVE THIS DATA, SINCE IDENTITY CARDS FOR CHINESE HAVE UNTIL RECENTLY BEEN DIFFERENT FROM THOSE OF NATIVE INDONESIANS. STILL, THIS INFORMATION HAS NEVER BEEN RELEASED.) AS A RESULT, ECONOMISTS USE THE FIGURES FROM THE 1930 CENSUS IN

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CONJUNCTION WITH THE OVERALL GROWTH RATE OF THE POPULATION AND
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IMMIGRATION STATISTICS TO EXTRAPOLATE A FIGURE OF ROUGHLY SIX MILLION CHINESE, OR SOMEWHERE BETWEEN 3-4 PERCENT OF THE TOTAL POPULATION. THESE CHINESE ARE OVERWHELMINGLY CONCENTRATED IN URBAN CENTERS, NOTABLY JAKARTA, MEDAN, SURABAYA, SEMARANG, AND PONTIANAK, BUT CAN BE FOUND THROUGHOUT THE COUNTRYSIDE AS WELL.

6. (U) OF THE SIX MILLION OR SO CHINESE, ONLY 200 FAMILIES BELONG TO THE TYCOON CLASS. FACTORING A WIFE, CHILDREN, GRANDCHILDREN, SURVIVING PARENTS AND OTHER EXTENDED FAMILY MEMBERS, ECONOMISTS ESTIMATE AT MOST 10,000 INDIVIDUALS OR ABOUT .2 PERCENT OF THE TOTAL COMMUNITY BELONG TO THIS GROUP. A MILLION OR SO CHINESE ARE THOUGHT TO BE MIDDLE, UPPER-MIDDLE AND LOWER-UPPER CLASS, RANGING FROM SMALL AND MEDIUM SCALE BUSINESSMEN TO SMALL AND MEDIUM-SIZED CONGLOMERATE OWNERS. CONTRARY TO POPULAR PERCEPTIONS, THEN, A SUBSTANTIAL MAJORITY OF THE CHINESE IN INDONESIA ARE LOWER MIDDLE TO LOWER CLASS SHOP OWNERS AND TRADERS. SOME CHINESE, IN FACT, ARE QUITE POOR BY ANY STANDARD, LIVING BENEATH THE POVERTY LINE AND WORKING AS PEASANTS AND FOOD SELLERS IN PLACES LIKE WEST KALIMANTAN AND THE NORTH COAST OF JAVA. A POIGNANT REMINDER OF THIS FORGOTTEN CLASS OF CHINESE HIT THE INDONESIAN PAPERS ON JULY 20, WHEN IT WAS REPORTED THAT A POOR CHINESE FARMER IN SINGKAWANG, WEST KALIMANTAN POISONED HIMSELF AND HIS FOUR CHILDREN BECAUSE HE COULD NOT COPE WITH THE ECONOMIC CRISIS.

7. (U) ONE OF THE KEYS TO UNDERSTANDING CHINESE IS THE "PERANAKAN-TOTOK" DISTINCTION. THE SO-CALLED PERANAKAN CHINESE HAVE LIVED IN INDONESIA FOR MANY GENERATIONS AND CONSIDER THEMSELVES WHOLLY INDONESIAN. THIS GROUP IS GENERALLY WELL EDUCATED, WITH THE OLDER GENERATIONS TRAINED BY THE DUTCH AND THE YOUNGER ONES IN INDONESIAN AND WESTERN SCHOOLS. THE MAJORITY OF PERANAKAN ARE PROFESSIONALS, THOUGH SOME MEDIUM TO LARGE SIZED

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BUSINESSMEN AND A FEW TYCOONS (THE SURYAJAYAS, THE WANANDIS, THE HARTONOS, THE SAMPOERNAS) BELONG TO THIS GROUP.

8. (U) THE MORE RECENT IMMIGRANT GROUP ARE CALLED TOTOK CHINESE. TOTOKS ARE GENERALLY FIRST, SECOND OR THIRD GENERATION IN INDONESIA, SPEAK MANDARIN AND/OR A CHINESE DIALECT IN THE HOME, AND HAVE RELATIVES OR FAMILY TIES IN CHINA, SINGAPORE, OR HONG KONG. THEY WERE TRAINED IN CHINESE SCHOOLS BEFORE SOEHARTO SHUT THEM DOWN IN 1967, WHILE THEIR CHILDREN (OR AT LEAST THE CHILDREN OF THOSE WITH MONEY) ARE SENT ABROAD TO RECEIVE A CHINESE EDUCATION. EIGHTY TO NINETY PERCENT OF THE CHINESE TYCOONS ARE TOTOK CHINESE, AS ARE THE VAST MAJORITY OF SMALL SHOP OWNERS AND TRADERS THROUGHOUT JAVA.

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9. (U) WHILE THESE DISTINCTIONS ARE NO LONGER AS CLEAR CUT AS THEY WERE SEVERAL DECADES AGO (MORE AND MORE TOTOK CHILDREN, FOR EXAMPLE, ARE EDUCATED ENTIRELY IN THE STATES, SPEAK LIMITED MANDARIN, AND THUS ARE NEITHER TOTOK NOR PERANAKAN IN THEIR PERCEPTION OF THEMSELVES), THE PERANAKAN/TOTOK DISTINCTION STILL HELPS TO EXPLAIN SIGNIFICANT DIFFERENCES IN THE SINO-INDONESIAN RESPONSE TO INDONESIA'S CURRENT POLITICAL AND ECONOMIC CRISIS.

10. (C) WHILE THE CHINESE ON AVERAGE ARE CONSIDERABLY MORE PROSPEROUS THAN THEIR PRIBUMI COUNTRYMEN, THE WIDELY USED STATISTIC OF 70-80 PERCENT OF INDONESIAN WEALTH BEING IN THE HANDS OF SINO-

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FM AMEMBASSY JAKARTA
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E.O. 12958: DECL: 08/02/08

TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

INDONESIANS SHOULD BE USED WITH EXTREME CAUTION. "EVERYONE IS JUST QUOTING EACH OTHER, AND THIS FIGURE IS ACTUALLY ABSOLUTE NONSENSE." SAID WELL-RESPECTED ECONOMIST KWIK KIAN GIE. THE 70-80 PERCENT FIGURE IS BASED ON THE PERCENTAGE OF PUBLICLY LISTED SHARES CONTROLLED BY CHINESE GROUPS. THIS IS, AS SEVERAL THOUGHTFUL ECONOMISTS FORCEFULLY ARGUE, AN ENTIRELY SUPERFICIAL AND UNREPRESENTATIVE PORTION OF THE NATIONAL ECONOMY. TO BEGIN WITH,

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ONLY 225 OR SO COMPANIES ARE PUBLICLY LISTED, AND IN SOME CASES ONLY ONE COMPANY OF A CONGLOMERATE HAS GONE PUBLIC. MOREOVER, THE FIRST FAMILY, THE MILITARY, AND OTHER INDONESIAN CRONIES ARE DEEPLY EMBEDDED IN THESE GROUPS AND NO ONE REALLY KNOWS WHO ACTUALLY CONTROLS WHAT. THIS IS AS TRUE FOR PUBLIC COMPANIES AS WELL AS NON-PUBLIC ONES. SECOND, THERE IS A SUBSTANTIAL CLASS OF PRIBUMI CRONY BUSINESSMEN AS WELL AS A VAST NUMBER OF BUREAUCRATS AND SENIOR MILITARY OFFICERS WHO HAVE ACCUMULATED ENORMOUS WEALTH DUE TO THEIR PROXIMITY TO THE STATE. THIRD AND MOST IMPORTANT, THERE ARE MAJOR SECTORS OF THE ECONOMY IN WHICH CHINESE HARDLY PARTICIPATE AT ALL, INCLUDING AGRICULTURE (ALTHOUGH THE CHINESE ARE REPRESENTED IN AGRIBUSINESS), MINING, OIL AND GAS EXPLORATION, NATURAL RESOURCE PROCESSING, GOVERNMENT SERVICES, AND THE STATE

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11. (C) SAID AN [REDACTED]
"ANYONE WHO SERIOUSLY UNDERTOOK TO INVESTIGATE THIS ISSUE WOULD FIND THAT CHINESE DO NOT CONTROL MORE THAN 40 PERCENT OF THE INDONESIAN ECONOMY." SUCH A STUDY, HOWEVER, WOULD NOT FIT THE IMAGE OF CHINESE CONSCIOUSLY PORTRAYED BY THE GOVERNMENT. "OFFICIALS, POLITICIANS, AND PRIBUMI CRONY BUSINESSMEN HAVE LONG USED STATISTICS LIKE THE 70 PERCENT CONTROL OF INDONESIAN WEALTH TO FOCUS POPULAR RESENTMENT ON -- AND EXCUSE OUTBREAKS OF VIOLENCE AGAINST -- THE CHINESE COMMUNITY."

MAKING SENSE OF CAPITAL FLOWS

12. (C) WE KNOW FROM THE RUNS ON INDONESIAN BANKS, THE HIGH DEMAND FOR DOLLARS WHICH FED THE DRAMATIC DEPRECIATION OF THE RUPIAH, ANECDOTAL REPORTING OF THE BALLOONING OF ASSETS IN
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SINGAPOREAN BANKS TOWARDS THE END OF 1997, AND ACCOUNTS BY INDIVIDUALS WHO HAVE TRANSFERRED FUNDS ABROAD OVER THE COURSE OF THE PAST YEAR THAT A SUBSTANTIAL AMOUNT OF CAPITAL FLED INDONESIA AFTER THE ONSET OF FINANCIAL CRISIS LATE LAST SUMMER. ACCOUNTS OF HOW LARGE THESE FLOWS HAVE BEEN, HOWEVER, VARY WIDELY RANGING FROM A FEW BILLION TO 200 BILLION DOLLARS (JAKARTA 4031). WITH NO SYSTEMATIC WAY TO TRACE THESE FUNDS AS A RESULT OF OPEN CAPITAL ACCOUNTS, THIS FIGURE WILL REMAIN CONTENTIOUS.

13. (C) ONE THING THAT IS BECOMING CLEAR, HOWEVER, IS THAT THERE WERE THREE DISTINCT PERIODS OF CAPITAL OUTFLOWS, EACH DRIVEN BY DIFFERENT POLITICAL AND ECONOMIC DYNAMICS.

14. (C) THE FIRST FLOW BEGAN LONG BEFORE THE FINANCIAL CRISIS HIT ASIA, AS SOME OF THE BIGGER CHINESE CONGLOMERATES BEGAN DIVERSIFYING IN THE 1990'S. WITH THE LIBERALIZATION OF THE JAKARTA STOCK EXCHANGE UNDER MARZUKI USMAN (NOW MINISTER OF TOURISM) IN 1989, MANY CONGLOMERATES RAISED SUBSTANTIAL AMOUNTS OF CASH THROUGH INITIAL PUBLIC OFFERINGS (IPOS). A NUMBER OF THE BIG GROUPS, INCLUDING LIPPO, GAJAH TUNGGAL, GAJAH GARUDA MAS, SALIM, AND SINAR MAS THEN RESTRUCTURED THEIR HOLDING COMPANIES IN THE MID-1990'S AND INVESTED HEAVILY ABROAD, LARGELY IN ASIA.

15. (C) ACCORDING TO SEVERAL TYCOON CLASS BUSINESSPEOPLE, THESE
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SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

GROUPS DIVERSIFIED FOR BOTH POLITICAL AND ECONOMIC REASONS. AFTER SOEHARTO WAS ELECTED TO HIS SIXTH TERM AND A LESS TECHNOCRATIC/MORE ISLAM-FRIENDLY CABINET WAS INSTALLED IN 1993, MANY OF THESE CONGLOMERATES BEGAN TO THINK SERIOUSLY ABOUT THEIR LONG-TERM PROSPECTS IN A POST-SOEHARTO INDONESIA. "WE DID NOT WANT ALL OUR EGGS IN SOEHARTO'S BASKET," ONE TYCOON NOTED. WITH THE REGION BOOMING, THEIR COMPANIES BIG ENOUGH TO GO ABROAD, AND STOCK MARKETS

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HAVING PROVIDED A VEHICLE TO GENERATE CASH, THESE FAMILIES RESTRUCTURED THEIR HOLDINGS, "CASHED OUT" OF INDONESIA, AND INVESTED THIS MONEY ABROAD. THOUGH SOME GROUPS EXPANDED INTO EUROPE AND NORTH AMERICA, THE MAJORITY OF THESE INVESTMENTS WERE IN SINGAPORE, HONG KONG, CHINA AND AUSTRALIA. THUS SIGNIFICANT AMOUNTS OF MONEY WERE LEAVING INDONESIA FROM THE MID-1990S ON, THOUGH TO DATE NO SYSTEMATIC RESEARCH HAS BEEN DONE TO SHOW HOW MUCH.

16. (C) THE SECOND FLOW STARTED WITH THE ONSET OF REGIONAL MONETARY INSTABILITY IN MID-JULY 1997. ONE TYCOON CLAIMED THAT WE MUST UNDERSTAND THE FIRST PROCESS OF CAPITAL OUTFLOW IN ORDER TO UNDERSTAND THE SECOND FLOW IN POST-FINANCIAL CRISIS INDONESIA. HE ARGUES THAT THE MONEY INVESTED IN ASIA BY MANY OF THE BIG GROUPS IN THE MID-1990S WAS LEVERAGED TWO TO THREE TIMES OVER THROUGH FOREIGN BANKS EAGER TO LEND. WHEN THE CRISIS HIT AND INVESTMENTS WENT SOUR, THESE GROUPS WERE FORCED TO SUCK CASH FROM THEIR VIABLE COMPANIES IN INDONESIA TO PAY DEBT AND KEEP REGIONAL INVESTMENTS AFLOAT. HIS POINT WAS THAT MUCH OF THE MONEY THAT FLED INDONESIA IN THE SECOND HALF OF 1997 IS NOT SITTING IN BANK ACCOUNTS OFFSHORE BUT IS, RATHER, "GONE."

17. (C) THIS INTERPRETATION PROVIDES INTERESTING INSIGHT INTO THE QUESTION OF WHERE MONEY WENT AND WHY IN THE FALL OF 1997, THOUGH FURTHER RESEARCH IS REQUIRED TO DEMONSTRATE HOW MUCH OF THE TOTAL POST-CRISIS FLOW THIS MONEY ACCOUNTED FOR. NOT ALL GROUPS DIVERSIFIED UNSUCCESSFULLY IN ASIA; SOME GROUPS HAVE DONE VERY WELL WITH INVESTMENTS IN THE U.S., CANADA AND EUROPE. MOREOVER, EVEN IF, AS THIS SOURCE ASSERTS, MUCH OF THE CORPORATE CAPITAL THAT LEFT FOLLOWING THE ONSET OF REGIONAL ECONOMIC INSTABILITY WAS USED TO

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PAY DEBT AND DEAL WITH TROUBLED OFFSHORE INVESTMENTS, THIS DOES NOT
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ACCOUNT FOR THE SIGNIFICANT AMOUNTS OF PRIVATE CAPITAL BELIEVED TO
HAVE LEFT INDONESIA IN LATE 1997 AND EARLY 1998. SEVERAL BANKERS
IN SINGAPORE POINT TO DECEMBER 1997 AS THE HIGH POINT OF THESE
FLOWS, WHEN WORRIES OVER SOEHARTO'S HEALTH FUELED FEARS OF
IMPENDING DOMESTIC INSTABILITY AND FURTHER EROSION OF INTERNATIONAL
CONFIDENCE. THIS MONEY CAME FROM A WIDE SPECTRUM OF INDONESIAN
SOCIETY, INCLUDING PROFESSIONALS, MEDIUM AND LARGE CHINESE AND
INDONESIAN BUSINESSMEN, AS WELL AS STATE ACTORS CONCERNED TO
PROTECT DIRTY MONEY.

18. (C) A THIRD FLOW BEGAN IN THE WAKE OF THE MAY RIOTS. SEVERAL
SMALL AND MEDIUM SCALE ENTREPRENEURS CLAIMED THEY SENT MONEY OUT
ONLY AFTER THE UPHEAVAL OF MAY 13-14. BEFORE MAY, THESE CHINESE
SAID THEY WERE CONTENT TO PLACE MONEY IN INDONESIAN BANKS DUE TO
EXTRAORDINARILY HIGH INTEREST RATES. AFTER THE RIOTS AND NEWS OF
THE RAPES, HOWEVER, THESE PEOPLE GOT SCARED AND SENT WHATEVER THEY
COULD ABROAD. SEVERAL SAID THEY BELIEVED THE RUPIAH WOULD CRASH TO
20,000 OR MORE. ANALYSTS BELIEVE THAT THE POST MAY FLOW HAS BEEN
QUITE SMALL, AS RATES WERE ALREADY AROUND 15,000 AND MOST OF THE
BIG MONEY HAD ALREADY MOVED OUT. THE FOUR PEOPLE INTERVIEWED IN
THIS CATEGORY ACKNOWLEDGED SENDING SMALL AMOUNTS OF BETWEEN \$15-
20,000 US DOLLARS TO SINGAPORE IN THE THIRD WEEK OF MAY. THEY
INDICATED THAT FRIENDS AND FAMILY HAD DONE THE SAME.

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	SRPP-00	DS-00	EB-00	EUR-01	EXIM-01	E-00	FBIE-00
	FRB-00	H-01	IM-01	TEDE-00	INR-00	IO-00	ITC-01
	L-01	ADS-00	MMP-00	NSAE-00	NSCE-00	OIC-02	OIG-04
	OMB-01	OPIC-01	PA-00	PM-00	PRS-00	P-00	SP-00
	SSO-00	STR-00	T-00	USIE-00	PMB-00	DSCC-00	PRM-01
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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 2883
INFO AMCONSUL HONG KONG

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AMEMBASSY BONN
AIT TAIPEI 0921
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MANILA ALSO FOR USADB

USCINCPAC FOR FPA AMB SALMON

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TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

19. (C) WHILE NOT ALL CONTACTS ACKNOWLEDGED SENDING MONEY ABROAD, THOSE INTERVIEWED STATED ACROSS THE BOARD THAT PROFITS AND/OR SPARE CASH ARE BEING PLACED INTO BANKS RATHER THAN PRODUCTIVELY REINVESTED. DATA ON THE CURRENT ACCOUNT BALANCE, MOREOVER, INDICATE THAT EXPORTERS BENEFITTING FROM THE RUPIAH'S DRAMATIC DEVALUATION ARE NOT REPATRIATING PROFITS TO INDONESIA. SEVERAL EXPORTERS CONFIDED THAT THEIR PURCHASERS ARE DEPOSITING PAYMENT FOR

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GOODS DIRECTLY IN SINGAPOREAN BANKS.

THIS CRISIS IS DIFFERENT

20. (C) INDONESIAN CHINESE ARE NOT UNACCUSTOMED TO RIOTS AND UPRISINGS. SINCE DUTCH TIMES, ANTI-CHINESE PROPAGANDA AND ACTIVITIES HAVE BEEN A REGULAR FEATURE OF THE INDONESIAN LANDSCAPE. IN THE PAST FIFTY YEARS, MAJOR ANTI-CHINESE UNREST FLARED UP IN 1959-60, 1963, 1965-66, 1970, 1980, AND THROUGHOUT THE MID-1990'S. WITH FEW EXCEPTIONS, HOWEVER, JAKARTAN CHINESE FEEL THAT THIS CRISIS IS DIFFERENT THAN THOSE THAT HAVE COME BEFORE.

21. (C) FIRST, THE EXTENT TO WHICH THE RIOTS APPEAR TO HAVE BEEN ORGANIZED AND THE UNPRECEDENTED BRUTALITY OF THE VIOLENCE, ESPECIALLY THE GANG RAPES, HAVE TRAUMATIZED THE COMMUNITY TO A MUCH GREATER DEGREE. MANY CONTACTS CITED ACCESS TO WESTERN MEDIA AND MODERN COMMUNICATIONS AS PLAYING A ROLE IN THIS. WEALTHY CHINESE LIVING IN AREAS UNAFFECTED BY THE VIOLENCE WATCHED EVENTS UNFOLD ON CNN; STUDENTS AND COMPUTER-LITERATE PROFESSIONALS TRACKED BREAKING DEVELOPMENTS ON THE INTERNET; FRIENDS AND FAMILY ALERTED ONE ANOTHER THROUGH CELLULAR PHONES AS TO WHICH AREAS WERE ON FIRE AND WHERE NOT TO GO. ONE SMALL BUSINESSMAN FROM CHINATOWN SAID THAT AS HE TRIED TO MAKE HIS WAY HOME ON MAY 13, HE CALLED HIS DAUGHTERS FROM HIS CELL PHONE ONLY TO HEAR THEM SCREAMING AS MOBS WERE BANGING ON THEIR FRONT DOOR. THE RESULT WAS THAT AS OPPOSED TO PREVIOUS OUTBREAKS OF ANTI-CHINESE VIOLENCE, WHERE MANY CHINESE WERE AWARE OF WHAT HAPPENED ONLY AFTER THE FACT, IN MAY THE COMMUNITY AT LARGE EXPERIENCED THE TRAUMA IN REAL TIME.

22. (C) SECOND, THE GOVERNMENT'S TARDINESS IN CONDEMNING THE
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RIOTS, ACKNOWLEDGING THE RAPE PROBLEM AND LAUNCHING AN INVESTIGATION INTO THE EVENTS OF MAY HAS REINFORCED CHINESE OUTRAGE. RECENT STATEMENTS BY MEMBERS OF PARLIAMENT QUESTIONING THE VERACITY OF THE RAPE ALLEGATIONS ARE FURTHER EXACERBATING TENSIONS. AS A RESULT, WHEREAS FOLLOWING PREVIOUS RIOTS ONLY A FEW INTELLECTUALS PUBLICLY VOICED CONCERN OVER ETHNIC DISCRIMINATION, THIS TIME LARGE NUMBERS OF PERANAKAN PROFESSIONALS ARE RAISING THE ISSUE TO THE TOP OF THE NATIONAL POLITICAL AGENDA. THE INDONESIAN PRESS IS FILLED WITH ARTICLES AND EDITORIALS EXPLORING THE ROOTS AND CONSEQUENCES OF INDONESIA'S RACE PROBLEM; SEMINARS AND CONFERENCES ARE BEING ORGANIZED TO RAISE AWARENESS AND PROBE SOLUTIONS; AND POLITICAL PARTIES ARE BEING FORMED TO DEMAND EQUAL TREATMENT AND PROTECTION FOR THE CHINESE MINORITY.

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23. (C) THIS IS IN PART BECAUSE THE TRAUMA LEVEL IS HIGHER, AND IN PART BECAUSE INTERNATIONAL ATTENTION TO THE EVENTS OF MAY AND THE FLURRY OF REPORTING IN THE WESTERN PRESS HAVE GALVANIZED CERTAIN SECTORS OF THE CHINESE COMMUNITY TO TAKE A STRONGER STAND. THIS DISCOURSE ABOUT RACE MUST BE SEEN WITHIN THE CONTEXT OF "REFORMASI," WHERE ALL KINDS OF GRIEVANCES AGAINST THE STATE ARE BEING AIRED OPENLY FOR THE FIRST TIME IN DECADES.

24. (C) FINALLY, THE DEGREE OF PESSIMISM ABOUT THE FUTURE FOR CHINESE INDONESIANS IS GREATER BECAUSE THE CURRENT POLITICAL AND

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	SRPP-00	DS-00	EB-00	EUR-01	EXIM-01	E-00	FBIE-00
	FRB-00	H-01	IM-01	TEDE-00	INR-00	IO-00	ITC-01
	L-01	ADS-00	MMP-00	NSAE-00	NSCE-00	OIC-02	OIG-04
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	SSO-00	STR-00	T-00	USIE-00	PMB-00	DSCC-00	PRM-01
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R 030708Z AUG 98
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 2884
INFO AMCONSUL HONG KONG
ASSOCIATION OF SOUTHEAST ASIAN NATIONS
DEPTTREAS WASHDC
USDOC WASHDC
AMEMBASSY SEOUL
AMEMBASSY TOKYO
AMEMBASSY CANBERRA
AMCONSUL SYDNEY
AMEMBASSY BONN
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E.O. 12958: DECL: 08/02/08

TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

ECONOMIC ENVIRONMENT ARE SEEN AS FERTILE BREEDING GROUND FOR CONTINUED ANTI-CHINESE ACTIVITIES. CHINESE ACROSS THE BOARD SEE THE VIOLENCE OF MAY AS HAVING BEEN CAUSED BY THREE FACTORS: POLITICAL INSTABILITY, ECONOMIC DOWNTURN, AND A WILLINGNESS ON THE PART OF CERTAIN ACTORS TO SCAPEGOAT THE CHINESE FOR POLITICAL/TACTICAL PURPOSES. THESE CONDITIONS, THE CHINESE FEEL, ARE ALL STILL IN PLACE. FIRST, THE HABIBIE GOVERNMENT IS SEEN AS
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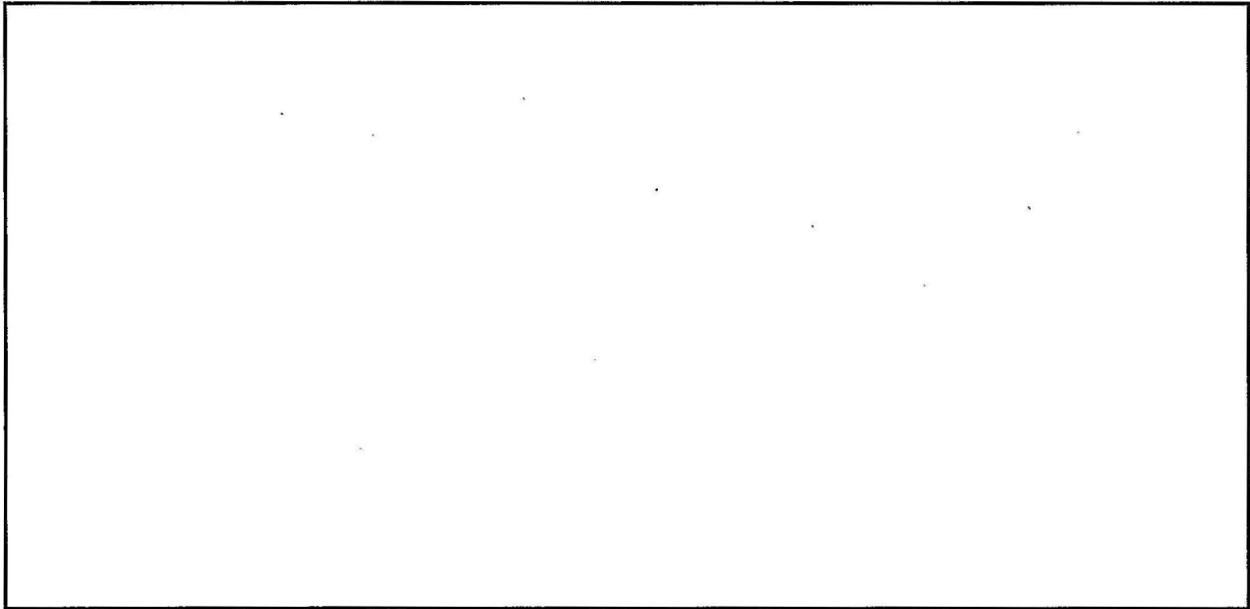
WEAK AND WITH NO MANDATE, AND THE CHINESE QUESTION THE MILITARY'S COHESION AND ABILITY TO MAINTAIN ORDER. ALL INTERVIEWEES POINTED TO THE PERSISTENCE OF LOOTING OUTSIDE JAKARTA AND A RISE IN LAWLESSNESS NATIONWIDE (JAKARTA 3867) AS EVIDENCE THAT THE GOVERNMENT DOES NOT HAVE THINGS UNDER CONTROL.

25. (C) SECOND, WITH SOCIO-ECONOMIC PRESSURES OF UNEMPLOYMENT, POVERTY, AND HUNGER ON THE RISE, THE CHINESE FEAR THAT THIS LAWLESSNESS WILL INCREASE AND THUS SO WILL ATTACKS ON THE CHINESE. HABIBIE'S JULY 22 GUARANTEE OF EQUAL PROTECTION FOR THE CHINESE AND THE MILITARY'S TOUGH TALK ABOUT CRACKING DOWN ON LOOTING HAVE YET TO INSPIRE CONFIDENCE, AS REPORTS OF LOOTING (NOTABLY IN MEDAN AND EAST JAVA) PERSIST. THIRD, THE PRESENCE OF SEVERAL CABINET MEMBERS CONSIDERED BLATANTLY ANTI-CHINESE LEAVES THE CHINESE SUSPICIOUS THAT THEY WILL AGAIN FALL VICTIMS TO POLITICAL EXPEDIENCE. MORE

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THAN THREE QUARTERS OF THE CHINESE INTERVIEWED POINTED TO MINISTER OF COOPERATIVES ADI SASONO, MINISTER OF FORESTRY AND PLANTATIONS MUSLIMIN NASUTION, COORDINATING MINISTER FOR THE ECONOMY GINANDJAR KARTASASMITA, AND PRESIDENT HABIBIE HIMSELF AS THE MOST OFFENSIVE IN THE CURRENT GOVERNMENT.



B1, B6

27. (C) [REDACTED]

B6

[REDACTED] SAID THAT AKBAR TANDJUNG HAD ORCHESTRATED THE GATHERING IN AN EFFORT TO LIMIT THE DAMAGE DONE BY HABIBIE'S REMARKS TO THE WASHINGTON POST.



B6

[REDACTED] HE NOTED THAT MOST THE OTHER TYCOONS, IN DIRE FINANCIAL STRAITS, WANTED TO KISS UP TO THE GOVERNMENT BEFORE THE NEW BANKRUPTCY LAW IS RELEASED. END COMMENT.

MASS EXODUS OR MASS CONFUSION?

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	SSO-00	STR-00	T-00	USIE-00	PMB-00	DSCC-00	PRM-01
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R 030708Z AUG 98
 FM AMEMBASSY JAKARTA
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 INFO AMCONSUL HONG KONG
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 DEPTTREAS WASHDC
 USDOC WASHDC
 AMEMBASSY SEOUL
 AMEMBASSY TOKYO
 AMEMBASSY CANBERRA
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E.O. 12958: DECL: 08/02/08

TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

28. (C) WHILE PESSIMISM IS INDEED PERVASIVE, THERE HAS NOT BEEN A MASS EXODUS OF CHINESE AS IS POPULARLY REPORTED IN THE PRESS. ACCORDING TO THE DEPARTMENT OF IMMIGRATION 120,000 PEOPLE LEFT INDONESIA FROM MID-MAY TO MID-JUNE. IT IS ASSUMED, THOUGH THERE IS NO ETHNIC BREAKDOWN IN THE DATA, THAT THOSE WHO LEFT WERE MOSTLY

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ETHNIC CHINESE. STILL, EVEN IF ALL 120,000 WERE SINO-INDONESIANS LEAVING AS A RESULT OF THE CRISIS, THIS REPRESENTS ONLY 20% OF THE ENTIRE CHINESE COMMUNITY. NO FIGURES AS TO HOW MANY OF THOSE THAT LEFT HAVE RETURNED HAVE BEEN PUBLISHED, THOUGH ANECDOTAL EVIDENCE SUGGESTS THAT A SUBSTANTIAL NUMBER WHO LEFT JAKARTA ARE BACK IN INDONESIA. SEVERAL CHURCH GROUPS CANVASSED INDICATED THAT THE VAST MAJORITY OF MEMBERS WHO HAD GONE ABROAD HAVE COME BACK, AND INTERVIEWEES STATED THAT WIVES AND KIDS WERE SENT TO SINGAPORE, HONG KONG OR AUSTRALIA FOR JUST A FEW WEEKS. COMPLICATING THIS PICTURE, HOWEVER, IS INTER-ISLAND MIGRATION. SOME CHINESE TRADERS WHOSE SHOPS WERE LOOTED AND/OR BURNED HAVE MOVED FROM JAKARTA, SOLO, AND SURABAYA TO OTHER, MORE TRADITIONALLY "TOLERANT" PARTS OF INDONESIA LIKE BALI, BATAM (SINGAPORE'S SISTER ISLAND), AND PONTIANAK (WEST KALIMANTAN).

29. (C) WHAT, THEN, ARE THE CHINESE THINKING FOR THE SHORT, MEDIUM AND LONG TERM? AS REPORTED IN JAKARTA 4031, THE ETHNIC CHINESE ARE NOT A MONOLITHIC GROUP WHICH CAN BE PERSUADED UNDER SPECIFIC CIRCUMSTANCES TO STAY IN INDONESIA AND BRING THEIR MONEY BACK EN MASSE. THE INDONESIAN-CHINESE COMMUNITY IS DIVIDED BY AGE, CLASS, EDUCATIONAL BACKGROUND, AND CULTURAL ORIENTATION, AND RESPONSES TO THE CRISIS HAVE BEEN HEAVILY INFLUENCED BY EACH OF THESE FACTORS.

30. (C) THE COMMUNITY IN JAKARTA (WHICH IS BELIEVED TO ACCOUNT FOR OVER TWO MILLION OF JAKARTA'S TEN MILLION CITIZENS) CAN BE ROUGHLY DIVIDED INTO FOUR GROUPS:

THOSE WHO WANT TO LEAVE

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31. (C) UPPER-MIDDLE AND UPPER-CLASS CHINESE IN THEIR EARLY 20'S TO EARLY 30'S EDUCATED IN THE WEST HAVE BEEN AMONG THE FIRST GROUP TO LEAVE, WHILE THOSE CURRENTLY WORKING OR STUDYING ABROAD ARE BEING TOLD BY THEIR PARENTS TO STAY PUT. THESE CHINESE ARE COSMOPOLITAN, BILINGUAL, AND HAVE THE SKILLS AND CONNECTIONS TO WORK OVERSEAS. STILL, PREDICTIONS THAT INDONESIA IS LOSING THE GENERATION OF HIGHLY EDUCATED CHINESE THAT WAS MEANT TO TRANSFORM INDONESIA IN THE 21ST CENTURY MAY BE PREMATURE. WHILE THIS GROUP HAS BEEN AMONG THE FIRST TO GO, THEY WILL LIKELY RETURN IF THE POLITICAL AND ECONOMIC ENVIRONMENT STABILIZES. "WE WERE BORN IN INDONESIA; WE ARE ATTACHED TO INDONESIA, AND AT THE END OF THE DAY, WE WILL HAVE GREATER OPPORTUNITIES IN INDONESIA," SAID ONE CONTACT

[REDACTED]

B6

"MOST OF US ARE ONLY LEAVING UNTIL THINGS SETTLE DOWN HERE. THE COMPETITION IS TOO EXTREME IN THE STATES. WE ARE MUCH BIGGER FISH IN JAKARTA'S POND."

[REDACTED]

B6

32. (C) ANOTHER, VERY DIFFERENT GROUP, THOSE WHO TOOK THE PHYSICAL BRUNT OF THE VIOLENCE THAT EXPLODED WITH THE RIOTS IN MAY, IS TRYING TO LEAVE. THE AREAS HARDEST HIT IN MAY, SUCH AS KOTA,

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E.O. 12958: DECL: 08/02/08

TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

GLODOK, PLUIT, ANGKE, AND KLENDER, ARE THE REAL CHINA TOWNS OF
JAKARTA IN THE NORTH, WEST, AND EAST OF THE CITY. MIDDLE TO LOWER-
CLASS CHINESE ENTREPRENEURS ARE CONCENTRATED IN THESE AREAS. THEIR
STORES AND/OR HOMES WERE LOOTED AND BURNED, AND IN SEVERAL HUNDRED
CASES THEIR DAUGHTERS, WIVES AND EVEN MOTHERS WERE RAPED. (MOST
UPPER-CLASS CHINESE DO NOT LIVE IN PREDOMINANTLY CHINESE AREAS BUT
IN MIXED COMMUNITIES WITH WEALTHY INDONESIANS, GOVERNMENT OFFICIALS

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AND FOREIGNERS IN THE CENTER AND SOUTH OF THE CITY. THESE AREAS
WERE LARGELY UNTOUCHED BY THE VIOLENCE.)

33. (C) THESE SMALL AND MEDIUM SCALE CHINESE BUSINESSPEOPLE HAVE BEEN THE MOST TRAUMATIZED BY THE MAY CRISIS, AND THEY ARE AFRAID FOR THEIR PHYSICAL SAFETY AND THAT OF THEIR FAMILIES. MANY ARE NOT WILLING TO START OVER AND REINVEST, PARTICULARLY THOSE WITH YOUNG DAUGHTERS. STILL, WITH LIMITED SAVINGS AND LIMITED SKILLS (THIS CLASS OF CHINESE IS LARGELY UNEDUCATED), CHINESE TRADERS AND SMALL BUSINESSMEN CAN NOT EASILY LEAVE AND LIVE ABROAD. SOME OF THESE TOTOK CHINESE HAVE FAMILY ELSEWHERE IN THE REGION, AND SO THEY ARE SENDING THEIR CHILDREN OUT FIRST WHILE THEY WAIT TO SEE HOW EVENTS UNFOLD IN INDONESIA. ONE MAN, DESPERATE TO GET HIS THREE DAUGHTERS OUT, SAID THAT HE AND SOME OF HIS FRIENDS WERE CONSIDERING MAIL-ORDER BRIDE SCHEMES.

THOSE THAT WANT TO FIGHT

34. (C) PERANAKAN CHINESE PROFESSIONALS WHOSE FAMILIES CAME TO INDONESIA MANY GENERATIONS AGO AND WHO THINK OF THEMSELVES AS WHOLLY INDONESIAN ARE STANDING UP TO DEMAND THEIR RIGHTS AND ASSERT THEIR PLACE IN THE INDONESIAN NATION. THESE PERANAKAN ACADEMICS, INTELLECTUALS, LAWYERS, AND DOCTORS HAVE BECOME VERY ACTIVE OVER THE COURSE OF THE PAST TWO MONTHS, WRITING NEWSPAPER ARTICLES, ORGANIZING SEMINARS AND CONFERENCES, AND FORMING A VARIETY OF NGOS TO TACKLE RACIAL DISCRIMINATION AND PRESSURE THE STATE. SIGNIFICANTLY, THESE GROUPS ARE ENGAGING A NUMBER OF HIGH-PROFILE PRIBUMI INTELLECTUALS AND ACADEMICS, INCLUDING [REDACTED]

B6

[REDACTED] AND OTHERS. SUCH ACTIVITY IS ALSO REPORTEDLY TAKING PLACE IN SOLO, JOGJAKARTA AND SURABAYA. CHINESE
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POLITICAL PARTIES HAVE EVEN FORMED, THOUGH SUPPORT WITHIN THE
BROADER CHINESE COMMUNITY FOR EXCLUSIVELY CHINESE PARTIES IS WEAK.

35. (C) ONE COMPONENT OF THIS PERANAKAN POLITICAL AWAKENING HAS BEEN AN OUTPOURING OF ANGER TOWARDS THE CHINESE TYCOONS, WHO ARE SEEN AS HAVING ABUSED THEIR PRIVILEGED ACCESS TO STATE LICENSES AND FACILITIES AND ENRICHED THEMSELVES AT THE EXPENSE OF THE SECURITY OF THE CHINESE COMMUNITY. THIS HAS BEEN A CONSTANT THEME OF THE RECENT SEMINARS, CONFERENCES AND NEWSPAPER ARTICLES ON THE CHINESE ISSUE. WHILE RESENTMENT OF THIS CLASS IS PARTICULARLY ACUTE AMONG PERANAKAN CHINESE (80-90% OF THE TYCOONS ARE TOTOKS), AND PERANAKAN PROFESSIONALS ARE LEADING THE PUBLIC CHARGE, PERANAKAN AND TOTOK CONTACTS ALIKE CURSED THE CORRUPT CONGLOMERATE FAMILIES AS HAVING "RUINED IT FOR THE REST OF THE CHINESE." NOT ONLY, THEY ARGUE, HAD THE VAST MAJORITY OF CHINESE NEVER BENEFITTED ONE RUPIAH FROM STATE

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PATRONAGE, BUT THE CHINESE COMMUNITY ALSO WAS LEFT VULNERABLE TO PUBLIC IRE AS A RESULT OF THE HIGHLY VISIBLE WEALTH OF THE CORRUPT TYCOONS. WHILE THESE CHINESE ALSO BLAME SOEHARTO FOR THE CORROSIVE CONGLOMERATE-STATE RELATIONSHIP, ANGER AT THE TYCOONS RUNS DEEP. SAID ONE MAJOR PERANAKAN BUSINESSMAN, "I WOULDN'T BEAT ALL SAD TO SEE A FEW OF THOSE GUYS HANGED FOR WHAT THEY'VE DONE. THEY'RE WHITE COLLAR CRIMINALS, EVERY ONE OF THEM. AND THEY SHOULD PAY FOR RAPING THE STATE AND RUINING THE REPUTATIONS OF THE REST OF US."

36. (C) PERANAKAN PROFESSIONALS ARE RAISING A NUMBER OF CONCRETE

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ACTION EAP-01

INFO	LOG-00	ACDA-08	ACDE-00	AGRE-00	AID-00	AIT-03	ACQ-01
	CEA-01	CIAE-00	SMEC-00	CTME-00	DINT-00	DODE-00	DOEE-00
	SRPP-00	DS-00	EB-00	EUR-01	EXIM-01	E-00	FBIE-00
	FRB-00	H-01	IM-01	TEDE-00	INR-00	IO-00	ITC-01
	L-01	ADS-00	MMP-00	NSAE-00	NSCE-00	OIC-02	OIG-04
	OMB-01	OPIC-01	PA-00	PM-00	PRS-00	P-00	SP-00
	SSO-00	STR-00	T-00	USIE-00	PMB-00	DSCC-00	PRM-01
	DRL-04	G-00	NFAT-00	SAS-00	/033W		

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R 030708Z AUG 98

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2887

INFO AMCONSUL HONG KONG 075

ASSOCIATION OF SOUTHEAST ASIAN NATIOS

DEPTTREAS WASHDC

USDOC WASHDC

AMEMBASSY SEOUL

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMCONSUL SYDNEY

AMEMBASSY BONN

AIT TAIPEI 0925

USMISSION GENEVA

USCINCPAC HONOLULU HI

AMCONSUL SURABAYA

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BANDAR SERI BEGAWAN PLEASE PASS EAP A/S ROTH

HONG KONG FOR TREASURY ATTACHE QUINN

DEPARTMENT FOR EAP/PIMBS, EB/OMA, INR/IL

STATE PASS FEDERAL RESERVE FOR LANDRY

COMMERCE FOR 4430/MAC/MIKALIS AND 6904/TD/OEPC/IEPD

DEPARTMENT PASS FOR EXIMBANK FOR IMAM

PASS USDA FOR FAS

AID/W FOR ANE

MANILA ALSO FOR USAID

USCINCPAC FOR FPA AMB SALMON

E.O. 12958: DECL: 08/02/08

TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

DEMANDS, INCLUDING SIMPLIFICATION OF THE CITIZENSHIP REQUIREMENTS FOR INDONESIANS OF CHINESE DESCENT, ABOLITION OF MARKS THAT DISTINGUISH CHINESE FROM PRIBUMIS ON IDENTITY CARDS, REPLACEMENT OF THE DEROGATORY TERM "CINA" WITH THE NEUTRAL TERM "TIONGHOA" IN REFERENCE TO SINO-INDONESIANS, AND ELIMINATION OF INFORMAL BARRIERS TO CHINESE PARTICIPATION IN THE BUREAUCRACY AND THE MILITARY.

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(COMMENT: THE GOVERNMENT HAS ANNOUNCED ITS INTENTION TO ABOLISH THE IDENTITY CARD MARKINGS NATIONWIDE, AND JAKARTA HAS REPORTEDLY ALREADY IMPLEMENTED THE CHANGES. AFTER ASSUMING POWER IN 1967, SUHARTO ISSUED A PRESIDENTIAL DECREE CHANGING THE TERM "TIONGHOA" TO "CINA," WHICH TO INDONESIAN CHINESE IS ROUGHLY ANALOGOUS TO "CHINK," OR WORSE YET, "NIGGER." END COMMENT.) SOME GROUPS ARE ALSO CALLING FOR NEW LAWS THAT EXPLICITLY GUARANTEE THE RIGHTS OF THE CHINESE MINORITY.

37. (C) INTERESTINGLY, MANY CHINESE ARE ALSO PROPOSING AFFIRMATIVE ACTION PROGRAMS TO HELP POOR PRIBUMIS. A SOLID MAJORITY OF CHINESE INTERVIEWED REFERRED TO A MALAYSIAN-STYLE NEP (NEW ECONOMIC POLICY) AS ONE MEANS OF REDUCING ETHNIC TENSIONS IN INDONESIA. THIS WOULDN'T HAVE TO BE EXPLICITLY RACE-BASED, THEY ARGUE, FOR ANY PROGRAMS TO HELP THE POOR WOULD INEVITABLY FOCUS ON PRIBUMI. "THE LONG-TERM SECURITY OF THE CHINESE COMMUNITY IS DEPENDENT ON THE

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ELIMINATION OF INDONESIA'S ENORMOUS SEETHING UNDER-CLASS," EXPLAINED ONE PERANAKAN ECONOMIST. "THE REAL GRIEVANCES OF THE POOR MUST BE ADDRESSED. THERE IS SIMPLY NO OTHER WAY FOR THE CHINESE TO BE SAFE." THOUGH PERANAKAN PROFESSIONALS ARE OUT IN FRONT WITH THIS AGENDA, MOST PERANAKAN (AND SOME TOTOK) BUSINESSMEN INTERVIEWED EXPRESSED STRONG SUPPORT FOR THESE IDEAS.

THOSE WHO WANT TO WAIT AND SEE

38. (C) THE VAST MAJORITY OF TOTOK BUSINESSMEN FALL IN THIS CATEGORY. TOTOK ARE TRADITIONALLY NOT INTERESTED IN POLITICS, DEMURE FROM DISCUSSING THE POLITICAL, AND WANT ONLY A STABLE POLITICAL AND ECONOMIC ENVIRONMENT IN WHICH TO DO BUSINESS. THESE CHINESE EXPRESSED THEIR CONTINUING SUSPICION OF THE GOVERNMENT,

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CONCERNED THAT IT HAS NEITHER THE LEGITIMACY NOR THE POWER TO MAINTAIN LAW AND ORDER AND STABILIZE THE ECONOMY. EVERY BUSINESSMAN INTERVIEWED BELIEVED THAT THE ECONOMY WOULD NOT RECOVER IN THE ABSENCE OF POLITICAL STABILITY, AND HABIBIE WAS SEEN AS STILL BEING WEAK. CREDIBLE INVESTIGATIONS OF THE KIDNAPPINGS, TRISAKTI SHOOTINGS AND THE MAY RIOTS AND RAPES ARE SEEN AS KEY TO POPULAR CONFIDENCE IN GOVERNMENT, AND MOST DOUBTED THE HABIBIE GOVERNMENT'S ABILITY TO CARRY OUT SUCH INVESTIGATIONS. THE BIGGER BUSINESSMEN SAW THE IMF AND CGI MONEY AS NECESSARY BUT IRRELEVANT IN THE LARGER SCHEME OF THINGS. SINCE MOST OF THE MONEY WILL BE USED TO UNDERWRITE SUBSIDIES AND COVER GOVERNMENT SHORTFALLS, THEY ARGUE, THE MONEY WILL NOT JUMP-START INDONESIA'S MORIBUND ECONOMY BUT JUST KEEP THE PLACE AFLOAT. IF THE ECONOMY CONTINUES TO DETERIORATE, MOREOVER, THEY EXPECT THE CHINESE COMMUNITY WILL AGAIN BE THE TARGETS OF SOCIAL UNREST.

39. (C) IN THE SHORT TERM, THEN, THERE IS LITTLE OPTIMISM AND NO PLANS TO REINVEST. EVEN PERNAKANS DETERMINED TO STAY AND WILLING TO FIGHT FOR GREATER SOCIAL AND POLITICAL RIGHTS ARE WAITING TO SEE WHAT UNFOLDS BEFORE RECOMMITTING RESOURCES. "INVESTMENT," SAID ONE PERANAKAN BUSINESSMAN, "REQUIRES LONG-TERM CONFIDENCE, AND RIGHT NOW, EVERY DAY WHEN I WAKE UP, I DON'T KNOW WHAT I WILL FIND." JAKARTA IS RIFE WITH RUMORS OF COMING RIOTS AND UNREST, LEAFLETS ARE CIRCULATING WARNING OF IMPENDING ATTACKS ON CHINESE WOMEN AND CHILDREN, AND CHINESE, IN GENERAL, DO NOT FEEL PHYSICALLY SAFE.

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E.O. 12958: DECL: 08/02/08

TAGS: PGOV, ECON, EIND, PINR, KPRP, PHUM, PINS, PREL, ID

SUBJECT: A CLOSER LOOK AT THE INDONESIAN CHINESE

MOST CONTACTS HOPE THAT NEXT YEAR'S ELECTION WILL LEAD TO A GREATER DEGREE OF POLITICAL AND ECONOMIC STABILITY, THOUGH THEY ACKNOWLEDGE THAT THINGS WILL LIKELY BE MESSY IN THE RUN UP TO THE VOTE. IF THE ELECTION IS RUN FAIRLY, A CREDIBLE GOVERNMENT IS INSTALLED, AND THE MACRO-ECONOMY SHOWS SIGNS OF STABILIZATION, THE CHINESE WILL REINVEST. "BUT FIRST WE WANT TO UNDERSTAND THE NEW RULES OF THE GAME," SAID ONE TOTOK CERAMICS EXPORTER. "WE DON'T WANT SPECIAL

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TREATMENT LIKE THE CRONIES GOT IN THE PAST. A FREE, FAIR AND STABLE BUSINESS ENVIRONMENT IS ALL THAT WE NEED TO PROSPER."

40. (C) WHEN PRESSED ON WHO THEY WOULD VOTE FOR IN THE COMING ELECTION, 18 OF 22 CONTACTS SAID MEGAWATI'S PDI. PDI INSIDERS AND OTHER SOURCES TELL US THAT CHINESE MONEY IS FLOWING INTO PARTY COFFERS, THOUGH NO CHINESE INTERVIEWED ACKNOWLEDGED MAKING DONATIONS.

THOSE WHO HAVE NO CHOICE

41. (C) THE VAST MAJORITY OF INDONESIAN CHINESE ARE SMALL ENTREPRENEURS AND TRADERS WITH LIMITED CAPITAL AND LOW EDUCATION AND THUS LITTLE CHOICE BUT TO STAY PUT. WHILE SOME OF THE MORE TRAUMATIZED ARE TRYING TO GET OUT OR HAVE MOVED TO OTHER ISLANDS, MOST ARE TRYING TO REBUILD THEIR HOMES, STORES, AND LIVES. SEVERAL PRIVATE ORGANIZATIONS HAVE BEEN ESTABLISHED TO HELP THE CHINESE GET BACK ON THEIR FEET, AND THE GOVERNMENT IS APPARENTLY CONTEMPLATING A SCHEME TO RECAPITALIZE SHOPS THAT WERE LOOTED AND BURNED. THE PLAN IS SAID TO PROVIDE RP 300-500 MILLION PER SHOP. CHINESE IN AREAS HIT BY THE RIOTS ARE DOING WHAT THEY CAN TO PROTECT AGAINST FUTURE ATTACKS, BARRICADING THEIR COMMUNITIES AND ARMING THEMSELVES WITH SWORDS, KNIVES GUNS AND MACE. THERE ARE ALSO REPORTS, THOUGH UNCONFIRMED, OF AN INCREASE IN THE TRADE OF ILLICIT ARMS. SHOULD ANTI-CHINESE UNREST AGAIN FLARE UP, THE CHINESE SAY THEY ARE PREPARED TO FIGHT BACK.

CONCLUSION

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42. (C) THE INDONESIAN CHINESE ARE A HETEROGENEOUS COMMUNITY, AND LARGELY REALIZE THAT BEING ANTI-CONGLOMERATE DOES NOT MEAN BEING ANTI-CHINESE. THE MINIMUM REQUIREMENTS FOR A RETURN OF CONFIDENCE AND CAPITAL TO INDONESIA ARE POLITICAL AND MACROECONOMIC STABILITY; A CREDIBLE GUARANTEE FOR PHYSICAL SECURITY; INVESTIGATION OF THE MAY RIOTS AND RAPES; AND ACCOUNTABILITY FOR THOSE FOUND GUILTY. IN THE SHORT TERM, THEN, THE PICTURE IS BLEAK, FOR THESE CRITERIA WILL NOT BE EASILY OR IMMEDIATELY MET. IN THE MEDIUM TO LONG TERM, HOWEVER, IF ELECTIONS AND CREDIBLE GOVERNMENT FOSTER A MORE STABLE POLITICAL AND ECONOMIC ENVIRONMENT, THERE IS REASON FOR MEASURED OPTIMISM. ON THE ECONOMIC SIDE, WHILE CAPITAL IS INDEED MOBILE AND CHINESE, LIKE OTHER INVESTORS, CAN KEEP THEIR MONEY ABROAD, VIRTUALLY ALL CHINESE BUSINESSMEN ACKNOWLEDGE THAT A STABLE INDONESIA WOULD PRESENT ENORMOUS INVESTMENT OPPORTUNITIES. ON THE POLITICAL SIDE, PERANAKAN CHINESE ARE PRO-ACTIVELY ENGAGED IN "REFORMASI" AND ARE PROMOTING THE KIND OF DISCOURSE NECESSARY TO FIND LONG-TERM SOLUTIONS TO INDONESIA'S LONGSTANDING CHINESE PROBLEM. ROY

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