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(b)(3):10 USC 424,(b)(3):50 USC 403-1(i)

BT

CONTROLS

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(b)(3):10 USC 424

SERIAL: (U) IIR (b)(3):10 USC 424

/***** THIS IS A COMBINED MESSAGE *****/

BODY

(b)(3):10 USC 424

SUBJECT: (b)(3):10 USC 424 ACEH AND NORTH SUMATRA
SECURITY ISSUES - PART II

WARNING: (U) THIS IS AN INFORMATION REPORT, NOT

- FINALLY EVALUATED INTELLIGENCE. REPORT

- CLASSIFIED ~~CONFIDENTIAL~~

(b)(3):10 USC 424

DEPARTMENT OF DEFENSE

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D OI: (U) 990701.

(b)(3):10 USC 424

SUMMARY: ~~(C)~~ DURING A 29 JUNE - 1 JULY VISIT TO MEDAN AND
ACEH, (b)(1),(b)(3):10 USC 424, 1.4 (c) WITH GOVERNMENT
OFFICIALS, MILITARY COMMANDERS, UNIVERSITY FACULTY,
STUDENTS, NGOS AND OTHERS IN MEDAN, BANDA ACEH AND
LHOKSEUMAWE. THIS REPORT COVERS SCHOOL BURNINGS,
MYSTERIOUS SHOOTINGS, REFUGEES, PROVOCATEURS AND
SEPARATIST ORGANIZATION AND ACTIVITIES.

TEXT: 1. ~~(C)~~ SCHOOL BURNINGS: AS OF THE END OF JUNE, 125
PUBLIC SCHOOLS HAD BEEN BURNED IN THE DISTRICTS OF NORTH
ACEH, PIDIE, WEST, EAST, CENTRAL AND SOUTH ACEH - 63
ELEMENTARY SCHOOLS AND 42 MIDDLE AND HIGH SCHOOLS.
TOTAL DAMAGE IS ESTIMATED TO BE 17 BILLION RUPIAH (ABOUT
USD 2.5 MILLION). IN ADDITION, A NUMBER OF GOVERNMENT
BUILDINGS HAVE BEEN BURNED IN THE SAME AREAS, INCLUDING

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TAX OFFICES AND HEALTH CARE CENTERS. ACCORDING TO BUPATI ((TARMIZI)) KARIM, NORTH ACEH DISTRICT HAS BEEN HARDEST HIT, WITH ABOUT 70 SCHOOLS BURNED. WHILE THE GOVERNMENT PLANS TO REBUILD MOST OF THESE SCHOOLS, STUDENTS AND TEACHERS WILL BE FORCED TO USE OTHER FACILITIES - MOST OFTEN LOCAL MOSQUES - UNTIL RECONSTRUCTION TAKES PLACE.

2. ~~(C)~~ OTHER THAN TWO HIGH SCHOOL STUDENTS WHO WERE ARRESTED ABOUT THREE MONTHS AGO, NONE OF THE CULPRITS INVOLVED IN THE SCHOOL BURNINGS HAVE BEEN CAUGHT. THE HIGH SCHOOL BOYS WERE APPARENTLY PAID BY UNKNOWN PERSONS TO BURN A SCHOOL. ACEH GOVERNOR ((SYAMSUDDIN)) MAHMUD AND OTHER OFFICIALS CLAIMED TO HAVE NO IDEA WHO OR WHY THE SCHOOLS ARE BEING BURNED. AMONG THE PEOPLE WE SPOKE WITH, THERE WERE TWO PREVALENT THEORIES. THE

(b)(1),(b)(6),Sec. 1.4(d) MOST OF THE NGOS ARE CONVINCED THAT THE MILITARY IS BEHIND THE SCHOOL BURNINGS AS WELL AS OTHER MYSTERIOUS OCCURRENCES LIKE THE KILLINGS OF "CUAK" (FORMER MILITARY COLLABORATORS). UNDER THIS THEORY, THE ARMY (OR PEOPLE UNDER CONTROL OF THE ARMY) ARE DELIBERATELY TRYING TO DESTABILIZE THE PROVINCE TO JUSTIFY A REINSTATEMENT OF MARTIAL LAW (OR DOM). PROPONENTS OF THIS THEORY NOTE THAT SOME OF THE SCHOOLS BURNED ARE VERY CLOSE TO MILITARY POSTS AND THAT IT IS VERY STRANGE THAT NOBODY HAS BEEN ARRESTED IN CONJUNCTION WITH THESE WIDESPREAD BURNINGS. MOREOVER, VILLAGERS THEMSELVES PROVIDE THE LAND FOR THE SCHOOLS AND MONEY TO PAY FOR THEIR CONTRUCTION. WHY, THEN, WOULD GAM RISK INCITING VILLAGER ANGER BY ATTACKING THESE COMMUNITY ASSETS? NGOS POINTED OUT AS WELL THAT ACEH MERDEKA FLAGS WERE FOUND AT THE SITES OF SOME OF THE EARLIER SCHOOL BURNINGS. THEY INTERPRETED THIS AS A CLUMSY ATTEMPT BY THE MILITARY TO PIN THE BLAME ON THE SEPARATISTS.

3. ~~(C)~~ ANOTHER THEORY, ADHERED TO BY THE MILITARY AND MOST GOVERNMENT OFFICIALS, IS THAT GAM SEPARATISTS ARE RESPONSIBLE. THE BUPATI OF NORTH ACEH SAID THAT HE HAD SPOKEN WITH TEACHERS FROM SOME OF THE BURNED SCHOOLS AND WAS TOLD THAT SEPARATISTS BURNED THEIR SCHOOLS BECAUSE THE SCHOOLS SYMBOLIZE INDONESIAN "COLONIALISM" - TEACHING PANCASILA, INDONESIAN HISTORY, THE IMPORTANCE OF INDONESIAN UNITY (KESATUAN DAN PERSATUAN) AND THE INDONESIAN LANGUAGE TO ACEHNESE YOUTH. THE BUPATI SAID

THERE HAS BEEN AN EVOLUTION OF SEPARATIST VIOLENCE, BEGINNING WITH THE "CUAK" KILLINGS, NOW TO THE SCHOOL BURNINGS AND KILLINGS OF TEACHERS. (b)(1),(b)(6),Sec. 1.4(d)

(b)(3):10 USC 424 AT SYAH KUALA UNIVERSITY IN BANDA ACEH ALSO NOTED THAT NO MUSLIM SCHOOLS (OR PESANTREN) HAVE BEEN BURNED. HE FELT THIS MIGHT BE THE REASON PUBLIC SCHOOLS ARE BEING BURNED - TO FORCE THE DISPLACED STUDENTS INTO THE MOSQUES AND PESANTREN SCHOOLS. THIS THEORY MAKES MORE SENSE THAN THAT THE ARMY IS BURNING SCHOOLS. HOWEVER, IT IS CERTAINLY A POOR REFLECTION ON SECURITY FORCES THAT THEY HAVEN'T BEEN ABLE TO HALT THIS PERNICIOUS TREND OR CAPTURE SOME OF THE CULPRITS. ACCORDING TO MEDAN NEWSPAPER, THE LHOKSEUMAWE KOREM 011 COMMANDER COL ((SYAFNIL)) ARMEN HAS CALLED ON SOCIETY TO MOUNT A "JIHAD" AGAINST THOSE WHO ARE BURNING THEIR SCHOOLS.)

4. (C) MYSTERIOUS KILLINGS: REGARDING THE KILLINGS OF PERSONS THOUGHT TO BE "CUAKS," (b)(1),(b)(6),Sec. 1.4(d) ESTIMATED BETWEEN 80 AND 100 OF THESE FORMER MILITARY COLLABORATORS HAVE BEEN MURDERED TO DATE. HE BELIEVES THE ARMY IS BEHIND MANY OF THESE KILLINGS. NORTH ACEH (b)(1),(b)(6),Sec. 1.4(d) IMPLIED THE MILITARY IS BEHIND THE CUAK MURDERS, ASKING HIS VISITORS, "WHO WOULD BENEFIT FROM THE DEATHS OF THESE INDIVIDUALS - WITNESSES TO THE ABUSES OF THE DOM?" NGOS ALSO SUGGESTED THAT DUE TO THE INTERNATIONAL ATTENTION ON HUMAN RIGHTS ABUSES IN ACEH, MILITARY TACTICS HAVE SHIFTED TO COVERT ACTIONS LIKE KIDNAPPINGS AND ANONYMOUS KILLINGS.

5. (C) THE REFUGEE PROBLEM: MORE THAN 40,000 PERSONS ARE ESTIMATED TO BE DISPLACED IN ACEH - ESPECIALLY IN NORTH ACEH, EAST ACEH AND PIDIE DISTRICTS. WHILE IT IS VERY LIKELY THAT MANY OF THESE DISPLACED PERSONS ARE LEAVING THEIR HOMES BECAUSE OF THE FEAR OF HARSH MILITARY SWEEPS IN THEIR AREAS, IT APPEARS THAT THE MOVEMENT OF REFUGEES IS ALSO BEING INSTIGATED TO SOME EXTENT BY GAM SEPARATISTS FOR PUBLICITY PURPOSES. ACEH GOVERNOR SYAMSUDDIN SAID THE COMMON PEOPLE ARE FLEEING THEIR HOMES BECAUSE THEY ARE STILL TRAUMATIZED BY THE DOM AND AFRAID OF THE SECURITY FORCES. THE GOVERNOR AND THE (b)(1),(b)(6),Sec. 1.4(d) IN LHOKSEUMAWE CHARACTERIZED THE REFUGEE PROBLEM AS TEMPORARY IN NATURE. MOST OF THE DISPLACED PERSONS RETURN TO THEIR HOMES AFTER A COUPLE

WEEKS WHEN SECURITY FORCES HAVE LEFT. (b)(1),(b)(6),Sec. 1.4(d)

(b)(1),(b)(6),Sec. 1.4(d) SAID THE GAM IS DEFINITELY MANIPULATING THE REFUGEE SITUATION FOR PUBLICITY PURPOSES, AS DID SEVERAL NGO REPRESENTATIVES. THERE ARE GAM SEPARATISTS OR SYMPATHIZERS AMONG THE REFUGEES WHO ARE TELLING THEM WHAT TO DO. IN KANDANG, (b)(1),(b)(6),Sec. 1.4(d) SAID, THE VILLAGERS WENT HOME AND WERE TOLD BY GAM TO RETURN TO THEIR CAMP DUE TO AN EXPECTED UNHCR VISIT.

6. (C) GAM ARMED SEPARATIST STRENGTH: THE OFFICIAL ESTIMATE OF THE GAM ARMED SEPARATIST STRENGTH RECENTLY ANNOUNCED BY THE KODAM I COMMANDER MG GAFFAR IS ABOUT 1,000 MEMBERS WITH 600 RIFLES AND PISTOLS. HOWEVER, (b)(1),(b)(6),Sec. 1.4(d)

(b)(1),(b)(6),Sec. 1.4(d) AND OTHERS ESTIMATED GAM STRENGTH AS HIGH AS 4,000 TO 5,000 ARMED MEMBERS.

7. (C) MULTIPLE GAM GROUPS? SEVERAL OFFICIALS SAID CRIMINAL ELEMENTS CALLING THEMSELVES GAM ARE TAKING ADVANTAGE OF THE CURRENT UNSETTLED SITUATION IN ACEH TO EXTORT MONEY AND STEAL. (b)(1),(b)(6),Sec. 1.4(d)

(b)(1),(b)(6),Sec. 1.4(d) SAID AT LEAST THREE GROUPS ARE USING THE TITLE GAM. THE ORIGINAL (PURE) GAM GROUP ADVOCATES ACEH INDEPENDENCE ON THE BASIS THAT **INDONESIA** HAS TREATED THE ACEHNESE PEOPLE UNFAIRLY. SECURITY FORCES SEVERELY DECIMATED THIS GROUP DURING THE DOM ERA, BUT THE GROUP HAS BEEN ABLE TO RECOVER AND SUBSTANTIALLY INCREASE ITS STRENGTH DURING THE PAST YEAR. THIS IS THE PRIMARY SEPARATIST GROUP THAT HAS RECEIVED MUCH PUBLICITY IN RECENT MONTHS - MEETING FREELY WITH JOURNALISTS AND ALLOWING PHOTOS TO BE TAKEN.

HOWEVER, (b)(1),(b)(6),Sec. 1.4(c),Sec. 1.4(d) THERE ARE AT LEAST TWO OTHER GROUPS TAKING ADVANTAGE OF THE UNSETTLED SITUATION THAT INCLUDE CRIMINAL ELEMENTS. (b)(1),1.4 (c)

(b)(1),1.4 (c) ONE OF THOSE GROUPS INCLUDES FORMER KOPASSUS SOLDIERS WHO HAD PREVIOUSLY OPERATED IN ACEH. MEMBERS OF BOTH GROUPS WERE "HAPPY" UNDER THE DOM BECAUSE THEY COULD CONDUCT ILLICIT BUSINESSES - LIKE GAMBLING, PROSTITUTION AND DRUG TRAFFICKING - ACTIVITIES THAT HAVE BEEN SEVERELY CURTAILED DURING THE PAST YEAR. THESE CRIMINAL GAM GROUPS EXTORT MONEY FROM BUSINESSES, STEAL PLANTATION CROPS LIKE PALM OIL AND RUBBER, AND ARE ALSO INVOLVED IN THE MARIJUANA AND ECSTASY DRUG TRADE (b)(1),1.4 (c)

(b)(1),1.4 (c) (b)(3):10 USC 424 THERE IS PROBABLY SOME TRUTH TO ALLEGATIONS THAT ELEMENTS OF BOTH THE MILITARY AND GAM

ARE INVOLVED IN ILLEGAL DRUG TRAFFICKING - MOSTLY MARIJUANA, WHICH IS GROWN IN ACEH.) NGOS ALSO CLAIMED THERE ARE VARIOUS GAM FACTIONS, WITH DIFFERENT IDEOLOGIES AND GOALS, SOME USING THE SEPARATIST MOVEMENT FOR CRIMINAL ACTIVITIES.

8. ~~(G)~~ KOPASSUS PROVOCATEURS? RUMORS PERSIST THAT EX-KOPASSUS SOLDIERS ARE STIRRING UP TROUBLE IN ACEH. A NATIONAL NEWSPAPER, THE JAKARTA POST, RECENTLY PUBLISHED AN ARTICLE ALLEGING THAT A PLATOON OF KOPASSUS SOLDIERS HAD DESERTED AFTER **PRESIDENT SOEHARTO RESIGNED** LAST YEAR AND ARE NOW BELIEVED TO BE OPERATING IN ACEH. (b)(1),(b)(6),Sec. 1.4(d)

[REDACTED] SUGGESTED THAT FORMER KOPASSUS SOLDIERS, POSING AS SEPARATISTS, ARE ENGAGING IN CRIMINAL ACTIVITIES. SEVERAL NGOS ALSO CONTENDED THAT A "MIDDLE GROUP OF MILITARY GHOSTS," OR PROVOCATEURS, IS TRYING TO EXPLOIT THE DISTURBED CONDITIONS IN ACEH. THE NGOS CLAIMED THAT ANOTHER MOTIVE FOR KEEPING THE SITUATION IN ACEH UNSETTLED IS TO PROTECT THE EXTENSIVE LOCAL BUSINESS INTERESTS OF THE SOEHARTO FAMILY AND THE MILITARY (TIMBER, PLANTATIONS AND OTHER LOCAL INDUSTRIES) - WHICH WOULD BE THREATENED IF REFORMS WERE IMPLEMENTED. (b)(3):10 USC 424 [REDACTED] ALL OF THESE CLAIMS ARE UNCONFIRMED AND SPECULATIVE.) THE NGOS GENERALLY COMMENDED THE LOCAL MILITARY FOR ITS NEUTRALITY DURING THE GENERAL ELECTIONS, BUT CLAIMED THE MILITARY IS STILL INVOLVED IN PROTECTION OF ILLICIT BUSINESSES AND PRESSURE TACTICS AGAINST LABOR ON BEHALF OF LOCAL BUSINESSES AND LAND OWNERS.

9. ~~(G)~~ ALSO FUELING THE RUMORS OF MILITARY PROVOCATEURS ARE THE REPORTS OF KOPASSUS IMPOSTORS ARRESTED BY SECURITY FORCES. (b)(1),(b)(6),Sec. 1.4(d)

[REDACTED] SAID SECURITY FORCES HAVE ARRESTED THREE ARMY IMPERSONATORS TO DATE. ALL THREE WERE SENT TO MEDAN FOR QUESTIONING, THEN TO JAKARTA, HE SAID. (b)(1),(b)(6),Sec. 1.4(d)

[REDACTED] IN LHOKSEUMAWE SAID THAT FOUR ACTIVE DUTY SOLDIERS HAD RECENTLY BEEN ARRESTED AND COURT-MARTIALED AFTER A SHOOT-OUT AT A LOCAL POST OFFICE. LOCAL CITIZENS CAPTURED THE SOLDIERS AND HANDED THEM OVER TO POLICE. ACCORDING TO THE LOCAL NEWSPAPER, THE FOUR SOLDIERS WERE COURT-MARTIALED AND SENTENCED TO TWO TO FOUR WEEKS OF JAIL AND EXPULSION FROM TNI. MILITARY OFFICIALS REPORTEDLY EXPLAINED THAT THE SOLDIERS WERE

UNDER A LOT OF STRESS.

10. ~~(C)~~ GAM SUPPORT AND EXTORTION: SINCE THE CHANGE OF GOVERNMENT IN JAKARTA LAST YEAR AND THE END OF THE DOM, THE NUMBERS OF GAM MEMBERS, WEAPONS AND RESOURCES APPEAR TO HAVE INCREASED SIGNIFICANTLY--ENABLING MUCH MORE OPEN AND AGGRESSIVE TACTICS. SEVERAL SOURCES OF FUNDING PROBABLY HAVE ALLOWED GAM TO PROCURE WEAPONS FROM NEIGHBORING COUNTRIES. HOWEVER, IT IS UNLIKELY THERE IS CURRENTLY A LIBYAN CONNECTION. (b)(1),(b)(6),Sec. 1.4(d)

[REDACTED] SUGGESTED THAT LIBYAN LEADER COL ((QADAFI)) IS NOW MORE CIRCUMSPECT THAN DURING THE HEYDAY OF THE 1980'S, WHEN HE PROVIDED WEAPONS AND MILITARY TRAINING TO ACEHNESE SEPARATISTS. MOST OVERSEAS SUPPORT FOR GAM IS PROBABLY COMING FROM ACEHNESE BUSINESSMEN IN MALAYSIA, HE SAID.

11. ~~(C)~~ SEPARATISTS (OR THOSE CLAIMING TO BE SEPARATISTS) ARE ALSO EXTORTING MONEY FROM LOCAL BUSINESSMEN. MANY SMALL BUSINESSES (PROBABLY AT LEAST HALF) IN LHOKSEUMAWE WERE CLOSED AND SHUTTERED DURING OUR VISIT, APPARENTLY BECAUSE OF INTIMIDATION AND EXTORTION THREATS. MANY BUSINESSMEN ARE SAID TO HAVE MOVED TEMPORARILY TO MEDAN AND OTHER LOCATIONS. IN FACT, WHENEVER THERE IS A SERIOUS FLARE-UP OF VIOLENCE IN ACEH, THE HOTELS IN MEDAN ARE SAID TO FILL UP IMMEDIATELY. MOST OF THE LOW-END RENTAL HOUSES IN MEDAN HAVE ALSO REPORTEDLY BEEN LEASED BY ACEHNESE WHO WANT TO BE ABLE TO GET AWAY QUICKLY IN CASE OF TROUBLE.

12. ~~(C)~~ WEAPONS SMUGGLING: ACCORDING TO THE (b)(1),(b)(6),Sec. 1.4(d)

[REDACTED] GAM IS BUYING WEAPONS IN SOUTHERN THAILAND, SMUGGLING THEM THROUGH MALAYSIA VIA FISHING BOATS TO **INDONESIA**. HE SAID INDONESIAN SECURITY FORCES CONFISCATED MORE THAN 500 FIREARMS LAST YEAR - PROBABLY ONLY A SMALL PERCENTAGE OF THE NUMBER SMUGGLED INTO ACEH. REGARDING THE PROBLEM OF WEAPONS SMUGGLING, THE COMMANDER OF THE NAVY WESTERN FLEET, VADM ((MUDJITO)) TOLD REPORTERS ON 990628 THAT FOUR NAVY WARSHIPS, NOMAD RECONNAISSANCE AIRCRAFT AND A DETACHMENT OF 180 MARINES PROVIDE CONTINUOUS ROUND-THE-CLOCK SURVEILLANCE OF THE NORTHERN SUMATRA AND ACEH COASTLINE TO PREVENT WEAPONS SMUGGLING INTO THE PROVINCE. THE WESTERN FLEET HAS ESTABLISHED A REWARD FOR ANY PERSONNEL CAPTURING WEAPONS SMUGGLERS. (b)(1),(b)(6),Sec. 1.4(d)

(b)(1),(b)(6),Sec. 1.4(d) ACKNOWLEDGED THE PROBLEM OF WEAPONS
SMUGGLING FROM NEIGHBORING COUNTRIES, AND (b)(1),(b)(6),Sec. 1.4(d)

SAID SEVERAL GUN SMUGGLERS
HAVE BEEN CAPTURED DURING THE PAST YEAR.

13. (C) JOINT PATROLLING OF THE MALACCA STRAITS: THE
MALAYSIAN NAVY MAINTAINS A PERMANENT MILITARY LIAISON
OFFICER IN ITS MEDAN CONSULATE. THE CURRENT INCUMBENT,
LTC DR MOHAMMED ((SALLEH)) BIN MOHAMMAD, HAS BEEN IN
MEDAN FOR ABOUT FOUR MONTHS. HIS PRINCIPAL DUTY IS TO
COORDINATE FREQUENT MALAYSIAN NAVY SHIP VISITS TO MEDAN
FOR REST AND RECUPERATION FROM JOINT PATROLLING DUTIES IN
THE MALACCA STRAITS. LCDR SALLEH SAID THAT **INDONESIA** AND
MALAYSIA HAVE STEPPED UP JOINT EFFORTS TO DEAL WITH THE
PIRACY PROBLEM.

14. (C) IS THE "BANYUMAS" PYRAMID SCHEME FUNDING GAM?
THERE WAS WIDESPREAD DISCUSSION IN MEDAN OF A WORRISOME
"MULTI-LEVEL MARKETING" (OR PYRAMID) INVESTMENT SCHEME
THAT HAS DEVELOPED. THIS HUGE PYRAMID SCHEME HAS SWEEPED
THROUGH NORTHERN SUMATRA AND IS NOW REPORTEDLY
BRINGING IN FUNDS FROM AS FAR AWAY AS JAKARTA, BANDUNG
AND SURABAYA. (b)(1),(b)(6),Sec. 1.4(d)

VOLUNTERED SERIOUS CONCERNS OVER THE
POTENTIAL RAMIFICATIONS OF THE INEVITABLE COLLAPSE OF THE
BANYUMAS SCHEME. THEY BOTH ALSO CONVEYED STRONG
SUSPICIONS THAT PROFITS FROM THIS SCHEME ARE BEING USED TO
FUND GAM SEPARATIST ACTIVITIES - INCLUDING PURCHASE OF
WEAPONS AND AMMUNITION - ALTHOUGH THIS IS SPECULATIVE.

15. (C) PARADING UNDER THE COVER OF A LICENSED, LEGITIMATE
BUSINESS (SELLING BLUE JEANS NO LESS), BANYUMAS WAS
REPORTEDLY STARTED ABOUT ONE YEAR AGO BY A MAN NAMED
MOHAMMED ((YUSUF)). ACCORDING (b)(1),(b)(6),Sec. 1.4(d)

YUSUF IS ACEHNESE ORIGINALLY FROM LHOKSEUMAWE. HE
OBTAINED PERMANENT RESIDENCY IN MALAYSIA AND RETURNED
TO MEDAN, MARRYING A LOCAL BATAK GIRL IN 1995. YUSUF SET
UP HIS WIFE AS THE MAIN OPERATOR OF BANYUMAS. (b)(1),Sec. 1.4(d)

IS ALSO SAID TO BE INVOLVED WITH
BANYUMAS MARKETING EFFORTS.

16. (C) THE MALAYSIAN CONSUL CLAIMED THAT 52,000 PEOPLE
HAVE INVESTED A TOTAL OF OVER 500 BILLION RUPIAH (ABOUT
USD 70 MILLION) IN BANYUMAS TO DATE. (b)(1),(b)(6),Sec. 1.4(d) SAID
THEY HAD INFORMALLY EXPRESSED THEIR CONCERNS ABOUT
BANYUMAS TO THE GOVERNOR, THE CHIEF OF POLICE AND THE

KODAM COMMANDER IN MEDAN - ALL OF WHO SEEM RELUCTANT TO DEAL WITH THE PROBLEM. IT IS RUMORED THAT GOVERNMENT OFFICIALS ARE ALSO PROFITING FROM THE SCHEME.

17. ~~(C)~~ PART OF THE MYTH SURROUNDING BANYUMAS IS THAT IT IS A "MONEY LAUNDERING SCHEME" FOR THE SOEHARTO WEALTH. WHILE THIS DOESN'T MAKE MUCH SENSE, IT PROVIDES A RATIONALIZATION FOR THE 60 TO 80 PERCENT MONTHLY INTEREST RATES BANYUMAS HAS BEEN PAYING OUT TO INVESTORS. MANY OF THE PARTICIPANTS HAVE REPORTEDLY TAKEN OUT THEIR LIFE SAVINGS, SOLD THEIR CARS AND MORTGAGED THEIR HOUSES TO LEVERAGE THEIR INVESTMENT IN BANYUMAS. THE MOST NOTORIOUS CRIMINAL IN MEDAN, A MAN NAMED OTO ((PANGABEAN)) (PHONETIC SPELLING), WHO IS INVOLVED IN LOCAL GAMBLING AND OTHER ORGANIZED CRIME, PLACED AN ADVERTISEMENT IN THE CITY NEWSPAPER DENYING ANY INVOLVEMENT WITH BANYUMAS. CHINESE BUSINESSMEN ARE ALSO SAID TO BE QUITE NERVOUS, FEARING THEY COULD BE THE TARGETS OF ANGRY CITIZENS WHEN BANYUMAS COLLAPSES.

18. ~~(C)~~ THE MAJOR MEDAN NEWSPAPER "ANALISA" RAN A FRONT PAGE ARTICLE ABOUT BANYUMAS (AND OTHER COPYCAT SCHEMES THAT HAVE SPRUNG UP) ON 990701. IN THAT ARTICLE, SEVERAL OFFICIALS CALLED FOR GOVERNMENT INTERVENTION TO LIQUIDATE BANYUMAS AS SOON AS POSSIBLE TO AVOID A LARGE SOCIAL UPHEAVAL WHEN THE SCAM EVENTUALLY COLLAPSES. THERE HAVE BEEN A FEW MINOR INCIDENTS RECENTLY WHERE BANYUMAS HAS FAILED TO PROVIDE INVESTORS WITH THE PROMISED MONTHLY PAYOUT. THIS COULD BE THE BEGINNING OF THE END.

19. ~~(C)~~ ELECTION RESULTS: ACEH GOVERNOR ((SYAMSUDDIN)) MAHMUD SAID THAT THE ACEH GENERAL ELECTIONS WERE SUCCESSFUL IN ALL BUT TWO TROUBLED DISTRICTS - PIDIE AND NORTH ACEH. BASED ON PRELIMINARY RESULTS, THE GOVERNOR PREDICTED

(b)(1),Sec. 1.4(d)

THE ELECTIONS HAVE BEEN OFFICIALLY CANCELLED IN PIDIE AND NORTH ACEH. THE ELECTION COMMISSION WILL DETERMINE THE LEGISLATIVE REPRESENTATIVES FOR THESE TWO DISTRICTS. (b)(1),(b)(6),Sec. 1.4(d)

SAID THAT MOST PEOPLE IN NORTH ACEH WANTED TO VOTE BUT WERE AFRAID TO PARTICIPATE DUE TO GAM INTIMIDATION. ABOUT 50 PERCENT VOTERS TURNED OUT IN EAST ACEH (ANOTHER TROUBLED DISTRICT).

20. (C) FIRES: THE FIRE AND SMOKE PROBLEM IN NORTH SUMATRA AND RIAU IS NOT EXPECTED TO BE AS BAD THIS YEAR AS LAST. THE MONSOON RAINS HAVE BEEN ADEQUATE AND THE ECONOMIC CRISIS HAS SLOWED THE SLASH AND BURN CLEARANCE OF FOREST FOR PALM OIL PLANTATIONS. HOWEVER, THE PEAT FIRES ARE STILL BURNING UNDERGROUND AND SOME SMOKE WILL RETURN WITH THE ONSET OF THE DRY SEASON. WITHOUT STRICT GOVERNMENT CONTROLS OVER BURNING, THE SMOKE PROBLEM WILL LIKELY WORSEN NEXT YEAR AS THE LOCAL ECONOMY RECOVERS.

(b)(3):10 USC 424 1. (C) IN TESTIMONY BEFORE THE HOUSE OF REPRESENTATIVES (DPR) ON 2 JULY, GENERAL WIRANTO TOLD LEGISLATORS THAT FROM MAY THROUGH 1 JULY, SEPARATISTS IN ACEH COMMITTED 45 ASSAULTS, 45 ACTS OF ARSON, EIGHT ABDUCTIONS AND TWO ROBBERIES. THEY KILLED 98 PERSONS AND INJURED ANOTHER 176. THIS FIGURE INCLUDES 29 SOLDIERS AND POLICE KILLED. REBELS BURNED 373 HOUSES, 13 GOVERNMENT OFFICES, 14 SCHOOL BUILDINGS AND 11 CARS.

(b)(1),Sec. 1.4(d)

WIRANTO SAID SECURITY FORCES KILLED EIGHT REBELS, INJURED FOUR AND CAPTURED 22 OTHERS. THE MILITARY SEIZED THREE GUNS AND ARRESTED FOUR PROVOCATEURS. WIRANTO DENIED THE MILITARY IS BEHIND THE SCHOOL BURNINGS, KIDNAPPINGS, MURDERS AND INTIMIDATION OF THE LOCAL POPULATION IN ACEH. HE SAID THE POLICE ARE LEADING THE OPERATION TO SUPPRESS ARMED SEPARATIST ACTIVITIES IN ACEH.

2. (C) WIRANTO ALSO TOLD LEGISLATORS THAT A NEW INDEPENDENT INVESTIGATION TEAM (COMPOSED OF HUMAN RIGHTS ACTIVISTS, LEGAL PRACTITIONERS, POLICE AND MILITARY PERSONNEL) WOULD LIMIT ITS INVESTIGATION TO ABUSES THAT HAVE OCCURRED IN ACEH SINCE MAY 1998 WHEN **PRESIDENT SOEHARTO** STEPPED DOWN. HE SAID THAT INVESTIGATION INTO ABUSES DURING THE 10-YEAR DOM PERIOD "WOULD OPEN THE FLOODGATES FOR SIMILAR GRIEVANCES THROUGHOUT THE "NEW ORDER" REGIME - INCLUDING THE LAMPUNG INCIDENT IN 1989 AND THE TANJUNG PRIOK CASE IN 1984. WIRANTO ARGUED THERE SHOULD BE A CLEAR DEMARCATION BETWEEN THE NEW ORDER ERA AND THE REFORM ERA. HE SAID IT WOULD BE UNFAIR TO INVESTIGATE ABUSES IN WHICH ONLY CIVILIANS WERE KILLED UNDER THE NEW ORDER WHEN NUMEROUS SERVICEMEN LOST

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THEIR LIVES IN THE SAME PERIOD. TECHNICALLY, IT WOULD BE DIFFICULT TO PROVE THE ALLEGED ABUSES, HE SAID, ASKING RHETORICALLY IF "WILL WE BE ABLE TO HANDLE ALL THESE CASES THOROUGHLY AND FAIRLY WHILE THE NATION IS STILL FACING MANY SERIOUS PROBLEMS?" THE CHAIRMAN OF THE NATIONAL COMMISSION ON HUMAN RIGHTS (KOMNAS HAM) MARZUKI ((DARUSMAN)) STRONGLY DISAGREED WITH WIRANTO'S STATEMENT - CONTENDING THAT WHILE THE INDEPENDENT TEAM WOULD START WITH ABUSES COMMITTED IN THE PAST YEAR, THERE IS NO LIMITATION ON ITS CHARTER TO LOOK AT EARLIER RIGHTS VIOLATIONS.

3. (C) LAST YEAR KOMNAS HAM EXCAVATED SEVERAL MASS GRAVES IN ACEH, REPORTEDLY CONTAINING MORE THAN 700 SKELETONS. THE MILITARY HAS CONTENDED THAT SOME OF THESE REMAINS COULD HAVE DATED BACK TO THE ACEHNESE STRUGGLE AGAINST THE DUTCH COLONIALISTS. WHILE SUCH CLAIMS ARE DUBIOUS, IT WILL TAKE YEARS TO PROPERLY INVESTIGATE ALL OF THESE CASES. EVEN THEN, MANY OF THE VICTIMS WILL PROBABLY NEVER BE IDENTIFIED

(b)(3):10 USC 424,(b)(3):50 USC 403-1(i)

DISSEM: (U) (b)(3):50 USC 403-1(i)

WARNING: (U) REPORT-CONFIDENTIAL (b)(3):50 USC 403-1(i)

(b)(3):10 USC 424,(b)(3):50 USC 403-1(i)

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