

Why Buy a Piggery?

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The Keating piggery sale may well have been about buying influence—in Indonesia. But we still need to protect the health of our institutions.

THE Asian collapse provides some valuable lessons for Australia, the most important of which is that we must protect our institutions. They are the most valuable thing that we have.

In particular, we must be careful to ensure that our desire for closer economic relations with Asia does not lead to the Asianization, or even the Indonesianization, of our institutions.

We must also ensure that our political and corporate leaders behave with the utmost integrity and that measures are kept in place to force them to behave that way.

In April this year, a lot of attention was devoted to the piggery investments of former Prime Minister Keating. Just how a \$400,000 investment came to be worth \$4 million in a relatively short period of time continues to challenge observers. Just what did the purchaser, Indonesia's William Soeryadjaja, buy with that \$4 million?

From my knowledge of Indonesia and how Indonesian business people operate, I have no doubt that the Soeryadjajas thought that they were buying more than just a piggery. They were also buying connections with the Australian Prime Minister—a Prime Minister well known for his close links to President Soeharto.

Why such connections should matter to the Soeryadjajas can be seen from their history. The Soeryadjajas were one of Indonesia's richest families until 1992, when William's son Edward brought about the spectacular crash of his bank, Bank Summa. Edward had expanded it too aggressively. The bank had also illegally lent millions of dollars to Edward's other companies. The whole thing came tumbling down and Edward fled to Singapore, leaving his father William to pay off his debts.

The Soeryadjajas were estranged from President Soeharto but, after the Summa debacle, they were eager to get back into business. Connections, after all, count for everything in Indo-

nesia. Better relations were needed with Soeharto. So, what better way to achieve that, than to take Soeharto-friend Keating's troublesome piggery off his hands?

Now, I'm not suggesting at all that Mr Keating has done anything wrong, but there are a lot of unanswered questions about the piggery affair. The Asian economic crisis has demonstrated just how precious our institutions are—we cannot afford to have them, or our confidence in them, chipped away by such uncertainties. It is for this reason that the Government should seriously consider a full and open inquiry into the Soeryadjaja-Keating piggery affair.

There is another matter that springs both from the piggery affair and instances such as Soeharto's driver Bul Bul becoming a director of an Australian company. Section 229, subsection 3 of the *Corporations Act* prohibits those recently convicted of serious corporate fraud under Australian law or any other law, or who are undischarged bankrupts, from sitting as a director on the board of an Australian company.

But what about all those who come from countries where they never face conviction because they are well connected or are able to bribe investigators and pay off the judiciary?

Edward Soeryadjaja, fresh from running Bank Summa into the ground, took Keating's representative's place on the board of the formerly Keating-connected companies Danpork Australia and Euphron.

What on earth are we doing allowing someone whose banking practices in Indonesia which, if they had been carried out here almost certainly would have been subject to prosecution, to be appointed as a director on the board of an Australian company?

Other instances also raise the question, how is it possible to have people sitting on boards of Australian companies, whose wealth is derived from patronage and nepotism and whose companies elsewhere have, in various

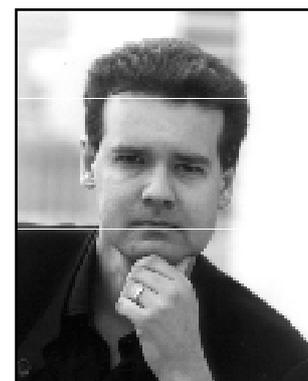
cases, been involved in a stunning array of improprieties?

Clearly, there is some scope for corporations law reform in this area. Our institutions are world class—but there is always room for improvement.

IN CONCLUSION

The economic crisis has given Asia a shock but, unfortunately, many of the old practices will continue. Asia somehow is 'different', and therefore doesn't need the sorts of checks, balances and means of accountability that the rest of the world needs; such things are not compatible with the consensual 'Asian way'—or at least that is the argument.

If Asia wants to join the world marketplace and get back on track for prosperity, it must dispense with the idea that there is an 'Asian way' when it comes to doing business. There are no alternatives to transparency, decency and the rule of law. Call it being 'modern', 'Western' or even being 'Australian'—whatever the label, the undeniable fact is that it works, and that is as much a lesson for us, as it is for Asia.



Michael Backman is author of *Asian Eclipse: Exposing the Dark Side of Business in Asia*. This article is an edited extract from his speech to the National Press Club in Canberra on Wednesday, 21 April 1999.

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