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Indonesia seizes funds from Suharto family firm

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JAKARTA, Aug 29 (Reuters) - Indonesia's government has seized \$134 million from a firm linked to former President Suharto's family, a cabinet minister said on Friday, a sign the authorities are taking a harder stance against the powerful Suharto dynasty.

The government's attempts to recover money from the Suharto family are seen as a key test of its commitment to fighting graft in a country that ranks among the world's most corrupt.

President Susilo Bambang Yudhoyono was elected in 2004 on promises to tackle endemic graft.

Finance minister Sri Mulyani Indrawati, a key reformer in Yudhoyono's government, said Bank Mandiri had been ordered to transfer 1.225 trillion rupiah (\$134 million) belonging to Timor Putra Nasional, the controversial car company owned by Suharto's youngest son, to a government account to "secure state money".

Timor defaulted on its loans to Indonesia's state banks after the 1997-98 financial crisis. The firm was set up by Hutomo Mandala Putra, also known as Tommy Suharto, to build Indonesia's national car, and attracted widespread criticism as it simply sold a rebadged version of South Korean-made cars.

The Indonesian Bank Restructuring Agency (IBRA) sold Timor to Vista Bella Pratama, a small company, in 2003 for about 500 billion rupiah. The anti-graft agency, known as KPK, said recently that Vista Bella was affiliated to Timor. Tommy Suharto has denied any link with Vista Bella.

While the authorities appear to have taken a much tougher line against corrupt officials in the past year, some critics say the worst offenders have largely managed to escape.

Transparency International ranked Suharto, who died in January, as the world's leading kleptocrat with a fortune estimated at \$15-\$35 billion.

Suharto was charged after he left office with embezzling hundreds of million dollars, but the government later dropped the case because of his poor health.

In May, Indonesian prosecutors acting on behalf of the finance ministry said they were seeking 4 trillion rupiah in damages from Tommy Suharto and his companies, which include PT Humpuss.

Suharto's youngest son filed a counter-suit against the finance minister earlier this month, asking the court for 200 billion rupiah in damages for defamation and for a public apology in the national media. (\$1=9150 Rupiah) (Reporting by Andreas Ismar; Writing by Olivia Rondonuwu; Editing by Sara Webb and Paul Tait)

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