

PERSPECTIVES

**DEALING WITH A DEMOCRATIC INDONESIA:
THE YUDHOYONO YEARS**

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Dealing with a democratic Indonesia: the Yudhoyono years¹

Ken Ward

Introduction

After forty years of autocratic rule, Indonesia has restored democracy with a directly elected president and a strong parliament. Indonesia offers the most compelling case that countries with a Muslim-majority populace can be well-functioning democracies. Elections in 1999 and since have been largely free of violence. At present, President Yudhoyono has good prospects of being re-elected in 2009. He will probably keep Vice-President Jusuf Kalla as his running-mate. They constitute a powerful and generally harmonious team. Despite progress in several policy areas under Yudhoyono's leadership, Indonesia still faces severe developmental problems, such as in infrastructure, education and health. Though Indonesia has achieved strong macroeconomic fundamentals, it has not yet been shown that a democratic Indonesia can match the high economic growth rates of the Soeharto era. It is, moreover, not yet clear whether the decentralisation program of the last few years will accelerate or slow down growth. And the recent series of natural disasters and transport accidents with high death tolls has underlined how hard it is to manage Indonesia.

The new Indonesian democracy is thriving in a climate of strong, sometimes brittle nationalism in which bilateral disputes with neighbours including Australia could well be frequent. Economic nationalism too is a powerful force, and has many adherents in parliament. Its impact is strongest on resources policy. Overall, a fusion of nationalist and Muslim sentiment has taken place in recent years which will be a major influence on foreign policy for many years to come. Indonesian sensitivity towards perceived encroachments on sovereignty is becoming more intense. In a number of ways, Indonesia will be a more difficult country to deal with. As a result of democratisation and decentralisation, there are far more players in the Indonesian political system with the capacity to influence policy-making. As Indonesia grows more complex, Australia will need to devote growing resources to understanding it, not least by funding an expansion of Indonesian-language studies, currently in decline.

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A democratic Indonesia

Australia's history with Indonesia has been a chequered one. The restoration of democracy in Indonesia has not ushered in a markedly new era of harmony in the bilateral relationship, although the number of fields in which the two countries cooperate is certainly growing.² Susilo Bambang Yudhoyono's election in 2004 indeed raised hopes of such a new era, which were carried along further by Australia's prompt and generous response to the Sumatran tsunami and the president's 2005 visit to Australia, the most successful ever undertaken by an Indonesian head of state. One of the characteristics of Indonesia's new democracy is, however, the greater influence of popular pressures on Indonesian policy-making. One result has been an increased sensitivity to safeguarding sovereignty and protecting borders, leading to disputes with several of Indonesia's neighbours. The economic crisis of 1997-98 created a sense of vulnerability and foreboding among Indonesians that their more prosperous neighbours would exploit Indonesia's weakness. No matter how calmly the Indonesian government seeks to approach such disputes, public opinion is more likely to demand stronger action. Canberra witnessed the new assertiveness in Indonesian foreign policy when Jakarta withdrew its ambassador for three months in 2006 amid public calls for a permanent downgrading of the bilateral relationship. Devising policy towards Indonesia in the coming years will need to take into account the likelihood of occasional nationalist backlashes. Australia also needs to keep in mind that Muslim attitudes, including a focus on the fate of Muslims outside Indonesia, will have a considerable impact on Indonesia's outlook.

Over the last decade, Indonesia has re-established a functioning democracy after four decades of authoritarian rule under Presidents Sukarno and Soeharto. Though the 1945 constitution has been amended, the political system remains a presidential one, albeit one with a strong parliament. The president, directly elected by the people in a two-round ballot, can no longer remove MPs he or she does not like. Parliamentary elections and the presidential election take place in the same year, although not at the same time. Negotiations over bills the government submits to parliament are often very protracted and can result in far-sweeping amendments. While the president chooses the members of his cabinet independently of parliamentary approval, the appointments of the Armed Forces (TNI) commander, chief of police, and ambassadors, by contrast, do require legislative approval. This gives parliament greater influence over defence and foreign policy. The parliament also vets appointments to the Supreme Court.

² The two countries naturally have a different order of priorities. Counter-terrorism cooperation is seen as far more important by Australia than by Indonesia. In March 2004, Yudhoyono listed eleven achievements of his government in tackling problems it had inherited and made no mention of terrorism. This would have been understandable had he been addressing a Muslim party audience but he was speaking to his own base, the Democrat Party. See *Media Indonesia*, 4 March 2004.

The TNI have lost their parliamentary representation but kept their nationwide presence through the territorial structure, which gives them a security role in every province and district. Moreover, retired TNI officers have continued to be appointed to every cabinet since Soeharto's fall, just as during the Soeharto era.³ Three out of the ten presidential and vice-presidential candidates in the 2004 election were ex-TNI officers including, of course, Susilo Bambang Yudhoyono. The police are now independent of TNI, being directly responsible to the president and no longer constituting the fourth armed service. Long a poor cousin to the other services, the police now have an enhanced reputation because of their high-profile and generally successful counter-terrorist role. A far-reaching decentralisation program has been implemented, including the direct election of provincial governors and district heads, and some transfer of powers from the centre to the provinces and districts has taken place.

The transition to democracy was accompanied by widespread social and ethnic conflict and the emergence of a terrorist movement, Jemaah Islamiyah (JI), but violence broke out more because of the weakening of the state rather than because of opposition to the restoration of democracy. Few Indonesian organisations oppose democracy, except some radical Muslim groups. One of the main accomplishments of Indonesia's new democracy has been the largely peaceful holding of elections at every administrative level, national, provincial and local. The People's Consultative Assembly (MPR) even managed to depose a president, Abdurrahman Wahid, through constitutional means without provoking social violence. Another major accomplishment has been the conclusion of the long-running Acehese conflict. After the fighting was over, the Acehese elected a governor and vice-governor who had sided with the separatist movement. In short, Indonesian democracy seems firmly established.

Indonesia's economy has recovered from the stagnation of 1998-2000, registering strong macroeconomic fundamentals over several years. In 2006, growth is estimated to have been 5.5%, deriving particularly from exports and government consumption. Exports have begun to exceed \$US 100 billion annually. Inflation fell from 17.1% to 6.6%, the rupiah has risen to around 9,000 to the US dollar, an appreciation of around 10% over the course of 2006, and the Jakarta stock exchange has reached record levels.⁴ This shows that, though many problems including high unemployment remain, rising rates of economic growth need not be incompatible with democratic reform in Indonesia. But it remains to be seen whether democratic Indonesia can achieve the growth rates of the Soeharto years. Indonesia's Bureau of Statistics has reported that poverty had grown from 16% in

³ The best account of TNI in democratic Indonesia, including the limits of reform accomplished is to be found in Marcus Mietzner, *The politics of military reform in post-Suharto Indonesia*, Washington, East-West Center, 2006.

⁴ See Thomas Lindblad and Thee Kian Wie, Survey of recent developments, *Bulletin of Indonesian Economic Studies*, Vol 43, No 1, 2007, forthcoming, and *Asia Times*, 12 January 2007.

February 2005 to 17.8% in March 2006, with the result that almost forty million people now live in poverty. The World Bank noted in October that up to 49% of Indonesians were living on two dollars a day.⁵

The Yudhoyono government

President Yudhoyono (SBY) will soon reach the half-way mark of his five-year term. Barring a dramatic reversal in their political fortunes, he and Vice-President Jusuf Kalla are likely to be re-elected in 2009. That such a prediction can be made so far out from the next presidential election shows how stable Indonesia's national politics have become after three presidents followed one another in short order. It rests on the reasonable assumption that Kalla himself will not stand for the presidency. Kalla has disclaimed any presidential ambitions on the grounds that he could not compete with SBY because he is not a Javanese (he is a Bugis from South Sulawesi). In fact, opinion polls do not support the notion that only a Javanese can be elected president. A more plausible reason is that Kalla is not nearly as popular as SBY. In any case, it would be a dangerous gamble for Kalla to contest the presidency, as he would be easily labelled disloyal or opportunistic. Indonesia is similar in this respect to other countries with presidential systems. By the same token, having won once with Kalla at his side, the president himself is more likely to keep him on the ticket rather than seek a new, untried running-mate.

Their prospects look good partly because other political leaders have been able to survive despite their often poor executive or electoral performance. Indonesian political parties are still reluctant to rid themselves promptly of demonstrably unsuccessful leaders. Wahid, who was brought down in disgrace in 2001, nonetheless remains the kingmaker in his party. Moreover, aware of the ex-president's residual national influence, SBY has taken the trouble to appoint one of his daughters to his personal staff. Megawati, who lost to SBY despite the advantages of incumbency, is still her party's general chairman and will be its presidential candidate again in 2009. Hamzah Haz, Megawati's lacklustre vice-president, who won barely 3% in 2004, stayed at the helm of his party until early 2007, thus denying his successor much time to prepare for a presidential bid. Former Security Minister Wiranto, likewise roundly defeated in the first round in 2004, now heads his own political party and will undoubtedly contest the presidency again.

Challenged by old faces like these, SBY and Kalla should have little cause for concern. And there is not much likelihood that new leaders will emerge over the next two years with any prospect of

⁵ Lindblad and Thee, *op.cit.*, and *Media Indonesia*, 6 January 2007.

winning the presidency.⁶ The current governor of Jakarta, Sutiyoso, is likely to stand, but putting together the right ticket of candidates to appeal to a majority of Indonesia's highly diverse and geographically widely-dispersed population is no easy task. Although Islam is the faith of almost 90% of Indonesians, the Muslim community is so divided that no single Muslim presidential candidate can claim to represent it. The electorate is not yet prepared to vote on detailed electoral platforms, and the candidates are not willing to provide any. Presentability and image matter most, and here SBY still has the edge.

Though clashing with each other occasionally, Yudhoyono and Kalla have generally cooperated in an effective partnership.⁷ Unlike Megawati and Haz, they are ideologically compatible and their occasional differences, even if they attract headlines, have not destroyed trust between them. Kalla has brought real substance to the vice-presidential post. A risk-taker, he has been the most achievement-oriented and dynamic vice-president for decades. He played a major role in ending the longstanding conflict in Aceh. He has also worked hard to combat terrorism, particularly by seeking to convince Muslim politicians and religious authorities of the seriousness of the terrorist threat. Kalla is less sensitive than the president to criticism from Islamic parties. In 2006, he persuaded Muslim leaders to watch videos showing the Bali II bombers farewelling their families to convince them not to scoff at the idea of Indonesian suicide attacks. Last January, he had a similar audience watch another video in which a JI detainee confessed to having organised the beheading of three schoolgirls in Central Sulawesi.

The president

As for SBY himself, his position in the Indonesian political system seems secure, even dominant. A poll published in January 2007 found that 67% of Indonesians were satisfied with his performance and that 56% would have voted for him had a presidential election been held then.⁸ Although his popularity has fluctuated in the past and will no doubt do so again, SBY's political assets remain largely undiminished. Having launched an anti-corruption campaign that has claimed many victims, he is himself considered relatively incorruptible and, unlike several of his predecessors, disinclined to allow his family to enrich itself in his place. He is also seen as a non-partisan leader, probably because of his TNI background and because he has never held office in any political party. This is

⁶ On the other hand, there could be some new vice-presidential candidates, such as Din Syamsuddin of the Muslim organisation, Muhammadiyah, or the chairman of the People's Consultative Assembly, Hidayat Nurwahid.

⁷ A recent example of a clash between SBY and Kalla occurred late last year, when the vice-president reportedly blocked a presidential attempt to create a 'work unit' to coordinate government programs headed by former minister Marsillam Simanjuntak. *Jawa Pos*, 11 November 2006.

very helpful to him, as party politicians are only rarely able to transcend their own constituencies and gain nationwide appeal. Generally tactful and even-tempered, SBY arouses little animosity. He has practically no human rights blemishes in his record, although there are several important cases still unsolved, such as the 2004 murder of the activist, Munir. Unfortunately for him, however, his own political base, the Democrat Party, is relatively small and lacks a distinctive identity.

SBY is also arguably the most impressive head of state ever to represent Indonesia overseas, particularly in the West. Unlike Soeharto, he does not limit his itineraries abroad for fear of demonstrations. Nor does he give the impression that he undertakes foreign travel to avoid facing up to domestic problems, even less to carry out shopping expeditions. He has cut short or cancelled overseas visits when domestic issues have seemed to require it. Yudhoyono performs well overseas because of his mastery of the government's agenda and personal qualities such as a generally modest demeanour, an earnest amiability and a capacity for self-deprecation. He also speaks good English and uses a gifted English-language speechwriter.

In spite of his secure position, however, SBY often acts hesitantly or in a procrastinating way, as though he is unsure how to make full use of presidential power or whether he should do so. The most common criticism of him is that he is weak and indecisive. The 2006 coup in Thailand may have intensified SBY's anxiety about his prospects. In mid-January 2007, for example, he over-reacted to a small demonstration organised by various activists, including some Wiranto supporters. They called for Yudhoyono's and Kalla's mandates to be revoked on the grounds of their allegedly poor performance. Leaflets announced a so-called Revolutionary Council including various retired officers. SBY had his Security Minister and his intelligence chief question one of the ringleaders in this alleged 'conspiracy', a former army chief of staff. He was threatened with arrest. The president's reaction to this minor disturbance was surprising, given he is firmly assured of TNI support. He has been very skilful in appointing loyalists to key posts in the armed forces (TNI) and is expected to appoint a close ally to command TNI some time over the next twelve months. Yet Yudhoyono is markedly sensitive to criticism from retired officers, particularly those once senior to him.

Such a lack of political self-confidence or self-assertiveness is not new. SBY found it hard to decide when to declare his candidacy in 2004 even after the Democrat Party had been set up to back him. He only resigned from Megawati's cabinet when she had begun to exclude him from decision-making once she realised he had his eye on a presidential bid. After winning almost 61% of the votes, he accepted a surprisingly high number of Kalla's nominees for cabinet posts, sacrificing some of his

⁸ See Lembaga Survei Indonesia's website: <http://www.lsi.or.id>, 3 January 2007.

own preferred candidates to do so.⁹ Several of Kalla's favourites were major business figures unlikely to help SBY's proposed anti-corruption drive.

Political parties and the government

Like his predecessors, SBY appointed a coalition-based cabinet that included representatives from all the main parties except Megawati's, which went into opposition. This tactic gave most of the parties a stake in his government's success, thus reducing the risk of frequent confrontation with parliament. But it has also had downsides. Multi-party cabinets are much likelier to lack cohesiveness and often do not represent the best available talent. Perhaps conscious of this, SBY promised to keep his ministers to a high standard by subjecting them to annual evaluation, an unprecedented measure in Indonesia's history. Had he adhered strictly to this commitment, it might have guaranteed a continuing sense of urgency about government action that was sorely lacking in the two previous administrations. But he has given up such a demanding approach to ministerial performance, and has thus failed to exploit the extraordinary mandate he received. Although SBY replaced some ministerial low-achievers after about fifteen months, the performance of current ministers is far from uniformly good. By early March 2007, a large-scale reshuffle seemed overdue, judging by the standards that SBY foreshadowed two and a half years earlier.

Yudhoyono unfortunately also gave up his inclination to ban ministers from holding senior executive posts in political parties. Kalla led the way by getting himself elected to chair Golkar, a move which actually had the advantage of strengthening the government's parliamentary base. Other ministers have continued to lead their parties or campaign for leadership posts or engage in time-consuming internecine party conflicts, while allegedly carrying out their portfolio duties. This is not to suggest that all ministers should be non-party technocrats. Some party appointees might have greater potential than academics or other technocrats. The tasks confronting the Indonesian government are so formidable, however, that only full-time appointees should be selected, not politicians moonlighting as party chairmen. SBY would be well advised to redress the balance between executive responsibility and party politics by banning such coupling of functions.

⁹ One of his preferred candidates has related how SBY apologised to him for ultimately being unable to appoint him, saying that his wife had for safekeeping a list of those people he would liked to have made ministers but had been prevented from appointing. Confidential interview, Jakarta, March 2005.

Disasters

Although his prospects for re-election are good, to guarantee success SBY will need to grapple more firmly with some of the challenges facing his administration. Despite commendable achievements in macroeconomic policy, counter-terrorism and national reconciliation in Aceh and to some extent in Papua, progress in a number of other policy areas has been slow. The terrible series of natural or man-made disasters that have hit the country during SBY's presidency have highlighted the sheer difficulty of managing Indonesia. Beginning with the Sumatran tsunami, there have probably been more such disasters and accidents in Indonesia in the last two years than in any other comparable period in recent history. They include a major earthquake in the Yogyakarta region, an eruption of toxic mud in East Java, landslides and floods caused or made worse by widespread deforestation, ferry accidents and train derailments. There was also the astonishing disappearance for almost a month of a commercial airliner after, as was eventually discovered, it had crashed into the sea of Java with the loss of over a hundred people.¹⁰ A US ship made available for the search found the plane, at a time when survivors from a ferry sinking were still being rescued. A week after the missing aircraft was found, Jakarta and surrounding towns were hit by the worst floods on record, which caused damage estimated at almost half a billion US dollars, paralysed the economy and killed over 80 people.¹¹ Some weeks later, a ferry caught fire at sea, killing up to 50 passengers. A major earthquake struck West Sumatra early in March. This occurred in the same week as a landslide on the island of Flores causing over 50 deaths. Four days later an airplane crash in Yogyakarta killed 21 people including five Australians.

The mud eruption incident that occurred in May 2006 turned into an ecological disaster for the Sidoarjo region of East Java, destroying houses, factories and infrastructure. Mud damaged a toll-road, railway line and gas pipeline. It also had the makings of a major political scandal as the mud came from a natural gas well drilled by a company largely owned by the conglomerate of People's Welfare Minister Aburizal Bakrie, which had allegedly saved one million dollars by not installing a concrete casing. The problem was still unresolved nine months later.

The president responded promptly and effectively to the tsunami and has shown considerable empathy with victims in the wake of some of the other disasters, such as working for a few days from Central Java following the Yogyakarta earthquake, and visiting victims of the Jakarta floods. But the

¹⁰ Unfortunately, a false report was disseminated early in January that the Adam Air plane had been found in Sulawesi with a dozen survivors. This reinforced the impression among the public of the inadequacy of Indonesia's disaster response bureaucracy. The passengers lost on the flight included three Americans. This was not Indonesia's worst air disaster but the inability to find where the plane had crashed set it apart from other crashes.

¹¹ *Tempo*interaktif, 12 February 2007.

deterioration of infrastructure, urban over-construction, particularly in water catchment areas on Java, deforestation and neglect of safety procedures make it likely disasters will occur often, and new bureaucratic structures and greater funds are probably necessary to ensure a faster response. As an example of the state of Indonesia's infrastructural needs, a public works official announced on 9 February 2007 that 40% of all Indonesia's national roads were in a state of disrepair. Jakarta seems as vulnerable to flooding as it was in 2002 when the city government drew up an eight-year 'master plan' involving river-dredging and other measures. Little of the plan seems to have been carried out. To minimise mutual recriminations and buck-passing between the central government and the city administration, it might be appropriate for the president to appoint a minister in charge of disaster reaction and relief efforts. Inadequate disaster management could erode the public's confidence in government. In response to the string of transport accidents, SBY chastised private operators and urged the Communications Minister to remove responsible officials. But he did not sack the minister himself, a step that would have been very popular.

Future challenges

As well as coping with such disasters, the Yudhoyono government faces a number of other difficult challenges. These include improving the poor investment climate, overhauling education, and reforming the legal system. Progress in each of these domains would contribute to a higher growth rate and greater competitiveness, apart from bringing social benefits.

Despite the president's and vice-president's best efforts, including hosting two infrastructure summits and lobbying for investment in the US, China, India and the Middle East, Indonesia's image as a country in which it is hard to do business has changed little in recent years. Several reports emerged in 2006 critical of Indonesia's investment climate. The World Bank's *Doing Business in 2007: How to Reform* rated Indonesia 135 among 175 countries in the world in terms of the ease of doing business.¹² Factors cited included infrastructural obstacles such as poor container facilities, clogged city roads and electricity blackouts.

The Japan External Trade Organisation (JETRO) also published a report in 2006 which rated Indonesia poorly in terms of legal transparency, tax laws, infrastructural development, the educational level of researchers and technicians and the state of development of supporting industries.¹³ JETRO compared Indonesia unfavourably with China for all these criteria. The labour law of 2003, which

¹² Quoted in Chatib Basri and Arianto Patunru, Survey of recent developments, *Bulletin of Indonesian Economic Studies*, Vol 42 No 3, 2006, p 314.

¹³ Quoted in Lindblad and Thee, *op.cit.*

makes the dismissal of workers an expensive option, is also often cited by business groups as a disincentive to investment. Severance pay in Indonesia is reported to be three to five times higher than in China, India and Malaysia. Investment growth was weak in 2006, even being negative in the second quarter. Mining and oil exploration has been particularly hit by low investment. The government submitted a new investment law to parliament in March 2006, but the law had not been passed almost twelve months later. Between a fifth and a quarter of SBY's term will have been used up in drafting and passing an investment law.

Indonesian education presents both quantitative and qualitative problems. Indonesia's education profile is better than that of Laos, Cambodia and Burma, but is otherwise the worst in Southeast Asia in terms of the proportion of the budget and GDP devoted to education and child participation rates. The World Bank found that in 2004 education attracted only 9% of government expenditure on education, only one third of the figure in Thailand, for example.¹⁴ While primary education is universal in Indonesia, 73% of children aged up to six have no access to pre-school or kindergarten. 62% of the relevant age groups attended secondary school and only 16% attend tertiary institutions.¹⁵ There is unlikely to have been much change since 2004. According to Indonesia's amended 1945 constitution, 20% of the government's budget should be allocated to education, but this figure has never been reached. The Indonesian Teachers' Federation has asked the Constitutional Court to declare illegal the 2007 budget law on the grounds that it only allows for outlay of 11.8% for education this year.¹⁶ Other problems abound, such as poor facilities, reliance on rote learning, poorly qualified and badly paid teachers, high rates of teacher absenteeism, the extortion of payments from parents and embezzlement of government funds. For Indonesia to produce a skilled work-force able to compete with its neighbours, there seems no alternative to a large infusion of funds into the education sector.

Renewed commitment is also necessary to reform the judicial system. Several important reforms took place before SBY's election. The Justice Department lost much of its control over Indonesian courts, making it much harder for the government to interfere with court proceeding to ensure pro-government decisions. But corruption and bribery are still rife in the legal system. The Chief Justice's office was raided in 2005 by the Commission for Eradicating Corruption following claims by Soeharto's half-brother that he had bribed five Supreme Court judges or officials in a vain attempt to avoid a jail sentence. It is commonly assumed that many court decisions are bought and sold, lawyers and litigants discovering that bribes have been paid when the judges announce decisions

¹⁴ Quoted in Thee Kian Wie, Policies affecting Indonesia's industrial technology development, *ASEAN Economic Bulletin*, Vol 23 No 3, December 2006, p 351.

¹⁵ *Suara Merdeka*, 29 January 2007.

¹⁶ *Jawa Pos*, 9 January 2007.

unwarranted by evidence or legal argument. There have been several cases in which foreign companies have been caught out by unexpected judicial decisions detrimental to them, presumably the outcome of bribing of the judges by domestic competitors. The NGO, Transparency International, has identified the judicial system as the set of institutions in Indonesia in which seeking bribes is most common.¹⁷ Government ministers have often admitted the validity of complaints about the non-transparent and unpredictable legal system, most recently Economics Minister Boediono.¹⁸

Dealing with a democratic Indonesia

While welcoming Indonesia's democratisation, the outside world, particularly the West, has had to learn to deal with a country that is in several ways more difficult and unpredictable than it was in the Soeharto era. This is the result of the diffusion of power, especially in foreign and economic policy, that democracy and, to a lesser extent, decentralisation, have brought, and the emergence of a sharper expression of nationalist sentiment fused with Muslim attitudes. The full effects of decentralisation are, in fact, yet to be seen. It is too early to say, for example, whether decentralisation has been beneficial or not for economic growth. The most negative impact will probably be in the extractive sector. Some of the problems that have arisen as a result of decentralisation include conflict between different levels of government over natural resource management, particularly mining and forestry, poorly skilled local manpower and the decentralisation of corruption. According to the provisions of a draft Coal and Minerals law, scheduled to be passed by parliament in March 2007, mining operators are no longer to function under Contract of Work agreements but will need licences from provincial or district governments.¹⁹ The new arrangements could act as an impediment to mining investment, if mining companies' doubts about the lack of expertise in regional governments are confirmed. The risk of illegal levies will also be considerable.

Two consequences of decentralisation will probably affect foreign governments most. These are that Indonesia's diversity will increase even further as different patterns of centre-region relations will develop, such as between Jakarta and resource-rich provinces and districts on the one hand and resource-poor provinces and districts on the other. Useful generalisations that could be made to apply to Indonesia when it was highly centralised must now be abandoned. Governments may need more staff to monitor Indonesian developments. By the same token, more consultation may be needed to carry out foreign government projects throughout Indonesia. The opening of provincial consulates

¹⁷ *Republika*, 28 February 2007.

¹⁸ *Jawa Pos*, 22 January 2007.

¹⁹ *Jakarta Post*, 23 February 2007 and Lindblad and Thee, *op.cit.*, p 24.

would be one way of monitoring regional developments and acquiring greater familiarity with provincial and local decision-makers.

Indonesian nationalism

Another characteristic of Indonesian democracy to be noted is the upsurge of nationalist sentiment that has occurred in recent years. This has several components. The long colonial experience in which the extraction of the colony's resources was such a dominant feature convinced Indonesians that foreign, particularly Western, powers permanently coveted the country's natural wealth. The fragility of Indonesian unity in the early years of independence further prompted the belief that the West saw the break-up of Indonesia as the best way to guarantee control of its resources. These ideas have proved extraordinarily durable. The traumatic economic crisis of 1997-98 forced Indonesians to admit that Indonesia remained fundamentally weak and dependent on foreign assistance. There was a backlash against international financial institutions. The International Monetary Fund was accused of foisting policies of hardship and impoverishment on Indonesia. East Timor seemed to be just the first of several provinces angling to break free from Indonesia.

Despite the havoc wreaked by Sukarno, his rhetoric depicting Indonesia as a major new emerging force on the world stage resonated strongly. The strain of nationalism that such rhetoric played to was largely suppressed during the decades of Soeharto's dour rule. Yet Indonesians have a strong yearning to play a role in the world commensurate with Indonesia's size and its status as a former Third World leader. Successful though it was, Soeharto's central focus on ASEAN offered meagre satisfaction to Indonesians looking back nostalgically at Indonesia's earlier global prominence. The yearning to count again in the world best explains the very cordial, even adulatory, reception given to the Iranian president during his May 2006 visit to Jakarta.²⁰ Ahmadinejad was feted as few foreign leaders have been in Indonesia, no doubt because he had stood up charismatically to the established powers, especially the US. Many Indonesians would welcome a foreign policy that would make the world sit up and notice Indonesia more.

Parliament's Committee One has become the main institutional bastion of this kind of Indonesian nationalism. Responsible for foreign affairs and defence, this Committee has attracted a number of MPs who see themselves more as watchdogs for Indonesia's national interests than experts on the technicalities of foreign affairs. Its members tend to be highly sensitive to any perceived

²⁰ People's Consultative Assembly chairman Hidayat Nurwahid said the warmth of welcome for Ahmadinejad showed how much Indonesians missed Sukarno's charisma and world appeal. Interview, Jakarta, 25 August 2006.

infringements of Indonesia's sovereignty. There is a high level of anxiety that Indonesia's countless outlying islands will be snapped up one by one by its neighbours. Parliament's right to vet ambassadorial appointments has been a major source of Committee One's power. At least some Committee members believe that ambassadors nominated by the Department of Foreign Affairs only represent the government and not the people. As such they will be less tough in their defence of Indonesia's interests than ambassadors the Committee itself might choose to represent the people.²¹ Whenever Indonesia has a bilateral dispute with a foreign country, Committee One is likely to inflame the dispute, often calling for breaking off diplomatic relations, particularly but not only if the other country is a Western one. Even the parliamentary speaker called for the Indonesian ambassador to Singapore to be recalled and his Jakarta-based Singaporean counterpart sent home in a recent dispute over sand exports.²² Several Committee One members demonstrated outside the Malaysian Embassy in 2005 in protest at Malaysia's claim to an island called Ambalat, one of them calling for another 'Crush Malaysia' campaign. This Committee is unlikely to achieve its goal of having all Indonesian ambassadors appointed from outside the Ministry of Foreign Affairs, but it can sometimes pressure the government to toughen its stance on issues.

SBY's easy personal relations with Western leaders should not conceal the fact that he is, unsurprisingly, strongly nationalist in his outlook. After Australia gave temporary visas to 42 West Papuans in April 2006, he said he wanted to make Indonesia strong politically, economically and militarily so that its neighbours would hold it in awe.²³ Indonesia had to become strong as soon as possible, he said, so that foreigners would not 'play' with Indonesian sovereignty. He said there would have been no incident at Ambalat (the island claimed by Malaysia) and Australia would not have given refugee status to West Papuans, if Indonesia had been strong. His recall of the Indonesian ambassador from Canberra was the first such act in the post-independence relationship with Australia. The recall of the ambassador was a very popular step. One highly reputable think tank called for the permanent downgrading of Indonesia's representation in Australia.²⁴

While reinforcing Indonesia's traditional ties with ASEAN, SBY has hit upon the Middle East as a region in which his country ought to play an important role. This shows that Indonesia's ambitions are unlikely to be limited to Southeast Asia. Soon after taking office, Yudhoyono announced that he would work to help solve the Palestinian problem. Initially, this announcement had no practical impact. It was unclear how Indonesia could inject itself into the Israeli-Palestinian dispute without recognising Israel. Last year, Indonesia despatched a TNI contingent to Lebanon over Israeli

²¹ Interview with a longstanding committee member, Jakarta, 25 August 2006. This source claimed that 50% of current ambassadors were 'hopeless' and should be replaced by external appointees.

²² *Republika*, 25 February 2007.

²³ *Jawa Pos*, 18 April 2006.

²⁴ The Indonesian Institute. See its *Update Indonesia*, Vol 4, May 2006, p 16.

opposition, and has more recently offered to host a Sunni-Shia summit in Jakarta to help reconciliation in Iraq. In March, Foreign Affairs officials announced plans to invite a Hamas leader to Jakarta for discussions, because Hamas was being cold-shouldered by the West. In the long run, such initiatives may lead to a more constructive channelling of Indonesian nationalism. Counterproductive ultra-nationalist acts are more likely to occur if Indonesians believe their country carries little weight in the world.

Whatever the prospects for success in the Middle East, no other region offers such scope for Indonesian diplomacy. Megawati toyed with helping out on the Korean Peninsula, as Indonesia had relations with both Koreas. She achieved nothing. As the largest Muslim country in the world from which thousands have gone to study in Middle Eastern universities, Indonesia can at least claim considerable expertise in Middle Eastern affairs. Offering mediation in the Middle East also appeals to the domestic Muslim constituency. There has been a fusion of nationalist and Muslim attitudes on Indonesia's sovereignty, the unitary state and suspicion of the West. The Muslim militia, Laskar Jihad, that was active in sectarian fighting in Maluku and Sulawesi, cleverly presented itself as defending the Indonesian nation-state against Christian separatists.

The widespread belief that the West is at war with Islam or is 'cornering' Muslims sits unfortunately well with the nationalist idea that the West wants a weak and fractured Indonesia. Its persistence highlights the need to expose influential Muslims as often as possible to positive attitudes towards Islam in Australia and to encourage less antagonistic coverage of Islam and Muslims in the Australian print media. The conviction that the West was at war with Islam lay behind Indonesian leaders' reluctance to believe Indonesian terrorists had carried out the Bali and later bombings. It also prompted Indonesian MPs to come to Australia late in 2002 in a highly-publicised and undiplomatic manner to tend to resident Indonesian Muslims suspected of JI activities. It was a relief for the Indonesian political elite that it was two Malaysians, Azhari Husein and Noordin Top, who became Indonesia's most wanted men in 2004-5, as it seemed to lessen the responsibility of Indonesians themselves. Even now, few Indonesians outside the police and prosecutor circles probably accept that Abu Bakar Ba'asyir was JI's spiritual leader. Foreign criticism of Ba'asyir and of the light prison sentences he has received has always risked turning him into a hero.

This nationalist-Muslim convergence has also had an impact on economic policy. Economists connected to Muslim parties have been prominent in opposition to the IMF and to certain foreign investment projects. They are part of the school of nationalist economists, one of the most prominent of whom is former minister Rizal Ramli. Nationalist-Muslim economists and politicians are most likely to oppose foreign extractive ventures. One of the most controversial of these has been the Cepu oil and gas project in Central Java. A five-year dispute over ExxonMobil's ownership and

operating rights of the field was resolved in 2006 through adjustment of production-sharing arrangements to ExxonMobil's cost.²⁵ Amien Rais, former chairman of the People's Consultative Assembly, has initiated a suit demanding the Cepu agreement be abrogated on the grounds it is against the national interest. The plaintiffs, including several whom Muslim party politicians are supporting, claim President Bush pressured SBY in 2004 to back ExxonMobil's attempt to operate Cepu.²⁶ Muslim politicians have also opposed ExxonMobil's exploitation of the oil and gas reserves in the Natuna Sea. The Indonesian government cancelled ExxonMobil's production-sharing contract in 2006, a contract the company says still has two years to run. Irrespective of the merits of these cases, the Yudhoyono government will have to make concessions to the economic nationalists from time to time, sometimes to the detriment of the economy. Economic nationalists easily outnumber free traders in parliament.

Conclusion

Indonesia has made great strides over the past decade in developing a stable democracy. The Indonesian case is not often enough cited as proof, if proof were needed, that Muslim-majority countries can create democratic political systems. But, while acknowledging this accomplishment, foreign governments need to be aware that nationalist pressures will remain strong in Indonesia, probably for the indefinite future. Such pressures may occasionally provoke bitter disputes with other countries. Australia would do best to avoid over-reacting in such disputes. Our geostrategic position puts us at a long-term disadvantage. Located to Indonesia's southeast, Australia is near those areas, the Malukus, Timor and Papua, which have large non-Muslim populations and about which, Aceh aside, the Jakarta elite has most felt vulnerable to separatist pressures over the past decade or so. Unlike Singapore or Malaysia, we are unlikely to be suspected of wanting to nibble away at islands or atolls. But, no matter how much we assure Indonesians that we respect Indonesia's territorial integrity, suspicions will endure about our intentions towards Papua as long as Jakarta doubts the loyalty of Papuans themselves. The 2006 refugee incident showed that Australia's generous aid over many years offers little protection when Indonesians believe their sovereignty or unity are being targeted. In the same arc of perceived vulnerability as Papua, continued instability in East Timor may in the future re-ignite tensions between its two large neighbours. Indonesian mistrust of Australia's intentions could prove very persistent.²⁷

²⁵ *Asia Times*, 1 February 2007.

²⁶ *Tempointeraktif*, 30 January 2007.

²⁷ See Ivan Cook, *Australia, Indonesia and the world: public opinion and foreign policy*, Lowy Institute, 2006, p 14 and David Reeve, Strange, suspicious packages, in John Monfries (ed) *Different societies, shared futures*, Singapore, ISEAS, 2006, pp 69-87.

Policy recommendations

Several policy recommendations suggest themselves to address some of the issues raised in this report. Given the strength of anti-Western sentiment that is more freely expressed in democratic Indonesia than it was earlier, it would be unrealistic to expect any 'Great Leap Forward' is possible or desirable in building the bilateral relationship. Yet Australia's need to understand Indonesia is as great as ever. Indonesia is growing ever more complex, yet fewer Australians are becoming attracted to the study of Indonesia than in past. Several years ago, former Foreign Affairs and Trade Department Secretary Flood conducted an inquiry into the needs and problems of Australia's intelligence agencies. The time has arguably come for an inquiry into the education system's requirements for preparing Australians for a long-term relationship with Indonesia. The aim of such an inquiry should include reversing the decline of Indonesian studies in Australian universities, and financing the revival of interest among young Australians in learning the Indonesian language. According to the Asian Studies Association of Australia, 1,800 university students were studying Indonesian in 2004, the latest year for which figures have been published, a decline of 15% from 2001.²⁸ Perhaps unsurprisingly, the Bali bombings did not reverse the declining trend. Indeed, travel advisories warning against visits to Indonesia may have reinforced the growing unpopularity of Indonesian as a subject of study.

The development of Indonesia will be a very long-term undertaking. The adoption of democracy could well make the development and modernisation of the country a more complex and probably longer process. The success of Indonesia's macroeconomic policies and its growing financial resources make any absolute increase in Australian aid unnecessary. Australia is already in any case Indonesia's second-largest aid donor. But one field in which Australia could probably offer more is that of disaster management, which would be an important contribution given the multiplicity of natural disasters hitting Indonesia.

In view of the increasing diversity that will characterise Indonesia as decentralisation progresses, the case is growing stronger for the opening of a further consulate, perhaps in Eastern Indonesia, the better to monitor developments far from Jakarta. Makassar, the most important city in Eastern Indonesia, would probably be the best location for such a consulate. Indonesia would disapprove any move to open a consulate in either of the Papuan provinces. Such a consulate would also be of great benefit to Australian mining companies, as most mining ventures are located in Eastern Indonesia. A Makassar consulate would also be well placed to monitor Islamic developments.

²⁸ See <http://coombs.anu.edu.au/SpecialProj/ASAA/Notes/ASAA-media-rel-2005-02-21.doc>

In view of the influence of Muslim views on Indonesia's foreign policy, current programs to acquaint Muslim leaders with benign Australian attitudes towards Islam should continue. No opportunities should be neglected to convince Indonesian Muslim leaders that Australia is not 'at war' with Islam. Because of the presence of terrorist cells in Australia, the Sheikh Hilali saga, the Cronulla riots and other factors, Muslims have become an easy target for the Australian print media, which do little to disseminate a more objective and sober view of Islam. Visiting authorities such as the *Daily Mail's* Melanie Phillips reinforce the barrage of criticism of Australia's Muslim community. This trend, where not counterbalanced by other commentary, will undermine efforts to engage Indonesian Muslim sympathies and reinforce unwarranted suspicions that Australia is hostile to Islam.

ABOUT THE AUTHOR

Ken Ward has had a long and distinguished career in academia and government analysing Indonesia. In 1996, he became Senior Indonesia Analyst in the Office of National Assessments. He worked eight years in this post. His main responsibilities included analysis of the successive post-Soeharto administrations, Islamic politics, the Bali bombing and its aftermath and the East Timor crisis of 1999. During this period, Ken paid nine official visits to Indonesia for familiarisation purposes. He has now visited Indonesia twenty times during his career.

Ken now works as a consultant on terrorism and Southeast Asian politics. He has carried out consulting work for ONA, participated in a seminar on al-Qaeda at the US Army's INSCOM at Fort Belvoir, Virginia in 2005 and gave a paper this April at PASOC 2006 in Hawaii on the terrorist threat in Indonesia. He also participated in a conference on Islamic extremism organised by the US Joint Information Operations Command in San Antonio, Texas, in November 2006.

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