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INDONESIA IN 2006

Cautious Reform

_____ Damien Kingsbury
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Abstract

Indonesia in 2006 appeared to be stabilizing after several years of political and economic upheaval. Cautious reforms continued, but official corruption remained problematic. It appeared that the Aceh conflict was over. At year's end, Indonesia still faced many daunting problems but appeared to be charting a steadier course.

Keywords: Indonesia, reform, military, Aceh, economy

Following the economic upheavals of the late 1990s and the uncertainty and chaos of the first years of the 21st century, 2006 proved to be a year in which Indonesia appeared to be regaining a sense of stability. The country continued to be beset by problems, reflecting its physical and cultural dispersion, compromised economy, and continuing high levels of corruption. But 2006 was remarkable in that there were few shocks or major negative events. Most importantly, those events over which political leaders had some volition moved along, if at a sometimes slow pace. If the presidency of Susilo Bambang Yudhoyono was occasionally criticized for being too slow in continuing to implement reform, it was also because he was cautious in its implementation. Given the large body of interests vested in the status quo, cautious reform appeared to be a wise, if sometimes frustrating, approach to guiding the state.

Politics

Indonesia's political processes continued to evolve in 2006 in line with a series of mild reformist changes that had been undertaken since the resignation of

Damien Kingsbury is Associate Professor and Director, Masters of International and Community Development at the School of International and Political Studies, Deakin University, Melbourne, Australia. Email: <dlk@deakin.edu.au>.

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President Suharto in 1998. The most successful political move in 2006 was the further cementing of the peace agreement in Aceh, with passage of the Undang-Undang Pemerintahan Aceh (Law on the Governing of Aceh, LoGA) through the legislature (DPR) in July. Despite a number of problems with the LoGA raised by Acehnese, in particular representatives of the Free Aceh Movement, peace continued there, marred only by a few generally minor incidents. The first round of Aceh's administrative elections occurred on December 8, and despite attracting a wide range of candidates from official parties as well as individual candidates, was convincingly won by pro-GAM (Gerakan Aceh Merdeka, Free Aceh Movement) independent candidates Irwandi Jusuf and Muhamad Nazar. This precluded the planned second round of voting.

On the issue of the passage of the LoGA, which occurred later than stipulated under the peace agreement, there remained an extended backlog of legislation in the DPR, much of it held up because of inefficiencies and political infighting within the legislature's committee system, which reviews legislation before passage. In particular a controversial revision of the labor law proposed by President Yudhoyono, which critics said allowed too much deregulation of the labor market, was held up in the DPR. With one eye firmly fixed on potential voters, the major parties in the legislature, Golkar and the main non-government aligned Partai Demokrasi Indonesia-Perjuangan (Indonesian Democratic Party-Struggle, PDI-P), refused to pass the law.

As Indonesian political society comes to grips with an open electoral environment, there has been increased public focus on voter intentions through the use of polling; this has influenced how campaigns are conducted.¹ There was also increased focus on the links between Islam and democracy, and Islamism and terrorism.

The Cabinet came in for some criticism for its performance in 2006, with some ministers keeping their posts despite being seen as underperforming.² Some observers believed President Yudhoyono was exercising too much personal control on Cabinet decision making. Voters also appeared disenchanted with the president, by May downgrading his personal approval rating to 34%, a drop of one-half compared with September 2004 when he was elected. This disappointment stemmed largely from cuts to fuel subsidies against a backdrop of oil imports at record high prices.³

Rule of Law

The issue of the rule of law continued to plague Indonesia in terms of international perceptions, but especially for Indonesian citizens who sought justice.

1. M. Mietzner, "Indonesia's New Pollster Democracy: Opportunities and Pitfalls," *Jakarta Post*, October 16, 2006.

2. Y. Wanandi, "Two Years of the Yudhoyono Presidency," *ibid.*, September 20, 2006.

3. "Progress, with a Backdrop of Volcanoes," *Economist*, May 26, 2006.

Indonesia's judicial system has been widely held to be the most corrupt institution in the country; its reform was high on the agenda of President Yudhoyono.

The case of the murder of human rights activist Munir Said bin Thalib by poisoning in September 2004 also continued to plague the legal system. Munir's convicted murderer, Polycarpus Priyanto, had his 14-year sentence dismissed by the Supreme Court on the grounds that no one actually saw him poison Munir.⁴ Priyanto continued to serve a two-year sentence for falsifying documents. Indonesia's National Intelligence Agency (Badan Intelijen Indonesia, BIN) was widely held to have been involved in Munir's death and refused to assist in the investigation or trial. As a *Jakarta Post* editorial noted,

Polycarpus's escape from the premeditated murder charges reminds us of the high-profile trials of Army officers and civilian leaders accused of involvement in crimes against humanity in East Timor in 1999 and Tanjung Priok in 1984. Those trials ran on an identical script. Some of the defendants were found guilty in the lower court, to the cheers of human rights activists. But it was the defendants who had the last laugh, as they finally were acquitted in the appeal court due to a "lack of evidence." Their exoneration was only a matter of time.⁵

U.N. Special Rapporteur on Extrajudicial Killings Philip Alston was refused involvement in investigating the case on the grounds, according to police chief General Sutanto, that "it would undermine Indonesia's law enforcement process."⁶

Another controversial judicial process was the execution in September 2006 of three Catholics convicted of inciting religious conflict between the large Christian population and increasing population of Muslims in central Sulawesi in 2000 and 2001. More than 1,000 people were killed in these sectarian clashes. Seen by many as unbalanced because no Muslims had been sentenced to death for their part in the conflict, the executions led to local rioting.

Some observers viewed the executions as paving the way for the execution of three of the 2002 Bali bombers, Amrozi, Ali Ghufron, and Imam Samudra, who were identified with the radical Islamist terrorist organization Jema'ah Islamiyah (literally, Islamic Community). Jema'ah Islamiyah has continued to exist but is believed to have split into two factions, the smaller of which appeared intent on continuing its bombing campaign.

The Indonesian judicial system's capacity to release influential prisoners early has long been of concern, and so it was when Hutomo Putra Mandala, better known as Tommy Suharto, youngest son of former President Suharto, was released from jail on October 30, just five years into a 15-year sentence. This had been reduced to 10 years without explanation. Hutomo Putra Mandala was

4. "Supreme Court Quashes Conviction in Murder of Indonesia Rights Activist: Report," Associated Press, Jakarta, October 4, 2006.

5. Editorial, "Forget the Nobel, Remember Munir," *Jakarta Post*, October 7, 2006.

6. "Police Wary of UN Rapporteur in Munir Probe," *ibid.*, November 1, 2006.

originally sentenced for the murder of a Supreme Court judge who had earlier convicted him of graft. Concern that his early release implied interference with the judiciary was expressed by members of the Indonesian legislature, while the *Koran Tempo* newspaper also noted that it appeared that money could reduce prison sentences.⁷

The Economy

The Indonesian economy continued to grow during 2006 at just over 5%, continuing to stay below the population growth rate of just over 6%. The gap between economic and population growth had been a feature of the Indonesia economy since 1998, primarily as a consequence of low levels of foreign investment. Two of Indonesia's largest foreign-export income earners, oil and natural gas, also remained at low levels. Oil was being imported rather than exported because of a lack of investment in the industry and a decrepit infrastructure, both of which limited production. Tourism was also declining amid enduring security concerns.

Poverty in Indonesia increased to 18% in 2006, up four million to almost 40 million people. The poverty rate was set at \$16.80 per month, well below even the minimal benchmark of a dollar a day, which would otherwise have put some 80 million Indonesians below the poverty line.⁸ More positively, the rupiah improved to around 9,200 to the U.S. dollar, while Indonesia continued to reduce its external debt-to-GDP (gross domestic product) ratio, bringing it down to 40%, from 80% in 2000.⁹ Notably, Indonesia completed repayment of loans from the International Monetary Fund (IMF) undertaken through the Extended Fund Facility, which had bailed the country out of the 1997–98 financial crisis.¹⁰ Official interest rates were also decreased during the year, to 10.75%. Inflation was projected to average around 8% in 2006 and decline to 6%–7% in 2007. Non-performing loans, which had plagued the economy following the financial crisis, eased to 5% (net, 8.8% gross).¹¹

In a positive sign for foreign investment, the petrochemical giant BP signed a \$2.6 billion deal to finance the liquefied natural gas (LNG) project in Tangguh, West Irian Jaya. The project was expected to generate exports accounting for some 6% of total global demand and worth around \$2 billion a year, with

7. "Keluarga Korban Bisa Gugat Pembebasan Tommy" [Victims families can challenge Tommy's freedom], *Koran Tempo*, October 31, 2006.

8. "Poverty in Indonesia," *Economist*, September 14, 2006.

9. Department of Finance, Republic of Indonesia, "SBY Support BI to Settle IMF Debt," Jakarta, October 6, 2006.

10. Djafaara, "The IMF Loans Effectively Settled Today," Bank Indonesia, Jakarta, October 12, 2006.

11. B. Mulya, "Statement by the Governor of Bank Indonesia: BI Rate Reduced Further 50 BPS to 10.75%," *ibid.*, October 5, 2006.

contracts let to 2035. This was set against the wider negative foreign investment climate, especially in oil and LNG extraction.

The Military

Reform of the Tentara Nasional Indonesia (Indonesian National Military, TNI) had been one of President Yudhoyono's top priorities after being elected. He confirmed this goal with the appointment of army moderate (and former military academy classmate) Djoko Suyanto as commander in chief in January 2006 and reiterated it in a speech to TNI officers in September. But despite the rhetoric, in practice, military reform slowed during the year. Although under Indonesian law TNI members should be tried in civilian courts for non-military related crimes, in September Defense Minister Juwono Sudarsono rejected civil jurisdiction. Juwono claimed that it could compromise military interests and hinder the defense system, an argument quickly rejected by political analysts and the human rights organization Imparsial.

Meanwhile, two arms scandals occurred involving TNI personnel. In October, four Indonesians and two foreigners were arrested in the U.S. for conspiring illegally to ship military equipment and arms worth \$900,000 to Sri Lanka's Tamil Tiger guerrillas. The six were extradited to Indonesia. An earlier ministerial decree blocked TNI members from buying their own weapons, in an attempt to limit corrupt sales and gun-running.¹²

Political Fragmentation

Having approached the verge of fragmentation after Suharto's resignation in 1998 and with the loss of East Timor in 1999, Indonesia in 2006 continued to consolidate. The Aceh peace settlement passed its first anniversary with few major problems, and the first round of local administrative elections there was scheduled for December. In the newly created province of West Irian Jaya, in West Papua, local elections went ahead with little disruption, although many people in the area voiced dissent over the creation of the new province. Meanwhile, West Papuan political and cultural groups continued to coalesce under the umbrella of the West Papua Coalition for National Liberation, with a view to presenting a united front to the Indonesian government in 2007 in order to renegotiate West Papua's relationship with Jakarta. Elsewhere religious tensions were abated in Maluku although Central Sulawesi saw some sporadic violence. Other claims to separatism remained muted or nonexistent.

Decentralization moved forward, although primary investment still focused on cities rather than *kabupaten* (regencies, or sub-provincial districts). A key

12. "Accused on Guam Agrees to Face Charges in Maryland," Associated Press (Hagatna, Guam), October 3, 2006.

problem of decentralization—lack of regional administrative experience—continued to be experienced throughout 2006. This was compounded by a relatively high level of localized official corruption, especially in the granting of licenses.¹³ Religious tensions also simmered, especially in an attack in July against the unconventional Islamic organization Ahmadiyah (Followers of Ahmad), while communal tensions intensified, if unevenly, across the archipelago.¹⁴

Corruption

Under Yudhoyono's direction, Indonesia more actively pursued its major problem of institutionalized corruption. A number of cases were brought to trial by government agencies during the year, although these appeared to be primarily symbolic and did little to address the extent of corruption. Indonesia continued to have a poor Transparency International (TI) corruption rating, 137 on a scale of 158.¹⁵

Less connected to corruption and more to institutional inefficiency, the Central Java earthquake of late May devastated wide areas around the ancient capital of Yogyakarta, but central government responses were slow. Over 6,000 people were killed in the earthquake; more than 500,000 fled their homes, creating serious internal refugee problems.¹⁶ Despite the extensive damage, the Indonesian government claimed it could handle this crisis without external assistance. If aid to Central Java was slow, it was unsurprising then that the Aceh and Nias Reconstruction and Rehabilitation Agency, which had the much greater task of rebuilding the largely devastated province, was also criticized for being slow and inefficient.

International Relations

Indonesia's international relations during 2006 continued to chart a mixed course. The country's nearest neighbors were again angered over unregulated dry-season forest fires, which cast a thick pall of smoke across the region. Meanwhile, relations with Australia soured in the early part of the year following the arrival in Australia of 43 asylum seekers from West Papua. Indonesian authorities demanded that they be sent back, but Australia's Department of Immigration accepted 42 of them as legitimate refugees. In a bid to defuse Jakarta's anger, Australian Prime Minister John Howard offered to tighten immigration laws

13. Michael Malley, "Interview: Dr. Michael Malley," *van Zorge Report*, 3:13–14 (2006), pp. 8–10; and Malley, "Decentralization," *ibid.*, pp. 11–25.

14. "Divided in Diversity: The Challenge of Living Together," *Tempo*, August 15–21, 2006.

15. Transparency International, *Corruption Perceptions Index 2005*, <http://www1.transparency.org/cpi/2005/cpi2005_infocus.html>.

16. U.N. Coordination Office, "Yogyakarta Earthquake Relief Updates," Yogyakarta, <<http://www.un.or.id/yogya/>>, October 31, 2006.

to thwart further asylum seekers, but this gesture backfired when enabling legislation for it was rejected by the Senate.

On November 13, Canberra and Jakarta signed a new treaty ensuring closer cooperation across a range of areas, including closer military links, cooperation against terrorism, joint patrolling of the maritime boundary, and taking a harder line against West Papuan activists. Australia also agreed to help Indonesia build a nuclear power plant, which followed the scrapping of a similar idea in the mid-1990s because of the archipelago's geological instability.

Further abroad, Indonesia was outspoken in its opposition to Israel's conflict with Hezbollah in Lebanon and with Hamas in the West Bank. This created a small amount of tension with the United States, which had otherwise grown closer to Indonesia through the reestablishment of military-to-military links. A flying visit by U.S. President George Bush in November chose to steer away from difficult political or military issues, underscoring the mutual desire for a problem-free, if also somewhat content-free, bilateral relationship.

Conclusion

As Indonesia approached 2007, it looked more stable and confident than it had since the mid-1990s, although the country remained beset by problems including the state's unclear sense of unity and purpose. Many of the problems still looked insurmountable, mostly because of the nearly impossible archipelagic geography and its implications for state organization. Yet, for a sprawling, developing country of some 230 million, Indonesia in 2006 was more stable than many; if some of its issues remained deeply embedded in its structure, it also appeared that other problems showed a chance of being overcome. This was perhaps the country's most promising outlook in a decade.