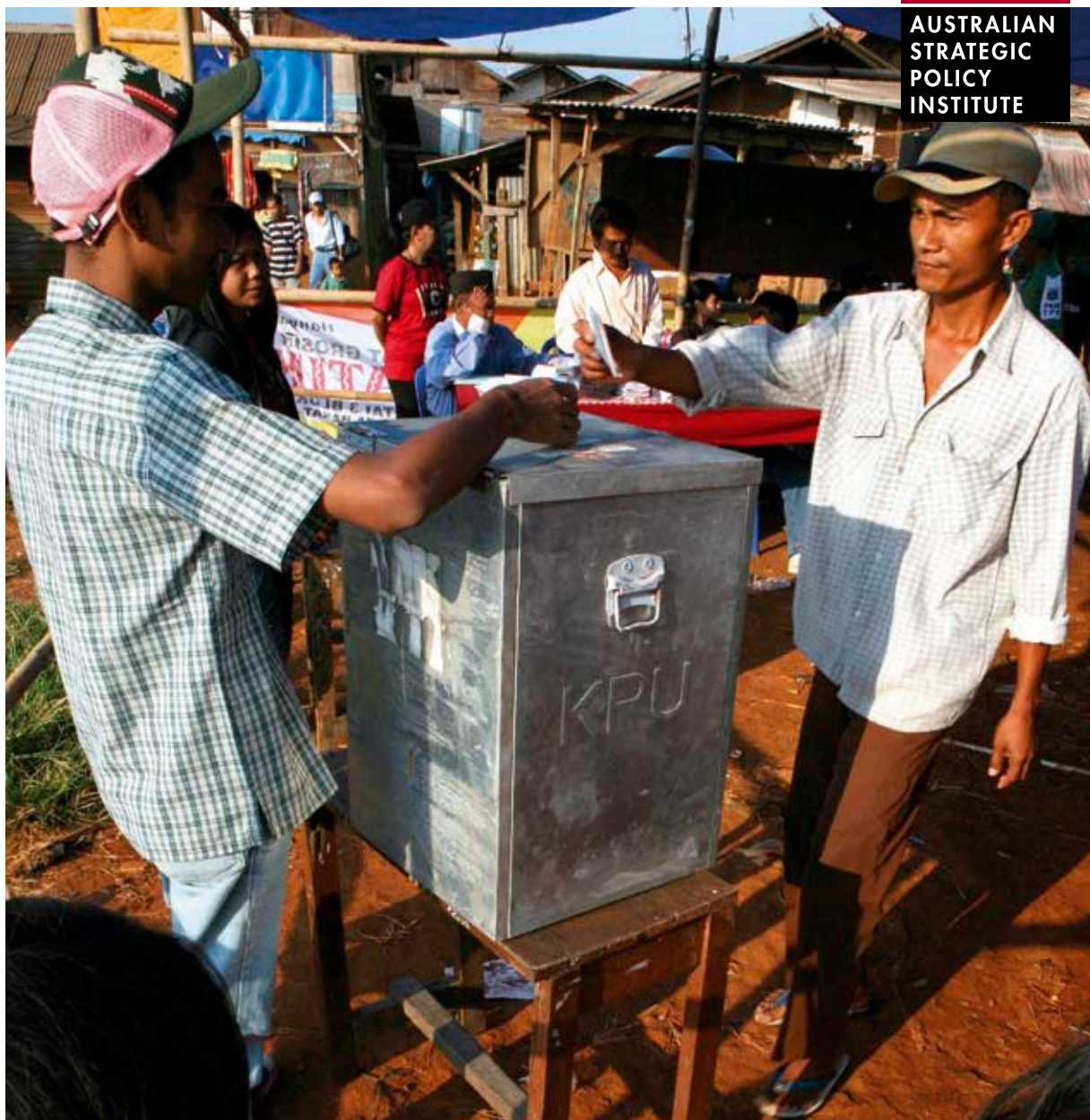


Seeing Indonesia as a normal country

Implications for Australia

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Cover image: People vote for candidates who are vying for the city’s top post and deputy governor’s position, at a polling station in Jakarta, 08 August 2007. Voters in Indonesia’s sprawling capital Jakarta headed to more than 11,000 polling stations to cast ballots in the city’s first direct gubernatorial elections. Ahmad Zamroni/AFP/Getty Images

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Andrew MacIntyre and
Douglas E Ramage

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Executive Director's introduction

The stability and international posture of Indonesia are enduring strategic interests for Australia. Our bilateral relationship with Indonesia, a country with the largest Muslim population in the world and located strategically astride our northern approaches, is critical to our security and our engagement not just in Southeast Asia, but the wider Asia–Pacific. Australia's strategic circumstances would be very different if Indonesia adopted an antagonistic approach to Australia. Fortunately, this hasn't occurred in the past, despite occasional strains in our bilateral relations, and doesn't look likely in the near term.

Indonesia has undergone major transformations since the fall of the Soeharto regime: the embedding of democratic political processes and reforms in many aspects of the public and private sectors is progressing well, although significant challenges remain; and Indonesia is regaining its influence as a regional leader in ASEAN sustained by its political and economic development.

Speaking at a recent ASPI function in Sydney, Australian Foreign Minister Stephen Smith noted that the relationship with Indonesia is very good and the government believes it can take it to a new level of genuine partnership.

This report is designed to take stock of developments in Indonesia and identify ways of enhancing our bilateral relationship. The authors, Andrew MacIntyre and Douglas Ramage, provide important insights based on their deep understanding of the subject.

A central theme of the paper is that Indonesia has become a normal country, the world's third largest functioning democracy, with a very lively, engaged parliament. Indonesia's transformation of course poses challenges for Australia. In some ways, vibrant democracies are harder to deal with than dictatorships. The authors' core message in this *Strategy* is that it's the consolidation of Indonesia's democratic governance that we should focus on as we improve our bilateral relationship and pursue our interests in Southeast Asia and the wider Asia–Pacific.

Peter Abigail

Executive Director

Photo opposite: Australian Prime Minister Kevin Rudd meets with Indonesian President Susilo Bambang Yudhoyono in Bali, Indonesia, 11 December 2007. The pair were in Bali for a UN conference on climate change. AAP/Ketut Karna © 2007 AAP



Executive summary

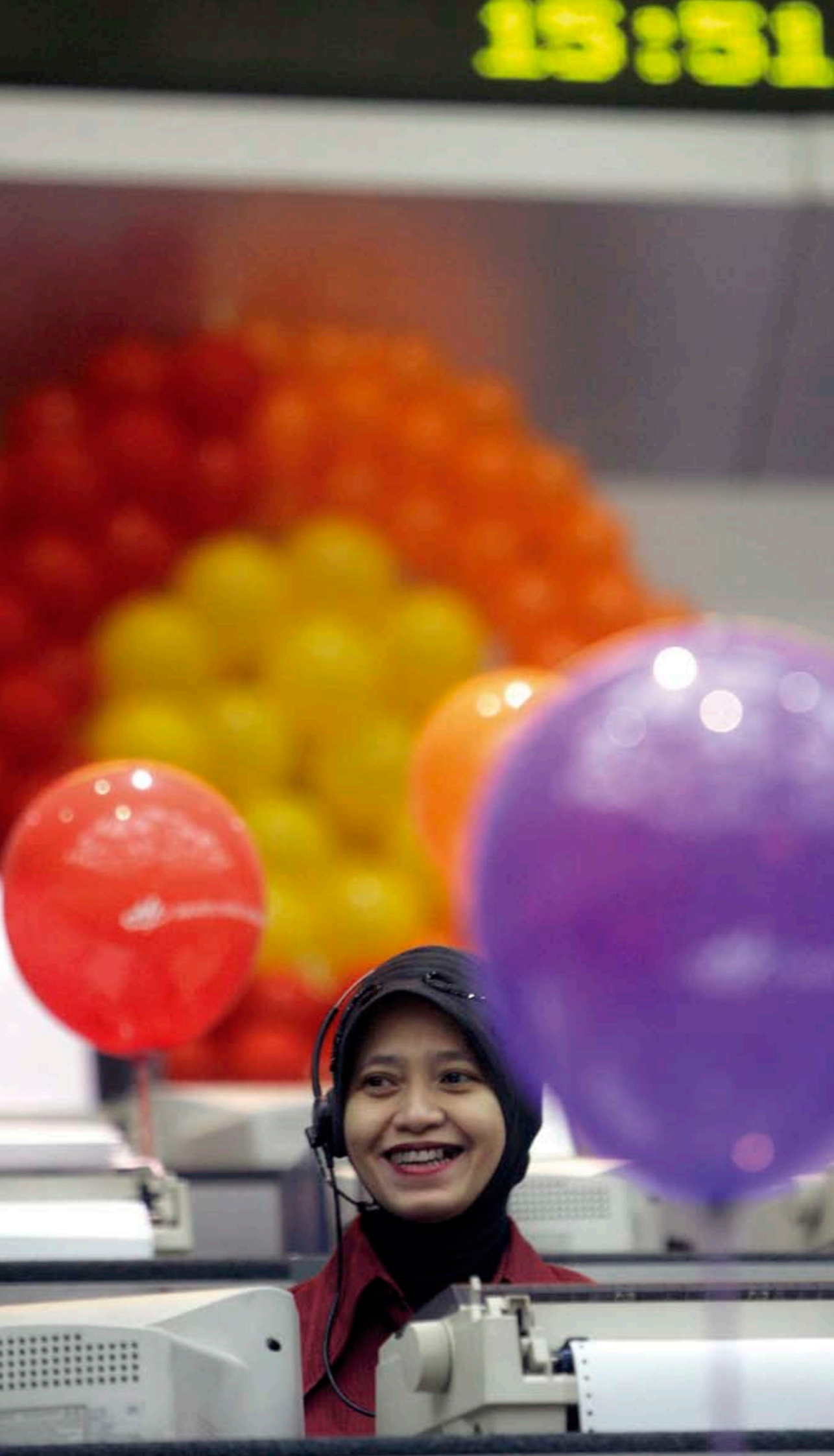
Australia needs to update the way it thinks about Indonesia. We need to start thinking of it as a normal country, grappling with many of the same challenges as other large, stable, middle-income developing democracies—such as India, Mexico or Brazil.

Indonesia today is a stable, competitive democracy, playing a constructive role in world affairs. It is no longer in a state of profound flux and turmoil. Indeed, we now know what Indonesia is probably going to look like over the next decade. In the absence of radical disjuncture—always a possibility, but not currently expected by observers inside or outside the country—Indonesia will be a middle-income developing country making slow headway in lifting living standards and consolidating democratic governance.

Seeing Indonesia as a normal country involves recognising just how much progress it has achieved since the fall of Soeharto, while maintaining a clear-eyed realism about what's likely to be possible. The current pace of internal progress and depth of receptiveness to international engagement may well be 'as good as it gets' for some time. Australia needs to be conscious of this as it seeks to refine its bilateral engagement with Indonesia.

Old insights matter too, and one of the most important for Australian policymakers to grasp is Indonesia's fundamental pluralism. Regimes, rulers and miscellaneous radicals have come and gone, but an underlying equilibrium continually reasserts as an openness to external ideas, people and products and an inescapable imperative to accept diversity. There have been some terrible and deadly exceptions, but pluralism remains the bedrock fact of Indonesian society. Australians have lost sight of this in recent years, inclining instead to suspect Indonesians of militancy and zealotry. But in the new democratic world of 'normal' Indonesia, its underlying social diversity will be the foundation of pluralistic politics.

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Chapter 1

BECOMING A NORMAL COUNTRY

Australia, along with the international community more broadly, needs to update and adjust its image of Indonesia. Conceptions of Indonesia as a country struggling economically, dysfunctional politically, in turmoil socially and reeling from a seemingly never-ending series of man-made and natural calamities are now misleading. Indonesia in 2008 is a stable, competitive electoral democracy, with a highly decentralised system of governance, achieving solid rates of economic growth, under competent national leadership, and playing a constructive role in the regional and broader international community. Notions of Indonesian exceptionalism need to be set aside. Instead, we need to start thinking of it as a normal country, grappling with the vast range of economic, human development, infrastructure and governance challenges common to other large, middle-income, developing democracies—not unlike India, Mexico or Brazil.

Indonesia in 2008 is a stable, competitive electoral democracy ... playing a constructive role in the regional and broader international community.

At the time of the Bali Bombing in October 2002, Indonesia was seen at best as a ‘messy’ state—one thought to be either balkanising in the aftermath of Soeharto’s authoritarian New Order, or on the verge of being engulfed in radical Islam, with Indonesia’s supposedly mainstream pluralist majority quiescent in the face of radical voices

Photo opposite: A dealer smiles during the final trading session of the year at the Jakarta Stock Exchange December 28, 2006. © Supri/Reuters/Picture Media

and religiously inspired violence and terrorism. Yet Indonesia today has one of the world's most successful track records in combating terrorism.

Moreover, Islamist parties have failed to attract votes. There is generally little support for radical agendas in Indonesia, and the overwhelming majority of voters have rewarded centre-nationalist, mainstream, generally 'secular' parties in the hundreds of local elections conducted since 2005. The national focus has settled on the cost of living, poverty, jobs and, of course, politics. The 2009 national elections loom increasingly large and campaigning is already well underway, with several declared presidential contenders and dozens of political parties seeking to contest the polls.¹ According to February 2008 data from the nation's leading international standard survey research firm, Lembaga Survei Indonesia (LSI), President Susilo Bambang Yudhoyono (SBY) retains steady approval levels above 50% despite growing dissatisfaction among voters over food price inflation, poverty and unemployment. He remains the clear preference for voters in the next national elections (Mujani 2008).

To see Indonesia as a normal country is to see it not as a nation that's in deep flux or verging on a crisis, but as a stable, middle-income country making steady developmental progress.

Considering the economic devastation wrought by the Asian financial crisis of 1997–98, Indonesia's re-emergence as an economically stable and politically predictable country is remarkable. Annual economic growth is now above 6%—one of the higher growth rates in the Association of Southeast Asian Nations (ASEAN). In its annual report, Freedom House has designated Indonesia for the first time as the only fully free and democratic state in Southeast Asia (see Freedom House 2007). And Indonesia's successful hosting one of the world's largest ever gatherings of its kind in Bali—the United Nations Climate Conference in December 2007, attended by Kevin Rudd in his first overseas visit as Australian Prime Minister—speaks volumes for the normalcy of Indonesia today.

To see Indonesia as a normal country is to see it not as a nation that's in deep flux or verging on a crisis, but as a stable, middle-income country making steady developmental progress. Seeing it this way requires us to set aside any notion of Indonesian exceptionalism—the idea that Indonesia has uniquely complex circumstances and problems. As Indonesia progresses, the structure and dynamics of its politics and society are increasingly recognisable and, indeed, accessible: with reliable opinion poll data becoming more common, we have a wider and clearer window into how Indonesians think and feel on a broad range of issues. It's past time to move beyond notions of Indonesia being in a precarious condition: something approximating the current Indonesia is likely to be with us for the next five to ten years.

However, the paper argues against exaggerated optimism about a transforming Indonesia. Like other large developing countries in the middle-income bracket, it faces major challenges. Inadequately managed, those problems will result in Indonesia being unable to advance significantly the average economic welfare of its citizens and, possibly, weaken its consolidation of democratic governance.

The quality of governance, and the country's overall developmental trajectory, will see continued, though only modest, piecemeal, evolutionary gains in the foreseeable future. This is a sobering prospect, given the scale of the developmental challenges ahead and the natural tendency to wish for much faster progress. Indeed, for Indonesia, and for countries such as Australia seeking to engage closely and constructively with it, the pace of internal progress and depth of receptiveness to international engagement may well be 'as good as it gets' for some time.

Like other large developing countries in the middle-income bracket, it faces major challenges.

Seeing Indonesia now as a normal country involves recognising just how much progress it has achieved in reforming the way it operates, while maintaining a clear-eyed realism about what's likely to be possible for a very large, middle-income, developing democracy.



Chapter 2

DEMOCRATIC GOVERNANCE: REFORM AND EVOLUTION

Indonesia's swing from deep-seated authoritarian rule to democratic governance has been remarkably swift by global and regional standards. The paper highlights three key dimensions of the country's evolving democratic framework: political institutions and processes, the judicial system, and counter-corruption measures. In all these dimensions, Indonesia has made more progress than is generally recognised. The challenge now is to move beyond the foundational achievements of electoral democratisation and other initial reforms to the next phase of pursuing more effective governance that delivers outcomes demanded by society.

It's only in the past several years that priority has shifted to better governance, poverty reduction and the provision of better services to citizens.

Political institutions and processes

Since the fall of Soeharto, Indonesian civil society and government have overwhelmingly prioritised political reforms over improved governance and better services. There's been a clear national perception that the nation's priorities were major restructuring of the country's political institutions (principally, electoral and constitutional reform) and preserving the unity of the republic through decentralisation.

Photo opposite: Indonesia's President Susilo Bambang Yudhoyono delivers a speech to parliament in Jakarta 16 August 2007. Indonesia's president said growth in Southeast Asia's largest economy should accelerate to 6.8% next year, the fastest pace since just before the financial crisis of the late 1990s. © Supri/Reuters/Picture Media

The concurrent emphasis in the first post-Soeharto years on decentralising political power away from Jakarta was also motivated by the widely held view that rigid, centralised control of the country should be banished in the new Indonesia. It's only in the past several years that priority has shifted to better governance, poverty reduction and the provision of better services to citizens. The idea was that when Indonesians had consolidated their electoral democracy they could turn to improving governance.

Indonesia's reform period began with nationwide, popular demands to unshackle the political system, ensure freedom of speech and other basic democratic rights, and devolve power away from Jakarta. Although Indonesia held 'elections' regularly between 1971 and 1997, the entire process was engineered to ensure comfortable electoral margins for the government party, Golkar. Those ballots were akin to the usual charades seen in most authoritarian states—a supposedly legitimising veneer over a deeply undemocratic state. The post-Soeharto elections have been strikingly different, resulting in peaceful changes of national leadership—a crucial measure of a mature democracy. Over 90% of eligible voters participated in 1999; in the 2004 polls, voter turnout for the national parliamentary election was 83%, and 78% and 76% for the first and second round presidential elections, respectively. Citizen participation rates in national and local elections in Indonesia are among the highest in the world for democracies without compulsory voting.

Not only have Indonesians voted in more elections, and more often, than citizens in other democracies in the past decade, but Indonesia has emerged as one of the most electorally competitive countries in the world.

Since 2005, following Indonesia's wide-ranging decentralisation of power to provincial and especially district and city governments, there have been over 350 direct, popular elections for local executives. Not only have Indonesians voted in more elections, and more often, than citizens in other democracies in the past decade, but Indonesia has emerged as one of the most electorally competitive countries in the world. About 43% of incumbents running for re-election for local executive office (governors, deputy governors, district heads and deputy heads, mayors and deputy mayors) in the 2005–08 period lost their contests. And close examination of the 105 elections from 2006 to early 2008 shows not only highly competitive elections but also consistently high voter turnout at the local level; on average, 65–70% of eligible voters cast ballots.

Local election results also tell us that divisive ideologies (so characteristic of Indonesia in the 1950s) play little or no role: nearly 40% of local elections are won by political party coalitions of nationalist/secular *and* Islamic parties. Elections are overwhelmingly peaceful, with disputes generally settled by local courts—a startling contrast to the violence and disputation in elections in neighbouring Thailand and the Philippines, both of which have decades more experience in elections.

A caveat to the otherwise successful electoral story concerns the role and position of women in elections. Generally, few women compete in national parliamentary or local legislative and executive elections; consequently, few win executive posts. In the national parliament

(the Dewan Perwakilan Rakyat, or DPR) for the 2004–2009 period, only 11.8% of members are women. The average for provincial, district and city legislatures is 7%, and nearly a third of all 500-odd local legislatures have no women representatives at all.

It's striking that women have been so underrepresented in Indonesia's new democratic institutions. Women's organisations played an important role in the overthrow of the Soeharto regime, when they were the first to protest against high inflation during the last months of the regime in early 1998. In the subsequent consolidation of democracy, the women's wings of both of Indonesia's largest Islamic organisations, Nahdlatul Ulama and Muhammadiyah, have made up the largest single components of the only nationwide election monitoring organisation—the People's Voter Education Network (Jaringan Pendidikan Pemilih Rakyat, or JPPR). However, recent reforms of Indonesia's electoral and political party laws now require parties to place women candidates higher on the candidate lists, ensuring a larger proportion of women among winning candidates at all levels of elected government in future elections.

Indonesia today has a presidential form of government with a system of checks and balances between the legislative, judicial and executive branches of government. Governments at national, provincial, district and city level are elected in free and fair contests, with relatively high turnover of incumbents. Indonesia has a vibrant, if rather weak, political party system. Seventeen parties are represented in the current House of Representatives, with eight main parties (Golkar, PDIP, PD, PKB, PPP, PKS, PBB and PAN) holding the vast majority of seats.² Where power was once overwhelmingly concentrated around the presidency, the executive branch now has to share normal law-making powers with the legislature.

Local and foreign businesses, NGOs and sundry sectoral interests are all now increasingly confident about navigating the new political framework in pursuit of their interests.

As this presidential-style framework of democratic government has been progressively refined and bedded down, the new 'rules of the game' have become increasingly familiar and intelligible. This has had important consequences for the operations of everyday government in Indonesia. No longer is there widespread uncertainty about how national government operates. Local and foreign businesses, NGOs and sundry sectoral interests are all now increasingly confident about navigating the new political framework in pursuit of their interests.

Key political forces

In understanding the new Indonesia, it is useful to consider the change in the make-up of the key political forces in the country. During the Soeharto era, power was concentrated in the hands of President Soeharto and his family (especially after the late 1980s), along with the armed forces (especially the army) and the central bureaucracy. Golkar and other corporatist organisations, as well as key business conglomerates, provided a crucial supporting network for the regime. Though civil society was closely controlled, the mass-based Islamic organisations retained a measure of independence from the regime, switching between opposition, indifference and tacit support over the decades.

Today, power is far more dispersed. The executive branch now shares law-making power with the legislature, significant powers have been devolved from Jakarta to the regions and, at the broadest level, civil society has markedly more influence on the operations of the state than before. Indonesia's media has developed into the most vibrant in Southeast Asia. A symbiotic relationship still exists between government and business, but the old intimate network of cronyism has evolved into a more fluid and competitive environment; today, decision makers come and go.

Current opinion polling consistently shows that Indonesian citizens perceive legal reform to be lagging and have low opinions of the performance of most judicial institutions ...

The judicial system

Reform of Indonesia's notoriously corrupt judiciary has been one of the key demands within government and civil society since the fall of Soeharto. The judiciary was progressively politicised and sidelined throughout the New Order. Eventually, in addition to its routine handling of criminal cases, the courts took on a political function—to assist in the suppression of dissent and to function as a direct arm of the executive branch.

Current opinion polling consistently shows that Indonesian citizens perceive legal reform to be lagging and have low opinions of the performance of most judicial institutions, including courts. Nonetheless, they also perceive performance to be improving, and nearly three-quarters of citizens in a 2007 poll believed the courts would protect them from unjust treatment by the government.³

President Abdurrahman Wahid appointed one of the first-ever non-career Chief Justices of the Supreme Court in 2001, Professor Bagir Manan. Initially leading the way in government legal reform efforts, in 2003 the Supreme Court adopted the *Blueprint for the Reform of the Supreme Court of Indonesia*, a comprehensive plan for the reform of the court. The legal basis for the reforms was a decree by the People's Consultative Assembly in 1998, followed by an amendment to the Constitution in 2001, and the Law on Judicial Power. The Indonesian judiciary was thereby separated from the executive and is now a genuinely independent branch of government. However, progress with legal reform is uneven across the various key institutions—the courts, the prosecutorial services and the police. And one major area of impunity remains—the courts fail to uphold convictions of senior officers and officials for human rights violations.

Recovery from decades-long politicisation of the courts by the Soeharto regime, in which courts were used to enforce the political will of the government and starved for funding and status within the bureaucracy, will take years of sustained effort to fulfil the reform mandates adopted in the 2003 blueprint. Nonetheless, important reform initiatives that have begun to take hold include the introduction of regular rotations and merit-based assessments and promotions of judges, the introduction of dissenting opinions on court decisions, and the publication of court decisions (decisions were previously considered confidential, and therefore avoided public and expert legal scrutiny).

Most significantly, the Supreme Court increasingly appears to be able to correct itself and to reverse decisions that may have been influenced by corruption or poor legal reasoning. For example, in the case of the murder of the human rights activist Munir Said, the Supreme Court came under enormous public and legal pressure to reverse its highly questionable decision to acquit the sole suspect in the case, Pollycarpus Priyanto. Finally, in January 2008, the Supreme Court reversed its previous acquittal and sentenced Pollycarpus to twenty years in prison.⁴

However, the opposite can and does occur. For example, the Supreme Court overturned District Court and Appellate Court decisions that dismissed Soeharto's case against *Time* magazine for alleging that he was corrupt, and awarded him over \$100 million. That decision, too, is currently under review and might yet be reversed. The behaviour and actions of the judiciary suggest that reforms are often piecemeal and highly uneven. For example, the 2006 conviction and four-year prison sentence of a senior South Jakarta Court judge for corruption is in striking contrast to the *promotion* of a Medan District judge allegedly involved in a highly controversial court decision to exculpate a major suspect in an illegal logging case.⁵

... the Constitutional Court has provided critical oversight of the parliament and other state institutions.

The creation of new legal institutions has also accelerated efforts to strengthen the rule of law in Indonesia. An amendment to the Constitution in 2001, together with a new law in 2003, established the Constitutional Court: a legal body long sought by Indonesian reformers to act as the final arbiter of the constitutionality of law. Since its establishment, and under the energetic leadership of legal scholar Professor Jimly Asshiddiqie, the Constitutional Court has provided critical oversight of the parliament and other state institutions. The court has also aggressively expanded the rights and protections of individuals through three landmark decisions since 2005: the restoration of political rights to former members of the Indonesian Communist Party; a ruling to allow independent candidates in elections; and, in a powerful signalling of the primacy of free speech in the new Indonesia, the striking down of laws that criminalised speech critical of the President.⁶ Perhaps because it is easier to start a new institution on the right footing (and in this case under effective leadership) than to reform highly compromised existing institutions like the Supreme Court, we can see the Constitutional Court clearly in the lead role of legal reform in Indonesia today.

The Attorney-General's Office (AGO) has also begun reform of prosecutorial services. Under SBY's first reformist Attorney-General, Abdul Rahman Saleh (a career legal aid activist), the office adopted a reform program in 2005, modelled in part on the reform program of the Supreme Court.⁷ Following SBY's appointment of a new, hard-hitting, reformist Attorney-General, Hendarman Supandji, in 2007, AGO reform has accelerated in some areas, demonstrated by the number of prosecutors punished or dismissed from the prosecutorial service in 2007. Astonishingly, Hendarman heaped scorn on career prosecutors in his first public interview after being appointed. He indicated his seriousness about going after corruption and incompetence in the AGO, noting that '80% of prosecutors have less than good integrity'.⁸

Counter-corruption

A key test of Indonesia's democratic consolidation is whether the country's globally chart-topping levels of corruption are being brought down. Also politically important is who or what institutions are getting credit for successes so far in the battle against corruption. The battle is being waged on many fronts, involving a wide range of institutions and agencies. It's wildly politically popular to be seen to be against—and to be acting against—corrupt practices. For example, members of the DPR recently sought a media spotlight to publicise their return of the equivalent of A\$400,000 in 'fees' paid to members for passing particular pieces of legislation.⁹

The government's vigorous counter-corruption drive is readily evident to the public.

The government's vigorous counter-corruption drive is readily evident to the public. Any newspaper on any day of the week will contain the latest corruption outrage—which local officials or legislators are under indictment, who has been sentenced for what, and so on. Indonesia's leading civil society anti-corruption organisation, Indonesian Corruption Watch (ICW), reported that in the 2004–07 period some 439 legal cases were brought against individuals in twenty-nine government agencies and departments, with estimated losses to the state totalling 24 trillion rupiah (A\$2.8 billion). The three largest groups of defendants were provincial, district and city government officials; members of national and regional legislatures; and officials working in state-owned enterprises. And, although the high-profile Corruption Eradication Commission (Komisi Pemberantasan Korupsi, or KPK) gets most attention in the counter-corruption fight, the vast majority of cases (over 300) were prosecuted by the AGO. The extent of corruption is vast and sometimes staggering—in 2007, out of the approximately 470 district heads and mayors, 41 were under formal investigation for corruption.¹⁰ In February 2008, police launched an investigation of *all* 45 members of the Surabaya city legislature on charges of having received payments to approve particular city government projects.

Counter-corruption agencies target a wide range of officials at low and, increasingly, at high levels of government. While the AGO pursues the largest number of cases, the KPK has the political gumption to go after corruption or corrupt individuals in the AGO itself, the National Police and other powerful state institutions.¹¹ The best illustration of the KPK's critically effective role was its March 2008 arrest of a senior prosecutor for accepting a US\$660,000 bribe. The arrest may have exposed deep corruption in senior ranks of the AGO, underscoring Attorney-General Hendarman's prescient observation in 2007 about the lack of integrity of his own prosecutors.¹²

The relative effectiveness of the counter-corruption drive to date is due to at least four factors:

- Demands by citizens—conveyed through elections, an unrelenting media focus on corruption cases, public opinion surveys and NGO activism—keep pressure on authorities to 'do something' about pervasive corruption. The media exposes corruption cases, and elected officials are starting to respond to the public's hunger for effective counter-corruption measures.

- The KPK plays a selective and politically crucial role by pushing other agencies to ‘prove’ that they are fighting corruption and by focusing scrutiny on the AGO, the police and other previously ‘untouchable’ institutions.
- The large number of state agencies involved in fighting corruption means that agencies are beginning to compete with each other for recognition in leading the fight.¹³
- SBY has taken more of a leadership role than his predecessors in the counter-corruption drive. His official approval and encouragement have created something of a virtuous circle of reinforcement and political probity. However, there are clearly real constraints on how far and fast SBY can drive counter-corruption reform, since he must work with and through political parties, a parliament and a bureaucracy that are all steeped in corrupt practices to varying degrees.

Despite this progress and political commitment to the counter-corruption drive, Indonesia still has a very long way to go.

Despite this progress and political commitment to the counter-corruption drive, Indonesia still has a very long way to go. Transparency International classified Indonesia in 2007 as still one of the most corrupt countries in the world. ICW’s report at the January 2008 Bali Conference of the United Nation’s Convention Against Corruption outlined how, despite the growth in number of prosecutions, daunting obstacles remain—especially in the very low loss-recovery rate and the failure to concentrate counter-corruption investigation resources on political parties, the police and the judiciary.

Indonesian anti-corruption organisations like ICW contend that the government is still not tackling corruption fast enough and thoroughly enough. However, it may also be the case that the corruption problem is being tackled in a politically ‘digestible’ fashion, given the reality of the pervasive grip of corrupt practices in a vast range and number of state agencies. In other words, it is hard to go much faster when, as the March 2008 arrest of the senior prosecutor shows, anti-corruption reformers must act through compromised institutions.

The security sector

While the security sector in Indonesia has experienced some major changes as a result of democratisation, there’s also a strong sense that further reforms are needed. The paper examines reform in the military and the police, noting in particular where Indonesian and international enthusiasms for further change diverge.

The Indonesian National Army

That the Indonesian armed forces (Tentara Nasional Indonesia, or TNI) have become so publicly marginal to key political debates in the new Indonesia is one of the standout transformations of the decade from 1998. The military was removed from many of its most powerful, formal political roles in Indonesia with an alacrity that many observers haven’t yet fully appreciated. Since then, military voices have rarely entered debates on

political, economic, social or cultural affairs. The Indonesian armed forces' departure from politics in the new democracy was more swift, and more thoroughgoing, than has occurred in neighbouring Thailand or the Philippines. For example, in the space of barely eighteen months after Soeharto's resignation, the armed forces ended their secondments to civilian posts, had their portion of reserved seats in parliament cut dramatically (and totally eliminated by 2004), severed their ties to the long-ruling Golkar political party, and declared their neutrality in elections. Moreover, the military formally ended its 'middle way / dual function' doctrine, which had mandated a sociopolitical role, as well as a security function, for the armed forces since the 1950s.¹⁴

However, the transformation has been partial. The armed forces have surrendered their formal political roles, their views on politics are generally of little consequence to most Indonesians, and the military itself believes that it completed its reform with the end of its formal participation in politics and government.¹⁵ The military still sees itself as the nation's chief guardian and retains its role in devising national defence and security policy.

Military leaders are well aware that there's little national sentiment for further, more complex, military 'reform.' Public opinion polling consistently shows that citizens have a generally positive impression of the armed forces; in a 2007 national survey, 64% of Indonesians said they had very high or high levels of trust in the TNI (the highest trust levels for any government institution). Few identify civil–military reform as a pressing national issue (USAID 2008; Mujani 2008). Yet, as a leading Indonesian civilian analyst of civil–military relations observes, what's been accomplished so far is 'first order military reform, namely the military's disengagement from politics', while other dimensions of the reform agenda remain untouched.¹⁶

Unresolved military issues include accountability for human rights violations during the New Order period and during Indonesia's departure from East Timor, and the military's off-line budgeting of revenues from its large number of businesses.

Unresolved military issues include accountability for human rights violations during the New Order period and during Indonesia's departure from East Timor, and the military's off-line budgeting of revenues from its large number of businesses. While the importance of the formal businesses has declined since 1998, the more important fundraising activities are either semi-legal or illegal (Mietzner, forthcoming).¹⁷ Additionally, while Indonesia has had civilian ministers of defence since 1999, it's not clear that the armed forces fully acknowledge the principle of civilian oversight and control. The Defence Ministry is almost entirely staffed by military officers, lacking almost any civilian defence planning or budgeting expertise. Civilian control—both by the minister and by the parliament—is stymied because they lack control over military financing, in part because a large proportion of the military's expenditure is derived off-budget.

Of two important laws designed to take reform beyond the successful formal disengagement of the military from politics, the 2004 TNI Act hasn't yet been fully implemented and the draft National Security Act hasn't even made its way to the President's office for consideration. With little public clamour or interest in further military reform, civil society pressure on legislators or the executive to enact this legislation is slim.

The TNI maintains a territorial command structure, originally developed to wage guerrilla war in the 1940s and to counter subsequent internal security threats, rather than reorienting itself towards a conventional defence posture in line with the end of its formal political role. The persistence of the territorial command system holds the potential for continued or future intervention in politics at the local level, via the military's network of small postings at village, district and sub-district levels throughout the country. Although that kind of intervention appears very unlikely, given the vibrancy and stability of Indonesia's civilian democracy, the command structure remains a noteworthy piece of unfinished business in Indonesia's democratisation.

That the military *is* out of politics, and clearly looks to remain apolitical, necessitates a supportive policy response.

Two linked civil–military reform issues are important for Indonesia's relations with its main Western partners (Australia, the US and the EU): accountability for past human rights violations and military hardware purchases. No senior military officer (active duty or retired) has been imprisoned for human rights violations committed either during the Soeharto period or subsequently, despite efforts to try officers for human rights and other violations stemming from the massacre of Muslims in 1984 in Jakarta's Tanjung Priok port, the razing of a village of alleged Islamist militants in Lampung in 1989, the kidnapping and disappearance of activists and killings of students in 1998, and human rights violations in East Timor in 1999.¹⁸ This lack of accountability will continue to resonate internationally and among Indonesia's human rights communities. However, there's little Indonesian public clamour for military officers to be tried and punished for past misdeeds; nor are Indonesian Government officials or legislators keen on revisiting past abuses. Accountability is also fundamentally complicated by the broad complicity of civilians and religious organisations in human rights abuses and killings in the mid-1960s, after the fall of President Soekarno. The matter-of-fact recollection of a senior Nahdlatul Ulama leader of how that organisation assisted the army's anti-communist purges is recounted in a recent essay, 'Killing Communists' by Yusuf Hasyim (2005: 16–17).

This picture of civil–military reform and accountability has clear policy implications for Australia (and the US, the EU and others). First, external pressure to hold officers accountable will go nowhere in the absence of significant Indonesian civil society or government interest. Second, the genuinely swift and complete exit of the military from Indonesian politics has helped to ensure relatively steady democratic consolidation and, notably, the successful peace deal in Aceh. That isn't the case for Indonesia's neighbours, Thailand and the Philippines, where the armed forces remain deeply entrenched in politics in highly disruptive ways.

That the military is out of politics, and clearly looks to remain apolitical, necessitates a supportive policy response. For example, to express alarm over Indonesia's modest efforts to update its conventional forces, such as its purchase of Russian submarines, jet fighters and other equipment in 2007, does little to reinforce the need for the TNI to conventionalise its force posture and to move away from its territorial command structure. In a sense, there's a deal to be had here: the West needs to help the TNI develop as a normal, externally oriented conventional force, and that reorientation will undergird Indonesia's successful civilian democratisation. Western countries have little credibility when they demand that the TNI act like a normal military and then fail to assist in that normalisation, which legitimately includes conventional weapons upgrades.

The Indonesian National Police

The Indonesian National Police (POLRI) remains a highly controversial institution. It is often ineffective, and is perceived by citizens to be deeply corrupt. Indeed, national opinion surveys beginning in 1999 consistently show that the police are ranked at the bottom of all state institutions in measures of trust and susceptibility to corruption.¹⁹ Despite these continuing problems, the police have begun a process of credible (if uneven) reform, and have had success on a number of fronts, most notably combating terrorism and narcotics trafficking.

... it's now well known and acknowledged in Australia and in Indonesia that the Indonesian police have become very adept at catching terrorists.

More than five years since the Bali bombings, it's now well known and acknowledged in Australia and in Indonesia that the Indonesian police have become very adept at catching terrorists. What's much less well known is that POLRI has also launched far-reaching reform initiatives designed to improve the services it provides to citizens as a civilianised police force in a democratic country. Those initiatives, like reforms in the judiciary and the AGO, will take a long time, but there are several important shifts that suggest the changes are likely to bear fruit in the coming years.

The most important initial reform was the institutional separation of the Indonesian National Police from the TNI, beginning in 1999. A decree by the People's Consultative Assembly in 2000 explicitly declared that the police were primarily responsible for domestic security and policing, while the TNI was charged with a conventional national defence role.²⁰ Early reforms included the symbolic: the adoption of civilian rankings, less military-like uniforms for some officers, and the repainting of police cars with the slogan 'To serve and protect'.

Evidence of police reform can be found on the campus of the National Police Academy (Akpul) in Semarang, Central Java. Well known to Australian officials primarily for its specialised counter-terrorism training centre (heavily funded with Australian and other international donor support), the academy is undertaking curriculum reforms that may have long-term positive impacts on policing throughout Indonesia. With an annual intake of more than 300 cadets, Akpul trains those who will become precinct and sub-precinct heads, equivalent to the old rank of second lieutenant, now a rank of police inspector (second class).

Reforms include efforts to demilitarise training and end the systematic brutalising of cadets. Young police officers and instructors at Akpol both identify the end of physical ‘toughening up’ (beatings, brutality, extreme ‘hazing’ of cadets) as the most immediate change following the separation of the police from the military.

Evidence of police reform can be found on the campus of the National Police Academy ...

Coursework has also radically changed since 2006, with all cadets now required to undergo innovative training in human rights and in earning the trust of communities. Most interestingly, Akpol has turned to civilian human rights trainers from the Islamic University of Yogyakarta to conduct its training, which includes role playing and interaction with citizens through field trips—a first for the academy. Another remarkable and somewhat unusual approach to reform is the involvement of a group of Rastafarian-like street musicians brought in to the academy to interact and sing social protest songs (some about police and government brutality) to the cadets. A change-averse organisation, steeped in military traditions, would seem to be an unlikely institutional candidate for such unconventional approaches. Lecturers at Akpol embraced the new methods because, as one senior instructor put it, ‘the new weapon of police is no longer their gun, but instead its wits in dealing with pluralistic society. And these kinds of interactions (with street musicians, and with ordinary people on field trips) helps us to see that citizens are not our enemies.’²¹

That Akpol has moved down this path demonstrates that reform is becoming institutionalised in some parts of POLRI. Moreover, POLRI is willing to undertake such ‘radical’ reforms because the police themselves are acutely aware that they’ve been among the most disliked of all government agencies and departments. Now, with surveys beginning to show improving public perceptions of the police, possibly reflecting police efforts to improve services in communities, the police find a payoff in better community relations.²²

In addition to POLRI’s widely acknowledged success in combating terrorism, its popular crackdown on illegal narcotics has shown how some parts of the police and the judiciary operate relatively consistently, and with concrete impact. For example, Indonesia’s prison population has increased from 75,000 in 2003 to nearly 127,000 in 2007, and nearly 60% of the increase is attributable to sentences for drug-related crimes.²³ By far the largest proportion of death sentences are for drug trafficking.

Major challenges remain, if POLRI is to firmly institutionalise reforms and prove that democratisation has brought better permanent, civilianised policing to Indonesian communities. One major, but rarely acknowledged, factor in poor police performance was the relatively low number of police during the Soeharto period. Typically, citizens grumbled that police response time was slow, and that when police showed up they demanded payments. Police personnel shortages produced slow reactions, and the police were starved for operational funding; sub-precincts were often given no operational budget, so that, say, expenses for petrol for the local police officer’s motorcycle had to be covered by police demanding payments from citizens to investigate complaints.²⁴

... two key reforms of the past five years have been to significantly increase the numbers of police, bringing Indonesia closer to international police–civilian ratios, and to dramatically increase the official police budget.

Therefore, two key reforms of the past five years have been to significantly increase the numbers of police, bringing Indonesia closer to international police–civilian ratios, and to dramatically increase the official police budget. From 2005 to 2007, the number of police increased from 276,000 to over 360,000, so that the police–civilian ratio rose from 1:1,000 in 1995 to 1:630.²⁵ To support the increases, the national budget allocation has also been significantly increased for the police, rising over 225% from 2003 to 2008, far more than increases for the TNI over the same period.²⁶ The government’s ability to sustain such budget increases, which have mainly been used to increase police numbers and to provide greater operational budgets for precincts, will be stressed as other reforms (including long-overdue salary adjustments and other qualitative improvements in policing) take on greater urgency in coming years.

Police reform is now happening much faster than military reform. This is because, in the public’s eyes, the police have much further to go in overcoming their image as a corrupt institution, operating at times with impunity. POLRI’s performance can be assessed immediately by sceptical citizens, who now hold the police to higher standards. By contrast, the armed forces, having retreated from national political life, feel little public or civilian political pressure for further reform.

Progress in Aceh and Papua

To varying degrees, Indonesia is making progress in resolving longstanding political problems in its western-most and eastern-most provinces. Change in Aceh has been dramatic, but in Papua has been more modest. In both cases, deepening democracy is critical to future prospects.

Aceh

On 14 December 2007, the Aceh Rehabilitation and Reconstruction Agency (BRR) handed over the hundred-thousandth newly built house to a survivor of the 26 December 2004 tsunami, which left more than 168,000 dead or missing and more than 100,000 homes destroyed.²⁷ Barely 5,000 Acehnese remain in temporary housing. Compared to other nations’ often tortuously slow and deeply corrupted recoveries from major disasters, Indonesia’s record of recovery and reconstruction has generally been professional, well managed and timely. The extremely large amounts of international assistance after the tsunami played an important role in the recovery.

In July 2006, the Indonesian Parliament passed the Law on the Governing of Aceh, granting Acehnese far-reaching authority to manage their own provincial affairs, including a degree of autonomy surpassing that already given to all provinces, districts and cities through a massive decentralisation program in 2001. The parliament’s unanimous passage of the law paved the way for Aceh’s first fully free and fair elections in December 2006, which resulted

in Irwandi Yusuf, a former Free Aceh Movement (GAM) leader, being elected governor. The poll had very high participation, with nearly 80% of eligible voters casting ballots.²⁸

It is important to bear in mind that efforts to revive Aceh peace talks began before the tsunami, when President SBY appointed a new negotiating team and empowered Vice President Jusuf Kalla to restart the peace process. However, the tsunami drastically accelerated the process and changed the negotiating positions: GAM strongholds were wiped out by the tsunami, and both government and GAM suffered grievous losses, forcing a recalculation on both sides. Long-exiled GAM leaders were also desperate to return to their homeland in the wake of such an unprecedented calamity. Moreover, the tsunami focused sympathetic public attention on Aceh for the first time, creating a public groundswell of support to 'do something' for Aceh. The SBY Government sold itself to the public as a competent national leadership, and so the pressure to demonstrate both domestically and internationally that Indonesia was up to the task of recovery was also considerable.

Ensuring good governance and long-term development in Aceh is now the main, and in some ways more difficult, challenge.

The most important reason why Indonesia could so quickly resolve one of Asia's longest running separatist conflicts was that Indonesia itself had changed dramatically. The unanimous passage of the law providing special autonomy for Aceh and legislation necessary to clear the way for full integration of the former separatist movement into mainstream Acehnese electoral politics happened mainly 'because of the strength of Indonesia's vibrant new democratic process, which gave all the parties involved a channel to settle their differences without returning to violence' (Hamid and Ramage 2006).

Ensuring good governance and long-term development in Aceh is now the main, and in some ways more difficult, challenge. Aceh must cope with massive economic distortions caused by the drawdown in disaster recovery assistance, together with the political imperative of providing jobs to the former separatist fighters. One indicator of this distortion is the sharp reduction in funding by the national government for the BRR: the 2008 budget allocation for Aceh reconstruction and rehabilitation dropped by 30% from 2007. International development assistance totals also plunged. The rapid drawdown of cash infusions in the form of BRR budget support, and the tapering off of construction, significantly increase the pressure on the local economy to generate sustainable economic growth and jobs. So far, despite their efforts to lure investors through extensive international missions, Governor Irwandi and the local government haven't yet been able to attract significant investment to the province.

Inflation is also hitting Aceh worse than other provinces. While the national inflation rate for 2007 was 6.6%, inflation in Banda Aceh stood at 11.0%. As in other parts of Indonesia, the key challenge for the local government is to bring down poverty and accelerate development. However, the poverty rate in Aceh is also significantly higher than the national average: 26.5% lived in poverty in 2006. Aceh is the only Indonesian province other than Papua where poverty has increased in recent years (World Bank 2008).

This environment of reduced disaster assistance, low investment and high inflation may contain the seeds of future political problems for Aceh. The potential political flashpoint is the lack of jobs for former GAM members. Part of the complex peace process involved commitments to reintegrate thousands of former GAM members into Acehnese society, largely by providing jobs in the mainstream economy. This hasn't yet happened. Indeed, employment isn't being generated for anyone in Aceh, much less this special group of former GAM fighters, many of whom have less employable skills than the broader workforce.

Two major political challenges loom in Aceh, and will warrant attention in coming months. The first is provincial, and concerns the apparent splintering of the former GAM movement into a half dozen or more separate political parties and factions. With GAM split, GAM losses in upcoming provincial and district elections are a real possibility. If GAM loses political power through elections (even though due to its own internal divisions), it mightn't peacefully accept non-GAM winners so soon after GAM began governing Aceh. The second challenge is national, and relates to Indonesia's 2009 parliamentary and presidential elections. If PDI-P—the party of former President Megawati Sukarnoputri, which has been doing well in local elections since 2005—increases its share in the national parliament, or even wins the presidency, that could have repercussions for consolidation of the Aceh peace process. PDI-P was the party least enthusiastic about the peace process in the parliament in 2006, and when Megawati was President she opted for a military solution to the separatist movement in Aceh in 2001–2003. A possible national PDI-P victory could jeopardise close collaboration between Jakarta and Aceh—a required dynamic to ensure long-term peace and development and to prevent any backsliding or return to conflict. However, recent polling data showing SBY leading comfortably makes this an unlikely prospect.²⁹

Papua

The two provinces furthest from Jakarta are among the smallest in population. Papua and West Papua together comprise only 2.5 million people but cover nearly a quarter of Indonesia's total land area. In many ways they are the wealthiest provinces, due to their extraordinary endowment of natural resources (minerals and forests), but both nevertheless suffer from the highest poverty rates in Indonesia—nearly 40%—and the lowest levels of access to clean water, basic health care and education. However, because of the two Papuan provinces' sparse population, they are home to fewer than 2% of all of Indonesia's poor. This means that poverty and developmental challenges are most acute for Papua itself, rather than having much impact nationally. Politically, however, Papua looms large in the national psyche: official rhetoric regularly characterises the nation as extending from the western-most tip of Aceh (Sabang) to the eastern-most tip of Papua (Merauke). Developments in Papua also weigh heavily on Indonesia's bilateral relationships, particularly with Australia and the US.³⁰

As in Aceh, Indonesian national political reforms have provided the enabling environment for beginning to solve longstanding political problems in Papua. Papuans, too, now have the ability to choose popular local figures to govern their own provincial affairs. In the 2006 elections for governor, voter participation was very high: 80% of eligible voters cast ballots. In some local Papuan elections, including for district head in Sorong in 2007, voter participation was 88%.³¹ The first directly elected governors, Barnabas Suebu in Papua and Abraham Atururi in West Papua, are genuinely popular. They bring legitimacy to provincial leaderships for the first time, and enjoy a relatively effective collaborative relationship with Jakarta authorities.

President Yudhoyono even issued a relatively rare presidential decree in May 2007, laying out government plans for accelerated development in Papua and instructing government ministries to prioritise Papua in their development planning, projects and implementation (Tebay 2007).³² Governor Suebu, in particular, has also focused on courting international development agencies, particularly the World Bank, to help solve governance and development problems. Both the Papuan governors have embarked on highly publicised ‘village tours’ to announce the provincial governments’ determination to make 100 million rupiah grants (A\$12,000) directly to villages, bypassing district and sub-district authorities. This approach seeks to avoid otherwise extremely high ‘operational’ costs to which the normal flow of government development funds would be subject, and to jump-start much-needed development projects at the local level, where poverty and needs are greatest.³³

Despite the enormous international attention that is focused on Papua, particularly in Australia and in the US, there are dramatically cooled tensions there. Indonesia is no longer facing a separatist problem per se in Papua. Rather, it faces the same, albeit more severe, developmental challenges of poverty, employment, health care, education and other services, and accelerating environmental degradation. With poverty rates of nearly 40%, and among the lowest health and education indices in Indonesia, the development challenges are stark.

... ‘Jakarta’ is no longer widely perceived as the source of Papuan problems or the ultimate arbiter of its conflicts.

Nonetheless, we are seeing in Papua something of a normalisation of the region, in that the political and developmental problems are increasingly similar to (and as severe as) those in other parts of Indonesia (World Bank 2006). Moreover, ‘Jakarta’ is no longer widely perceived as the source of Papuan problems or the ultimate arbiter of its conflicts.³⁴ Legitimate local elections have contributed greatly to this normalised environment and sucked the oxygen out of the pro-independence movement.

Making democratisation work better

In the past several years, Indonesia clearly reached a tipping point at which it became politically correct, particularly for government officials and state institutions, to support fundamental, systemic institutional change, to embed genuine accountability in state institutions and to begin to deliver better services to citizens. No longer do officials blame a ‘few bad apples’ for corruption in the judiciary, or human rights violations by police and the armed forces, or the ineffective services provided by health and educational institutions. Reformists and reform agendas—and genuine work to implement them—can be found in virtually all state institutions, including the notoriously corrupt tax and customs agencies, and reform has been launched even in the Department of Corrections.

Reforms remain highly uneven, however. Political reform has been extensive, but bureaucratic and civil service reform has just barely begun. Nonetheless, there is widespread government and civil society acknowledgment that the country’s successful *electoral* democratisation should now be matched by improved services and better accountability. If a nation could have a bumper sticker, Indonesia’s would now be *Making democracy work better*.



ECONOMIC PROGRESS AND VULNERABILITIES

Our analysis of Indonesia's economic situation highlights three key topics: Indonesia's better than recognised macroeconomic progress, its worse than recognised problems with poverty, and some near-term areas of economic vulnerability.

Sustained improvement

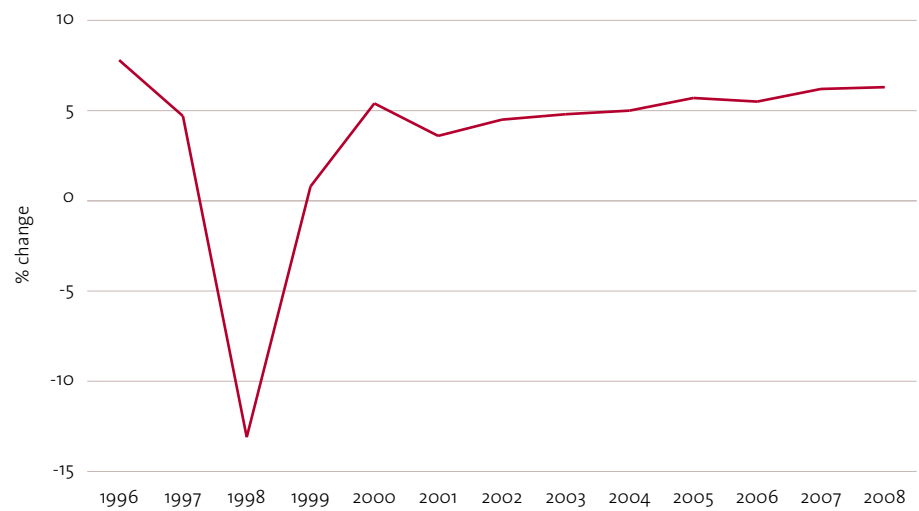
The financial crisis of 1997–98 is well behind Indonesia. The Indonesian economy now has considerable momentum (see Figure 1). Indeed, with annual gross domestic product (GDP) growth running at 6.3% in 2007, Indonesia is one of the better performing economies in East Asia (leaving aside the extreme frontrunners of China and Vietnam). Optimism about Indonesia's economic performance is also justified by its very strong progress in reducing government debt. Having blown out alarmingly during the Asian financial crisis, government debt as a proportion of GDP has been pulled back to a manageable level, thanks to sustained cautious macroeconomic management by successive governments. Figure 2 puts Indonesia's impressive progress on this front into context by comparing it with the efforts of the other main crisis-afflicted countries. Inflation has generally been kept at reasonable levels, though very recently—as elsewhere in Asia—it has begun to kick up sharply under mounting pressure from rapidly rising global food and oil prices.

Particularly encouraging is the fact that Indonesia seems to have turned a corner in investor confidence. Investment—critical to sustained economic growth—was very slow to recover in Indonesia. Notwithstanding the return to political stability and economic reconstruction, investors inside and outside Indonesia remained wary of sinking new capital into the country.

Photo opposite: Construction cranes and concrete pillars rise into the sky as Indonesia's capital Jakarta continues to build office buildings, malls and hotels in the city centre.
AFP/AAP/Ismoyo © 2006 AFP

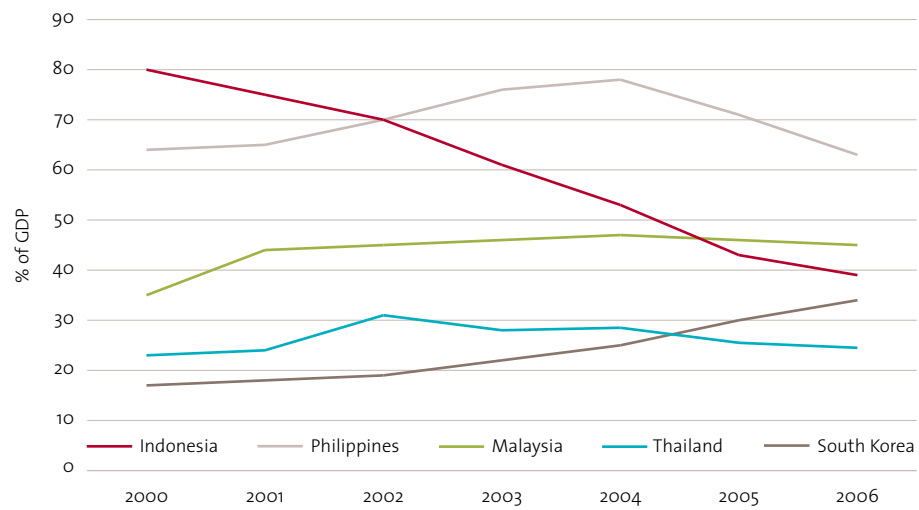
Since SBY has been in power, promoting investment has been a high priority. Government initiatives, plus growing business comfort with the shape of the new Indonesia, are beginning to produce results, with annual investment growth running at 7%–8% since mid-2006. The prevailing pattern of investment is also changing for the better: since 2007, it has increasingly funded machinery and equipment, rather than just construction (Kong and Ramayandi 2008). While major investments by large global firms have yet to pick up (with the standout exception of Chinese firms investing heavily in power plants), the overall investment picture has clearly improved. Investment as a percentage of GDP is around 24%, which places Indonesia roughly midway between the Philippines (15%) and Vietnam, Korea and Thailand (all about 30%) (World Bank 2006: 6). The overall investment picture is still not strong, but it has improved.

Figure 1: Average annual GDP growth, Indonesia, 1996 to 2008



Note: Estimates after 2006
Source: IMF, World Economic Outlook

Figure 2: Government debt, Indonesia and other Asian crisis economies, 2000 to 2006



Source: World Bank (2007: 14)

Finally, it's encouraging to note that Indonesia has also—at last—begun to see some modest gains in reducing unemployment and poverty. Until recently, Indonesia's economic recovery seemed to be a 'jobless' one, with improvements mainly in macroeconomic indicators rather than in gains for the least well-off sectors of society. In 2007, unemployment fell for three successive quarters and the absolute number of people living in poverty fell by 2.1 million (World Bank 2007, Kong and Ramayandi 2008).

The great challenge of poverty

As important as Indonesia's sustained macroeconomic progress is, most of its citizens don't feel that their economic circumstances are improving. Indeed, a February 2008 LSI public opinion survey showed that most felt that their economic position was worsening (Mujani 2008).

Indonesia continues to face profound problems with poverty. World Bank estimates for 2006 indicated that the number of Indonesians living on less than US\$2 per day came close to equalling the combined total for all of the rest of East Asia, excluding China. The proportion of people living in poverty is high for a middle-income country, and is close to that of low-income countries, such as Vietnam.

The picture is even more worrying because standard poverty indices don't capture the full breadth and depth of the problem. Around 17% of Indonesians live below the country's official poverty line (about US\$1.55 a day), but very many more live only just above it. Data for 2006 showed 49% of Indonesians living below US\$2 a day. On a range of other key indicators, Indonesia performs markedly worse than it should:

- the maternal mortality rate is three times that of Vietnam and six times that of China
- flow-on rates from primary to secondary school are low
- less than 1% of Indonesians have access to piped sewerage services.

The distribution of poverty and access to key welfare services isn't simply divided along urban–rural lines; conditions are typically much worse in outlying areas, particularly eastern Indonesia. However, there's no easy way to focus remedial efforts on eastern Indonesia—even though relative incidence of poverty is lower on the central islands of Java and Bali, in absolute terms that's where nearly 60% of Indonesia's poor live (World Bank 2006: xxi, xxiii–xxiv). Further compounding the problem is the current sharp rise in global food prices, which will disproportionately hurt the poor.

In short, poverty is a very major problem for Indonesia, and a larger problem than the country's overall economic circumstances lead one to expect. And the politics of poverty's geographical distribution is vexed. Under SBY, Indonesia has been making efforts to address the problem but, although there has been some improvement over the past 1–2 years, overall poverty today stubbornly remains about where it was when SBY took office.

It is critically important, both for Indonesia and for neighbouring countries such as Australia, that the Indonesian Government continue to make progress in reducing the scale of the poverty problem. Given the country's new open political environment, prolonged failure on this front increases the dangers of social tensions and political instability.

Current vulnerabilities

If accelerating growth and reducing poverty are the fundamental long-term economic challenges for Indonesia, in the short term a range of specific vulnerabilities could jeopardise continued progress. Four, in particular, stand out: infrastructure and service delivery; major fiscal blind spots; ongoing problems of labour market rigidity; and risks from global financial instability. The paper also considers the issue of spiralling rice prices, though this is probably more a political than economic vulnerability.

Investment in a wide array of infrastructure and services ... has been severely inadequate at least since the time of the financial crisis.

Infrastructure and service delivery

Arguably, the most acute vulnerability in the Indonesian economy is the country's slow progress in tackling infrastructural bottlenecks and failings in the delivery of key social services. Investment in a wide array of infrastructure and services—transportation, communications, energy, education, public health and safety, water and sanitation, among others—has been severely inadequate at least since the time of the financial crisis. To its credit, the government has recently increased infrastructure spending, but the bottlenecks are on such a scale that they require urgent, sustained action.

Although the availability of finance is always a constraint, an even bigger obstacle to more rapid progress in the infrastructure and services areas is the lack of decisive action by the national government and, particularly, by regional governments—which have now become crucial players in service delivery, accounting for roughly 40% of total government spending (World Bank 2007: 16; Narjoko and Jotzo 2007). These weaknesses and bottlenecks are now a major constraint on growth. This matters greatly: notwithstanding the marked improvement in Indonesia's economic performance, it's widely believed the economy must grow by at least 7% per year or job creation will have difficulty keeping pace even with Indonesia's relatively low rate of population increase. Prolonged shortfalls of this sort invite deeper dangers of social instability.

Subsidies: a fiscal blind spot

A closely related vulnerability stems from a major blind spot in Indonesia's fiscal position: oil prices and the enormously costly domestic fuel price and electricity subsidies. The 2008 budget (finished in late 2007) was widely criticised for unrealistically low assumptions about global oil prices. Not only did this diminish the integrity and credibility of the budget in the eyes of the market, but it hid the true and increasingly punishing cost of subsidies to domestic consumption.

After taking some initial positive steps to reduce the size of the domestic fuel subsidy in 2005, the government resisted calls from economists for further action out of fear of voter backlash at the 2009 election. Beyond damaging the government's credibility as a responsible economic manager and increasing pressure on the fiscal deficit, the deeper problem with this strategy are the foregone opportunities to make progress in tackling infrastructure and

service delivery vulnerabilities. The vast sums that go into subsidising short-term benefits in the form of lower fuel prices could be redirected as much more productive long-term investments in highways, school and hospitals (Kong and Ramayandi 2008:12-20). Recently the government issued revised budget assumptions about global oil prices and as this report was going to press, SBY announced that he would soon raise domestic fuel prices.³⁵ These are welcome moves, particularly in so far as they reduce misguided subsidies, lower the implicit bias in favour of middle-class interests and are to be accompanied by targeted pro-poor measures. Nevertheless, very large scale subsidies remain in place, and with them an emphasis on short-term expediency over long-term developmental gains.

A rigid labour market

A third key area of lingering economic vulnerability for Indonesia centres on labour market competitiveness, or lack of it. New labour laws introduced in the *reformasi*-spirited early post-Soeharto years entrenched much more generous conditions for workers than are available in other comparable developing economies in the region (high minimum wages, very onerous severance pay requirements, etc.). Successive studies have demonstrated the ongoing costs that these regulations impose on labour-intensive manufacturing export industries—precisely the sector that served as an important job-creation engine in the past (Manning and Roesad 2006; Narjoko and Jotzo 2007; Takii and Ramstetter 2007).

It's unlikely that either the President or party leaders in the legislature will have any political interest in reducing labour market controls in the lead-up to the 2009 election. In economic terms, the best that can be hoped for is that the labour market laws won't become more restrictive, and that the drag they impose will recede with time as costs in competitor economies gradually rise (World Bank 2007: 12).

Global financial instability

Unlike the first three risks, the fourth is largely subject to external developments. To date, Indonesia, like other developing East Asian economies, has been largely insulated from the financial instability that's rocked the US and Europe. However, the problems emanating from the US sub-prime lending market have evolved into credit crunches and economic slowdowns, and Indonesia is likely to suffer as key markets for its exports slow down (Kong and Ramayandi 2008; IMF 2008). Just as Indonesia's economic revival has been aided by the longest burst of sustained high growth in the global economy since the early 1970s, sooner or later it will be constrained by deteriorating global economic circumstances, especially in the advanced economies.

Global rice prices

Also buffeting Indonesia is the current explosion in global food prices, particularly rice. In many parts of Asia and the developing world more broadly, this is rapidly becoming a deeply worrying problem. Indonesia is better positioned than many other rice-importing countries to respond. Its harvests this year are expected to be strong and the large state-run rice stockpile enables Indonesia to cushion the impact of external price shocks. Although unexpectedly poor rainfalls and a sustained outbreak of 'beggar-thy-neighbour' protectionism in global rice trading could certainly see Indonesia confront the prospect of rice shortages already facing countries such as the Philippines, at the time of writing the outlook appears manageable.³⁶ But even if Indonesia does indeed avoid a genuine food crisis in economic terms, uncertainty in the months leading up to the first rice harvest in 2009 will coincide with the lead-up to national elections and thus create political headaches for the government.



SOCIAL AND RELIGIOUS TRENDS

This chapter explores some of the most salient contours of pluralism in contemporary Indonesia, especially focusing on Islam and politics and on Indonesians of Chinese descent. It sets out the various alarmist arguments made by the ‘rising Islam’ proponents, then goes on to explain why that view is unfounded, and why Indonesia remains a broadly pluralist, tolerant society.

Religious pluralism and those who misinterpret it

Freedom of religion and interpretations of the meaning of ‘pluralism’ are topics of vibrant public discussion in Indonesia today. Many examples can be cited of worrisome restrictions on freedom of worship and expression, often involving the use of state agencies, judicial institutions and laws to restrict or prohibit certain religious practices.

Under democracy, Indonesians have, in some cases, even enjoyed more religious freedoms ...

Some foreign and Indonesian analysts contend that these are new and alarming developments, suggesting that the foundations of Indonesia as a tolerant, ‘secular’, pluralist democracy are under serious threat or are eroding rapidly.³⁷ Those analysts cite local *shari’a* by-laws, fatwas against religious sects and the growth of the Islamist Prosperous Justice Party (PKS) as evidence. Specific cases indicating a decline in tolerance and pluralism include, for example, the 2006 case of Lia Aminuddin, the self-proclaimed leader of the ‘Kingdom of Eden’ sect, who was convicted and sentenced to two years in prison for blasphemy against

Photo opposite: An Indonesian woman of Chinese origin holds incense sticks during prayers at a temple in Jakarta 18 February 2007. The ethnic Chinese community in the world’s most populous Muslim nation celebrate the Lunar New Year. © Supri/Reuters/Picture Media

Islam. In another case, a Muslim preacher was jailed for reciting prayers in Indonesian, rather than in Arabic. And at the time of writing, the national government was mulling a worrisome ‘ban’ on the activities of the Ahmadiyah movement, a peaceable Islamic sect, although seen as blasphemous by some Indonesians, including some officials.

However, neither serious incidents like these, nor examples such as the city of Bukittinggi prohibiting residents from participating in Valentine’s Day celebrations (on the grounds that such behaviour violates both Islam and local Minangkabau culture), are likely to threaten Indonesia’s overall standing as a country that is, in the main, pluralist and tolerant. Moreover, Indonesian public debate and advocacy on such matters often results in ‘pushback’ and contestation from officials, intellectuals and community leaders against advocates of intolerance.³⁸

There has been a conspicuous cultural flowering of Islam in Indonesia, but that has happened before and, more importantly, Indonesia has experienced a religious ‘boom’ across the board. Under democracy, Indonesians have, in some cases, even enjoyed more religious freedoms, as government restrictions on expressions of Confucianism have been removed. Evangelical Christian faiths are also enjoying a resurgence in Indonesia, with waves of reconversions from one Christian denomination to another, often from mainstream Catholicism or Protestantism to charismatic denominations (Brazier 2006).

The Indonesian Government generally (although with notable exceptions) protects minority rights and recognises a wide diversity of religious, political and cultural communities...

The Indonesian Government generally (although with notable exceptions) protects minority rights and recognises a wide diversity of religious, political and cultural communities and views as legitimate components of national life. Although many faiths, such as Judaism and Baha’i aren’t officially recognised, adherents are usually able to practise their beliefs quietly. The national ideology of Pancasila, enshrined in the preamble to the Constitution of 1945, is generally interpreted to mandate tolerance and respect for religious and ethnic diversity. And under Article 29 of the Constitution, ‘The State guarantees all persons the freedom of worship, each according to his/her own religion or belief.’

Public opinion surveys in Indonesia also reveal strong public support for a pluralist, Pancasila-based democracy. Nearly 85% of Indonesians reject the notion that Indonesia should be a state formally based on Islam, and over 90% say that the inclusive, pluralist-affirming Pancasila ideology should remain the basis of the republic. While surveys also indicate that Indonesians place great faith in religious institutions and see local community religious leaders as often the most reliable sources of information about national and community life, there is no electoral, survey or other evidence to suggest that any fundamental shifts in religious trends able to significantly affect mainstream political life are underway in Indonesia. In fact, LSI survey data shows a steady three-year decline in support for radical groups and *shari’a*, paralleling the sharp drop-off in local government efforts to promulgate *shari’a* laws and regulations (Mujani 2008, USAID 2008).³⁹

A belief encountered frequently in Australian, US and European policy circles in recent years holds that trends and developments since the fall of Soeharto were leading to a more politically conservative, even ‘fundamentalist’, Indonesian polity that abides extremism and allows an atmosphere that nurtures Islamist-inspired terrorism. The domination of news media by radical and militant voices during the initial *reformasi* years contributed to a misperception that Indonesia *as a whole* was radicalising, or at least undergoing an erosion of its historically strong standing as a tolerant society.

In fact, that was never the case. There was certainly a tolerance of radical views (but not terrorism) between 1998 and 2002, but that tolerance has declined steadily since then (Fealy 2004). That widespread radicalisation did not occur requires some reflection, in ways that will illustrate Indonesia’s likely future directions and their implications for Australia.

Various developments after the opening up of the Indonesian political system in 1998–99 seemed to suggest a rapid Islamisation, even radicalisation, of Indonesian politics. They included an explosion in the number of religion-based parties, and particularly the surge to prominence of the new Prosperous Justice Party, a sharp increase in religious conflict in the immediate post-Soeharto years, and the emergence of *shari’a*-inspired regulation in local politics. More broadly, the ways the West has reacted to Muslims and Muslims have reacted to the West since 9/11 have accentuated previously minor sensitivities and difficulties. These factors led some foreign analysts and a number of Indonesians to fear that a fundamentalist, anti-pluralist form of ‘democratic’ politics was reshaping Indonesia into a less tolerant society (and which would ultimately culminate in an *undemocratic* Indonesia).

... fears of a fundamentalist, anti-pluralist current gripping Indonesian society and politics look increasingly misplaced.

And yet, during all those developments, Indonesia as a nation has become increasingly democratic and in many ways better governed. Clearly, fears of a fundamentalist, anti-pluralist current gripping Indonesian society and politics look increasingly misplaced.

A decade after the end of authoritarianism, Indonesia is still a generally tolerant polity. The spasm of communal conflicts exemplified by the inter-religious violence in Ambon in the first years of reform is long over, having been settled through political negotiation. Islamist politics hasn’t had a successful run in Indonesia in the past decade, despite the initial appearance of popularity and growth. Islamist political parties have done poorly at the polls, winning barely 5% of the 350 local elections since 2005.⁴⁰ While several of the main Islamic political parties carry an Islamising agenda, they don’t generally champion causes in legislatures at odds with secular-nationalist parties. The most electorally successful Islamist party, the Prosperous Justice Party, ran a credible campaign for Jakarta Governor in August 2007 by fielding a former deputy chief of the National Police and by running on a good governance platform, ultimately garnering an impressive 42% of the vote. In other words, Islamist campaign agendas have been proven to alienate mainstream voters in Indonesia today. The electoral evidence is compelling. Indeed, the most common coalitions of winning parties in the hundreds of local elections have been between secular nationalist and Islamic parties.⁴¹

Attempts to introduce *shari'a*-based legislation at the national level have failed miserably, evidenced both in the broadly negative popular reaction to parliamentary efforts to pass an 'anti-pornography' bill in 2006—in part, a thinly disguised effort to restrict women's rights and to criminalise minority-group dress and customs. Indonesia's mainstream Muslim organisations (Muhammadiyah and Nahdlatul Ulama, between them claiming to represent about 70 million Indonesians) have repeatedly endorsed Indonesia as a pluralist or politically 'secular' state, and have explicitly rejected efforts to legislate *shari'a* into national or local law codes or regulations.⁴²

Attempts to introduce *shari'a*-based law and regulation at the district and city levels have had little real political impact, reflecting poor governance abilities and often clumsy efforts to curry favour with particular interest groups. Despite alarmist 'sky-is-falling' predictions that Indonesia was being *shari'a*-ised through a supposed avalanche of local *shari'a* regulations and laws, in fact there have been only seventy-eight local regulations (out of the tens of thousands issued by Indonesia's nearly 500 local governments) that can be classified as *shari'a*-based. Of those, almost all were adopted before the onset of direct elections for local executives began in 2005. Voters have rejected Islamist appeals and *shari'a*-based campaigns since 2005 and, not surprisingly, most local politicians, legislatures and governors have responded by abandoning keen interest in *shari'a*-based regulations or laws. Only five *shari'a*-related regulations were adopted by local governments in 2006, none in 2007, and none so far in 2008. As Robin Bush has concluded, 'while piety and religiosity in Indonesia, and globally, are on the rise, an Islamist agenda seeking to formalise *shari'a* within the legal system is waning in appeal' (see Bush, forthcoming).

The most underacknowledged role in Indonesia during the past decade of democratic reform and consolidation is the important one played by many Muslim leaders in strengthening democratisation, safeguarding pluralism, improving governance and fighting corruption.

What we're seeing is government and politicians functioning in normal, expected ways—seeking to compensate for failure in one area (their inability to improve services) by what they might initially have thought to be clever populist appeals to religious sentiment. But Indonesian voters have overwhelmingly shown that they care far more about health care, education, jobs, poverty and food prices than they do about *shari'a*. Hence, we see almost no local government attempts to legislate religiously inspired by-laws in the past several years.

The most underacknowledged role in Indonesia during the past decade of democratic reform and consolidation is the important one played by many Muslim leaders in strengthening democratisation, safeguarding pluralism, improving governance and fighting corruption. Indonesia's mainstream Muslim organisations played a crucial long-term role in opposing authoritarianism and resisting control by the Soeharto government. Sometimes their strategies emphasised cooperation and collaboration, at other times outright opposition to regime initiatives. While student movements have been important in key moments of political change in Indonesia, the non-governmental mass-based Muslim organisations

were often long-term agents of change. Building on their popular legitimacy (grassroots community development activities in the 1980s, democracy and human rights activism in the 1990s, particularly among organisations affiliated to Nahdlatul Ulama, and the contributing role of Muslim leaders in persuading Soeharto to step down in May 1998), Indonesian Muslim organisations were well positioned to play a central role in Indonesia's post-1998 democratisation.

It's important to bear in mind the highly variegated nature of Indonesia's large, mainstream Muslim organisations and their leaders. Far from all voices and actions in the name of Muslim organisations have supported democracy and tolerance. For example, even though Abdurrahman Wahid strongly opposed the restrictions on women's rights evident in the draft anti-pornography law in 2006, his own organisation (Nahdlatul Ulama) initially supported the legislation. While the head of Muhammadiyah, Din Syamsuddin, promotes interfaith dialogue and cooperation in Indonesia and internationally, others in Muhammadiyah are less keen to embrace pluralism.

It's important to bear in mind the highly variegated nature of Indonesia's large, mainstream Muslim organisations and their leaders. Far from all voices and actions in the name of Muslim organisations have supported democracy and tolerance.

The commitment and contributions of Islamic organisations to democratisation are most evident in the formation and role of the non-partisan People's Voter Education Network (JPPR). This coalition of over thirty organisations—primarily Muhammadiyah and Nahdlatul Ulama but including interfaith and Christian groups—has deployed over 400,000 election day monitors and provided millions of pieces of voter education information in all national and most local elections since 1999. The JPPR is the largest civil society election network in the world, and the only one principally based in Muslim organisations working in partnership with interfaith groups. And it remains the only *national* civil society election organisation in Indonesia today.

In some parts of Indonesia, Islamic civil society organisations are now beginning to support governance reform at the local level, often assisting newly elected mayors, district heads and legislatures to reform budgeting practices to direct resources towards poverty alleviation, education reform and health care.⁴³ Muslim organisations have also played leading roles in disaster relief: Muhammadiyah was among the first groups on the scene in Banda Aceh after the tsunami in December 2004, and Nahdlatul Ulama organisations provided first-response assistance in Bantul, Yogyakarta, after the May 2006 earthquake. Other Muslim NGOs have taken leading roles in supporting police reform and, more recently, reform of the prison system.

In other words, what Muslims and their organisations are actually *doing* to build democracy and improve governance is the important dimension of Islam in Indonesia today—not what they might have done.

Some of the more odious legal restrictions on Chinese Indonesians and regulations specifically relating to them have been removed from law codes or official practice.

Chinese Indonesians in social and political life

Improvements in the social and political standing of Indonesians of Chinese descent have also been an important dimension of pluralism in Indonesia since the fall of Soeharto. Although rarely noted by observers, in many ways Indonesia has experienced a rapid normalisation of the social and political position of Chinese Indonesians. There hasn't been a single incident of politically motivated or engineered anti-Chinese violence in Indonesia since 1998.⁴⁴ There's been a proliferation of Chinese language newspapers, television shows and other media, and a boom in Chinese language schools in major cities. Chinese holidays have been celebrated openly and proudly throughout Indonesia since Chinese New Year (*Imlek*) was declared a national holiday in 2003.

Some of the more odious legal restrictions on Chinese Indonesians and regulations specifically relating to them have been removed from law codes or official practice. For example, the requirement that Chinese Indonesians produce 'proof' of their citizenship (in addition to the birth certificate that was all that was required from other Indonesians) when requesting a passport or other government services or documentation—a longstanding discriminatory practice—has been abolished. In a very powerful demonstration of the acceptance of Chinese Indonesians in national life, several prominent national politicians and government officials are of Chinese descent, while at least two senior locally elected officials are Chinese Indonesians. A conspicuous political role for Chinese Indonesians during previous decades was virtually impossible.⁴⁵ Despite these important legislative and political changes, significantly improved racial and ethnic relations and attitudes on the ground, within communities, have been much slower and will take more time.

The real fault line of religious conflict in Indonesia remains between followers of the same faith, rather than between religions ...

Pluralism: alive and well

In sum, pluralism is alive and relatively well in Indonesia. Citizens generally support an inclusive, tolerant national ideology, and religious dynamism is shared by most faiths, with Christian charismatic and Chinese religions (Confucianism, Taoism, Buddhism) undergoing a resurgence in the past decade. The popularity of a Christian evangelical cable television station in Jakarta attests to the sometimes startling manifestations of pluralism in Indonesia today.

There are also fewer stark differences between and among mainstream Indonesian Muslims now than at any time in recent Indonesian history, and interfaith relations are generally sound. The real fault line of religious conflict in Indonesia remains between followers of the same faith, rather than between religions, as evidenced in the current debate over whether to ban the Ahmadiyah Islamic movement.

While there are worrying incidents of intolerance and the occasional legal penalising of peaceable expressions of unorthodox faith, these are generally localised expressions of intolerance, and are familiar in other large, dynamic democracies (such as India). They are not necessarily indicators of any national trend that suggests growing *popular* support for discriminatory policies, regulations or laws.



Chapter 5

INTERNATIONAL POSTURE AND ENGAGEMENT WITH AUSTRALIA

In this chapter, attention is turned to Indonesia's external orientation, focusing first on how internal normalisation has affected its approach to the outside world, and second on developments in its relationships with other key states and regional groupings.

... it's moving in a considered and purposeful way to engage constructively with its immediate region and the wider world.

Normalisation and international engagement

Indonesia's consolidation of democratic governance and its accelerating economic recovery have had powerful consequences for its international posture. No longer overwhelmingly preoccupied with domestic problems, it's been able to lift its sights to focus on international policy issues. On a whole range of fronts, it's moving in a considered and purposeful way to engage constructively with its immediate region and the wider world. It would be too generous to describe Indonesia's new posture as 'deeply considered' or 'strategic', but it is making a sustained serious effort both to respond to external developments and, to the extent it can, to have some influence in shaping its external environment.

President Yudhoyono is the personal embodiment of this new, confident and more outward-looking mood. An internationalist,

Photo opposite: Balinese women walk back to their home after attending a religious ceremony in Nusa Dua, on the Indonesian island of Bali 27 November 2007, a week before the UN climate summit in Bali. © Murdani Usman/Reuters/Picture Media

he engages easily and effectively with other world leaders. Australians who heard him speak in the wake of the Bali bombings or during his state visit to Canberra in 2005 couldn't fail to be impressed. Additionally, Indonesian voices are calming ones in the international arena. In the wake of two inflammatory events—the 2006 Danish cartoon controversy and a Dutch parliamentarian's anti-Islamic film in 2008—Indonesian leaders have spoken out eloquently in the international media, appealing for reason, balance and peaceful solutions to misperceptions and prejudices between faiths and nations.⁴⁶

Examples abound of the new confidence and activism in Indonesian foreign policy.

Indonesia's renewed international confidence and activism flowing from domestic normalisation has manifested itself in a variety of ways. Perhaps none was more symbolic than President Yudhoyono's announcement in January 2007 of Indonesia's intention to disband the Consultative Group on Indonesia—the longstanding institutionalised forum at which Indonesia's principal donors have offered advice on how it should manage itself. Indonesia is happy to continue receiving developmental assistance, and happy to discuss terms with donors, but the appearance of the international community annually lecturing the government no longer sits comfortably.

Examples abound of the new confidence and activism in Indonesian foreign policy. Jakarta sees itself as being able to make a contribution to easing the troubles of the Middle East—an arena of international disputation that weighs on the public mind. As part of that effort, Jakarta hosted a visit by Iranian President Mahmoud Ahmadinejad in 2006 and Palestinian President Mahmoud Abbas in 2007.

Indonesia is also once again active and assertive within the region. While Jakarta was at the forefront of the drive for a robust ASEAN Charter, now that a 'lowest common denominator' version has been approved by ASEAN, some in the Indonesian Parliament and some leading foreign policy intellectuals have balked at approving the charter. They contend that it's insufficiently pro-democracy, and simply ends up associating all of ASEAN, including the most vibrant democracies, in a 'community' with an odious human rights oppressor in Myanmar. Rizal Sukma, a leading opponent of ratification, asks: 'Why should we follow what countries like Laos or Burma have to say about the parameters for regional cooperation? We don't need to worry about being different from the rest of ASEAN' (Sukma 2008).

In recent months, Indonesia hosted and played a leading role in both the landmark UN Framework Convention on Climate Change and the UN Anti-Corruption Conference. Even in the technically complex and administratively demanding area of preferential trade negotiations, Jakarta is moving forward by engaging in exploratory discussions with a number of countries, including Australia.

Underlying Jakarta's new enthusiasm and greater capacity for constructive engagement is its relative freedom from internal turmoil and crisis, but the vibrant nationalist currents of Indonesian politics permeate the new international activism (Ward 2007).

The focal point for nationalist politics is the legislature, particularly Commission I, the legislative committee dealing with foreign affairs and defence. Commission I members often adopt high-profile and strident stances on international policy. The President and other senior figures in the executive branch leave themselves open to criticism from the legislature and the media if they appear to be unduly responsive to international pressures. Such behaviour needs to be interpreted in context.

First, in almost all newly democratic countries there's an upwelling of nationalist rhetoric; before new political parties evolve clearly recognisable policy positions, nationalism is usually the best way to appeal to a broad base of voters.

Second, presidential systems of government—even very mature ones—often feature legislators behaving this way. Members of the US Congress once smashed Japanese electronic goods with baseball bats for the assembled media. While such performances by legislators are a normal part of the American system of government, the international community doesn't mistake them for the voice of American foreign policy. The dynamics of the Indonesian legislature (or, say, the Philippines or Korean legislatures) are similar in this respect.

... despite Indonesia's keenness to be a significant global actor, its pressing development imperatives have curtailed SBY's foreign policy initiatives since 2006.

However, despite Indonesia's keenness to be a significant global actor, its pressing development imperatives have curtailed SBY's foreign policy initiatives since 2006. He's running for re-election, and polls show people unhappy with the economy. As in other democracies, all politics is ultimately local and not surprisingly, SBY now generally prefers to stay close to home, or have the world come to Indonesia.

Key international relationships

Indonesia has deftly managed to maintain very good relations with China, the US, Japan, Europe, its ASEAN neighbours and Timor Leste. Three of those relationships, in particular, merit a brief review here.

ASEAN

For decades, Indonesia's main international recognition was as the 'anchor' of ASEAN, but now it has multiple international identities: the largest country in ASEAN; the largest Muslim majority country in the world; and the world's third largest democracy. In many ways, one of the most significant shifts in Indonesia's international relationships is that it is outgrowing ASEAN.

Moreover, it seems that Indonesia's domestic vibrancy is beginning to have an impact on its foreign policy, much as we see in other normal democracies. The *Jakarta Post's* chief editor trenchantly observed that Indonesia's key international relationships should be based on shared values of democracy and freedom, arguing that by this measure ASEAN should be

rather low in foreign policy importance (Bayuni 2007). Recent years have seen Indonesian civil society groups protesting Myanmar's treatment of its Muslim minority, the formation of a 'Myanmar democracy caucus' in parliament, and public outrage at Malaysian controls on freedom of the press. One Indonesian foreign policy observer noted that 'Now, people scrutinize almost every foreign policy decision made by the government.'⁴⁷ Under pressure from Indonesian civil society groups and its own members, the parliamentary commission responsible for foreign affairs even went so far as to reject the accreditation of a newly nominated Myanmar ambassador to Indonesia.⁴⁸

China

Indonesia's relationship with China has been strengthening steadily. Rapidly growing economic ties now involve very large Chinese investment in badly needed infrastructure, and China has become Indonesia's largest customer for many Indonesian natural resources, particularly coal.

In 2005, Indonesia and China signed a 'strategic partnership' that also laid out potential collaboration in defence and other areas, followed by a 2007 agreement to collaborate on defence matters.

The booming economic relationship has been mirrored in tighter defence ties. In 2005, Indonesia and China signed a 'strategic partnership' that also laid out potential collaboration in defence and other areas, followed by a 2007 agreement to collaborate on defence matters. That led to a resumption of concrete collaboration and a January 2008 agreement to jointly produce some military equipment.⁴⁹

However, Indonesia remains wary of China's intentions in East Asia, and also 'hedges' against the possibility of unwanted Chinese regional dominance. The clearest illustration of this was in 2005, when Indonesia (along with some others in the region) insisted that Australia, New Zealand and India be included in the East Asian Summit framework. That position was pushed successfully over the objections of China and Malaysia, in particular.

Compared to Australia, the US has much less at stake in Indonesia, either emotionally or strategically.

United States

A good deal has been written about the bilateral US–Indonesia relationship in recent years (Weatherbee 2007, Evans 2007). Compared to Australia, the US has much less at stake in Indonesia, either emotionally or strategically. For the most part, the US–Indonesia relationship remains on sound footing, having recovered by 2008 from the narrow focus on terrorism that dominated it for several years after 2001, much to the consternation of Indonesians.

The relationship is broadly based, and the US remains a major trading, defence and political partner in East Asia. Military-to-military ties have resumed, including joint training with an American brigade in Indonesia in 2007. The relationship improved following the US response to the tsunami and continuing American assistance to improve Indonesia's ability to respond to natural disasters. The March 2008 visit by US Defense Secretary Robert Gates underscored the willingness of the US to help Indonesia upgrade and modernise its military.

Broad Indonesian public perceptions of the US, however, aren't nearly as good as government-to-government relations. Year-on-year polling data shows that Indonesians are in deep disagreement with many aspects of American foreign policy, particularly American policy in the Middle East—over both the Iraq War and the Palestinians. Such generally negative views seem to have 'settled', and probably not much could change them—other than a dramatic change in American presidents and policies in 2009, which would have to include new approaches in the Middle East.

The bilateral relationship with Australia

The Australia–Indonesia relationship has been the subject of intense scrutiny over many years, mostly by Australian observers. Many studies have traced the ups and downs of official relations and the swings between enthusiasm and disappointment about the possibilities for collaboration. Those dynamics are now well understood, and a number of recent works provide excellent overviews (Lindsey 2007, Mackie 2007).⁵⁰

The emphasis here is on the implications for the bilateral relationship of Indonesia's emergence as a normal country. Particular attention is paid to the changing nature of diplomatic engagement between the two countries, and to the way key priority areas for collaboration are affected by Indonesia's internal development.

First, consideration is given to some less changeable factors that frame the relationship and set its character. Then possibilities for advancing the relationship are considered.

The starting point for all Australians thinking about Indonesia is geopolitical ...

Underlying drivers

The starting point for all Australians thinking about Indonesia is geopolitical: Indonesia's proximity and the great differences in the size and cultural complexion of the two populations. These inescapable foundational considerations ensure that there's always some element of unease in Australian thinking about Indonesia. Overlying that foundation are Australian anxieties about instability, brutality and corruption after the financial crisis, the fall of Soeharto, sectarian violence, the violent departure of East Timor from the republic, repeated terrorist attacks, and a seemingly endless stream of natural and man-made disasters.

These foundational factors and recent experiences yield a pattern of wariness about Indonesia in Australian public opinion. A Lowy Institute survey of Australian feelings towards other countries showed that, on a warmth (high) to coolness (low) scale, Indonesia ranked below Israel and above Iraq among the countries covered (Table 1).

Table 1: Australian public feelings towards other countries		
Country	2006	2007
New Zealand	n.a.	81
Britain	74	75
Japan	64	63
United States	62	60
China	61	56
East Timor	57	54
Israel	50	55
Indonesia	50	47
Iraq	44	36
Iran	43	44

Source: Lowy Institute Poll (2007: 17)

Some other less obvious geopolitical realities inject powerful incentives for Indonesia and Australia to cooperate. Both countries have to relate to even larger and more challenging regional players—most notably China—and both share a fundamental economic interest in the Asia–Pacific economy remaining stable and reasonably open. Too few Australians understand that behind-the-scenes support from Indonesia was critical in securing Australia’s invitation to join the second East Asia Summit in December 2005—an effort that was pursued over the top of resistance from China and other countries. Just as too few would know that Indonesia actively supported the Australian Government’s efforts in hosting the 2007 APEC Leaders meeting in Sydney—just as Australia supported the Indonesian Government’s hosting of that event in Bogor in 1994.

Normalisation and bilateral relations

If some of these foundational factors can be thought of as constants in the bilateral relationship, other elements change. Indonesia’s emergence from a decade of turbulence and turmoil as a consolidating democracy entering the ranks of middle-income countries makes an important difference. It affects the way government-to-government relations operate, and it affects the substantive agenda that both countries care about.

Australia is having to adjust quickly to the new reality, in which multiple authoritative actors express multiple views, often wrapped up loosely in nationalist rhetoric.

The most obvious change is that policymaking in Indonesia has become much more open, contestable and messy, with a multiplicity of players in the formal political arena. This is further amplified by Indonesia’s now quite diversified, vibrant and competitive media, which is arguably the freest in Southeast Asia and which—in one way or another—gives vigorous voice to the whole diverse, pluralist spectrum of Indonesian political opinion. Australia is having to adjust quickly to the new reality, in which multiple authoritative actors express multiple views, often wrapped up loosely in nationalist rhetoric. This isn’t unusual: Indonesia is a young democracy working with a presidential framework of government and a relatively

weak party system. Although Commission I and the legislature mightn't have an effective veto on international policy,⁵¹ the President and Cabinet won't pursue initiatives too far from what a majority of the House would accept, since unhappiness on one policy front can readily translate into veto action on another. Because the Indonesian Government must take into account the views of the Indonesian Parliament, so must other governments seeking to collaborate with Jakarta.

The Indonesian Parliament demanded the termination of the bilateral agreement negotiated under Soeharto and Australian Prime Minister Paul Keating because of Australia's role in East Timor's departure from the republic. A measure of the steadily improving bilateral relationship and return to normalcy since then is the rebuilding of military-to-military ties, exemplified by the ratification of the Lombok Treaty (or the 'Australia–Indonesia Framework for Security Cooperation'), which came into effect in February 2008.

It's no coincidence that the treaty had such a smooth passage through Commission I at the DPR. Unlike the Soeharto–Keating agreement, it included an explicit provision reaffirming 'the commitment to the sovereignty, unity, independence and territorial integrity of both Parties, and the importance of the principles of good neighbourliness and non-interference in the internal affairs of one another, consistent with the Charter of the United Nations.'⁵²

For precisely the reason that some in Australia saw the Lombok Treaty as making excessively specific commitments, the Indonesian Parliament welcomed it.

Notwithstanding mutual caution, Indonesia and Australia are gradually reconstructing a mutually beneficial defence relationship.

Notwithstanding mutual caution, Indonesia and Australia are gradually reconstructing a mutually beneficial defence relationship. Among the issues canvassed during Defence Minister Juwono Sudarsono's March 2008 visit to Australia was increased assistance from Canberra for 'new security' issues, such as natural disaster relief.

Bilateral priorities: terrorism, Papua, climate change

The wider implications of Indonesia's political and economic progress for bilateral relations are mixed. On the one hand, there's no doubt that the potential for constructive engagement with Indonesia is much greater than earlier in the decade: the Indonesian Government today works better, and the country is in stronger economic shape. Another plus is SBY—the most capable, focused and internationalist of the post-Soeharto presidents.

Against that, Indonesia's development as a normal country still has some way to go. Many core parts of its framework of governance are still weak—the bureaucracy, the legal system, the security sector, and the increasingly important district level of government. Similarly, although Indonesia's economic performance has strengthened markedly, current growth rates allow only marginal reductions in poverty and advances in average living standards.

The importance for the Australia–Indonesia relationship of continued progress in Jakarta's democratic consolidation and accelerating economic growth can best be understood

by focusing on some key priorities that both Canberra and Jakarta are keen to advance: containing terrorism, the future of Papua, and climate change.

One of Canberra's highest priorities is to apprehend those responsible for terrorist attacks that claimed Australian lives, and to minimise the risk of such attacks happening again.

In this area, progress in Indonesia has been remarkable. Australia has made substantial direct contributions through far-reaching collaboration between the Australian and Indonesian police. Australian assistance has ranged from funding the establishment of a counter-terrorism school at the police academy in Semarang, through to low-profile but operationally critical collaboration in pursuing particular cases.

As valuable as those Australian contributions have been, the decisive factor has been the success of the Indonesian Government in forging a consensus for urgent action, in mobilising resources for that action and in building public acceptance of it.⁵³ The key has been support from mainstream religious leaders and the Indonesian public at large. Democratic consolidation and better economic performance have bolstered national self-confidence, creating an enabling environment in which terrorism is more easily dealt with as an *Indonesian* problem, and not as something that needs to be addressed because of pressure from foreign governments.

The bilateral benefits of Indonesian democratisation are even more striking in a second priority issue for Canberra: the future of Papua.

The bilateral benefits of Indonesian democratisation are even more striking in a second priority issue for Canberra: the future of Papua.⁵⁴ Were separatist pressures in Papua to mount and violence to become more common, the stage would be set for potentially dire outcomes. Any Indonesian government would come under enormous domestic pressure not to 'lose' Papua in the way East Timor was 'lost', and any Australian government would come under the same pressure to assist the victims of what would be perceived as Indonesian brutality.

As shown in Chapter 2 of this report, significant progress has been made on Papua, partly because SBY has been much less tolerant of abuse by the military, and partly because of the legitimacy of popular and credible local Papuan leaders directly elected in 2006, who have begun generally well-received efforts to improve welfare and strengthen the local economy.

There's still a long way to go to establish full and effective civilian control of the military, and of police units operating in remote areas. A return to uncontrolled military or police brutality in Papua would have disastrous consequences for Papua and for the Australia–Indonesia relationship.

Australia's ability to influence Indonesian policy in Papua is severely circumscribed by Indonesians' perceptions of Australia's record in East Timor. Therefore, Canberra depends heavily on Indonesian solutions to problems in Papua. The best hope is that democratic consolidation and economic advancement will continue, and the early performance of the two Papuan provinces' locally elected leaders gives cause for cautious optimism.

Once again, it is Indonesia's own overall transformation—the creation of a highly decentralised, democratic country—that has created conditions for the (so far) peaceable and stabilising trends in Papua. However, in important ways, the fate of Papua isn't solely in the hands of governments—in Indonesia and in Australia, civil society groups are pivotal players, with the potential to move political leaders in unpredictable ways.

A less well-established but rapidly emerging area of priority in the bilateral relationship is cooperation on climate change. Both Prime Minister Rudd and President Yudhoyono have tied themselves to the issue as a matter of national priority.

Canberra and Jakarta can assist each other to promote concerted international action among developed and developing countries—just as they have done, when needed, on regional economic cooperation.

Canberra and Jakarta can assist each other to promote concerted international action among developed and developing countries—just as they have done, when needed, on regional economic cooperation. Like Australia, Indonesia will have to make some very difficult domestic political choices about high-carbon emission industries. Indonesia also faces some acute specific environmental problems: systemic forest burning, illegal logging, and deforestation in Kalimantan and elsewhere.

Indonesia's pressing need for more electricity will see it turn increasingly to relatively inexpensive Chinese coal-fired power stations. Indonesian officials bluntly acknowledge that thirty-five coal-fired power plants that will be built in a crash construction program won't use the newest technologies, raising concerns that the power stations will have detrimental environmental impacts, as they've had in China.⁵⁵ In terms of greenhouse gas emissions, the politically vexed issue of deforestation is even more problematic. Australian engineers, foresters and agronomists might be able to help out.

Progress in democratic consolidation means that Indonesia is in a better position today to tackle complex problems of this sort than it was in 1998, but it still has far to go. In particular, reliance on cooperation from district-level authorities to implement environmental initiatives involves many challenges.

And policies and actions to accelerate economic growth can also damage the environment. Perhaps Indonesia, like China, will experience even more severe environmental pressures as a result of its economic success.

Ways to advance the Australia–Indonesia relationship

Neither Canberra nor Jakarta should expect to find dramatic new measures to advance the bilateral relationship. Thoughtful people from across the policy spectrum on both sides have been working on the relationship for many years, and it's in good shape. Many quietly effective initiatives keep it that way, from collaboration on illegal immigration through to promoting links among alumni.

... Indonesia's normalisation and the election of a new government in Australia open possibilities for fresh dialogue between governments.

That said, Indonesia's normalisation and the election of a new government in Australia open possibilities for fresh dialogue between governments. Indonesians watched the 2007 Australian election with unusual keenness, and the mass media were resoundingly positive about the ALP's victory. Prime Minister Rudd generated more 'buzz' than any other foreign leader attending the Bali conference, and his apology to the Aboriginal 'stolen generation' received widespread coverage—and admiration—in Indonesia. Moreover, official visits by ten Australian ministers in barely three months underscore the new Australian Government's respect for Indonesia. There's clearly a period of opportunity for fresh initiatives to build on that goodwill and add further ballast to the relationship—necessary, of course, to buffer the bilateral tie against inevitable hiccups or more serious issues in coming months or years.

Australian aid to Indonesia will total over \$450 million for the 2007–08 financial year, making it the largest bilateral donor of grant support ...

Australian aid to Indonesia will total over \$450 million for the 2007–08 financial year, making it the largest bilateral donor of grant support (if loans are included, Japan is the largest donor). And the total value of Australian support to Indonesia would be much higher if other forms of government-to-government collaboration were included. Investment on that scale opens up many possibilities for advancing the relationship. Suggested here are four areas of opportunity for fresh strategic initiatives: a major effort to support Indonesia's drive for growth and poverty reduction; a pilot project to support the development of civilian defence planning and resource management; a geographical shift away from heavy emphasis on projects in eastern Indonesia; and sectorally targeted people-to-people initiatives.

Support growth and poverty reduction

The most fundamental long-term priority for Indonesia is to maximise economic growth to reduce poverty, and the most important factor in poverty reduction is the Indonesian Government's policy settings. For the most part—particularly on core macroeconomic policy settings—the government does a reasonably good job, as shown by the country's solid economic performance.

Beyond policies and policy management, in some of the broader institutional arrangements that underpin economic policy or feed into broader economic activity, Australia could make a significant and welcome contribution in areas of pressing need. Highlighted here are three core areas of need:

- *Continued governance reform.* Although Indonesia has made remarkable progress in reforming and refining its national political institutions, there's still much to be done in

areas such as the civil service, the judicial and legal administration, and provincial and district level institutions. Without progress in these areas, the quality of governance in Indonesia won't improve much further. These are fields in which Australia has already made some contributions and can readily go further.

- *Education sector reform.* Indonesia made impressive gains in education in the 1970s and 1980s, but that progress hasn't been sustained. Spending on education has increased substantially under SBY and now matches that of comparable developing countries, but actual educational outcomes are poor. Any Australian university lecturer who has taught students from elsewhere in Asia will report that most Indonesian students are much less well prepared than, say, Vietnamese or Chinese students. A 2003 international survey placed Indonesia last among forty countries in mathematics and language. A recent study concluded that the challenge for Indonesia isn't so much to mobilise additional funding for education as to do a much more efficient and equitable job with it (Arze del Granado 2007). Building on its already large education reform programs in Indonesia Australia can help to aid education planning, resource management and innovation by secular and religious non-government schools. A particular focus should be the Islamic schools sector, which serves the poorest families in Indonesia but generally has the lowest quality.
- *Services sector reform.* Indonesia's inadequate services sector feeds into developmental delays and poverty. In most areas, from electric utilities and power generation through transportation and communications to sanitation and health services, there's an urgent need for reform and improved services. More often than not in the new Indonesia, the critical gaps and bottlenecks are at the city and district level, where governance capacity is weakest. Australia has wide-ranging expertise in the sector and great potential to make a real difference.

Adjust support for the military

Australia should adjust its approach to military cooperation with Indonesia to aid the further normalisation of the TNI. Traditionally, Australia's main efforts in this area have involved training programs and exercises with armed forces personnel, and little attention has been paid to supporting civilian defence planners. As Indonesian democracy continues to consolidate, a serious case can now be made for expanding assistance for defence policy development and resource management—areas in which current Indonesian civilian capabilities are weak or non-existent.

Both the Indonesian Government and the TNI are increasingly interested in developing genuine national defence capabilities, rather than focusing only on the TNI's old priorities of domestic coercion and commercial resource extraction. Indonesia is unlikely to ask Australia for support in this area any time soon, but quiet reflection will reveal that it has few better options.

Geographically rebalance Australian support

A third way to advance the bilateral relationship involves not the launching of a new initiative, but a reorientation of Australia's geographical focus for development assistance in Indonesia. With the special exception of tsunami-related assistance for Aceh, most of Australia's aid effort has been focused on eastern Indonesia. There have been good reasons for this: eastern Indonesia is the poorest half of the country and also the part closest to Australia.

However, in the light of Australia's involvement in East Timor and lingering suspicions in Indonesia about Australian intentions towards Papua, developmental emphasis on eastern Indonesia doesn't engender the goodwill or appreciation it otherwise would. There are many areas of pressing need elsewhere in Indonesia—the great bulk of Indonesia's poor are in the Javanese heartland, and most of them are Muslim, unlike the predominantly Christian areas of eastern Indonesia. Equally well-intentioned donors—New Zealand, Canada and various European countries, and the Asian Development Bank or World Bank—could readily take Australia's place in eastern Indonesia, enabling Canberra to focus more constructively on programs elsewhere in the archipelago.

Strengthen people-to-people programs

Finally, to turn to a perennial of the bilateral relationship: enhancing people-to-people links. A long-term challenge for the Australia–Indonesia relationship is the sharp disjuncture between the consensus of the policy elites on both sides and the distrust of the Australian and Indonesian publics.

For geopolitical reasons, the distrust is deeper on the Australian side, but since East Timor it exists on both sides. A key part of it is mutual incomprehension. A 2006 Lowy Institute poll revealed that most Australians were unaware that Indonesia is a democracy (Lowy Institute 2006).

The big drivers of mutual public comprehension are the private visits of people in both directions—tourists, students, businesspeople.

Government-sponsored people-to-people programs are a minute part of total people-to-people flows back and forth between Australia and Indonesia. The big drivers of mutual public comprehension are the private visits of people in both directions—tourists, students, businesspeople. While government-sponsored exchanges have been going on for a long time, there's scope for them to make a fresh and significant impact by focusing on particular areas in which flows of people in either direction don't yet happen autonomously. Possible new exchange programs would be for newly empowered and autonomous mayors and district heads, local government bureaucrats or principals of non-government schools. Programs could involve exchanges of remote-area energy or clean-water delivery experts, or even popular radio talk show hosts.

The exchanges should reinforce or at least relate to other sectoral programs that either government is seeking to support. For example, there's potential to use programs of this sort to achieve continued and more sophisticated engagement with Indonesia's mainstream Muslim leaders and communities. Efforts should be made to move beyond interfaith dialogue, and public diplomacy should be broadly defined to include assisting Indonesia's Muslim majority to make their democracy work effectively. In other words, savvy development assistance would seek out partnerships with Islamic organisations in ways that build real trust and collaboration, rather than emphasising the need to overcome 'misunderstandings'.

Finally, attention should be paid to the long-term negative effect of having so few young Australians studying in Indonesia or enrolled in Indonesian studies in Australia. The long-running downturn in Indonesian studies in Australian universities is well known; less well known is just how few Australians study in Indonesia. Data provided by the Australian Consortium for In-Country Indonesian Studies suggests that no more than 100 Australian students are studying in Indonesia at any given time. This dearth no doubt contributes to Australians' poor knowledge of Indonesia, so starkly revealed in the Lowy Institute polls.



Chapter 6

SEEING INDONESIA THROUGH NEW EYES

Thinking of Indonesia as a ‘normal’ country allows us to see it through new eyes. It’s a useful analytical lens that lets us see some new opportunities and imperatives.

Indonesia is no longer in a state of profound
flux and ongoing turmoil ...

Indonesia is no longer in a state of profound flux and ongoing turmoil; no fundamental questions about its national integrity, state capacity and social cohesion hang over it. We now know what Indonesia is probably going to look like over the next decade. In the absence of radical disjuncture—always a possibility, but not currently expected by observers inside or outside Indonesia—Indonesia will be a middle-income developing country making slow headway in lifting living standards and consolidating democratic governance. And of course, as citizens in a lively democracy, Indonesians share important political values with Australians.

This is good news, but it’s also very probable that neither Indonesia’s circumstances nor the bilateral relationship with Australia will become dramatically better over the next five to ten years. Although it would be better if Indonesia’s economy grew faster than we see today, and its democratic consolidation and governance reform advanced more strongly, those things are unlikely to happen. The current trajectory is very probably as good as it’s going to get over the next decade or so.

Photo opposite: An Indonesian worker checks hundreds of new motorcycles before shipping, at Tanjung Priok port in Jakarta, 22 November 2007. Ahmad Zamroni/AFP/Getty Images

Equally, although it would be desirable for Indonesia to have future leaders who are even more capable and even more outwardly cooperative than Susilo Bambang Yudhoyono, that's unlikely to happen. SBY's achievements are underappreciated. Although many Indonesians complain that he isn't decisive enough as a leader, his record of leadership is unlikely to be beaten over the next decade or so.

While we try to see Indonesia through new eyes, it's also important to recall old insights. One of the oldest remains one of the most important for Australian policymakers to grasp: the fundamental pluralism of Indonesia. As distinguished Australian historian Anthony Reid (1998) has noted, this is a very old truth—older than the Republic of Indonesia, older even than the Netherlands East Indies. Indonesia has always been a fundamentally pluralist society; its geography and history ensure this. An archipelago scattered about one of the world's most important maritime highways, lying equidistant between the great Sinic and Indic worlds, drawing traders and preachers from almost all the great religions over many centuries, Indonesia is fundamentally and inescapably socially diverse.

Regimes, rulers and miscellaneous radicals have come and gone, but an underlying equilibrium continually reasserts itself as an openness to external ideas, people and products and the inescapable imperative to accept diversity. There have been some terrible and deadly exceptions, but pluralism remains the bedrock fact of Indonesian society. This is emphasised for two reasons: first, because Australians have lost sight of it in recent years, inclining instead to suspect Indonesians of militancy and zealotry; and second, because in the new democratic world of 'normal' Indonesia, its underlying social diversity will be the foundation of pluralistic politics.

The death of former President Soeharto in early 2008 was notable for how little real impact it had in Indonesia. It was a reminder of how far in the past the New Order regime was and how much has changed since then. Indonesia's democracy is by no means yet completely secure, but it's in reasonably good shape.

A range of serious policy and governance problems confront the Indonesian Government. If left to drift, they could become sources of major grievance and, in the context of the country's open political environment, have the potential to seriously destabilise democratic governance. There have been so many cases of democratic decay or degradation in recent years—Nigeria, Russia, Thailand, Venezuela, Fiji, Bangladesh, the Philippines, Kenya—that seasoned observers now speak gloomily of a new era of 'democratic rollback' (Diamond 2008). Indonesia cuts against that trend. The likelihood that Indonesia will experience no major political or economic problems over the next decade is low, but as the institutional framework of modern Indonesia evolves and takes deeper root, the magnitude of such swings is likely to become smaller. That, too, is part of becoming a normal country.

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Endnotes

- 1 '24 Partai Politik Lolos, Total 58 Parpol Akan Diverifikasi KPU' [24 (new) political parties recognised, 58 political parties in total to be verified by National Election Commission], *Kompas*, 5 April 2008.
- 2 These parties are PDI-P (the Indonesian Democratic Party of Struggle); Golkar (the former ruling party under the New Order); PKB (the National Awakening Party, based primarily in the traditionalist Islamic organisation Nahdlatul Ulama); PPP (United Development Party, also an Islamic party); PAN (National Mandate Party, a fusion of modernist Islam and secular nationalism); PD (Democrat Party, the party vehicle of President SBY), PKS (Prosperous Justice Party, the most successful of the Islamist parties); and PBB (the Crescent and Star Party, also a modernist Islamic party).
- 3 Reams of survey data on Indonesian perceptions of judicial institutions have been compiled over the past decade. See, for example, *Citizens' Perceptions of the Indonesian Justice Sector*, The Asia Foundation, www.asiafoundation.org/publications/surveys.html; 'Citra Hukum Terbelit Lembaga,' *Kompas*, 26 June 2006 and 'Kesangsian terhadap Mahkamah Agung,' *Kompas*, 6 November 2006; USAID (2008); and Mujani (2008).
- 4 'Ex-pilot gets 20 years for Munir murder,' *Jakarta Post*, 26 January 2008.
- 5 'Chief judge in Adelin case gets promotion,' *Jakarta Post*, 1 February 2008.
- 6 See *Globe* magazine's cover story on Jimly Asshiddiqie, 'Defender of the Constitution,' *Globe Asia*, January 2008.
- 7 See *Attorney General's Office Reform Agenda*, Office of the Attorney General, Jakarta, July 2005.
- 8 Interview, Attorney General Hendarman Supandji, 'There is an integrity problem at the AGO,' *Tempo*, 21 May 2007, 26. See also 'AGO aims to improve efficiency, detection of corruption,' interview with AG Hendarman, *Jakarta Post*, 11 November 2007.

- 9 'PDI-P legislators return legislation fees', *Jakarta Post*, 21 February 2008.
- 10 'Regional graft craft', *Tempo*, 11 February 2008, 88–89.
- 11 It's useful to note the limitations to the KPK's role. It's authorised to conduct examinations, investigations and prosecutions of corruption cases that involve law enforcement officials, judiciary personnel, state officials and any other third party related to the corruption committed by such an official. The case must also provoke public anxiety and involve a minimum state loss of 1 billion rupiah. The AGO handles all other cases.
- 12 'Battered over bribes', *Tempo*, 24 March 2008; 'From the Outside: AG Hendarman appoints a person long on duty outside the AGO to clean up the mess within the institution', *Tempo*, 7 April 2008.
- 13 Other important agencies involved in anticorruption efforts include the BPK (State Audit Agency), and the Judicial Commission (itself the target of a corruption investigation).
- 14 The single best treatment of the Indonesian military's changing role in politics is Mietzner (2006).
- 15 See Mietzner (2006). In an interview with Douglas Ramage, then Defence Minister Matori Abdul Djalil stated flatly that his senior officers all believed that reform was already accomplished. Interview, 1 April 2002.
- 16 Rizal Sukma, Director of Studies at the Center for Strategic and International Studies, Jakarta, in an analysis provided to the authors, 25 February 2008. See also an interview with Rizal Sukma, 'Indonesia is consolidating democratic rule', *Asia Views*, February–March 2008, 1(22):17–19.
- 17 Although there are widely varying estimates of the percentages of funding the TNI gets from unofficial sources, in a 1 May 2007 interview with Mietzner, Minister of Defence Sudarsono explicitly stated that 30% was the proportion of off-budget funds that made up the military's total expenditures.
- 18 Indeed, several officers alleged to be deeply complicit in these incidents remain in senior TNI positions.
- 19 A 2006 survey by Transparency International Indonesia identified the police as the 'most corrupt' state institution: 'Dinilai Terkorup, Polri Tuduh Survey TII Punya Agenda Tersembunyi', 12 September 2007, <http://hukumonline.com>.
- 20 See the full parliamentary decree *TAP MPR No. VI Tahun 2000* 'Pemisahan Antara Tentara Nasional Indonesia dan Kepolisian Negara Republik Indonesia,' [Separation between the armed forces and the national police]. In the Indonesian legal pantheon, this decree has a standing higher than law, sitting just below an amendment to the Constitution. The decree was further strengthened by the enactment of the Law on the Indonesian National Police (Law No. 2, 2002), which detailed the separate functions and reporting lines of authority of the newly civilianised police force.
- 21 Comments by Police Commissioner (*Komisaris Polisi*, or Major) Isnaeni, 13 July 2007, at Akpol, Semarang.

- 22 USAID (2008) gives a mixed review of POLRI, showing on the one hand that citizens see the police force as most corrupt, but also indicating a reasonable amount of trust in local police officers. Nearly 50% of Indonesians say that they have a high level of trust in their local police officers (an increase from 40% in 2006), compared to 12% who say they have low trust in them.
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- 24 Police Sergeant Tubuh, the senior NCO in the village of Les, Buleleng district, stated that 'of course I had to ask for money to investigate a crime distant from my post as I was never given budget for anything—petrol, electricity, even food.' 7 July 2006.
- 25 'Rasio Polisi dan Masyarakat 1:700', *Tempo Interaktif*, 29 March 2005. In comparison, the police-to-population ratio in Japan is 1:520, while the official ASEAN standard is 1:400.
- 26 For police budget increases, see *Laporan Pembangunan Manusia Indonesia yang dilakukan oleh UNSFIR, Bapenas dan Badan Pusat Statistik (BPS)*, <http://www.sinarharapan.co.id/ekonomi/Keuangan/2004/0726/keu2.html>; and *APBN Budgetary Notes* for 2005, 2006, 2007, and 2008. Fiscal year-on-year comparisons of budget allocations by department or government agency provided to the authors by Ibu Fanny at CastleAsia, Jakarta.
- 27 '100,000th tsunami house handed over in Aceh', *Jakarta Post*, 15 December 2007, 4.
- 28 Jaringan Pendidikan Pemilih Untuk Rakyat (People's Voter Education Network, or JPPR), Jakarta; <http://jppr.or.id>. See also JPPR press release on Aceh, 15 December 2006.
- 29 We are grateful to Sandra Hamid, Director of Aceh Programs at the Asia Foundation. The preceding section on challenges facing Aceh is drawn, in part, from Hamid's analysis and assessments, provided to us on 5 February 2007, Jakarta.
- 30 For the best recent overall assessment of Papua, see McGibbon (2006). See also Aspinall (2006).
- 31 JPPR, Jakarta; <http://jppr.or.id>.
- 32 See also 'Government plans to quicken slow development in Papua', *Jakarta Post*, 15 February 2007.
- 33 'Papua governor heads out on an ambitious 2,600-kampong tour', *Jakarta Post*, 5 June 2007. While the more charismatic Papua Governor Barnabus Suebu garners most media attention, his counterpart in West Papua, Abraham Atrururi, also announced plans to visit all 1,800 villages in his province.
- 34 The most worrisome caveat, however, is the performance of the police in Papua. A 2007 report details widespread abuse of citizens in remote areas of Papua. If not brought under control, such police actions could imperil the legitimacy of the locally elected governments. See HRW (2007).
- 35 'Yudhoyono sees no political blow in raising fuel prices', *Jakarta Post*, 8 May 2008.
- 36 For a thorough analysis of the economics of rice prices for Indonesia, see the special issue of the *Bulletin of Indonesian Economic Studies*, 44(1), April 2008.

- 37 For unfortunately common alarmist views from international sources, see Dhume (2008) and Abuza (2007). For an Indonesian view, see Darmadi (2006).
- 38 See, for example 'Advisors counsel SBY against banning Ahmadiyah', *Jakarta Post*, 23 April 2008 and 'Ulama cannot dictate religious policy: Official', *Jakarta Post*, 22 January 2008. See also the efforts of the Wahid Institute, an NGO founded by former President Abdurrahman Wahid, which maintains a national project to monitor local governmental legislative or regulatory attempts to restrict or control religious expression and then to formulate advocacy approaches against such attempts. See www.wahidinstitute.org
- 39 See the May 2007 survey by the Center for the Study of Islam and Society at the State Islamic University in Jakarta: www.ppim.or.id
- 40 The 2004 national election results also show limited support for Islamist parties, with the total vote for all Islamist parties at 22% (in a country in which nearly 90% of voters are Muslim).
- 41 JPPR, Jakarta; <http://jppr.or.id>. Data provided to the authors by Lukman Bastomi, Data Development Officer, JPPR National Secretariat, Jakarta, 4 February 2008.
- 42 See, for example, 'NU states opposition to *Sharia* bylaws', *Jakarta Post*, 4 May 2006. The chairman of Nahdlatul Ulama, Hasyim Muzadi, eloquently stated his opposition to the state imposing *shari'a* in an interview a national newsweekly: 'Bila Syariah Harifah, Negara Retak', *Gatra*, 1 May 2006.
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- 44 There have been a handful of 'anti-Chinese' incidents, but the causes appear to be spontaneous, highly specific and locally based. For example, there was an outburst of anti-Chinese public sentiment in Makassar in May 2006. The case involved a mentally ill Chinese man who physically abused a domestic servant. Subsequently, a rumour spread in the neighbourhood that the employer insulted Islam and had stepped on the Quran.
- 45 For example, the deputy governor of West Kalimantan and the deputy district head of Bangka are both Chinese Indonesians.
- 46 See, for example, SBY's op-ed after the Danish cartoon issue ('Lets try to get beyond caricatures', *International Herald Tribune*, 10 February 2006) and his 22 March 2008 screening of a popular Indonesian film to the diplomatic corps in Jakarta as an antidote to the Dutch film. See also Din Syamsuddin's (Chairman of Muhammadiyah) op-ed, with Shaykh Hamza Yusuf Hansona and Prince Hassan bin Talal, in the *International Herald Tribune*, 25 March 2008.
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- 53 International media are beginning to identify uniquely Indonesian contours to their successful war on terror. See, for example, Cochrane (2007) and Mydans (2008).
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Acronyms and abbreviations

AGO	Attorney-General's Office
Akpol	National Police Academy
ASEAN	Association of Southeast Asian Nations
BRR	Aceh Rehabilitation and Reconstruction Agency
DPR	national parliament (Dewan Perwakilan Rakyat)
GAM	Free Aceh Movement
ICW	Indonesian Corruption Watch
JPPR	People's Voter Education Network (Jaringan Pendidikan Pemilih Rakyat)
KPK	Corruption Eradication Commission (Komisi Pemberantasan Korupsi)
LSI	Lembaga Survei Indonesia
PKS	Prosperous Justice Party
POLRI	Indonesian National Police
SBY	President Susilo Bambang Yudhoyono
TNI	Indonesian armed forces (Tentara Nasional Indonesia)

About ASPI

The Australian Strategic Policy Institute (ASPI) is an independent, non-partisan policy institute. It has been set up by the government to provide fresh ideas on Australia's defence and strategic policy choices. ASPI is charged with the task of informing the public on strategic and defence issues, generating new ideas for government, and fostering strategic expertise in Australia. It aims to help Australians understand the critical strategic choices which our country will face over the coming years, and will help government make better-informed decisions.

For more information, visit ASPI's web site at www.aspi.org.au.

ASPI's Research Program

Each year ASPI will publish a number of policy reports on key issues facing Australian strategic and defence decision makers. These reports will draw on work by external contributors.

Strategy: ASPI will publish up to 10 longer studies on issues of critical importance to Australia and our region.

Strategic Insights: A series of shorter studies on topical subjects that arise in public debate.

Special Reports: Generally written by ASPI experts, SPECIAL REPORTS are intended to deepen understanding on critical questions facing key strategic decision-makers and, where appropriate, provide policy recommendations. In some instances, material of a more technical nature may appear in this series.

Specialist Publications: ASPI also produces valuable reference tools, such as The Cost of Defence and the Australian Defence Almanac.

Strategic Policy Forums are online roundtable discussions undertaken when a subject of critical importance requires debate. They bring together a range of experts to discuss the main policy alternatives, the results of which provide policy makers and the broader public with accurate and authoritative information about crucial strategic policy choices.

Policy Analysis: Generally written by ASPI experts, POLICY ANALYSIS is provided online to give readers timely, insightful opinion pieces on current strategic issues, with clear policy recommendations when appropriate.

Commissioned Work: ASPI will undertake commissioned research for clients including the Australian Government, state governments, foreign governments and industry.

ASPI's Programs

There are four ASPI programs. They will produce publications and hold events including lectures, conferences and seminars around Australia, as well as dialogues on strategic issues with key regional countries. The programs are as follows.

Strategy and International Program: This program covers ASPI's work on Australia's international security environment, the development of our higher strategic policy, our approach to new security challenges, and the management of our international defence relationships.

Operations and Capability Program: This program covers ASPI's work on the operational needs of the Australian Defence Force, the development of our defence capabilities, and the impact of new technology on our armed forces.

Budget and Management Program: This program covers the full range of questions concerning the delivery of capability, from financial issues and personnel management to acquisition and contracting out—issues that are central to the government's policy responsibilities.

Outreach Program: One of the most important roles for ASPI is to involve the broader community in the debate of defence and security issues. The thrust of the activities will be to provide access to the issues and facts through a range of activities and publications.

ASPI Council Members

ASPI is governed by a Council of 7 members representing experience, expertise and excellence across a range of professions including business, academia, and the Defence Force. The Council includes nominees of the Prime Minister and the Leader of the Opposition.

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Seeing Indonesia as a normal country Implications for Australia

Australia needs to update the way it thinks about Indonesia. We need to start thinking of it as a normal country, grappling with many of the same challenges as other large, stable, middle-income developing democracies—such as India, Mexico or Brazil.

Indonesia today is a stable, competitive democracy, playing a constructive role in world affairs. It is no longer in a state of profound flux and turmoil. In the absence of radical disjuncture—always a possibility, but not currently expected by observers inside or outside the country—Indonesia will be a middle-income developing country making slow headway in lifting living standards and consolidating democratic governance.

Seeing Indonesia as a normal country involves recognising just how much progress it has achieved since the fall of Soeharto, while maintaining a clear-eyed realism about what's likely to be possible. The current pace of internal progress and depth of receptiveness to international engagement may well be 'as good as it gets' for some time. Australia needs to be conscious of this as it seeks to refine its bilateral engagement with Indonesia.

Old insights matter too, and one of the most important for Australian policymakers to grasp is Indonesia's fundamental pluralism. There have been some terrible and deadly exceptions, but pluralism remains the bedrock fact of Indonesian society. Australians have lost sight of this in recent years, inclining instead to suspect Indonesians of militancy and zealotry. But in the new democratic world of 'normal' Indonesia, its underlying social diversity will be the foundation of pluralistic politics.