

INDONESIA: CONFRONTING THE POLITICAL AND ECONOMIC CRISIS

Recommended Citation

Theodore Friend, "INDONESIA: CONFRONTING THE POLITICAL AND ECONOMIC CRISIS", NAPSNet Special Reports, February 23, 2000, <https://nautilus.org/napsnet/napsnet-special-reports/indonesia-confronting-the-political-and-economic-crisis/>

February 23, 2000

The following article was distributed by the Foreign Policy Research Institute (FPRI). Theodore Friend, a Senior Fellow at FPRI, is currently writing a book on the history of Indonesia, under contract with Harvard University Press. This is the text of his testimony to the House Committee on International Relations, Subcommittee on Asia and the Pacific, February 16, 2000. Friend discussed the current situation in Indonesia, and US interests in the region.

Foreign Policy Research Institute A Catalyst for Ideas

February 16, 2000

INDONESIA: CONFRONTING THE POLITICAL AND ECONOMIC CRISIS

By Theodore Friend

I feel privileged to be asked to contribute to this committee's ongoing exploration of the situation in Indonesia. This committee, having last week pursued matters as they are improving in tragically afflicted East Timor is wise, allow me to say, to confront now the issues of democracy, development, security, and human rights that Indonesia, with its 212 million people, represents.

As the committee is aware, but Americans generally may not realize, if you superimpose the Indonesian archipelago across the

USA, it would reach from New York City to Seattle. It has 80% of our size of population in 20% of our land area. It has three times as many people as the Balkans, and more people than the Arab Middle East. But it has not usually generated as much trouble as the Balkans, and only produces a fraction of the oil of the Middle East. So we as a people have been slow to see Indonesia's global importance: now the third largest democracy in the world, and the only Muslim democracy besides Turkey. Because Indonesia envelops the sea lanes between the Indian Ocean and the Pacific, and is the largest geopolitical factor in Southeast Asia/Southwest Pacific, the destiny of its democracy is vitally important to the region, to American values, and to our interests.

WHAT HOLDS INDONESIA TOGETHER?

What holds Indonesia together? It took the Dutch three hundred years to hammer it into one colony. Along with the UN, we supported the latter stages of the national revolution, to independence in 1949. What has held Indonesia together since? An ideal of a national democracy, many peoples becoming one. A national language, spread by national education. An army. And the presidency. Across half a century there were only two presidencies. Sukarno for twenty years, and Suharto for more than thirty.

Sukarno held things together by force of personality, by balancing nationalism, religion, and communism; by distracting confrontations with Malaysia, the Dutch, the UN, the US. By ignoring development and theorizing perpetual revolution. All that collapsed in an attempted coup and the ensuing murder of hundreds of thousands of communists in 1965.

Suharto held things together with the Army, first of all. With development secondly -- not only economic, but social. Indonesia's story since the late sixties is one of great gains in life expectancy, in literacy, in per capita income (from under \$100 to beyond \$1,000 before the Asian financial crisis slashed it), and in all social indicators. Many lesser developed countries achieved such gains, but Indonesia's were still impressive. The achievement was threatened, however, and the regime undermined itself by overconcentration of power at the top, and amoral greediness in the first family and its cronies. Add to that repression of thought, speech, and assembly; tightly rigged elections, loosely rigged business dealings, and false-front foundations; the use of senior army officers as territorial business magnates and as state enterprise executives; and use of ordinary troops as political police. All this, we know, broke down in riot in Jakarta, 13-15 May 98, with 1200 dead. Suharto yielded to enormous pressure from a combination of students, NGO and middle class activists, and moderate Muslim leaders.

International financial forces, represented by the IMF, held back money because hard-won agreements had not been observed. Private capital took flight. In the end Suharto's own parliament and cabinet deserted him. His army quietly warned him they could not save him. And so he retired with dignity, and more legal/financial protection than he deserved.

It took seventeen months to get in a democratically elected successor. How is Abdurrahman Wahid, known as "Gus Dur," going to hold the country together? Some pessimists and strategic risk analysts predict imminent bloody disintegration. I don't agree, and I certainly believe we should support cohering forces. Why? Gus Dur is Indonesia's first president whose values with regard to gender rights, ethnic fairness, and religious inclusivity most Americans would agree with. He is the first president of Indonesia who understands and believes in modern democracy, rule of law and business transparency. For these reasons he means a tremendous amount to Indonesia. His success with his own people should mean a tremendous amount to us. At the same time we must understand tendencies toward social hysteria among a people suffering high unemployment, severely lowered income, and limited opportunities. The miseries of the Indonesian people are sandwiched between two thick slabs of bread -- one the bread of hope, the other the bread of patience.

WHAT DIVIDES INDONESIA NOW?

In this deprived situation, Gus Dur faces severe divisions and distractions of at least three kinds: separatisms, ethno-religious tensions, and distorted institutions.

1. Separatisms based on religion or culture, and perceived exploitation or cruelty, were latent even before the explosion in East Timor. A careful analysis of regional productivity has shown that Java, with 55% of the Indonesian population, makes a 45% contribution to Indonesia's annual GDP. In other words, its "regional productivity" is negative by 10%. Other regions to various degrees feel that they are feeding Java, or enriching those who feed off of Java. This is particularly true of mining/oil/gas provinces. We have seen the traumatic hiving off of East Timor -- a very poor province -- for reasons of religion, culture and resistance to gross oppression. What follows now is what many in Indonesia's armed forces feared: an imitation effect in richer provinces. The scorched earth retreat of early September '99 by the Indonesian army and their Timorese militia was apparently intended to stun other separatisms into passivity. That is one of a long string of gross miscalculations by some Indonesian military. The effect in other regions is evident: "Why should we remain in a republic that's going to kick us around? Let's shove off."

The most active of these intensified separatisms is in Aceh, the northwesternmost of all Indonesian provinces, spiritually closer to Mecca than Jakarta. The pathos in the situation is that the Arun natural gas fields are nearly played out as Gus Dur offers to give Aceh province 75% of the revenues from them. The historical separatism there is strong. Mollifying language by the president, fluid deadlines, restoration of status as a special region, and promise of an (ill-defined) referendum have bought some time, but have not clearly leveraged over new loyalties. The harsh counterinsurgency campaign of the early 1990s cannot be repeated. And Gus Dur's personal charisma, well received in much of Java, is not so in Aceh.

Irian Jaya, now renamed Papua in a spirit of acknowledging regional distinctness, is mineral rich, feels ethno-culturally discriminated against, and is probably the site of the second most significant separatism. It does, however, appear susceptible to division in three provinces; and new revenue sharing formulae might satisfy enough political and economic appetites to retain this huge area in the Republic.

If one takes all other sharp or soft separatisms into account -- Riau, East Kalimantan, Southern Sulawesi, and Maluku, and adds them to Aceh and Papua as percents of Indonesia's pre-crisis GNP, one gets 17.2%, or about one sixth of the national total.

Province	-	Principal Industry	-	American corporate presence	-
Contribution to Indonesia GDP as %					
East Kalimantan	-	oil and gas	-	Mobil, Unocal	- 5.0%
Riau	-	oil and gas	-	Caltex, Conoco	- 4.7%
Aceh	-	gas	-	Mobil	- 2.9%
South Sulawesi	-	agricultural commodities	-	(none)	- 2.3%
Irian Jaya (Papua)	-	copper, gold, gas	-	Freeport, Arco	- 1.6%
Maluku	-	timber, agr. commodities, gold	-	Newcrest	- 0.7%
Total Contribution to Indonesia GDP as % 17.2%					

[based on Far East Economic Review, 2 Dec 99, p. 20]

If all potential separations actually occurred, the present nation, to improvise on one Indonesian commentator's remark, would become a Bangladesh (Java) encircled by a couple of Congos, some Arab sheikdoms, and a West Indian republic. But it won't all happen. For most of the archipelago there is still more pride and synergy in being part of a great republic than concocting a small one.

2. Ethno-religious tensions

These are numerous enough. They do not appear, however, to threaten the nation so much as to split and scar parts of the society. The number of church burnings in Indonesia in the

1990s, according to Agence France Presse, reached nearly 500. Many of these were Chinese Christian churches. That phase appeared worst in 1996-98. It appears to have subsided with the riots in Jakarta of May 13-15, 1998, in which Chinese shop-homes, electronics stores, banks and malls were attacked (a) out of hatred of have-nots for haves; (b) massive shoplifting opportunity; (c) possible instigation by military provocateurs. The ensuing flight of Chinese-Indonesian families and Chinese-Indonesian capital seriously weakened the nation's capacity for recovery. Gus Dur is genuine in welcoming Chinese-Indonesians back. He was a resounding hit with them and with neighboring businessmen in an early visit to Singapore. But conditions do not yet suggest an elastic and confident return of capital.

Another sort of tension is religious without an ethnic element. That is the recent horrific communitarian-warring in Ambon and other cities of Maluku, where the overall population divides 57% Muslim and 37% Protestant. Such close numbers are rare in Indonesia, which is overall 90% Muslim; and socio-economic reversals of fortune there manifest themselves in religious tension. The scenes and stories are terrible. Broadcast on television, they lead to cries of jihad, countered by feelings of crusade elsewhere. But most Indonesians, even if they don't love their neighbor, like most Americans don't want to kill their neighbor, either.

A third sort of tension is chiefly ethno-cultural, aggravated by non-Islamic reaction to Muslim practices. It is best illustrated by the clashes between Dyaks of Kalimantan and Madurese transported there by government policy to relieve crowding and lack of opportunity on Madura. The animosities of unlike and mutually aggravating cultures have a history of some years now, and may recur in future years.

3. Distorted institutions

Under this heading many phenomena could be listed: institutions of law perverted by the Suharto years; civil society stunted; free expression suffocated; and religion stifled by state ideology. But among institutions I have chiefly in mind the armed forces. Once they were triumphant as anti-colonial militias, united into a people's liberation army; once successful as a disciplined national army putting down a lengthy Islamist revolt (1949-62). Having then "won the hearts and minds of the people," the Indonesian army is now deeply compromised by two practices which most Indonesian citizens detest or fear. One is engagement in business for profit. The other is involvement in local violence for power. The first undoes the military; the second overdoes praetorianism. The first produces clumsy entrepreneurs and flabby soldiers. The second produces plotters instead of strategists, and killers instead of warriors. But, as

Ralph Waldo Emerson said, "The world is made of glass," meaning that culpable passivity or criminality are in the end transparent. Military paralysis while Jakarta was in riot, and military overzealousness in East Timor, are now globally documented phenomena. Neither of them is worthy of a professional army.

Indonesia badly needs to carry out steps of reform as articulated by some of its leading generals. A sensible path is laid out in careful study by Indonesia's leading institute of social sciences. Instead of earnest self-renewal, however, some of the army appear to be in an unproductive contest with the president for power and retention of prerogative. Gus Dur says 90% of the army is behind him. Dr. Alwi Shihab, his foreign minister, when he was in the USA, said 70%. I don't dispute either figure, but use them both as a range. Seventy to ninety percent of an army is not enough for a president to rely on. He must have one hundred percent of an army with a clear and limited professional mission.

LONG-TERM PROSPECTS

A coherent and delimited mission for the armed forces is only one of the areas of reform in which we must hope Indonesians will work out their own future. Reattracting capital and regenerating first rate business momentum in a fresh transparent environment could take five years. Business, when faced with necessity, actually seems to modernize its practices faster than other institutions. Reforming and professionalizing the army could be achieved in five to ten years. Recovering lost ground in education and achieving new plateaus of learning and skill could be done in ten to fifteen years. Rescuing the court system from corruption, and nourishing rule of law, could reach significant effectiveness in fifteen years, or at best ten. If Indonesia with leadership, luck and patience can achieve substantial progress by sustained effort in these tasks, its fifth successive democratic election in 2019 could see it standing proud among the world's democracies. With synergy among all enterprises mentioned, that goal could be achieved by its fourth, or even third, such election.

AMERICAN INTERESTS AND LINES OF POLICY

Example is the best advice. America, if it is true to itself as a federal republic, an open society under the rule of law, with competitive enterprise and transparent procedures, will continue to have a magnetic power of attraction in Indonesian national behavior.

I believe we should recognize that our major interests there are few and simple. One is ideals; they can be summarized in the

thought that both freedom and development advance fastest when they are allowed to be mutually reinforcing. The other is concrete: it can be summarized in the fact that no hostile technology or power can soon make the strait of Malacca as danger-fraught as the strait of Taiwan. The sea lanes through Indonesia stand for our geostrategic interest there, especially the flow of oil to allies in Japan and Korea. With these factors in mind, we must quietly help Indonesia to realize a reformed political economy that will allow it both to fulfill its democratic dream and to resume its role as the center of gravity in a reorganized ASEAN.

In what ways may we help?

(1) Explicitly support the values that the reform government represents. Nourish Gus Dur as the elected leader with moral support, without overpersonalizing the relationship.

(2) Endorse what I understand to be a proposed expansion of the AID budget for Indonesia, still at a modest level, but intended to bolster legal reform, local democracy and civil society projects.

(3) Support IMF and World Bank projects, for their invaluable multilateral aid toward Indonesia recovery, in confidence that criticisms since the onset of the Asian crisis have strengthened discipline in the administration of both.

(4) Reinstitute IMET and JCET programs for advanced education of Indonesian military in the United States. Punishing a past administration does not help the present one. Breaking such ties does nothing to advance the reform movement within the military. The current free press in Indonesia was launched by a retired general as Minister of Information, who learned Jeffersonian principles at Fort Benning.

(5) Encourage public and private foundations to form consortia as was done for Eastern Central Europe after the Berlin Wall fell. Now that the Suharto walls have fallen, American foundations should cooperate further for (a) support of community recovery programs; (b) initiatives in educational renewal at all levels; (c) scholarships for Indonesian students now in, or wishing to come to the U.S.; (d) special programs by media foundations in the disciplines and limitations of a free press; (e) special programs by bar associations and legal institutes to advance the capacities of young Indonesians in law, procedure, and regulation.

(6) Stand fast in the whole Southwest Pacific. Pull away no military assets. Remain what Lee Kuan Yew asked us to be many years ago, "the sheriff of the Pacific." Recognize that

Islamists in Southern Malaysia are expressing sympathy with arms and money to separatists in Aceh. Tactical moves and occasional statements by China suggest that it might like to be a neighborhood posse-leader. Realize that the whole region may be more like our own "Wild West" than it was twenty years ago. Be prepared for restrained action if necessary.

You may forward this email as you like provided that you send it in its entirety and attribute it to the Foreign Policy Research Institute. If you post it on a mailing list, please contact FPRI with the name, location, purpose, and number of recipients of the mailing list.

If you receive this as a forward and would like to be placed directly on our mailing lists, send email to FPRI@fpri.org. Include your name, address, and affiliation. For further information, contact Alan Luxenberg at (215) 732-3774 x105.

View this online at: <https://nautilus.org/napsnet/napsnet-special-reports/indonesia-confronting-the-political-and-economic-crisis/>

Nautilus Institute
608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email:
nautilus@nautilus.org