



Report on Wilton Park Conference WP1019

INDONESIA: WHAT ROLE AS A CONTEMPORARY GLOBAL ACTOR?

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Key issues

Indonesia is a member of key international bodies, including the Group of 20 (G20), the Non-Aligned Movement (NAM), the Organisation of the Islamic Conference (OIC) and the Association of South East Asian Nations (ASEAN), in which it is seen as the predominant power. It withstood the global economic crisis with continued, if slower, growth, and President Susilo Bambang Yudhoyono won a second term of office when presidential, and parliamentary, elections took place in 2009. Indonesia is keen to play a larger global role. Yet does it have the necessary domestic underpinnings to be a regional power with a global impact?

Key issues arising in discussion of Indonesia's role as a contemporary global actor were:

- Indonesia would like to be recognised as a place where democracy and Islam co-exist, but not as a Muslim democracy.
- While the international community has high expectations of Indonesia's role in global issues, some question whether Indonesia should more appropriately concentrate on tackling domestic challenges, such as sustaining and improving economic growth and competitiveness, and reducing poverty, rather than look to assume a significant role internationally.
- There is a need to bridge the gap between capability, or capacity, and aspiration. Some suggest Indonesia should limit its involvement in international affairs to a few issues, on which it could make a real difference, rather than spread itself too thinly. In this respect, it could focus on the Asian region, initially at least.
- Greater coordination in Indonesia's foreign policy is needed, and on the domestic front the government needs to see policy through consistently, with better executive management and accountability.
- If Indonesia is to realise its potential to become a major economy, it needs to commit in a consistent and sustained manner to opening its market and pursuing liberalisation measures.
- Strengthening governance and institutions in Indonesia, and focusing on outcomes, would help to deliver the public services needed for inclusive development in all parts of the country.

Context and challenges

1. Indonesia has achieved much progress economically in the past five years and weathered the global economic storm relatively well with growth of 4.5% in 2009 and a forecast of 5.5% in 2010. Unemployment and poverty levels are going down, albeit slowly. This is due in no small part to the sound economic and financial policies implemented by President Yudhoyono and Finance Minister Sri Mulyani Indrawati. In his second term, the President has a strong mandate to undertake the difficult reforms needed to continue the transformation of Indonesian society, politically and economically, and provide the basis to reach its goals enshrined in Vision 2025: Indonesia as a prosperous, advanced and self-reliant, just and fair country. This requires economic growth of at least 7%; but also growth that is more inclusive and equitable, which creates employment and extends to underdeveloped regions of Indonesia. These are ambitious targets, and they come with the caveat that there will be no large external shocks. Compared to South Korea, however, these growth targets are perhaps not ambitious enough.

2. Indonesia still needs to consolidate its democracy, and the rule of law, building on all that has been achieved since the end of the Suharto era. Some argue that the legislature is moving more slowly than the executive in this respect.

Promoting an open economy

3. Indonesia has been struggling to repair its image as a destination for investment since 1998. Some perceive this as persisting negative bias, ignoring the considerable progress in reform, under difficult circumstances, during the last decade. It is undeniable that Indonesia is trying to attract inward investment in a highly competitive neighbourhood, which includes the economic giants China and India; yet it lags even behind its peers in creating an enabling environment for trade and investment. For many in business there are questions about the speed and depth of reform and change, as well as concern at regular setbacks and mixed signals, as illustrated by the Negative List Regulation which makes Indonesia more restrictive than many other developing economies on foreign equity limits and foreign personnel capping. Indonesia needs both more foreign and domestic investment to meet its growth target of 7%.

4. Some of the reforms required are long-term. These include: investing in infrastructure, especially in electricity, road networks and transportation more broadly; amending labour legislation, to ensure that employment laws are less inflexible; revitalising agriculture, mining and manufacturing, since Indonesia produces abundant commodities, which it exports, and undertakes little processing; and reforming bureaucratic structures to provide a more streamlined and quality civil service. Building a reputation for legal certainty is needed. While President Yudhoyono has identified tackling corruption as his first priority, such efforts need to be consistently sustained. The Corruption Eradication Commission (KPK) has done much, yet it still needs political and financial support to act against corrupt vested interests. There is also a need to embrace competition. For example, in January 2010 a free trade agreement, in effect a customs union, was introduced between the six major ASEAN countries. Intra-ASEAN trade is rapidly expanding. This represents both an opportunity and a threat to Indonesia; it can dominate ASEAN and its internal market if it continues to reform or it will become a mere consumer for other ASEAN countries' products. Indonesia should also ensure it is not left behind in concluding free trade agreements with the European Union.

5. In the medium-term, accelerating Special Economic Zones will serve to attract major investment flows while the longer-term constraints like infrastructure are being tackled. Ensuring coherence in local and national policies is important, and decentralisation should not result in additional redundant requirements or procedures for investors.

6. There is a need for consistency and coordination in government policy, which is now being tackled through a new Economic Coordinating Minister who has established mechanisms for monitoring progress of policy reform and potential divergence across different ministries. While many feel the government is heading in the right direction, there remains a need for strong government leadership, to convince the opponents, particularly in parliament, and explain to the population, that free trade works. Indonesia should have confidence that it can compete, rather than hiding behind economic nationalism or protectionism which will ultimately fail to promote, let alone preserve local companies. It will also ensure Indonesia fully meets its international obligations.

Strengthening democratic institutions and empowering society

- Parliament

7. Indonesia's third democratic election in the post-Suharto era yielded a more decisive result than on previous occasions, although some feel the quality of the 2009 election process declined from four years earlier. The President's party obtained some 27% of the vote; together the governing coalition commands around 76% of the seats in the *Dewan Perwakilan Rakyat* (DPR, the People's Representative Council or parliament). This should deliver improved governance which consolidates democracy and enables difficult reforms to be undertaken. Yet various surveys show there is a general perception that the past, despite authoritarian government, was better than the present; democracy is not seen to be delivering, although some acknowledge their material conditions have improved. Some argue the government is not managing its support well to-date: the President's leadership style, while popular with the Indonesian populace, does not engage the political elite, including leaders of political parties.

8. The functioning of the DPR needs to be improved. Currently, many of its decisions are reached by *musyawarah-mufakat* (deliberation to reach consensus), a process often conducted in hotel lobbies rather than the parliamentary chamber, which lacks transparency. If there is deadlock and a vote is needed, there is no record of how each member of the House votes. Members tend to vote along party lines, rather than in accordance with constituents' needs. A voting record should enhance lawmakers' accountability to their constituency. Parliament's image could also be improved by the introduction of an 'ethics code'. While DPR members' income is regulated, their expenditure is not; political parties resist this. There is a need to set a cap on the amount of money a candidate can spend in an election.

9. The DPR is empowered as an institution, but its members are not well-equipped; there are meagre resources for support staff for the DPR. The televised parliamentary enquiry on Bank Century showed parliamentarians to be inadequately prepared to question the executive, which influences public perceptions of the DPR. There is insufficient capacity among DPR staff to research adequately foreign policy issues, or international agreements, and provide the necessary argumentation to prevent these becoming political footballs in parliamentary debate.

10. A large proportion of DPR members are new to office, and many are new to politics. They lack experience in managing their role, and the complexity of the political process. Parliamentarians are, nevertheless, sensitive to the suggestion they may need training; to overcome this, capacity-building could be approached through political parties. While there are clear ideological differences between political parties, the parties are unable to articulate these in policy terms. More policy debate within parties is needed, in part because there are few policy think-tanks associated with political parties. Party programmes or manifestos would inform voters and assist them to hold parties to account. Political parties remain centralised, like in the time of the New Order, with decisions on local issues often still made by the party headquarters at national level.

11. Civil society is vibrant in Indonesia. It began during conditions when challenging authoritarian government was a priority; it needs now to focus on promoting agendas which can be translated into law, and to work with the DPR. This is not an easy transition to make. The media covers events in parliament extensively, although journalists need to be better informed on how the DPR works to produce more responsible reportage. Concentration of media ownership by business groups with their own political interests should be examined. There is often a lack of coverage of local politics, beyond the sensational; if democracy is to become embedded, it needs to be from local government upwards.

- Decentralisation

12. Undertaking decentralisation, at the same time as democratisation, is challenging for consistency. Some argue that Indonesia may have 'over-decentralised'. While this process does not appear to threaten Indonesia's integrity, and direct election of local officials and councils has improved accountability, there is nevertheless an asymmetric relationship between legislative and executive branches of local government, as occurs at national level. Local councils generally lack capacity, in the skills of their individual members and as institutions. This has the effect of slowing down approval of the annual budget, policy making and programme implementation. Decentralisation has thus had little impact on improving social welfare services, or local development, and there remain large disparities in poverty

between different parts of the country. Where there has been improvement in performance, this is generally achieved through strong local leadership.

13. To address these challenges, President Yudhoyono has proposed a moratorium on new administrative divisions. It is also suggested to strengthen the role of the governor, as representative of central government, and provinces, in regional development planning and the coordination of national programmes. Fiscal decentralisation should be ensured, with minimum standards of performance required for allocating finance, as well as civil service reform. Central government could also better coordinate donor support programmes to local government.

14. Responsibility for education has become highly decentralised. While access to education has risen at all levels in the last decade, improving the quality of education, and of teachers, is challenging. Decentralisation of health services was also implemented through a 'big bang' approach. Health status has improved over the last five years, but the figures on health and education attainment are not impressive when compared with countries of similar income levels, and even less so when judged against other G20 countries. One reason for this is low public expectations and therefore lack of sustained public pressure on the authorities to improve services. Civil society is generally weak in articulating health and education issues, and the donor community has made little effort to involve civil society organisations in participation in parent-teacher associations or other accountability mechanisms. There is insufficient technical expertise in universities, and political parties demonstrate no strong commitment to or leadership on health and education issues. The middle classes opt out of state education and health provision as soon as they are able to do so.

15. Two provinces, Aceh and Papua, have been accorded enhanced autonomy. In Aceh, a 2005 accord ended three decades of armed conflict. Under the Law on Governing Aceh (LoGA), the province has additional political and economic rights. There is pressure locally for amending the LoGA, since it is not felt to have delivered the changes desired by some. Future arrangements are likely to centre around the terms for sharing oil and gas revenues. Sharia law has begun to be introduced in Aceh, and an Islamic criminal code was adopted by the local parliament. Some

suggest that if Acehenese nationalist identity is discredited, by not bringing the gains anticipated, there may be an even greater emphasis on Islam, which has always been at the roots of Aceh's self-identity.

16. Papua's 2001 law on special autonomy, known as the Otsus law, accommodated the majority of Papuan demands, short of independence, although some contend there was inadequate local consultation in adopting it. Its implementation is seen to be a mixed picture, since some in Jakarta regard it as a vehicle for Papuan independence. While Papuans now have clear ownership of the forest and land cannot be taken from them, affirmative action clauses in the law have not been implemented. Poverty in Papua is seven times the national average, and must be addressed. Human rights issues and the use of symbols have still to be discussed. The Indonesian Government might appropriately appoint a special envoy on Papua, to create a dialogue with Papuans. How the Indonesian authorities deal with Papua, and Aceh, will condition the way the international community regards Indonesia and its role on the international stage.

17. With some 32 million hectares of forest cover, Papua is central to Indonesia's efforts to reduce carbon emissions. It is also vital to the livelihood of some two million Papuans. The Papuan Government proposes conserving at least 70% of Papua as forest, of which 50% is land that has been allocated for conversion, or already designated for other uses, including long-term sustainable forestry management by local communities. It would further invest in renewable energy sources, and needs support from the authorities in Jakarta, and donor community, to implement these plans.

- Judiciary

18. A functioning judiciary means ensuring access to legal remedies for the poor and vulnerable, for example through legal aid. It requires a culture of trust in the rule of law, and credible accountability mechanisms, such as a system for complaints against the police. The quality and competence of judges needs to be improved through training, as well as the quality of legislation on which they adjudicate. The concept of the independence of the judiciary is a new notion and needs to be inculcated in both judges and public. There has to be zero tolerance towards

corruption, which means an adequate budget and resources must be provided for the judiciary.

- Encouraging diversity, tolerance and pluralism

19. Indonesia is traditionally a moderate, tolerant and multicultural society. Yet small radical Islamic groups have been involved in acts of violence, and some question whether the state has taken sufficient action against them. There is also felt to have been a failure of government leadership when there has been no reaction to the introduction of sharia-based local laws. What is Indonesia's state identity? Does it support diversity as defined by *Pancasila* or not, or does it want to follow the French secular model and a clear separation between church and state? It is suggested Muslim organisations be more active in articulating, or encouraging the expression of, the silent and moderate Muslim majority. Legislation which is ambiguous, or contradictory, towards cultural diversity should be reviewed. Tolerance can also be increased through the education system, and civic education should emphasise Indonesia's diversity. Students should be given the tools to combat extremism. Some media, especially radical publications, have contributed to increased intolerance and action should be taken against them.

Indonesia's global role

20. Indonesia is a multicultural and evolving democracy with a large Muslim population; its national identity is not exclusively defined in terms of Islam. It has traditionally been active in international relations, such a role being sanctioned under its Constitution. It sees itself projecting soft power, in particular through dialogue, constructive engagement, promoting mutually beneficial cooperation, acting as a bridge-builder, advocating moderation, contributing to establishing international norms and sharing its values and experience. To be able to play such a role, it needs solid domestic foundations, notably political stability and economic prosperity. While Indonesia has seen relative domestic success, on a number of development measures it scores poorly.

21. There is considerable goodwill in the international community to accommodate Indonesia's rising status. It is not perceived as a threat, and is a rules-based actor unlike, for example, China. There are broad expectations that Indonesia will now

play a larger global role, having begun contributing to international peacekeeping operations in recent years, occupied a seat on the UN Security Council during 2007 and 2008, and become a G20 member. Indonesia has already shown its willingness to take a leading role on climate change by pledging to cut gas emissions by 26% in 2020, and by 41% with international support. Some question, however, whether Indonesia will achieve these targets.

22. President Yudhoyono describes Indonesia's approach as guided by the principle of 'making a thousand friends and no enemies'. Some argue that this is not realistic; if Indonesia is to play a constructive role, it will need to present its views robustly, which may well lead to disagreement with friends. Indonesia has also expressed interest in engagement on a wide range of global issues, including conflict resolution in the Middle East, promoting nuclear disarmament, natural disasters, counter-terrorism, and food and energy security. Some suggest it would be preferable if Indonesia could identify a few issues on the global agenda for its engagement where it may make a noticeable impact, rather than spread its efforts more broadly to little effect. Indonesia could also utilise its influence more through informal channels, including for example preparatory meetings, rather than during the major or high-level international gatherings. Ambition and capability, or capacity, have to be matched. Indonesia has talent in its diplomatic service which has a good reputation. Foreign policy, however, needs better coordination. More could be done to promote discussion at national level to define with parliamentarians and policy institutes, for example, where Indonesia's international interests lie. Some question whether Indonesia's involvement on some international issues may constitute a 'passing interest' only.

23. Some argue Indonesia should, initially at least, limit its activity to its Asian region before becoming involved in other parts of the world. For example, although Indonesia regularly repeats that her foreign policy is founded on ASEAN, some consider ASEAN has become moribund and, despite the odds against it, Indonesia should assert leadership to try to reactivate ASEAN, especially during its chairmanship of the ASEAN forum during 2011. It already endeavours to press, through 'quiet interventions', concerns in the ASEAN Human Rights Commission, and tries to convince Burma's rulers of the merits of democracy. In the regional

context, it should take part in shaping the regional security architecture, although the question of capacity again arises in terms of providing practical assistance in conflict areas such as Southern Thailand, or in the Philippines. Indonesia's civil society organisations could nevertheless play a role to help in conflict resolution there. Indonesia could deepen relations with China, India and Australia, as well as strengthen US ties. Others contend that, in the contemporary world, limiting its activism to the regional sphere is not practical for Indonesia; it must act globally. Indonesia's influence should be felt in the West, where its characteristics as a multicultural society with a good record in combating terrorism could be instructive.

24. Indonesia's efforts in bridge-building are widely recognised, between developed and developing countries, using its membership of the G20 and the Non-Aligned Movement, of which it was a founder member, as well as between the West and Muslim worlds. Indonesia represents a rare robust Muslim-majority democracy. It seeks to project its national democratic values, although making no claim to an 'Indonesian model' for others to follow. It needs to ensure its own house is in order, however, and keep it so, to have a voice on the world stage to which others will listen.

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