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INDEPENDENT STRATEGIC ANALYSIS OF AUSTRALIA'S GLOBAL INTERESTS

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Governance and Political Challenges in Indonesia

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Key Points

- The Indonesian parliament continues to be dominated by secular-nationalist parties.
- The emphasis on nationalism could undermine the prospect of greater ethnic Chinese representation in the parliament.
- The perception of elevated levels of government corruption will continue to pose major economic and social problems and can impede the provision of public services.
- A flawed taxation system further hampers the ability of the government to enact requisite financial legislation.
- The Indonesian National Armed Forces are seeking to increase their influence in domestic politics through greater involvement in internal security matters.

Summary

After Indonesia experienced a surge in economic growth between 2010 and 2014, its Gross Domestic Product growth rate has slowed, sinking from 6.2 per cent in 2010 to 4.8 per cent in 2015. While the Indonesian Government can do little to combat external financial factors such as falling commodity prices and shrinking markets for its exports in China, there is an opportunity for President Joko "Jokowi" Widodo to deliver on his promises of internal

reforms. In addition to economic reforms, Jakarta faces other challenges such as perceived corruption within the government and public services. Growing nationalism and the increasing influence of the military in domestic matters could also play an interesting role in shaping Indonesia's future.

Analysis

Party Nationalism and Anti-Chinese Sentiment

The Indonesian parliament is led by the *Koalisi Partai Pendukung Pemerintah* (Government Coalition) which is made up of predominantly secular parties. Currently, the coalition holds approximately seventy per cent of the 560 seats, the opposition just twenty per cent and the non-aligned Democrat Party (*Partai Demokrat*) holds the remaining ten per cent. It is notable that despite having the world's largest Muslim population, Indonesia's parliament is predominately secular; only 23 per cent of seats are held by Islamic parties. A recent poll found that the vast majority of Indonesians reject the notion that national laws should be religiously-based and that only 22 per cent believed that that should be the case. Indonesians tend to lean, instead, towards more secular-nationalist parties. Representing itself as the voice of the poor, the secular-nationalist Indonesian Democratic Party of Struggle (PDI-P) is the most popular member of the coalition, holding twenty per cent of parliamentary seats. Second to the PDI-P is the Party of the Functional Groups (*Partai Golongan Karya*, or *Golkar*), a secular party that also leans towards nationalist ideals. Finally, the primary opposition party, the Great Indonesia Movement Party (*Partai Gerakan Indonesia Raya*: *Gerindra*), is also strongly nationalist. Nationalism is clearly an ideal that continues to resonate with Indonesian voters.

Increasing nationalism, however, brings the risk of re-igniting anti-Chinese sentiment in the country. Anti-Chinese sentiment took root from a combination of trans-migration and development policies experienced during the Suharto regime. As counter-terrorism expert Sidney Jones explains, under the transmigration policies of the Suharto Government, Muslim Javanese were often moved into areas that were dominated by another ethnic group, which led to competition for resources and power. While competing for those resources, developmental policies that seemed to favour the Chinese more than the indigenous populations were put into place:

> The Chinese seemed to have benefited from economic policies more than others and during the Asian economic crisis it was the Chinese shopkeepers who were accused of hoarding goods. Now there is an additional factor, particularly in Java, where some Muslim groups have attacked prostitution and gambling centres, which in some cases are owned by the Chinese. Without any information to the contrary, you get this Muslim-Chinese balance being set up with the Chinese responsible for all social vice and the Muslims wanting to combat it.[1]

[1] Jones, S. 'Causes of Conflict in Indonesia', *Asia Society*, p. 2.

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While anti-Chinese sentiment has largely fallen since the 1998 communal riots, it has still been described as being deeply ingrained even though its symptoms are subtle. Growing nationalism could, however, re-ignite these tensions in Indonesian politics. There has been some indication of this from top officials. A Facebook post by Indonesian Army General Suryo Prabowo in March 2016 encountered a public backlash because it suggested that those friendly or affectionate with Chinese-Indonesians should not be arrogant with power or authority. He added that his followers should 'pity' ethnic Chinese-Indonesians who are good or poor because the latter could not run to another country even if they were at risk of being butchered. No matter that the post was widely criticised and later deleted, Prabowo remains an influential figure after securing 46.85 per cent of the vote in the 2014 presidential election. The comments were made in relation to Basuki Tjahaja Purnama, or Ahok as he is commonly known, the Christian-Chinese Acting Governor of Jakarta. Ahok's candidacy in next year's Jakarta gubernatorial election has stirred some controversy because of his Chinese and Christian background. Opposition to Ahok's candidacy has grown, with mass protests being held calling for his arrest following comments that he allegedly made about the Koran. While Ahok's Chinese ethnicity was not the focus of the protest, racist overtones quickly became evident, with some calling for Ahok to be killed and others holding banners reading "*ganyang Cina*" ("crush the Chinese"). Such events point towards future challenges for Chinese-Indonesians in securing government representation and roles in an atmosphere of growing religious nationalism.

Government Corruption

The Indonesian public perceives the level of corruption within the government to be very high. In polls conducted by Gallup, the percentage of Indonesians who say that corruption is widespread throughout the government grew to 91 per cent in 2011 from 84 per cent in 2006. A survey by the Centre for Strategic and International Studies conducted in April 2016 found that 88 per cent of Indonesians believed that corruption had either worsened or remained stagnant in the past two years. As noted by the World Bank's East Asia Poverty Reduction and Economic Management Unit (PREMU), not only does such a high level of corruption (whether real or perceived), impose major economic and social costs on the country, it also detracts from the government's ability to provide public services.

The patron-client relationship which exists in Indonesia is seen as a possible factor behind this corruption. In its simple form, clientelism consists of "patrons" (typically government officials), who enjoy access to government-controlled resources and "clients" who access these resources through their personal relationship with their "patrons". It is these networks that, according to PREMU, undermine the rule of law in Indonesia, reduce government accountability and inhibit the effectiveness of government institutions. As pointed out by associate professor Abu Elias Sarker, this same dynamic has proved to be a problem in Bangladesh. Writing in the *International Journal of Public Administration*, Sarker argues that 'patron-client politics is entrenched in Bangladesh and has had a constraining effect on the institutionalisation of good governance initiatives'.[2] Evidence of clientelism within Indonesia

[2] Sarker, A.E., 'Patron-Client Politics and Its Implications for Good Governance in Bangladesh', International Journal of Public Administration, Vol. 31, № 12, 2008, pp. 14-16.

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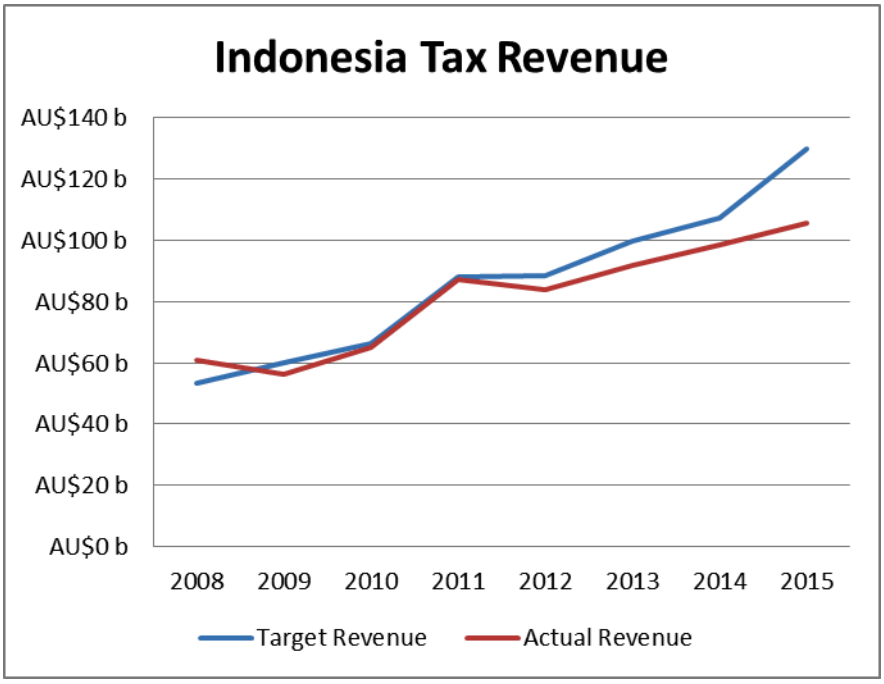
could be seen in the recent case of the late drug convict Freddy Budimen, in which he alleged that top officials actively co-operated with him in the drug-trafficking market in exchange for bribes, with one official even providing transport. The allegations echo concerns from PREMU in 2003, when it was noted that:

> The involvement of the military, police, and customs agency in smuggling, extortion, and other types of organized (*sic*) crime is associated with a rise in lawlessness by the very institutions that should be protecting citizens. Thus, perhaps the biggest cost of corruption is the loss of trust in government by its citizens.[3]

Financial Capability

While general government expenditure (including all expenditures for goods and services such as security, health and education, but excluding expenditure on the military), in Indonesia has gradually improved since 2000, it still remains below ten per cent of GDP, below similar spending by Malaysia. The Indonesian Government also plans to curb expenditure this year by around $13.3 billion due to falling revenues as a result of lower oil prices and weaker-than-expected income from tax revenue.



While factors such as the falling oil price fall beyond the Indonesian Government's sphere of influence, more can be done with utilising tax revenues to improve government expenditure. The World Bank points out that revenue collection deficiencies have hampered the government's expenditure plans. The largest shortfall in tax revenue for over a decade, around $24 billion, occurred in 2015. Judging by current trends, this situation is unlikely to

[3] Lateef, S. *et al*. 'Combating Corruption in Indonesia: Enhancing Accountability for Development', East Asia Poverty Reduction and Economic Management Unit, *World Bank*, 2003, p. 5.

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improve any time soon as the difference between the target tax collection and actual revenue has drastically increased in recent years, from $7 billion above the target in 2008 to $24 billion below in 2015. Recovering the lost tax revenue alone, therefore, can more than make up for recent cuts to current government expenditure. This is easier said than done, however, given that the majority of the money lies in overseas jurisdictions, with almost half residing within Singapore alone. As discussed in a recent *Strategic Weekly Analysis*, the Indonesian Government has plans to recover much of the lost money through a tax amnesty scheme and the introduction of its own tax havens. So far, the amnesty has been a reasonable success with asset declarations totalling $360 billion (90 per cent of the target), and repatriations totalling $13.7 billion (13.6 per cent of the target) at the end of the first phase of the programme. The plan, however, fails to address underlying flaws within the taxation system – especially the fact that only ten million Indonesians – out of an adult population of over 185 million – actually fulfil their tax obligations.

Influence of the Military

In the past, the Indonesian National Armed Forces (*Tentara Nasional Indonesia*: TNI) enjoyed strong levels of political influence, especially under former president Suharto. That, however, deteriorated over time as Indonesia progressed into the democratic era. As Benjamin Beets argues in his dissertation at Victoria University of Wellington:

> TNI has lost significant political influence in the democratic era but remains politically engaged. Signs that the TNI has lost influence include its loss of seats in parliament, its scrapping of ties with political parties and the separation of the police from the military.[4]

The loss of influence has much to do with a loss of purpose. As Defence Minister Ryamizard Ryacudu admitted in August 2016, 'I don't see any threat of war for Indonesia and in the region.' Without an external threat, there is no current need for Indonesia to increase military funding except as a safeguard against future threats. Despite this, there does appear to be growing signs of life for the military under Jokowi. According to a report by the Institute for Policy Analysis of Conflict, Jokowi appears to have struck a deal with the TNI:

> In exchange for unconditional loyalty and support for his broader political agenda, the president will push for improvements in military personnel welfare, modernisation of TNI equipment, maintenance of the TNI's separation from the Defence Ministry and retention of an ex-officio cabinet post for the TNI commander.[5]

But support for the military from the president may only last as long as Widodo remains in office. The TNI, therefore, in its fight to remain relevant in the longer term, has taken on an expanded role in internal security, addressing tasks typically handled by the Indonesian

[4] Beets, B.H., 'The Political Influence of the Military Before and After Democratic Transition: Experiences from Indonesia – An Assessment on Myanmar', Dissertation, Victoria University of Wellington, 2015, p. 41.
[5] 'Update on the Indonesian Military's Influence', Institute for Policy Analysis of Conflict, Report № 26, 2016, p. 2.

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National Police in areas such as drug crime, terrorism and corruption as part of an. The thinking behind giving increased powers to the TNI can be found in the 2015 Defence White Paper. The paper asserts that the military must be modernised in order to deal with today's conflicts, which are waged through non-linear and indirect means, such as the use of social media applications for propaganda. As the White Paper argues, other countries can utilise these means to 'trigger separatist movements because of political and regional interests'. This suggests that, to protect itself from external forces, Indonesia must bolster the internal security role of its military if it is to prevent the infiltration of foreign cultures and values that could compromise Indonesian values. An example of this was seen earlier in May 2016, when the military began detaining people suspected of spreading communist ideology and confiscating books that were deemed to represent communist values. That was clearly a step too far, as Jokowi then publicly rebuked the military, telling the military chiefs to bring their troops into order.

Looking towards the future, Defence Minister Ryacudu has set in motion the *Bela Negara* (Defend the Country) programme. In short, the programme aims to recruit a civilian force of one hundred million people under a nationalist banner containing the words of the Indonesian constitution, under which 'Every citizen shall have the right and duty to participate in the defence and security of the state'. This is part of Ryacudu's narrative, which asserts that to protect Indonesia's sovereignty from foreign influence and globalisation, Indonesians need to be equipped with values such as nationalism, patriotism and a willingness to sacrifice for the country. It seems plausible, therefore, that *Bela Negara* could be used as a front to strengthen the military component of the civil-military relationship as part of a wider effort by the TNI to reclaim its role in domestic politics. If so, that offers no guarantee that the challenges of governing a country as large, diverse and complex as Indonesia will be reduced.

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