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# INDONESIA RISING

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Indonesia Update Series

# **INDONESIA RISING**

**The Repositioning of  
Asia's Third Giant**

Edited by  
Anthony Reid

**ISEAS**

INSTITUTE OF SOUTHEAST ASIAN STUDIES  
SINGAPORE

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# FOREWORD: INDONESIA, AUSTRALIA AND THE WORLD

*Gareth Evans*

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I have always had a strong personal sense of engagement with and commitment to Indonesia. It started with visits long before I entered politics, but was much reinforced by the very warm professional and personal relationship I developed with Ali Alatas after we became the foreign ministers of our respective countries around the same time in 1988, and pledged ourselves to restore ballast to a relationship that seemed to have conspicuously lost it.

My affection did not do me much good with the Australian public, with East Timor the running sore it remained for so long, but it was something of which I have remained proud. Indonesia is a country that has an enormous amount to contribute to wider global and regional governance, and our relationship with it, though still so undervalued, remains incredibly important to us.

So it gives me particular pleasure, wearing my new hat as chancellor of this great university, to introduce this important volume, the outcome of the 29th Indonesia Update conference in the series the Australian National University has been running continuously since 1983. The annual Update conference, convened with great flair by Professor Tony Reid, is a unique event, the only one of its kind for Indonesia (though it has become an exemplar for similar series that the ANU now runs with several other countries). Its longevity and quality, and the strong public interest it generates as an open and inclusive event, are testimony to the continuing strength of Indonesian studies at the ANU – and the continuing strong support given to this event by AusAID, which it is always a pleasure to acknowledge.

The 2011 Update was marked by two milestones, one sad and the other happy. The sad one is that this is the first since 1983 that Jamie Mackie, who passed away peacefully in April aged 86, has not been with us. Together with Herb Feith and Heinz Arndt, he was one of the founders of Indonesian studies in Australia and his legacy will be long remembered.

The happy milestone is that this is the first Update since Budy Resosudarmo assumed the directorship of the Indonesia Project at the ANU's Crawford School. The Project plays an important role in monitoring and analysing economic developments, in particular, and informing government, business and the wider community about them. It is crucial that it continue to play that role and, through this volume, the role of informing the Australian community about a wider range of developments as well.

In this respect it is important to do something to counter the old stereotypical habits of thinking about Indonesia that still remain depressingly familiar: that it is military dominated, authoritarian and undemocratic, and a hotbed of Islamic extremism which makes it a dangerous country for Australians to be in. This last perception has been prolonged rather than alleviated by overcautious Australian government travel advisories.

There is now, once again, an unhappy shortage of that ballast which Ali Alatas and I worked so hard to create. One manifestation of that is the falling away in Australia of commitment to language teaching. Another is the drop in the level of overseas student enrolments at all levels. One would have thought that, as our next-door neighbour, with an increasingly outward-looking population of more than 240 million, Indonesia would rank very high, and be the subject of a huge amount of recruitment activity. But on the last full comparative figures I have seen, for 2009, Indonesian student commencements were just 2.5 per cent of the national total, ranking not only after China and India, but below South Korea, Thailand, Vietnam, Malaysia, Nepal and Brazil as well.

So this book, like the conference that gave birth to it, is a crucial tool in the process of getting to know each other better as mature and important democratic neighbours, both now G20 members as well as key players in Southeast Asia and the Asia-Pacific. Outstanding chapters by Indonesian, Australian and other experts well communicate that understanding and sense of relevance about the relationship. The book's theme is Indonesia's rising place in the world, and the chapters cover, as usual, a very wide terrain, including both good and less good news stories.

On the less good side:

- Indonesia's anti-corruption drive has been looking decidedly shaky since the departure of Sri Mulyani Indrawati.



- Religious freedom has been under stress, with little action taken to stop violent attacks by conservative extremists on religious minorities, and Christian and Muslim communal tensions surfacing again in Ambon.
- There has been continuing concern about general government weakness, with a decent but hypercautious president constantly confronting problems posed by a divided, fractious and not very reform-minded legislature.

But the good news far outweighs the troubling developments.

- Democracy is holding together. Far-reaching institutional changes have been implemented effectively, notably including regional devolution, and the contrasts with the authoritarianism of the military regime under Suharto remain very stark.
- The economy is basically thriving, despite all the infrastructure and corruption problems that inhibit it, and the difficulties posed by the international environment.
- The religious environment remains overwhelmingly moderate, with Indonesia a talismanic example to much of the rest of the Muslim world. The handling of terrorist risk – for all the formidable difficulties so well documented by the International Crisis Group’s living national treasure, Sidney Jones – is being done well by any international standard.
- Indonesia is beginning to show signs of punching closer to its weight in international forums, showing a certain amount of impatience with ASEAN’s paralysing caution, and – on some United Nations issues very dear to me – playing a real flag-bearing role. In particular I want to emphasize Indonesia’s strong support for the concept of ‘the responsibility to protect’ against genocide and other mass atrocity crimes when the acceptance of this new obligation was delicately poised in 2009 and 2010, and its announcement that it will at last ratify the Comprehensive Nuclear Test Ban Treaty, setting a significant example to the United States, China, India and other hold-out countries.

All these and many more issues are discussed in this volume. There is much here to encourage both optimists and pessimists to rethink their positions. For specialists and non-specialists alike seeking a balanced and timely evaluation both of how far Indonesia has risen and of how far it is likely to go, or simply fascinated by this immensely attractive and important country, this book will be a superb resource.



## PREFACE

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This book is the latest to appear in a long and distinguished lineage. The Australian National University's Indonesia Update began in 1983, when the late Jamie Mackie and Peter McCawley conceived and implemented the idea of an annual public conference in Canberra to assess conditions in Indonesia. From the beginning it was understood as an alliance between economic and political analysts, with numerous other disciplines playing appropriate roles. As the format congealed the conference was held annually on a weekend in late September, and began with two surveys of the past year – one economic and the other political. The remaining papers were clustered around a theme of particular topical importance.

With Hal Hill playing a lead role through the ANU's Indonesia Project, which he headed for many years, the Update books have been published regularly since 1989. They now constitute a kind of record of an evolving nation. The two survey papers were initially published in the Update books, but since 2005 they have been published quickly in the *Bulletin of Indonesian Economic Studies*, while the papers clustered around the theme of each year's conference became the basis of a substantial book published in the following year. This book is the 23rd publication in the Indonesia Update series, and it emanates from the 29th conference. Greg Fealy (politics) and Chris Manning and Raden Purnagunawan (economics) provided the two overviews, which were published in the *Bulletin of Indonesian Economic Studies* of November 2011.

The theme of the Update, held on 30 September and 1 October 2011, was 'Indonesia's place in the world'. After a series of volumes naturally focusing on Indonesia's difficult transition to a democratic and decentralized format, it was felt to be time to look at the country's international stance and standing. Admission to the G20 group of nations was one factor making this timely; the pressures of globalization on every country were another. The concept of 'Indonesia's rise' emerged at Don Emerson's suggestion in the planning process as the title for one panel of the conference, very much in quotes. One paper after another, however,

grappled in some way with the international perception that this might at last be Indonesia's moment, unlikely as it seemed to oft-disappointed specialists. The book has therefore cohered around this issue. There is much to be said both for and against it, and the book aims to provide a reliable guide to those arguments.

Thanks are due in many quarters. Firstly I acknowledge Michael O'Shannassy, who shared the burden of organizing the Update conference until called to a position in Bangkok. Dewi Fortuna Anwar made a splendid contribution to the conference, though regrettably the intense demands on her time prevented the completion of a paper within the tight deadlines of this book. Budy Resosudarmo, who took over the leadership of the Indonesia Project in 2011, has been a constant source of guidance and support, as was his predecessor Chris Manning. In organizing the Update, the well-practised Indonesia Project team of Cathy Haberle and Nurkemala Muliani made things very easy for the nominal convenors, and coped smoothly with the large flow of people on the day. Liz Drysdale, Allison Ley, Thu Thuy Pham and Daniel Suryadarma were also unfailingly helpful. The funding of the Australian Agency for International Development (AusAID), as well as the support of the ANU, were essential for the realization of both the Update and this book.

I owe a great debt in both constructing the Update conference and preparing this book for publication to my wonderful colleagues at the ANU. The economists and political scientists were generous with their time and patience in guiding a mere historian. I thank in particular Ross McLeod, Hal Hill, Chris Manning, Peter McCawley, Ed Aspinall, Greg Fealy, Marcus Mietzner, and again always Budy, for their help.

Finally, I would like to thank all those who assisted with the production of the book: Rahilah Yusuf and her team at the Institute of Southeast Asian Studies; Angela Grant, who produced the index; and Beth Thomson, who managed the copy editing, formatting and myriad problems of presenting tables and graphs with her usual skill and professionalism.

Anthony Reid

*Canberra, March 2012*

## GLOSSARY

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3G	global growth generators (Bangladesh, China, Egypt, India, Indonesia, Iraq, Mongolia, Nigeria, the Philippines, Sri Lanka and Vietnam)
<i>abangan</i>	syncretic or Javanist Muslims
ADB	Asian Development Bank
AKP	Adalet ve Kalkinma Partisi (Justice and Development Party) (Turkey)
Al-Irsyad	Jam'iyah al-Islah wa al-Irsyad (Union for Reformation and Guidance), founded 1913
APEC	Asia-Pacific Economic Cooperation
APRA	Angkatan Perang Ratu Adil (Legion of Ratu Adil)
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
Balitbang	Badan Penelitian dan Pengembangan (Office for Research and Development)
Bappenas	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
BASIC	Brazil, South Africa, India and China
BBVA	Banco Bilbao Vizcaya Argentaria
<i>bebas-aktif</i>	free and active (foreign policy)
BPS	Badan Pusat Statistik (Central Statistics Agency)
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
CIVETS	Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa
Comintern	Communist International
CSIS	Centre for Strategic and International Studies
Darul Islam	Abode of Islam (rebel movement of the 1950s)
DDII	Dewan Dakwah Islamiyah Indonesia (Indonesian Council for Islamic Propagation), founded 1967

DNPI	Dewan Nasional Perubahan Iklim (National Climate Change Council)
DPR	Dewan Perwakilan Rakyat (People's Representative Council, also known as 'House of Representatives' and as 'parliament')
<i>dwifungsi</i>	dual function (political and military, of the armed forces)
EAGLE	emerging and growth-leading economies (Brazil, China, Egypt, India, Indonesia, Mexico, South Korea, Taiwan and Turkey)
EAS	East Asia Summit
EU	European Union
FDI	foreign direct investment
Fitra	Forum Indonesia untuk Transparansi Anggaran (Indonesian Forum for Budget Transparency)
FPI	foreign portfolio investment
G7	group of seven industrialized countries: France, Germany, Italy, Japan, the United Kingdom, the United States and Canada
G20	group of 20 countries or regions: the G7 plus Argentina, Australia, Brazil, China, European Union, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey
GANEFO	Games of the New Emerging Forces
GDP	gross domestic product
Golkar	orig. Golongan Karya (the state political party under Suharto and now one of the parliamentary parties)
HTI	Hizbut Tahrir Indonesia (Indonesian Liberation Party)
IAIN	Institut Agama Islam Negeri (State Islamic Institute)
IBRIC	Indonesia, Brazil, Russia, India and China
IGGI	Intergovernmental Group on Indonesia
IMF	International Monetary Fund
JiKTI	Jaringan Peneliti Kawasan Timur Indonesia (Eastern Indonesia Researcher Network)
Kemitraan	Partnership for Governance Reform
<i>kiai</i>	title of a religious scholar or leader (Java)
KPK	Komisi Pemberantasan Korupsi (Corruption Eradication Commission)
LIPI	Lembaga Ilmu Pengetahuan Indonesia (Indonesian Institute of Sciences)
LIPIA	Lembaga Ilmu Pengetahuan Islam dan Arab (Institute for Arabic and Islamic Studies), founded 1980

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LPEM-FEUI	Lembaga Penyelidikan Ekonomi dan Masyarakat, Fakultas Ekonomi, Universitas Indonesia (Institute for Economic and Social Research, Faculty of Economics, University of Indonesia)
<i>madhhab</i>	school of Islamic law
<i>madrasah</i>	Islamic school or college
<i>mandala</i>	'circle' (from Sanskrit), concentric diagram in Indic iconography, and metaphorically a field of influence surrounding a political centre
Masyumi	Majelis Syuro Muslimin Indonesia (Indonesian Muslim Consultative Council), Islamic umbrella organization (1943–45) and a leading political party (1945–60)
MDG	Millennium Development Goals
<i>medrese</i>	<i>madrasah</i> (Turkey)
MIST	Mexico, Indonesia, South Korea and Turkey
Muhammadiyah	modernist Islamic organization, founded 1912
N-11	Next Eleven (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam)
NEFOs	new emerging forces
NEKOLIM	neo-colonialism, colonialism and imperialism
New Order	the Suharto era, 1965–98
NGO	non-government organization
NU	Nahdlatul Ulama, traditionalist Islamic organization, founded 1926
NYU	New York University
OLDEF0	old established forces
OPEC	Organization of the Petroleum Exporting Countries
P4	<i>Pedoman Penghayatan dan Pengamalan Pancasila</i> [Guide for Instilling and Experiencing Pancasila]
Pancasila	'five principles' (of the Indonesian state)
PAS	Parti Se-Islam Malaysia (Pan-Malaysian Islamic Party)
PDI-P	Partai Demokrasi Indonesia-Perjuangan (Indonesian Democratic Party of Struggle)
PECC	Pacific Economic Cooperation Council
<i>pembaruan</i>	reform, renewal
Pendidikan Nasional Indonesia	Indonesian National Education (movement, 1930s)
Persis	Persatuan Islam (Islamic Association), reformist Islamic organization, founded 1923
<i>pesantren</i>	traditional Islamic boarding school
PKI	Partai Komunis Indonesia (Indonesian Communist Party)

PKS	Partai Keadilan Sejahtera (Prosperous Justice Party)
PLN	Perusahaan Listrik Negara (State Electricity Company)
PRRI	Pemerintah Revolusioner Republik Indonesia (Revolutionary Government of the Republic of Indonesia)
REDD	reducing emissions from deforestation and forest degradation
<i>reformasi</i>	reform (particularly in politics from 1998)
Salafism	movement emphasizing the <i>salaf</i> ('predecessors'), or the Islamic first generation
Sayyid	title of descendants of the Prophet Mohammad
SBY	Susilo Bambang Yudhoyono (Indonesia's president)
Shia	branch of Islam claiming legitimate descent from the Prophet through Ali
SIPRI	Stockholm International Peace Research Institute
SSCI	Social Sciences Citation Index
Sufism	Islamic mysticism
Sunni	majority branch of Islam
Susenas	Survei Sosio-Ekonomi Nasional (National Socio-Economic Survey)
<i>tafsir</i>	exegesis, particularly of the Qur'an
TIMBI	Turkey, India, Mexico, Brazil, Indonesia
UK	United Kingdom
UKP-PPP	Unit Kerja Presiden Bidang Pengawasan dan Pengendalian Pembangunan (Presidential Unit for Development Supervision and Control)
<i>ulama</i>	Islamic scholar/s
<i>ummah</i>	the Islamic community
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

### **Currencies**

\$	US dollar
A\$	Australian dollar
Rp	Indonesian rupiah