

BOOK REVIEWS

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***50 Years of CSIS: Ideas and Policy in Indonesia*, by Peter McCawley.** Jakarta: Centre for Strategic and International Studies, 2021. Pp. 342.

To celebrate its first fifty years, Indonesia’s Centre for Strategic and International Studies (CSIS) has published a history authored by the Australian National University’s Peter McCawley, a lifetime scholar of Indonesia.

CSIS describes itself as “a policy-oriented research institution that focuses primarily on strategic thinking in international relations, domestic politics and economic issues”, but its remit and operations have stretched way beyond those of a conventional think-tank. It has been a direct and influential force in the policymaking process, close to President Suharto for the first two vital decades of his three-decade era and an important policy voice for over fifty years.

Thus, this narrative provides an account of Indonesia’s transformation from the economic and political chaos of President Sukarno’s Guided Democracy, which had risked turning the country into a failed state and regional pariah, to the Indonesia of today—an economically successful democracy.

In the 1960s, Indonesia transitioned via a dramatic coup attempt that installed the second president, Suharto, accompanied by a bloody score-settling between Muslims (backed by the army) and communists in 1965. Suharto’s New Order government tamed hyperinflation and rescheduled the crippling overseas debt. The armed “confrontation” with Malaysia was unwound and the key regional cooperation framework of ASEAN was established, with Indonesia’s role reflecting its demographic weight. In all of this, the founders of CSIS played an influential role, beginning even before the Centre was formally created.

Its diverse and unusually close influence reflects the unconventional composition of the founders and supporters. Three were army generals who had long been very close associates of Suharto. Others had been active leaders of the student movement in the 1960s which toppled Sukarno and participated in the dramatic transition to Suharto. Most of the civilian founders were ethnic Chinese who had to work around the tensions implicit in their ethnicity in a society always susceptible to racial division.

A degree of normality had been re-established by 1971, when the CSIS was formally founded. This inauguration coincided with a transition to more orderly policymaking. Suharto was now firmly established in power and held the first election since 1955. The CSIS staff were not part of the new administration, but were influential advisors with strongly articulated policy ideas.

The organization’s specialization was in security and foreign affairs. After the destructive foreign policies of President Sukarno, the New Order moved to end the “confrontation” with Malaysia and re-establish relations with the UN (and its agencies such as the IMF) and – most important – the region. Indonesia returned to the “free and active” foreign policy that had guided the 1955 Bandung Conference.

CSIS gave high priority to “second-track diplomacy” (i.e., supplementing the official channels), focused on the region. It was active in the restoration of relations with Japan, which would become the vital supplier of investment and aid. With most of the founders being ethnic Chinese, CSIS was always

going to be conscious of China. The Centre worked towards the 1990 restoration of relations after a twenty-three-year hiatus. Its leaders argued that the need was to engage the People's Republic rather than contain its role, while at the same time regional arrangements in Southeast Asia needed to be strengthened as a hedging mechanism against China's dominance.

In macroeconomics, the CSIS played second-fiddle to the Berkeley Mafia led by Indonesia's senior economic minister Widjojo. It staked out its own area of expertise in regional trade, with its relevance illustrated when Mari Pangestu, former executive director of CSIS, was appointed Minister of Trade in 2004.

On domestic political issues, the integration of Papua following the 1969 "act of free choice" began a long-term involvement in the intractable problems of Papua, followed by an active interest in the vexed issues of Timor and Aceh. Needless to say, the CSIS was active in the "reformation" era after 1999, including the challenge of decentralization.

Think-tanks such as the Lowy Institute often describe themselves as "non-partisan", but in the febrile environment of post-Sukarno Indonesia, such a commitment would have constrained a think-tank to policy irrelevance. The CSIS was often on one side of contentious issues. Clearly, its members were supporters of Suharto, especially before the split with the palace in 1988. Sometimes they were defined by what they opposed. Pluralism was vital to their vision of Indonesia, so they were at loggerheads with those Muslim groups wishing to establish an Islamic state—a vexed issue since Independence.

This book is a commissioned institutional history which provides a sympathetic narrative. The focus is on recording the events rather than making judgments, with a final assessment chapter written by a former CSIS executive director. That said, few would deny the CSIS's beneficial influence in public policy debates, both within Indonesia and across Southeast Asia, over more than half a century.

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***The Political Economy of Automotive Industrialization in East Asia*, by Richard F. Doner, Gregory W. Noble and John Ravenhill.** New York: Oxford University Press, 2021. Pp. 405.

The idea that institutions are important to economic development can be traced back to Adam Smith's book titled *The Wealth of Nations*, which discusses in detail the importance of private property rights and the rule of law. The discourse on development continues to raise the importance of institutions time and again, be it at the theoretical or at the empirical level. For example, in the seminal work by Rodrik, Subramaniam, and Trebbi (2004), institutional factors are found to be far more important than geography and integration (trade) in determining the differences in income across countries—developed and developing alike. It should also be noted that the definition and concept of institutions can range from the formal rules of "playing of the game", as seen in the quality of a country's governance.

Empirical investigations that try to ascertain the impact of different proxies for institutions on economic performance continue to proliferate, at both the macro- and micro-level. However, these empirical verifications are not without criticisms, especially those related to the modelling and measurement of institutions, as succinctly summarised in the literature review by Lloyd and Lee (2018). Without robust empirical verification, Lloyd and Lee are led to conclude that the importance of institutions
