

Chapter 3: The Challenges Ahead

The concluding chapter of this monograph *The Challenges Ahead* looks to the future and tries to identify the main hurdles to solidifying the nascent democratic institutions, and charts possible courses to surmount them. It also counts the significant and lasting achievements in democratic state building that the Indonesian citizen should perhaps be thankful for and feel worth fighting for, for the road is still long and arduous.

Although Indonesia has not long started on “the road to democracy”, there is much that has been achieved for which many citizens may be proud. The constitutional amendment process having been completed, citizens may observe a “software upgrade” in the difficult computerhardware system that is their government. As of writing, relative economic and social stability has been maintained, and the country is expectantly preparing for its general elections in 2004, the first under the amended constitution. Citizens have some reasons to be optimistic. Many problems remain, however.

As discussed above, in the post-transition period the Indonesian polity has to grapple with two key issues in consolidating its nascent democracy. *First*, how best to strengthen the political culture, deepen democracy, and enhance political institutionalization. A strong political culture will provide adequate emotional and cognitive support for adhering to democratic procedures, making democracy the “only game in town”. Deepening democracy means greater executive accountability to the law, to other branches of government, and to the public; a reduction in the barriers to political participation and mobilization by marginal groups; decentralization of power to facilitate broader political access and accountability; vigorous independent action by civil society; and more effective protection for the political and civil rights of citizens. Political institutionalization calls for the strengthening of the three areas of political institutions: the institutions of democratic representation and governance (political parties, legislatures, the electoral system); horizontal accountability, constitutionalism and the rule of law; and the state administrative apparatus (bureaucracy). *Second*, how to improve the performance of the newly established democratic regime. Regime performance can be seen as both political outputs and the character of the regime as well as

the material conditions it generates; in short political as well as economic performance (see discussion on democratic consolidation in Diamond, 1999; 64-116).

The failure in meeting the challenges may result, at the extreme, in the disenchantment and reversal in legitimacy of the democratic system of government, or at the least the nation struggling with the negative effects of a low quality democracy. MacIntyre (1999: 281) argues that the longer the country’s economy remains depressed, the more social and political instability is likely to result, and thus the greater the probability of some form of military coup in the name of restoring order and progress. Although the probability of a direct military intervention in politics is quite remote at this time, if the economy does not improve, the political landscape may deteriorate with it.

Improving economic performance

We will start with Adam Przewoski et al. who have presented some quantitative evidence from their observation of the survival and failure of political regimes in 135 countries between 1950 and 1990, as they research answers to the question: what makes democracy endure? Among other conclusions, they have found some empirical evidence that once a country has a democratic regime, its level of economic development has a strong effect on the probability of the democracy to survive; poor countries, particularly those with annual income per capita of less than \$1,000 are extremely fragile. It does not mean that poor countries in general have no hope in maintaining its democracy. Democracy can survive in poorer countries if they can develop their economy; or in countries where transition has occurred in conjunction with, or triggered by,

economic crisis, democracies survive if they can survive the crisis and restore the pace and momentum of economic development. Przeworski et. al. hypothesizes that the chances of democracy to survive and be consolidated will increase when they grow faster than 5 percent annually compared with those that grow more slowly (ibid: 298). The fragility of democracy at lower levels of development flows largely from its vulnerability in the face of a crisis. Hence economic growth is conducive to the survival of democracy in less affluent countries; the faster the economy grows, the more likely will democracy be able to survive. Economic instability also threatens the survival of democratic regimes. They concluded from their research that democracies are more likely to survive when the annual inflation rate could be maintained below 6 percent. They confirmed Albert Hirschman's 1981 hypothesis that a moderate rate of inflation promotes democratic stability. They also found evidence that democracy is much more likely to survive in countries where income inequality is declining over time. There is a virtuous circle in the correlation; people expect democracy to reduce income inequality, and democracies are more likely to survive when they do (Przeworski et al., 1997: 295-299).¹

From 1999 onwards the Indonesian economy started growing again, albeit modestly; in the last two years (2001 and 2002) and in 2003 (expected), at an estimated 3.5 percent. Since the Habibie government, inflation has been more or less under control; after reaching a historical low of 2 percent in 1999, inflation went up again to 12.5 percent in 2001 during the Abdurrahman Wahid government, came down to 10 percent in 2002 under the Megawati government and was expected to go down again in 2003 to about 5 percent. The exchange rate has also stabilized; after a strong performance in 1999 during the Habibie government, averaging 7,800 per dollar marking the beginning of the recovery, and weakening during Abdurrahman government to an average of 10,300 in the year 2001, it has been strengthening under Megawati government to an average of 9,300 in 2002; and in 2003 it is expected to be in the range between 8,500 to 9,000. Interest rates since 1999 are also coming down, in the last two years hovering between 15 to 16 percent (one month SBI average rate), expected to be around 10 percent in 2003, and expected to fall again to 8 percent in 2004 (IMF staff report, September, 2003). As discussed above, the poverty rate has also been reduced, from around 27 percent in February 1999 to 15 percent in February 2002 (World Bank, 2003: 43).

The above figures indicate that the economy is showing positive signs of recovery. However it is still on slippery ground. In particular the biggest challenge is to restore growth to a level that can bring the economy more rapidly to its pre-crisis level and to sustain it during the consolidation period. A minimum growth of 6 percent should be targeted. To achieve that objective, there are certain pre-conditions that need to be established and objectives that need to be attained. First and foremost is to maintain the hard-won but still-fragile macro-economic stability. To strengthen the macro-economic stability the reforms of the financial sector should be accelerated. A healthy financial sector is a vital element for both stability and growth of the economy. The banking sector is emerging from the crisis, but the progress needs to be consolidated. There is an urgent need to develop a strategy for continued resolution of troubled banks after IBRA terminates its mandates in 2004, and to prepare the dissolution and transfer of IBRA's current responsibilities. Although IBRA has made progress in disposing the assets of troubled banks, there may still remain some assets that have not been disposed of by the time of IBRA's closure. These are probably the most problematic assets. Furthermore, the government needs to work closely with the Central Bank to address some basic issues in the reforms of the banking sector, such as developing an effective—and moral-hazard free—lender of last resort facility, the replacement of blanket guarantee with a deposit insurance protection scheme, and strengthening governance in the banking sector, particularly in state owned banks. Those are among the most important aspects for a strong banking sector that would facilitate sustainable growth and prevent recurrence of another banking crisis.

As the cost of banking restructuring constitutes a large item on the government budget, to ensure fiscal sustainability, every effort should be made to maximize asset recovery and minimize the fiscal cost of banking restructuring; and to do so asset recovery should be made transparent and competitive. Indeed, the economy has passed from the stage of fiscal stimulation to fiscal sustainability. Maintaining fiscal sustainability will be one of the biggest challenges to the Indonesian economy in the years ahead. With the termination of IMF program in year 2004, there is a strong possibility that Indonesia would no longer rely on the Paris Club for debt rescheduling. It means there will be an additional \$3 billion in debt servicing. In the absence of debt rescheduling, it will be challenging to fund the budget

¹ Ironically it corresponds to the New Order's development philosophy: the "*trilogy of development*": *growth, stability and equity* (see discussions in the previous chapter).

deficit from domestic resources.² Ingenuity and perseverance are needed to mobilize all possible resources and pursue all possible options. Efforts at IBRA asset-disposal, implementation of the BLBI (Bank Indonesia liquidity support) resolution agreements, and privatization should be vigorously pursued. There are certain options that have been put on the table that need to be considered, like the placement of new bonds, debt buy-back scheme and debt reprofiling. However long-term fiscal sustainability could only be ensured by continued fiscal consolidation and improvement in tax administration. The challenge is to increase tax revenue by 20 to 25 percent, from 12 percent of GDP in year 2002, to 15 to 16 of GDP within three to five year. The focus should be on the large taxpayers who from past experience have been the source of the greatest leakages in tax revenues.

Growth should not only be rapid to regain momentum and cover ground lost during the crisis, but should also be sustainable for the long term. The nascent growth of the recent years was produced by increased consumption. Investment however is still lagging. The World Bank notes, "it is not just new investors are avoiding Indonesia, but existing investors are losing hope for improvements soon" (ibid: 25). Investment has not recovered "in part because enterprises are still deeply in debt and investment climate is deteriorating" (ibid). Indeed, corporate debt, together with the collapse of the banking system, were the twin causes of the Indonesia financial crisis. With the crisis, debt exposure had increased substantially both in terms of dollar and percentage to GDP. Private corporate external debt reached its peak in March 1999 corresponding to the peak of the financial crisis, reaching \$62.8 billion or 68 percent of GDP.³ With debt resolution efforts initiated by the Habibie government, through the schemes under the Frankfurt agreement and the Jakarta initiative, the amount of debt has gone down; by the end of 2001 it had been reduced to \$51 billion or 35 percent of GDP (IMF, 2002: 53,58).⁴

On the composition of the private debt, the World Bank reported that in May 2002 out of a total of private corporate debt of \$119.1 billion, \$93.3 billion or 78 percent was owed by large corporations, the rest owed by small and medium enterprises. Out of the total debt, \$69.5 billion or 58 percent was non-performing. However of all the non-performing debt, \$65.8 or 96 percent debt was owed by large companies. The percentage of non-performing loans of large companies to its total loan was 72 percent, while only 14 percent of the debt of small and medium enterprises was bad debt (World Bank, *ibid*: 12). In fact during the crisis it was significant how the SME and the informal sector had been supporting the economy, preventing it from total collapse. In the recovery period, while the manufacturing industry was still sluggish, the SME was doing better. As discussed in the previous part of this chapter, at the height of the crisis there was retrenchment of employment in the formal sector, while in the rural sector employment had increased, indicating that the informal, and the small and medium scale of the formal sector had cushioned the impact of the crisis on the people. This empirical evidence suggests that future industrial policy should avoid past mistakes of prioritizing the large companies over small and medium ones, in terms of access to credit and other facilities such as the provision of infrastructure, among other services.

Given Indonesia's substantial need for new private capital inflows, both to acquire the necessary financing for existing ventures and new projects, as well as to ensure that such financing does not later give rise to new vulnerabilities, progress in the resolution of the private corporate debt and corporate restructuring is critical. It is also important to improve investment climate in general. In particular measures to put in place a sound and transparent banking system, improve the legal and judicial infrastructure, include the performance of the commercial courts in handling the bankruptcy cases, and strengthen corporate governance are key to ensuring that Indonesia can again attract foreign capital while reducing the vulnerability to future vagaries in foreign capital inflows. It is also important to resolve the current impasse between labor and business on the pending labor laws, which has resulted in confusion regarding rules for handling industrial relations. The labor laws should ensure the rights and welfare of labor, but at the same time should be conducive to investment; they have to be transparent and fair to both parties. There is also a need to clarify the rules and regulation

² Public sector external debt has increased from \$52.6 billion (a rather comfortable 25 percent of GDP) in March 1997 to \$73.8 billion in December 2001 (50 percent of GDP).

³ Private corporate external debt in March 1996 was \$34.0 billion and had increased to \$47.2 in March 1997. In just one year it increased by \$13.2 billion or 40 percent. It indicated the period of overheating of the economy, which contributed to the financial crisis that started in the middle of that year.

⁴ However more than half, approximately \$31 billion, was non-current in meeting due payments. Combined with onshore debt, the total corporate debt amounted to \$121 billion or 83 percent of GDP, about half \$67.5 billion were distressed loan.

regarding decentralization that would affect the investors. There have to be clear guidelines on the authority and responsibility of the central government, the provincial government and the district or city government with regard to investment. It is also important to clarify the extent to which the government has the right to intervene in the conduct of private business. The case of *Kaltim Prima Coal* is an example of the confusion (World Bank, 2003: 22).⁵ Future investment is also constrained by major bottlenecks in infrastructure, particularly power. There is now already power scarcity in some regions, where a rotating power supply has become necessary. Growth in power continues to outpace supply, while to build power generating plants and the related distribution networks needs time. As large companies can build their own power plants, the small enterprises will be affected more because they may not be able to afford generating their own power—which in itself is an expensive and inefficient investment. Other infrastructure needs also have to be addressed, like roads and bridges, which have been neglected in maintenance during the crisis, harbors, water supply and telecommunication. The development of skills that are needed in the new economy, with heightened competition due to globalization and opening of markets, and the arrival of new entrants in low skilled manufacturing industry, are a challenge to Indonesia's education and skill training programs.

Growth is not an end in itself. Through growth, new jobs will be created, the country's debt could be better serviced, macroeconomic stability could be strengthened,

⁵ KPC is a coal mine located in East Kalimantan, the biggest in Indonesia, owned by giants in the mining industry, BP and Rio Tinto. The mine, started in 1992, produces annually 17 million ton of high quality coal and employs 10,000 people. According to the foreign investment law it has to divest 51 percent of its share to Indonesian entities by 2002. As they would lose majority control of the company, the foreign investors decided to divest their total shares, and reached an agreement with an Indonesian company, IBIP, which offered to take over the whole mine, at the price agreed upon by the government and the company, \$420 million. The Minister of State Enterprises, however, did not approve the sale, because he had made a commitment to sell it to another private company. The resulting squabbles between the government and IBIP had also involved the local governments, at both provincial and district levels. Many observers are critical of the government's interference in a business deal between private companies. Government intervention such as this may discourage future investment, whenever an investor wishes to sell part or wholly their stakes in a company. It also created confusion as to who is responsible in the government with regard to sectoral policy; the question is more relevant because the intervention came from the Minister of State Enterprises even though the company was not a state owned company.

and most importantly, poverty would decline. However it is of utmost important to ensure that growth will not result in increases in inequality, as often occurs in many developing countries. In the past, as discussed in the earlier chapter, during the New Order growth was pursued religiously. Although the results have been remarkable in transforming the economy, there was a strong feeling of injustice at the pattern of development; there was perceived to be a widening gap between the rich and poor, among income groups, ethnic groups and regions. Populist rhetoric aside, it is important to ensure that lessons should be taken from the experience of the New Order, and not to repeat the same mistakes. The pattern of growth is just as important as the rate of growth; growth should not only aim at vertical trickle down effect, but should allow for the horizontal flows of benefit, i.e. broad-based, employment intensive and not compartmentalized (Kartasasmita, 1996; 142-143). It is worthwhile to note that in the aftermath of the crisis inequality had increased. The *Gini* coefficient increased from 31.7 in 1999 to 34.4 in 2002. As discussed above, the quick response during the Habibie government had succeeded in arresting the rise in poverty rate; however in 2002 it started to rise again.⁶ Many studies show that most new democratic regimes is faced with the daunting challenge not only to promote growth and maintain macro-economic stability, but not the least important to reduce both income inequality and poverty, which in turn will provide a stronger basis for sustainable growth in the future. Joseph Stiglitz, underlines the importance of “social policies (including egalitarian income distribution and education policies), not only as ends in themselves but even as *necessary* for long-term economic growth” (Stiglitz, 2001: 525). So goes the virtuous circle, growth opens up opportunity to eliminate poverty and narrow the gap of inequality, which in turn will strengthen the sustainability of future growth.

Strengthening the political institutions

After the process of amendments to the constitution was completed in the MPR general session of 2002, the government and the parliament finalized the necessary laws for the elections of the parliament

⁶ In 1996 poverty incidence was 11 percent; in 1999 as the result of the crisis it increased to 26.9 percent, and after efforts initiated by the Habibie government, it was brought down to 15.2 percent by 2000, falling further to 13.2 percent in 2001. However in 2002 poverty rate had increased again, to 14.5 percent (World Bank, *ibid*: 44-45).

(*Dewan Perwakilan Rakyat-DPR*), the regional representative council (*Dewan Perwakilan Daerah-DPD*), provincial and district/city councils (*Dewan Perwakilan Rakyat Daerah- DPRD*), and the president and vice president, to be held in 2004. There are four new laws, based on the new stipulations under the amended constitution; they are the laws on: political parties (No 31/2002), the elections of DPR, DPD and DPRD (No 12/2003), composition and status of the MPR, DPR, DPD and DPRD (No 22/2003) and on the election of the president and vice president (NO 23/2003).

The new regulations on democratic institutions and processes in the country are more democratic, taking the country a step further toward democratic consolidation. On political parties, the establishment of a political party has been made simple and easy; although to be registered and to be able to participate in general elections there are tough conditions that need to be met.⁷

The law on elections strengthens the role of political parties as the main democratic institutions, lowering barriers to entry.⁸ The election for parliament (both national and regional—DPR and DPRD) follows the proportional system with open lists of candidates submitted by the participating political parties. The law specifically directs that at least 30 percent of the candidates from each political party are women. A candidate has to be a certified member of the participating political party. A vote is cast by marking the party symbol and the name of the candidate among the list of candidates on the slate. On the other hand, as directed by the constitution the candidates in the election of DPD are individuals. To become a candidate the individual has to have the signed support (nomination) of a minimum number of eligible voters, the number of which depends on the number of voters in each province.⁹ A candidate for DPD must not be a member of the board of any political party at least 4 years prior to submission of candidature but, as a

transitional provision, for the 2004 election at the latest 3 months after the law comes into force. That means if those who hold party posts wish to run for DPD, they would have to resign from their party posts before the deadline. Members of the civil service, the military (TNI) and the police cannot run for a seat in DPD; they have to resign to become a candidate for DPD.

The number of members of DPR is 550 (up 10 percent from the number of the present DPR), distributed among the provinces in proportion to the population.¹⁰ All members of DPR are elected, which means there are no more appointees from the military and police.¹¹ The law stipulates that the number of members of the DPD should not exceed 1/3 the number of members of DPR. In the next general election, provinces will be equally represented by 4 members at the DPD. The constitution does not provide the DPD with legislative power of its own. It shares some of the legislative powers of the DPR, but only on certain matters. The constitution provides the DPD with right to propose and participate on the deliberation of bills—originating either from the parliament or the government—on matters related to regional autonomy and decentralization, including fiscal decentralization, and on policies regarding natural and other economic resources. The DPD has the right to offer opinion and participate in the deliberation on the state budget, and all bills related to taxation, education and religion. The only appointment that it has some say in is for the members of the Supreme Audit Board.¹² Ironically, although with less power, to be elected a member of DPD is much more “difficult” than to become a member of parliament. *First*, members of DPD are elected directly by the people, while the members of parliament are elected from their party slates. And *second*, they have to run, and campaign, on their own without the support of political organization such as political parties for members of parliament. The total number is also smaller

⁷ A political party can be established by 50 Indonesian citizens of at least 21 years of age. The party should be registered with the Department of Justice, with the condition, among others, that it has branches in at least 50 percent of the province, in 50 percent of the *kabupaten/cities* in each of the above province, and 25 percent of sub-districts (*kecamatan*) in each *kabupaten/city*.

⁸ A political party can participate in the election if it has branches in at least 2/3 of the provinces and in 2/3 of the *kabupaten/cities* of each of the above province, and has 1000 members or 1/1000 of the population in each of the above *kabupaten/city* branch.

⁹ Ranging from the smallest—1000 signatures—for provinces with population less than 1 million, to the largest—5000 signatures—for province with population more than 15 million.

¹⁰ The number of the members of DPRD-Province ranges in accordance to population; the smallest being 35 for provinces with population less than 1 million, the largest being 100 for provinces with more than 12 million. The number of members of DPRD-*Kabupaten/City* ranges also, the smallest 20 for regions with population less than 100,000 and the largest 45 for regions with population of more than 500,000.

¹¹ In the 2004 general election (active) members of the TNI and the police still do not exercise their right to vote.

¹² In comparison with the US Senate, the Indonesia DPD has much less power.

and many of them represent wider constituents than members of DPR.

As for the presidential election, the constitution stipulates that the president and vice president are elected directly by the people, and their candidacy comes as one pair or ticket. The law further elaborates that the candidates for President and Vice President can only be nominated by a party or a coalition of parties that has at least 15 percent of seat in DPR or receives 20 percent of popular votes in the election of DPR. The presidential election is held three months after the announcement of the results of elections for DPR and DPD. If no pair of candidates receives 50 percent of the popular vote, with at least 20 percent of votes in each of province in at least half of the of provinces as required by the constitution, the election is to be decided in a runoff between the two highest vote getters; it is to be held at the earliest two months and the latest three months after the results of the first election is known.

As the constitution stipulates, the election is implemented and supervised by the Commission for General Election (*Komisi Pemilihan Umum-KPU*), which is a national, permanent and independent body; in the province and *kabupaten/city* by the corresponding regional KPU.¹³ The elections for DPR, DPD, and DPRD—province and *kabupaten/city*—are held simultaneously. The date of the election is to be decided by KPU. For the parliamentary elections KPU has designated 5 April 2004 as the voting day. The results of the elections have to be announced by KPU at the latest 30 days after the day of voting. Before the election there is a campaigning period of three weeks to end three days before the election. Judges, members of the Supreme Audit Board, Governor and Deputy Governors of Bank Indonesia, executives in state owned enterprises, structural and functional state officials and village heads are not allowed to campaign. The incumbent president and vice president, ministers, governors, *bupati*, mayors who belong to a political party and wish to campaign must not use the facility of their offices and have to be on absence of leave from their respective office.¹⁴

¹³ The members of KPU are appointed by the president with the approval of the DPR; the KPU-province by the governor with the approval of the provincial council and KPU-*kabupaten/city* by the district chief (*bupati*)/mayor with the approval of the *kabupaten/city* council.

¹⁴ The law also contains provisions on campaign fund, putting a limit on campaign contribution, Rp100 million from individuals and Rp750 million from companies. The candidates have to submit the sources and the uses of campaign fund to a public accountant to be audited.

After the first round of political reforms is completed with the four fundamental amendments to the constitution, Indonesia has made a long stride in incorporating democratic norms into its political system and strengthening its democratic institutions and processes. The country is well on the way toward consolidation of its newly won democracy. However the road ahead is still going to be rough. Indonesia is entering new political territories that hold promises for a better future, but also strewn with pitfalls. For the first time in its history the highest office in the country will be voted in directly by the people. Up to now, the nation's experience with direct elections is limited only to the election of village heads. During the constitution amendment process, many opposed the idea of electing the president through the popular vote because of the uncertainty of whether the nation is ready to withstand the strain emanating from such political contest. Many critics pointed out that even the elections of village heads, for which direct elections have been practiced for a number of years, are more often than not marked by physical clashes between the followers of the contenders, many violent, and rampant vote-buying. They pointed out that the last three general elections, the last two under Suharto and the one under Habibie were marred by physical clashes of large proportions, exacting tolls in human life and damages to property. An incident in Bali, in late October 2003, where members of PDIP attacked members of Golkar during a ceremony commemorating the Golkar's anniversary—two person were killed—has been taken as an indication of how fragile the society is, prone to violence and strong-armed behavior. The incident was seen as a portent of the next elections. One can only imagine, taking into account the tension and the high stakes in presidential elections, the magnitude of civil disturbances that may occur. One cannot ignore the possibility of forces from within and outside the country that are out to destabilize the political situation, to make a political statement (terrorism), or to derail the democracy from its path, or whatever other agenda. Therefore it is a challenge to the political elites to be able to control the social forces to allow the democratic process to run peacefully with minimal cost to society. The security apparatus, undermanned, under equipped and facing a multitude of other problems will find it hard in preventing and coping with politically motivated violence and social clashes— ahead, during and after the elections.

As the election draws near, the political parties are gearing up for the parliamentary and presidential elections. Between 1999-2002 there were 237 parties

registered at the Department of Justice; in 2003 84 more were formed. At the time of the writing, however, only 50 parties qualified to participate in the election, and were sent to KPU for verification. At the KPU, 4624 parties passed the verification process, about half the same number of parties that participated in the 1999 election. Most of the attention—and speculation—is now focused on who the prospective candidates for president are, for the elections scheduled tentatively for 5 July 2004. However, the parliamentary elections, although nothing new to Indonesia except for the DPD elections, has taken on a new meaning now, not only because it will decide the future political course of Indonesia through the political configuration of parliament, but also because the results of the DPR election will determine who will emerge as presidential candidates. With the required threshold resulting from the parliamentary election, there will be at least two and no more than six pairs of candidates; but with parties forging alliances to get to the minimum 15 percent of the seats in DPR, most likely there will only be three or a maximum of four pairs of candidates. As there is no single party that will be able to muster the 50 percent electoral votes, parties need to align themselves with other parties to get a shot at the presidential election. Five big parties or group of parties are emerging that will seriously participate in the contest for presidency: PDIP, Golkar, PPP, PKB and PAN. There is a plethora of smaller parties that will have to decide between two choices: align with one or more of the above parties or form their own coalition, provided they have enough votes (15 percent of seats in the DPR), and field their own candidates. As of the present, and according to the various polls, only PDIP and Golkar can garner more than 15 percent of the seats in DPR. The other three from the big five need to form a coalition to be able to participate in the election. A coalition means that the candidate for president may come from one party and for the vice president from another party. Coalition may also promise seats in the cabinet, especially for smaller parties joining the coalition with bigger parties, and cannot claim a candidate for vice president in the bargain.

Some parties may already have decided, or more less taken for granted, that they already have figures for their presidential candidate. Two are most prominent: Megawati and Amien Rais. Golkar is still in the process of choosing its candidate out of seven persons who have passed the party's convention in October 2003. Golkar will choose its candidate from among the seven after the parliamentary election in April 2004. Ironically Golkar, the political backbone of the New Order, is the only party at the time of this writing that chooses its candidate through a democratic and open process. The others are more or less captive to their own present leaders; it is expected that candidates—either

for president or vice president—emerging from the other parties will be the parties' chairmen¹⁵. The outcome of the bargaining in the coalition therefore depends on the strength and popularity of the individual figures. A small party but with a strong and well known national figure such Amien Rais may attract support from other parties.¹⁶ A coalition may be formed on the basis of arithmetic—just to reach the number that will meet the threshold; on “ideology” such as among nationalist parties, among Islamic parties, or between nationalist and Islamic parties; or on regional balance such Javanese and non-Javanese.¹⁷

¹⁵ Except maybe for PKB. The present Chairman, Alwi Shihab—whose only legitimacy is Abdurrahman's support—is not a presidential potential, and neither is Abdurrahman Wahid, for although he has made statement that he is running, his support within PKB is dwindling. The party may consider recruiting an outsider to be its candidate. The oft mentioned name is Bambang Yudhoyono, a general who is currently the Coordinating Minister for Political and Security Affairs. Bambang Yudhoyono actually has his own party, newly formed, but his chance is enhanced if he joins a bigger and established party, such as PKB as his political vehicle.

¹⁶ He definitely is running for president and not for vice president. That forecloses the possibility of a coalition between Amien Rais and one of the big boys, PDIP or Golkar, as these parties cannot give up the first slot to a smaller party.

¹⁷ It may be too early to make a prediction but on the basis of pure speculation, there are several scenarios that may emerge after the April parliamentary elections. The main variable is which party will come out of the election with the biggest number of seats in parliament. *Scenario 1*: if PDIP emerges again as number one, it has a wider range of choices for the running mate of Megawati; the first choice will be from Golkar, as this coalition may command a majority in the DPR, and thus may promise a stronger and stable government. There are certain caveats here, however. *First*, the size of the margin between PDIP and Golkar will be important. If it is big enough as in the 1999 election, then Golkar may accept the number two position. However if the margin is small, Golkar may be compelled to run candidates of its own. *Second*, who will emerge as the ultimate Golkar's candidate; some figures among the seven candidates within Golkar may not be acceptable to Megawati and PDIP. In that case, and if Golkar wins in the parliamentary election, getting the biggest number of votes, scenario 2 will most probably take place: PDIP and Golkar competing for the presidency. In scenario 1 the contenders will PDIP-Golkar against the former allies in Central Axis; Amien Rais or Hamzah can be the standard bearer of this coalition. To broaden their appeal to the voters, this coalition may want to choose a centrist or nationalist as running mate. In scenario 2, both PDIP and Golkar may each need to form a coalition with other parties, and in the process

The 2004 elections are the test to the resilience of the democratic institutions and the strength of the democratic culture in Indonesia's polity. The next hurdle will be met when the country deals with the results of the elections. Presumably with the president directly elected by the people, the government will be more stable and be less easily swayed by political vagaries. Parliament has also been strongly endowed with power by the constitution, and with it the political checks and balances better assured. While the president is still accountable and can be removed for committing crimes as stipulated in the constitution, the impeachment process of the president has become more difficult. Even if the opposition controls the parliament, with the presence of the Constitutional Court the president cannot be removed merely for "political reasons." On the other hand if the parliament is controlled by parties that are hostile to the government or differ strongly with the government on some issues, the government will function with difficulty; to get the budget and other legislation through will be hard, appointments can be blocked, and the government can be harassed in committees and various parliamentary hearings. In established (presidential-system) democracies, the situation in which the executive and legislative branches of government are controlled by different parties is also a familiar feature, but often in these cases the system is mature enough to be able to deal with the situation. In Indonesia, the 2004 elections, if the polls—as discussed in the previous part of this chapter—are accurate, may produce such a situation. So much depends on the quality and maturity of the political elite that will crew the state ship in both branches of government. Unfortunately, in electing their representatives to the DPR, in contrast with for the DPD, due to the proportional system in which the parties decide the slate of candidates, the voters have little choice. The efforts to introduce a more direct election of representatives, through an electoral district system, had failed to get the support of political parties during the debates on the election laws. The district system may eliminate parties with weak nation-wide organization and grass root support. Moreover, many of the political parties do not have sufficient political cadres to directly confront and appeal to the people on their own merit. Such politicians are more comfortable and feel safer to seek refuge behind the party banner. And hence the voters get to choose the party, and not the candidate that will represent them. The debates on the electoral system had

given rise to the impression that short-term political ends were more dominant than the long-term interest of the country and the quality of its democracy. It speaks unwell of the quality of the political elites that, at the very critical moment of crafting a new and truly democratic political system, many failed to grasp the opportunity.

Diamond describes the role of political elites in post democratic transition succinctly, saying that beyond transition, elites have profound and preeminent impact on determining whether the new democracy become, stable, effective and consolidate. The impact goes well beyond the cultural dimension of forging common commitment to democracy and its specific constitutional rules; it encompasses the types of institutions and rules that elites craft, and how government, party and interest group leaders exercise their power. He surmises, "In many of the third-wave democracies, competitive elections do not ensure liberty, responsiveness, and a rule of law." (Ibid: 220). In such countries, democracy will not become broadly valued, and thus consolidated, unless it also becomes more liberal, transparent and institutionalized. In such circumstances "of entrenched corruption and repression, the elites who come to govern have a stake in existing system, and those who favor real reform are too weak to accomplish it by themselves. Only the mass public can generate the political pressure and power necessary to bring about reform." (Ibid). The question is who are the public? "The public" like "the people" is the term often used by politicians for their own ends, and demagogues manipulate it in attempting to grab power, and thus without organization, structure, and principles, the public may not matter for democracy, or its impact may be negative. Democracy requires a public that is organized for democracy, socialized to its values and norms, and committed not just to its owned myriad narrow interests—although they are important and are the *raison d'être* for their existence—but to a larger, common set of civic ends, and such civic public is only possible with a vibrant 'civil society.' (Ibid; 221). As discussed in the previous chapter, Indonesia's civil society has grown in recent years, and has played a role in the political change; however as a real countervailing force to the state it is still weak. Not only is it a relatively new concept in Indonesia's polity, and thus yet to mature, the quality of the people who are attracted to join it does civil society little good. Only recently has civil society attracted better-qualified people from among the graduates of top universities and among the top ranks. In the past this class of young people were more attracted to the bureaucracy, the academia,

may break up the Central Axis alliance, as the number two candidates will be offered to them. Hamzah Haz and Bambang Yudhoyono are possible candidates for Vice President for the two biggest parties.¹⁷ Amien Rais will need to form a coalition of his own to be able to run as the third candidate.

business and even the military. However, while there is a need to have more quality in the intake of human resources to civil society, there is a tendency of outflow of the cream in the already short supply of high quality leaders of civil society to practical politics. Many of them are attracted to power, contrary to one of the basic principles of civil society that, “it does not seek to win control or position within the state; it does not seek to ‘govern the polity as a whole’.” (Ibid: 223). Apparently, they are not content with playing the intermediary role between the private sphere and the state; they want to be part of the state. Many of the leaders in civil society have formed political parties, and have participated in elections. Some have been successful, but most have failed to get the political recognition, as they could not get even the minimal support of voters to get to a seat in the parliament.¹⁸ In the process, as their parties floundered, they lost their credibility as civil leaders, at the time when the development of a strong, vibrant civil society is critical to energize a systematic and grassroots efforts in building social capital and cultivate democratic values, norms, networks and expectations. Its existence is particularly important to Indonesia at the present stage of democratic consolidation, as clean, open, transparent and accountable governance is yet to be established. The general opinion of the public, as reflected in various polls, the media, statements in the MPR, is that democracy has not produced better governance. Corruption has not been contained; on the contrary, as quoted earlier and according to the World Bank, it is even worse now.¹⁹ As discussed earlier some measures

¹⁸ Abdurrahman Wahid is an example of a much-respected leader of civil society and a champion of democracy who has failed as a politician. Another respected reformist, who had suffered because of his critique against the New Order, Sri Bintang Pamungkas had formed a party, but in the 1999 election, had failed to have enough vote to get him elected to the parliament. Nurcholis Madjid may have lost some of his charisma as a civil leader when he joined the fray to get the nomination of Golkar’ presidential candidate, which he later abandoned. On the other hand a phenomenally popular young, and moderate, religious leader, Aa Gymnastiar, has kept and enhanced his popularity when he refused to be drafted into politics. He has been very effective in advocating tolerance and condemning acts of terrorism.

¹⁹ The intractability of the problem of corruption was traced by some observers to traditional patron-client power structures dating back to colonial times when Indonesia was still a disparate constellation of kingdoms. It has been argued that the pervasive network of patronage was simply a historical continuation of the old relationships-based systems of personal loyalties. Power was concentrated in the centre and distributed in the form of resources according to closeness to the sovereign. If this is true, then the roots of “corruption” run deep, as the transition to a rules-based society requires not just a rewriting of rules to discipline and punish but would need the reconfiguration of mindsets, creating a

against past corruption have been politically motivated, some just to settle old scores or to squash political enemies. As pointed out by Diamond, the efforts to uphold the principles of democracy and rule of law cannot be left to the politicians alone, for their visions may be overshadowed by short-term political interests. The country needs an active, informed, selflessly motivated civil society to strengthen the institutions of governance; for checking, monitoring and restraining the exercise of power of the state, its institutions and office holders, and holding them accountable to the law and public expectations of responsible government.

From the preceding discussions, it is evident that currently there is a leadership deficit linked to the persistence of so many of the problems faced by the country. The debate at the centre is played amid complex and shifting power relations—factionalism even within the main parties, some along ideological lines and others just based on political opportunism. To explain the disunity and fragmentary nature of its current politics, one might hypothesize that Indonesia lacks individual leaders with the right combination of vision, character, and political savvy. There may be positive effects to this lack of charismatic leadership because, as Haggard and Kaufman asserts, over the long term “executive authority must eventually be depersonalized” (1995: 335). However, the experience of the past few years show that inept leadership have led to more failures of policy than successes, more instability and “wasted” energy in political conflict than peaceful progress and coherence. Good leadership is needed everywhere and always, but particularly so for a country going through transition with a history littered with promises broken by uncommitted leaders.

As such, not only should reforms install an effective and transparent set of rules-based institutions, they should also evolve rules-based mechanisms by which the best of each generation are brought into the political leadership. Put in simplistic terms: a good system is nothing without good people to run it. It is not to say that the system is less important than the persons who run it, on the contrary democratization entails first and foremost establishing the system—the institutions, the processes and procedures. However, at the end of the day, a system is as good as the people who run it. It may help to recall Huntington’s aphorism, that economic development makes democracy possible, but it is

new culture of transparency and rules-based governance which ignore ties of family and patrimony.

“political leadership” that makes it real (ibid: 316). One wonders whether Indonesia, suffering from such a lack of political leadership, is struck by a subtle chicken-and-egg problem. On one hand, it needs capable political leaders to lead the country through the rough waters, to make the right decisions, and to undertake the necessary reforms to strengthen its polity and democratic institutions. Yet on the other hand, Indonesia needs a strong polity and resilient democratic institutions that result in the most capable political leaders taking the helm. The need for strong civil and political leadership is perhaps universal to every country, every human society. Indonesia’s experiment with democratization is only one more example illustrating its critical importance.

Keeping the country together

The Indonesian people have always cherished its unity above anything else. Although it is composed of many ethnics, the sense of being one nation has always been strong. *Bhinneka Tunggal Ika*, Unity in Diversity, the national creed as encapsulated in the country’s coat of arms constitutes the core foundation of its nationalism or “stateness”. It is the most valuable heritage inherited from the independence movement, when four decades before the country’s attained its independence the youth declared: one country, one nation, one language: Indonesia. It is embodied in *Pancasila*, the nation’s guiding principles that form the basic philosophy of its constitution when it was first formulated and remains until today, even after the constitution has been amended. This concept however has not been free from challenges in the history of the nation. From the beginning, when the Dutch returned to their former colony only to find that they had lost it, they tried to win it back, if not wholly at least partially, if not directly, at least indirectly through puppet states. The fact that Indonesia is a multiethnic and multicultural country makes the task of keeping the country from falling apart, a continuous effort in need of continuous vigilance. Even after the Dutch failed to divide the country, Indonesia faces a constant threat of separatism; even today in some part of the country there are active separatist movements, namely in Aceh with the Aceh Independent Movement (GAM) and in Papua with the Organization of Independent Papua (OPM).²⁰ Apart from its

own history, the experience of other multiethnic and multicultural countries which in the past two decades had disintegrated along ethnic and cultural fault lines—such as the Soviet Union, Yugoslavia, Sri Lanka, Czechoslovakia—have taught Indonesia a lesson that unity is not something that could be taken for granted. And the cost of applying force to keep the country united is very expensive, in social, political and economic terms. Although some elements of the insurgencies are motivated by political opportunism, the majority is driven by genuine feeling of injustice—economic injustice in particular. The regions that have bred the separatist movements are generally richly endowed with natural resources but the people and the development of the region have not benefited much from the exploitation of those local resources; ironically precisely the resource-rich regions are among the most backward of the provinces. And because of this, local human resources cannot meet the demand for high skilled labor required by enterprises to develop the region’s resources, such as mining, logging or modern farming, crop culture or deep-sea fishing; as a result the demand for trained manpower was met by the influx of people from other regions. The indigenous people of the regions remained poor or were even displaced—or uprooted—from their ancestral lands to make way for industrial and urban settlement or large-scale development projects. The resulting consequences was the widening ethnic income disparities, leading to a growing feeling of injustice and social tension waiting for a spark to flare into large-scale communal hostilities. Or, waiting for a popular movement to come along, and joining or tacitly supporting it to express their frustration and to assert their dignity and claim their social and economic rights. More often than not, the government would react repressively to any perceived threat to national unity and stability, and in the process causing what was termed as collateral damage but in reality were victims of indiscriminate use of force. Another factor was then added to the grievances: violation of human rights. During the New Order, as economic growth took precedent over other matters, the social and political injustice caused by relentless pursue of growth and stability was overlooked and the voices airing them were muted.

After the fall of the New Order, the opportunity came to redress the problem. Although income and

challenged by Muslim insurgencies in various parts of the country—was determined keep the country together and had dealt with the secessionist movements with force.

²⁰In the 1950’s, after Indonesia returned to Unitarian state, in many parts of Indonesia there were rebellions against the central government, some went as fast as declaring their region’s independence or their own governments—such as the RMS in Maluku, PRRI in Central Sumatera and Permesta in North Sulawesi. The government—at that time still weak after long wars of independent, was confronting the Dutch on West Irian, and

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regional disparity is a complex problem, and would take time and a lot of effort to resolve, it was immediately recognized that at the heart of the problem was the overly centralized government structure and decision making process. Devolvement of central authority should be the first step toward addressing the problem. During the Habibie government, as part of the democratization process, the process of decentralization was started with two far-reaching laws, the Law no 22 and 25 enacted in May 1999 (see discussion above).²¹

Decentralization is not merely political expedience to deal with rebellious regions. It has more basic value to democracy and democratic consolidation. Many scholars have presented argument that decentralization enhances the legitimacy and hence stability of democracy. Diamond raises five broad ways of how autonomous local government under a decentralization scheme can improve and strengthen democracy. *First*, greater autonomy to the regions helps develop democratic values and skills among citizens. *Second*, decentralization increases accountability and responsiveness to local interests and concerns. *Third*, it opens up access to power of traditionally marginalized groups and thus improves the representativeness of democracy. *Fourth*, it strengthens checks and balances viz-a-viz power at the center. And *fifth*, it provides for opportunities for parties and political groups in opposition in the center to exercise some measure of political power. From the arguments above it can be concluded that decentralization enhances the efficacy, quality and legitimacy of democracy; hence decentralization is a necessity for democracy. It is even more so for large—and particularly multiethnic and multicultural—countries such as Indonesia, as decentralization will close the distance between the citizens, the stakeholder, and the power and the process of policy making.

Decentralization is not just a political necessity to keep the country from falling apart or to foster democracy; if managed well decentralization can bring important benefits to the communities and the economy as a whole. However if managed badly it could harm the people and squander resources and bring instability instead. Decentralization in Indonesia is still in the early stages of implementation; the results so far are mixed. It has to a certain extent defused the

political pressure on the government coming from unhappy regions. On the other hand the central government has been under more pressure to meet its budgetary needs. Some rich regions are doing fine, in fact they have more money that they can spend; there is a danger, and there are already some indications of the revenues not being used effectively and efficiently. On the other hand, poor regions are chafing under the new responsibility that comes with autonomy. And as pointed by the World Bank (2001: 3.12-3.13) the risks of an increase in corruption following decentralization are high. It has been widely observed that so far that not only power and revenue that have been decentralized but also corruption. It seems that Indonesia is not the only country faced with this problem when it attempted to decentralize. On the basis of their observation of experience of some Latin American countries, some analysts comment that decentralization has strengthened the position of the local elites and their clientelistic networks (Huber, Rueschemeyer and Stephens, 1999: 182). Furthermore, many regions had increased local taxes and imposed new levies that have become a significant concern for investors. Because of the concern of the way decentralization is proceeding—unevenly, depending on the natural endowment of the district and the quality of the human resources available to the local government—there are some views that the process of decentralization should be slowed down, even rolled back. For instance the locus of decentralization should not be at the district level but higher, at the provincial level. It is therefore a challenge for Indonesia's democracy and political stability as well future economic performance to make decentralization work. How decentralization policies are to be enacted and implemented will also be critical to the quality of public services and the soundness of government finances. Transfers of revenue to the autonomous districts must be accompanied by transfers of expenditure responsibility and its associated functions. They are important to prevent the central government fiscal deficit to increase unabatedly causing severe financing and debt problems for the country in the future. The local governments also need to have the appropriate capacity and skills to take on the responsibility that comes with autonomy. Budgetary control and supervision should be strengthened to prevent corruption and wastage of resources. In short, effective decentralization requires good governance, i.e. clean, transparent and competent governance at the local level.

The threat to the unity and integrity of country has recently been perceived as not only to come from

²¹ For Aceh and Papua, the laws on special autonomy for the two provinces provide more revenues from their natural resources than is accrued to other provinces. The general laws on decentralization allow all the regions the get the share of revenue, 15 percent from oil and 30 percent from gas; while for Aceh the share is 55 percent for oil and 40 percent for gas, and for Papua 70 percent from oil and gas.

ethnic or regional separatism but also from fundamental and political Islam. This perception has been ignited by historically unprecedented Islamic revival since the 1980s. Many authors have speculated about the political implication of the rise of the social standing of Islam in Indonesia. How does the Islamic resurgence affect Indonesia's heritage of religious tolerance and ethnic pluralism? What role it will play in democratic consolidation of the country?

To answer the first question one has to acknowledge that there is long history of prejudice against political Islam and Islamic activism in general.²² The military heavily repressed any indication of Islamic fundamentalism, resulting in incidents such as Tanjung Priuk where a clash between the army and Muslims demonstrating against the alleged desecration of a mosque by some military personnel left hundreds of Muslim protesters dead or missing. With the continuing debates on the Jakarta Charter (see previous discussion), it has been perceived that Islam still constitutes a threat toward the pluralistic ideology of Pancasila, which the polity has accepted as the common denominator that could unite the multitude of ethnicities and cultures in such a diverse country as Indonesia. In actuality, however, Indonesian Islam is embedded in a culture of tolerance that can be traced back to the history of Islamization of the archipelago. Islam originally came to Indonesia and religiously "conquered" the people not through war, but through trade, marriage and education. Hence the absorption of Islam by the societies in this vast archipelago was generally peaceful and with little coercion. In fact, in the propagation of Islam there was a tendency to adjust the new religion to older beliefs that resulted in moderate and tolerant---some may say syncretic--- attitude among the majority of Indonesia Muslims. It is true that fundamentalist Islamic groups---some of them militant---do exist in Indonesia, but they are marginal and command little popular support. For many years, despite the recurrence of incidents involving some Islamic extremists, Indonesia as the country with the largest Muslim population in the world is well

known for being a pluralistic society characterized by religious moderation and tolerance.

With the constitutional amendments completed, the debate on the inclusion of the Jakarta Charter into the constitution has more or less been concluded. The votes against it were overwhelming, cutting across political fault-lines. It is safe to argue that dramatic shifts in political stance favoring the inclusion of the Jakarta Charter into the constitution is a remote possibility. Although the possibility of future attempts at reintroducing it is ever-present, the political support will remain confined to a small minority. Not only are the secular nationalist parties against it, many parties with Islamic credentials are also not supporting it. Aside from political Islam, large Islamic mass organizations are also not in favor of it. Muhammadiyah and NU have both made statements supporting the existing article in the constitution affirming the belief in One God and religious freedom for every citizen; they both view as unnecessary the inclusion of the Jakarta Charter into the constitution. The leadership of Muhammadiyah in their statement in February 2002 reminded that the supporters of the Jakarta Charter represent only 10 percent of Indonesia's Islamic population. The Indonesian Council of Ulama (*Majelis Ulama*) also rejected the idea of amending the present article on religion in the constitution. However all leaders of organized Islam hold the opinion that ideally Muslims should adhere and practice Islamic *shariah*; the question is whether it is a matter of the state or the individual. The majority prefer to enlighten the Muslim citizen through socialization and religious education, both formally through the school system and informally. They also point out that various legislation have already accommodated many Islamic tenets, such as the laws on marriage, endowment (*wakaf*), religious courts, banking allowing *shariah* based banks, pilgrimage (*hajj*), compulsory religious alms (*zakat*), and on national education that provides for compulsory religious educations in schools.

The peaceful strategy has actually been more effective than coercive power of the state. As mentioned above there is a resurgence of Islam among the populace, especially among the young generation. This phenomenon has been augmented by the fact that the new generation of Islamic leaders---unlike their forbearers---are more educated, less dogmatic and intellectually charismatic. They provide spiritual sanctuary for the young in an increasingly complex social environment, amidst political and economic frustration. One province has already adopted *shariah* Islam (Aceh). Some districts, Cianjur and Garut in East

²² The suspicion against Islamic extremism stems from history when for close to two decades, from the time of the revolutionary war in the 1940's to the early years of 1960's, Indonesia had to face armed insurgency led by *Darul Islam* (DI) which fought for the establishment of an Islamic state in Indonesia (Negara Islam Indonesia---NII) The Islamic based insurgency was the most severe in three provinces, Aceh, West Java, and South Sulawesi, although in other parts of Indonesia there were also pockets of DI. Even after the rebellion against the government had been subdued there were sporadic incidence instigated by Islamic radical groups against the state, during Sukamo's and Suharto's times.

Java and Maros in South Sulawesi, have also adopted certain aspects of Islamic *shariah*, such as a dress code especially for women. This is a fruit of democracy and decentralization, and can be fairly expected that more will follow. Even if the Jakarta Charter does not pose an immediate threat to the unity of the country, it is still a challenge to the country's pluralism to be able to adjust to the deepening religious awareness leading to religious piety among the Muslim population. This grass root awakening of Islamic identity, arising out of conscience and enlightenment, in the short run does not necessarily affect the political configuration, because many of the educated and secular nationalists are devout Muslims; and not a few Muslims share Nurcholis Madjid's dogma: "Islam, yes, Islamic party, no." At the moment, the classic *santri-abangan* dichotomy does not apply because those who are inclined not to join any Islamic party or support Islamic political agenda include also many "santri" Muslims. This attitude is reflected in the combined strength of Islamic parties in elections; although around 90 percent of Indonesia's population are Muslims, the highest percentage the Islamic parties ever received in any truly democratic election was in 1955 with a combined vote of 43.5 percent; in the second democratic election in 1999 the Islamic parties—including NU's PKB and Muhammadiyah's PAN, which are nominally non-sectarian parties—received 34 percent of the votes. In the long run, it is difficult to say whether the political constant favoring the nationalist parties will remain the same. Future development will depend very much on the performance of the secular regime and how the two largest nationalist parties, PDIP and Golkar, meet with the expectation of the political public. It is, indeed a challenge if Indonesia is to maintain the state's secularity in the long run.

In the short run, however, the revival of Islamic values in the mind and life-habit of the population, and most importantly among the intelligentsia and the political elite, especially among the young, may affect attitude or response to certain political issues that involve Islam; such as the issue of international terrorism. The 9/11 act of terrorism against the US was almost unanimously condemned by organized Muslims and by the public in general; except for a few—albeit very vocal—fanatics, Indonesia's Muslims were aghast and outraged by what happened in New York. The feeling of outrage against terrorism that had taken life of innocent people was heightened when Indonesia also became a victim of international terrorism, with the bombing in Bali on 12 October 2002 and the more recent Marriot bombing in Jakarta on 5 August 2002. For many Muslims, terrorism had only succeeded in creating the wrong image of Islam and Islamic values. On the other hand, the reaction to the US response to the act of terrorism has been mixed; there is a

split between those who are in favor of the US reprisal and those who are against it. In the middle are people who think that terrorism is an evil act that need to be dealt with, but who are critical at the way the US conducts its war on terrorism. If it is any indication, the visit of President Bush to Indonesia in October 2003 and his meeting Megawati in Bali, resulting in a joint statement which is politically favorable, was met domestically with lukewarm reception at best. If this public sentiment continues, it may grow deeper and play into the hands of the extremists and fundamentalists. It has already had some effect on some segments of public opinion regarding the efforts of the government to deal with terrorism at home. Although the majority is in favor of the government's effort to fight terrorism, one can detect certain feeling of sympathy towards some of those who have been accused of masterminding, conspiring or fomenting act of terrorism²³. This diverging attitude has been made possible because of the "paradox" of democratization: with an open system extremist groups now enjoy more freedom than ever to push their hard-line views. It may be unlikely that Indonesia could vote itself into a theocracy; however, greater freedom does not necessarily imply a straight-line movement towards Western secular democracy. It is a challenge to the country on how to deal with terrorism and extremism in a way that does not create a backlash or deepen the political cleavage between radical and moderate Muslims.²⁴

Having said that, looking into events and actors that are the moving parts of the process of transition to democracy, the role of Islamic intellectuals within the civil society is significant. In answering the second question, there is in general an agreement among informed observers that Islam in Indonesia is not a threat to democracy; on the contrary it has been a force behind it. Even before political changes took place in Indonesia, Uhlin has argued that it was easy to find support for democracy within Islamic thinking, as it had been a common theme for a long time among modern Islamic thinkers; neo-modernists took a step further when they try to root their ideas more firmly in the Islamic

²³ Coming not the least from the Vice President himself.

²⁴ As discussed above, the political cleavage in Indonesia is not between Muslim and non-Muslim but between strains of political Islam. Hefner articulates that the most significant clash of cultures today is not between distinct civilizations but between rival political traditions within the same country. "It is just such a contest between different visions of Islam that hangs in the balance in today's Indonesia." (ibid: 41)

tradition. Indeed, the position of Islam in Indonesia viz a viz democracy is not an isolated case. An Islamic scholar, Filali-Ansary (1996: 45) in a compelling analyses of Muslims and democracy, observes that democracy enjoys popularity and prestige within contemporary Muslim society. He suggests that the support for democracy reflects the recognition that democracy is the only alternative that really works and makes possible the peaceful and rational management of public affairs. In the case of Indonesia, Uhlin further argues that although there might be instances of instrumental use of democracy to achieve other goals, i.e. strengthening political position of Islam in Indonesia but, “the consistency over a long period of time with which major Muslim leaders and intellectuals have demanded democratization, indicates true commitment” (1997: 82-83). Hefner give a similar commentary, that “despite the bitter legacy of the Suharto regime, and despite deep divides among Indonesian Muslims, however, the balances of forces in this country still favors the development of a civil and democratic Islam” (ibid: 41). The support of Indonesia’s Muslims is essential to sustain the legitimacy and stability of democracy in Indonesia. It is therefore a challenge for the political elite to maintain the commitment of mainstream of Indonesian Muslims to democracy; and for that, the Muslim’s community sense of participation in the political process need to be heightened; in the process it will discredit the radicals who are promoting violence and use the brand of Islam for their extreme end.

Many democracies, as Huntington’s treatise on the third of democratization has shown us, failed and reversed to authoritarianism. Huntington’s identified some contributing factors to the reversals; such as the weakness of democratic values among the elite and general public, economic crisis, social and political polarization, and breakdown in law and order resulting from terrorism and insurgency. The overwhelming majority of the reversals however took the form of either military coups—ousting democratically elected leaders and installing some form of military dictatorship—or executive coup—effectively ending democracy by concentrating powering themselves, usually by declaring a state of emergency or martial law (ibid: 290-291). The latter type of coup, however, could only be carried out and effectively enforced with the support of the military.²⁵ Therefore much attention has been given by observers on Indonesian affair to the role of the military in post New Order politics; and how the military perceive their role in democracy. Events surrounding the fall of Suharto showed that the military had been supportive of the political

change. Their role was crucial in the peaceful transition from authoritarian regime to real democracy.

In the transition during Habibie period they gave their political weight in the institutionalization of democracy, through the creation of laws and rules dismantling the old authoritarian structures and replacing them with a democratic system.²⁶ The military have shown their commitment to democracy when they accepted the consensus of the polity that they should no longer take an active role in politics and therefore no longer hold seats in the elective political institutions. Under Abdurrahman Wahid, they had been steadfast in refusing to be used as an instrument to subvert the constitution and resisting the pressure to reverse to authoritarianism. Although many retired senior officers were against changing the constitution the serving military establishment gave full support to the amendments that have become the foundation for a strong and more stable democracy in the future. Therefore it is safe to argue that the military is not a threat to Indonesia’s democracy in the foreseeable future. However, as McIntyre states, if the economy fails badly, and the country is hit by another severe crisis resulting in breakdown of stability and order, there is always the possibility that public opinion may shift and favor the return of the military to restore order and stability. History has taught a valuable lesson that once a military takeover occurs it is difficult to return to civilian rule and democracy. Even today there is a rising nostalgia for the stability and economic benefit produced by the New Order, in which the military played an eminent and decisive role. Military figures have emerged as potential presidential candidates.²⁷ Some analysts may be persuaded to develop a conspiracy theory behind it; for instance, that the military is working behind the scenes to stage a comeback through democratic means, as Nawasharaf did such as happened in Pakistan.²⁸

²⁶ Both the ministers responsible for opening up of the press regime and for the drafting of the new political laws, thus opening up the way to a multiparty system and a democratic election, were army generals.

²⁷ Among others Bambang Yudhoyono is the strongest figure among those who can compete with Megawati in popularity ahead of the presidential election. Two of the seven candidates of Golkar for the presidency are prominent military figures of the New Order: Wiranto and Prabowo. Some observers are speculating that Suharto or his family or close circles are behind the rise of Wiranto to become one of the strongest among the seven candidates.

²⁸ It is widely known and reported in the press that the efforts to get nominated as a candidate for Golkar in the next

²⁵ It was the case with the Philippines under Marcos, and the aborted attempt by Abdurrahman Wahid.

Whatever the truth is, the military is still a force to be reckoned with, maybe not in the form of direct intervention, but in a more subtle way. Therefore as discussed above, democratic regime performance is very important in maintaining its legitimacy and stability, hence its endurance and resilience in the face of crisis and setbacks.

To keep the country from falling apart and to safeguard its democracy, the country needs to live peacefully with its past. Recriminations against past wrongs cannot be avoided and may be necessary to take as lessons on the “*don'ts*” in governance under democracy. Those that are proven to have made gross violations should not be left unpunished. However, the efforts to cleanse governance—as in any other endeavor—should be based on the rule of law and not out of a desire for vengeance. The attempt to corrupt the law under the Abdurrahman Wahid regime must not be repeated; the law should not be allowed to be used arbitrarily for political gain. The idea of reconciliation initiated by Nelson Mandela in South Africa is a model worthy to be reflected upon, and adapted whenever suitable to Indonesia's situation. The 2003 general session of the MPR had in fact discussed two proposals that would deal with the past: revoking the ban on the communist party and communist teachings and rehabilitating the name of former President Sukarno, who was dishonorably deposed by the MPRS (Transitional MPR). On the first issue, the idea—which originally was floated by Abdurrahman Wahid—did not go down well with the rest of the polity. In the 2003 general session it was brought up again, but after some lengthy discussions, the idea was rejected by the MPR. The idea behind it was actually an effort to redress the sufferings of many innocent people who were victims of the purge against the communists in 1966.²⁹ Although many among

presidential election involved substantial amounts of money, from the process of getting nominated by some organizations to acquiring the support of the regional branches of Golkar, and for the support at the convention. The selection from seven to two and eventually number one candidate will again cost more money. In this sense Indonesia is learning to adjust to democracy the hard way, in both the good and the bad aspects of it.

²⁹As discussed in the previous chapter, untold many had become victims of indiscriminate cleansing of the left or people who were suspected harboring leftist political leaning; in the process it had affected people who happened to be at the wrong place at wrong time or related to the wrong persons, or just victim of settlement of old score. The family of those who were suspected of being communist or followers of Sukarno (Sukarnoists) had also suffered a stigma; they could find decent jobs and even schooling for their children. Not a few had to hide their identities or assumed new ones to avoid prosecution or just to get a job or to enter school. The government had confiscated properties of many of the suspected communists or communist sympathizers, but not a few

the elite recognized the injustice that took place four decades ago, the complexity and magnitude of the consequences is so daunting so as to discourage real effort to deal with the problem. Some others—ideologically motivated—are taking uncompromising stance toward the communists and communism. However these skeletons in the country's closet need to be taken into the open and properly addressed. That was done on the second issue placed before the MPR general session, the rehabilitation of former President Sukarno. Under the heading of National Reconciliation, the MPR agreed to rehabilitate Sukarno as the hero who had declared Indonesia's independence and its first president, but as a compromise other heroes and national figures to whom the nation owed gratitude, many of those involved in political conflicts with the government under President Sukarno—not a few of them mistreated and jailed during his rule—are also rehabilitated. It is a first and concrete step toward reconciliation with the past. More needs to be done for the country to be able to live with and be proud of its past and not be burdened by it; the efforts to reconcile with the past should transcend ideology and politics.

In conclusion, much has been achieved, even more remains to be done. The past few years have been extremely eventful for Indonesia. Following the maelstrom of crisis in every dimension: political, economic, and social, economic stability has now returned, even as the economy has not returned to the heady levels of the boom years. At the time of writing the government has begun its post-IMF program, and the economy is steady as she goes. Most significantly of all, politically the country is charting new waters with a comprehensively amended constitution. In 2004 the country is preparing for a set of elections with new rules, again institutionally marking a dramatic break from the past. Indonesians will have a chance to elect new blood into a bold new system, however imperfect. Indeed, it is entering a new era. These changes are likely to infuse a breath of fresh hope for citizens that the spirit of *Reformasi* born in opposition to the corruption authoritarianism can sustain itself and deliver results. To overcome the challenges ahead, whether of political corruption, violent communal strife and terrorism in the name of God, or external economic shocks, the new tools of government and democratic governance will face their definitive test.

had ended up belonging to individuals. Some of the victims' family have started to demand rehabilitation and compensation.

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