

Democracy in Indonesia and Political Dynamics in the Run up to the 2014 Elections

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The old model of development

- During Soeharto's rule the mindset was that **authoritarianism and centralization of power were imperatives** for political stability to ensure economic growth.
- In 1998 Indonesia was hit by an economic crisis which eventually led to the collapse of Soeharto's regime.
- As a matter of fact, economic growth under conditions of authoritarian rule and centralization of power is neither genuine nor sustainable.
- Without a democratic system of checks and balances, the cozy relationship between government, big businesses and banks resulted in an **inefficient financial sector** which eventually will lead to **the collapse of the whole system**.
- The **economic inequality** between regions, economic sectors, and classes may go beyond control and become endemic.

The new model of development

- In the post-Soeharto era, the wisdom is: it should be possible to build **stability through a democratic political framework**. Democracy with multi-party system should become the only **reasonable way** to manage Indonesia's **multiethnic society**.
- On top of that Indonesia believes democratic reform and economic growth can go hand in hand to make a better future for the nation.
- A combination of **democracy and market economy** constitutes Indonesia's strategy in dealing with globalization challenges (liberal theory).

Indonesia's model in comparative perspective

- There are at least four prominent models of relationship between types of political regime and economic development in Asia.
- They are:
 - **China's model** (The Beijing Consensus) where **centralization of power and authoritarianism** are pre-conditions for **political stability** and **economic growth**. China's experiment provides an important lesson that liberal democracy is not the only way to create effective political and economic institutions that produce a direct impact on the promotion of economic growth.
 - **Japan's model** which is called “developmental state” where the state plays a dominant role in industrial development. Japan's success has been based on the synergy of the triangle: professional and efficient bureaucracy, LDP and aggressive business sector.

- **India's model:** a combination of a multi-party democracy and economic reform with cutting edge information technology to ensure economic success. India has been successful in becoming a new economic giant in Asia and part of BRICS.
- **Indonesia's model or The Jakarta Consensus:** presidential system based on multiparty democracy to secure political stability and market-oriented economic reform. In favour of political pluralism and robust civil society participation. Regional autonomy and local democracy are necessary for promoting economic growth at local level.
- Despite the fact that Indonesia is not **a trillion dollar economy** and **member of G 20**, at the global arena Indonesia is considered as “***punching below its weight***” (Anthony Reid, 2012).

Indonesia's democratic credentials

- Three consecutive peaceful legislative elections (1999, 2004 and 2009) and two direct presidential elections (2004 and 2009), real evidence of the capacity (**political capital**) of the Indonesian multi-ethnic society in practicing modern democracy.
- Indonesia has managed to free its economy from the negative impact of a global crisis in 2008 and maintained high economic growth in the midst of worsening debt crisis in Europe and sluggish economy in US. (**Indonesia has succeeded in choosing a democratic pathway towards one-trillion dollar economy**).
- Democratic consolidation under President SBY has opened the way **for peaceful conflict resolution** in Aceh where two consecutive peaceful gubernatorial elections have been conducted without significant hindrance. There is an effective control over **the military and the ultranationalists**.

Critical notes on the future prospect of Indonesian democracy

- There must be a real shift from promoting formal or procedural democracy towards the strengthening of political and economic institutions that directly affect economic growth.
- According to scientific research, the level of economic growth determines the life expectancy or survivability of democracy.
- Independence and the empowerment of the Corruption Eradication Commission (KPK) is a must as corruption remains a critical issue in Indonesia.
- The state should have an effective control over the radical religious groups in order to strengthen law enforcement.

Democracy: does it promote or impede economic development?

Theories	Democracy impedes economic development	Democracy can promote economic development
Economic reasons	Democracy is unable to reduce consumption in favor of investment. Thus, economic growth suffers.	Democratic investment in basic human needs is good for economic growth
Political reasons	Democracy increases the pressure on weak institutions Concerted state action is more difficult. The state is weak	Democracy provides a stable political environment and the basis for economic pluralism. Democracy means legitimacy: a strong state is often also a democratic state

A blueprint for Indonesia's long-term economic development: opportunities for Eastern Indonesia

- MP3EI (Master Plan for the Acceleration and Expansion of Indonesia's Economic Growth): is a development initiative by the Indonesian government which divides the country into six economic corridors, namely, Java, Sumatera, Kalimantan, Sulawesi, Papua-Kepulauan Maluku, and Bali-Nusa Tenggara.
- The main objective is to attract greater foreign investment for each of the economic corridors in accordance with their unique economic potentialities.

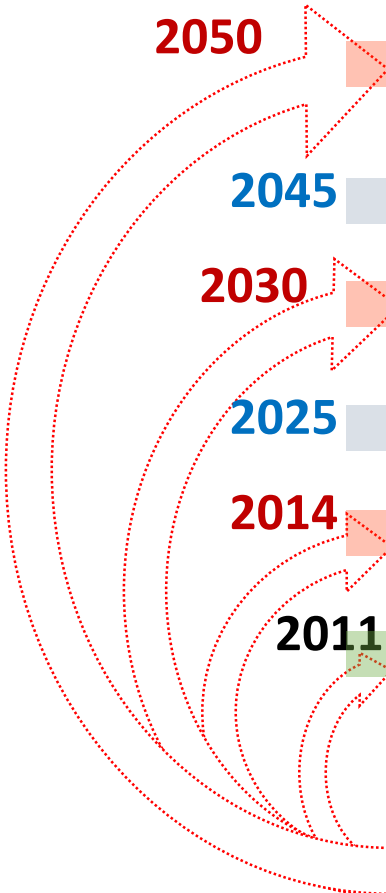
Strategic economic policies and some achievements

- In May 2011 the government of President Susilo Bambang Yudhoyono (SBY) launched an ambitious 437 billion USD of national development roadmap covering 2011 to 2025.
- As the largest economy in Southeast Asia with the largest middle class, Indonesia has achieved the third highest growth after China and India.
- In December 2011 Fitch Ratings returned the country to investment grade reflecting a great optimism for the country's future.
- In July 2012 Indonesia confirmed a pledge of 1 billion USD to IMF which marked a turning point for the nation from a recipient to a lending party.

Position in 2008

PDB Negara 1-20, PDB per Kapita dan Populasi

No	Negara	PDB \$bn	Population million	PDB per kapita \$		
1	USA	14.093	308,8	45.638		
2	Japan	4.911	127,9	38.397		
3	China	4.327	1.336,20	3.238		
4	Germany	3.649	82,5	44.230		
5	France	\$bn 26.679	2.857	61,9	46.155	\$ 78.478
6	United Kingdom	2.674	61	43.836		
7	Italy	\$bn 15 - 17.5	2.303	58,9	39.100	\$ 44.500 - 49.000
8	Rusia	1.679	141,8	11.841		
9	Spain	\$bn 6.460	1.604	44,6	35.964	\$ 20.600
10	Brazil	1.575	194,2	8.110		
11	Canada	\$bn 4 - 4.5	1.501	33,2	45.211	\$ 14.250 - 15.500
12	India	1.159	1.186,20	977		
13	Mexico	\$bn 1.206	1.088	107,8	10.093	\$ 4.803
14	Australia	1.015	21	48.333		
15	South Korea	\$bn 806	929	48,4	19.194	\$ 3.280
16	Netherlands	871	16,5	52.788		
17	Turkey	735	75,8	9.697		
18	Poland	528	38	13.895		
19	Indonesia	511	234,3	2.181		
20	Belgium	504	10,5	48.000		



How democracy affects Indonesia's foreign policy

- The third largest democracy in the world
- The largest democracy in Southeast Asia with real political leverage
- Internationally recognized as an exemplary model for “a *compatibility between Islam and democracy*”
- Indonesia has projected itself as *a moderate voice and peaceful force in regional and global politics.*
- Indonesia has taken initiative for a regular conduct of The Bali Democracy Forum (BDF) which has been widely supported in Asia.
- Indonesia has played a role as *a constructive power that actively promotes peaceful conflict resolution* Southeast Asia (Thai - Cambodia and South China Sea conflicts).
- THUS, under SBY, INDONESIA has shown a strong *passion* for contributing to the growth of democracy and human rights in Southeast Asia.

Important achievements in foreign policy

- Indonesia's membership in G20.
- Indonesia's successful chairmanship of ASEAN in 2011 helps to accelerate the establishment of ASEAN community within a global community of nations.
- *Constructive engagement* by ASEAN led by Indonesia has resulted in real democratic reform in Myanmar. Things could have been different had Myanmar chosen to adopt China's authoritarian model. Now Indonesian military reform can serve as a good model for Myanmar in endorsing the principles of constitutional democracy and civilian supremacy.
- Indonesia has been active in diplomatic efforts to establish legally binding code of conduct in South China Sea to avoid the use of military force in resolving the territorial conflict.

2014 as “critical moment” for further democratic consolidation

- By constitution, President SBY is not allowed to run again, thus a new president will come up with probably **new vision and policy orientation**.
- It is expected that only major parties or coalition of major and small parties are eligible to nominate their presidential candidates. By the existing law, only political party of coalition of parties with 20 percent of parliamentary seats or 25 percent of popular votes in legislative election are eligible to nominate (Law No. 42/2008). Thus, realistically there will probably be 3 or 4 pairs of candidates running for president. The possibility of run off election is open.

Continued

- It is only normal to expect rising political tensions in the run up to the 2014 elections, thus **the neutrality of security authorities (the military and national police) and bureaucracy** should be guaranteed.
- Special notes for retired generals who run and try to influence or co-opt their friends or former subordinates in the military).
- Mobilization of primordial (religious and ethnic) sentiments may be used by political parties and politicians who want to take the “**short cut**” to win the elections.
- The ruling party may be tempted to utilize the policy of raising fuel prices for introducing populist policies to attract voters. The problem of “**free rider**” in the run up to the elections.
- There are a number of ministers from the ruling party (the Democratic Party) who run for parliamentary seats. How to make sure that they will not use their office for “**disguised campaign**”. The consistency of the president?

Continued

- Considering the high cost of politics in Indonesia, the success of each candidate is determined by:
 - **Financial resources** to pay ads in the media
 - **Media support**
 - **Party machines** to mobilize popular support at the grassroots level
 - **Track records**
 - **Electability**

Concluding remarks

- Major and fundamental change of the political regime is unlikely but further democratic consolidation by the new leaders is very much desired.
- The current positive trend of economic growth will be maintained regardless of the background of the new president.
- Combatting corruption will be an important campaign topic and will benefit parties or candidates with clean track record.
- Result of legislative elections will be an important factor for presidential elections.

Terima Kasih