

INDONESIA MATTERS

Asia's Emerging Democratic Power



Amitav Acharya

INDONESIA MATTERS

Asia's Emerging Democratic Power



Amitav Acharya

American University, USA

 **World Scientific**

NEW JERSEY • LONDON • SINGAPORE • BEIJING • SHANGHAI • HONG KONG • TAIPEI • CHENNAI

Published by

World Scientific Publishing Co. Pte. Ltd.

5 Toh Tuck Link, Singapore 596224

USA office: 27 Warren Street, Suite 401-402, Hackensack, NJ 07601

UK office: 57 Shelton Street, Covent Garden, London WC2H 9HE

National Library Board, Singapore Cataloguing-in-Publication Data

Acharya, Amitav, author.

Indonesia matters : Asia's emerging democratic power / Amitav Acharya.--Singapore :
World Scientific Publishing Co. Pte. Ltd., [2014]

pages cm

ISBN 978-981-46-3206-5 (hardcover)

ISBN 978-981-46-1985-1 (paperback)

1. Indonesia--Foreign relations. 2. Indonesia--Politics and government--1998-- I. Title.

DS638

327.598--dc23

OCN883177669

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

Copyright © 2015 by Amitav Acharya

All rights reserved.

Typeset by Stallion Press

Email: enquiries@stallionpress.com

Printed in Singapore

INDONESIA MATTERS

PREFACE

This book grew primarily out of a series of conversations I have had with Indonesians about their country's foreign policy and role in regional and international affairs. I have always been fascinated by a country which, despite not being the number one military or economic power in its own region, has been able to provide leadership and direction not only to Southeast Asia, but also to the wider Asia-Pacific region. And it is emerging as a recognized and respected voice in world affairs.

This is not a book about Indonesia's domestic politics, nor is it a comprehensive account of Indonesia's foreign policy in general. Rather it offers a snapshot of Indonesia's role as an emerging power in Asia and in the world. I will discuss what I mean by "emerging power" in Chapter 1, but suffice is to say that it focuses on those aspects of Indonesia's role which have wider regional and global relevance and implications. While the country's bilateral relations are factored in, I give more focus to regional and multilateral relationships as would be consistent with the notion of an emerging power.

A good deal of this book focuses on the Presidency of Susilo Bambang Yudhoyono (2004–14). This is an important turning point for Indonesia for three reasons. First, this is the period when Indonesia emerged from its domestic economic and political crisis with a sense of having consolidated its democracy. Yudhoyono became the first directly elected President of Indonesia, the first to be re-elected and the first to complete his two elected terms. Second, and especially important for the theme of this book, it is under the Yudhoyono presidency that Indonesia acquired international recognition as an emerging power. This was the result of its democratic consolidation, economic growth, and relative stability, as well as its robust re-engagement with ASEAN and its place and role in the G-20 (Group of 20), which became a summit-level global

forum in 2008. Third, Yudhoyono has been an unusually active foreign policy president, who, even his critics concede, has worked energetically to advance Indonesia's image and influence in the region and in the world.

In his conversations with me, the President took particular care to stress that Indonesia's achievements are not his alone, and that Indonesia still faces major challenges in advancing itself as an emerging power. As befits the leader of a democracy with a free and vibrant media, Yudhoyono is openly criticized and praised within Indonesia. But for many in the international community, he has been *the* symbol of Indonesia's leadership aspirations and role in regional and international affairs with a style that is widely recognized as gentle, open, and engaging. As he steps down from office, only time will tell how much of his legacy will endure. It is possible that Indonesia under a future leader will go from strength to strength or it might become less active and more inward looking in its foreign policy, or its domestic politics might take an authoritarian turn. No matter what happens, Yudhoyono's presidency will be remembered as a period in which a vast and immensely diverse country made significant strides in making a virtuous cycle out of democracy, development and stability into a virtuous cycle and considerably enhanced its international standing and role.

A good deal of foreign commentary on Indonesia's political future, including its prospects as an emerging power, ignores voices from within the country. I have tried to tell the story of Indonesia by drawing on conversations with people *inside* the country, from its President in Jakarta to the head of a *pondok pesantren* (Islamic boarding school) in Sulawesi.

Indonesia is a nation of extraordinarily hospitable people. Over the past two decades, from the Suharto era to the present, I have had the good fortune to visit Indonesia dozens of times, and to talk to numerous experts and officials, including its Foreign Ministers (the late Ali Alatas was extremely generous to me), military commanders, politicians and human rights activists, while conducting research topics such as ASEAN cooperation, human rights and democracy in Southeast Asia, the 1955 Asia-Africa Conference in Bandung, and Indonesia's foreign policy and international role more generally. Every time, I have been deeply touched by the willingness of its intellectuals, officials, media and civil society activists to receive me, provide me with information, offer comments and suggestions and engage me in discussions and debates. For this book,

I can only mention a few of them, since a good deal of my conversations were with people who did not want to be identified or whose identity I did not note down (to encourage candour).

President Susilo Bambang Yudhoyono, President of Indonesia

Marty Natalegawa, Foreign Minister of Indonesia

Hassan Wirajuda, former Foreign Minister

Purnomo Yusgiantoro, Defence Minister, and his staff

Dino Patti Djatal, Ambassador to the US (2010–13)

Budi Bowoleksono, Director-General of the Indonesian Foreign Ministry (who succeeded Djatal as Indonesia's Ambassador to the US)

Mahendra Siregar, Chairman of the Indonesia Investment Coordinating Board and its G-20 "Sherpa"

Sidarto Danusubroto, Speaker of the People's Consultative Assembly (MPR-Majelis Permusyawaratan Rakyat)

Kemal Stamboel, former member of the DPR and former Chairman of the First Commission of the House of Representative of Indonesia (Komisi I Dewan Perwakilan Rakyat-DPR), currently Secretary-General of the Foreign Banks Association of Indonesia (FBAI)

Teuku Faizasyah, Spokesman for President Yudhoyono and former spokesman of the Ministry of Foreign Affairs

Meidyatama Suryodiningra, Editor-in-Chief, *The Jakarta Post*

I Ketut Putra Erawan, Executive Director, Institute for Peace and Democracy, Bali (the IPD is the implementing agency of the Bali Democracy Forum)

Major General Bachtiar, Commander of Kodam VII/Wirabuana, Makassar, and his staff.

God bless Vicky Lumentut, Mayor of Manado

Rizal Sukma, Executive Director, Center for Strategic and International Studies (CSIS), Jakarta

Rahimah Abdulrahim, Executive Director, The Habibie Center

Philips Vermonte, Researcher, Center for Strategic and International Studies (CSIS), Jakarta

Riefqi Muna, Researcher, Center for Political Studies, Indonesian Institute of Sciences

Dr. Afifuddin Harisah, Principal, Pondok An-Nahdlah, Makassar

A special note of thanks to Ambassador Dino Patti Djalal, one of the most energetic and far-sighted diplomats in Washington, D.C. whom I have come across, for his strong encouragement and support for this book, especially in helping with my interviews in Indonesia. I am grateful to The Habibie Center, founded by the former President of the Republic of Indonesia, B. J. Habibie and focusing on human rights and democracy, for providing me with valuable briefings and information on the country's domestic conflicts. Benjamin Schreer of the Australian Strategic Policy Institute kindly shared his research on Indonesian defence spending and military acquisitions, as presented in Chapter 4. I thank Adam Tuigo and Sade Bimantara, from the Indonesian Foreign Ministry, for their generous support and advice for this book. This book would not have been completed without the timely and excellent research assistance provided by Wirya Adiwena in Jakarta and Nadia Bulkin, Allan Layug, and Chakra Pratima in Washington, D.C. Chapter 2, especially the sections dealing with Indonesian democracy, development and stability, was first drafted by Bulkin, who had just completed a master's thesis at the American University specializing in Indonesian democracy; she is emerging as one of the most promising young scholars of Indonesian politics and foreign policy.

I thank the World Scientific publishers (Singapore, London and New York), and its Publishing Director Chua Hong Koon for undertaking the publication of this book at very short notice. Last but certainly not the least, I owe a major debt to Triena Ong. As the long-term Managing Editor of the Institute of Southeast Asian Studies in Singapore, she built what is perhaps Southeast Asia's largest and most successful English-language publishing outlet until leaving late last year to join the private sector. Of Indonesian descent, and well versed in the history and current affairs of Indonesia and Southeast Asia, she has provided invaluable assistance with this book, as editor and adviser.

This book was completed — deliberately — before the 9 July 2014 presidential elections, which pitted Joko Widodo against Prabowo Subianto. While I do not discuss the implications of the outcome of that election, the five factors outlined in the conclusion remain relevant in assessing Indonesia's future progress and role as an emerging power under the new president.

ABBREVIATIONS

ABRI	Angkatan Bersenjata Republik Indonesia
ASEAN	Association of Southeast Asian Nations
APEC	Asia-Pacific Economic Cooperation
APC	Armoured Personnel Carriers
ARF	ASEAN Regional Forum
BDF	Bali Democracy Forum
BRICS	Brazil, Russia, India, China, South Africa
CBDR	Common but Differentiated Responsibility
CSIS	Center for Strategic and International Studies (Indonesia)
COC	Code of Conduct (in South China Sea)
DOC	Declaration on Code of Conduct (in South China Sea)
DPD	Dewan Perwakilan Daerah (Regional Representative Council)
DPR	Dewan Perwakilan Rakyat (People's Representative Council)
DPRD	Dewan Perwakilan Rakyat Daerah (DPRD I: Provincial Legislative Council; DPRD II: District Legislative Council)
EAS	East Asia Summit
FPI	Front Pembela Islam (Islamic Defenders' Front)
G-20	Group of 20
GESF	General Expenditure Support Fund (G-20)
IMF	International Monetary Fund
IPD	Institute of Peace and Democracy (Bali)
Jl	Jemaah Islamiya
KID	Indonesia Community for Democracy
KPK	Komisi Pemberantasan Korupsi (Corruption Eradication Commission)
KPU	Komisi Pemilihan Umum (General Elections Commission)

LPD	Landing Platform Docks
MDGs	Millennium Development Goals
MEF	Minimum Essential Force
MP3EI	Masterplan Percepatandan Perluasan Pembangunan Ekonomi Indonesia (Masterplan for Acceleration and Expansion of Indonesia's Economic Development)
MPR	Majelis Permusyawaratan Rakyat (People's Consultative Assembly)
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
OBIT	One Billion Indonesian Trees (for the World)
OIC	Organisation of Islamic Cooperation
OICIPHRC	OIC Independent Permanent Human Right Commission
OPEC	Organization of Petroleum Exporting Countries
PKS	Partai Keadilan Sejahtera (Prosperous Justice Party)
PKO	Peace Keeping Operations
PPP	Partai Persatuan Pembangunan (United Development Party)
R2P	Responsibility to Protect
REDD	Reducing Emissions from Deforestation and Forest Degradation
TAC	Treaty of Amity and Cooperation (of ASEAN)
TNI	Tentara Nasional Indonesia (Indonesian National Armed Forces, formerly ABRI)
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNORCID	United Nations Office for REDD+ Coordination in Indonesia
UNSC	United Nations Security Council
WTO	World Trade Organization
ZOPFAN	Zone of Peace, Freedom and Neutrality (ASEAN)

CONTENTS

Preface

vii

Abbreviations

xi

Chapter 1

Why Indonesia Matters?

1

Chapter 2

Democracy, Development and Stability:
Creating a Virtuous Cycle

19

Chapter 3

Indonesia and the Regional Architecture

49

Chapter 4

Indonesia and the Major Powers

75

Chapter 5

Indonesia as a Global Actor

99

Chapter 6

A Nation on the Move: Indonesian Voices

119

About the Author

135

WHY INDONESIA MATTERS?

Indonesia is no longer "a nation in waiting".... Indonesia is a nation whose time has come – and we are seizing the moment with determination and hard work.

(Indonesian President Susilo Bambang Yudhoyono, May 2011)¹

If you want to know whether Islam, democracy, modernity and women's rights can co-exist, go to Indonesia.

(Hillary Clinton, February 2009)²

Indonesia is an emerging power of 21st century Asia and world order, but it is not moving towards that position in the traditional manner. The term "emerging powers" recognizes the growing, primarily economic, but also political and strategic, status of a group of nations most, if not all of which were once categorized as (and in some accounts still are) part of the "Third World" or "global South".³ Indonesia belongs in this category. It is the fourth most populous country in the world after China, India and the United States. It is also the world's largest Muslim majority nation-state and the third largest democracy. Its economy is currently the tenth largest on the global scale, and McKinsey Company predicts that it will become the seventh largest by 2030. Since the fall of the dictatorship of Suharto in 1998, Indonesia has held three direct presidential elections that are free and fair. During the 2000–10 period, its economic growth surpassed all the emerging economies except that of China and India and was ahead of the other BRICS nations Brazil, Russia, and South Africa.

But the Indonesian story suggests a different pathway to emerging power status than that of other nations. This pathway is based not so much on military and/or economic capabilities. Rather, it lies in the ability of a country to develop a positive, virtuous correlation among three factors – democracy, development and stability – while pursuing a foreign policy of restraint towards neighbours

and active engagement with the world at large. This is the key lesson from the story of Indonesia that this book seeks to present.

To elaborate, Indonesia has achieved its newfound prominence in global affairs in a very different manner compared with other emerging powers in the developing world, including the BRICS (Brazil, Russia, India, China and South Africa). Two things set Indonesia apart from most of the other emerging powers. First, while the rise of other BRICS countries focused first and foremost on economic growth and military spending, Indonesia's rise came on the back of democratization and regional engagement. Each member-state of the BRICS is a significant military power – some regionally and some like China and Russia globally. Even the non-BRICS emerging powers such as South Korea, Nigeria and Saudi Arabia had acquired significant regional economic and military clout before their diplomatic and political roles came to be recognized. To further highlight the uniqueness of the Indonesian pathway towards emerging power status, it is sometimes compared with the Scandinavian countries Norway, Sweden and Denmark, or with Australia and Canada, which are called "middle powers".⁴ But these countries are wealthy Western nations, and some, such as Sweden and Australia, possess significant military power.

By contrast, Indonesia is still militarily and economically a weak state, especially compared to some of its neighbours. Yet, it enjoys comparable or even greater regional leadership legitimacy and clout than most of the other emerging powers in the developing world. In short, for a country which is neither the strongest military nor the economic power even in its own immediate region (even the tiny Singapore scores more on both counts), Indonesia has done more regional role-playing as a mediator and facilitator in Asian conflicts than the region's major powers, i.e., China, Japan and India.

The second point of difference relates to the position of an emerging power within its own region. The Indonesian story suggests that the key to global status and recognition lies in good regional relations. Foreign Minister Marty Natalegawa describes Indonesia as a "regional power with global interests and concerns".⁵ We can modify this description slightly to say that Indonesia pursues a "regionalist path to its global role". According to Natalegawa, many rising powers suffer from a "regional trust deficit" with their neighbours. Indonesia is different. And evidence suggests that there is much truth to it. While relations between powers such as India, China, Japan, South Africa and Brazil with their

neighbours are often marked by mistrust and conflict, those of Indonesia are marked by trust and confidence. In fact, Indonesia is universally acknowledged as a regional "elder", and enjoys far more cordial relations with all its neighbours. Thus, a distinctive feature of Indonesia's role as an emerging power is that while it is not even a regionally dominant power in military or economic terms, it is more respected and also expected to play – at minimum – the role of mediator and facilitator in regional crises and conflicts.

"Emerging Power"

In one respect, describing Indonesia as an "emerging" power is anything but new. At the height of its radical anti-colonial foreign policy, President Sukarno divided the world into Old Established Forces (OLDEFOS) and Newly Emerging Forces (NEFOS). He thus juxtaposed the anti-colonial elements in the international system against Western neocolonial hegemony, and placed Indonesia squarely in the front ranks of the emerging forces. But while Indonesia has in the past been regarded as an emerging power, it was not regarded as an emerging *democratic* power. Indeed, Sukarno's dichotomous categories came about after he had instituted a system of "Guided Democracy" for Indonesia in the late 1950s. This system replaced the elected parliament with one in which half of its members were appointed by the President. Today's Indonesia is democratic not only against the standards of Suharto's unabashedly authoritarian New Order, but also against Sukarno's Guided Democracy.

The term "emerging powers" today has no anti-colonial baggage; on the contrary, it refers to countries that have thrived mainly by embracing capitalism.⁶ Indeed, it was a Goldman Sachs analyst for emerging markets who contributed to the popularity of the term by coining the word BRIC – Brazil, Russia, India, China – in 2001.⁷ The entry of South Africa in 2010 made it into BRICS. But emerging powers is also a term applied to other non-BRICS nations who show a high degree of economic potential and diplomatic dynamism. Indonesia along with Mexico, Argentina, Nigeria, Saudi Arabia, South Korea, and Turkey belongs to this category.

Some analysts make a distinction between "emerging power" and "rising power", associating the latter with countries that have a clear potential to become great powers, such as China, India, and Brazil. "Emerging powers" are

not necessarily seen as heading for international great power status. In general, Indonesian leaders do not see their nation as a great power – they are more comfortable viewing it as an emerging power.

Aside from the BRICS, there have been plenty of other “clubs” whose acronyms designate status as emerging markets/powers. Indonesia has been occasionally, but not always, considered to be part of such acronyms. Some are largely notional, such as BRIICS (including Indonesia), BASIC (BRIC minus Russia, but with South Africa), while others are functioning entities, such as IBSA (India, Brazil, South Africa), BRICSAM (add South Africa and Mexico). Other acronyms include CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), “breakout nations”⁸ (Turkey, Philippines, Thailand, India and Poland, Colombia, South Korea, Nigeria). Still another is MIST (Mexico, Indonesia, South Korea and Turkey). At a broader level, the key point of reference is the G-20,⁹ a club known for its importance in global finance, membership in which almost automatically earns a country the label of emerging power.

Some have argued that the BRICS grouping should be extended to include Indonesia. But one does not find too much enthusiasm or expectation among Jakarta’s foreign policy circles for this idea. When asked whether Indonesia would like to be part of the BRICS, Hassan Wirajuda, Indonesia’s Foreign Minister from 2001 to 2009, told the author: “We don’t bother much about it...We have our own game, ASEAN, [and] East Asia.” He points out that while Indonesia is not included in the BRICS, “the growth of BRICS has declined, while Indonesia’s is growing more rapidly”. “What is the meaning of BRICS, or not being included in the BRICS?” he asks. Reminding that Indonesia is projected to be the seventh largest economy in the world by 2030 according to a report by the global consulting firm McKinsey, he believes that “it is more important to be part of East Asia – the centre of gravity of the world, the region of the 21st century”.¹⁰

In the meantime, Indonesia has been included into the “fragile five” which includes Turkey, Brazil, South Africa and India, for their dependence on foreign investment and hence vulnerability to financial market turmoil.¹¹ But recent assessments of the Indonesian economy have been rather upbeat.

Indonesia also fits the definition of the term “middle power”, which is usually applied to countries such as Canada, Australia, the Scandinavian countries,

Japan and South Korea. Middle powers are those countries who play an active role in promoting international cooperation, and lead by ideas and example rather than by hard power, such as military strength. One Indonesian analyst argues that Indonesia is more of a middle power than say Australia or South Korea as it “is perceived as a more ‘neutral’ player, capable of engaging other regional players more independently”.¹²

Although pitched at the global level, the focus of Indonesia has remained very much on developments in the region. Natalegawa’s perception of Indonesia as a “regional power with global interests and concerns” is worth recalling in this regard.

“Independent and Active” Foreign Policy: Continuity and Change

Every nation’s foreign policy and international role has a foundation, which often dates back to its beginnings as an independent nation. With some modification, it acts as the ballast for its role in world affairs. For Indonesia, it is the concept of an “independent and active” foreign policy. After gaining independence from the Dutch, Indonesian leaders characterized their foreign policy as “independent and active”. In an article in *Foreign Affairs* in 1953, Mohammed Hatta, the Vice-President, wrote that as an independent nation, Indonesia would “seek friendship with all nations, whatever their ideology or form of government”. He added:

Indonesia plays no favorites between the two opposed blocs and follows its own path through the various international problems. It terms this policy “independent, ” and further characterizes it by describing it as independent and “active.” By active is meant the effort to work energetically for the preservation of peace and the relaxation of tension generated by the two blocs, through endeavors supported if possible by the majority of the members of the United Nations.¹³

Obviously, this approach was a response to the Cold War dynamics. Indonesia chose a path, similar to India, which had advocated a policy of non-alignment between the two power blocs. This policy was affirmed by the historic Asia-Africa Conference in 1955, hosted by Indonesia in Bandung. Another article by Hatta in *Foreign Affairs* in 1958 reiterated that policy.