

Indonesia emerges from the shadows: a first-hand report

by Daniel Sneider, Asia Editor

Asked to identify the four largest countries in the world by population, the average educated person would probably have little difficulty in correctly answering: "China, India, the Soviet Union, and the United States." But asked to identify the fifth largest, the same person would be stumped. He might answer "Brazil"; it is doubtful he would hit on the correct answer—Indonesia.

Indonesia, a nation of 150 million spread across an island archipelago of 13,000 islands that stretches a distance about equal to that from the Pacific to the Atlantic coasts of the United States, remains mostly in the shadows of world affairs. Despite the fact it is OPEC's 7th-leading oil producer and a vast treasure house of largely unexplored mineral riches, the word most commonly used to describe Indonesia's economic role is "potential."

Politically, Indonesia's military-dominated government can point to a record of relative stability for the past 15 years. Strategically, the country commands the crucial sea lanes linking the Persian Gulf and Indian Ocean to the Pacific.

Yet Indonesia's role in global affairs is very low-profile, confined to the affairs of the Southeast Asian region and particularly those of the Association of Southeast Asian Nations (ASEAN). The casual observer places Indonesia within the broad "pro-Western" camp, perhaps even as an acquiescent partner in U.S. strategic designs for East Asia.

These impressions all have an element of truth in them, but the visitor to Indonesia quickly learns that one must try to distinguish between the images on the surface and the deeper reality. The most popular art form in Indonesia is a useful guide to looking at the country—it is the *wayang*. The *wayang* are performances of the well-known Hindu epic poems, the Ramayana and the Mahabharata, where the principal characters appear as puppets whose shadows are projected on a screen.

In many ways the political and social culture of Indonesia, which principally means the dominant culture of the densely populated island of Java where 80 percent of the population lives, is a well-performed shadow-play, whose reality remains largely hidden. But it is clear that Indonesia, a potential major power on the Asian and world scene, is a nation emerging from the shadows.

Economic riches and uncertainties

Indonesia is considered one of the booming economies of Southeast Asia, a region whose overall economic perform-

ance has been a relative brightspot in an otherwise gloomy world economic scene. In 1981 the economy posted a 7.6 percent rate of growth (GDP), down from 9.9 percent the previous year but still strong. In the past couple of years foreign exchange reserves have grown to a 1981 level of over \$6 billion and the budget has shown real surpluses. Inflation is down to a moderate level of around 7 percent, and a number of large investment projects are planned, including several in the petrochemical field.

The view from the streets of Jakarta, the growing capital and port city located on the coast of Western Java, seems to confirm a sense of growing prosperity. The streets are filled with tens of thousands of new cars, mostly Japanese but also European and even American, which are assembled in Indonesia from pre-fabricated kits. Supermarkets can be visited whose shelves are filled with imported goods and billboards proclaim the virtues of all sorts of consumer goods from color televisions to brands of foreign cigarettes. In the nicer residential areas of the city, large houses can be glimpsed behind walls, and in the center of the city highrise office buildings and luxury hotels are springing up in increasing numbers. A provincial city, like Bandung in Western Java, which this writer visited, may lack the highrises, but even there the trappings of a growing consumer society can be found.

Behind this image of growing prosperity, there are darker uncertainties and deeper problems which remain largely unsolved. The immediate circumstances of growth in Indonesia are largely dependent on two basic factors—the increasing achievement of food self-sufficiency (Indonesia is still a large food importer although rice production is now meeting national demand) and the world market and market prices for its principal raw materials exports: oil and natural gas first and foremost, followed by wood and wood products, rubber, coffee, and minerals like tin and bauxite. Conservative financial and fiscal policies provide at best a temporary buffer during the times of world depression we now face.

Indonesia's export earnings, and hence its current account and foreign exchange position, experienced an upturn following the 1979 oil price hike. However, the world depression has dropped oil demand and also the market for other commodities, and the impact is now being felt in Indonesia. During fiscal year 1981-82 (April 1-March 30), the current account went from a modest surplus the previous year to a deficit of \$2.4 billion. Exports of petroleum and LNG (liquefied natural gas) went down 10 percent in value; wood

and wood products down 30 percent; and rubber and coffee down 40 percent. Imports, including of petroleum products, were up substantially.

Assuming that oil production remains at its current level (about 1.3 million barrels per day), the Western depression continues, and import growth continues, it is currently estimated that 1982-83 will produce a current account deficit between \$6 and \$7 billion. A recent report on "economic trends" in Indonesia issued by the U.S. embassy in Jakarta suggests that the deficit might even reach \$8 billion. Official foreign exchange reserves have dropped \$2 billion since January 1982, the embassy also reports, to a level of around \$4 billion by the end of September. State bank foreign exchange holdings abroad are about \$4 billion.

Is Indonesia another Mexico?

These conditions are sure to put significant financial strain on the Indonesian economy. Indonesian foreign debt is estimated at around \$17 billion, but undisbursed loans bring it up to \$28 billion. This is far below the level of some Latin American debtors, but there are observers who raise the question whether Indonesia is potentially "another Mexico."

The short term answer seems to be "No." Debt service levels are generally manageable—estimated at \$2.6 billion for 1982—taking into consideration export levels and their capacity to undertake new borrowings. With projected borrowings for the next year, even a current account deficit as large as that projected will require, by U.S. embassy estimates, about a \$2 billion draw-down of the overall foreign exchange reserves of \$8 billion. The picture beyond that point, however, is much murkier if world economic conditions continue as they are.

Substantial pressures are already mounting for the Indonesian government to adopt financial austerity measures which could have unforeseen political and economic consequences. The government earlier this year dropped subsidies of the domestic gasoline price by 40 percent, and there is talk of further cutback in subsidies for fuel oil, kerosene, and food. Adi Sasono, the director of the Institute for Development Studies in Jakarta and a critic of government policy, told this writer that he believes the balance of payments problems will result in a scrapping of those subsidies and a devaluation of the rupiah, the Indonesian currency, which will fuel inflation.

Less publicized, and more significant, are pressures on the government of President Soeharto to scale down plans for large-scale capital investment, particularly large industrial development projects such as refineries and petrochemical complexes planned for South Sumatra (an aromatics complex) and other areas. As the U.S. embassy report coyly put it: "Some

it might be advisable to slow down certain major capital projects until the world economic situation improves."

President Soeharto has so far, however, rejected such calls to slow down the pace of development investment, a policy which Indonesia had adopted during the mid-70s fol-

lowing the so-called Pertamina Crisis on the insistence of Western banker creditors, with the internal support of Western-trained technocrats grouped around Coordinating Minister for Economics, Finance and Industry, Dr. Widjojo Nitisastro. Soeharto, in a recent speech, insisted that Indonesians "do not need to panic in facing these conditions (of recession)" and that "Indonesia must push forward with its ambitious development program if it hopes to meet the challenges facing it in the next five years."

The consumer goods riches of Indonesia conceal the extent of these challenges—for all its raw materials wealth, and associated import of consumer goods, Indonesia lacks most of the fundamentals of an industrial base, including sufficient steel and cement production and an almost complete lack of a machine tool industry. More importantly, the basic infrastructure in transport, communications, and power—key to both industrialization and agriculture—remains very undeveloped, its weaknesses compounded by the tremendous difficulties posed by the vast distances and island geography of the country. Indonesia, despite its oil wealth, produces less than 3 gigawatts of electricity, and the vast majority of that is consumed in urban areas. Less than 10 percent of the countryside is electrified.

Indonesia's greatest source of potential wealth, its vast population, is also very undeveloped. While literacy has grown substantially, there is an acknowledged shortage of skilled manpower, including Indonesian trained scientists and engineers (only 700-800 science and engineering graduates are produced each year from their colleges and universities). Indonesia's ability to develop new industry, to absorb capital investment and new high technology, will be dependent on expansion of its education and manpower training facilities.

The political-economic debate

These challenges have spurred a debate in Indonesian policy-making circles over the development path for the future. The dominance of a certain group of Western-trained technocrats, sometimes referred to as the "Berkeley mafia," who have guided economic policy since the end of the Sukarno era in the mid-1960s, is no longer so overwhelming. Different voices, including those of technocrats trained in Western Europe (France and Germany mainly) and "indigenous" technocrats from institutions like Gajah Mada university in Jogjakarta in Eastern Java, are now part of the policy debate.

The lines of debate are not crystal clear by any means, but the newer voices are more nationalist in tone and urge more rapid industrialization, growth of self-sufficiency in agriculture, and science and technology. The current focus of discussion is the preparation of the next 5-year development plan (Repelita 4), to be presented in March of next year. That coincides with Soeharto's anticipated re-election as President by the national parliament which was elected earlier this year.

Informed political observers in Jakarta point to a complex political debate going on in the government, which will culminate in March. After his reelection, Soeharto will announce a new, reshuffled cabinet, one which may reflect the priorities of the new development plan. There is, according to one observer, a game of musical chairs going on in Jakarta. When the music stops in March, there will not be enough chairs for all those who now occupy the ministries and other seats of power. Who will be left behind is a subject of many a rumor, and in private conversations it is common to discuss whether this or that leading figure's fortunes are on the rise or waning.

It is in this context that Indonesia's "political stability" will be tested. Some Indonesian analysts believe that a continued economic downturn, in the context of global depression, could create fertile ground for political instability. Those sources point to the danger of Islamic fundamentalism in a country which is 90 percent Muslim, in fact the largest Muslim country in the world, and in which conservative Islamic elements oppose the accepted secular ideology of Indonesia, an ideology first pronounced in 1945 by nationalist leader Sukarno in his famous statement of the *Panchasilla* (literally five foundation stones or principles), still the official state credo. Similarly, some speak of the danger of a revived communist movement—the Indonesian Communist Party (PKI) was once one of the largest in the world and a virtual partner in the political system with Sukarno until the attempted 1965 PKI-backed coup led to the takeover by the army and the complete destruction of the party as an overt political force.

Most Indonesian political sources this writer talked to believe these dangers to be overstated. While there is undoubtedly dissatisfaction with the mild authoritarian rule of the army, there are few signs of boiling discontent that could emerge in the immediate period ahead to threaten the stability of the Soeharto government. Most refer to known Islamic fundamentalists as "extremists" who are a tiny minority, even within the Islamic political party (the PPP), one of the two recognized opposition parties represented in the national parliament. The threat of a PKI revival is similarly dismissed—it is more, it seems, of a ghost on the political scene which serves to remind the population of the "bad times," particularly economic, of the late period of Sukarno rule. PKI communism, which was mainly pro-Peking, remains the only form of political ideology and organization which is totally "outside the pale" of Indonesian politics.

The key to the stability of the Indonesian polity seems to rest not so much on the formal authority of the system and its structures, including the army and the pro-government Golkar (functional groups) party, but rather on the strength of the traditional Javanese culture, which is the dominant culture of Indonesia, and its political reflections. Java, according to general historical knowledge, has been inhabited since 3000-2000 B.C., and the evolution of its civilization reflects a rich historical tradition. It combines the early influences of

Indian civilization, which brought the Sanskrit language and Hindu philosophical/theological culture to Java early in the first millennium A.D., with later influences of Islam and Western civilization, all on top of an earlier Javanese animist culture. One observer has called it a "marbled layer cake."

All these elements remain preserved today, mixed together in an amazingly flexible, syncretic culture characterized by a high degree of tolerance and the ability to absorb all sorts of stresses and strains without cracking. This traditional Javanese culture was very much the basis for the ideology of the modern nationalist freedom struggle against the Dutch colonialists led by figures like Sukarno and M. Hatta, the first President and Vice-President of the Indonesian republic which declared its independence only days after the Japanese, who occupied Indonesia during World War II, had surrendered. One of those cultural-political principles which remains enshrined in Indonesian politics today is called "*Gotong Rojong*," translated as "mutual cooperation." Gotong Rojong is based upon what is called "*musjawarah*," meaning deliberation or discussion.

This is the Javanese version of what the Japanese like to call "consensus." It is "un-Javanese," I was told, to allow differences to be expressed in such a way that it creates real division. All opinions, all views must be incorporated in the system in the spirit of Gotong Rojong. Only communism is exempt from this dictum because, as I was told many times, they did not accept the Panchasilla, particularly the first "silla" (principle) which speaks of a belief in "one supreme being." That same silla expresses a highly tolerant attitude toward religion in a country which is 90 percent Muslim, but where all sorts of beliefs are meshed together. Islam in Indonesia, in practice, incorporates numerous Hindu rituals and the great Hindu poems like the Ramayana and Mahabharata, the gods and tales of which are known and loved by all. It is difficult to see how Islamic fundamentalism of the Khomeini, Saudi, or Pakistani varieties could find fertile ground here.

The role of the army in the government—many cabinet posts are filled by army officers and the army has the "last word" in political decisions—must also be seen in this light and not facetiously compared to army rule in places like Latin America or Pakistan. The army is a direct product of the nationalist war against the Dutch and its participation in political life flows from that period. The army presents itself, still credibly, as a "defender" of the nationalist ethos. There is little sense of overt political "repression" in Indonesia—at least to the casual visitor—and critics of government policy, including some met by this writer, not only speak openly of their views but also are incorporated, as Javanese political culture demands, into official "advisory" bodies to the President. Political figures may perhaps gain or lose power and authority but they remain "within the system."

There is underneath this a clear sense that the old nationalist traditions of the Sukarno period remain a strong part of Indonesian political life. While Sukarno is criticized for al-

lowing the PKI fox into the henhouse, he remains a respected figure for his contributions in unifying this geographically dispersed nation and creating a true "Indonesian identity" against attempts by the Dutch and others to geographically divide the country.

Dr. H. Roeslan Abdulgani, a long-time nationalist veteran of the anti-Dutch freedom struggle, and former foreign minister during the Sukarno period, told this writer that respect for Sukarno remains strong particularly outside the capital, in the traditional areas of Central and Eastern Java. Dr. Abdulgani, who heads the advisory team to President Soeharto on the propagation of the Panchasilla ideology, says that Panchasilla remains a very live force, and recounts how university students at a lecture he gave recently in Jagjakarta attacked a professor in the capital who suggested revising this state ideology.

Indonesia in Southeast Asia

The strength of traditional nationalism is clearly expressed in the views one finds on issues of foreign policy, particularly the Indonesian view of politics in Southeast Asia and the role of the great powers, including the United States, there. Indonesia's broadly pro-Western stance and the strong anti-communist views of the political leadership have led some observers to simplistically frame Indonesian foreign policy in the cold war division of the globe.

As U.S. Defense Secretary Caspar Weinberger recently found out anew, the strong influence of the United States and pro-Western views in Indonesia does not so easily translate into cold war politics. Weinberger, as this writer was told in Jakarta by foreign policy analysts at the Center for Strategic and International Studies (CSIS—an independent thinktank), did not find a receptive audience for the strategic line he was trying to sell. Weinberger tried to tell the Indonesians that the main threat to them, and to all of the region, is the growing Soviet military presence, both directly and through the Vietnamese.

While no one in Jakarta wants to see a strong Soviet military presence in the region, the Soviet Union is far from "No. 1" on the Indonesian "threat" list. In conversations at CSIS and with other Indonesian political observers, there are two countries most frequently mentioned as dangers to the region, as potential threats to dominate Indonesia and the rest of ASEAN—China and Japan.

The danger represented by China is a common subject of discussion and the view of the Chinese as the "main threat" to Indonesia and Southeast Asia is an almost unchallenged precept of Indonesian consensus. There are many factors in this dark view of China. One is Peking's role in backing the PKI during the 1960s. An Indonesian political figure told this writer that the 1965 events were basically a Chinese attempted coup and pointed to the predominance within the PKI leadership at that time of Indonesians of Chinese origin.

The view of China as an enemy is not merely a question of Chinese communism but is a matter of longer historical

tradition. One gets a glimpse of this in the set of dioramas depicting Indonesian history which form a museum in the base of the massive Merdeka (Freedom) monument built during the Sukarno era to commemorate the nationalist struggle. The dioramas start with ancient Indonesian culture but quickly move into a series of depictions of battles against various invaders, including the Portuguese, Dutch, and Japanese. But this series of battles begins with wars against invading Chinese fleets, almost a millenium ago, being shown driven off by stalwart Indonesian defenders. The sense of historical mission against Chinese invaders was distinctly reminiscent of displays this writer saw last year in the military museum in Hanoi.

This historical view is compounded by the distrust of the Overseas Chinese in Southeast Asia, including Indonesia, and in particular their predominant role in controlling trade, banking, and other business activities. The image of the secretive Chinese businessman, making money while Indonesians lag behind, is not an uncommon view in the region. The fact that many Chinese have failed to assimilate themselves into Indonesian society, to the point of retaining citizenship of China or Taiwan, is a sore point. Indonesian customs regulations, printed clearly on your entry form, prohibit the import of printed Chinese characters and Indonesian censors, sometimes to the point of silliness, black out any characters appearing in imported foreign publications. One Chinese-language daily newspaper is allowed in the country.

The question of economic dominance is also the key to a generally distrustful view of the Japanese role. Japanese economic presence is highly visible in Indonesia in the vast array of Japanese manufactured goods imported or assembled there. Wherever one turns there are Japanese cars, Japanese electronic goods, and Japanese businessmen. Resentment of the Japanese presence erupted into anti-Japanese riots in 1974 at the time of the visit of then-Premier Tanaka. However, various Indonesians spoken to agreed that the Japanese role has not declined but expanded, but that the Japanese have become more sensitive to Indonesian feelings, taking a lower profile and making efforts to carry out business activities in joint ventures with Indonesians. Nonetheless the common view is that the Japanese are only concerned to take out raw materials from the country and sell their manufactured goods in return. A Japanese commitment to aid Indonesian industrialization expressed in aid for such projects as the giant Asahan aluminum complex in Sumatra, is still viewed with some degree of skepticism.

The Japanese economic role is much less of a problem—and will likely continue to expand—than the issue of a potential Japanese political-military presence in the region. President Soeharto protested to President Reagan during a recent visit to Washington about U.S. plans to pressure Japan to take a larger, regional defense role. Weinberger's attempts to calm Indonesian fears on this point during his followup visit, according to CSIS analysts, is that the United States is naive regarding both China and Japan, and they express real

amazement at the lack of American sensitivity to the realities of the region.

Fear over a potential Japanese military buildup and regional role comes from deep-seated and bitter memories of the brutalities of the Japanese occupation of Indonesia during World War II. Although many prominent Indonesian leaders collaborated with the Japanese, and perhaps even initially hailed the ouster of the Dutch, people from that generation will readily tell visitors tales of horrors committed by the Japanese occupying troops against the population. There is no sentiment for again becoming "little brothers" to the Japanese.

The Kampuchea question

These themes of the Indonesian foreign policy viewpoint are the necessary context for understanding Indonesian views of the politics of ASEAN and the dispute with Vietnam over the Kampuchea (Cambodia) issue. While Indonesian official policy asserts their consensus with all the other ASEAN countries in opposition to the Vietnamese-backed government in Phnom Penh and support for the newly formed anti-Vietnamese "coalition" of Khmer forces including former Prince Sihanouk and the Pol Pot led Khmer Rouge, there are evident differences on the realities of policy.

While some anti-Vietnamese sentiments can be found in official and semi-official circles in Jakarta, the predominant view is that the Vietnamese are "nationalists and communists" and that they do not present a threat to the stability of the region. This is a view not shared by some others in ASEAN, particularly the Chinese city-state of Singapore, which one Indonesian political figure somewhat contemptuously referred to in a conversation with this writer as "the Chinatown of ASEAN," and the current Thai government.

The Indonesian backing for the Khmer "coalition" is generally seen in Jakarta as a negotiating tactic, aiming at getting a political agreement with the Indochinese countries which would result in Sihanouk, but decidedly *not* the Chinese-controlled Khmer Rouge, joining in some kind of coalition government with the Heng Samrin government now in Phnom Penh. According to informed sources, the views on this subject in Jakarta can be divided into three camps—the two minority views on opposite ends of the spectrum are strongly anti-Vietnamese and or in favor of recognizing the Heng Samrin government. The majority, in the middle, have what those sources described as a "wait and see" attitude. CSIS analysts, who anticipate some kind of Sihanouk-Heng Samrin agreement, believe it could take five years before such a ASEAN-Indochina deal is reached.

Beneath that "wait and see" attitude there is barely concealed irritation over the Thai-Singapore position, which is seen as unnecessarily intransigent, although the Vietnamese line is also seen as too tough. As one analyst put it, only half-jokingly, "It would be a lot simpler if Thailand wasn't in ASEAN." One concern expressed by CSIS analysts is that a deal would still leave in existence some thousands of Chinese-

armed Pol Pot guerrillas who, once pushed out of the border area of Kampuchea, might become a dangerous source of instability inside Thailand, linking up with the Chinese-linked Communist Party of Thailand which is carrying on a guerrilla insurgency mainly in the northeast region of Thailand bordering Laos and Kampuchea.

There is also irritation and concern over the U.S. stance on this issue. The U.S. backing for the Pol Pot coalition is seen as a product of the strategic doctrine of anti-Sovietism and the U.S.-China link rather than any intrinsic support for ASEAN, the proclaimed U.S. position. CSIS analysts questioned this writer whether the United States would stand by ASEAN even in the event of an eventual deal with Indochina, and inquired, for example, whether the United States would be willing to pressure Thailand to moderate its hardline stance. At this point, the dilemma for Indonesia is that its ASEAN role, as well as its relationship with the United States, make it difficult to find an immediate way out of the problem as it now stands. As long as Thailand does not change its stance, things will not move—hence the wistful desire to "simplify" things by wishing Thailand away.

There is new concern also about the impact of changes in the Sino-Soviet relationship on the problem. According to an informed source Foreign Minister Mochtar is said to currently believe that Sino-Soviet reconciliation will result in an "abandonment" of Vietnam and force Vietnam to take a more conciliatory position towards ASEAN. The source termed this view "incredibly naive."

Underlying these issues, and the broader themes of the Indonesian view of the world, is a not always visible but nonetheless palpable Indonesian aspiration to achieve a status in regional and world affairs commensurate with its size and vast economic potential. Ultimately Indonesians would prefer to see the region free of all major power domination, and the emergence of a situation in which the countries of the area would strengthen their self-reliant role. In such circumstances, often left unsaid, Indonesia by its sheer weight, would be the dominant power in Southeast Asia.

An Indonesian leadership role perhaps ironically harks back to the famous Bandung Afro-Asian summit of 1955, an event viewed as the founding event of the Non-Aligned Movement. Bandung, which is still considered an important reference point for Indonesian politics, was a moment of high drama, when on Indonesian soil, with the leadership of Sukarno, the greats of the newly freed nations, men like Nehru and Nasser, met to define their independent role, independent from the two great power blocs, in the world.

The nationalism of Sukarno was strong in its political and emotional qualities but weak in providing the economic development which could give such aspirations substance and foundation. For Indonesia to again play such a leadership role, the economic foundations of self-reliance and development will have to be solidly built. That such a task is understood by many in Indonesia as the challenge ahead is at least a good starting point.