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## “An Imperfect Country of Great Consequence”: Indonesia and the Challenge of Global Terrorism

### Introduction

*Robert M. Hathaway*

Indonesia is the world's fourth most populous nation, its largest Muslim-majority country, its third largest democracy. Located astride the sea lanes linking the Middle East and the Pacific, Indonesia is key to the stability of the entire Southeast Asia region, and beyond. With more Muslims than the entire Arab Middle East, it will also have a substantial voice in determining whether the Islamic world will be a force for progress and prosperity in the 21st century, or as some fear, a more malignant power. Indeed, one might well argue that Indonesia today is the most consistently undervalued country in global politics.

For all these reasons and more, Indonesia is too important to be ignored, or to be treated with the casual disregard that has frequently been the hallmark of American policy. That argument informs each of the following essays—the first by one of Indonesia's leading statesmen, the second by one of America's most distinguished diplomats.

Indonesia, as both former Indonesian Foreign Minister Ali Alatas and retired U.S. Ambassador J. Stapleton Roy rightly observe, is a nation undergoing a dramatic and multi-faceted transformation. Like most transformations of this magnitude, it has been an untidy process, marked by fits and starts, advances and retreats, successes and failures. Nonetheless, the trend is clearly in a positive direction.

Both authors emphasize the remarkable changes that have taken place in Indonesia since longtime strongman Suharto was forced from power in 1998. Both highlight the affir-

mative, the encouraging news, the achievements of the past half-dozen years. Alatas deems Indonesia's progress “remarkable”; Roy describes it as “stunning.” Looking at the entire sweep of Indonesia's 55-year history, Roy adds, “no country so ill-prepared for independence has come as far.”

Neither Alatas nor Roy masks the immensity of the challenges still confronting Indonesians. Neither attempts to hide the extent to which poverty, inequality, corruption, inadequate infrastructure, an imperfect judiciary, and an uncertain tradition of civilian control over the military undermine Indonesia's efforts to create a modern, pluralistic state.

Even so, many Indonesia-watchers will say that these assessments are unduly upbeat, to the point of glossing over what Roy calls Indonesia's “dark side.” True, the civil war within global Islam and this struggle's peculiarly Indonesian manifestations are not highlighted here, nor the growth of extremism in some Indonesian Muslim circles. Indonesia has experienced three high-visibility terrorist attacks against foreign targets in the past two years, plus countless other acts of ethnic and religious-based violence that have lent an air of danger and volatility to the country that belies the picture of progress that Alatas, in particular, paints. Nor do these accounts reflect the complaints of Jakarta's critics that Indonesia's record in cracking down on Islamic militants has been lackluster.

Others have found Indonesia's commitment to human rights badly flawed. Some will believe that both Alatas and Roy skate rather too easily over the horrors that attended East Timor's ultimately successful fight for inde-



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pendence, and Jakarta's unimpressive record since then in bringing to justice those responsible for either those outrages or the more recent murders of two American teachers in Papua.

Yet even the severest critics will concede that the Indonesian people deserve considerable credit for successfully staging three national elections over the past year and for a remarkably peaceful presidential transition. As Roy observes, if one chooses to highlight Indonesia's shortcomings, the country offers more than enough material for placing it in the worst possible light. But it is equally important that notice of the substantial strides Indonesia has made since 1998 be taken.

Alatas asserts that Indonesia has been a responsible partner in the struggle against international terrorism, but cautions that in order for this fight to be successfully waged, the United States must recognize its obligations toward Indonesia and the Islamic world. Washington must work with Jakarta to promote social and economic development in Indonesia, the former foreign minister argues. In an ill-disguised swipe at the U.S. State Department, Alatas notes that official American travel advisories have worked to serve rather than thwart the designs of the terrorists. Both Alatas and Roy call upon the United States to resume education, training, and other ties with the Indonesian military. The United States, Alatas concludes, must demonstrate that "it is capable of understanding and responding to Muslim sensitivities and aspirations," that it is worthy of Muslim confidence. Indonesia in turn, he adds, will

then be able to "prove that Muslims are part of the solution" to the problem of international terrorism, rather than part of the problem.

The horrific twin blows of December 26's earthquake and tsunami—a tragedy that hit only after Alatas and Roy had written their essays—have given the United States (as well as the rest of the non-Islamic world) an opportunity to meet Alatas's demand that it demonstrate it is worthy of Muslim confidence. Washington's response to this calamity should be one of compassion and generosity, both in meeting the immediate humanitarian emergency and in helping Jakarta in the longer-term tasks of relief and reconstruction. The Woodrow Wilson Center joins Indonesia's well-wishers around the globe in extending its condolences at this moment of national trial.

Both in responding to this natural disaster and in confronting the many other challenges facing his nation, much depends on Indonesia's new president, Susilo Bambang Yudhoyono. As the country's first directly elected president, he enters office sustained by an immense reservoir of good will. It would represent not simply a wasted opportunity but a great tragedy were he to fail in his efforts to demonstrate that political democracy in Indonesia can go hand in hand with prosperity and stability. SBY has been called a "cautious reformer." Indonesia's course over the next few years will be decided in large measure by which half of this description prevails.

In an effort to encourage informed discussion of Indonesia's present condition and likely prospects, and of America's stake in Indonesia's success, the Woodrow Wilson Center's Asia Program is pleased to provide this forum for two of today's most experienced and respected Indonesia-watchers. No one seeks to impose an American agenda on Indonesia. To the contrary, these two essays make clear that more so than anyone else, Indonesians themselves have a keen interest in seeing their country succeed.

And yet, the stakes do extend beyond the Indonesian archipelago. Alatas confidently asserts that Indonesia today "is demonstrating that Islam and democracy can coexist peacefully and constructively." If he is correct in this assessment, if Indonesians can build a prosperous and pluralistic Indonesia, the shock waves of such an accomplishment will ripple across Asia, throughout the Middle East, and around the world.

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## Progress in Democracy: Prospects and Challenges for the New Indonesia

ALI ALATAS

For the past few years, Western news reports have tended to portray Indonesia as a country mired in endless turmoil, regional insurgencies, human rights violations, widespread corruption and, more recently, terrorist bomb attacks. The Indonesian economy has been perceived as floundering along, seemingly unable to fully recover from the disastrous effects of the Asian financial crisis of 1997–98.

Looking beyond this confused and often exaggerated image, however, will give us a clearer and more balanced view of a nation that has gone, and is still going, through multifaceted transformation and transition. Since 1999, Indonesia has thoroughly restructured its constitutional, political and legal systems; reformed its economic institutions, especially the banking sector; and put in place the basis for an improved system of democratic governance.

In the political field, the Indonesian people have decided to repudiate authoritarian rule and take the road towards genuine democracy. Many of the legal and social controls that hampered the growth of a vigorous civil society in the past have been repealed. The ban on new political parties was removed in 1998, and the press unmuzzled. Revised electoral laws resulted in 1999 in the most free and fair parliamentary elections since 1955. The annual meeting of the People's Consultative Assembly (or MPR) elected Abdurrahman Wahid ("Gus Dur") as president in October 1999. But less than two years later, the MPR impeached him and swore in Vice President Megawati Sukarnoputri as Indonesia's fifth president.

Subsequently, a series of constitutional reforms created the legal framework for the 2004 elections, with the most far-reaching amendment being the first direct presidential election in the nation's history. Under the current system, Indonesia's presidential elections are held separately from (after) the elections for the House of Representatives (or DPR). The presidential candidate, together with his vice-presidential running mate, must get at least 50 percent of the popular vote and 20 percent of the

votes in at least half of the provinces in order to achieve a first-round victory. If there is no winner in the first round, a run-off election is held between the top two finishers. The president's tenure is limited to two consecutive terms of five years.

In the first-round presidential elections on July 5, Susilo Bambang Yudhoyono (or SBY as the Indonesians call him) and his running mate, Jusuf Kalla, came in first with around 34 percent of the vote. The incumbent, Megawati Sukarnoputri and her running mate Hashim Muzadi came in second. On September 20, the run-off elections between the two tickets were held successfully, and the SBY–Jusuf Kalla team won the people's mandate. The president and vice president were inaugurated on October 20, 2004.

Among other important political and constitutional changes, the MPR has been restructured and now will consist of two chambers, the Council of People's Representatives (DPR) and the Council of Regional Representatives (or DPD), a kind of senate comprising 128 directly elected, non-partisan members, four from each of Indonesia's 32 provinces. The powers of the MPR have also been curtailed to include only amending the constitution and swearing in the president and vice president. Impeachment is made much more difficult, and the president and vice president can only be dismissed for certain specified violations. Members of the DPD at present still have rather limited tasks and powers, mainly dealing with legislation relating to regional autonomy, center/region relations and natural resource management.

The amendments have also established a Constitutional Court to decide on election disputes, constitutional issues and parliamentary legislation. Its decisions are binding. Also, a National Election Commission (KPU) has been set up, independent of both the government and the political parties. Both the Constitutional Court and the KPU are already fully operational, and the KPU, in fact, organized the 2004 electoral process. The amended constitution also contains wide-ranging



human rights provisions, in line with the Universal Declaration on Human Rights. All these developments and achievements show that the democratization process in Indonesia is progressing steadily and successfully.

As the third-largest democracy and a country with the biggest Muslim population in the world, Indonesia is demonstrating that Islam and democracy can coexist peacefully and constructively. Another major step in the context of governance reform has been the decentralization of national decision-making and spending authority. Law No.22/1999 on regional autonomy devolves significant government functions, as well as increased revenue-sharing powers, to districts and municipalities. The central government maintains exclusive authority over national defense, foreign policy, monetary and fiscal affairs, and religion. The law also gives Jakarta a specific role in such matters as national planning and national standardization. Through this ambitious decentralization process, the government is getting closer to the people, and new grassroots leadership is beginning to emerge.

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Moreover, the reform of the military establishment, as part of the overall political reform, is continuing at a steady pace. It began with the affirmation of the principle of civilian supremacy over the military, and the process was started under President B.J. Habibie and President Abdurrahman Wahid. The appointive seats reserved for the military and police in the DPR and MPR were abolished in October 2004. The military and police still on active duty were required to remain neutral during the electoral process. Military officers are now required to resign their commissions when they seek public office. The exit of the military from politics will allow it to develop fully as a professional organization with the principal mission of defending the country. After decades under military command, the national police

are now a separate, independent force under civilian control, which will concentrate on maintaining law and order in the country.

Despite this progress in military reform, however, Indonesia still has some distance to go in realizing a more balanced civilian-military relationship. Indonesia's armed forces remain woefully underfunded by the government and thus have to rely on outside business interests for many things, including salary support, special rations and even some equipment expenditures. The military's share of the national budget is now less than 4 percent, which amounts to less than 1 percent of gross domestic product (GDP)—considerably lower than what most of its Southeast Asian counterparts get. The armed forces still remain resistant against attempts to dismantle their so-called "territorial" function that ensures their presence down to the village level. Thus, for some time to come, the Indonesian military will continue to play an important role in Indonesia's political developments. By the same token, however, the Indonesian military is also a key protagonist in the fight against international terrorism and will turn out to be a dependable U.S. ally if given a chance to prove itself. Thus, the pace of military reforms would be faster if military-to-military relations between the United States and Indonesia were restored as soon as possible.

The Asian financial crisis of 1997-1998 hit Indonesia particularly hard. In contrast to neighboring countries, Indonesia developed a full-blown political and social crisis, which led to the downfall of the Suharto government and set in motion a process of wide-ranging *reformasi* (reform) that continues today. Seven years after the devastation and stagnation wreaked by the financial crisis and the turbulent first years of *reformasi*, we are making considerable progress in consolidating our economic recovery. The national currency, the rupiah, has now stabilized at around Rp 8,800 to the U.S. dollar. Yearly inflation is now well under 10 percent, down from 80 percent at the height of the financial crisis. Foreign exchange reserves stand at \$39 billion and we managed to limit our budget deficit to only 1.6 percent of GDP in 2003. Indonesia's debt ratio has been greatly reduced from 102 percent of GDP in 1999 to 67 percent in 2003. The GDP growth rate has been hovering at around 4 percent for the past several years, and we hope to achieve 4.8 percent in



2004. This growth, however, is mostly consumer-driven and we will need annual growth rates of 6–7 percent in order to create jobs for new entrants into the workforce. We therefore need to attract more foreign direct investment. In 2004, we successfully “graduated” from the special IMF program of balance-of-payments support and debt relief, and are confident that we can summon the fiscal discipline that this move will require. Over the past several years, Indonesia’s government has also cut inefficient fuel subsidies and sought to reduce government interference in the economy. The banking system has been successfully overhauled and the number of local banks drastically reduced. Some of these banks are now fully or partially managed and owned by foreign partners from Singapore and the United States.

Despite this remarkable success in macroeconomic performance, many new foreign investors continue to avoid the potentially lucrative market of Southeast Asia’s most populous country. We therefore must put high priority on attracting greater flows of new, direct foreign investment. Toward this end, and in addition to the factors creating a better investment climate as mentioned earlier, the government has already removed certain restrictions on investments in the wholesale and retail sectors. One-stop investment centers are also being created to ease bureaucratic impediments. A new investment bill will be submitted to Parliament soon, promising equal treatment for domestic and foreign investments, thus providing a “level playing field.” We also realize that attracting direct foreign investments and indeed ensuring sustainable economic progress will depend on success in meeting such basic problems as widespread corruption, weak law enforcement and an erratic judicial system.

On combating the scourge of rampant corruption, which lately has also become more diffuse, the government has created a new Corruption Eradication Commission, led by a former police officer with a reputation for independence. The commission has already launched six cases, some against high government officials. More importantly, Indonesia’s vibrant, free press and dynamic non-governmental organizations (NGOs) are vigorously exposing corruption everywhere. Recent cases that have drawn public interest include corruption charges brought by local prosecutors against more than 200 local legislators in various regions of the country.

Another challenge confronting Indonesia is the threat to national unity and territorial integrity posed by separatist groups in the provinces of Aceh and Papua. We have responded to this threat by a combination of persuasion (negotiation), legislation and force. We have engaged the dissident groups in sincere dialogue and taken measures to redress grievances and bring about reconciliation. We have also accorded these provinces wide-ranging autonomy so that they can take control of their destinies and nurture their respective cultural heritages. We took considerable political risk by engaging the separatist Free Aceh Movement (GAM) in negotiations toward a cease-fire and political settlement, with the firm understanding that the starting point of negotiations was a law providing for wide-ranging autonomy to Aceh within the fold of the Unitary Republic of Indonesia.

After long and tedious negotiations, we managed to conclude a Cessation of Hostilities Agreement in December 2002. It turned out that the separatists had negotiated in bad faith—soon enough, they reneged on their commitments. They refused to place GAM weapons in safe storage as agreed upon, and continued to campaign for an Aceh state, misrepresenting the Agreement as the first step toward independence. They attacked military and civilian facilities, smuggled in arms and engaged in extortion. We tried to save the Agreement through diplomatic effort, but to no avail. Since May 2003, therefore, the government has been carrying out in Aceh an integrated operation aimed at bringing in humanitarian aid to the province, ensuring the normal functioning of the local government, maintaining peace and order, and defending the territorial integrity and sovereignty of the Republic. We hope that the situation in the province will be back to normal within a few months.

As Kirsten Schulze, a lecturer at the London School of Economics, recently wrote in Singapore’s *Straits Times* (July 1, 2004), “Aceh is not a one-sided conflict and the GAM is far from fighting an honorable war.” During the past year alone, the GAM has taken some 300 civilians hostage, including two well-known television journalists from Jakarta (Ersa Siregar and Ferry Santoro) and the wives of two airforce officers. Civil servants, local politicians, legislators, village heads and teachers have all been victims of GAM intimidation, shoot-

ings and kidnappings—often for ransom. The GAM has extorted from contractors and companies and, in 2001, severed Exxon Mobil pipelines, forcing the company to shut down. The GAM has also systematically terrorized Javanese migrants living in Aceh, considering them as representing the “Javanese neo-colonial” government in Jakarta. Some 120,000 people (virtually all Javanese) who have fled Aceh are today living in refugee camps in neighboring North Sumatra. Teachers have been shot for teaching the Indonesian curriculum instead of the GAM version of history. Politicians have been shot because they saw merit in autonomy rather than independence. Village heads have been shot for raising the Indonesian flag.

As Ms. Schulze has argued, murder in the name of freedom is still murder. It is time that liberation movements, just like states and the military, are held accountable for their actions—not because of political pressure from the governments fighting them, but because organizations like the GAM have been violating international law.

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With regard to the separatist movement in Papua, we address the challenge with the same diligence and patience that we are applying in Aceh—through dialogue, redress of legitimate grievances, and the implementation of wide-ranging autonomy. Unfortunately, sporadic violence still occurs in the province. For example, the August 2003 killing of two U.S. citizens and an Indonesian in the town of Timika in Papua was a particularly senseless act of murder. We know how important this issue is to the U.S. government. Our police authorities have worked closely with the U.S. Federal Bureau of Investigation (FBI) on this case and have established the identity of the perpetrators—who, when caught, will surely be brought to justice.

As to how Indonesia is coping with international terrorism, even the usual critics of the govern-

ment acknowledge that the police authorities have done a good job of bringing to justice the perpetrators of the Bali bombings and the attack on the Marriott Hotel. It is hoped that all the perpetrators of the bombing of the Australian embassy will also soon be rounded up. In dealing with terrorism, the Indonesian police, now under civilian control and in the process of intensive reform and professionalization, could not have been so successful without the support and technical assistance of the police forces of friendly countries like the United States and Australia. The terrorist network in Indonesia, although still capable of carrying out massive attacks, has been crippled. But, like governments everywhere, the Indonesian government has to succeed at anti-terrorism each and every day just to be spared from criticism, while the terrorists need only be lucky once to create the enormous impact that makes them look so formidable.

Attacking the physical manifestations of terrorism is indeed necessary in the short term. In the longer term, however, the only way to defeat terrorism is to remove its underlying causes. Terrorism arises from a sense of injustice and alienation, from ignorance and prejudice. It is fanaticism that feeds on grievances, hatred born of despair. There can also be no doubt that abject poverty, backwardness and especially the glaring social inequities that accompany those conditions are the seedbeds of anger and irrational hatred, which erode respect for the value of human life. To associate international terrorism with any particular religion, nationality or group of people is obviously wrong. The antidote to these maladies can only be a healthy dose of social and economic development and reform. We look to the United States, the world’s largest democracy, to be our partner in this endeavor.

We do not have any illusions that, in this age of globalization, we can solve all our problems by ourselves. That is why Indonesia is an ardent advocate of the formation of a genuine global partnership for development—one of the Millennium Development Goals, as well as an essential condition for meeting the Goals. In this spirit, we seek the cooperation and support of friends all over the world, including our important partnership with the United States. In the economic sphere, the operations in Indonesia of American business people and industrialists have been a major factor in the country’s economic



progress and stability. Our U.S. friends will continue to have a key role in Indonesia's pursuit of growth.

In the realm of security, we have an ongoing cooperation with the United States to combat the threat of international terrorism. This cooperation needs to be continued and strengthened. The Indonesian national police, at the forefront of the fight against terror, can benefit from enhanced capacity. With adequate training, technology and equipment, our police authorities are equal to any other police force. The pace of military reform, too, would be faster if military-to-military relations between the United States and Indonesia were restored as soon as possible.

We would also benefit if spared official advisories that warn against travel to Indonesia. They strangle our tourism sector and those of neighboring Asian countries. Terrorists would be pleased at

such a debacle. By strengthening and enlarging their partnership, both the United States and Indonesia have much to gain.

The United States can thereby prove to Muslims all over the world that it is capable of understanding and responding to Muslim sensitivities and aspirations. If the United States can earn the trust of the world's largest Muslim population, it can be worthy of the confidence of Muslims everywhere. Indonesia, in turn, can prove that Muslims are part of the solution and not part of the problem of international terrorism. It can also prove that Islam and democracy can work together and overcome the basic problems of poverty and social injustice.

If both countries can make that partnership flourish, they can improve global security and enlighten the world.



## Indonesia Forges Ahead

J. STAPLETON ROY

Indonesia is a success story, to a degree that is not adequately recognized in the United States. As with our own country, this success story has its darker side. In our case, U.S. history is burdened with the legacy of slavery, discrimination, high crime rates, and other social ills. Indonesia, since its inception as a nation, has had to struggle with its own set of troublesome domestic inadequacies. These include poverty, corruption, separatism, sporadic eruptions of violence, and outright human rights abuses. Like the United States, Indonesia has made dramatic progress in addressing these problems. In Indonesia's case, this progress has been stunning in recent years, but the remaining challenges are enormous.

Two problems confront the outside observer. The first is to find the right viewpoint for weighing the progress against the remaining inadequacies. If one chooses to focus on the dark side, there is more than enough material to present Indonesia in the worst possible light. However, the resulting picture will be no more accurate than the baleful view of the United States found in Soviet media during the height of the cold war. Painting too favorable a picture will also distort Indonesia's present reality. Obviously, a balanced approach will be most useful to those seeking to understand the direction in which Indonesia is heading and the processes at work.

If one's only goal is to gain an appreciation of what is happening in Indonesia, then a balanced view is enough. But for a policymaker who understands Indonesia's regional importance and wants to promote U.S. interests most effectively, then the second problem must be addressed, which is determining how to manage the contradictions inherent in dealing with an imperfect country of great consequence, when the complex mix of interests and values that is ever-present in American foreign policy often seems to point us in different directions. This is frequently the Achilles heel of our policy approach, since too often we select blunt tools that are ill-suited for the intended purpose. Getting it right is made more difficult by the nar-

row focus of the various interest groups that seek to influence U.S. policy.

To get the right perspective on Indonesia, it can be useful to apply the principles of quantum mechanics. In quantum theory, physical objects that appear stable and solid to the human eye are revealed to have a chaotic inner structure if one looks more closely. Similarly, if we adopt too narrowly focused a perspective on Indonesia, the appearance is of a chaotic situation. Conversely, if we step back to gain a broader view, a very different picture emerges: one marked by steady progress in a positive direction. Indonesian history over the last fifty-five years has seen many turbulent periods, but no country so ill-prepared for independence has come as far. Once poorer by half than Burma, its per capita income now dwarfs that of its northern neighbor. Far larger than other countries in the region, Indonesia has not tried to dominate or intimidate surrounding countries. With the world's largest Muslim population, extremist elements constitute a tiny fraction of the population, although their influence on Indonesian behavior is stronger than their numbers would suggest. This again parallels the United States, where well-organized interest groups can exercise an influence disproportionate to their numbers.

Indonesia has had six presidents in its history. None has been perfect, and yet each has made an important contribution to making the country what it is today. President Sukarno created the nation and gave Indonesians the feeling of belonging to one country, a singular accomplishment given Indonesia's ethnic diversity and geographic dispersion across a far-flung archipelago. President Suharto delivered stability and sustained economic growth, creating in the process an educated middle class that underpins Indonesia's current democratic transition. President Habibie gave East Timorese their freedom, got the Indonesian economy on the road to recovery from the Asian financial crisis, and presided over genuine democratic elections that replaced the carefully



orchestrated elections under his predecessor. President Wahid symbolized the humane and tolerant face of Indonesian Islam. President Megawati Sukarnoputri, as the candidate receiving the largest number of votes in the 1999 elections, personified the legitimacy of Indonesia's new governing institutions. And newly elected President Yudhoyono is Indonesia's third successive president to be selected through a peaceful and democratic process.

Over the six years since President Suharto's fall from power, Indonesia has exceeded even the most optimistic expectations in virtually every sphere. Until 1999, the only truly democratic elections in Indonesia's history had taken place in 1955. The 1999 elections took place at a time when the country had been wracked by violence the year before, the economy was still ravaged by the impact of the 1997 Asian financial crisis, and the president had announced his intention to permit the East Timorese to determine their future association with Indonesia through a referendum, a decision widely (and violently, in the case of certain elements within the military) opposed throughout Indonesia. And yet the Indonesian elections were free and fair, and produced a high turnout of eligible voters, as was the case with the referendum in East Timor. East Timor is now independent and enjoys good relations with Indonesia, a tribute to both countries.

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In other areas, Indonesia's economy, after hitting rock bottom in 1998, stabilized more quickly than most specialists had expected. The framework for government was strengthened through a number of constitutional revisions that turned the parliament into a genuine legislative body and provided for the direct election of the president. These changes were accomplished smoothly, to the surprise of those who had feared that opening the constitution to revision would pave the way for Indonesia to be turned into an Islamic country with more restricted rights for other religions. The role of the military in politics

has been significantly reduced. The concept of *dwi fungsi* (dual function), which legitimized the involvement of the military at every level of government administration throughout the country, is no longer orthodox doctrine. The practice of having a civilian minister of defense, a departure from the Suharto years, has been instituted.

An especially important development has been the reversal of the over-centralization of the country that marked the Suharto years. This was corrected through legislation that gave greatly strengthened financial and decision-making power to district-level units throughout the country. Again, this has had unexpected side effects, such as the grass-roots movement to combat corruption in regional governments that is spreading throughout the country.

The media is free and rambunctious, serving as a watchdog on the government and displaying all the exuberance and excesses that are part of the growing pains of a journalistic establishment that has only recently emerged from government controls. Indonesia's open political environment, in which avowedly Islamic political parties (suppressed under Suharto) can now participate freely in the electoral process, did not result in a sharp swing toward Islamic dominance in politics, as many thought might be the case. In both the 1999 and 2004 elections, the strongest political parties are still secular-nationalist in their orientation.

This pattern of progress in Indonesia is not adequately appreciated by those who focus on specific negative developments in the country rather than on the direction in which the country is moving. At the same time, the positive trends in Indonesia should not be permitted to obscure the reality that this large and diverse nation still has enormous challenges ahead. Separatism is a problem at both extremities of the country: in Aceh at the upper end of the island of Sumatra, and in Indonesia's eastern-most province of Papua. The reorientation of the military away from its traditional involvement in domestic politics and toward a primary national defense role is still a work in progress. The country's domestic institutions are still struggling with the challenge of how to hold the military accountable for abuses of its power, both past and current. The judicial system is in serious need of reform and has a long way to go before it can effectively serve as a check on arbitrary government, an unbiased enforcer of the rule of law in busi-



ness practices, and an upholder of justice for the Indonesian people. Indonesia still lags behind many of its neighbors in terms of its ability to attract new foreign investment. Its rate of economic growth remains substantially below the level of the Suharto years. Sporadic eruptions of violence continue to plague the country, and a series of terrorist incidents provides a stark reminder that the weakening of governmental authority that accompanied the end of authoritarian rule has, at least in the short term, increased the difficulty of ensuring domestic security from terrorist threats.

Faced with these circumstances, the challenge for the United States will be to find the most effective way to advance U.S. interests by strengthening positive trends in Indonesia. Our record in this respect has been spotty. We have been a strong supporter of Indonesia's new democratic institutions, and we have not wavered in our backing of the

struggle of the Indonesian people for strengthened protections for human rights. More troubling is the weakening of U.S. influence with the Indonesian military in response to a series of egregious incidents that resulted in a sharp reduction in the types of U.S. military education and training available to Indonesia's defense forces. Disengagement from the Indonesian military is not the most effective way to strengthen prospects for the emergence of a more professional, more disciplined, and more effective defense force in the world's third largest democracy. The political transitions in both Indonesia and the United States provide an opportunity to fine tune our bilateral relationship with a large, moderate, and influential country that can be an anchor of stability in Southeast Asia and a symbol of the compatibility of moderate Islam with democracy and modernization.



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