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Democratizing Indonesia:
Reformasi Period in Historical Perspective

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Introduction

Triggered by the Asian currency crisis, Indonesia plunged into the times of violent change. With the downfall of the long-standing Soeharto rule in May 1998, changes of the state order started with great magnitude and rapidity under a new banner of “*reformasi*” (reform). What changes have occurred in this *reformasi* period? What do these changes signify? To answer these questions, it would be better to have a certain yardstick to allow us comparison. One possibility is to use a yardstick of history. What picture will emerge if we see the current array of changes in long-term historical perspectives is a main question of this paper. This paper intends to provide a bird’s-eye picture illustrating where in the Indonesian history the current restructuring of the state order is located. Rather than focusing on a specific area, I here attempt to broaden our outlook on Indonesia’s political, economic and social arenas in order to identify what are happening in these arenas, how they are mutually related, and what those events signify in the Indonesia’s historical context.

1. Five Periods, Three Aspects and Three Approaches

This paper divides the history of Indonesia after her independence as a sovereign state in 1949 into five periods¹.

The first is the period of parliamentary democracy. Indonesia won international recognition as an independent sovereign state on 27 December 1949 with

¹ Although the proclamation of the Republic Indonesia was made in 17 August 1945, this paper does not deal with the period of independence struggle from 1945 to 1949, for it was a confused period from the viewpoint of state order.

the effectuation of the Resolutions of the Hague Round Table Conference. Soon after that, the country was changed from a federation to a single republic. Based on the 1950 Provisional Constitution that enacted in August 1950, party politics unfurled in the parliamentary system of the government during this period.

The second is the period of Guided Democracy led by President Soekarno. The Presidential Decree (*Dekret Presiden*) of 1959 sent the country back to the 1945 Constitution that imparted great powers to president. This took place because Soekarno got disgusted with unstable party politics.

While the above two periods are the conventional periodization, uniqueness of this paper's periodization may exist in a division of the Soeharto period into two time frames, before and after 1985. A significant feature of the Soeharto regime was thorough institutionalization of an authoritarian rule with *pembangunan* (development) as the national ideology. But its efforts to institutionalize the 'developmental authoritarianism' were concentrated on the first half of the Soeharto period until 1985. The Soeharto government in 1985 completed the process of the institutionalization by enacting five political laws --- three laws on the parliamentary system (the Political Party and Golkar Law, General Election Law and the Parliament Constitution Law) for making the parliament function as a regime-stabilizing device, the Mass Organization Law that made it mandatory for all organizations to accept *Pancasila*, the nation's five founding principles, as the only principle, and the National Referendum Law that in practice foreclosed the possibility of amending the 1945 Constitution.

I call this third period as the period of consolidation of the Soeharto regime. This period ranges from the time of the substantial seizure of power by then Army Minister, Lt.Gen. Soeharto by the 11 March 1966 Presidential Command Letter to the year of institutional completion of the Soeharto regime in 1985. This bifurcation to pre- and post-1985 periods can be applied to economic analysis too². This is because the

² It has been customary in economic analysis to periodize in reference to the fluctuation of real economy taken together with policy changes. For instance, Hill [1996:15-17] defined the following periods: rehabilitation and recovery (1966-70), rapid growth (1971-81), adjustment to lower oil

transfiguration of political regime after 1985 may have influenced the economy through economic policies. It is also because the G5 Plaza accord in 1985 triggered multilateral adjustment of exchange rates in East Asia and had a significant impact on the Indonesian economy with massive capital inflow.

I call the second half of the Soeharto regime ranging from 1985 to the fall of Soeharto in May 1998 as the period of transfiguration of the Soeharto regime. This was the fourth period of the post-independence Indonesian history. After 1985 the Soeharto regime, losing internal dynamism in creating new institutions, became concerned with conservation of the established political system. But in that very period new dynamics emerged in the economic and social arenas as international pressure built up for political democratization and economic liberalization, generating conflicts between the Soeharto regime and society.

The fifth period is the post-Soeharto period, called as the period of *reformasi*. The Soeharto government collapsed on 21 May 1998, igniting the process of disintegration of the Soeharto regime itself. Replacing *pembangunan* (development), *reformasi* (reform) became the slogan of the new era as well as the basis of legitimacy of the post-Soeharto governments. In the subsequent three years and a half, Indonesia has had three presidents --- B.J. Habibie (May 1998 to October 1999), Abdurrahman Wahid (October 1999 to July 2001), and Megawati Soekarnoputri (July 2001 to the present).

This paper analyzes the change over time of the state order from three aspects, namely political system, economic system, and the state-society relationship. The following Section 2 traces institutional changes that occurred in the five periods from these three aspects. Here I follow a “progressive approach”, in which institutions of the preceding period are regarded as a determinant of those of the following period. In

prices (1982-86), and liberalization and recovery (1987-). Sato [1995:336-7] used the following: rehabilitation and development commencement period (1966-73), oil boom period (1974-81), structural adjustment period (1982-86), manufacturing-export-led growth period (1987-). For periodization by industrialization policy, refer to Mihira and Sato eds. [1992], Chapter 2.

Section 3, I follow a “retrogressive approach”³, whereby the institutional and structural changes in the period of *reformasi* are regarded as having been already prepared in the preceding period. From this angle I pay attention to what was happening in the transfiguration period of the Soeharto regime after 1985. Section 4 describes what is happening in the period of *reformasi* from the three aspects, using a “contemporaneous approach”. On that basis, in Chapter 5, I attempt to reexamine the period of *reformasi* in the Indonesia’s historical context and to provide its future prospect.

2. Historical Changes in the Political System, Economic System and State-Society Relationship

2-1. Changes of the Political System

Figure 1 gives a simplified picture of the changes of political system, economic system, and state-society relationship encompassing the five periods. As the figure indicates, the Indonesian political system has taken three successive forms.

The first was a democratic system adopted in the parliamentary democracy period of the 1950s under the 1950 Provisional Constitution. This Constitution (*Undang-Undang Dasar Sementara Republik Indonesia*) inherited the contents of the Constitution of the Republic of the United States of Indonesia (*Konstitusi Republik Indonesia Serikat*), which was prepared and approved by the Hague Round Table Conference in 1949⁴. The 1950 Provisional Constitution embodied West European

³ “Progressive approach” and “retrogressive approach” are based on Suehiro [2002].

⁴ The effectuation of the Resolution of the Hague Round Table Conference on 27 December 1949 transferred sovereignty from the Kingdom of the Netherlands to Indonesia. The sovereign state thus emerging was the Republic of the United States of Indonesia. However, the Republic of Indonesia, one of the constituent states of the federal system, subsequently absorbed other states to form a unitary republic. On 15 August 1950, the 1950 Provisional Constitution was promulgated as the Constitution of the Republic of Indonesia. With this, the federal system was terminated and a

constitutionalism and democracy as basic thought. It provided for separation of powers under the representative polity and included detailed clauses guaranteeing basic human rights. It was entirely different from the 1945 Constitution promulgated with the Proclamation of Independence on 17 August 1945, which imparted strong powers to the president based on the Indonesian (Javanese to be more precise) traditional thought. On the basis of the 1950 Provisional Constitution, the parliamentary party politics flourished in the 1950s.

The second was the authoritarian system President Soekarno introduced during the Guided Democracy period. Learning that the attempt of party politics in the 1950s brought nothing but political instability and gave rise to local insurgencies, Soekarno threw away the idea of parliamentary democracy. He suspended the 1950 Provisional Constitution and decided to return to the 1945 Constitution by his 5 July 1959 Presidential Decree. In fact this was the first time the 1945 Constitution was fully enforced, as it was anomalously implemented in the period of independence struggle. Soekarno's tools of governance claimed to be based on the 1945 Constitution were, for instance, the president-led cabinet where President was concurrently the Prime Minister, suspension of the House of Representatives (DPR), suspension of general elections, inauguration of DPR and the Provisional People's Consultative Assembly (MPRS: the supreme organ of the state) with members appointed by the President, enactment of the 1959 Political Party Law that restricted political parties' activities, and dissolution of anti-government political parties by the President. Undoubtedly these were tools of authoritarian governance. This system, called Guided Democracy, was "democracy" in a genuinely Indonesian sense. It was *kerakyatan*⁵ to be guided by

unitary republic was founded. This Constitution retained almost all of the contents of the Constitution of the Republic of the United States of Indonesia, except for clauses referring to the federal system. It was called "provisional" because it stated that the Constitution of the Republic of Indonesia would be made at a constitutional assembly to be later organized.

⁵ *Kerakyatan*, in direct translation, means "populism." This should be distinguished from "democracy" as a concept originated from the Western thoughts. The origin of Indonesian

Soekarno's wisdom. Soekarno as "the people's spokesman" was assumed to directly represent the will of people (*rakyat*) without the medium of elections. It was certainly charismatic personal rule where there was no place for political institutions per se.

Indonesia's second president, Soeharto, inherited this Soekarno's authoritarian system and elaborated it to a political institution. Soeharto innovated on the system in three ways. Firstly, he diluted the personal aspect of the system and institutionalized it by introducing democratic formalities like DPR, People's Consultative Assembly (MPR) and general elections. This was to allow him to claim that he was not ruling as a charisma but as a president elected by the people in a parliamentary system. But in reality, he created a mechanism of control so that the ruling governmental party without fail won general elections and MPR invariably elected him. Secondly, he upheld the national goal of *pembangunan*, or economic development, that his predecessor obviously failed to attain. By the logic that political stability was the prerequisite of economic development, Soeharto justified his authoritarian rule. Thirdly, Soeharto achieved social stability by establishing unitary control on society and depoliticizing it. Soeharto's method of depoliticization of the society stood in contrast with Soekarno's method of political mobilization, where Soekarno allowed pro-Soekarno parties to mobilize the society and he himself relied on direct support of the politicized masses of people. Soeharto completed the authoritarian system of his style in 1985, and did not change its institutional framework until his government collapsed.

The third is the democratic system in the period of *reformasi* that drastically departed from the preceding authoritarian system after the downfall of the Soeharto

kerakyatan is traced back to the nationalist movements at the beginning of the 20th century. In the 1920s, Ki Hadjar Dewantoro, a pioneer of the nationalist movement, defined the future Indonesia as a community embodying the people's will, thereby establishing the concept of people's sovereignty. As to how the people's will was to be exercised, R.M. Soetatmo Soeriokoesoemo advanced the idea that it would be enacted through the leader's exercise of wisdom. Refer to Tsuchiya [1982] [1994] for details, and see also Kawamura [2003].

government. The currency crisis cancelled the achievement of *pembangunan* that had justified the Soeharto's authoritarian rule. Popular movements for *reformasi* then arose, asking to reform the negative aspects of the rule and leading President Soeharto's step down. Following his resignation, the setup of political institutions that had underpinned the Soeharto regime were completely renovated within a year or so. Under the new political laws, a free general election was carried out and Indonesia's president was elected for the first time by vote at the newly organized MPR in October 1999. With these events, it can be judged that Indonesia shifted from authoritarian system to democratic system⁶.

How Indonesia treated its constitution at this juncture is worthy of note. Instead of making a new constitution with democratization of the political system as were the cases with the Philippines and Thailand, Indonesia preferred to maintain the 1945 Constitution and adapt it by amendments. It was amended four times in October 1999, August 2000, November 2001 and August 2002. After these amendments, almost nothing actually remained of the original clauses except its preamble. But it is still called the 1945 Constitution. The adherence to the 1945 Constitution has a historical reason. The integrity of Indonesia as a single nation state despite its vast diversity almost solely consists in the fact that the peoples from far-flung territories shared the 1945 Proclamation of Independence. The 1945 Constitution incarnates the shared spirit of independence. Despite of this adherence, the democratic system now in the making is quite different in basic philosophy from the political system provided by the original 1945 Constitution. It is also different in constitutional foundation from the democratic system of the 1950s under the 1950 Provisional Constitution. Although party politics

⁶ This of course does not mean that a democratic system in Indonesia was consolidated. A process of trial and error will further continue searching for a democratic system appropriate to Indonesia. Regarding the concepts of transition and consolidation, this paper sees that the country completed transition to democracy with the October 1999 MPR and entered into a consolidation process, although it would be possible to argue that the transition process is continued into the subsequent middle-term period of groping democratic institutions.

now reviving have some similarities as in the 1950s, the Indonesia's era of *reformasi*

Figure 1 Historical Changes in the Political System, Economic System, and State-Society Relationship

Period	1949- Paliamentary Democracy Period	1959- Guided Democracy Period	1966- Soeharto-Regime Consolidation Period	1985- Soeharto-Regime Transfiguration Period	1998- Post-Soeharto Period
Government	Soekarno		Soeharto		Habibie/A.Wahid/ Megawati
Basis of legitimacy	<i>Revolusi</i> (Revolution)		<i>Pembangunan</i> (Development)		<i>Reformasi</i> (Reform)
Political system [Constitution]	Democratic system [1950 Provisional Constitution]	Authoritarian syster [1945 Constitution]			Democratic system [amended 1945 Constitution]
Economic system	Capitalist system Liberal economy	Socialistic system Controlled economy	Capitalist system Liberal economy + Government intervention		
Main actor	Foreign	State	Private (Chinese) +State	Private (pribumi)	Private State + Foreign
Performance *	Middle	Low Crisis	High Low	High Crisis	Low Middle
State-society relationship	No control + Politicized	Control + Mobilization	Control + Depoliticized		Decontrol Reordering

Note: * High: 6-8% growth per annum, Middle: around 4% growth, Low: around 2% growth, Crisis: minus growth.

Source: by author.

has now stepped into is an entirely new stage from the point of view of evolution of political system. Indonesia in this sense now faces a new historic challenge.

2-2. Changes in the Economic System

The Indonesian economy has gone through three successive systems. But the economic system changes have not corresponded to political system changes (Figure 1).

The first economic system Indonesia had was the 1950s economic system carried over from the colonial economy, whose continuity was ensured by the Resolution of the Hague Conference. Figure 1 characterizes this period as “a liberal economy under the capitalist system centered on foreign capital”. It meant a system unified with the Dutch economic system. Looking at economic actors, Euro-American capital centering on the Dutch controlled the backbone of the economy and Chinese capital as a part of foreign capital had its grips on commerce and small industries. Policy efforts were made to substitute *pribumi* (indigenous Malays) capital for part of the foreign capital but that did hardly work. Basically the colonial economic structure stayed untouched throughout this period [Thomas and Panglaykim, 1973; Glassburner 1971].

The second economic system introduced in tandem with President Soekarno's Guided Democracy was *Ekonomi Terpimpin*, or Guided Economy, a socialistic controlled economy. In the second half of the 1950s, Soekarno had become frustrated with the failure of parliamentary politics as well as with its inability to wipe out colonial economic legacies. Public pressure also mounted calling for state direct intervention in the economy. In 1958 the government ventured to nationalize Dutch properties. Following this, state-led economic system was introduced, setting state enterprises as the core of the national economy and placing the private sector under state control through cooperatives and trade associations. But this system soon turned out disastrous as state enterprises showed poor performance, fiscal deficits enlarged and inflation was aggravated.

The third was a capitalist system that Soeharto introduced immediately after his ascension to power. This marked a drastic change of direction from Soekarno's socialistic economic system. The new economic system focused on economic liberalization, open-door policy to foreign capital, development policies emphasizing promotion of food production and industrialization, macro economic stabilization suppressing fiscal deficits and inflation, and aid acceptance from IMF, the World Bank, the United States, the Europe and Japan. This change represented a shift of Indonesia's

position from the East to the West in the Cold War context. The Soeharto government swiftly prepared legal institutions to implement *pembangunan* by 1968 and started to intervene in the economy through these institutions. From this time to the present *reformasi* period, the basic framework of Indonesia's capitalist system supported by foreign aid and a certain level of government intervention, basically remains unchanged. However, the chief economic actors were changed. In the Soeharto-regime consolidation period, it was ethnic Chinese capital and state capital that expanded remarkably. In the regime's transfiguration period it was *pribumi* big capital that grew faster. With the collapse of the Soeharto regime, this structure was subjected to reorganization with private big capital being nationalized or being sold to foreign capital [Sato, 2003].

Let us here look on the political and economic systems together to clarify the differences between the two transitions, one from the Soekarno to the Soeharto era and the other from the Soeharto to the post-Soeharto era. The Soeharto government inherited the authoritarian system and spent one and a half decade in its institutionalization, while in the economy it quickly replaced the socialistic system with a capitalist system. This quick replacement was possible largely because the West countries offered a model of capitalist economy to Soeharto's Indonesia⁷. In contrast, in the post-Soeharto transition, Indonesia shifted swiftly from authoritarian system to democratic system, while in the economy it has inherited the capitalist system and is struggling to reorganize its structure. The rapidity of change in the political system indicates that most of the post-Soeharto political actors shared the common values they all should pursue, that is, political liberalization, democratization and a guarantee of human rights.

2-3. Changes in the State-Society Relationship

There may be more angles than one to analyze state-society relationship, but here I adopt the extent of control by the state over society as a relevant angle to this paper's framework. It is considered that state control on society in Indonesia has gone through

⁷ For instance, Mihira [1995: 201-212] verified the crucial role IMF's advice played in the making of the "Renovation of the Basic Economic, Fiscal and Development Policies" (Provisional MPR Decision No.23, 1966), the first basic economic policy in the Soeharto era. This policy was announced in July 1966, only four months after Soeharto came to power and even before Indonesia officially rejoined to IMF.

four successive processes, in parallel with changes in political and economic systems (Figure 1).

The first stage was a situation of almost no state control over society in the parliamentary democracy period. At that time Indonesia had no state nucleus capable of intervening in social processes with a unified political will, capable in the sense of substituting for the colonial administration. Nor was the state equipped with mechanisms to intervene. There certainly were the party cabinet, parliament, bureaucracy and military, but they were alike weak as the body of intervention in society. Under these circumstances, various social actors launched their own social movements guided by their respective political wills, challenging or penetrating the state machinery in different directions. These movements were motivated by religion, ethnicity, regionalism, anti-Java feelings, or political ideologies. Among these movements included some anti-central government movements like Darul Islam movement seeking to establish an Islamic state, the Republic of South Maluku movement refusing integration into the Republic of Indonesia, and a Revolutionary Government of the Republic of Indonesia led by the Masyumi (Majelis Syuro Muslimin Indonesia) party and the Indonesian Socialist Party (Partai Sosialis Indonesia: PSI) allied with local military forces.

The second stage arrived when the state began to control society under Guided Democracy. This period was opened up by President Soekarno's repression of local rebellions. The control power of the state was strengthened in pace with the rise of the military, particularly the Army, as a political force. On the other hand, as Soekarno began to lean toward the left, the Indonesian Communist Party (Partai Komunis Indonesia: PKI) activated mass mobilization as part of Soekarno's political base. Land reform promoted by PKI antagonized rural-based Islamic force, Nahdlatul Ulama Party. At this stage, though state began controlling society, plural political forces in the state were intervening in society in their respective ways. The state resorted simultaneously to contradictory means of social control --- political repression and mass mobilization.

The third stage, one of unitary state control of society, arrived with the establishment of the Soeharto regime. As an Army officer, Soeharto was keenly aware that state control of society and center's control of regions were the key to the stability of the state and society. The Soeharto government introduced multifaceted tools for social control. Firstly, it weakened political parties, prohibited political party activities at the subdistrict and village levels in order to depoliticize society. Secondly, it established a unitary, centralized and nationwide governing machinery through two sets of hierarchies --- an administrative hierarchy of the bureaucracy and a security hierarchy

of the military regional headquarters --- from the central, provincial, through district, subdistrict to the village levels. Thirdly, all social sectors such as farmers, workers, teachers, and youth were organized each into a single official organization so that the central government could control social movements down to their local branches. Fourthly, the government had all the social political organizations accept *Pancasila*, the five founding principles of the nation, as the only principle to be followed. With this, the government de-islamized and depoliticized Islamic organizations. Fifthly, benefits of development were made tangible to the lowest social strata by education and public health services. Standard education was spread to help form a uniform Indonesian nation. Sixthly, the military would physically eliminate social resistance still continued in spite of all the above tools. In the first half of his rule, Soeharto completed his system of social control using these multiple measures and kept the system in place until the end of his rule.

The fourth stage is the current post-Soeharto stage where the thoroughgoing social control mechanism by the state was lifted. The Soeharto regime's social control and power centralization were put to review and shifted toward decontrol of society and decentralization. The shift released long-suppressed popular protests. Also, inter-community conflicts exploded in many places. It would appear that Indonesia's state-society relationship has gone back to the original state where the government had no control power, but that would not be a right perception. It would be more appropriate to view the current stage as a period when Indonesia is getting rid of the combination of a power-centralized strong state and depoliticized, uniform and weak society. Indonesia is now in search of a more balanced relationship between a power-dispersed state and a society of diversity. Though depoliticized, there were quite a few social organizations working already under the Soeharto regime, conducting various activities such as religious, rural development, social education, and civic movement. In the era of *reformasi*, these social organizations have been given freedom of activities and even obtained the freedom to appeal to the government. Indonesia has entered into a stage searching for balanced state-society and center-region relationships, drawing lessons from the experiences of the preceding three stages.

3. What Was Happening in the Soeharto-Regime Transfiguration Period?

3-1. Why is the Review of the Transfiguration Period Important?

In the preceding section, I situated the current *reformasi* era in the history of the

changing political system, economic system and state-society relationship. This is the necessary procedure if we want to understand this era in the context of the Indonesian history. But this approach alone would not allow us to see the dynamism that has caused the changes of systems. Let us ask, for instance, whether the energies that brought about system changes in the *reformasi* era were born anew with the end of the *pembangunan* era, or had already been accumulated under the previous regime? We would hardly be able to answer this question merely by recourse to the progressive approach we earlier used.

Tracing back the changes in the *reformasi* period, we can find many of them had their origins in the second half of Soeharto's rule. This is why I divide the Soeharto era into two periods and discuss the second half independently in this section. In other words, we need to analyze what happened in the Soeharto-regime transfiguration period if we want to understand the era of *reformasi*.

After 1985 the Soeharto regime lost original dynamism of institutional buildup and began to devote itself to preservation of the entrenched political system. As to the passage from the first to the second period, Shiraishi [1992] [1997], focusing on President Soeharto himself, provided accounts about how Soeharto's own transfiguration transfigured the regime. Soeharto had been successful in keeping a delicate balance between the logic of state, namely, developmentalism, as the head of state, and the logic of family, *kekeluargaan* (family principle or familyism) as a father of the nation. But gradually he began to lean toward familyism, one in the narrowest sense --- predilection for his wife and six children. To put it differently, Soeharto prioritized the military to secure stability and ethnic Chinese to achieve development in the regime consolidation period. But after 1985, he began to shift his support base from the military to Islam and from ethnic Chinese to *pribumi* (Sato [2002] 78-81). Ultimately, in my version, this shift reflected his desire to bequeath state power to his eldest child (the first daughter), for which the support of *pribumi* and Islam circles was indispensable.

In this paper I would like to call attention to another viewpoint. The solid authoritarian regime Soeharto established by 1985 seems to have failed to adapt to the changes in the international environment after 1985. It also failed to absorb dynamism for social change influenced by the external environment. This failure generated internal contradictions within the regime and conflicts between the regime and society. The contradictions and conflicts eventually generated energies for regime change that ushered the era of *reformasi*. In other words, the great changes that occurred in the *reformasi* era originated where and when the regime had already been plagued by

contradictions.

Two international factors mainly affected the Soeharto regime from the latter half of the 1980s through the 1990s. One was the trend for democratization and respect for human rights as the main concern of the international community after the end of the Cold War in 1989. The other is the rise of the trend for economic liberalization and market economy. Let us now examine how the Soeharto regime responded to these two international trends.

3-2. “Democratization from Above” and its Limitations

In response to the international trend favoring democratization, the Soeharto government set out to try “democratization from above.” President Soeharto became 70 years old in 1991, and voices were raised calling for “openness” (*keterbukaan*) to long tabooed political discussion about the future of Indonesia, including succession of power. The discussion was kicked off in 1989 by an article titled, “Aspiring to normal politics” by retired Army Gen. Soemitro [1989]. In that article he claimed the need for making rules for change of government. The then U.S. Ambassador to Indonesia Paul Wolfowitz backed Soemitro asking for smooth government change and political “openness”. Confident in its ability to keep society under control with the institutional consolidation completed by 1985, the Soeharto government eased restriction on expression. In 1990 the government further lifted a ban on workers’ strikes and a ban on political activities on campuses. A series of policies for “democratization from above” was thus enforced, animating activities by workers, press, students, communities, human rights NGOs and environment NGOs. For instance, following the lifting of the ban on strikes, labor strikes increased from 19 in 1989 to 61 in 1990 and 112 in 1991. At least two new unofficial labor unions were organized, in addition to the existing single official labor union.

But it was not long before the “democratization from above” policy showed its limitations. As workers’ demonstrations developed into riots and as the press began to expose intra-ruling group feuds, the government cracked down on them, arresting and incriminating the chairperson of the unofficial labor union and banning influential journals⁸. The Soeharto government came out in full force to repress movements of

⁸ For example, after workers’ demonstration organized by the Indonesia Welfare Labor Union (SBSI) triggered the Medan riot in 1994, the union chairman Mochtar Pakpahan was arrested. Another example was the prohibition of Tempo and two other journals in 1994. This is because the

“democratization from below” that became active in response to the “democratization-from-above” policy, the moment the government judged their demand for political participation to have gone beyond the permissible level. But this repression came just when the social pendulum was swinging toward “openness”. The repression even helped society more keenly perceive contradictions of the regime and awaken people politically. It was in this period that conflicts came open between the authoritarian state clinging to unitary control by social depoliticization on the one hand and the increasingly politically awakening society on the other.

Unlike this domestic politics, the East Timor issue as an international issue followed a different trajectory. Reacting to international trend for respect for human rights, the Soeharto government in 1989 “opened” East Timor to foreign visitors. The government intended to impress foreigners with the progress of *pembangunan* in East Timor and thus to eclipse the image of human rights violation so that it would win international recognition of the annexation of East Timor. In the same context, Indonesia volunteered to be a member of the United Nations Commission on Human Rights. But the East Timorese independence movement, stepping into the focus of global attention, invigorated its activities. In this setting, the so-called Dili incident took place in November 1991. Indonesia’s security forces opened gunfire against funeral marchers for independence activists in the East Timor capital city, Dili. The Indonesian government announced 50 killed, while the Amnesty International estimated 100-270 killed. This incident invited heavy accusations from the international community. The Dutch government, chairing the Inter-Governmental Group on Indonesia (IGGI), froze aid to Indonesia. The Indonesian government with unusual rapidity made an investigation, announced the result, and dismissed two military commanders. Unlike the above-mentioned domestic cases, the East Timor issue thus forced the Soeharto government to react to international repercussions. Following the Dili incident, the government established a National Committee on Human Rights (Komnas HAM) in 1993 to placate international opinion. This government committee in later years developed its own human rights-protecting activities, relatively independently from the government. It played the role of the only official channel Indonesian society could

press exposed that the Minister of Finance and the military had criticized state minister in charge of research and technology, B.J.Habibie, on his purchase of used East German warships. See IDE ed. [1995] for details. In 1993, Marsinah, a female labor movement leader, was murdered. This case drew public attention as the military was suspected to have involved in. But fact finding efforts by the Attorney’s Office reached an impasse.

utilize to voice its political demands and grievances on human rights violations.

3-3. Dualism in the Indonesia's Response to Economic Liberalization

The Indonesian economy entered into a sustained boom from the end of the 1980s, particularly after massive capital inflow from Asian NIEs and Japan began following the 1985 G5 Plaza accord. Under the influences of the international trends for economic liberalization, Indonesian firms began to assimilate globalization practices with regard to fund procurement and multinational investment. Some leading firms, eager to obtain lower-cost longer-term funds, rushed to borrow from overseas, while others actively extended their business into Hong Kong, China, and ASEAN countries.

The emphasis of government economic policies at that time was on economic liberalization and private capital utilization. As for liberalization, the government cut tariffs, abolished restrictions on foreign investment, and took other trade and investment deregulation measures. In an effort to utilize private capital, the government encouraged private firms to participate in public work and resource development projects, which had long been monopolized by state-owned enterprises, mainly on a BOT (build, operate and transfer) basis.

These economic liberalization measures, however, generated dualism in economic structure and policy implementation. In the first place, established business groups activated fund raising from overseas sources, while newly-developing business groups became more dependent on domestic banks, particularly state-owned banks. In the second place, when a downstream sector of a given industry was liberalized with tariff cuts, it was often coupled with protective measures for the midstream and upstream sectors for import substitution. Such protective measures were not limited to higher tariffs but also included non-tariff barriers, for instance, designation of a few producing or import companies. This last measure was applied, among others, to the steel and petrochemical industries. Thirdly, in privatization projects originally intended to increase efficiency, some specific companies often won project contracts without open bidding. In such cases, the government allowed the winning contractors to set service prices higher than the international average.

From the end of the 1980s on, such lucrative business opportunities as privatization projects, investments into protected industries, and massive state bank loans began to be allocated increasingly to specific businessmen. They were not capable to make use of globalizing economy but had inside tracks within the ruling groups. The most conspicuous of such specific businessmen were children and relatives of President

Soeharto, including his eldest daughter and his third son. Behind the economic liberalization, the structure of KKN (*korupsi, kolusi dan nepotisme*, that is, corruption, collusion, and nepotism) of favor for the Soeharto family and politically connected businessmen became even more entrenched. Indonesian people, now becoming politicized, were increasingly aware that KKN was a built-in fault of the Soeharto regime. It is true that the real income level of the society was generally rising thanks to the booming economy, but people who had no connection with powers felt relative deprivation against the privileged classes.

To sum up, the Soeharto regime in its transfiguration period, though it did ease social control to adapt to the democratization trends, decisively rejected society's demands for political participation. While liberalizing economy, it used liberalization in a perverted manner to build up a mechanism to benefit specific politically-connected capitalists. Political awareness in the society helped the public to see this development critically. It later led to a rise of popular movement for *reformasi*, eventually bringing the most conspicuous changes in the two areas, democratization of political institutions and dissolution of the vested interest structure of the economy.

4. What Is Happening in the *Reformasi* Period?

Now let us take a look into what is happening in the *reformasi* period following the fall of the Soeharto government. I examine this with regard to political system, economic system, and state-society relationship⁹. Broadly speaking, *reformasi* signifies an antithesis to the Soeharto regime. It demands a shift from authoritarianism to democracy, from power concentration to decentralization, from political suppression to liberalization, from social control to liberalization, and demands dissolution of the vested interest structure under the Soeharto regime.

4-1. Change of the Political System

⁹ For post-Soeharto political and economic transformation, New Zealand Asia Institute [1999], Manning and Diermen [2000], Soesastro et al. [2003] follow new developments, and Lloyd and Smith [2002] provides historical perspective. For economic system and policies, see Boediono [2002], Ikhsan et al [2002], Rachbini [2001]. Most of economic analysis, however, does not directly deal with institutional changes in economic policy making process. The analysis here owes much to a series of discussion in a research project on "transformation of Indonesia's political and economic systems and its prospects" organized by IDE in 2000-2002.

--- from Simple Liberalization to a Search of New Institutions

After President Soeharto stepped down on May 21 1998, political laws that had served as the core of the Soeharto's authoritarian system was abolished and replaced by new laws. Under the new laws, free general elections were held in June 1999. The People's Consultative Assembly (MPR) consisting of newly elected members was convened in October 1999, and elected President by vote for the first time in the Indonesian history. At the same MPR session, the 1945 Constitution that imparted strong powers to the president was amended for the first time since Indonesia's independence. With these events, it can be considered that Indonesia departed from the authoritarian system and shifted to a democratic system.

A major achievement in the period before the election of President Abdurrahman Wahid in October 1999, namely the period of Habibie government was, in a word, political liberalization. In concrete, it comprised the guarantee of political freedom and political participation, and decentralization of presidential power [Kawamura, 2000:14-18]. Regulations on speech, assembly, association and thoughts were liberalized and these freedoms were later guaranteed as basic human rights in the 1945 Constitution at the second amendment in August 2000. Election systems were renovated to guarantee people's political participation. The freedom of setting up political parties was recognized and party activities became legal down to the village level. Public servants were given the freedom of choosing political parties, other than the previous ruling governmental party Golkar. President's discretion to intervene in political parties and to machinate the parliament was greatly restricted. The amended Constitution 1945 provided that the same person can be elected president only twice and the office of President shall be 10 years at maximum.

The liberalization of political institutions has brought about the following evolutionary process: Formerly suppressed forces came to rise making use of the newly acquired freedom; the rise of new forces destabilized politics; learning from the instability, the political players started a search for a more balanced political institutions.

Political parties and their home ground, the House of Representatives (DPR), began to play the most conspicuous role in the central politics. DPR for the first time exercised its right to legislation at the instance of House members and right to interpellate the government. DPR also became to take an active part in political processes through policy discussions and approval (or disapproval) on appointments of chiefs of government agencies. When President Abdurrahman Wahid excluded

political-party-based ministers from his cabinet, DPR openly confronted him by adopting two warning memoranda addressed to the President. It was on DPR's strength that MPR was convened to decide dismissal of Abdurrahman Wahid. DPR thus in practice placed MPR, a supreme state organ having the right to appoint or dismiss President, under its control, and easily ousted the democratically-elected President before his term expired. President on his part had no power to dissolve DPR. Although Indonesia adopts the presidential system, DPR substantially rose to a position superior to the president. This shows that political liberalization brought reversal of power between DPR and President and consequent political instability.

The task that emerged in this situation is introduction of a new political institution that operates on checks and balances and enables stability even under the condition of multiple political parties. The third and fourth amendment of the 1945 Constitution in November 2001 and August 2002 can be evaluated as the first step of institutional reform toward this direction. The main points of the amendments were as follows: (1) president and vice-president shall be elected directly by public vote, and no longer by MPR; (2) the legislature shall be made to have two houses by establishing the House of Regional Representatives (DPD) in addition to the House of Representatives (DPR); (3) MPR shall be constituted as the joint body of the two houses, with the right to establish the constitution and the right to dismiss president and vice-president; (4) the Constitutional Court which has the right to judge unconstitutional legislation is established in the judiciary. On the occasion of dismissal of president and vice-president, this court shall judge illegality of the questioned action before MPR is convened.

The new institution will be put into force beginning with the general and presidential elections scheduled for 2004. This reform intends Indonesia to depart from its unique mechanism of MPR as a single supreme state organ¹⁰ toward the separation of three powers. But the powers of the legislature will still remain superior to president even under the new institution, though the position of president is strengthened by direct election. The search for a democratic and more stable political institution appropriate to Indonesia will still continue after the elections in 2004.

The pendulum has swung widely over the reform of the military, too. At the beginning of democratization, a demand for the military reform moved to an extreme end, a radical reform, and then in the opposite direction, toward reappreciation of the role of the military. Since the military was an important component of the Soeharto regime, society demanded its radical reform. Reformers focused their criticism on the

¹⁰ For uniqueness of Indonesia's MPR system and the origin of this idea, see Kawamura [2003].

“dual functions” (*dwi fungsi*) assigned to the military --- national defense and security function and social political function. They insisted that the military’s social political function should be abolished and that security function should be transferred to civilian police, restricting the military only to the national defense role. Faced by this pressure, the military carried out a self-reform for depoliticization, abolishing social political posts in the national and regional commands, prohibiting active military service personnel from taking political posts, and reducing the number of appointed seats for military representatives in the parliament¹¹. The Habibie government separated police from the military, placing it under civilian control, and withdrew garrison forces from Aceh and East Timor where struggle for independence continued. President Abdurrahman Wahid went further to opt for peaceful solutions, by suspending use of military forces in Aceh and Papua (called Irian Jaya up to January 2002) and by starting dialogue with independence movements. He also pushed forward civilian control over the military, for the first time appointing a civilian to the Minister of Defense and a naval man to the Commander of the military.

But as the public security deteriorated in Aceh and conflicts in other regions became aggravated, nationalist forces sharing the same philosophy with the military raised their voices calling for strong security functions of the military. The pledge of depoliticization notwithstanding, the military played a decisive role in pulling Abdurrahman Wahid down from presidency by not obeying the President. As Megawati, the head of a nationalist party, became President, voices became louder in the government for the need to revive the military’s security and intelligence functions. While the peace dialogue in Aceh bore fruit in the peace agreement with GAM (free Aceh movement) in December 2002 on the one hand, the once abolished area command of the Army (Kodam) in Aceh was revived and military units were reinforced on the other hand. President Megawati eventually announced a start of full-scale military operations in Aceh against GAM in May 2003, after the peace agreement broke down with a failure of disarmament. This development clearly shows that a backlash is occurring pressing the military’s recovery as a guardian of national stability. The amended 1945 Constitution defined the mission of the national military as “defending,

¹¹ The second amendment of the Constitution 1945 in August 2000 in practice decided abolishment of the appointed seats for the military in DPR in 2004 by stipulating that all the seats in DPR shall be elected through general elections. In addition, the fourth constitutional amendment in August 2002 settled to abolish the appointed seats for any fractions including the military in MPR in 2004 by stipulating that MPR shall be composed only of members of DPR and DPD.

protecting, and preserving the national integrity and sovereignty.” In reference to this constitutional provision, efforts to properly locate the military’s functions in the overall state order will still continue for the next term of the government from 2004 to 2009.

4-2. Reform of the Economic Structure

In contrast with the dramatic institutional changes in the political arena, reform efforts in the economic arena are more time-consuming. The reform intends to reorganize the economic structure while preserving the basic institutional framework in the previous era. Hit by the 1997 Asian currency crisis, Indonesia too launched an economic reform accepting the IMF conditionality just as other crisis countries. But in the Indonesian case, the economic reconstruction in the banking and corporate sectors required to disintegrate the structure of vested interests formed under the Soeharto regime.

The Indonesian Bank Restructuring Agency (IBRA) set up by the government in 1998 took the initiative in the banking reform and disposal of corporate debts. As the IBRA work proceeded, the map of big business has been redrawn at least in three ways. Firstly, as bank ownership of major banks changed through closure, nationalization and capital injection, the earlier capital ties between banks and business groups almost completely disintegrated. As a result, most of the surviving banks became independent banks, while many business groups lost their banking wings. Secondly, large debtors who received ample loans mainly from state banks and became insolvent included owners of rapidly-grown business groups that used to be close to President Soeharto. Their debt disposal helped to disintegrate the collusive structure between the large bank borrowers and political power. Thirdly, some leading ethnic Chinese business groups were obligated to repay liquidity support loans their affiliated banks received from the central bank on the occasion of bank run. To fulfill this obligation, they are compelled to sell major assets of their business groups through IBRA. The Salim group, the largest business group in Indonesia, was severely hit by this measure. In this manner, many of the capitalists that proliferated around the power center in the Soeharto regime faced asset liquidation, no matter whether they were ethnic Chinese or *pribumi*.

After democratization started, major players influencing processes of economic policy making greatly increased. During the Soeharto period, a handful of economic technocrats from University of Indonesia who were closely linked to the World Bank and IMF had collectively monopolized planning and implementation of macro

economic policies¹². They occupied the major posts of the National Development Planning Agency (Bappenas), Ministry of Finance and the Central Bank. This unitary rule of the economic technocrats had come to an end in the last phase of the Soeharto government. With this, the style of prompt policy implementation predicated on collaboration with the IMF and World Bank also came to an end. Compared with the economic technocrats' system, the post-Soeharto policy process is much more time and cost consuming. This may be interpreted as the "democratization cost". This is firstly because of a rise of DPR's power in policy making, and secondly because of a multi-layer structure of policy discussion and monitoring. For instance, in deciding IBRA's strategic asset sales, major agencies involved are IBRA itself, the minister in charge (formerly the Minister of Finance but under Megawati government, changed to Laksamana Sukardi, the state minister in charge of state-owned enterprises), IBRA monitoring agencies, the Financial Sector Policy Committee consisting of economic ministers, President, DPR, and IMF. Policy discussion sometimes reflects interests of political parties and economic nationalism. One important task for the government in the democratizing era is to give first priority to economically rational judgment, controlling political intervention and coordinating interests of various players involved.

Improvement in governance of government and corporations was declared a crucial topic in IMF-led economic reform. To be wiped out are the collusion between the power holders and capitalists, public money embezzlement by government high officials, lack of transparency in government off-budget accounting, lack of information disclosure in corporate accounting, and dysfunction of monitoring mechanisms on these irregularities. In the post-Soeharto era, a new central bank law was enforced to guarantee the independence of the central bank from administrative authority. Also enacted was the law banning monopoly and unhealthy competition. Concerning corporate governance, new stock exchange regulations were made to obligate all listed companies to have "independent commissioners" and to set up "auditing committees" headed by independent commissioners. Other mechanisms to monitor the government and corporations are being set up one after another.

Despite these efforts to institutionalize monitoring functions, cases of corruption and official money embezzlement are still occurring in the post-Soeharto period¹³. Rather, KKN threatens to spread wider as party politics and local politics

¹² As for industrial policies, technologists and business circles were a major influence on policy making, and they were sometimes opposed to economic technocrats. See also Sato [2003: 18-19].

¹³ For analysis as to why anti-corruption efforts in Indonesia are ineffective, see Hamilton-Hart

flourishes. This evidences that KKN is not merely a legacy of the Soeharto regime but a phenomenon accompanying any regime. A firm political will and effective judiciary are required to wipe out KKN practice. However, as the judiciary is said to be the most corrupt agency, it will still take long for Indonesia to conquer the deep-rooted KKN.

4-3. Changes in the Center-Region and State-Society Relationships

The fall of the Soeharto regime signified the demise of a unitary centralized system and the demise of uniform state control of society. The Habibie government's adoption of decentralization policy immediately kicked off a mighty tide of local movements. After the uniform state control over society was gone, we witness signs of resurgence of various community-rooted social orders.

Let us first look at the center-region relationship. In 1999 the Habibie government instituted new laws that transferred administrative powers to regional governments and changed the rule of distribution of government funds (the enactment of these laws was in January 2001). By these laws, the vertical hierarchy of authority from the central government to province, district / city, and subdistrict was replaced by horizontal relationship of responsibility at each regional level. In that new system, provincial governors, district governors / city mayors were to be elected by provincial, district / municipal assemblies respectively, to which they are answerable. It was also decided that 80% of revenue from local natural resources should return to the concerned local governments (except for oil and natural gas that are an important source of fund for the central government; the local governments' revenue shares are 15% and 30% respectively). Stimulated by this system change toward decentralization, local movements emerged presenting their respective demands. The formerly Portuguese-owned East Timorese movement intensified its demand for independence. So did the separatist movements in resource-rich Aceh and Papua. Demand was presented for local participation in resource development projects from Riau and East Kalimantan. Banten, West Java's highly cohesive community, asked for separation from the West Java province. The government responded to these demands in specific ways – recognition of independence for East Timor through a referendum; legislation of special autonomy laws for Aceh and Papua conceding to demands from the respective local governments; in Riau and Kalimantan acceptance of the provincial and district governments' shareholding in the state-run oil and coal development projects; and

[2001], Sherlock [2002], Limsey [2000].

creation of five new provinces including Banten¹⁴.

The shift to decentralization has brought about two major changes. The first is attempts to build a new center-region relationship. Local governments started to enjoy the newly endowed powers, such as their rights to introduce new local taxes. The central government has the duty to supervise local governments. But the central government perceives that this supervision must be different in nature from the previous unilateral imposition or prohibition, and take on a bilateral style by which the local can ultimately find appropriate ways of exercise of power. Going a step further than relations between the central and the respective local governments, new systems have been introduced to allow local governments to collectively participate in national politics. For instance, the provincial and district assemblies formed their nation-wide associations respectively and presented joint demands to the central government policies. In MPR, a fraction of regional representatives was allowed to revive to represent local demands. This function is succeeded to the House of Regional Representatives (DPD) newly set up after the general elections in 2004.

The second change is the reorganization of local political order. As gubernatorial elections started in the provincial and district assemblies, local political elite groups have engaged in fierce feuds over allocation of the newly endowed local administrative and fiscal powers. Such inter-elite conflicts can well be the hidden cause for inter-community conflicts as evinced by the religious conflicts in North Maluku and Poso in Central Sulawesi¹⁵. Localities have newly emerged as arenas of political struggle, where the practices of money and concession politics also tend to diffuse.

Let us then go to the state-society relationship. The collapse of the Soeharto regime brought about the lifting of institutional state control over society, with the recognition of freedom of speech, association, and thoughts. The passage to social liberalization has caused two major changes. The first is evolution of new state-society relationship. In the immediate aftermath of liberalization, protests from society even overwhelmed the state power. For example, not a few district governors and village chiefs were ousted by the residents' direct exercise of force. Later, social movements became sophisticated, seeking to get popular demands reflected to policy making through peaceful demonstrations, petitioning, and public hearings in assemblies. The

¹⁴ North Maluku province was separated from Maluku province in 1999, Banten from West Java in 2000, Gorontalo from North Sulawesi and Bangka-Belitung from South Sumatra in 2001, and Riau Islands from Riau in 2002.

¹⁵ For details of the case of Poso, see Yamamoto [2001].

Abdurrahman Wahid government had a NGO leader as a cabinet member, while the Megawati government has a head of the labor union federation in its cabinet. With the participation of earlier excluded social forces in administration, government policies also had to change. A good example is the minimum wage policy in favor of workers under the Megawati government.

The second change is the reorganization of social order at the level of residential communities. This social reordering occurred as state control of society was liberalized and the people were released from a uniform “nation” formation. The Soeharto government made efforts to form a uniform “Indonesian nation” by nationally uniform education in *bahasa* Indonesia, standardization of primary education and *Pancasila* education. In the *reformasi* era, the government policy changed to respect for social cultural peculiarity of each region and community. The new law on decentralization recognized village administration based on *adat* (customary laws). In some regions, the traditional village formation as well as *adat*-based social order started to revive. It is true that social conflicts are sometimes breaking out in this process of social reordering. But it would be incorrect to conclude that the revival of community-specific orders is the immediate cause for inter-community conflicts. Major conflicts, in fact, have occurred in a multi-religious or multi-ethnic society, where wealth distribution among such groups had got skew in the Soeharto era, or where political conflicts in the post-Soeharto era were imported from outside into local arenas. The conflict between the indigenous Dayaks and newcomer Maduras in West and Central Kalimantan is an example of ethnic conflicts caused by skewed wealth distribution, while the Islam-Christian conflicts in Maluku, North Maluku and at Poso in Central Sulawesi are cases where religions were exploited for political interests.

5. Historical Location of the *Reformasi* Period and Future Perspectives

The fall of the established state system had an impact on a whole spectrum ranging from the political system through economic structure to social order. The processes of post-Soeharto changes as we outlined above show a common pattern; once the yoke of unitary state control was released, things swung to the extreme end of liberalization, disorder and disintegration, and then swung back to reordering. But the *reformasi* slogan itself shows nothing tangible about where the reordering is bound for. Moreover, there is no single political will holder like former President Soeharto to orient all these changes toward a single goal. In fact the absence of the single strong leadership characterizes the era of *reformasi*.

Tracing back the current broad changes, we identify their origin in the Soeharto time conflict between the authoritarian state and society demanding political participation. Society's growing awareness of this conflict turned to energies to later give rise to the crustal movements. Here we mean by society the aggregate of politically conscious urban residents, middle classes, intellectuals and social elite, rather than village communities. The drastic reform of political institutions such as the public presidential election and the establishment of DPD represents institutionalization of political participation pressed by the demand of this segment of population. The political reordering precedes other reforms even though it is an utterly new challenge having no referent points in Indonesian history. This fact should indicate the magnitude of transformational energies that had been accumulated in this area.

In comparison, reorganization of economic actors goes on in the framework largely inherited from the previous period. What we can trace back to the preceding period as the root of changes is a social criticism on the structure of privilege organized around the political power center. Therefore, the reform efforts focus on the dissolution of the former allied structure of power and capital. But when it comes to governance of government that resulted in KKN practice, party politicians now partaking of power seem to have little motivation to beat it by radical institutional reform.

What is happening at the regional and local community levels should be regarded as the consequence, rather than the cause, of the downfall of the Soeharto regime. The fall of the regime terminated unitary state control, which may appear to have returned the country to the state of no control that characterized the initial stage of the history of Indonesia. But it should also be emphasized that local governments have now made their debut as political actors manifesting their political will to grope for new center-regional relationships and to create a new order of local political society. They do so critically reflecting on Indonesia's historical experiences.

What is harder to foresee is the future of national unity after the uniform "nation" forming efforts are gone. It would be desirable to reconstitute national unity as a chain of loose linkage of local communities and *adat* societies in mutual recognition of their diversity and particularities. For such unity to be functional, intermediary actors are required to coordinate inter-community conflicts and to mediate between the communities and the state. Whether such a role is to be played by provincial and district governments or by non-governmental agencies such as traditional religious organizations, local associations or civic groups, is still to be seen. But in any form, emergence of various coordinating agencies is required to take the place of "the strong state" that had functioned for long as the nation-integrating agency.

Lastly, let us look at tasks and prospects of the Megawati government. Megawati rose from vice-presidency to presidency in July 2001 for serving the rest of the predecessor's tenure of 39 months. If she is reelected in the 2004 presidential election, she will stay in office until 2009. President Megawati differs from her two immediate predecessors in significant ways. Habibie and Abdurrahman Wahid served as presidents for only 17 months and 21 months respectively, but both fairly hastily tried to carry out reform. Habibie liberalized the political institutions, decentralized central powers, and set the scenario of independence of East Timor. Abdurrahman Wahid challenged reform of the military. In the climate of reform thus created, various demands and conflicts welled forth from society. In contrast to these presidents, President Megawati is not a type of strong leadership, but tends to wait for a consensus to be formed after leaving various opinions to well out. If Megawati is given a relatively long time than the two preceding presidents, it is desirable that she goes slow but steady to grapple with hosts of problems that arose in the *reformasi* era, ranging from political institution reform, economic structure reform, power decentralization, to reorganization of social order and reconstitution of national unity. The Megawati period is likely to be "a period of groping" after solutions to balance reform and stability. Economically, it is a realistic prospect for post-Soeharto Indonesia to follow a domestic demand-led middle-road path of around 4% GDP growth per annum, as distinct from the Soeharto's high-road growth path of 6-8% supported by massive inflow of foreign aid and direct investment. The above characteristics indicate that the Megawati government tends to be internal-affairs-oriented in socio-politic as well as economic management. But precisely for this reason, the Megawati government needs to have real sensibility to the international situation, locating where Indonesia is in it strategically. This is significant for Indonesia in order to avoid having "a lost decade" just in the current rapidly-changing times of globalization, technological revolution, and competition. The efforts of groping for national order should be directed to overcome the country's weaknesses and promote its strengths, guided by constant international referencing.

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