

Research Focus

Assessing political reform in Indonesia

Andrew MacIntyre*

Indonesia has made extraordinarily rapid progress in establishing and enhancing a democratic framework of government. Only eight years ago it was a highly centralised authoritarian state. By global and historical standards, it is truly remarkable that so much has been accomplished so quickly – and without more violence or more economic suffering. There is no question that Indonesia still faces many serious challenges, but who would have imagined in the early months of 1998, as the country's economic and political circumstances spiralled downwards, that in little more than half a decade Indonesia would be a stable working democracy.

Interestingly, appreciation of Indonesia's progress is much greater outside the country than within. Commentary in the Indonesian media and among Indonesia-based analysts is typically very critical, and not infrequently despairing of the prospects for decent governance. There have been countless complaints about leaders being weak and legislators being more focused on selling their support on particular issues for money rather than on fulfilling their representative responsibilities and law-making. While it is certainly the case that some of Indonesia's national leaders in the post-Suharto era have been disappointing and that the members of the House of Representatives in general have yet to impress, all of this needs to be kept in perspective. It is entirely normal – especially in fledgling democracies – for the initial idealism that accompanies dramatic political reform to be replaced by disappointment and even cynicism. Patterns on display in

Indonesia thus far are consistent with the great bulk of international experience in new democracies. I certainly do not suggest that murky political horse-trading is something about which we can be complacent, but I do suggest we should not despair that it is so common in Indonesia. As the current scandals in Washington and London over influence peddling remind us, democratisation does not eliminate trading in policy influence, but it does make law-makers more accountable for the results of their actions and the manner in which policy favours are traded.

A wider consideration here is that not all shortcomings in national political life are the fault of individual leaders and legislators. Certainly it is normal for us to want to blame someone when outcomes don't live up to expectations. Why can't he or she just be more far-sighted, show greater political will, or be more honest? While the qualities that individual politicians bring to their jobs make an important difference, one of the clear messages from studies elsewhere in the world is that the design of a country's political institutions also exerts a strong influence. The details of a country's national architecture have a powerful bearing on the incentives to political actors, whether they be politicians, bureaucrats or indeed voters.

A large and increasingly sophisticated literature – generated by political scientists, economists and lawyers – has emerged in recent years, exploring the impact of different institutional configurations on governance. There are many dimensions to this, but as I have argued in a recent book¹, one of the

Andrew MacIntyre will present a taskforce report on the 'Globalisation of Asia' to the Future Summit 2006 in Brisbane on 11–12 May.

New Chair of AUSPECC

Bill Shields has been appointed Chair of the Australia Pacific Economic Cooperation Committee (AUSPECC) by the Minister for Trade, the Hon Mark Vaile MP. Mr Shields brings to the position extensive experience as a business economist and corporate board member, together with a broad background in finance and teaching. Previously he was Chief Economist and Executive Director, Macquarie Bank Limited and has worked for the Reserve Bank, the International Monetary Fund and the Australian Treasury.

Australia's year of APEC in 2007 will provide special focus for AUSPECC's activities in 2006–07. These activities will include hosting in Australia PECC's Standing Committee Meeting, and also the larger biennial General Meeting.

Events

Papua New Guinea Updates 2006

- Alotau, 2 May
- Goroka, 4 May
- Sydney, Museum of Contemporary Art, 1 June
- Canberra, Haydon Allen Lecture Theatre, 6 June

The World Bank Global Seminar Series, GDLN video-conferences, 5, 12, 19 and 26 May.
http://www.apsegexecutivetraining.com.au/GDLN_information.php

School seminars**

2 May, Richard Mulgan, APSEFG, *Is politics inevitably corrupt?*

9 May, Sharon Bessell, APSEG, *Children and citizenship*

most fundamental factors is the extent to which a country's political architecture concentrates or disperses decision-making power. Indonesia has gone through radical change in this regard, swinging from highly concentrated configuration under Suharto to an initially confused and fragmented state of affairs and then, following further political reform, a more viable configuration for power-sharing between the presidency and the legislature.

The political framework within which the Habibie and Wahid administrations had to operate was all but unworkable. Further institutional refinements since then have opened the door to the possibility of more effective governance at the national level, something that has worked to the advantage of President Susilo Bambang Yudhoyono's administration. With direct elections, security of tenure, and an institutional bias in favour of larger parties, the business of governing Indonesia has become more tractable. The president and his ministers are now in a much better position to negotiate effectively with the legislature.

The specific details of the Indonesian experience may be unique, but along with a string of other cases in the Asia Pacific region (*inter alia*, Thailand, South Korea, New Zealand, Japan, Papua New Guinea, Mexico) it provides a clear illustration of how altering the rules of the political game can have a powerful effect on how the game is played as well as on its outcome.

In Indonesia's case, the process of institutional reform has evolved on an episodic basis, beginning at the national level and moving to the sub-national. A possible next episode may centre on the new House of Regional Representatives (DPD). Currently it has little real legislative power; but some see potential for it to take on a role akin to the United States Senate as an effective legislative co-equal of the House of Representatives (DPR). Those arguing for a strengthening of the DPD see it as an instrument to boost regional representation and achieve greater institutional checks on executive power.

I would urge great caution in contemplating any such move. The United States has combined a presidential framework with bicameral legislature effectively, but it does so in the context of a stable two-party system. The Philippines, with its weaker two-party system, struggles to make a similar framework function. The fact that Indonesia has an even more fractionalised multi-party system should give advocates of bestowing full legislative powers on the DPD serious cause for pause. Weakening the ability of the presidency to drive a policy reform agenda scarcely seems a priority in Indonesia at the moment.

Whether or not the DPD will be strengthened or left on the margins of Indonesian political life is just one of a number of major institutional questions the country will face as it continues down the path of refining and consolidating democratic government. These

range from basic questions of political architecture through to quite specific issues such as organisational frameworks for aggregating business inputs into Indonesia's trade policy strategy.

Happily, the university sector is poised to make a significant contribution to this great challenge. The Governance Research Program, a new collaborative framework based at the ANU's Asia Pacific School of Economics and Government, will bring together policy-oriented scholars from around Indonesia and Australia, with strong financial support from the Australia-Indonesia Partnership for Development. Results of key collaborative research projects will be presented each year at a policy research forum, involving senior policy-makers.

Indonesian citizens are right to demand that their government perform at higher levels than it currently does. But even as we recognise that there is much more still to be done, it is appropriate to recognise just how far the country has come in a short time.

* Andrew MacIntyre is Director of the Asia Pacific School of Economics & Government at The Australian National University. This is an edited version of a recent presentation to a special commemorative seminar at the Centre for Strategic & International Studies in Jakarta, featuring Vice-President Jusuf Kalla and Presidential Adviser Andi Mallarangeng.

(Footnote)

¹ Andrew MacIntyre, *The Power of Institutions: Political Architecture and Governance*, Cornell University Press, Ithaca, N.Y., 2003.

School seminars contd.

16 May, Paul Oslington, UNSW/ADFA, *Trade and migration in a world without factor price equalisation*

23 May, Philip Powell, University of Indiana, *Constitutionalism in the Pacific*

30 May, Timo Henckel, APSEG, *Monetary policy and the battle of the markups*

**Seminars are held at 12.30pm in Seminar Room 4, First Floor, Crawford Building

Publications

NGOs and Post Conflict Recovery: The Leitana Nehan's Women's Development Agency,

Bouganville, Helen Hakena, Peter Ninnes, and Bert Jenkins (eds), Pages: 292, ISBN: 0 7315 37459, Price: A\$40.00, US\$30.00

Islands in Turmoil: Politics in Fiji, Brij V. Lal. Pages: 272, ISBN: 0 7315 3751 3, Price\$40.00

Asia Pacific Press publications can be ordered online at <http://www.asiapacificpress.com>, or by contacting Landmark Educational Supplies, Ph: 03 5625 4290, Fax: 03 5625 3756, book.distribution@elandmark.com.au

Pacific Economic Papers

354 *The Making of Asia's First Bilateral FTA: Origins and Regional Implications of the*

Japan-Singapore Economic Partnership Agreement
Takashi Terada, 2006

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