



Japan Chair Global Dimensions Briefing

**“Future of U.S.-Indonesian Relations”  
with  
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In thinking about the proper role of the U.S. for creating positive trends in Indonesia, two variables must be kept in mind. One is the interconnectivity of economical, political and security trends, and the other is the power of the conspiracy theory to alter public policy in Indonesia. Ravich raises three points in defining each of these two trends.

**I. Interconnectivity**

**1. Economical/Political**

As far as the economic demography is concerned, the statistics have shown great improvements since 1998, including a decline in inflation and interest rates; a 50-100% rise in the Indonesian stock exchange since January 1999; and an expected GDP growth of 4-5% in the year 2001. However, in terms of the budget, there exists a deficit of \$6.5 billion, or 5% of GDP for the year 2000 (April-December). It is hoped that this shortfall will be covered by forms such as foreign financing, profit from state or private owned enterprises and the sale of Indonesia Bank Restructuring Agency (IBRA) assets. Major foreign donors will cooperate with \$4.7 billion in loans, of which \$1.56 billion will be from Japan. The IMF is considering whether to resume loans which were suspended since the financial crash last year. In return, Indonesia promises to undertake structural reform in the banking system and undergo fiscal decentralization and corporate restructuring.

There is also the question of whether IBRA will sell its 40% share in Astra International, Indonesia's largest automobile company. By doing so, this will herald an openness to foreign business. Amien Rais and his Central Axis colleagues have remarked this is an inappropriate time to sell Astra shares to foreigners. The reasons behind such statements are unclear but it may be that such statements will galvanize an anti-foreign sentiment and raise the profile of Amien Rais as a defender of poor Indonesians.

**2. Ethnic/Religious**

The answer to the question “Will Indonesia remain united?” has to do with the central government's role in interacting with the rural provinces. Currently, Jakarta sets the rules of engagement with provinces, with the resource-rich provinces giving to Jakarta much more than they get in return.

### 3. Political/Security

The issue of General Wiranto's responsibility in the violence in East Timor has led to another debate about his resignation. President Wahid has asked for Wiranto's resignation. However, Wiranto declined to step down without clarifying his role. The General's appearance on February 2 at a Cabinet meeting has been interpreted in various ways. Some see it as a show of power and a threat of a coup. Perhaps a more realistic understanding is that Wiranto and Wahid have entered into delicate negotiations about the fall-out of the human rights commission report. If this Wiranto incident is whitewashed, there is a possibility of International Tribunal intervention, and even more, Wahid's loss of international credibility. The eyes of the world wait to see if Wahid can maintain accountability over the military. Such accountability is needed to show that reform of the society as a whole will occur. With \$7 billion of foreign debt needing to be restructured, the ability to reform is paramount.

## II. Other things to consider

1. Recently there was a poll taken by *The Jakarta Post* questioning whether Indonesia's justice system is capable of holding a fair and impartial trial for those responsible for the violence in East Timor, including General Wiranto. 75% answered "No." An interpretation of this polling data is that the military is firmly in control of the machinery of justice.
2. The current violence in Maluku is said to be orchestrated by the banished son-in-law of Suharto, Prabowo, in attempt to create a "creeping coup"—enough instability that marshal law becomes the only option.
3. Civil-military affairs are adrift, or "lost." The Indonesian armed forces cultivated under Suharto still suffer a dual functional, security and political role. In the earlier years of Suharto, the military was the protector of the state, however in the later years it had become the protector of Suharto himself. So the question remains, "Will the military reform?"

## U.S.-Indonesia Relations

With the economic, political, and security situation in Indonesia in flux and nearly impossible to decipher from abroad, "How can U.S. find the right way to assist?"

There have been a few recent efforts to put our money where our mouth is but to be truly effective, U.S. policy has to be more than just generous, it must be creative. The \$125 million in direct aid, plus technical assistance to fight corruption is only the beginning. And the fact that, since the August 30 referendum (of East Timor), all military contact has suspended, leaves the U.S. unable to help Indonesia in its military reforms.

There are four areas in strengthening U.S.-Indonesian relations:

- 1) Concrete aid and assistance to strengthen the viability of small/medium sized enterprises. The advancement in information technology (IT) is the key to economic development and also for small/medium sized companies to emerge;
- 2) Stronger protection of rule of law, notably intellectual property rights (IPR);

- 3) An exploration into State's rights (A.K.A. federalism) to ensure unity (separate and autonomous systems of government operating on federal and provincial levels; equal standing for constitutional revisions; and equal distribution of FDI); and
- 4) Bettering civil-military relations.

### **Q&A Session**

**Q:** During the Cold War, the U.S. assisted Indonesia in weapon export, etc, but without civil-military assistance. What is the U.S. strategy now in terms of civil-military assistance?

**A:** No defense related interaction now. But the U.S. will ramp-up the 'benign engagement', especially to get rid of the dual function of the military (i.e. to eliminate the political role of the military that evolved during Suharto rule).

**Q:** What would you do if you were General Wiranto when the president asked you to resign?

**A:** Wiranto's lawyers are convincing him to step down. Waiting for the trial is a heavy risk for reformers.

**Q:** What is likely reaction of U.S. government if there was to be a coup?

**A:** Most likely the U.S. will ask for international organizations and the Japanese government to withhold aid.

**Q:** Does Wahid have charisma?

**A:** Much more than Amien Rais. Indonesian people like Wahid.

**Q:** How would you assess the media in Indonesia?

**A:** Bad statistics. However publications have been popping up since Suharto stepped down.