



INDONESIA PROJECT NEWS

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December 2007

Highlights

The 25th Indonesia Update



Cutting the 25th Birthday cake. Two founders of the Update Series, Jamie Mackie and Peter McCawley

attended on Friday morning, 7 September, and over 200 people in the theatre at 2pm on Saturday during the closing session of the conference.

The 2007 Indonesia Update Conference, *Expressing Islam: Religious Life and Politics*, was organised by Greg Fealy and Sally White and held in Canberra on September 7–8. The Update highlighted Professor Merle Ricklefs (National University of Singapore) as the keynote speaker. It featured a range of noted scholars and public figures engaged in Islamic affairs, from Indonesia and Australia, including Maria Ulfah Anshor (MP, Jakarta), Julian Millie (Monash), Julia Day Howell (Griffith), Nadirsyah Hosen (Wollongong), Umar Juoro (Habibie Centre), Syafi'i Antonio (Batasa Tazkia Consulting), Robin Bush (Asia Foundation) and Ian Wilson (Murdoch). In addition to lively discussion and a high quality of presentations and papers, the conference featured a near record audience of almost 400 who

Update Book Publication and Book Launching

As in previous years, we celebrated the publication of the Update book – *Indonesia: Democracy and the Promise of Good Governance*, edited by Ross McLeod and Andrew MacIntyre, from the Indonesia Update in 2006 – with a one day seminar co-hosted by the Centre for Strategic and International Studies (CSIS) in Jakarta. This year the event was held on June 27, with Andi Mallarangeng, spokesperson for the President of Indonesia, acting as the keynote speaker. Besides presenters at the 2006 Update in Canberra, Robin Taylor, Counsellor for AusAID, the Chairman of Indonesia's National Audit Agency (BPK), Anwar Nasution, and the Chairman of Commission I in the Parliament, Theo Sambuaga, also spoke at the seminar.



Ross McLeod (ANU), Andi Mallarangeng (Government spokesman), Hadi Soesastro (CSIS), Robin Taylor (Counsellor, AusAID)



Maria Ulfah Anshor MP, talking on 'Islam and Gender' at the 2007 Update Conference

High Level Policy Dialogue

In cooperation with the Australian Treasury, the Project organised an exchange of perspectives on economic policy, featuring Australian researchers and senior Indonesian government officials and advisors, in Bogor, on November 29–30. The Indonesian team was coordinated by the Head of the Fiscal Policy Unit in the Ministry of Finance, Anggito Abimanyu, and included representatives from other key economics ministries and the Central Bank. Hal Hill headed the Australian team, which included researchers from the ANU, the Lowy Institute and CSIRO. As part of a planned on-going three year High Level Policy Dialogue, the results of discussions were presented directly by the participants to HE Sri Mulyani Indrawati, the Minister of Finance, in a follow-up meeting in Jakarta on November 30.

Participation of Project Members in Climate Change Research and Discussions

In the lead up to the important UN sponsored Climate Change conference in Bali, Budy Resosudarmo and Frank Jotzo were engaged in research and policy discussions with key Indonesian government and international agencies, and both attended the conference in Bali.

Core Activities

The Bulletin of Indonesian Economic Studies (BIES)

Peter McCawley generously took on the job of editor of the BIES during the six month period March–August when Ross McLeod was on sabbatical leave, and oversaw the publication of the August issue of the BIES.

August 2007

The *Survey of Recent Developments* by Dionisius A. Narjoko and Frank Jotzo note that the encouraging signs of stronger economic growth reported in the last survey persisted in early 2007, even though the ratio of investment to GDP remained lower than before the crisis. An important development was the passage in March of the long-awaited new investment law, although a great deal depends on the implementing regulations. Issues of competitiveness in manufacturing are highlighted, including the weakness in labour-intensive industries (textiles, garments and footwear) and constraints to increased private involvement in infrastructure. The emerging importance of climate change issues in Indonesia was also discussed, especially given the upcoming UN Framework Convention on Climate Change in Bali in December 2007.

Articles in this number include the 2007 paper in our 'Indonesia in comparative perspective' series, by Bert Hofman, Min Zhao and Yoichiro Ishihara, which compares development experience and policy in China and Indonesia during their respective reform periods. Surprisingly, the similarities in policy between the two countries seem to outweigh the differences, although policy contexts diverged radically, with Indonesia's 'big bang' democratisation and decentralisation, and with her slower growth following the crisis.

Other papers in this issue include Jason Patlis's paper on the 2004 fisheries law, Jeff Neilson's discussion of the Sulawesi cocoa industry and policies, and Bob Elson's article on the late Clifford Geertz's writings about Indonesian economic history and development. Patlis surveys economic, ecological and cultural aspects of the fisheries industry and past and present regulatory frameworks, concluding that a much more aggressive government approach is needed to achieve sustainable fisheries management. In his

paper on cocoa, Neilson argues that production faces decline because of pest infestation, quality problems and falling farmer profits. He makes a case for carefully designed and targeted government interventions, especially in research and extension, credit provision and quality incentive systems, and suggests that the government incorporate farmers and local informal networks in its interventions.

Bob Elson's survey of the late Clifford Geertz's work about Indonesian economic history and development focuses on *Agricultural Involution*, the classic, but subsequently much contested, portrayal of the unhappy impact of Dutch colonial policy. Despite drawing attention to much criticism of Geertz's work, Elson notes the major stimulus his ideas gave to later scholars of economic and social change in Indonesia.

December 2007

In the December *Survey of Recent Developments*, **Sadayuki Takii** and **Eric Ramstetter** report continuing acceleration of economic growth, while investment spending is seen to have peaked at the end of 2006, and its growth to have declined noticeably in 2007. They discuss yet another policy package to improve the investment climate, the central bank's policies encouraging capital inflow, and items in the draft 2008 budget which appear optimistic in light of projected world oil price trends. They also note that Indonesia's competitiveness in recent years has varied markedly across major commodities and markets.

Anies Baswedan contributed this year's extended discussion of political affairs, based on his presentation to the Indonesia Update conference at the Australian National University in September. He focuses on the difficulties faced by the current president, as the candidate of a political party with limited parliamentary representation. Anies also discusses the implications of proposed changes to political laws.

Louis Wells provides an illuminating paper on the power generation industry, which documents the sudden emergence of private sector involvement in the last few years of the Soeharto era, and the collapse of agreements between the state electricity company and the numerous consortia of foreign and domestic partners as a consequence of the crisis in the late 1990s.

The paper by **Harun** focuses on attempts to introduce more sophisticated systems of accountancy within the bureaucracy. The author points out that transparent and meaningful financial accounting is an essential aspect of democracy. **Wahyu Sutiyono** also focuses on human resource management (HRM) problems, this time in the state-owned enterprise (SOE) sector. The key finding is that companies that want to optimise their performance need to think carefully about recruitment, employee training and development, performance management and remuneration.

The December issue of the BIES also includes a new set of **abstracts of recently completed PhD dissertations on the Indonesian economy**. This year's abstracts cover work on monetary policy analysis; employment and wages; education and growth; coffee commodity chains; manufacturing and the crisis; postcrisis programs in education and health; institutions and growth; cartel behaviour; political connection and trade protection in multinational corporations; entrepreneurial strategies of ethnic Chinese business groups; and trade finance and commercial relations between Europeans and Chinese in colonial Indonesia.

Besides the regular book reviews in both the August and December issues of BIES, **reviews** of two books focused on the chief architect of economic policy throughout the Soeharto era, Professor Widjojo Nitisastro. These reviews were published in the December number of BIES. The books were published a few months before Professor Widjojo's 80th birthday in September 2007.

The Indonesia Study Group

From June to December, Indonesia Study Group meetings covered a wide range of topics. Most of these presentations were recorded, and downloadable MP3 files of some will be accessible on the Indonesia Project website in the near future. (Five audio presentations from the first half of the year are already on the website.) Topics and speakers included (i) Islam and Pesantren (Nadirsyah Hosen; Zamakhsyari Dhofier), (ii) Human Rights and Trade Unions (Priyambudi Sulistiyanto; Michele Ford and Surya Chandra), (iii) Environmental Issues, including nuclear power, pest control water policy and the Bali climate change conference (Richard Tanter; Craig Thorburn; Anjali Bhat and Frank Jotzo and Budy Resosudarmo), (iv) Art and Culture topics, including wayang and beauty contests (Nick Long; Jennifer Lindsay and Amrih Widodo), and (v) Economic Developments, Industrial Performance, Equity and

Employment (Dionisius Narjoko and Frank Jotzo; Haryo Aswicahyono, Hal Hill and Dionisius Narjoko; Daan Marks; and Chris Manning).

Other Activities

Staff were engaged in a range of other research and outreach activities in Australia and Indonesia in the second half of 2007.

Update Presentations: A mini-Update was held at the Lowy Institute in Sydney on September 11, featuring several speakers from the Update and also the Head of the Asia Foundation in Jakarta, Douglas Ramage, who spoke about recent political developments. In addition to the seminar on the 2006 Update at CSIS in Jakarta, two book launchings of the Update book *Indonesia: Democracy and the Promise of Good Governance* were held in June and July 2007, at International House in Melbourne in cooperation with the Asian Law Centre, and in Makassar, Indonesia, in cooperation with BaKTI (The Eastern Indonesia Knowledge Exchange).

Presentations and Discussions at AusAID and Treasury: Two presentations were organised for staff of AusAID in Canberra in June and October on recent developments in the Indonesian economy, climate change and recent research on policy issues in Indonesia. Project staff also participated in discussions of the AusAID 'White Paper' on policy directions for the Indonesia program over the next five years. Staff also engaged in discussions of 'All of



Melbourne launch of the Update book (24/7/07), showing Ross McLeod with co-editor Prof Andrew MacIntyre, official launcher Prof Tim Lindsey (Uni of Melbourne's Asian Law Centre), and Head of International House Professor Jane Munro

Government' Programs of Assistance to Indonesia, recent economic developments in Indonesia and on-going research at ANU. The meeting was hosted by the International Division of Treasury.

Conferences and Seminars:

- Staff of the Project presented on economic policy issues (especially the environment) at various forums in Jakarta, including the Planning Agency, Bappenas, the Ministry of Finance and the World Bank.
- The results of research undertaken by Hal Hill and Budy Resosudarmo together with Indonesian collaborators were presented at the Australia Indonesia Governance Research Partnership forum in Jakarta in early December.
- A session at the Indonesia Forum conference in Melbourne in September featured several Project staff and ANU PhD students, who presented recent research findings on Indonesian economic policy issues in the fields of the environment, poverty and labour.
- Staff presented papers at a number of international conferences including in Tokyo, Singapore, Naples, Manila, Seoul and Kyoto.

Visitors

- A team of senior Ministry of Finance officials led by Anggito Abimanyu visited the ANU in June 2007 to discuss recent economic policy developments in Indonesia and to plan for a policy dialogue in Jakarta later in the year.
- In June and July, Djoni Hartono from the Faculty of Economics, University of Indonesia, worked with Budy Resosudarmo on energy policy issues.
- In October, Tadjuddin Nur Effendi from Gadjah Mada University visited as part of the on-going China-Indonesia Research Project on Rural Urban Migration. Haryo Aswicahyono and Dionisius Narjoko from CSIS worked with Hal Hill on issues of industrial development and policy in Indonesia.

Upcoming Activities and Events

- The Indonesia Update book *Expressing Islam: Religious Life and Politics* will be published by the Institute of Southeast Asian Studies in early 2008.
- The 2008 Sadli Lecture in cooperation with the University of Indonesia is planned for April 2008 with Bert Hofman, Min Zhao and Yoichiro Ishihara presenting material from their comparative paper on economic development and policies in China and Indonesia.
- The first issue of the BIES in April 2008 will be devoted to the special topic of rice developments and policy in Indonesia's all important rice sector, featuring Neil McCulloch and Peter Timmer as guest editors.
- The next Indonesia Update, on *Managing an Archipelagic State*, coordinated by Robert Cribb, will be held in September 2008.



Adi Maulana (ANU), Andi Ali Amiruddin (University of Melbourne), Nadirsyah Hosen, speaker on Online Fatwa (University of Wollongong), Syamsul Rijal (ANU) at the Update

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SEASON'S GREETINGS AND BEST WISHES FOR
2008 FROM ALL AT THE INDONESIA PROJECT.