

ESSAY FOR VOLUME OF SBY ESSAYS:

Indonesia: Seizing a new window of opportunity

By Kishore Mahbubani *

I recently met an Indian diplomat who accompanied an Indian Minister when he called on a senior Clinton Administration official just as Indonesia's financial crisis was unfolding in 1998. The first question this senior American official posed to the Indian Minister was: "By the way, how significant is this country called Indonesia? I have spent my whole day working on it."

This lack of awareness of Indonesia's strengths and significance is not confined to Washington D.C. but it is still shocking. As the world's fourth most populous state, the most populous nation of Muslims with a secular constitution and now the second largest democracy outside the West, Indonesia should naturally loom large in the global imagination. This book of essays by President Susilo Bambang Yudhoyono, the first directly elected President of Indonesia, is therefore timely and should be widely read.

The recent story of Indonesia is remarkable. Clearly, Indonesia went through seven lean years between 1997 and 2004. The prospects looked so grim

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that many respected academic analysts predicted gloom and doom. Two Australian scholars, Paul Dibb and Peter Prince, warned in 2001 that “The regional base for ethnic and economic jealousies in Indonesia lends substance to fears of a national breakdown along the lines of Yugoslavia or the former Soviet Union.”¹ An American-based scholar, Rajan Menon, issued a similar warning: “Indonesia is staggering like a heavyweight boxer who has absorbed too many blows in too many places. A faltering economy, a fractious and feeble central government, communal war and secessionism could culminate in the state’s collapse and the country’s fragmentation.”²

But Indonesia did not collapse. Instead, it showed remarkable resilience and strength by bouncing back to hold remarkably peaceful elections in 2004, defying all predictions. This success was obvious. Less noted was the resolve of the Indonesian people in the seven lean years. Traditionally, economic collapse is followed by social unrest and mass migration overseas. And Indonesia did experience a serious economic downturn. As the World Bank noted: “No country in recent history, let alone one the size of Indonesia, has ever suffered such a dramatic reversal of fortune.”³ Yet, Indonesians did not leave their country, not even the ethnic minorities. This is remarkable. Philippines’ per capita income is

¹ Paul Dibb and Peter Prince, “Indonesia’s Grim Outlook,” *Orbis*, Vol. 45, No. 4 (Fall 2001), p. 625.

² Raja Menon, “Another Year of Living Dangerously,” *The National Interest*, No. 65 (Fall 2001), p. 101.

³ Dibb and Prince, p. 629.

higher than Indonesia's but in per capita terms, its emigration is far higher. All this demonstrate that the Indonesians' sense of nationhood is strong.

The strong mandate that President Susilo received from all corners of a geographically, ethnically and culturally diverse nation also sent a signal of a community wanting to come together to demonstrate national resolve. They decided to place their trust and confidence in President Susilo. So far, despite the inevitable problems of governing a large developing country, the new President has not let the Indonesian people down. Instead,, he has begun tackling some critical challenges head on. He is making the battle against corruption the centerpiece of his reform agenda, bravely taking unprecedented steps such as prosecuting senior government officials. He also displayed political courage in pushing through unpopular, but timely and necessary, policies such as the reduction of fuel subsidies in his first few months in office. On the economic front, President Susilo has embarked on a three-prong economic strategy of "pro-growth" (revitalising the business and investment climate), "pro-jobs" (creating jobs for the people), and "pro-poor" (reducing poverty). Despite significant external challenges (such as high world oil prices), his efforts have improved international confidence and helped Indonesia re-emerge on the radar screens of international investors. On the political front, President Susilo. who is Indonesia's first democratically elected President, has recently overseen the first ever direct local elections. President Ronald Reagan once quoted a famous saying by Lao

Tze: “Manage a state as you cook a delicate fish: Do not overdo it.” So far, President Susilo seems to be heeding this advice, showing respect and understanding of Indonesia’s remarkable diversity.

Indonesia's progress was suddenly set back by the devastating earthquake and tsunami that struck Aceh province on 26 Dec 2004. Here, President Susilo demonstrated his leadership and statesmanship in rallying his fellow Indonesians and the international community to respond to the crisis. President Susilo skilfully chaired the Special ASEAN Leaders' Summit on Earthquake and Tsunami in January 2005 and managed to secure substantial pledges of assistance from the international community. His crisis management skills came through clearly in his efforts to marshal the Indonesian military, police, and other relevant agencies to work hand-in-hand with the international community to rebuild the lives of the affected communities in Aceh.

Still, many major challenges remain to be addressed. Despite the improving economy, FDI flows have not returned to pre-1997 levels. Indonesia is lagging behind China and India. Terrorism remains a challenge (although, as the 7/7 bombings showed in London, no country is immune). The legal system needs strengthening. This list should not be surprising. The larger the country, the longer the list of challenges. In today’s small globalized world, some of the challenges of leadership come from overseas. Often the West can set domestic

agendas, as it once did for Indonesia and East Timor. Hence, it is vital for Indonesia to continue retaining the trust and confidence of the international community, both on the governmental and non-governmental fronts. Life is never a smooth road. Indonesia will hit some bumps inevitably. This is why international confidence is a key factor.

The good news for Indonesia is that the international climate for promoting development has never been more propitious. Globally, there is a consensus developing around the key principles of good governance: political stability, free market policies, rule of law, transparency and accountability in the public administration. Indonesia does not need to reinvent the wheel. The Lee Kuan Yew School of Public Policy, of which I am privileged to be Dean, will be happy to share its experience, if called on to do so. On the geopolitical front, there is also a strong international consensus that the world has a vital stake in Indonesia's peace and prosperity. The warm reception that President Susilo received during his visits to the United States and Japan as well as to regional countries showed both the confidence in President Susilo's leadership as well as the new global commitment to Indonesia's success.

There is therefore a reasonable possibility that the past seven lean years will be followed by seven fat years. Strong leadership is always key. President Susilo is clearly winning greater confidence. *Business Week*, in its 11 July 2005 edition,

named President Susilo as one of the “stars of Asia” agenda setters, and confidently pronounced that Indonesia, for the first time since the overthrow of Soeharto, has a leader “who might just pull it off.” Both the world and the region are rooting for Indonesia’s success. This book of essays can both inspire and motivate the people of Indonesia to seize the new window of opportunity that has opened for them.

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