



IPS Corporate Associates Lunch: The Road Ahead for Indonesia

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The 9 July polls marked the third time that Indonesians voted in a direct presidential election since the country's transition to democracy. On 22 July, the country's General Elections Commission (KPU) announced that incumbent Governor of Jakarta, Joko Widodo (popularly known as Jokowi) would be Indonesia's next president. The election had taken place peacefully but the campaign was hard fought. Jokowi and his running mate, former Vice-President and businessman Jusuf Kalla, prevailed against former army general Prabowo Subianto, and his running mate, former Coordinating Minister for Economic Affairs, Hatta Rajasa.

Analysts say that the new presidential pair have a difficult job ahead. Among their tasks are shoring up economic growth, tackling the reduction of budget-busting fuel subsidies, and instituting reforms aimed at providing better public services and job opportunities for Indonesians.

With the Indonesia election closely watched by Singapore's corporate sector, the Institute of Policy Studies invited Adam Schwarz, Chief Executive Officer of the Asia Group, to speak at an IPS Corporate Associates Lunch on 24 July and unpack some of the pressing issues for Indonesia's politics and economy. The Asia Group is a strategy and capital advisory company, and Mr Schwarz has spent over two decades living and working in several Southeast Asian countries. A former journalist, he is the author of *A Nation in Waiting: Indonesia's Search for Stability*, a highly acclaimed book on contemporary Indonesian history.

Addressing around 40 business leaders and IPS researchers, Mr Schwarz began by describing the day the election results were announced, having just returned from the capital two days ago. Jakarta's usually choked streets were empty because workers were advised to stay home or leave work early as it was unclear what public reaction to the KPU's announcements would be like. The day eventually passed without any trouble, he said. Acknowledging that Mr Prabowo's appeal against the election results would prolong uncertainty even if the Constitutional Court rejected his claim, Mr Schwarz added that there was no conclusive evidence to suggest systematic fraud in the election process. Jokowi's electoral triumph had come with a margin of approximately 8.4 million votes.

On the challenges Jokowi and Jusuf Kalla would face, Mr Schwarz cited a number of issues to watch out for.

First, the support that Jokowi would get from Parliament. While Mr Prabowo had organised political parties that supported him into a “Red and White Coalition” — such as his own political vehicle Gerindra and Golkar — it was possible that some of these parties could take a more pragmatic approach and realign themselves with the winner. This would then give Jokowi a “workable majority” in Parliament, said Mr Schwarz. He also noted that Golkar, for instance, could choose to replace their current chairman at a party convention that could be held later in the year, and elect in his place Jusuf Kalla, who is a past Golkar chairman.

Second, the party politics and internal dynamics of the Indonesian Democratic Party of Struggle (PDI-P) — and how Jokowi would manage these. The lunch audience asked how much influence PDI-P chairman, former Indonesian President Megawati Sukarnoputri and her daughter, parliamentarian Puan Maharani, would exert on Jokowi. Would Jokowi succumb to the politics of party patronage to shore up more support in Parliament? Mr Schwarz said that while it was too early to say how things would turn out, Jokowi would indeed face pressure to keep his party contented. Jokowi, who is well-liked for being a steadfast, hands-on and effective leader with a positive track record, would have to decide on who to nominate to his Cabinet without hurting party sentiments or losing party favour. He had been quick not to promise government positions to his allies, and would likely pick reliable technocrats for key appointments based on merit rather than political affiliations. But he would have to tread carefully in doing so, noted Mr Schwarz. He added that Jokowi would, most importantly, “need to hold the PDIP together in order to hold the coalition around PDI-P.”

Third, while economic issues did not surface much during the campaign, they are now a priority for Jokowi. To improve the health of Indonesia’s economy, he would have to make some tough decisions, such as tactfully nominating “sector-experienced technocrats” to key Cabinet posts without upsetting his party. Jokowi and his team would require the political will to briskly reform out-dated labour legislation, improve infrastructure, and stimulate growth in the manufacturing sector — primarily because of its potential to absorb the labour force. On the bright side, Mr Schwarz shared that the Indonesian stock market’s positive response to news of Jokowi’s presidential appointment indicated that market sentiments were welcoming of the election results.

Concluding, Mr Schwarz was optimistic about Jokowi’s ability to lead Indonesia forward. The latter possesses the political “smarts” to do so, having impressed many with his political acumen and statesmanship in the past year, noted Mr Schwarz. Indonesia’s path ahead, he concluded, would depend on how early it achieves political consensus and enfranchises clear-sighted leadership.

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