ENLIGHTENMENT from WITHIN:
Discourses of Governance, Economics and Religion in Contemporary Indonesia

Faried F. Saenong & Eko N.M. Saputro (eds.)
Canberra 2007
ENLIGHTENMENT from WITHIN: Discourses of Governance, Economics and Religion in Contemporary Indonesia

Faried F. Saenong & Eko N.M. Saputro (eds.)
Canberra 2007
ACKNOWLEDGEMENT

Indonesia is not only granted incredibly huge diversity of people, unique cultures and vast geographical extent, but also 'bestowed' endlessly multidimensional crisis. Furthermore, Indonesia is absolutely distinctive and only one of its kind in any senses: its plurality is different from any modern plurality which is the main precondition of a healthy civil society; its democracy is distinct from any fashions of classic and modern democracy all over the world; its governmental structure and financial system is experimental in any periods; its religious and cultural manifestation is also diverse from any religious and cultural appearance in this planet; and so forth. All of this makes Indonesia an extremely prosperous field or even paradise for researchers in any field of study. Unfortunately, the flourishing ground might only be enjoyed by foreign researchers enriched with unlimited rich methodological and financial supports. Thus, Indonesia is only 'read' by other, while Indonesians never have wide opportunity to 'read' their own wealthy diversity.

Giving opportunity for Indonesians to write on Indonesia, in January 2007, Minaret announced “call for papers” among Indonesian students and academics through mailing lists. A lot of responses and abstracts came to us. However, due to limited spaces, we were forced to select abstracts and papers. Therefore many thanks to all contributors for preparing papers for this book.
Selected writings published in this book offer fresh and critical thoughts to some hot issues and debates in contemporary Indonesia. Written by rising scholars from certain fields of knowledge, almost all chapters in this book are not only based on fieldwork of the writers. They are also the victim of some governmental policies examined in this book. In this regard, the authentic data and feelings as victims should represent what is really going on in the field. However, they also make a clear distance of being subjective in their analysis.

A lot of persons and institutions have unique roles in the preparation up to the printing of this book. Our first thanks go to Indonesian students and academics in Canberra who have taken participation in any activities of Minaret. In this regard, our thanks go as well to Australian scholars/Indonesianists who took parts in those activities. We also thank to the Indonesian embassy in Canberra, especially H.E. Ambassador Hamzah Tayeb and Dr. Agus [Attache of Education] who granted initial financial support for this publication.

Selamat menikmati...

Canberra, December 2007

Editors

CONTENTS

Acknowledgement vi
Contents v

Part One
GOVERNMENT and POLITICS

Burhanuddin Muhtadi
The 1998 Student Uprising in Indonesia: Social Movement Perspective 1

Syamsu Rijal
Between Progress and Welfare: Freedom in the Post-New Order Indonesia 48

Eko N.M. Saputro
Political Party and Fiscal Policy: The Influence of the Effective Number of Parties on Local Budget Deficits in Indonesia 61

Aisyah Nur Kutaromalos
RMS and the Ex-KNIL Moluccan Soldiers Displacement to the Netherlands 96
Part Two

**ECONOMICS and GOVERNANCE**

**Azhari Yahya**  
The Determinants of Foreign Direct Investment Inflows into Indonesian Economy ¶ 120

**Joko Marjiono**  
Sustainable Agriculture and Rural Development: Pathways to Prosperity ¶ 159

**Murjani**  
Deforestation, Economic Growth, Poverty, Income and National Debt: a cross country analysis ¶ 191

---

Part Three

**RELIGION: Development and Practice**

**Arskal Salim**  
Legal Islamization and the Challenges of Human Rights: A Case Study of Religious-Derived Bylaws in Indonesia ¶ 211

**Akbar Muzakki**  
Reading Islam in Changing Indonesia: An Analysis of the Rise of Liberalism and Anti-liberalism in Islamic Thought ¶ 232

**Eva F. Amrullah**  
New Age Movement: Searching a 'New Shelter' of Spirituality ¶ 281

**Faried F. Saenong**  
Help, NOT Blame!!! Voicing the Role of Muslim and Anthropologist on HIV/AIDS in Indonesia ¶ 303

**Contributors** ¶ 324
Indonesia as a "newly-industrializing economy" along with Malaysia and Thailand in the early 1990s. This article attempts to examine the impacts of development model implemented by Soeharto in the New Order Era. The goal of Indonesia's national development was "to realize a just and prosperous community equally in terms of material and spiritual being." However, the strategy of development employed by the government laid more emphasis on economic growth. This was reflected in the trilogy of development of the New Order era government, namely "growth, prosperity, and equity." In this regard, economic growth was put a first priority while other development elements would follow. This concept resonated with the US President Harry Truman's declaration on a new agenda to bring peace and peace to the world on 20 January 1949. One point from his declaration is that economic growth was presented as the key to peace and prosperity.

The concept of Soeharto's development model contradicts "ideal" concept of development which includes social and human aspects such as freedom and social welfare. According to Amartya Sen, development should be viewed as "a process of expanding the real freedoms that people enjoy." However, he suggests that freedom depends also on other determinant factors, such as social and economic arrangements as well as political and civil rights. In this respect, he sees development not only confined to economic growth, as often measured by GNP (Gross National Product), but also social welfare and political freedom. Based on this framework of development, this article will examine the merits and the weakness of economic oriented development in Indonesia. This article, therefore, will examine whether Soeharto's economic development could lead to political freedom, prosperity and equality as he promised. Moreover, it will discuss how the authoritarian regime

---

4 The second five years development plans (Replento) the order of trilogy was changed into "growth, equity and stability." See Revison Baswir, *Pembangunan Tangga Perasosan* (Yogyakarta: ELSAM, IDEA, and Pustaka Pelajar, 1999), p. 4.
7 Ibid.
used political power in creating stability and implementing development without considering its impacts on people and environment.

This article argues that the development model implemented in Soeharto’s era failed to materialize its promises to the people. In other words, its development did not represent a “real” development. While achieving amazing economic growth, as could be seen from GNP and GDP from 1966 to 1998, Soeharto’s development failed in other aspects of development such as social welfare, freedom, and environment. The first part of this article examines the relationship and impact of economic growth on social welfare in New Order era. The second part discusses the strategy of development which affected political freedom. The last one examines the impact of development on environment in Indonesia.

Economic Development and Social Welfare

Since Soeharto rose to power in 1967 and implemented economic development policy, Indonesia had achieved a rapid and sustained economic growth for three decades. As comparison, in the mid-1960s Indonesia was among the countries which had lower per capita income. Its GNP in 1966 was US$ 50 per capita and this constituted just half of the GNP in countries like India, Nigeria, and Bangladesh. However, by the late 1980s Indonesia’s GNP had risen to almost US$ 500 per capita, 30 percent higher than that of India, 49 percent higher than that of Nigeria and 150 percent higher than of Bangladesh.9

The material success of the New Order government is attributable to Soeharto’s decision at the beginning of his regime to follow the advice of a group of economists from University of Indonesia led by Professor Widjojo Nitisastro. This group is often referred as ”Berkeley mafia” as most of its members had graduated from the University of California Berkeley. This group believed in the developmental power of market-based economics and enjoyed good international links. With the help of this economist group, Indonesia’s inflation had been curbed and new domestic and foreign investment had begun to flow.10

---

9 Jan-Paul Dirks et. al, Development and Social Welfare, p. 3.

11 Jan-Paul Dirks et. al, Development and Social Welfare, pp. 5-6.
Table 1

The Decline in Absolute Poverty in Indonesia, 1976-1996 (% of People under Official Poverty Line)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of people under poverty line</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Rural Areas</td>
</tr>
<tr>
<td>1976</td>
<td>38.8</td>
<td>40.4</td>
</tr>
<tr>
<td>1978</td>
<td>30.8</td>
<td>33.3</td>
</tr>
<tr>
<td>1980</td>
<td>29.0</td>
<td>28.4</td>
</tr>
<tr>
<td>1981</td>
<td>28.1</td>
<td>26.5</td>
</tr>
<tr>
<td>1984</td>
<td>23.1</td>
<td>21.2</td>
</tr>
<tr>
<td>1987</td>
<td>20.1</td>
<td>16.1</td>
</tr>
<tr>
<td>1990</td>
<td>16.8</td>
<td>14.3</td>
</tr>
<tr>
<td>1993</td>
<td>13.5</td>
<td>13.8</td>
</tr>
<tr>
<td>1996</td>
<td>9.7</td>
<td>12.3</td>
</tr>
</tbody>
</table>


The table above indicates that the incidence of absolute poverty steadily decreased from 40 percent of the population in 1976 to 11 percent in 1996. The steady decline in poverty occurred in both urban and rural areas.14

In spite of the impressive economic development during the New Order era, poverty was still a major problem. Social development did not appear to follow the economic growth in a balanced way. Cheetam and Peters provide two reasons for this. First, the number of poor was still significant. They estimated there were 30 million Indonesians who lived in absolute poverty in 1980 and a large portion of the population, the so-called 'near poor', had incomes only slightly above the poverty line. Furthermore, spatial variations in the incidence of poverty are also high. They predict around one-quarter of the population was in poverty in the Eastern areas of Indonesia. Second, although the high progress was made in the first two decades Indonesia lagged behind other Asian countries in terms of social indicators, such as life expectancy and infant mortality.15 The following table describes this tendency:

Table 2: Comparative social indicators

<table>
<thead>
<tr>
<th>Country</th>
<th>GNP per Capita (US$)</th>
<th>Life Expectancy at birth</th>
<th>Infant Mortality Rate</th>
<th>Population Per physician</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>570</td>
<td>62</td>
<td>61</td>
<td>9,410</td>
</tr>
<tr>
<td>China</td>
<td>370</td>
<td>70</td>
<td>29</td>
<td>1,010</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2,320</td>
<td>70</td>
<td>16</td>
<td>1,930</td>
</tr>
<tr>
<td>Pakistan</td>
<td>380</td>
<td>56</td>
<td>103</td>
<td>2,900</td>
</tr>
<tr>
<td>Philippines</td>
<td>730</td>
<td>64</td>
<td>41</td>
<td>6,570</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>470</td>
<td>71</td>
<td>19</td>
<td>5,520</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,420</td>
<td>66</td>
<td>27</td>
<td>6,290</td>
</tr>
</tbody>
</table>


The low social indicators might be caused by inequality or economic gap. First, there was gap between rich and poor. This was due to uneven distribution of wealth among people. According to Tjiptoherijanto, the high economic growth rate and the increase of the income per capita do not always show economic improvement in the sense of the increase of the standard of living of most people, if the income is not distributed evenly.16 This was the case in the New Order era in which the well-off minority group had more access to the national wealth rather than the poor one. The huge gaps between the elite group, especially owned by Chinese businessmen, and local inhabitants who are economically weak have instigated several riots in Indonesia.17 Second, there was economic disparity

---

14 Ibid. p. 271.
16 Prijono Tjiptoherijanto, Poverty and Inequality in Indonesia at the End of the 20th Century (Jakarta: Ministry for Population/National Family Planning Coordinating Board, Jakarta, 1997), p. 5.
between the rural and urban areas. Since great industrialization took part in big cities while traditional industries in rural areas, people living in the city earned higher income than those living in the rural areas. Baswir reports that in 1969-1976 the real per capita income per-month in urban areas grew about 3.8 percent while that in the rural areas dropped about -0.4 percent.\(^{18}\) Third, there were regional income disparities. For example, the richest province such as East Kalimantan had a GPP (Growth Province Product) per capita 18 times higher than East Nusa Tenggara, the poorest province.\(^{19}\)

**Economic development and Freedom**

The relationship between development and authoritarianism had been major issues in the New Order Indonesia, along with other Asian countries such as Singapore and Burma. According to Crouch, its relationship lies in the fact that "the moves to authoritarianism or semi-authoritarianism were always justified in terms of stability and economic development."\(^{20}\) The argument underlies this idea is that it is only authoritarian regime which could safeguard the political stability which is viewed as pre-condition for economic development.\(^{21}\) This idea was firmly believed by Soeharto who emphasized political stability and economic development in order to achieve national prosperity.

"Pancasila and UUD 1945," a national ideology and constitution of Indonesia, and "development" were the holy terms downplayed by the government Soeharto to maintain its rule for three decades. The two terms used by the regime to undermine its political enemy either from the leftist (communist) and rightist (Islamic) groups. Moreover, the term "anti-development" was addressed to those who criticized development's program. Therefore, it appeared that the government imposed the development by neglecting people's freedom to speak.

---


\(^{21}\) Ibid. See also Michael J. Vatikiotis, *Indonesian Politics under Suharto* (USA and Canada: Routledge, 1994), p. 53.

\(^{22}\) R. William Liddle, *Regime: The New Order in Donald K. Emmerson, Indonesia beyond Suharto*, p. 44.


The government's program which focused on development contributed to deforestation. In the government's view development was identical with economic growth which should be achieved through agriculture and industrialization. In this regard, the government viewed forest as "valuable, yet expendable resource, useful for generating foreign exchange to finance industrialization." In the late 1960s and 1970s, for instance, the government, through its five years development plans (repelita), promoted timber exports to finance industrial and agricultural projects without any consideration for forested areas and the individual needs of the outer islands. The deforestation was also exacerbated by wood companies which had a close relationship with the authority.

Pollution was, and has been, one of the major problems of development in Indonesia, especially in big cities such as Jakarta and Java. Rapid industrialization and greater use of motor vehicles have contributed to air and water pollutions. Air pollution has been worsened because of increasing urbanization, motorization and industrialization. With regard to water pollution, A World Bank report revealed that most of Java's rivers are seriously polluted by "raw sewage, rubbish and industrial effluents, posing acute risks to public health and welfare." Given the adverse impacts of industrialization on environment, one could see how the government failed in preserving natural resources and environment. High economic growth was achieved at the expense of natural resources and environment.

Conclusion
This article has examined the Soeharto development model and its impacts on social development, freedom, and environment. Using integrated perspective of development, it concludes that the development model and strategy implemented in the New Order era did not represent a real development since it focused on economic growth while neglected social development, freedom, and

---

26 Ibid.
27 Hardono argues that resource depletion is not only caused by population growth but also by development, See Joan Hardjono, Resource Utilization and the Environment, in Hal Hill (ed.), Indonesia’s New Order (Australia: Allen and Unwin, 1994), p. 179-180.
29 Ibid. p.277.
31 Ibid. p. 515.
32 Ibid.
environment. While achieving rapid economic growth, as can be seen from GNP and GDP from 1966 to 1998, and reducing absolute poverty, it failed to bring social development, equity and freedom to Indonesian people. It is true that social development increased due to economic growth, but it was not as impressive as economic growth. This was reflected by the low social indicators, a huge gap between rich and poor, economic disparities between rural and urban areas as well as between provinces. In fact, the government imposed the development projects while overlooking their impacts on people and environment. As a result, abuse of human rights and environmental destruction were justified in the name of development and political stability. The measures were taken in order to gain economic benefits as much as possible for financing development programs. To this extent, the New Order government failed to materialize its promise as embodied in the goal of national development, namely to create a just and prosperous community equally in terms of material and spiritual being.

This study recommends that the current government should learn from the failure of the New Order government. Recovering economic crisis, combating corruption, and securing investment climate have been the major concerns of the President Soesilo Bambang Yudhoyono. In order to recover economic problem, Yudhono has implemented economic policies, such as the withdrawing of oil subsidization. However, this policy had implications on the increasing price of oil and goods. This has worsened the condition of poor people who can hardly afford to fulfill their basic needs. Moreover, the poor people have problems to access inexpensive education and health care. In addition to this, gap between rich and poor has been wider since economic crisis hit Indonesia in 1997. It is apparent that the government only concentrates on recovering economy without considering what the people need. It is therefore recommended for the government to use "integrated perspective" of development which encompasses various aspects of human life.[

BIBLIOGRAPHY


PARTY and FISCAL BUDGET:
The Influence of the Effective Number of Parties on Local Budget Deficits in Indonesia

Eko NM Saputro

Introduction
The debate among Indonesian politicians and scholars on the number of competing political parties in national elections is ongoing. This debate is based on the fact that the large number of parties in the two last elections (1999 and 2004) were not able to make significant change; not only in terms of politics but also in terms of economic welfare. Historically, under Soeharto’s regime (1970-1998), Indonesia had three parties competing in elections. Since the regime collapsed and democracy came to the country at the end of 1998, people forced the national parliament to establish a new law which allowed more parties to compete in the election. Simply, people thought that more parties would let them express their political orientations more freely and give more chance to change Indonesia’s condition.

As a result of political reform in 1998-1999, 48 political parties took part in election process in 1999. The large number of competing parties was triggered by a new regulation that allowed a minimum of 50 Indonesians (21 years old and above) to create a political party (article 2 Law No. 2/1999 on Political Party). All parties brought new promises, agendas, and hopes. They generally could be