



## Reflections on 2019 and Hopes for 2020

By  
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### Introduction

Entering the year 2020, the Indonesian Government requires proper preparation in order to address the uncertain social, political, legal, and economic issues the nation faces. As such, a serious reflection of the past year is needed so that we may build the foundations for a stronger and higher quality state and nation. At the turn of each year, there is usually an intellectual tradition among academics and think tanks in Indonesia to undertake a critical reflection of several prominent issues of the past year as well as to put forward some views and hopes for the nation for the year ahead.

### Economy

Throughout 2019, the Indonesian economy experienced several heavy challenges, both from external and internal sources. Externally, a number of factors impacted the Indonesian economy in 2019, such as the escalation in the US-China trade war, falling demand and price stagnation in global commodities, and economic crisis in several Latin American countries. Meanwhile internally, the challenges we faced range from slowing economic growth to missing out on tax income targets.

The Government on several occasions has stated that the Indonesian economy will grow at around 5.04 percent - 5.07 percent in 2019, below the state budget target of 5.3 percent. Meanwhile, inflation remains under control at 3.1 percent with poverty and unemployment rates decreasing. It should be noted however that in the third quarter of 2019, the growth in domestic consumption reached only 5.01 percent. Up until now, the domestic consumption has contributed on average around 54 percent- 56 percent of Indonesia's GDP. Aside from that, we should be wary of the export/import performance given



the slowness in the nation's manufacturing activity.

When it was known that he had won the presidential elections of 17 April 2019, President Joko 'Jokowi' Widodo underlined that his main priority for the second term would be investment. Towards the end of his first term, President Jokowi repeatedly complained about the sluggish investment being made in Indonesia. This was despite the fact that investment was one of the mainstays of the Government in order to achieve its economic growth target. When he delivered his 'Visi Indonesia' speech at Sentul International Convention Center (SICC) in July 2019, President Jokowi again underlined the urgency of investment for Indonesia's economic growth as well as to open up the job market more widely. President Jokowi urged for there to no longer be any 'allergy' towards investment. He also underlined that he had no qualms to get rid of all investment obstacles and to intensify bureaucratic reforms, as well as to fire any officials and/or disband any institutions that was considered to disrupt the investment process.

In the Government's Medium-Term National Development Plan 2015-2019 (*Rencana Pembangunan Jangka Menengah Nasional* or RPJMN) it is stated that investment is projected to grow at 8.1 percent in 2015, 9.3 percent in 2016 and 10.4 percent in 2017. Then it was projected to grow at 11.2 percent in 2018 and 12.1 percent in 2019. With those projections, the average annual economic growth for 2015-2019 should be 7 percent. However, in reality, the average annual economic growth over the last five years has been around 5 percent.

According to data from the Investment Coordination Board (*Badan Koordinasi Penanaman Modal* or BKPM), realized investment stood at Rp 545.5 trillion in 2015. That figure was higher than the target of Rp 519.5 trillion. In 2016, investment growth slowed slightly by 12.4 percent with realized investment reaching Rp 612.8 trillion. In 2017, realized investment grew by 13.1 percent to reach Rp 692.8 trillion. However, in 2018 the realized investment growth plummeted. The realized investment growth over the previous year was only 4.1 percent. The total recorded investment in 2018 reached Rp 721.3 trillion. As a result of the slowing realized investment, the Indonesian economic growth for 2018 was also recorded at only 5.17 percent or below the Government target of 5.4 percent. Meanwhile, up until the first quarter of 2019, realized investment was recorded to have increased by 5.3 percent, compared to the same period the previous year. The total value of investment in the first quarter of 2019 reached Rp 195.1 trillion.

The business sector will surely be keen to see what strategies the Jokowi Government adopts for the second period in order to boost realized investment in the coming five years.





Aside from investment, economic growth will surely be a main concern of the Government. The Government is targeting for growth to remain above 5 percent amidst the global economic slowdown. Indeed the World Bank in its quarterly report released in December 2019 predicts that Indonesia's economic growth will be at 5.1 percent for 2020. The uncertain global economic situation due to international trade tensions consequently impacts on the domestic growth slowdown in Indonesia.

## Politics and Social Issues

The political kaleidoscope of the past year captures the diversity of political realities in Indonesia that is full of tensions as well as paradoxes. Tense because the political contestation was so extreme that it resulted in sharp divisions that saw two opposing groups that supported the presidential candidacies of Jokowi and Prabowo Subianto respectively. The derogative terms '*cebong*' (tadpoles) and '*kampret*' (bats) emerged to indicate whether one politically sided with Jokowi or Prabowo Subianto.

The political reality that was full of tensions also gave birth to a paradox after a political agreement was reached between the two opposing sides. The electoral political competition ended happily following the accommodative politics that was reflected in the formation of the *Indonesia Maju* (Onward Indonesia) Cabinet. The General Elections was no longer a medium for rewards and punishments for its contestants. In the name of reconciliation and unity, 'dividing the cake' of power was conducted by embracing political rivals into the new Cabinet.

After the President and Vice President were inaugurated and the new Cabinet was formed, there are now many who are curious to see what will be the new face of the Jokowi Government in its second period. From the economic perspective, it is not difficult to guess the direction the Jokowi Government will take for the next five years. Based on his victory speech and his state address in August, President Jokowi has made known that the economy will be the main priority during his Government's second term. Continuing the infrastructure drive, developing human resources, boosting investment, and maintaining economic growth above 5 percent were the key economic narratives of President Jokowi.

In stark contrast with the economic perspective, President Jokowi did not specifically mention what he wanted to achieve in the area of politics during his second term. Issues related to human rights and tackling corruption were not part of the key narratives of the President in his speeches after he was reelected in 2019. Even when the President did pay some attention to the agenda of tackling corruption – such as over illegal levies – it could be said that it was minimal. That too was mentioned as part of





the wider and more important desire to undertake major deregulation. The President regards illegal levies as a virus that has infected the state bureaucracy and prevents foreign investment from entering Indonesia.

Why is President Jokowi more concerned with economic issues when compared to the issue of tackling corruption and protecting human rights or other strategic political issues? Is President Jokowi's stance of prioritizing economic issues in his second term an indication of his strong desire to bring Indonesia out of the 'middle income trap' and become an advanced nation in the future?

Economic issues, such as investment and economic growth, are relatively easier issues to be understood by the wider public. As such, it is also easier for President Jokowi to gain support from political powers, both in Parliament and in the ruling Coalition. In contrast with economic issues, tackling corruption or protecting human rights are more sensitive for certain groups and individuals. As such, it is more difficult for President Jokowi to win political support if he were to focus on such issues during his second term.

This dilemma is made more complicated by the political reality that in five years time, President Jokowi cannot run again for office. Whereas in his first term, President Jokowi still had an incentive to seek public support by demonstrating his concern with issues of human rights and tackling corruption, that incentive is no longer relevant in his second term.

It is at this precise moment that the political oligarchs will exploit President Jokowi's disinterest with the aforementioned strategic political issues. The political oligarchs are not just those who hold power via political parties, but also those from outside political parties who hold power via controlling Indonesia's economic resources and consequently have a major influence over what the new Government will do over the next five years.

As such, is President Jokowi's stance to prioritize economic issues over tackling corruption and protecting human rights or other political issues nothing more than a strategy to avoid any direct involvement in the political conflicts between the powers in Parliament as well as the political elites in the ruling Coalition? The course taken by the Jokowi Government in his second term during the next five years will surely answer this question.

In 2019, Indonesia successfully conducted simultaneous elections on 17 April 2019 to decide the composition of Parliament as well as who would be President/Vice President. Prior to the simultaneous





elections, there were some concerns that election-related social conflicts might take place. That concern was reasonable given the tensions and polarization that has taken place during the 8-months campaign period.

As is known, the simultaneous elections of 17 April 2019 were based on Law Number 7 Year 2019 as its legal framework. For the first time, Indonesia simultaneously conducted elections to choose the President/Vice President, members of the House of Representatives (DPR RI), members of the Regional Representative Council (DPD RI), members of provincial assemblies (DPRD *provinsi*), and members of local assemblies at the city/regency level (DPRD *kabupaten/kota*).

The simultaneous holding of elections to choose legislative members as well as the President/Vice President constituted a follow-up to the ruling of the Constitutional Court Number 14/PUU-XI/2013 that was issued on 23 January 2014. The Constitutional Court had ruled that the practice of conducting Presidential Elections separately after the General Elections was unconstitutional and violated Article 22 E, Points (1) and (2), and Article 1, Point (2) of the Constitution of 1945.

However, at the ground level, the simultaneous elections of 17 April 2019 resulted in several unforeseen complications and problems. One of the problems that attracted large attention was the death of 100s of electoral organizers at polling stations in several regions of Indonesia due to exhaustion from the longer counting and tallying process.

A no less crucial problem was the confusion faced by voters. As is known, in the simultaneous elections on 17 April 2019, voters received as much as five ballot papers at the polling station to select executive and legislative officials. Voter confusion was reflected by the number of spoiled votes. Based on data from the General Elections Commission (Komisi Pemilihan Umum or KPU), the number of spoiled votes in the Presidential Elections was 3,754,905. Meanwhile the number of spoiled votes in the Legislative Elections was 17,503,953.

Several unforeseen complications and problems in the implementation of the simultaneous elections triggered responses from a number of groups, including the Government and political parties. The option of once again separating the Presidential and Legislative Elections was suggested by some political elites. It was later agreed by the Government together with the House of Representatives and Regional Representative Council to insert the Draft Revisions to Law Number 7 Year 2017 as a priority in the National Legislative Program (Prolegnas) for 2020.







However, is separating the Presidential and Legislative Elections the best approach to ensuring the unforeseen complications and problems of the recent elections will not repeat again in five years time? Or is there a more ideal approach than just separating the Presidential and Legislative Elections? The ensuing discourse on this matter will likely dominate Indonesian politics in the year ahead.

Then there are also several incidents of social conflict that took place in 2019, such as in Papua and West Papua provinces. Rioting was triggered by an earlier incident of racial discrimination against Papuan university students in Surabaya and Malang which saw members of the security forces and mass organizations hurl abuse at the students before violently storming their premises and detaining the students. The incidents also showed clearly how the right to free expression was being obstructed by certain groups who resorted to intimidation, persecution, and physical violence. In Papua, several groups responded to the incidents in the two cities in East Java through demonstrations in several towns that escalated into rioting.

Meanwhile, in relation to tackling acts of terrorism in 2019, the Indonesian Government faced three important issues, namely: (1) the issue of repatriating ISIS supporters from Syria; (2) anticipating radical-extremist understandings that leaned towards terrorism; and (3) anticipating terrorist attacks in Indonesia. These three issues must be continually addressed by the Government in the years to come via strengthening the capacity of relevant institutions, ensuring coordination across those institutions, and raising the capacity of the security apparatus. Aside from that, the Government also needs to strengthen cooperation with civil society groups because the issue of extremism-terrorism is one that needs an inclusive approach.

## **Defence and Security**

Defence and security has become one of the main development focuses during President Jokowi's first term. In 2019, the Jokowi-Jusuf Kalla Government successfully completing a number of strategic plans that form part of the National Development Plan 2015-2019. With regards to modernizing the primary weaponry defence system (alat utama sistem senjata or alutsista), 2019 saw progress on realizing the Minimum Essential Force (MEF) reach a promising 63.37 percent. The level of contribution from the domestic defence industry towards realizing the Minimum Essential Force also continues to increase. A number of important achievements in the defence industry were successfully achieved in 2019, including the launching of the KRI Alugoro-405 submarine which was built by PT. Pal Indonesia, the state-owned enterprise involved in the shipbuilding industry.





Further, related to organizational adaptation, a number of new commands were officially launched in 2019, including the Joint Defence Regional Commands (*Komando Gabungan Wilayah Pertahanan* or Kogabwilhan) which became one of the Indonesian Military's Main Operations Command (*Komando Utama Operasi* TNI or Kotamaops) as well as Indonesian Military's Special Operations Command (*Komando Operasi Khusus* TNI or Koopsus). Lately, there has also been renewed discussion about forming a National Defence Council. These developments show a positive progress towards an Indonesian Military (TNI) that is more modern and professional as well as national defence system that is increasingly mature.

Despite this, there are several pressing homework in the area of defence and security that remain in the queue of things to be addressed. The Government needs to immediately consider and develop a new defence force developmental plan after achieving the Minimum Essential Force in 2024. The first steps have already been taken by significantly raising the defence budget for 2020 to Rp 131.2 trillion. The gradual increases in the defence budget also need to be followed up with reforms in the budget composition.

Aside from that, the consolidation of democracy and civil-military relations is also a challenge. Concerns at the potential politicization of defence policies have emerged since President Jokowi appointed Prabowo Subianto as Defence Minister in his new Cabinet. The appointment of several retired military and police generals to fill a number of ministerial-level positions have also triggered concerns about the Government's commitment to achieving the military reform agenda. 2020 will be a crucial year in determining the direction of the defence system's development as well as national security in the five year to come.

## Foreign Policy

2019 saw several key achievements reached by Indonesia in the area of foreign policy. The Jakarta-initiated ASEAN Outlook on the Indo-Pacific was adopted by ASEAN Leaders in July 2019. The fact the Outlook was finalized within less than two years was particularly notable, especially given ASEAN's traditionally slow-pace of decision-making. Among the key elements of the ASEAN Outlook are: (1) a perspective of viewing the Asia-Pacific and Indian Ocean regions, not as contiguous territorial spaces but as a closely integrated and interconnected region, with ASEAN playing a central and strategic role; (2) an Indo-Pacific region of dialogue and cooperation instead of rivalry; (3) an Indo-Pacific region of development and prosperity for all; & (4) the importance of the maritime domain and perspective in the





evolving regional architecture.

However it should be noted that there remains some doubts over the actual strategic value of the ASEAN Outlook and what concrete outputs may result. In this sense, a challenge for Indonesia in 2020 will be to demonstrate how to translate the objectives and principles of the Outlook into tangible actions. 2019 also saw the inauguration of the new ASEAN Secretariat building in Jakarta. Fully funded by the Indonesian Government, the building is seen as an answer to those who continue to question President Jokowi's commitment to ASEAN. Jokowi has expressed his hope that more ASEAN meetings be held in the new building as opposed to in other ASEAN capitals but amidst Jokowi's seeming disinterest in the regional organization, this may require greater effort to convince diplomats and officials to meet in Jakarta.

Soon after being reappointed as foreign minister, Retno Marsudi outlined Indonesia's foreign policy priorities for 2019-2024. Known as the '4+1 formula', these include: (1) enhancing economic diplomacy; (2) protecting Indonesians abroad; (3) maintaining Indonesia's sovereignty and territorial integrity; (4) expanding Indonesia's role on the regional and international stage; plus structural reform. The first priority – economic diplomacy – will clearly become the chief concern for Indonesia's foreign policy for the next five years, with President Jokowi focusing on the need to improve Indonesia's trade and investment figures. Indeed, the appointment of Mahendra Siregar as vice foreign minister and given a one-year deadline to secure greater trade for Indonesia is indicative of the importance that economic diplomacy will now hold over Jakarta's foreign policy outlook. There are, however, question marks over whether such targets are realistic. Given that Mahendra Siregar has been given a special mandate and reports directly to the president, there is some confusion as to whether or not Retno Marsudi has been undermined. At the same time, there are some misgivings that any efforts by Indonesia's diplomats to promote the country as a trade and investment destination will count for little if domestic challenges and obstacles have not been addressed.

Aside from economic diplomacy, Indonesia will likely have its attention on the remaining year as a non-permanent member of the UN Security Council. Continued global uncertainty and tensions will require Indonesia to play its role and take a stance on key issues, something it has at times been accused of avoiding. These include over China's treatment of the ethnic Uighurs, Myanmar's treatment of the Rohingyas, and the democratic reversal taking place in the Southeast Asian region.







# THC INSIGHTS

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## Analysis/The Verdict

The past year has seen a number of achievements as well as several areas of homework for Indonesia. The implementation of simultaneous elections, progress in the area of defence and security, and foreign policy successes were all laudable. However there remains concern over a sluggish economy, seeming disinterest in the area of protecting human rights and tackling corruption, as well as the ever present terrorist threat. At the start of his second term, it is clear that President Jokowi will place high priority on improving Indonesia's economic situation through more infrastructure programs and greater push for foreign investment. Whilst there is nothing wrong with such an approach, the Jokowi Government should not neglect other equally pressing issues facing Indonesia in the year ahead.





# THC INSIGHTS

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