

RSIS Public Lecture
“An Evaluation of the Yudhoyono Administration’s First 100 Days in Office”

by

Dr. Kruskridho Ambardi

Executive Director of the Indonesian Survey Institute (LSI)

Mr. Fauzi Ichsan

Senior Economist and Head of Government Relations,
Standard Chartered Bank Indonesia

Mr. Andi Widjajanto

Programme Advisor on Security Sector Reform,
Center for Global Civil Society Studies (PACIVIS)

Tuesday, 26 January 2010
Gallery Room
Traders Hotel Singapore
Singapore 249716

I. Introduction

In conjunction with the first 100 days of President Yudhoyono’s second-term administration, Indonesia Programme, RSIS, conducted a seminar title “An Evaluation of the Yudhoyono Administration’s First 100 Days in Office.” The aim of this seminar was to provide an insight into the key programmes of the current administration’s first 100 days analysing three key sectors: economics, politics and security. Specifically, **Mr. Fauzi Ichsan** delivered his presentation with an update on the Bank Century Scandal and his assessment of the current state of the Indonesian economic and financial sector. Meanwhile, **Dr. Kruskridho Ambardi** delivered a presentation of his latest survey on Indonesian perceptions of the first 100 days of President Yudhoyono’s administration’s performance in economic, political, and security issues. Additionally, he also paid particular attention to the perception of Indonesians of the current Bank Century saga. Finally, **Mr. Andi Widjajanto** presented his analysis of the critical security issues examined during of the first 100 days of President Yudhoyono’s administration and prospects for the future.

II. Presentations

The event was opened by Associate Professor Leonard C. Sebastian, Coordinator of the Indonesia Programme at RSIS.

Mr. Fauzi Ichsan

Mr. Ichsan began his presentation by outlining the key problems and progress of the Bank Century case. He then went through the case in chronological order, starting from the Indonesian government decision to bail out Bank Century on November 1998. This decision later impacted on the 6.7 billion rupiah of losses at Bank Indonesia (BI). Given these huge losses, Parliament then decided to form a Special Committee (Pansus) to investigate the reasons for the bailout, as well as consider the possibility of asking Sri Mulyani, Indonesia's Minister of Finance, or Boediono, President Yudhoyono's vice president and former Governor of Bank of Indonesia, to take responsibility and step down from their respective positions. Despite mass protests over government's decision to bail out Bank Century, Mr Ichsan expressed confidence that the Bank Century case would be resolved politically, and without the sacrifice of Sri Mulyani or Boediono, as Pansus lacked focus in solving the case and was driven mainly by a political agenda.

Nevertheless, Mr. Ichsan also pointed out his concerns that the Bank Century saga would set a bad precedent in the executive-legislative relations in future. Given the nature of Indonesia's coalition government, without clear a majority party, such a bad precedent could potentially impact negatively on political and economic stability over the next five years.

Given these circumstances, the Indonesian economy should be strong enough to avoid any likely future economic and political challenges. In Mr. Ichsan's view, the Indonesian economy is relatively strong and is seemingly heading in a positive direction. This is mainly because firstly, the Indonesian economy is driven mainly by domestic consumption (on average 58 percent of Indonesian expenditure), instead of net-exports. By focusing on infrastructure development, as well as the manufacture and retail sectors, Mr. Fauzi is confident that a growth rate of 7 percent of GDP, as promised by President Yudhoyono during the campaign, could be fulfilled by the end of his term. The global financial recovery in the second half of 2009 and first half of 2010 was expected to have a positive impact on Indonesia. Hence, despite the global financial system having triggered capital flight and slowed the Indonesian economy, the current speed of global economic recovery, should contribute to an Indonesian recovery.

Dr. Kuskridho Ambardi

In his presentation, Dr. Ambardi outlined the degree of public satisfaction with the performance of President Yudhoyono's administration in various aspects of national life during the first 100 days of his second term, as well as the effects of the Bank Century scandal on government performance. Taken from the Indonesian Survey Institute's (LSI) latest survey in January 2010, he demonstrated that the level of public satisfaction with President Yudhoyono's performance as president had dropped from 84 percent in September 2009, to 76 percent in November 2009, to 70 percent in January 2010. 100 days into his second term has seen President Yudhoyono lose 14 percentage points of public support. Nevertheless, the current level of public satisfaction on President Yudhoyono's performance remains high (70 percent).

Dr. Ambardi also revealed that a majority of the public (more than 38 percent) see the economy, both at the household and national level, as being better off than last year. However, examination of public satisfaction specifically on economic and financial issues since June 2009 reveals a decline. The public also viewed the national security condition (57 percent), political condition (27.3 percent), and law enforcement (35.9 percent) positively.

On the issue of fighting corruption, Indonesians perceived the KPK (State Commission for Combating Corruption) to be the most credible institution (58.7 percent). This perception is considerably high if compared with other institutions like the Attorney-General's office (45.3 percent), government (52.7 percent), and Police (49.9 percent).

With regard to the Bank Century scandal, the majority of the public (56.7 percent) are not aware that there was a problem. Of the members of public who are aware of this case, 65.7 percent believe that the government took the wrong decision based on unjustifiable reasons to bail out Bank Century. A majority of the public (38.8 percent) believe that Pansus is not serious about solving the Century Bank scandal case, a slightly higher rate than the 36.6 percent who believe that Pansus is somewhat serious in solving the case. At the end of his presentation, Dr. Ambardi concluded that despite several political challenges within the last several months, President Yudhoyono's public support remains high, and an attempt to impeach President Yudhoyono may not be supported by the people at large.

Mr. Andi Widjajanto

Mr. Widjajanto started his presentation by identifying four key priorities related to the security sector agenda for the first 100 days of the second President Yudhoyono administration. These were counterterrorism, border control, law enforcement, and defense capabilities. Based on these four issues, Mr. Widjajanto argued that President Yudhoyono's administration has fulfilled most of its targets.

This could be seen first of all through the creation of National Agency for Counter Terrorism and National Agency for Border Management; Second, the creation of the blueprints for a new Ministry of Defence; Third, the new defence doctrine, which includes both military and civilian perspectives; Fourth, the signing of defence contracts with PT PINDAD, PAL, and Dirgantara Indonesia, to design and build a new armoured vehicle, transport aircraft, and submarines for Indonesian Army, Air Force, and Navy. The manufacture of these defence platforms is expected to be complete by 2019.

Additionally, Mr. Widjajanto mentioned that President Yudhoyono is planning to submit a bill on the Integrated National Security System within the next couple of months. If the bill passes in parliament, Indonesia will then have an integrated defence system in 2014, self-reliance in weapons systems by 2019, and the new defence posture fully in place by 2029.

III. Question and Answer Session

1. Dr. Aris Ananta:

Pak Fauzi, Do you think President Yudhoyono will follow Barack Obama's policy in separating banks that play an intermediary role from those that more speculative? And Pak Dodi, do you think the public will be skeptical about the recent release of President Yudhoyono's music album, especially in the midst of economic and political hurdles?

Mr. Ichsan: Personally, I think Obama's policy is a good one. The decision has significantly transformed the role of traditional banks. But, I guess President Yudhoyono will not follow Obama's decision. In 1998, indeed, the Indonesian banking sector was considered to have collapsed. At that time, Bank Indonesia [the central bank] channeled its Bank Indonesia Liquidity Assistance (BLBI) to 48 banks. Now, Bank Indonesia is enforcing a more strict and rigid regulation of the banking sector. Hence, if you see the balance sheet of Indonesia's banking system, it is relatively good. Currently, only two banks, Bank Century and IFI Bank have been bailed out. So, I guess there are no additional measures that need to be taken.

Dr. Ambardi: There are two levels to analyse this. The first is to look to the middle-class, who usually are more skeptical, especially those who are supporters of Jusuf Kalla. However, the facts showed that President Yudhoyono is still highly popular and appeals to the general public at large. Hence, I expect his recent album release will not significantly change this.

2. Dr. Sulfikar Amir:

Pak Dodi, it seems that thus far, President Yudhoyono is highly popular in the public. If his vice president or his finance minister steps down, do you think this decision would have an impact on President Yudhoyono's popularity? And Pak Andi, how is the progress of military business acquisition?

Dr. Ambardi: President Yudhoyono and the Democrat are highly popular mainly due to President Yudhoyono's populist policies, such as direct cash assistance, fuel subsidies, etc. It shows that Indonesian voters are becoming more rational in response to the party programme. Hence, public will might not really be affected by this issue.

Mr. Widjanto: Thus far, the Indonesian government has agreed to restructure the *Koperasi* (Cooperative) that was previously under provision of Ministry of Defense and TNI headquarters.

3. Prof. Sudrajat Djiwandono:

Pak Fauzi, I completely agree with you, that our strength of economy lies with the domestic market. Therefore, maybe you need to be more careful in analysing the prospects of Indonesian economy. I think that our expenditure was relatively good last year, due to the contribution of a whole series of political events, starting from the general election to the presidential election. The question is, with the absence of

national elections this year; will our expenditure be as high as last year? And whether or not that expenditure gap that we need to close can be replaced by Indonesian exports? And Pak Dodi, as you showed in your presentation, many people perceived the bailout of Bank Century to be a government mistake. But, when you asked the public about this issue, are you not aware that the general public may not completely comprehend the term “bailout”?

Mr. Ichsan : Yes, I am aware of this, Pak. Indeed, last year, expenditure increased significantly, especially during the parliamentary elections. However, as you may see, the expenditure after the election was also relatively high. So, the question here is more on whether or not this expenditure would be sustainable? I guess yes. I believe it could be sustainable. But, one of the keys to achieving this is infrastructure. As long as the infrastructure sector is developing, President Yudhoyono’s promise of 7 percent GDP could be achieved. Internationally, as I mentioned in my presentation, the global economic recovery will eventually increase the Indonesia's export volume, and therefore enhance our economic growth.

Dr. Ambardi: Pak, during the questionnaire of course we used more common terminology and words in describing the “bailout.” Hence, I believe public were able to understand the question in the right manner.

4. Prof. Leo Suryadinata:

I have one question here. So far, I heard all speakers give a positive outlook on Indonesian political and economic stability. I would like to ask all speakers, what do you think the potential major event is that may destabilise Indonesia in the near future?

Dr. Ambardi: Based on LSI’s survey last year, we could actually see that even with the global crisis, there was not a significant impact on the President Yudhoyono administration. However, in my opinion one potential destabilising factor in the Indonesian economic and political situation in the near future is the Indonesia-China Free Trade Agreement. Whether this will actually have a significant impact to the government remains to be seen however.

Mr Ichsan: Internationally, what may destabilise our economy is another “Lehman Brothers” collapse. However, I feel that the likelihood of such an event is pretty slim, as the G20 is trying its best to avoid another global crisis. Meanwhile, domestically, intense conflict between the finance ministry and the parliament, especially over the Bank Century case, will potentially influence the cohesiveness of the coalition, whereas this is becoming an important factor to drive any government policy in future.

Mr. Widjanto: For the security sector, the question is more about whether or not there will be a military intervention in the near future. The Army Chief of Staff indeed in 2009 warned that if the civilian authorities failed to successfully bring about democratization, then the military would intervene. In case there is a scenario of an intervention, then President Yudhoyono might get closer to the military.

IV. About the Speakers:

Kruskridho Ambardi is Executive Director of the Indonesian Survey Institute (LSI). He is also a lecturer at the Department of Political Science, Gajah Mada University, Yogyakarta. He recently published a book “Mengungkap Politik Kartel: Studi tentang Sistem Kepartaian di Indonesia” (The Making of the Indonesian Multiparty System: A Cartelised Party System and its Origins.” His opinions and political insights are sought after by the media and he is acknowledged for his ability to provide expert forecasts, particularly in relation to political parties and political developments in Indonesia. In 2008, he completed his doctoral studies in Political Science at Ohio State University.

Fauzi Ichsan is Senior Economist and Head of Government Relations, Standard Chartered Bank. He is a former Senior Economic Adviser to the British Ambassador in Indonesia. Fauzi received a Master’s degree from the Massachusetts Institute of Technology (1995) and a Bachelor’s degree from the London School of Economics (1991). He has published numerous newspaper articles for Kompas and Business Indonesia, and his views are quoted by domestic and international media, including Reuters, Bloomberg, the Jakarta Post, the Asian Wall Street Journal, the Financial Times, Business Times, CNBC, CNN, and the BBC.

Andi Widjajanto is Programme Advisor on Security Sector Reform at the Centre for Global Civil Society (PACIVIS), University of Indonesia. He is also Director of Defence Economics at the Institute of Defence and Security Studies (IODAS). He holds postgraduate degrees from the University of London (1998) and National Defense University (2003). Andi is also a Ph.D candidate at S. Rajaratnam School of International Studies, Nanyang Technological University. He has published journal articles and op-ed pieces on defense and security issues, as well as delivered presentations to various national and international conferences.