



## CHAPTER 14

### GOVERNANCE IN SOUTHEAST ASIA: The Good, the Bad, and the Ugly

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#### Introduction

By 1999, the Association of Southeast Asian Nations (ASEAN) had achieved its 1967 vision of political regionalism by expanding membership to all 10 of the sovereign states in geographic Southeast Asia.<sup>1</sup> But this regional solidarity is only skin-deep in terms of politics. Within ASEAN there is no uniform political quality that would permit generalization about shared political values, culture, and institutions. There is no ASEAN analogy to the “social democracy” underpinning European integration.

However, these differences, particularly the region’s wide disparities in governmental performance, provide an illuminating context in which to examine what constitutes good governance. To many political scientists governance is not about politics. It is administration. But to grasp and keep the right to govern the state is the instrumental goal of politics. This chapter addresses this dimension of state activity. The approach adopted is that governance should be evaluated in terms of outcomes rather than form and institutional foundations. This follows from a key proposition, one adopted by the Asian Development Bank (ADB), that even given the great diversity of political systems and institutional structures in the Asian region, none of them can reasonably claim to have any comparative advantage from the point of view of governance.<sup>2</sup>

#### The Concept of Governance

“Governance,” at the nation-state level of political organization, refers to the exercise of authority over a defined population. Authority is the capability to make decisions binding on that population by reasons of affective loyalty, habituation to the legal order, calculations of interest, or, in the last analysis, coercion. The social/legal framework through which political authority is wielded is the state, the territorial boundary of which defines the population subject to the political authority. It is

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<sup>1</sup> The original five members of ASEAN in 1967 were Indonesia, Malaysia, the Philippines, Thailand, and Singapore. Brunei became a member at its independence in 1984. Vietnam was accepted as a member in 1995, followed by Laos and Myanmar (Burma) in 1997, and finally Cambodia in 1999.

<sup>2</sup> Asian Development Bank, *Governance: Sound Development Management* (Manila: ADB Policy Paper, 1995).

political authority's connection to the state that distinguishes it from authority expressed through other social frameworks. The wielders of political authority—the government—are the individuals or groups whose formal or informal decision-making roles are ultimately related to state structures and institutions. Their claim to authority can be derived from a variety of sources: hereditary tradition, constitutional practice, expressions of popular will, oppressive coercive force, or a combination of factors. The exercise of authority, or governance, involves the allocation of material, social, and value goods to institutions, groups, and individuals in the state and the extraction, mobilization, and deployment of the human, material, and symbolic resources to support governance. To paraphrase Lasswell's famous statement, governance is the distributive aspect of who gets what, when, and how in a society; that is, the creation and enforcement of public policy.<sup>3</sup> This definition of governance is relatively values-free and universal, characteristic of authority in any state at any time. Whether the government is democratic or authoritarian, military or civilian, capitalist or socialist, the task of governance is the same.

### *Good Governance*

Good governance is that which performs its tasks and meets its challenges effectively, efficiently, and in a manner that contributes to the legitimacy of authority (the general approval of the people). Legitimacy can be demonstrated in a number of ways, both active and passive. It does not require free and fair elections. Suharto's Indonesia at mid-course is a case in point. In terms of real social and economic progress, it had what Liddle called "developmental legitimacy" rather than "democratic legitimacy," what I have elsewhere called "instrumental legitimacy."<sup>4</sup>

The tasks of governance touch nearly every aspect of public life. We can evaluate the quality of governance by the success or failure in attaining the major goals of governance. These include, mentioning only a few of the most important goals:

- securing and defending the integrity of the state
- providing for public order and domestic security
- promoting political, social, and economic policies in the interest of the public good
- implementing those policies fairly and uniformly to the boundaries of the state and inclusive of all elements of the population
- mobilizing and deploying the resources necessary to perform the tasks of governance

Good governance is demonstrated when, in the context of a state's particular political, social, cultural, and economic situation—its uniqueness—the governing

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<sup>3</sup> Harold K. Lasswell, *Who Gets What, When, and How* (Glencoe, IL: The Free Press, 1936).

<sup>4</sup> R. William Liddle, "A Useful Fiction: Democratic Legitimation in New Order Indonesia," in R. H. Taylor, ed., *The Politics of Elections in Southeast Asia* (Washington DC; Woodrow Wilson Center Press, 1996), p. 42; Donald E. Weatherbee, "Indonesia: Electoral Politics in a Newly Emerging Democracy," in John Fuh-Sheng and David Newman, eds., *How Asia Votes* (New York: Chatham House, 2002), p. 261

authority formulates and implements (to the degree possible) public policy clearly designed to achieve these goals. The keys to good governance are leadership's political will and political capacity. Political will is the conscious intention of leadership to act in a way conducive to good governance. Political capacity refers to leadership's ability to move the political, bureaucratic, and military institutions of the state in the direction of good governance. An evaluation of the quality of governance is a relative judgement, but it is based on performance.

In the scope of this chapter we can only examine one case of governance in any detail, that of Indonesia. Indonesia's poor governance starkly illustrates that a lack of political will and capacity brings potentially serious consequences. The fact that it is a democracy also underlines the contention that good governance is not necessarily dependent on the form of government but on whether that government delivers results. First, to put Indonesia in its ASEAN context, a few general comments on the regional governance scale of good to bad are in order. Singapore is generally considered to be the model of good governance in Southeast Asia. Malaysia and Thailand fall in a second tier of relatively "good." The Philippines occupies a third tier, but still on the "good" side of the scale. At this point we move from good to bad. Bad governance is defined here as the absence of political will or capacity, or both, to move towards the goals that serve as our criteria for the quality of governance. Laos, Cambodia, and Vietnam fall in this category. Myanmar and Indonesia are at the bottom. Because the consequences of bad governance in Indonesia are so grave in terms of the implications for Southeast Asia's regional political and security order should the Indonesia state collapse, it can be singled out as a case of "ugly" governance.

If Singapore is the paradigm for good governance in Southeast Asia, it may be instructive to refer to the principles of governance informing Singapore authority.<sup>5</sup> According to Prime Minister Goh Chok Tong, good governance in Singapore is built on three interrelated factors: accountability and transparency, long-term social orientation, and social justice.<sup>6</sup> Policies are designed for the long-term good, not what will please in the short term. This requires strong leadership with a vision and clear direction. The watchwords for policy are flexibility and adaptability in pragmatic anticipation of change. Government is held as a trusteeship rather than an agency of special interest. Good governance is not only about policy. It depends on the implementation of that policy. For that, an independent, honest, and efficient civil service is critical. The foundations for such a civil service are education, meritocracy, and incorruptibility. The ADB's previously cited statement on governance says that good governance involves norms of behavior that help ensure that governments actually deliver to their citizens what they promise to deliver. These norms include accountability, transparency, participation, and predictability. The fundamental underpinning for good governance is the rule of law. Only with the rule of law can

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<sup>5</sup> For an interesting discussion of the way the concept of "good government" is used politically in Singapore and Malaysia see Surain Subramaniam, "The New Narrative of 'Good Governance: Lessons for Understanding Political and Cultural Change in Malaysia and Singapore,'" *Contemporary Southeast Asia* 23:1 (2001), pp. 65-80.

<sup>6</sup> Goh Chok Tong, "Governance Principles," excerpt of a speech by Prime Minister Goh Chok Tong, (<http://www.moe.edu.sg/neu/factfiles/pub-content-governance.html>).

the other requisites such as accountability, incorruptibility, and transparency be guaranteed.

#### *Governance and Economic Development*

There is a great diversity in the stages of development and levels of performance of the economies of Southeast Asia. At one end, leaving aside the Brunei anomaly, there is the high-tech, IT-based economy of Singapore, the land of the five Cs: careers, condos, clubs, credit cards, and cars. At the other extreme is Cambodia, a land still recovering from a generation of warfare. In between, depending on how one ranges the macroeconomic indicators—per capita GDP being a popular measure—we find in descending order Malaysia, Thailand, the Philippines, Indonesia, Vietnam and Laos. Myanmar falls somewhere in the Laos-Cambodia range.<sup>7</sup>

The analytical question is: How do we relate the level of a state's economic performance to its governance? To answer is not to make absolute statistical comparisons but to examine how well the resource endowment underpinning the particular economy is being managed. For example, Laos can never be a Singapore but must it stay in its reduced circumstances of derelict penury? If we take the 1997 ASEAN financial crash as another example, the issue of governance is how those countries most affected—the non-socialist market economies—dealt with the crisis. Which leaderships had both the political will and capacity to manage and adapt to the changed economic circumstances? The answer is clear: Thailand, Malaysia, and Singapore. For Suharto's Indonesia, the 1997 crisis was the turning point. Public interest was sacrificed for family and cronies. For Vietnam, the issue of governance and the economy has to do with managing a transition from centrally planned to market-based allocation of resources and pricing. The fact that it is occurring at all is on the plus side. The economy of Cambodia is best described as a criminal enterprise linking Thai, Singaporean, Taiwanese, and Japanese exploiters to their Cambodian counterparts. In Myanmar, economic mismanagement as the military plunders the people is leading to economic catastrophe.

#### *Corruption*

Perhaps the most obvious mark of the quality of governance is the degree to which public interest is subverted by corruption. The ADB defines corruption as the abuse of public or private office for personal gain. This means any behavior in which people in the public or private sectors improperly and unlawfully enrich themselves or those close to them or induce others to do so.<sup>8</sup> This is a relatively narrow definition attuned to the economic requisites of development. In a broader sense corruption also comprehends the unlawful manipulation of the political system through “money politics” or intimidation.

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<sup>7</sup> The per capita GDP (GNI) figures from the World Bank's 2001 *World Development Indicators* data base are: Singapore, \$24,750; Malaysia, \$3,370; Thailand, \$2010; Philippines, \$1044; Indonesia \$570; Vietnam, \$390; Laos, \$330; and Cambodia, \$260. The Bank had no current data for Myanmar but based on 1997 figures it is probably \$300 or less. Indonesia has sunk into ASEAN's third tier and is significantly below China's figure of \$840.

<sup>8</sup> Asian Development Bank, *Anticorruption Policy* (Manila: ADB Policy Paper, 1998).

The costs of corruption in terms of good government are high. Corruption encourages inefficiencies in the allocation of scarce economic and social resources. Resources intended for the public good are lost or squandered. Corruption degrades the performance of the political system as a whole. It causes a loss of confidence in the government and promotes a broader avoidance of obligations and regulations. It leads to a breakdown of institutional and bureaucratic command, control, and accountability thereby undermining the *sine qua non* of good government, the rule of law.

No country in Southeast Asia, even Singapore, is immune from corruption.<sup>9</sup> In some cases it has been spectacularly demonstrated at the most senior level of leadership. In 2001, three Southeast Asian heads of government were simultaneously under investigation for alleged corruption: President Abdurrahman Wahid in Indonesia, President Joseph Estrada in the Philippines, and Prime Minister Thaksin Shinawatra in Thailand. In most Southeast Asian countries corruption always lurks in the background of elite transactions. Corruption becomes a problem when it is so dysfunctional that it slows or prevents the attainment of the goals of good governance. In some countries corruption is so systemic that it has replaced the rule of law (in Cambodia and Indonesia, for example) and the corrupt shrug it off with a sense of impunity when they are exposed. In other countries the rule of law has been corrupted to stifle democratic opposition: Malaysia and Singapore for example. In some countries military professionalism has been hollowed out because of corruption: the Philippines and Indonesia for example. From the point of view of businessmen the most corrupt countries in Southeast Asia are Vietnam and Indonesia.<sup>10</sup> Like other indicators of a poor quality of governance, the consequences of corruption are far more serious for Indonesia.

### **Indonesia: the “Ugly”**

It has become almost commonplace to characterize Indonesia’s sorry state of affairs as a crisis of governance. A frustrated President Megawati has likened her government to a “garbage dump.”<sup>11</sup> A recent book about contemporary Indonesia was titled *A Country in Despair*.<sup>12</sup> All of the symptoms of state decay seem present. To mention only a few: loss of *de facto* control over parts of the country, rampant crime, the rise of non-state agents of coercion, accelerating environmental degradation, the breakdown of infrastructure, nearly a million and a half internal refugees, growing impoverishment, unconstrained corporate and public corruption, and institutional incapacity. At the center stands an immobile government without vision or direction; its eyes fixed not on the tasks of governance but personal power, status, and wealth.

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<sup>9</sup> For a survey of corruption in Southeast Asia see Dini Djalal, “Southeast Asia,” in *Global Corruption Report 2001* (London: Transparency International [http://www.globalcorruptionreport.org]).

<sup>10</sup> Every year Hong Kong-based Political and Economic Risk Consultancy (PERC) has expatriate businessmen grade countries on a corruption scale of 0–10 with 0 being the cleanest. In Southeast Asia Singapore is always the cleanest with Indonesia and Vietnam being the most corrupt. Malaysia, Thailand, and the Philippines follow Singapore in that order.

<sup>11</sup> *Tempo interactive*, 11 February 2002.

<sup>12</sup> Kees van Dijk, *A Country in Despair* (Leiden: KITLV Press, 2001).

The brand of governance in Megawati's Indonesia mocks the 1998-1999 call for *reformasi* (reform). In fact, as one perceptive critic put it, the term *reformasi* itself "can no longer be used with reference to actual democratic forces."<sup>13</sup> What has emerged from the wreckage of Suharto's New Order is a government largely made up of Suharto-era politicians and bureaucrats but without the institutional capabilities of Suharto's state. The government has demonstrated neither the political will nor capacity to address the fundamental challenges to governance including the survival of the state itself. In terms of the criteria for good governance and its principles, Indonesia fails so dismally that its governance can truly be called "ugly."

It can be argued in defense of the Megawati government that its stasis is the function of contending political forces preventing decisive action. Since the fall of Suharto the presidency has been locked in a power struggle with the parliaments. Behind the smoke screen of allegations of physical incapacity and corruption, it was Abdurrahman Wahid's refusal to bend to parliament that led to his impeachment. Although a constitutional question, the struggle is political and continues under Megawati. Then there is a massive bureaucracy stubbornly and successfully resistant to change. Since the fall of Suharto, while elites jockey for power in Jakarta, the battle for the hearts and minds of Indonesia's majority Muslim population has become part of an increasingly bitter public discourse. The clamorous and threatening posture of militant Islamists and violence-prone radical militias cow the voices of Islamic moderates. Countrywide, the constitutionally prescribed basis of the unitary state is challenged from the regions, provinces, and even lower levels of government. Finally, there is the military, the TNI (*Tentara Nasional Indonesia*), perhaps waiting in the wings for the call to restore stability and order. The logic of an argument that Megawati is trapped by circumstances leads to the conclusion that perhaps Indonesia in its current political configuration is ungovernable.<sup>14</sup> A brief discussion of some of the more obvious manifestations of ugly governance will underline this point.

#### *Corruption*

Opposition to KKN—*korupsi*, *kolusi*, and *nepotisme*—motivated the street demonstrators who were the shock troops of the campaign to topple Suharto. Now, four years and three presidents later, efforts to eradicate KKN have sputtered out. The only thing that seems to distinguish the present government from Suharto's in terms of KKN is the absence of the Suharto family as feeders at the public trough. Even though allegations and evidence of corruption at the highest levels of government abound there is no sense of urgency or even need to hold members of the elite to account. Even in the very few cases where proceedings have been instituted against prominent figures, public expectations are that nothing will happen since the courts are corrupt as well. The head of the State Audit Board has complained that the current government is no better than its predecessors in fighting

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<sup>13</sup> Nico Schulte Nordholt, "Indonesia, A Nation-State in Search of Identity and Structure," *Bijdragen tot de Taal-, Land- en Volkenkunde* 157:4 (2001), p. 885.

<sup>14</sup> For examples of this logic see John McBeth, "Nothing Changes," *Far Eastern Economic Review*, 1 November 2001, pp. 16-19; Lee Kim Chew, "Megawati's ship is going adrift," *Straits Times interactive*, 12 January 2002.

corruption.<sup>15</sup> There is a culture of corruption that pervades every level of government. Scandal after scandal engulfs the government but only rarely with legal consequences. It is little wonder then that corrupters are empowered with a sense of impunity.<sup>16</sup>

The sense of elite impunity cuts across all levels of official accountability. For example, by law a Commission for Investigating Human Rights Violations (KPP HAM) has been set up to investigate and report for possible prosecution of serious human rights violations.<sup>17</sup> Three incidents involving the TNI's use of deadly force against student protesters in 1998 and 1999 are on the commission's agenda. In 2002, Seven generals and 12 other military and police officers twice refused summons to appear before the commission. Nor did the government take measures to ensure compliance with the summons. The TNI's senior legal officer bluntly stated that, "no Indonesian military personnel will respond to a summons from the KPP HAM. KPP HAM is not valid and has no legal basis."<sup>18</sup>

### *Economic Capabilities*

The Indonesian economy lags far behind the other market economies of ASEAN. The management of the economy in terms of political will and capacity is better compared to Myanmar but poorer if compared to Malaysia, Thailand, or even the Philippines. Foreign investment in Indonesia fell nearly 42 percent in 2001 as political instability, social unrest, legal uncertainty, and violence made other investment climates more attractive. Unemployment rose to more than 40 million with three million new job seekers coming on the market annually in an economy that creates only 1.6 million jobs a year.<sup>19</sup> The poverty index reached 50 percent in 2001. The economy is dragged down by an enormous debt burden of \$140 billion, a staggering 85 percent of the country's GDP. With the country still mired in the ruins of the 1997 crash, Coordinating Minister for Economic Affairs Dorodjatun Kuntjoro-Jakti warned that there might be a "second wave of problems like Argentina." The only solution, he added, was that everyone must support "what we agreed to do in 1998."<sup>20</sup> The problem is that not everyone supports the measures worked out with the IMF and other creditors. Some, in fact, actively oppose them. A few examples will suffice to demonstrate the governance issues.

Between 1998 and 1999, to rescue the banking sector the government advanced \$14.3 billion in liquidity support loans with a four-year repayment schedule. In August 2000 the State Audit Board reported that 95 percent of the loans had been misused or

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<sup>15</sup> Billy Yudono, as reported in the *Straits Times interactive*, 23 January 2002.

<sup>16</sup> According to a 1999 law, elected officials and government civil servants are required to make a declaration of assets to the Official Wealth Audit Commission. By 2002, less than ten percent of the more than 50,000 officials covered by the act have complied.

<sup>17</sup> The relevant laws are Law 9/1999 on Basic Human Rights and Law 26/2000 on the Human Rights Court. These laws and other "democratic" laws were passed by the parliament in the flush of *reformasi*. Since then the political effort has been to emasculate them. The situation can be compared to the desire of Thai legislators to weaken critical part of the new democratic constitution, particularly with respect to clean elections.

<sup>18</sup> Major General Timur P. Manurung as quoted in "Outranking the Law," *Tempo*, 12-18 February 2002.

<sup>19</sup> These figures were provided by Minister of Manpower Jacob Nuwa Wea and reported in *The Jakarta Post*, 22 December 2001.

<sup>20</sup> Remarks of Dorodjatun Kuntjoro-Jakti, "Update on Economic Reform in Indonesia," USINDO Economic Briefing Series, 5 February 2002.

diverted. It is no wonder that most of the Indonesian Bank Restructuring Agency (IBRA) debtors have not made a single repayment. Of the some 2,400 legal cases mounted against uncooperative debtors only ten percent have been concluded, with the government usually on the losing side. Giving up on aggressively pursuing politically connected delinquents and malefactors, in early 2002 the government proposed extending the debt repayment schedule to ten years at a lower rate of interest than originally contracted. This was inconsistent with the IMF's requirement of strengthening compliance and securing legal certainty as part of a clear strategy to recover the loans. Faced with the IMF's threat to withhold forthcoming *tranches* of negotiated loans, the government backed down. Even if the government should drastically change its tactics (a doubtful proposition) and liquidate the assets held as collateral, the value of the assets is conservatively calculated as only about thirty percent of the total outstanding loans.

The debt recovery issue is but one part of the larger picture of corruption and political unwillingness to take the necessary steps to put Indonesia's financial house in order. Another part of IBRA's strategy as outlined in Indonesia's successive "Letters of Intent" to the IMF has been the sale of the government's stakes in debt-ridden enterprises. IBRA's record in this regard has been plagued by a lack of transparency, leading to strong suspicions that politically connected former owners are negotiating buy-backs at less than fair value. In cases like that of Bank Central Asia, IBRA's largest single debtor, the government's intention to sell its 51 percent stake to foreign financial houses was delayed for months by politics wrapped in the banner of economic nationalism. Politicians and labor have also resisted the privatization of state enterprises. For example, the government's sale of its interest in Gresik Cement to Mexico's Cemex was stalled because of local opposition to the inclusion in the sale of Padang Cement, a Sumatran subsidiary of Gresik Cement. Local political, business, and religious elites persuaded the West Sumatra legislature to take over Padang Cement, in effect a "provincialization" of a national enterprise to forestall privatization. The implications of this for future privatization cannot be ignored. Mohammad Sadli, a distinguished former Minister of Economics, said of the tussle between Jakarta and West Sumatra that "the central government must win, or pretty soon there will be no central government."<sup>21</sup> Jakarta's cave in to local resistance further eroded what little confidence foreign investors might have in its capacity to deliver rational economic policy.

#### *Breakdown of Law and Order and Internal Security*

One of the tasks of good governance is to provide for domestic security guaranteeing the physical safety and legal rights of all citizens. In Indonesia domestic security is increasingly at risk. There is rising tide of criminality that a demoralized, undermanned, poorly trained, poorly led, and corrupt police force cannot stem. This has led to vigilantism, mob justice, militia formations, and other acts of self-defense as confidence in the protection of state-authorized institutions of law and order wanes.

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<sup>21</sup> As quoted in Sadanand Dhume, "High Noon in Provincial Padang," *Far Eastern Economic Review*, 15 November 2001, p. 16.



It is an irony of Indonesia's aspiring democracy that major political parties and social groupings have armies of thugs operating outside of the legislative arena to promote their political message through intimidation. Militant Islamic groups conduct "sweeping" operations to eliminate offensive behavior and businesses. It is sometimes difficult to find the boundary between religious zeal and looting. In most cases, protest against organized gangs of whatever political, religious, or criminal persuasion is met by official indifference and inaction.

At a second and even more ominous level of collapsing internal security, groups of citizens are making war on other groups of citizens while the government seems unable or unwilling, or both, to restore domestic peace and order. Brawling ethnic gangs are not uncommon in the cities. Even Bali has not escaped inter-ethnic violence. Ethnic and sectarian violence has become endemic, from random acts of arson and bombings to Bosnian-like ethnic cleansing. For example, in three years of bloody Christian-Muslim sectarian strife in Maluku at least 9,000 people have been killed and half a million displaced from their homes. Since January 1999 six police chiefs and three military commanders have cycled through Maluku. The violence spilled over to North Maluku and Poso in South Central Sulawesi. The conflict has been intensified by the presence of thousands of members of the *Laskar Jihad* (Holy War Army), the armed wing of Java-based Islamic extremists. Rather than restoring order, elements of the TNI have logistically facilitated the *Laskar Jihad*.

The problem seemed remote to the Jakarta elite until foreign governmental and NGO pressure was applied. Indicative of Jakarta's impotence when faced with local civil wars has been its adoption in Maluku of a stance of diplomatic intermediation seeking to broker peace between the warring parties rather than impose law and order. The governance problem is that keeping the peace is not dependent on the state's authority but on the good will of the adversaries. In February 2002, an eleven-point agreement was reached designed to end the current strife. A key item called for the disarming and banning of militia groups. The Laskar Jihad refused to be a part of the accord. Within weeks its units were in action again attacking Christian communities.

#### *Decentralization or Disintegration?*

Even before the fall of Suharto's government there had been calls for greater autonomy and self-government at the local level. The demand in particular was for a fairer division of taxes and revenue from natural resource exploitation and industrialization. The post-Suharto administrative response was Laws 22 and 25 of 1999 providing a package for devolving power to nearly 400 regency (*kabupaten*) and municipal governments.<sup>22</sup> The laws, loosely and carelessly drawn, established a

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<sup>22</sup> Government administration is carried out through descending levels of administrative sub-units: provinces, regencies and cities, sub-districts, and villages. Elected legislative bodies function at the provincial and regency/city levels of government. Regional administrative units were not financially autonomous and functioned to implement nationally determined policy, rules, and regulations. For a brief sketch of pre-2001 local government in Indonesia see Donald E. Weatherbee, "Government and Politics," in William H. Frederick and Robert L. Worden, eds., *Indonesia: A Country Study* (Washington DC: Federal Research Division Library of Congress, 1993), pp. 225-227.

framework for administrative autonomy and revenue sharing but still, from Jakarta's viewpoint, within the integral body of the unitary state.<sup>23</sup> The details were left for future specification. The necessary groundwork, including implementing regulations, was not laid out.

The laws went into effect on January 1, 2001. The local authorities and legislatures took the ball and ran with it, expanding their ambiguously permitted areas of activity and in fact competing with the central government in raising revenue through taxation, licensing, and natural-resource exploitation. Rather than a uniform national regulative and administrative regime, a kind of legal limbo has emerged. A welter of contradictory regulations and locally imposed levies, what might be called "creative taxes," is replacing the vacuum of national administration. The minister of Home Affairs, already by the end of August 2001, could cite 3,000 contradictory regulations at the local level, complaining that many regencies considered themselves sovereign.<sup>24</sup> The problems of autonomy involve more than just administrative confusion, duplication, and incompetence. A whole new set of quasi-independent bribe-demanders has emerged. The rush to squeeze out as much revenue as possible has added a new layer of resource exploitation to an already stressed environment. This is happening as poor central government oversight of environmental security is further weakened by the dissolution by Megawati's executive order of the Environmental Impact Control Agency (BAPEDAL). Local autonomy in areas of ethnic or sectarian tensions can mean fewer checks on impulses towards ethno-religious cleansing particularly in bureaucracies. Finally, it has already been shown in some regencies that militant Islamists can force the adoption of "purificatory" rules rejected at the national level.

Recognizing that Jakarta has lost control over the autonomy process, the Megawati government is trying to put the genie of decentralization back in its unitary state bottle. Even while vice-president, she strongly criticized the autonomy laws as being contrary to the 1945 Constitution, breaking the hierarchical relationship between Jakarta, the provinces, and the regencies some of which she declared were in "rebellion" against provincial authority.<sup>25</sup> Even at the provincial level, elected legislatures are challenging the authority of governors who are agents of the central government. The perceived threat from Megawati's vantage is emergent *de facto* federalism, a concept as anathema to her as it was to her father, Indonesia's first president. Coming into office, her government began a campaign to reassert supremacy and enhance control and coordination over the regencies. Critics view this as Jakarta's reluctance to really share power. Part of that reluctance probably is also connected to the desire of political and bureaucratic figures in Jakarta to protect

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<sup>23</sup> One of the major criticisms of the autonomy laws is that they bypass provincial governments. It was argued that the regencies did not have the infrastructure or human resources to effectively carry out their new responsibilities. On the other hand, it was feared that autonomy at the provincial level might lead to new separatist demands. Regencies continue to multiply. In February 2002, parliament approved 22 new regencies in eight provinces. New provinces have been hived off as well. The count is now 32 including two new virtual provinces in Irian Jaya. There are as many as 13 prospective new provinces waiting for the right political moment.

<sup>24</sup> As cited by the *Jakarta Post*, 30 August 2001.

<sup>25</sup> See for example her speech to the provincial governors at a Ministry of Home Affairs workshop on May 16, 2001 reported in *The Jakarta Post*, 17 May 2001.

sources of private revenue in the regencies. In 2002 the government drafted amendments to Laws 22 and 25 of 1999 designed to curtail local autonomy. The Association of Regency and Municipal Councils has strongly lobbied against it. Political party factions in the parliament, looking to the 2004 general elections, have been cool towards the idea of stepping back from decentralization, which, while vexing to the government, is popular.

### *Separatism*

Many discussions of the challenges facing Indonesia begin with the issues of separatism in Aceh and Papua (Irian Jaya).<sup>26</sup> But the outcome of the internal wars at the provincial extremities of the archipelago is not the key to the future. Indonesia, the state, can exist with or without Aceh or Papua. Whether the dissidents in those provinces win or lose will not essentially change Indonesia's ugly governance. The post-Suharto governments have adopted a carrot-and-stick approach towards rebellious outlying areas, in a strategy to retain sovereignty at all costs. Jakarta's problem is that the carrot is not tasty enough and the stick is counterproductive.

Papua was officially granted "special autonomy" on January 1, 2002, but without the implementation of guidelines and a widely heralded visit by President Megawati to the province did not take place. Even the half-a-loaf "virtual" autonomy was marred by the November 2001 murder of Papuan political leader Theys Hijo Eluay. It is widely believed that his kidnapping and killing was the work of the TNI. The demographic ingredients for the kind of disaster that befell East Timor are present in Papua. The proponents of Papuan independence, with its armed wing, the OPM (Free Papua Movement), represent the indigenous Melanesian people of the western half of the island of New Guinea. They have become economically and socially marginalized in their own land by the immigration since 1962 of Indonesians who control the economy and now make up half the population. It is reported that the Laskar Jihad is already at work training immigrant Indonesian militias for "self-defense" against Papuan separatists.

A "special autonomy" law for Aceh also took effect on January 1, 2002 but again without the laws and regulations to make it operational. On January 17, 2002, in the face of a general strike in Aceh, Vice President Hamzah Haz made it clear once again that the Acehnese dream of independence was futile. This means that the quarter century of war that has already costs tens of thousand of lives will continue despite on-again, off-again negotiations and humanitarian pauses between Jakarta and the Aceh Independence Movement (GAM). On January 24, 2002, the TNI ambushed and killed the commander of GAM's armed wing together with his wife. Casualties are reported almost daily and they include civilians caught between in the middle.

If self-determination is to be denied in Aceh and Papua, a heavy TNI presence will be necessary. This raises the prospect of an indefinite continuation of the cruelty, injustices, and human rights abuses already fully documented in both provinces. While

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<sup>26</sup> For concise discussions of the general problem of separatism in Aceh and West Papua see Anthony L. Smith, "Conflict in Aceh: The Consequences of a Broken Social Contract," *Harvard Asia Quarterly*, VI:1 (Winter 2002), pp. 47-55; and David Webster, "'Already sovereign as a people,' A Foundational Moment in West Papuan Nationalism," *Pacific Affairs*, 74:4 (Winter 2001-2002), pp. 507-508.

the government goes through the motions of negotiation, the TNI is beefing up its forces. A separate military command, the Iskander Muda command, has been reconstituted for Aceh. By mid-2002 reinforced TNI troop strength there exceeded 22,000 men. This does not include the paramilitary police. The situation on the ground in Aceh has been likened to the military occupation of East Timor before independence. There is ample testimony to President Megawati's fierce commitment to Indonesia's territorial integrity. She condemned President Habibie for allowing the East Timor referendum. Her past indifference to TNI human rights abuses is shown by the foot-dragging on holding army personnel accountable for their actions in East Timor. Her possible future indifference is more chilling. In a 2001 year-end speech to the troops, she told them to do their duty and not worry about human rights abuses.<sup>27</sup>

### **Conclusion**

The facts of Indonesia's ugly governance cannot be disputed. The future does not look promising. Indonesia has all of the symptoms of a failing state. Unlike bad governance in Vietnam, Laos, Cambodia, and Myanmar, ugly governance in Indonesia has a region-wide impact. The fate of Indonesia will strongly affect regional security. Malaysia is struggling with thousands of illegal Indonesian immigrants. Australia is trying to cope with "boat people" whose passage is facilitated through Indonesia. Malaysia, Singapore, and the Philippines are moving from unease to alarm about Indonesia as a possible breeding ground for militant Islamist terrorists. A failed Indonesian state would leave a geopolitical hole in Southeast Asia, changing the dynamics of U.S., Chinese, and Japanese interests in the region.

What is to be done? This chapter has discussed good governance as an outcome, a dependent variable. The independent variables identified were political will and capacity. There are many prescriptive solutions offered for Indonesia: rule of law, transparency, civil service reform, judicial reform, reform of the police, reform of the TNI, etc. These also are outcomes depending on political will and capacity. The underlying question then, is what political systemic change will be necessary to strengthen political will and enhance political capacity in order to move Indonesia in the direction of good governance?

It has been argued that Indonesia's current ugly governance is part of the price of a messy transition from Suharto's authoritarianism to democracy, a process that will take time. There is little empirical evidence, however, that those in charge of "democratization" are truly normatively committed to the task. Furthermore, if Singapore is the paradigm for good governance, democracy is not necessarily a required intervening variable between political will and capacity and good governance.

One possible thin ray of hope might be found in the process of decentralization. For the first time in Indonesian history, governments, even if only local governments, will through the electoral process become accountable to their constituencies. Already in the regencies a new sense of empowerment is emerging, a fact more remarked upon by groups and NGOs interested in building civil society than by the Jakarta powerbrokers. Perhaps as Jakarta's political/administrative writ dissipates as it moves

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<sup>27</sup> As reported in *The Jakarta Post*, 28 December 2001.

away from the center in a state structured by a kind of incremental neo-federalism, ugly governance at the center will not be as threatening to the nation's future as it now seems.

