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# INDONESIA IN 2005

## *A New Multiparty Presidential Democracy*

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R. William Liddle and Saiful Mujani

### Abstract

Newly elected President Yudhoyono and Vice President Kalla scored successes despite initial lack of parliamentary support. Kalla took control of Golkar, the largest party, and a tentative peace was achieved in Aceh. Economic policy was entrusted to a strong team of technocrats. Military relations with the United States were fully restored.

### Politics

In an influential article, Scott Mainwaring argues that a multiparty system and presidentialism are a “difficult combination” found in none of the world’s 31 stable democracies. Mainwaring offers three reasons why this institutional configuration is problematic. The absence of a majority party in the legislature plus separation of powers leads to executive-legislative deadlock, multipartism is more likely than bipartism to produce ideological polarization, and interparty coalitions are harder to build and maintain in a presidential than in a parliamentary system.<sup>1</sup>

In October 2004, with the inauguration of the first directly elected president and vice president, Indonesia became a presidential democracy. In April of that year a national legislative election had produced a multiparty Parliament for the 2004–09 term in which 550 seats were divided among 17 parties. The

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1. Scott Mainwaring, “Presidentialism, Multipartism, and Democracy: The Difficult Combination,” *Comparative Political Studies* 26:2 (July 1993), pp. 198–228.

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seven largest parties, with 91% of the seats, were Partai Golkar (Functional Groups Party), 23%; PDI-P (Partai Demokrasi Indonesia-Perjuangan, Indonesian Democracy Party of Struggle), 19.8%; PPP (Partai Persatuan Pembangunan, Development Unity Party), 10.6%; Partai Demokrat (Democratic Party), 10.4%; PKB (Partai Kebangkitan Nasional, National Awakening Party), 9.5%; PAN (Partai Amanat Nasional, National Mandate Party), 9.5%; and PKS (Partai Keadilan Sejahtera, Prosperous Justice Party), 8.2%.<sup>2</sup>

How has Indonesia's multiparty presidentialism fared in its first year? Initially, it appeared that some of Mainwaring's worst fears, particularly of executive-legislative deadlock, might be realized immediately. Bold executive action soon overcame this first challenge but raised a new concern that the vice president was acting independently of, perhaps in competition with, the president. Subsequent events, in particular the 2005 negotiation of a peace agreement with separatist rebels in Aceh, Indonesia's northwesternmost province, and the government's responses to an ongoing fuel subsidy crisis (discussed in the next section), did not allay this concern. More generally, as predicted by Mainwaring, interparty coalition support in the legislature for the executive remained shaky throughout the year.

The two top vote-getters in the first round of the presidential election, held in July 2004, were retired General Susilo Bambang Yudhoyono of Partai Demokrat and incumbent President Megawati Sukarnoputri of PDI-P. Yudhoyono's vice presidential candidate was South Sulawesi business person Jusuf Kalla, a Partai Golkar leader whose candidacy did not have the support of his party. For the second round, held in September, Akbar Tandjung, head of Partai Golkar, formed a National Coalition, consisting of Partai Golkar, PDI-P, PPP, and some smaller parties, to get out the vote for Megawati. In response, Yudhoyono and Kalla organized a People's Coalition consisting of Partai Demokrat, PKS, PAN, and some smaller parties. Parties in the National Coalition represented a massive 48% of the April electorate, compared to the People's Coalition's 24%. Yudhoyono nonetheless defeated Megawati by the decisive margin of 61% to 39%.

Partai Golkar and PDI-P leaders then shifted their attention to Parliament, where they held a near-majority of seats (even without PPP, which now threw in its lot with Yudhoyono). The National Coalition declared its intention to control all parliamentary commissions, a major source of patronage as well as leverage on important policy issues, including the annual state budget. It also publicly challenged Yudhoyono's right to rescind a letter from President Megawati elevating the hardline General Ryamizard Ryacudu from army chief of staff

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2. National Election Commission (Komisi Pemilihan Umum, KPU), available online at <<http://www.kpu.go.id>>.

to armed forces commander. The stage seemed set for five years of executive-legislative deadlock.

Some observers also saw the beginnings of ideological polarization, Mainwaring's second reason for instability, in Indonesia's new multiparty presidential system. Several Islamist parties, notably PKS and the smaller PBB (Partai Bulan Bintang, Moon and Star Party), were part of the People's Coalition and contributed a disproportionate number of ministers to Yudhoyono's United Indonesia cabinet. Megawati's secular and Christian PDI-P was one of the pillars of the opposition. Other alliances ran counter to this pattern, however. The Islamist PPP joined the (ostensibly secular) National Coalition before the run-off presidential election but switched to the (arguably Islamist) People's Coalition after the election. Many leaders of the Tandjung-chaired Partai Golkar, allied with the secular PDI-P in the National Coalition, were pious Muslims with roots in the HMI (Himpunan Mahasiswa Islam, Islamic University Students Association), once the largest Muslim organization in Indonesia's state universities.

More immediately troubling than ideological polarization was the fragility of the president's interparty coalition in Parliament, Mainwaring's third source of instability. During the presidential campaign, Yudhoyono had promised a cabinet dominated by professionals. He owed his decisive victory to his personal appeal, mediated by television, which should have enabled him to fulfill his promise. In the event, however, he attempted to maximize legislative support by appointing as many as 20 party-nominated or otherwise affiliated ministers to his 35-member cabinet. The affiliations included Partai Demokrat, PKS, PAN, and PBB in the People's Coalition and Partai Golkar, PKB, and PPP outside it. Partai Golkar and PKB ministers were not nominated by their parties but rather reflected an attempt by Yudhoyono and Vice President Kalla to construct the broadest possible legislative foundation.

There were three problems with this strategy. The People's Coalition remained a minority in Parliament, making it an insufficient base of legislative support. Several party-affiliated ministers were poorly qualified for their jobs, which meant that the president would soon be blamed for their failings. Finally, the bond between the president and all the legislative parties except his own Partai Demokrat was tentative and weak. This was particularly the case for the parties outside the People's Coalition, but even within it the policy agendas and priorities of PKS, PAN, and PBB were often at odds with those of the president.

In mid-December 2004, just two months into the government's five-year term, the executive-legislative deadlock was broken by Vice President Kalla's election as chair of Partai Golkar at the party's national congress in Nusa Dua, Bali. With one blow, Golkar was brought into the government camp and the National Coalition was destroyed, leaving PDI-P as the only parliamentary opposition.

For more than 30 years, during Suharto's authoritarian New Order, Golkar had been the ruling or state party, almost like a communist party in the old Soviet bloc. Accustomed to holding power, Partai Golkar's leaders had languished in the opposition since the October 1999 election of President Abdurrahman Wahid of PKB. Kalla was a long-time Golkar leader who had been pushed to the sidelines by Akbar Tandjung because of Kalla's support for Yudhoyono's presidential candidacy. As Yudhoyono's newly elected vice president, he now had both the will and the means to command center stage.

According to some observers, Yudhoyono and Kalla began together to concoct a takeover strategy as early as mid-November 2004.<sup>3</sup> Others believe that the initiative was largely Kalla's. He may or may not have kept the president informed of his moves, which included promoting the candidacy of surrogates before Kalla himself entered the fray at the last minute. After the congress, it was alleged that Kalla had made large cash payments to buy votes. For many delegates, however, the most powerful attraction was the prospect of returning to power after five years in the political wilderness.

One effect of the victory, immediately noted by many political observers, was that Kalla was now the leader of the largest party in Parliament, with more than twice as many seats as Yudhoyono's Partai Demokrat. It was suspected that Kalla's real intention was either to improve his bargaining position within the government, to the point of becoming more powerful than the president himself, or to prepare for his own run at the presidency in 2009. Kalla denied the accusations, and Yudhoyono reaffirmed publicly that he wanted Kalla to be an active vice president, not a *ban serap* (spare tire). Whatever the state of their personal relationship, it was clear that the multiparty system in Parliament had made this power imbalance between them possible.

The negotiated peace settlement in Aceh, the government's greatest achievement (if it holds) in its first year in office, was also seen by many through the lens of competition between the president and vice president. A horrendous tsunami struck the northern and western coasts of Aceh on December 26, 2004, killing 169,000 people, including 90,000 in the capital of Banda Aceh.<sup>4</sup> The disaster spurred both the Indonesian government and GAM (Gerakan Aceh Merdeka, Aceh Freedom Movement), which had been fighting for independence since 1976, to find a compromise solution.

Once again the initiative was taken by Kalla, who had been working behind the scenes since 2003 when he was coordinating minister for people's welfare in Megawati's cabinet, to build trust with GAM activists both in Aceh and in exile in Sweden. Negotiations began in earnest in Helsinki in January 2005 under

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3. Confidential interview with advisor to Jusuf Kalla, Jakarta, January 2005.

4. Barry Bearak, "The Day the Sea Came," *New York Times Magazine*, November 27, 2005.

the auspices of the Crisis Management Initiative, an international mediating organization headed by former Finnish President Martti Ahtisaari. A Memorandum of Understanding between GAM and the Indonesian government was signed in July and took effect in August. Its provisions included a ceasefire, recognition of Indonesian sovereignty by GAM, assurance by the Indonesian government that GAM could reconstitute itself as a political party to contest future local elections in Aceh, and the creation of an international Aceh Monitoring Mission to oversee implementation of the ceasefire. A report written by the respected International Crisis Group cited Kalla's skillful diplomacy, plus prior battlefield success by the Indonesian army and post-tsunami political dynamics both domestically and internationally.<sup>5</sup> In this and other accounts, Yudhoyono appears as a legitimator of the acts of others, in particular Kalla, rather than a significant player in his own right.

Other major political events in 2005 included the nationwide democratic election of local government executives for the first time in Indonesian history, the killing of one of Southeast Asia's most wanted terrorists in a police shoot-out, and heightened anti-corruption activity by state agencies. In separate elections held throughout the year, approximately 180 governors, district heads, and mayors were directly and for the most part peacefully elected by voters in their regions. The biggest loser was Partai Golkar, which holds a majority of seats in 60% of the regional legislatures but secured only 40% of the regional headships. In many cases, voters preferred new faces nominated by coalitions of small parties over better known Golkar candidates with roots in the state bureaucracy and Suharto's New Order.

The terrorist killed in the shoot-out on November 9 in the hill town of Batu, East Java, was Azahari Husin, a Malaysian citizen who held a Ph.D. in statistics from the University of Reading, England. While teaching at the Universiti Teknologi Malaysia in Johor, Malaysia, in the late 1990s, he joined Jemaah Islamiyah, the violent Islamist group founded by Abdullah Sungkar and Abu Bakar Ba'asyir. Known as Doctor Bomb, Azahari built the devices exploded at Legian, Bali, in 2002; the Marriott Hotel in Jakarta in 2003; the Australian Embassy in Jakarta in 2004; and again in Bali in October 2005. Azahari's former student and chief partner in terrorism, Noor Din M. Top, a notorious recruiter of suicide bombers, managed once again to elude capture.<sup>6</sup>

Transparency International ranked Indonesia 137 out of 158 countries surveyed for its corruption perceptions index for 2005.<sup>7</sup> During the election

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5. "Aceh: A New Chance for Peace," *Asia Briefing No. 40*, Jakarta/Brussels: International Crisis Group, August 15, 2005.

6. "Sebelum 'Pertemuan Syawal' Terwujud" [Before the 'Syawal meeting' was realized], *Tempo* 38:34, November 14, 2005.

7. Emmy Hafild, *Country Reports, Indonesia*, <<http://www.transparency.org>>.

campaign, Yudhoyono promised to wage war against corruption. In early May, after many months in which the attorney general's office seemed stalled, he appointed a special inter-agency task force. High profile trials were conducted of a former minister of religion and of a half brother of former President Suharto, who was sentenced to four years in prison. The independent KPK (Komisi Pemberantasan Korupsi, Commission to Abolish Corruption) filed criminal actions against several members of the prestigious national election commission. A wave of prosecutions of regional government officials and members of regional legislatures was related more to the success of governmental decentralization than to Yudhoyono's anti-corruption policy.<sup>8</sup> Back in Jakarta, rumors swirled that members of Parliament were soliciting bribes for allocating budgetary funds to regional governments, as if in recognition of the intractability of the corruption problem in Indonesia.

### The Economy

In a paper presented at the Australian National University in September, former finance minister and influential Gadjah Mada University economist Boediono reminded his audience that "the dynamics of politics and those of economics are not naturally in harmony with each other and, when they are not, setbacks in both politics and economics eventually result."<sup>9</sup> In 2005, the institutions of Indonesia's new multiparty presidential democracy repeatedly threatened to derail the economy. At year's end, however, President Yudhoyono appeared finally to have made a commitment to the economic policies most likely to promote rapid growth and to have chosen the economic team most capable of implementing those policies.

After his inauguration in October 2004, Yudhoyono immediately faced an economic crisis. Because of an unexpected surge in world oil prices, the bill for the government's popular fuel subsidy to consumers would more than quadruple by the end of the year. This amount, 15% of total government expenditures, was regarded as "regressive and distortionary" by many economists, "leading to wasteful over-consumption of oil, to massive smuggling, and to local shortages of fuel products."<sup>10</sup> It threatened to vitiate the president's campaign promise to grow the economy by at least 6% per year under sound macro-economic management. In 2005 the rupiah weakened substantially, breaking through the psychologically significant barrier of Rp. 10,000 to the dollar at the end of August. The oil price, at \$50 per barrel in October 2004, was now

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8. Personal communication, Karaniya Dharmasaputra, December 2005.

9. Boediono, "Managing the Indonesian Economy: Some Lessons from the Past," *Bulletin of Indonesian Economic Studies* 41:3 (December 2005), p. 315.

10. Kunal Sen and Liesbet Steer, "Survey of Recent Developments," in *ibid.*, p. 288.

in the \$60–\$70 range. At the end of 2004, fuel subsidies had accounted for \$7 billion of government spending; in 2005, they were projected to reach \$14 billion, about one-fourth of all expenditures.<sup>11</sup>

In choosing his economic ministers, Yudhoyono was deferential to Vice President Kalla and highly sensitive to the need for interparty support in Parliament. The key position of coordinating minister for the economy was given to Aburizal Bakrie, like Kalla a prominent indigenous (as opposed to Sino-Indonesian) business person, longtime Golkar stalwart, and major financial contributor to the Yudhoyono-Kalla ticket. The Islamist PKS, a member of the People's Coalition, was allowed to veto the appointment of the well-qualified Sri Mulyani Indrawati as finance minister on the ground that she was too close to the International Monetary Fund.

Ironically, Bakrie and Kalla quickly grasped the gravity of the threat to government credibility and economic growth from ballooning oil prices but were unable to convince the president to act until March, when some prices were adjusted by as much as one-third.<sup>12</sup> The subsidies soon swelled again, however, accompanied this time by the softening rupiah. Between November 2004 and September 2005, public unhappiness with the state of the economy climbed from 21% to 47%; the president's own job approval rating followed suit, plummeting by 18%.<sup>13</sup> On October 1, the president acted decisively, raising the gasoline price by 149%; automotive diesel fuel by 161%; and even kerosene, used for cooking by many poorer Indonesians, by 186%. Most important for the country's economic future, it was announced that all government fuel subsidies would be phased out in 2006. Despite government fears, public reaction to these announcements was muted.

On December 5, 2005, a cabinet reshuffle was announced. Boediono was appointed coordinating minister for the economy and Sri Mulyani Indrawati, finance minister. Both are economists without party affiliation, signaling the government's stronger commitment to professionalism in economic policy. Aburizal Bakrie was shifted to the still-influential post of coordinating minister for people's welfare. Finally, Golkar and PKB leaders were added to the cabinet, demonstrating Yudhoyono's continuing attention to his legislative base. Indeed, the use by the president and others of the common parliamentary (as opposed to presidential) term "cabinet reshuffle" suggests the force that multipartism continues to exert over their political behavior.

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11. *Wall Street Journal Online*, September 1, 2005.

12. Confidential interview with advisor to Aburizal Bakrie, January 2005.

13. Lembaga Survei Indonesia [Indonesian Survey Institute], *Kinerja Setahun Presiden-Wakil Presiden: Evaluasi Publik* [A year's presidential-vice presidential performance: Public evaluation] (Jakarta: LSI, October 2005), at <<http://www.lsi.or.id>>.

## International Relations

Relations with the United States government improved markedly in 2005. The key events were the lifting of a series of restrictions on military assistance, beginning with the resumption of IMET (International Military Education and Training) in February, non-lethal FMS (Foreign Military Sales) in May, and finally FMF (Foreign Military Financing) in November. Military aid had been frozen since 1999, when the Indonesian army and army-supported militia terrorized East Timorese who had just voted for independence in a United Nations-supervised referendum. The East Timor Action Network, long a powerful influence on U.S. congressional policy toward Indonesia, condemned the decisions, asserting that “support for Indonesia’s unreformed military only encourages it to remain above the law.”<sup>14</sup>

In January 2005, the Bush administration scored a humanitarian and public relations triumph by dispatching a U.S. Navy hospital ship to Aceh to provide emergency medical treatment for tsunami survivors. The visit was also a reminder of the power of Indonesian nationalist sensibilities. Members of Parliament suspected American ulterior motives, forcing the Jakarta government to react defensively. The hospital ship soon left Indonesian waters, but assistance continued. For example, Civil Engineer Corps officers were at year’s end on the remote island of Nias, off the west coast of Sumatra, rebuilding schools and bridges at a cost of \$1.3 million.<sup>15</sup>

Indonesian nationalist sentiment was fanned again in July when the U.S. House of Representatives passed a bill requiring the secretary of state to submit a report on the controversial Act of Free Choice that established Indonesian sovereignty over Papua in 1969. President Yudhoyono, on a visit to China, warned the United States not to intervene in domestic Indonesian affairs; a State Department spokesman immediately reaffirmed U.S. recognition of Indonesian sovereignty within the country’s current borders.<sup>16</sup>

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14. East Timor Action Network alert, December 2, 2005, at <<http://www.etan.org>>.

15. *Wall Street Journal Online*, December 7, 2005.

16. “AS [Amerika Serikat] Tidak Akan Dukung Upaya Pemisahan Papua dari RI [Republik Indonesia] (The United States will not support efforts to separate Papua from the Republic of Indonesia),” *Kompas*, July 30, 2005.