

Herald INTERNATIONAL Tribune

PUBLISHED BY THE NEW YORK TIMES

September 1-2, 2007

What's Holding Indonesia Back

By Stanley A. Weiss

JAKARTA—"This place is a rocket!" boasts Muhammad Lutfi, Indonesia's investment chief, and his exuberance doesn't seem so irrational. Ten years after the Asian financial meltdown—which shoved millions of Indonesians into poverty, then toppled the authoritarian President Suharto and ushered in an era of political and economic reform—people here proclaim the return of the Indonesian Tiger.

Despite predictions of its inevitable break-up and several deadly terrorist attacks, this multi-ethnic, sprawling archipelago with the world's largest Muslim population has neither fractured nor succumbed to a "creeping Islamicization." Boosted by surging exports and foreign investment, the economy, Southeast Asia's largest, is growing at six percent - its fastest since before the 1997 crisis.

Still, discussions with political, business, military, media and academic leaders here reveal an underlying frustration with the pace and depth of economic growth, especially when compared to booming India and Vietnam. Indonesia is moving ahead "on the right track," says former foreign minister Ali Alatas, "but at the wrong speed."

No one knows this better than the tens of millions of Indonesians who are chronically unemployed or living in poverty, which is higher than it was under Suharto. "The macro economy is stable, but it isn't translating to food on the table and jobs are hard to find," says Zannuba "Yenny" Wahid, who leads the party founded by her father, former President Abdurrahman Wahid.

So why hasn't the Indonesian rocket truly taken off? Part of the answer is illustrated in an environmental catastrophe wreaking havoc across East Java.

A massive mud volcanic eruption, widely believed to have been triggered by a gas company's drilling last year in the district of Sidoarjo, continues to spew around one million barrels of hot sludge every day. So far, the relentless mudflow has killed a dozen people, displaced 10,000 residents, destroyed thousands of homes, schools and businesses, severed road and rail links, and threatened to cause flooding in nearby Surabaya, Indonesia's second largest city.

To Indonesians, even more shocking than the muddy explosion has been the muddled government response, symptomatic of what is still wrong with the country.

President Susilo Bambang Yudhoyono's response to the disaster is widely seen as symbolic of his three-year presidency - well-intentioned but indecisive. Arguing that the company involved should be responsible for cleanup and

victim compensation, Yudhoyono waited months before creating a task force to deal with the crisis.

Why has Yudhoyono, a former general who won the country's first direct presidential election in a landslide, proven so timid, including on his core campaign promises to create jobs and reduce corruption?

It's part personal—decisiveness is "just not in his DNA" a member of his Cabinet told me—and part cultural: Javanese "tend to value harmony so much we can't make difficult decisions," says a retired general close to the president.

Mostly, though, it's political reality. With his own party holding just 57 of 550 seats in parliament, the president depends on the support of larger parties like Golkar, the old political machine of the Suharto regime—now led by Vice President Jusuf Kalla—which has often blocked Yudhoyono's economic reforms.

Perhaps most tellingly, Jakarta's tepid response to the mudflow highlights the cronyism and collusion that still define Indonesian politics. The company blamed for the disaster, Lapindo Brantas, is a subsidiary of the business conglomerate of billionaire Aburizal Bakrie, a Golkar parliamentarian and major contributor to Yudhoyono's presidential campaign. In a mockery of the misery afflicted on the people of Sidoarjo, Bakrie continues to serve as the country's Coordinating Minister for People's Welfare.

"It's appalling the way the government is handling this," says Yenny Wahid. Appalling, but not surprising in a country ranked as one of the world's most corrupt. Yet the tireless efforts of Finance Minister Sri Mulyani and the anti-corruption commission created by Yudhoyono give hope that even this hurdle can be overcome. "For the first time ever we have two active governors and ex-ministers in jail," explains deputy commission chair Erry Riyana. "And the anti-corruption spirit is spreading."

Let's hope so. Because a decade after the crisis that brought this nation to its knees, Indonesia's progress is clear - and so are its many challenges.

As the country's most popular politician, admired for his honesty and integrity, Yudhoyono is the only leader with the power to act against entrenched interests. Doing so may earn him the wrath of certain elites. But the dividends—for the president politically and for the country economically—are well worth the risk.