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The End of the Obama Era in Asia

Edited by
Michelguglielmo Torri
and Nicola Mocci

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Editor (direttore responsabile): Michelguglielmo Torri, mg.torri@gmail.com

Junior editor: Nicola Mocci, nicolamocci@yahoo.it

Editorial Board: Axel Berkofsky, Simonetta Casci, Marzia Casolari, Nicola Mocci, Giulio Pugliese, Michelguglielmo Torri, Pierluigi Valsecchi

Book review editors: Oliviero Frattolillo, oliviero.frattolillo@uniroma3.it;

Francesca Congiu, francesca_congiu@hotmail.com

Segreteria di redazione: asiamaior@gmail.com

Progetto grafico di Nicola Mocci

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fax 06 85 35 39 60

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Philippine president asserted the importance of democracy for development. For decades, the Filipinos stood by this belief. It is distressing to think that they have abandoned a history of struggle to defend democracy, especially when it is what has defined their political history. Truly, 2016 was a year of painful revelations and events for Asia's oldest democracy, challenging people's belief that there has not been a greater moment in Philippine history than when the Americans granted independence in 1946, followed by the 1986 EDSA People Power Revolution. Perhaps for the Philippines, 2016 was not a dispute against democracy in general, but rather a dispute against a democracy they finally realised had failed them.

INDONESIA 2016: A DIFFICULT EQUILIBRIUM AMID GLOBAL ANXIETY

Elena Valdameri

Asia Maior – An Italian think tank on Asia
elena.valdameri83@gmail.com

The year 2016 in Indonesia saw President Joko Widodo consolidate his power after last year's uncertain start. Domestic policy focused on curbing terrorism linked to the Islamic State (IS), especially following a deadly attack in the capital in January. Nevertheless, the rise of religious intolerance and political Islam were not tackled with the same decisiveness. In terms of foreign policy, Indonesia was trying to keep equidistance from the great powers in the Asia-Pacific region, although increasing geopolitical tensions were making it difficult. Indonesia's economic performance was better than in 2015. Yet, the rate of growth of the gross domestic product, estimated at around 5% for 2016, was still hampered by the low prices of key exports and by the continuing slowdown in global economy.¹

1. Introduction

The year 2016 in Indonesia saw the government led by Joko Widodo, better known as Jokowi, committed to the fight against IS-linked terrorism, after a bomb attack hit the capital in January. Fearing the expansion of the IS network in the country and in the Southeast Asian region, the government took forceful action against terrorist groups. Military operations were carried out all over the year and a debate on the necessity of making the existing anti-terror laws more restrictive was started.

Nevertheless, despite Jokowi's reiterated emphasis on Indonesia's religious tolerance, the growing ideological threat posed by radical Islam was not tackled as vigorously as it might have been. In fact, the government did not address seriously the increasing religious intolerance and the rise of ultraconservative Islamic groups on the political stage. This became apparent during Jakarta gubernatorial campaign, when the Chinese-Indonesian Christian governor was charged with blasphemy. Although the on-going trial was looked at by many as a test of the political maturity and pluralism of a country that is still undergoing a democratisation process, Jokowi kept an ambivalent attitude towards the issue. The president seemed more worried by the possibility of seeing his political consensus tarnished than he

1. This writer is grateful to the editors of *Asia Maior*, Professor Michelguglielmo Torri and Dr. Nicola Mocci, and to two anonymous referees for their constructive comments and suggestions, which considerably helped improve the manuscript.

was about divisive and xenophobic rhetoric that could be detrimental to the country's secularism and diversity.

On his part, Jokowi expanded the ruling coalition and consolidated his authority with a cabinet reshuffle aimed at curbing internal dissent. By doing so, the president overturned the situation of weakness characterising his first year in office while revealing that he was still relying on some Suharto-related figures, especially military ones.

Over the year, Indonesia's foreign policy was mainly driven by the effort to strike a balance between the United States and China. Keeping its traditional Washington-leaning stance and notwithstanding growing geopolitical tensions in the South China Sea, Jakarta tried maintaining good relations with Beijing in order to gain economic advantages from the East Asian country. Also, Jakarta strived to expand bilateral ties with several countries and tried playing the historical role of mediator at the regional level.

As far as the economy is concerned, amidst the continuing global slowdown, Indonesia's growth was still moderate. The main goals of the Jokowi administration remained infrastructure development, for which private and foreign investments were needed, and reducing poverty and inequality. A growing fiscal deficit pushed the government to cut public spending in the 2016 revised budget and in the 2017 budget.²

2. Domestic policy

2.1. Jakarta gun-and-bomb attack: The invisible hand of IS

In Indonesia, the year 2016 opened with a suicide bombing and gun attack in the heart of Jakarta on 14 January. The attack, the first claimed by IS in Southeast Asia,³ killed eight people – four civilians and four attackers – and was the biggest after the 2009 hotel bombings in the city. According to the police, behind the attack was *Jamaah Anshar Khilafah* (JAK, «Partisans of the Caliphate»), an Indonesian group with a small but nationwide support base, which is reportedly led from prison by Aman Abdurrahman, Indonesia's leading pro-IS cleric.⁴ Thus, despite the com-

2. In Indonesia, the fiscal year coincides with the calendar year.

3. For an analysis of the January attacks, see, e.g., Joe Cochrane & Thomas Fuller, 'Jakarta Attack Raises Fears of ISIS' Spread in Southeast Asia', *New York Times*, 13 January 2016.

4. Rendi A. Witular, 'The rise of Aman Abdurrahman, IS master ideologue', *The Jakarta Post*, 25 January 2016. Aman, according to Indonesia's National Counterterrorism Agency (BNPT), has been the guide of the three figures now active in Syria, Bahrun Naim, Bahrunsyah, and Salim Mubarak At Tamimi, also known as Abu Jandal and leader of Katibah Masyaariq (Forces of the East), a Syria-based Indonesian unit and a splinter of Katibah Nusantara. Also, Santoso (see below) was Aman's

paratively little damage caused by the terror attack,⁵ what alarmed the Indonesian government most was the feared expansion of the IS's reach in Southeast Asia.⁶ The reaction was balanced, but prompt,⁷ and generally in accordance with the line already adopted by President Joko Widodo, namely the combination of military resolve and a «soft approach», military crackdowns,⁸ arrests, and captures went on over the year.⁹ An important

student. Aman is serving a nine-year sentence in jail for having formed a terrorism training camp in Aceh. He had already been arrested for terrorist activities. JAK has links with both Katibah Nusantara and Katibah Masyaariq. See 'Disunity among Indonesian ISIS Supporters and the Risk of More Violence', *IPAC*, Report N. 25, 1 February 2016 (http://file.understandingconflict.org/file/2016/04/IPAC_25_-_5.pdf) and Jasminder Singh, 'Katibah Nusantara: Islamic State's Malay Archipelago Combat Unit', *RSIS*, 26 May 2015 (<https://www.rsis.edu.sg/rsis-publication/icpvtr/co15126-katibah-nusantara-islamic-states-malay-archipelago-combat-unit>).

5. The police said the terrorists were inspired by November 2015 terror attack, but due to a lack in military training and inefficient weapons, they caused a much lower number of casualties. Just few days before this article was closed, a suicide bomb attack killed three policemen and injured ten people in East Jakarta on 24 May 2017. This low-level terror attack, which according to the investigators is likely to be linked to IS sympathisers (See 'Kampung Melayu Bomb Made from Triacetone Triperoxide Chemical', *Tempo*, 28 May 2017) revealed the very weak capacity of terrorist groups inspired by the Islamic State. Although the terrorists' poor level of organisation is certainly an advantage for the Indonesian army, the scattered nature of IS-linked groups makes it difficult to predict what move will come next. Moreover, it is difficult to say, for the time being, whether the lack of coordination between terrorist cells is explained by the fact that extremists are fighting in Syria and if, therefore, is only temporary.

6. See Elena Valdameri, 'Indonesia 2015, The First year of the «People's President»' *Asia Maior 2015*, pp. 170-73.

7. Uri Friedman, 'One President's Remarkable Response to Terrorism', *The Atlantic*, 15 January 2016.

8. With the rise of the threat of terrorism in the country, the role of the army (*Tentara Nasional Indonesia* or TNI) in countering terrorism has been expanded. In June 2015, the military Joint Special Operations Command was launched and, since then, it has collaborated with the police, especially with the special squad Densus 88 (Detachment 88) squad. In January, Operation Tinombala was started to neutralise the Mujahidin Indonesia Timur (MIT, see ahead). See Jasminder Singh, 'Operation Tinombala: Indonesia's New Counter-Terrorism Strategy', *RSIS*, 7 October 2016 (<https://www.rsis.edu.sg/wp-content/uploads/2016/10/CO16251.pdf>). In August, the security forces have been assisted by humanitarian workers from *Komnas HAM*, the National Commission on Human Rights, in trying to convince MIT supporters to surrender. 'Komnas HAM to Assist in Winding Down Poso Antiterrorism Operation', *Jakarta Globe*, 9 August 2016.

9. 'Indonesia to Arrest More Suspected Terrorists in Wake of Jakarta Attack', *The Wall Street Journal*, 17 February 2016; 'Suicide bomber targeting police station in Solo blows himself up, 1 policeman injured', *The Straits Times*, 5 July 2016; 'Indonesia jails «IS» bomb maker for 10 years', *Deutsche Welle*, 20 October 2016; 'Suspected Indonesia militant was making bombs «more powerful than Bali devices»', *The Guardian*, 26 November 2016; 'Suspects in plot to bomb State Palace part of IS-affiliated

achievement in the battle against Islamist militancy happened in July: the capture and killing of Abu Wardah Santoso.¹⁰ He was leader of Mujahidin Indonesia Timur (MIT, «East Indonesia Mujahidin»), an IS-linked terrorist group based in Poso, in Eastern-Indonesia Sulawesi island, and formed by a band of around 30 armed men, including several ethnic Uighurs. In addition to calling for *jihād* and organising military training camps for Indonesians, but also for Malaysians and Uighurs, Santoso was held responsible for deadly attacks against Christians in Sulawesi, an area of the country with a history of sectarian violence.¹¹ Two months after the MIT's leader was shot dead, a joint army and police operation led to the arrest of his deputy, Basri, and to the killing of another member of the terrorist organisation.¹²

Although the success of Operation Tinombala,¹³ launched earlier in the year, represented a victory for Jokowi, Indonesian authorities were mindful of that the most dangerous threat for the country lay in nationals returning from Syria after fighting for IS.¹⁴ When Indonesian militants of *Al-Qā'ida*-affiliated Jemaah Islamiah (JI) returned home from Soviet Union-occupied Afghanistan in the 1990s, they started a spate of terror attacks in the first decade of the 2000s.¹⁵ Notwithstanding that JI, already weakened by internal rivalries, has been eliminated by security forces, it seems that the project of the terrorist organisation to usurp the sovereignty of the world's most populous Muslim nation has been inherited by IS-linked groups. Even

network: Police', *The Jakarta Post*, 11 December 2016; 'Three shot dead, one arrested in Tangerang during raid for Christmas bombs', *The Jakarta Post*, 21 December 2016.

10. 'Indonesia's most wanted Islamist militant «killed in shootout», *The Guardian*, 19 July 2016.

11. On the island, between 1998 and 2002, a communal Muslim-Christian conflict killed around one thousand people.

12. 'Indonesia captures senior member of terrorist group', *Today*, 14 September 2016.

13. On operation Tinombala see footnote 8.

14. According to ex police chief Badrodin Haiti, police have records of almost 400 citizens who have travelled to Syria and have questioned some of the approximately 50 who have already returned. However, since for Indonesian law it is not illegal to support the so-called Islamic State, they could not be arrested. Nevertheless, in February, seven men were convicted for participating in military training camps in Syria and for recruiting Indonesians and providing them assistance to travel abroad. 'Indonesia to Arrest More Suspected Terrorists in Wake of Jakarta Attack'.

15. 'Profile: Jemaah Islamiah', *BBC*, 2 February 2012. See also Norimitsu Onishi, 'Indonesia Sentences a Radical Cleric to 15 Years', *New York Times*, 16 June 2011 on Abu Bakar Ba'asyir (also spelled Abu Bakar Bashir), the Muslim cleric, former leader of JI. Ba'asyir had been sentenced to fifteen-years imprisonment in 2011 for supporting training camps for Islamists in Aceh, collaborating with Aman Abdurrahman, who received a nine-year sentence. In 2008 Ba'asyir formed Jamaah Anshorut Tauhid (JAT) a splinter group of JI, which pledged his support to IS in 2014. See 'Sons, top aides abandon Ba'asyir over ISIL, form new jihadist group', *The Jakarta Post*, 13 August 2014.

if it is very unlikely that IS can take over Indonesia, the former's ideological leverage and finances can have an increasingly destabilising effect on the Southeast Asian country, where there is a hard core of radical Islam.¹⁶ At least for the time being, Indonesian Islamist groups have shown lack of organisation, planning skills, and efficient weapons is certainly an advantage for the government. Nevertheless, a fluid situation where IS supporting groups compete between themselves can be difficult to be kept under control.¹⁷

2.2. *The debate over the Anti-Terror Law*

Apart from the forceful military operations, after the attack in the capital, in the year under review a heated debate started about the necessity of amending the Terrorism Eradication Law. The anti-terrorism law, adopted in 2003 after the Bali bombings, does not allow the National Counterterrorism Agency (*Badan Nasional Penanggulangan Terrorisme* or BNPT) to monitor terrorism offenders after their release from jail.¹⁸ Moreover, whereas Indonesian law punishes those found guilty of running terrorist organisations and training camps, it does not expressly prohibit citizens from pledging their support to the Islamic State. The reform proposed by Jokowi contemplated the removal of restrictions on the anti-terror action of police forces and the assignment of a greater role to the army in enhancing security measures.¹⁹ The law would also introduce a broader definition of terrorism and would confer greater powers to investigators and prosecutors.²⁰ The reform, however, raised protests among lawmakers and civil society groups,

16. According to Zuhairi Misrawi, a prominent scholar of *Nahdlatul Ulama* (NU), the biggest moderate Muslim organisation in the country, the sympathisers of a more puritanical brand of Islam in Indonesia are around 10 million (out of a total population of 265 million), whereas the Indonesian 'volunteers' operating in Syria are estimated at about 2,000 - that is five times more than the official data collected so far. See Peter Carey, *Korupsi dalam Silang Sejarah Indonesia: Daendels (1808-1811) sampai Era Reformasi*, Komunitas Bambu, Depok 2016, p. 102, footnote 25.

17. 'Disunity among Indonesian ISIS Supporters and the Risk of More Violence', p. 13. In the same report, it is held that, since Turkey tightened border security, it has become more difficult to reach Syria, which increases the likelihood that «there will be more potential fighters willing to take on the war at home than in 2014 or 2015» (*Ivi*, p.13).

18. 'Half-Hearted Deradicalisation', *Tempo*, 23 November 2016. For an overview of the weakness of deradicalisation programs in Indonesian prisons see 'Update on Indonesian pro-Isis prisoners and deradicalisation efforts', *IPAC*, Report N. 34, 14 December 2016.

19. Marguerite Afra Sapiie, 'Government backs TNI's role in anti-terror law', *The Jakarta Post*, 20 July 2016

20. 'Jakarta attacks prompt tougher anti-terrorism laws in Indonesia', *The Guardian*, 17 February 2016. See the commentary to the proposed law by Bilveer Singh, 'Revising Indonesia's Anti-Terrorism Laws', *RSIS*, n. 57, 15 March 2016 (<https://www.rsis.edu.sg/wp-content/uploads/2016/03/CO16057.pdf>).

who feared the new law could be abused, violate human rights, and endanger hard-won liberties.²¹ It has also been pointed out that, it does not matter how the Terrorism Eradication Law is reformed, it will not have the hoped-for effects unless the ongoing de-radicalisation programs inside prisons are improved, since, according to authorities, the jail environment is a fertile ground for terror plots. However, the revision of the anti-terror law has not been carried out yet, as the House of Representatives wanted more time «to talk about such complicated issues».²²

2.3. *Rising religious intolerance*

Even though most people in Indonesia disagree with *al-Qā'ida* and IS action and ideology, ultraconservative Islamic groups are gaining ground and threatening the country religious diversity and social harmony. In fact, although Indonesian Islam is mainly moderate and tolerant, several episodes have shown that intolerance is on the rise.²³ What is disquieting is that often minority groups are targeted by a poisonous combination of violence, intimidation, *fatwas*,²⁴ and regulations by the local governments: this has become possible after the post-*Reformasi* democratisation and decentralisation, which has allowed hardliner groups to participate in the public discourse – often spreading hate speech – and, in the political game, to

21. Marguerite Afra Sapiie, 'Supreme courts wants Guantanamo article scrapped from terrorism bill', *The Jakarta Post*, 13 October 2016. Many reservations have been expressed over a greater role to TNI, since 'the lack of regulations specifying a clear mechanism, including when and how the military is involved in counterterrorism activities, is vulnerable to manipulation or abuse'. See Anton Aliabbas, 'Military involvement in combating terrorism', *The Jakarta Post*, 15 August 2016.

22. 'House lawmakers need extra time for Terrorism Law revision', *The Jakarta Post*, 13 December 2016.

23. 'Vihara, pagodas burned down, plundered in N. Sumatra', *The Jakarta Post*, 30 July 2016; 'Man armed with suicide bomb and axe attacks church in Indonesia', *The Guardian*, 29 August 2016; Bambang Muryanto, 'Intolerance stains Yogya's melting pot image', *The Jakarta Post*, Special Report, 19 August 2016; 'Muslims lambast Christmas service raid in Bandung', *The Jakarta Post*, 8 December 2016. Many more instances of intolerance could be mentioned.

24. Yet, the police chief, Tito Karnavian, started a discussion with MUI leader to make sure the Council's *fatwas* do not jeopardise religious harmony. This is very telling of the social clout MUI has and how it is always necessary to negotiate with *ulemas* rather than making decisions against their opinions, even when these can spur tensions. 'Indonesian Police assert control over MUI fatwas', *The Jakarta Post*, 21 December 2016. Also, Islamic bylaws introduced by local governments are used by radicals to perpetuate intolerant actions, for example, during the holy month of Ramadan, Joe Cochrane, 'Raid on Indonesian Food Stall Prompts Fears of Fundamentalism', *New York Times*, 9 July 2016. Jokowi has abolished 3,000 bylaws hampering economic growth, but, apparently, not those stoking intolerance against minorities and discrimination against women 'Government asked to add «intolerant» bylaws to annulment list', *The Jakarta Post*, 14 June 2016.

pressurise officials at the local level to penalise minorities through the use of law.²⁵

While taking vigorous action against terrorism-linked groups, Joko Widodo kept an ambiguous attitude towards ideological radicalisation. As a matter of fact, on the one hand, Jokowi has in many occasions addressed moderate Islamic groups, asking their help in the battle against radical Islamic ideology. In particular, the president has expressed his appreciation of the country's largest Muslim organisation, Nahdlatul Ulama (NU), for its intense activity towards the endorsement of a peaceful Islam.²⁶ Yet, on the other hand, Jokowi has not always been unfaltering in condemning the Front Pembela Islam (FPI, Islamic Defender Group) or the Majelis Ulama Indonesia (MUI, Council of Indonesian Ulama), often responsible for promoting an intolerant rhetoric and for stirring up anti-minorities sentiments and, sometimes, violence. The president's cautious posture is explainable, at least partially, by the fact that MUI and – though to a lesser but increasing extent – FPI are very influential both at the social and political levels: therefore, voicing any harsh criticism against such groups might translate into the loss of political consensus for the president, casting doubts on his religious affiliation.²⁷

25. Melissa Crouch, 'Jokowi's Islamist challenge: curbing terrorism and religious intolerance', *The Guardian*, 31 August 2016; 'Religious freedom increasingly under threat', *Tempo*, 14 December 2016. For example, the destruction of churches and temples has often been justified making reference to a 2006 joint ministerial decree on building of worship places. The decree, which is a revision of a 1969 law, was introduced to keep under control the construction of houses of worship and to avoid tensions caused by unregulated buildings. Nevertheless, obtaining building permits has become a very onerous and long process and often local officials are pushed by intolerant organisations not to issue permits. See Munâim Sirry, 'Religious freedom and places of worship', *The Jakarta Post*, 30 October 2015. See also Adnan Buyung Nasution, 'Religious Freedom, Minority Rights and the state of Democracy in Indonesia', in Tim Lindsey & Helen Pausacker (eds.), *Religion, Law, and Intolerance in Indonesia*, Abingdon and New York, Routledge 2016, pp. 376-379.

26. Erika Anindita, 'Jokowi turns to Islamic groups to fight radicalism', *The Jakarta Post*, 5 February 2016. NU, which claims to have more than 50 million members, preaches a compassionate, tolerant, and inclusive Islam, which is not presented as a uniform religion. On NU narrative see the insightful article by Keith Loveard & Bastiaan Scherpen, 'Indonesia's Challenge to Radical Islam', *The Conversation*, 4 November 2016. On traditional *pesantren* (Islamic boarding schools) see also Pallavi Aiyar, 'In Indonesia, Madrassas of Moderation', *The New York Times*, 10 February 2015.

27. See Valdameri, 'Indonesia 2015', pp. 172-73. During the presidential campaign, Jokowi was accused by his rival, Prabowo Subianto, of being a secret Christian. Prabowo's purpose was to reignite old anti-Christian prejudices in order to discredit Jokowi in front of the Muslim-majority electorate. See also ahead Jokowi's attitude during the Ahok blasphemy case.

2.4. Consolidation of democracy: one step forward, one step back

Besides increasing intolerance, there are other alarm bells ringing. In the first place, what Jokowi calls «drug emergency» continues.²⁸ In July, four convicted of drug crimes were executed in the name of the war on drugs, making 18 the total number of those executed since Jokowi's presidency began.²⁹ It will be seen whether, as declared during his official visit in Australia, the president is really considering abolishing the death penalty in the future.³⁰

Also, populist sentiments and old prejudices were aroused by illiberal and narrow-minded rhetoric. So, the preposterous fear of a possible communist takeover – stoked by the recent 50th anniversary of the 1965 anti-communist mass killings and by the meeting of the International People's Tribunal in November 2015³¹ – and rising xenophobia against unspecified foreign enemies, often instilled by the military and by radical Islamic groups, were often exploited for silencing debates (for example on the 1965-66 massacres),³² for limiting liberties (like in the case of rights for lesbians, gays, transgenders, bisexuals and queers [LGTBQ]), or for promoting nationalistic values through controversial campaigns such as the *Bela Negara* («Defend the Nation») program³³ or through the establishment of a Pancasila presidential special body.³⁴

28. For a commentary and some data see 'Why Jakarta presses forward with drug executions despite global outcry', *Deutsche Welle*, 29 July 2016.

29. Bhatara Ibnu Reza, 'Emergencies and executions under Jokowi', *New Mandala*, 15 August 2016. Initially, 14 convicts were set to undergo capital punishment, mainly foreigners. Yet, the number was reduced to four thanks to the intervention of the attorney general, who decided against the execution of 10 of them.

30. 'Joko Widodo: Indonesian President on trust and abolishing the death penalty ahead of Australia visit', *ABC*, 5 November 2016.

31. See the Final Report of the IPT 1965: Findings and Documents of the IPT 1965 (<http://www.tribunal1965.org/en/final-report-of-the-ipt-1965>).

32. Mong Palatino, 'What's Behind the New Communist Scares in Indonesia and the Philippines?', *The Diplomat*, 27 May 2016.

33. See Defence Ministry of the Republic of Indonesia, *Defence White Paper*, 2015 (<https://www.kemhan.go.id/wp-content/uploads/2016/05/2015-INDONESIA-DEFENCE-WHITE-PAPER-ENGLISH-VERSION.pdf>).

34. The plan proposed by the Coordinating Minister of Maritime Affairs, Luhut Pandjaitan, was still under consideration at the closing of the period under review. It contemplated the creation of what is called President's Working Unit for Reinforcement of Pancasila Ideology and it allegedly aimed at spreading the Pancasila ideology in education institutions, ministries, state institutions, mass organisations, and religious groups against the influence of radicalism and intolerance. See 'Govt to Form Dedicated Body to Promote Pancasila', *Jakarta Globe*, 20 December 2016. Yet, it has been argued that law enforcement, if properly applied, is sufficient to combat intolerant behaviours and extremism. See 'The Pancasila Reinforcement', *Tempo*, 26 December 2016. The Pancasila are the five basic principles underpinning Indonesia's official state ideology. The Pancasila, made public by Sukarno in 1945, are belief in

Nonetheless, it is worth mentioning that a two-day symposium on the 1965-66 anti-Communist massacres (National Symposium on the 1965 Tragedy, Jakarta, 18-19 April 2016) was organised and globally broadcast in April by *Komnas HAM*, the (putatively) independent national commission on human rights, with the endorsement of the government, and attended by members of the military.³⁵ However small and insufficient, this is an unprecedented step toward the public acknowledgement of past wrongs.³⁶

As far as Papua is concerned, the situation remains fraught with uncertainty. Joko Widodo's strategy to implement economic and infrastructure development³⁷ is not combined, according to the watchdog of human rights Setara Institute, with a similar resolution to bring peace and dignity to a region, which is still the most affected in terms of human rights violations.³⁸ As shown by the data collected by the same institute, the indexes for freedom of expression and association and for freedom of religion in the country declined overall in 2016 compared to previous year.³⁹

Environmentalists have welcomed the news that the Jokowi government has temporally banned the operations of new mining and palm oil companies in a move to protect tropical forests from exploitation.⁴⁰ This is

God Almighty, humanitarianism, national unity, democracy, and social justice. Nevertheless, during Suharto's New Order, from a symbol of diversity and inclusiveness, the Pancasila philosophy was reinterpreted as exclusionary, homogenising and hierarchical, to turn citizens into subservient and disciplined subjects. See Anne Loveband & Ken Young, 'Migration, Provocateurs, and Communal Conflict: The Cases of Ambon and West Kalimantan', in C. A. Coppel (ed.), *Violent Conflicts in Indonesia. Analysis, Representation, Resolution*, Routledge, Abingdon and New York 2006, pp. 153-156]. It seems putative national threats to the Pancasila philosophy are exploited to introduce harsh policies that curtail individual freedom and jeopardise human rights.

35. Ariel Heryanto, 'Massacre, memory and the wounds of 1965', *New Mandala*, 2 May 2016.

36. Joe Cochrane, 'Indonesia Rules Out Criminal Inquiry of Anti-Communist Purges', *New York Times*, 18 April 2016. Several human rights bodies, such as the Jakarta-based Setara Institute, have criticised the current make-up of *Komnas HAM*, which, according to members of the government, should represent nationalistic views 'Lawmakers want «nationalist» figures for Komnas HAM', *The Jakarta Post*, 23 December 2016; 'Lawmakers contributed to underperforming Komnas HAM: Activist', *The Jakarta Post*, 24 December 2016. Others have boycotted the symposium, questioning the official commitment to deal with the massacres 'Indonesian Activists Boycott Forum on 1965 Anti-communist Purge', *Tempo*, 19 April 2016.

37. 'Jokowi to inaugurate electricity projects in Papua and West Papua' *The Jakarta Post*, 17 October 2016; 'Jokowi launches new fuel pricing policy for Papua, West Papua', *The Jakarta Post*, 18 October 2016.

38. 'Jokowi fails to bring peace to restive Papua', *The Jakarta Post*, 14 October 2016.

39. 'Watchdog Notes Declining Gov't Performance in Human Rights Issues', *Tempo*, 12 December 2016.

40. 'Indonesia Bans New Palm Oil and Mining Operations', *New York Times*, 15 April 2016; 'Indonesia refuses palm oil permits in anti-haze push', *The Guardian*, 25 May 2016.

a positive decision also for Papua, targeted by multinational companies because, – unlike Kalimantan, Sumatra, and Sulawesi, which have been largely deforested – 80% of Papua’s tropical forests are still intact and are a fundamental resource for local communities.⁴¹ Also, an agreement about exporting to EU only timber, which respects new environmental standards, has been welcomed as positively impacting eco-sustainability and forest preservations.⁴²

2.5. Consolidation of power for the President Joko Widodo

In the course of 2016, Joko Widodo was able to considerably strengthen his position. In May, Golkar joined Jokowi’s Great Indonesia Coalition (Koalisi Indonesia Hebat or KIH), following the National Mandate Party (PAN), which had given its support in September 2015.⁴³ Therefore, reversing the situation after his election in 2014, in 2016 Jokowi came to be backed by seven out of the 10 parties of the House of Representatives, which resulted in the government coalition, the KIH, controlling 69% of the parliamentary seats.⁴⁴

In July, the president reshuffled his working cabinet: while accommodating the political demands advanced by the parties in his coalition, Jokowi showed he could now exert his authority independently from the chairwoman of the Partai Demokrasi Indonesia Perjuangan (PDI-P or Indonesian Democratic Party of Struggle), Megawati Sukarnoputri, who, wary of the new president’s agenda, had tried to sway his political choices.⁴⁵ There were some significant changes in the new cabinet. In the first place, Luhut Pandjaitan was shifted to the Coordinating Minister of Maritime Affairs, a crucial position given Jokowi’s maritime vision. Luhut’s former post of

41. Because of its intact environmental resources, Papua is the object of the greed by palm oil companies. See for example the disaster caused by the Korean-Indonesian company Korindo, which was accused of systematically using arsons for land clearing. This notwithstanding, at the peak of the haze crisis, last year, the company got only a three-month moratorium. See the report by Marisa Bellantonio, Amanda Stoltz, Deborah Lapidus, Bustar Maitar, & Glenn Hurowitz, ‘Burning Paradise: Palm Oil in the Land of the Tree Kangaroo’, *Mighty Earth*, 1 September 2016.

42. ‘Indonesia and EU announce historic deal on timber trade’, *The Guardian*, 15 September 2016.

43. ‘Golkar Joining KIH Doesn’t Mean Political Stability for Jokowi, Expert Says’, *Jakarta Globe*, 19 May 2016.

44. This does not necessarily mean more stability for the ruling coalition, since parties forming the coalition do not share a common ideology, but want to see their interests accommodated.

45. The new power relation was displayed publicly during PDI-P events which Megawati considered occasions to show her superiority to the president ‘Mega spares Jokowi from another round of shame’, *The Jakarta Post*, 11 January 2016. Jokowi’s distancing from Megawati became starkly apparent in June when a new national police chief, former counterterrorism commander Tito Karnavian, replaced Budi Gunawan. The appointment of the latter, lobbied for by Mrs Sukarnoputri, had provoked a harsh controversy. ‘Indonesia Has a New Police Chief, Tito Karnavian’, *Tempo*, 24 June 2016.

coordinating Minister of Political, Law, and Security Affairs was assigned to the chief patron of the Peoples' Conscience Party (Hanura) and retired New Order General Wiranto. This caused the dismay of several human rights organisations, due to Wiranto's role in human rights abuses during Indonesia's withdrawal from Timor Leste in 1999.⁴⁶

The decision to place Wiranto in a post that equates to a prime ministry was aimed at obtaining the support of the military. Yet, according to some analysts, it was a risky decision because it might impede civilian control over the military.⁴⁷ Such fears are not baseless, considering that the Defence Ministry is still held by the controversial retired army General Ryamizard Ryacudu. All this points to the persisting influence of military-oligarchy forces over Indonesian political life, and to Joko Widodo having come to terms with them since being elected as an «outsider», unconnected with such forces.⁴⁸ Another key change was the appointment of Sri Mulyani Indrawati, World Bank managing director, to the post of Finance Minister: her ability in deploying sound fiscal management policies became already visible in her reworking of the 2016 revised state budget and the 2017 state budget.⁴⁹ Revealing low tolerance for internal dissent, Joko Widodo has dismissed ministers who had criticised him, such as Anies Baswedan. Anies, who, significantly, was also Ahok's rival in the Jakarta gubernatorial election (see below), was replaced as Minister of Education by Muhadjir Effendy, an important public figure, belonging to Indonesia's second largest Muslim organisation *Muhammadiyah*.⁵⁰

46. Damien Kingsbury, 'Wiranto and Indonesia's new Cabinet', *New Mandala*, 1 August 2016.

47. Emirza Adi Syailendra, 'Two Years Under Jokowi – Jokowi's Power Consolidation: At What Cost?', *RSIS*, 17 August 2016 (https://www.rsis.edu.sg/rsis-publication/rsis/co16208-two-years-under-jokowi-jokowis-power-consolidation-at-what-cost/#.WFVV_4S9rox).

48. It should not be forgotten that this is legacy of the *dwifungsi*. Giving the army also a sociopolitical function, this concept, which became the official policy under Suharto, formalised the role of the army in the political affairs of the country.

49. 'Jokowi Brings World Bank's Sri Mulyani Back as Finance Minister', *Tempo*, 27 July 2016. Mulyani had already served as finance minister from 2005 to 2010 during Susilo Bambang Yudhoyono's government. Yet, in those years, she faced strong opposition from Golkar's politicians, especially from the ex-chairman of the party and tycoon, Aburizal Bakrie, and from Jusuf Kalla. Kalla, in particular, had already prevented Mulyani from being appointed to the Finance Ministry in 2004. That Jokowi did not take into account Kalla's hostility towards Mulyani may be a further signal of his increasing independence from the vice president. Yudith Ho, Karlis Salna, 'Return of the Graft Buster', *Bangkok Post*, 12 September 2016; for Golkar's attacks against Mulyani under Yudhoyono, see Christian von Luebke, 'The Politics of Reform: Political Scandals, Elite Resistance, and Presidential Leadership in Indonesia', *Journal of Current Southeast Asian Affairs*, Vol. 29, Issue 1, pp. 79-94, here p. 85.

50. See the Jakarta Post Special Report 'Jokowi's new Cabinet: Who's the boss now?', *The Jakarta Post*, 28 July 2016.

2.6. *The Ahok «blasphemy case» and the political use of Islam*

An extremely polarising and consequential issue in the second half of the year under analysis was the case involving the governor of Jakarta, Basuki Tjahaja Purnama, popularly known by the moniker Ahok. Jokowi's former ally and deputy,⁵¹ Ahok has been charged with blasphemy and, if found guilty, could receive a five-year imprisonment penalty under the 1965 anti-blasphemy law. While campaigning in the Jakarta district of Pulau Seribu in September for being re-elected in February 2017 regional elections, the governor deplored that a Koranic verse was being politically exploited by MUI, the country's top Muslim clerical body. Indeed, MUI had claimed that, according to the Quran a non-Muslim should not rule the capital of the world's largest Muslim majority nation. This had been a clear attack on Ahok who is a Christian Indonesian of Chinese origins and, significantly, the first ethnic Chinese to occupy such a powerful position as governor of Jakarta.

What is worth taking note of is that after Ahok made his speech in September, there was a three-week silence. The speech, in fact, became an issue only after a thirty-second footage of it, which completely changed the context of Ahok's words, was uploaded on the internet, causing widespread outrage among Muslims. Of course, this gives strong reasons to believe that the case was politically contrived,⁵² *a fortiori* given that the uploader of the edited video was Buni Yani, a person close to Anies Baswedan, namely Ahok's opponent in the gubernatorial elections.

Notwithstanding that Ahok apologised for his comments, mass protests – organised by a coalition of conservative Islamic groups formed in October⁵³ – took place in the capital, asking for the governor's prosecution. Jokowi, who, like many in the country, did not consider Ahok's comments blasphemous, had initially refused to meet the leaders of the protesting Islamic organisations. Yet, taken aback by the escalation that the anti-Ahok demonstrations in November,⁵⁴ the president started paying greater heed to the issue.

51. In 2014, Jokowi transferred the Jakarta governorship to Ahok, who was his deputy during the gubernatorial race in 2012, when he started campaigning for his president's election against Prabowo Subianto.

52. Also the largest Muslim organisation *Nahdlatul Ulama* took a stance in defence of Ahok, saying that the accusations against him were politically motivated. 'NU hints Ahok's Case politically motivated', *The Jakarta Post*, 30 March 2017.

53. The main groups forming the coalition, named the National Movement to Guard the MUI Fatwa (GNPF-MUI), were the Islamic Defenders' Front (FPI), Hizbut Tahrir Indonesia (HTI), the Council for Young Islamic Scholars and Intellectuals (MIUMI) and *Wahdah Islamiyah*. FPI founder Rizieq Syihab was the leader of the Movement. See Greg Fealy, 'Bigger than Ahok, explaining the 2 December mass rally', *Indonesia at Melbourne*, 7 December 2016.

54. 'Jakarta rally descends into chaos; Jokowi urges protestors to go home', *The Straits Times*, 4 November 2016. During the rally, one person died and several policemen were injured.

Soon after the rally, which hastened the police decision to try Ahok on a fast-track, Jokowi made efforts to ensure he was in control of the situation. He visited the Police Higher Education College and the Indonesian army headquarters, presenting himself as the highest military commander and making clear that no threat to the national stability should be tolerated by the police and the army. He later met the leaders of the nation's biggest Muslim organisations, the NU and Muhammadiyah, to gather their support in dealing with the Ahok issue.⁵⁵ Moreover, the president, together with army commander-in-chief General Gatot Nurmantyo, launched a counter-demonstration for national unity in many major cities as a response to a second rally pledged by Gerakan Nasional Pengawal Fatwa Majelis Ulama Indonesia (GNPF-MUI).⁵⁶

A second, huge, anti-Ahok rally took place in Jakarta on 2 December in the form of a peaceful dawn prayer. In the words of the organisers, who rode the wave of the unexpected popularity gained thanks to the anti-blasphemy campaign, the goal of the movement was a broader Islamisation effort: thus, punishing Ahok for blasphemy was only a part of this wider strategy.⁵⁷ Notwithstanding such stated intentions, Joko Widodo participated in the mass prayer, in a move that many considered populist and short-sighted. Instead of expressing condemnation of those parties that wanted to divide the nation along religious lines exploiting the Ahok affair, Jokowi addressed the crowd with demagogic formulas.⁵⁸ Jokowi's behaviour can be explained by pointing out that, although the organisations behind the rally were not representative of the Muslim majority as a whole, many Muslim groups, who have no affiliation with hardliners, felt sincerely offended by Ahok's comment. However, in taking part in the rally, Jokowi gave visibility and credibility to the organising groups and to their agenda. This raised doubts over the president's commitment to fight Islamic radical ideology, revealing once again his ambiguous attitude in dealing with extremist elements whenever immediate political advantage is at stake. In other words, despite being backed by the security apparatus and having approval of NU and *Muhammadiyah* and notwithstanding his stronger position in the parliament, Jokowi distanced himself from Ahok while shying away from an explicit denunciation of Islamic bigotry and racist sentiments. This

55. 'Jokowi flexes muscles to maintain stability', *The Jakarta Post*, 11 November 2016. Soon after meeting the *Muhammadiyah* leaders, Widodo declared that he would not protect Ahok 'Jokowi Promises Not to Protect Ahok', *Tempo*, 8 November 2016.

56. Leo Suryadinata, 'Indonesia's ideological war', *The Straits Times*, 2 December 2016.

57. Fealy, 'Bigger than Ahok'; 'The 12.12 action has bigger goal than getting Ahok arrested', *Republika*, 12 December 2016.

58. He said 'Thank you for all prayers and *dzikir* [mass chants] that have been raised to God for the sake of our country. *Allahu akbar! Allahu akbar! Allahu akbar!* [God is great!]' 'Mass prayer becomes 'cooler' with Jokowi's presence: MPR', *The Jakarta Post*, 2 December 2016.

was a clear indication that Joko Widodo was wary of taking a clear stance on religion-related issues, lest that his affiliation to Islam could be questioned and political consensus diminished.⁵⁹

Even if it is undeniable that increasing Islamic radicalism – and the ability of hardliners to use Islam as a powerful political tool – has been a strong factor in mobilising the masses,⁶⁰ there are other important elements that should be taken into consideration when assessing the success of the anti-Ahok campaign. In the first place, Ahok – often defined as a Chinese infidel – has been the scapegoat of increasing anti-Chinese feelings.⁶¹ Racism against Indonesians of Chinese origins,⁶² a sad legacy of the New Order, has been growing during Jokowi's rule as a reaction to the huge amount of investments from China. In fact, the Indonesian Chinese community is perceived as a bridge for the penetration of China and the East Asian country's growing interest in investing in Indonesia. Even though it is often maintained that Indonesia's Chinese community controls around 70% of the Indonesian economy, currently no statistics exist to confirm such data. What is certain is that Indonesian Chinese's economic clout is disproportionate to their number and this stokes frustration among other Indonesians. Moreover, there are high political interests in the Jakarta gubernatorial race: attacking the current governor is part of the political agenda of Ahok's political rivals,⁶³ and useful to discredit the government of Joko Widodo, who endorsed Ahok's re-election. Also, Ahok had already attracted

59. Setara Institute, a Jakarta based think tank on human rights, has criticised Jokowi for protecting religion, instead of the citizen rights of Ahok 'Setara Institute: Jokowi Violates Human Rights in Ahok's Case', *Tempo*, 13 December 2016.

60. Ahok had already come under heavy criticism for challenging the imposition of *hijab* on school girls unwilling to wear it. Hendri Yulius, 'Ahok and hate speech: The (unexpected) outcome of democracy', *The Jakarta Post*, 3 November 2016.

61. Johannes Nugroho, 'Ahok, Sinophobia and the Economic Jihad', *Jakarta Globe*, 19 December 2016.

62. Indonesians of Chinese origins are around 3% of the whole population and belong generally to minority religions, mainly Christianity and Buddhism. See data from World Population Review at <http://worldpopulationreview.com/countries/indonesia-population>. Being excluded from political power, Chinese-origin Indonesians, although such a tiny community, became very influential in terms of economic power. The loyalty of Chinese Indonesians to the Indonesian nation, yet, has always been perceived as dubious: Chinese were considered ideologically closer to communist China. As a result, they were among the victims of the 1965-66 anti-communist massacres, while more recently they were targets of racial violence during the riots which took place in May 1998. During these riots, the Indonesian Chinese were scapegoated and held responsible for the huge economic crisis that struck the country in 1997. See Sai Siew Min, '«Eventing» the May 1998 Affair. Problematic Representations of Violence in Contemporary Indonesia', in C.A. Coppel (ed.), *Violent Conflicts in Indonesia*, pp. 39-57.

63. Among Ahok's political rivals there are former president Susilo Bambang Yudhoyono, former general Prabowo Subianto, head of the Gerindra party, and former education minister Anies Baswedan.

hostilities from many sides for his impatient anti-corruption stance and for the evictions of thousands of people living in the slums along the Ciliwung River banks.⁶⁴ Therefore, it is not difficult to appreciate how the vilification of Ahok and the end of his governorship would satisfy many people. All this points to the possibility that anti-government figures and national opposition parties were making use of religion to sabotage Ahok's electoral campaign. This possibility is a certainty according to the Jokowi government: a few hours before the December anti-Ahok protest, 11 people were arrested for a suspected *coup d'état* against Jokowi. Among the arrested, there was also the sister of Megawati Sukarnoputri, Rachmawati, – a telling gesture, this one, of the newly acquired president's independence from the PDI-P patron, Megawati.⁶⁵ Last but not least, it should be stressed that rallies relying on paid protesters – referred to by the news as *nasi bungkus* crowd (literally the wrapped-rice crowd), have traditionally been an important factor in mass mobilisation in Indonesia: apparently, the anti-Ahok campaign was no exception, or maybe only a partial exception.⁶⁶

More important for its consequences will be the Jakarta court sentence in the Ahok trial, which started on 13 December.⁶⁷ Many political analysts

64. Oliver Holmes, 'Jakarta's violent identity crisis: behind the vilification of Chinese-Indonesians', *The Guardian*, 25 November 2016; 'Editorial: If only Ahok would listen', *The Jakarta Post*, 22 August 2016; Noor Huda Ismaili, 'How Jakarta's first Chinese Indonesian governor became an easy target for radical Islamic groups', *The Conversation*, 7 November 2016. See also 'Indonesia should make land acquisitions more transparent and participative', *The Conversation*, 15 December 2016 for a perspective on how people are badly affected by unclear and unfair procedures of land acquisitions.

65. 'Indonesia police arrest eight for treason before Jakarta Muslim protest', *The Guardian*, 2 December 2016.

66. On this, see Krithika Varagur, 'Behind Jakarta Protest, Tangled Web of Money and Material Support', *VOA News*, 11 November 2016 and Allan Nairn, 'Trump's Indonesian Allies in Bed With ISIS-Backed FPI Militia Seek to Oust Elected President Jokowi', *The Asia-Pacific Journal*, 27 April 2017. The latter, despite being considered controversial by many, is useful to understand the intricacies of the relationship between political forces and economic power in the Southeast Asian country.

67. At the time of closing this article, important developments took place. In fact, not only did Anies Baswedan win Jakarta gubernatorial election ('Anies Baswedan-Sandiaga Uno Announced as Jakarta Election Winner', *Tempo*, 30 April 2017), but also the former governor of Indonesia's capital was jailed for two years, something which marks a significant victory for the forces of political Islam and confirms that by playing the religious-identity card Ahok's rivals could obtain good and immediate results. See Benedict Rogers, 'Stop Calling Indonesia a Role Model. It's Stopped Being One', *The Diplomat*, 29 May 2017 and Andreas Harsono, 'Indonesia's Courts Have Opened the Door to Fear and Religious Extremism', *The Guardian*, 10 May 2017. This alarming fact, which will be analysed in the next issue of *Asia Maior*, confirms that there exists an intricate web of political interests, conservative Islamic groups and violent extremism. It will be seen whether the government's indolence in taking action against groups that instigate hatred and violence against minorities

regarded the sentence in the Ahok trial as a crucial test for the maturity of Indonesian democracy. The prosecutors, despite their claim of not having been influenced by public pressure, have already been strongly criticised by human rights groups for including the MUI anti-Ahok *fatwa* in their indictment.⁶⁸ There were, therefore, alarming signs that Islam might be used as a tool to question political pluralism. This would strengthen anti-Cristian and anti-Chinese feelings, while challenging the ethnical and religious minorities' political right to rise to power in a Muslim-majority country. Overall, it would be a heavy blow to the advancement of the process of post-*Reformasi* democratisation.⁶⁹

3. *Foreign policy*

While the Asia-Pacific regional geopolitics was increasingly affected by the worsening Sino-American competition, Jokowi tried not to choose sides between Beijing and Washington, to protect the country's economic interests and independence.⁷⁰ All in all, after two years of Jokowi government, Indonesia appeared to maintain good relations with the United States. This was a trend that, although in a seesawing manner and without strong institutional ties, has been going on since the fall of Sukarno. Yet, Jakarta's Washington-leaning stance did not prevent the archipelagic state from looking at Beijing as a formidable economic opportunity, despite China's expansionism in the South China Sea. It is not clear whether Jokowi's fence-sitting approach was part of a wait-and-see strategy that would allow the president to focus on his economic growth agenda without complicating Indonesia's foreign policy. Or if, on the contrary, it was a confirmation of the voices that Jokowi lacks experience in foreign affairs and is prone to be driven by an *ad hoc* attitude.

What is certain is that the publication of the Defence White Paper⁷¹ in April did not contribute to shedding more light on Jokowi's defence policy and «Global Maritime Fulcrum» (GMF).⁷² The 150-page document failed to

while claiming to defend Islam will have repercussions against the government itself and, more importantly, whether the emboldening of radical Islam will damage pluralism and weaken national unity.

68. 'Prosecutors criticised for using MUI edict against Ahok', *The Jakarta Post*, 22 December 2016.

69. 'Not a Mobocracy Republic', *Tempo*, 6 December 2016.

70. 'Jokowi: Indonesia Must Take Advantage of China-US Rivalry', *Tempo*, 16 December 2016.

71. See Defence Ministry of the Republic of Indonesia, *Defence White Paper*, 2015 (<https://www.kemhan.go.id/wp-content/uploads/2016/05/2015-INDONESIA-DEFENCE-WHITE-PAPER-ENGLISH-VERSION.pdf>).

72. The «Global Maritime Fulcrum», often indicated as PMD, *Poros Maritim Dunia*, is the geopolitical doctrine envisioned by President Joko Widodo according to which Indonesia should become a maritime fulcrum between the Indian and the Pa-

explain what exactly the GMF implied, especially with respect to China and the United States, although it mentioned that their presence in the region had the potential to increasingly destabilise Indonesia's strategic zone.⁷³ As far as the South China Sea is concerned, the issue was quickly dismissed, since Indonesia was not a claimant state and was working towards regional peace,⁷⁴ but it was not specified how a peaceful environment would be created. There was also inconsistency between, on the one hand, the president's declared intention to raise the defence budget to 1.5% of the GDP within 2020 and, on the other hand, the document according to which «the projected defence budget is expected to be above 1% of GDP and [with] a gradual increase in the next decade».⁷⁵ This pointed to the realisation that defence modernisation, although a crucial objective highlighted in Joko Widodo's presidential campaign and a seminal step for Indonesia's national security and political status in an increasingly tense region, would not be easily reached.⁷⁶ In spite of Jokowi's awareness that Indonesia's strategic location, which includes critical straits and sea lanes, represents both the weak and the strong point of the country, a well-structured geopolitical vision seemed to be missing.

3.1. Indonesia and China: between geostrategic tensions and deepening economic ties

Despite having perhaps an unsophisticated outlook on international affairs, Jokowi did not waver in making public that the maintenance of territorial integrity was a core element of his vision. The aggressive patrolling of maritime borders, the crackdown on illegal fishing, and the sinking of illegal fishing vessels⁷⁷ – which the navy and coast guard can carry out immediately, without resorting to judicial trials – proved that a zero-tolerance approach had been adopted in response to interferences into Indonesia's exclusive economic zone.⁷⁸

cific Oceans by contributing to keep the region peaceful and safe for world trade. The doctrine, which includes security and economic issues, aims at ensuring a law-based regional maritime order and at defending the natural resources to boost Indonesia's domestic economy while preserving the country's archipelagic identity ('Jokowi Launches Maritime Doctrine to the World', *The Jakarta Post*, 13 November 2014).

73. *Defence White Paper 2015*, pp. 6-8.

74. *Defence White Paper 2015*, p. 4.

75. *Defence White Paper 2015*, p. 132. See Zachary Abusa, 'Analyzing Southeast Asia's Military Expenditures', *Cogitasia*, 7 May 2015.

76. See Dharma Agastia, 'Uphill battle for Indonesia's defence modernisation', *The Jakarta Post*, 1 November 2016.

77. From the end of 2014 to September 2016, around 220 vessels have been sunk. The fishery sector accounts for around 14% of Indonesian economy, employing millions of people. 'Minister Susi Pudjiastuti on Illegal Fishing in Indonesia', *Indonesia Investments*, 30 September 2016.

78. Boosting local fishing industry is, along with the protection of maritime and energy resources, an important pillar of the «Global Maritime Fulcrum».

Bitter confrontations took place also between Jakarta and Beijing in the South China Sea off the gas-rich Natunas, the Indonesian islands included in China's «Nine-Dash Line». ⁷⁹ The most serious illegal fishing incident occurred in March, when Chinese fishermen entered Indonesian territorial waters. ⁸⁰ Like other neighbouring countries, Indonesia was already alarmed by China's establishment of radar facilities and airstrips on Mischief Reef, Subi Reef, and Fiery Cross Reef in the Spratly Islands, something that left little doubt about whether the Chinese will to keep control over contested waters. ⁸¹ Nonetheless, the March Chinese act of illegal fishing was taken very seriously by the Jokowi government, which considered it a trespass on Indonesia's national sovereignty and a major threat to maritime security. Yet, in spite of the protests from both Indonesian and Chinese sides, ⁸² the issue was kept under control and Jakarta released several declarations saying the relations with Beijing were normal.

However, further similar incidents in the following months pushed Jakarta to send strong signals to Beijing. In June, Jokowi visited the Natunas on a warship on board of which the president held a cabinet meeting. ⁸³ Then, in October the Indonesian president attended massive military exercises in the Natuna Sea. ⁸⁴ Moreover, in November, Luhut Pandjaitan, in his new role of Coordinating Minister for Maritime Affairs, announced that if no resolution was soon found about the Natuna islands, Jakarta could bring Beijing in front of an international arbitration court for a clarification, as done by the Philippines. ⁸⁵ Soon after Pandjaitan's warning, China's Foreign Ministry spokesperson Hong Lei acknowledged that «China has no objec-

79. The so-called «Nine-Dash Line», which Indonesia does not recognise, demarcates China's maritime and territorial claims in the South China Sea and encroaches upon the sovereign territory and exclusive economic zones of Indonesia, Vietnam, the Philippines, Malaysia, Brunei, and Taiwan. Based on historical rights, Beijing claims almost 90% of the South China Sea, which, besides being rich in resources like fisheries, oil and gas, is one of the most important waterways for global trade.

80. 'Indonesia protests Chinese intervention in illegal fishing dispute', *Deutsche Welle*, 21 March 2016; Prashanth Parameswaran, 'China's maritime confrontation with Indonesia is nothing new', *The Diplomat*, 3 March 2016.

81. For China's airstrip construction see 'Another Piece of the Puzzle', *Asia Maritime Transparency Initiative*, 22 February.

82. 'Indonesia Summons Chinese Ambassador After South China Sea Stand-Off Near Natuna Islands', *The Diplomat*, 21 March 2016.

83. 'Jokowi visited the Natuna in June holding a cabinet meeting', *The Sydney Morning Herald*, 23 June 2016.

84. Ankit Panda, 'South China Sea: Indonesian Military Stages Massive Natuna Sea Exercise', *The Diplomat*, 8 October 2016.

85. 'Indonesia asks China to clarify South China Sea claims', *Reuters*, 12 November 2015. On this matter, see the article by Carmina Untalan in this same volume.

tion to Indonesia's sovereignty over the Natuna islands». ⁸⁶ However, no reference was made to the «Nine-Dash Line».

All this notwithstanding, Indonesia's bold stance – which *inter alia* tapped into the country mood of assertive nationalism – alternated with several declarations of friendship and mutual cooperation from both sides. After their diplomatic relations normalised in 1990, ⁸⁷ China and Indonesia have developed stronger ties, also military-to-military ones: a strategic partnership established in 2005 ⁸⁸ was enhanced in the following years until 2015 under Jokowi. ⁸⁹ Moreover, Jakarta, in its role of *primus inter pares* in the ASEAN, also proactively worked towards creating a better climate of dialogue between Beijing and the member states of the regional association. This was made possible thanks to the establishment of the ASEAN-Plus-Three in 1997 and to Beijing's accession to the Treaty of Amity and Cooperation in 2003. ⁹⁰

Jakarta's decision to resume diplomatic relations with Beijing was motivated not only by the remarkable increase of China's geopolitical clout with the weakening of the Soviet Union, but also by China's massive economic potential, from which Indonesia hoped to benefit. Still today, economic calculations remain an important factor in the Sino-Indonesian relations, so much so that, at least for the time being, Jakarta perceives Beijing less as a geopolitical threat than a huge source of investment. This is why Jokowi, in spite of Chinese expansionism, is struggling to keep the delicate balance between national security concerns and economic benefits. Alienating China – which is among Indonesia's top ten investors in Indonesia and is its second trade partner – would be at variance with Jakarta's crucial need for Beijing's investment in infrastructure projects. ⁹¹ This can, at least partially, explain Jakarta's inconsistent South China Sea policies. On its part, Beijing wants to exert its sway in Southeast Asia through the Free Trade Agreement

86. See Foreign Ministry Spokesperson Hong Lei's Regular Press Conference on 12 November 2015 at the official website of the Ministry of Foreign Affairs of the People's Republic of China (http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1314306.shtml).

87. Diplomatic ties had ended in 1967, under Suharto, since Beijing was accused of being behind the Indonesian Communist Party (PKI).

88. Eric Teo Chu Cheow, 'Jakarta and Beijing cosy up', *The Japan Times*, 28 May 2005.

89. See the Ministry of Foreign Affairs of the People's Republic of China, *Joint Statement on Strengthening Comprehensive Strategic Partnership between the People's Republic of China and The Republic of Indonesia*, 27 March 2015 (http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1249201.shtml).

90. ASEAN Plus Three (APT) is, a platform of cooperation between the ASEAN member states and China, Japan and South Korea.

91. Infrastructure projects underpin also the president's maritime vision, since they include the improvement of inter-island connectivity to integrate the outermost areas of Indonesia, improving trade and commerce, thanks to a better use of choke points and maritime corridors.

and the Regional Comprehensive Economic Partnership (RCEP). The latter is a Beijing-sponsored regional organisation, to which Jakarta is still considering the opportunity to join.⁹²

3.2. *Indonesia and the United States: From Obama to Trump*

The US-Indonesia agreement on maritime cooperation signed in October 2015⁹³ and Jakarta's participation in Washington-promoted military exercises⁹⁴ in 2016 showed that Jokowi was in line with Megawati's and Yudhoyono's rapprochement with the United States.⁹⁵

Whereas some analysts maintain that the US engagement in Indonesia is not well-structured and the agreement signed in October 2015 has not produced a clear strategy so far,⁹⁶ some hold that Washington has made a successful effort to attract Jakarta to its anti-China pivot.⁹⁷ Yet, for the time being, it appears that Indonesia has no objection to the US military reinforcing their foothold in the area. The two countries share a common inter-

92. Nevertheless, Gatra Priyandita, among other scholars, underlines the challenges inherent in the Sino-Indonesian relations, maintaining that Jakarta is overestimating the benefits deriving from the economic cooperation with Beijing. 'Don't expect too much from growing Sino-Indonesia ties', *East Asia Forum*, 7 November 2015. Moreover, for Indonesia's trade imbalance with China see Table 1 in Ristian Atriandi Supriyanto, 'A view from Indonesia', *The Asan Forum*, 28 April 2016.

93. See the Fact Sheet: U.S.-Indonesia Maritime Cooperation, 26 October 2016, at <https://www.whitehouse.gov/the-press-office/2015/10/26/fact-sheet-us-indonesia-maritime-cooperation>. It is partnership program aimed at improving maritime law enforcement, combating illegal fishing, and establishing sustainable fisheries. See also 'Indonesia and US join forces to police the seas', *The Guardian*, 3 February 2016. It can also be useful to see the retirement speech by the US Ambassador to Jakarta Robert Blake on the website of the American Chamber of Commerce in Indonesia at <https://www.amcham.or.id/amcham/2-uncategorised/5341-the-us-and-indonesia-a-strategic-partnership-of-promise-and-opportunity>.

94. 'Indonesia, US hold joint military training exercise in N. Sulawesi', *The Jakarta Post*, 1 November 2016. Prashant Parameswaran, 'US, Thailand Launch 2016 Cobra Gold Military Exercises Amid Democracy Concerns', *The Diplomat*, 9 February 2016.

95. The relations between Jakarta and Washington date back to the rise of Suharto, who made Indonesia a pillar of the new US-backed informal regional security system. Nevertheless, the US-Indonesia relations were characterised by highs and lows, becoming particularly tense during the Timor Leste crisis in 1999. Closer relations resumed under the government of Megawati Sukarnoputri and George W. Bush, even though they were never supported by the strong institutional instruments that characterised the relations with Thailand and the Philippines. See Angel Rabasa & John Hasemann, *The Military and Democracy in Indonesia: Challenges, Politics and Power*, Rand, Santa Monica 2002, pp.113-120.

96. Trissia Wijaya & Gatra Priyandita, 'Obama's effect in Indonesian public engagement: Is it enough?', *The Jakarta Post*, 26 August 2016.

97. John Roberts & Peter Symonds, 'Indonesia accuses China of encroaching on its territory', *World Socialist Web Site*, 23 March 2016.

est in keeping the strategic sea lanes and straits connecting the Indian and Pacific Oceans free for navigation. At the same time, it is not to be excluded that the «people's President» was reluctant to take a more decided pro-US stance due to Washington's past interference in the domestic politics of the Southeast Asian country, especially in 1999 when the United States imposed sanctions on the Indonesian army for their human rights violations during the Timor Leste crisis.⁹⁸

As president of a member state of ASEAN, Jokowi participated in the Washington-ASEAN summit hosted by Obama in Sunnylands, California. The summit was the first ever to be held in the United States, a clear sign of Obama's prioritisation of US-ASEAN relations. It was aimed at discussing security issues concerning the South China Sea and pressurising regional countries to join the Trans-Pacific Partnership (TPP), intended to counter Chinese economic influence.⁹⁹ During the meeting, Joko Widodo supported a resolution of the disputes in the South China Sea through a Code of Conduct. While emphasising the importance of keeping peace in the Southeast Asian region, Jokowi declared that Indonesia and China had nothing to settle in the South China Sea.¹⁰⁰

Reiterating that Indonesia is not a party in the South China Sea dispute had a double purpose: in the first place, it allowed Indonesia to keep a balanced stance between Washington and Beijing and between security concerns and economic needs; secondly, it was useful for highlighting Jakarta's traditional role of mediator. Part of this role was promoting a peaceful regional order based on international law and facilitating discussions on security issues within the regional association.¹⁰¹

As far as the TPP was concerned, whereas during his official visit to Washington in 2015 Joko Widodo had expressed his will to join it, in California the Indonesian president postponed any clear decision, saying that

98. Rabasa & Hasemann, *The Military and Democracy in Indonesia*, p. 39.

99. 'Obama, Southeast Asia leaders eye China and trade at California summit', *Reuters*, 16 February 2016. See the summit joint declaration 'Joint Statement of the U.S.-ASEAN Special Leaders' Summit: Sunnylands Declaration' at the White House website <https://www.whitehouse.gov/the-press-office/2016/02/16/joint-statement-us-asean-special-leaders-summit-sunnylands-declaration>. Particular emphasis is placed on peace, security and stability in the region, showing that the United States wants to be the counterweight in the region.

100. See the official website of Sekretariat Kabinet Republik Indonesia, 'President Jokowi Encourages ASEAN-US to Help Promoting Peace in South China Sea and the Middle East', 18 February 2016 (<http://setkab.go.id/en/president-jokowi-encourages-asean-us-to-help-promoting-peace-in-south-china-sea-and-the-middle-east>).

101. Suffice here to say that both Indonesia and China are signatories of the United Nations Convention on the Law of the Sea (UNCLOS). According to UNCLOS, the waters around the Natunas, which according to China are included in the Nine-Dash Line, are part of Indonesia's exclusive economic zone.

further negotiations were necessary.¹⁰² However, at the end of the period under review, given the protectionist position of US President-elect Donald J. Trump, the TPP appeared likely to evaporate, leaving Indonesia still looking into the possibilities of joining the China-promoted RCEP.¹⁰³

Despite Trump's inward-looking attitude, Jokowi declared that Jakarta was willing to keep good relations with Washington, especially in the trade and investment sectors.¹⁰⁴ It will be seen whether the engagement between the two countries will go steadily on, or whether Jokowi, always mindful of the pulse of the grass-roots voters, will have to come to terms with the Indonesian people suspicion towards an anti-Muslim US president.

3.3. *Other bilateral ties*

Jokowi's commitment to consolidate bilateral relations with several countries within and outside Southeast Asia suggests that, differently from what some analysts held,¹⁰⁵ the president did not completely shift from Yudhoyono's «a million friends and zero enemies» foreign policy. Under Jokowi, Jakarta resumed good ties with Canberra and talks were started on possible joint patrols in the South China Sea (yet, at the closing of the present article, no final results had yet been reached).¹⁰⁶ Also, relations with Russia, which ever since Suharto fell have been positive, continued to be good during the Jokowi government. In addition to widening trade and investment ties, Jakarta opened negotiations with Moscow, which is a major arms supplier to Indonesia, for the purchase of fighters and submarines.¹⁰⁷

The enhancement of the long-time relations with India was of no little significance. The two countries share concerns about the increasing Chinese naval presence in the Indian and Pacific Oceans and look at each other as relevant strategic partners for their respective «Global Maritime Fulcrum» and «Act East policies». During their meeting in Delhi in December, Joko Widodo and Narendra Modi suggested a potential synergy between the two countries in terms of maritime vision: the two Asian leaders issued a joint statement which, besides expressing the common will to fight together against terror-

102. 'Jokowi softens stance on TPP trade deal', *The Jakarta Post*, 17 February 2016.

103. As a matter of fact, Donald Trump officially abandoned the TPP in January. See Peter Baker, 'Trump Abandons Trans-Pacific Partnership, Obama's Signature Trade Deal', *New York Times*, 23 January 2017.

104. 'US elections: Indonesian President Joko Widodo says will remain «good» with Trump presidency', *The Straits Times*, 9 November 2016.

105. Yudith Ho & Rieka Rahadiana, 'Indonesia Under Widodo Shifts From «Zero-Enemies» Diplomacy', *Bloomberg*, 23 April 2015.

106. 'Australia mulls joint naval patrols with Indonesia, to Beijing's chagrin', *Deutsche Welle*, 1 November 2016.

107. 'Indonesia turns to Russia for weaponry', *The Jakarta Post*, 21 May 2016.

ism, drugs, illegal fishing, and human trafficking,¹⁰⁸ said the resolution of disputes in the South China Sea must be carried out according to UNCLOS regulations and by peaceful means. That was a significant anti-China stand, given Beijing's refusal to acknowledge the ruling by the Arbitral Tribunal at The Hague, which had declared China's claims to contested waters invalid.¹⁰⁹

The close and long-standing ties with the Philippines continued under the new President-elect Rodrigo Duterte, who visited Joko Widodo in Jakarta in his first official visit. The two leaders decided to cooperate against piracy, to intensify collaboration in the ferocious war on drugs, and to promote law-based order in the South China Sea.¹¹⁰ Cooperation between the two countries in boosting security measures became even more crucial following the wave of kidnappings for ransom and acts of piracy perpetrated in the busy waters between Indonesia and the Philippines by the Islamist group *Abu Sayyaf*, based on the Jolo and Basilan islands.¹¹¹ It will be seen whether the Jakarta-Manila mutual relevance will remain unchanged, after Duterte's decision to abandon the six-decade-old alliance with the United States and align with China to solve the dispute in South China Sea through talks.¹¹²

Perhaps also to enhance his Islamic credentials, Jokowi showed his intention to reinforce his country's diplomatic foothold in the Middle East. The president expressed the willingness of Indonesia, as the home to the world's largest Muslim population, to act as a mediator in the Saudi Arabia-Iran conflict,¹¹³ even if it is not clear what leverage Jakarta could use in a region where it does not have any political clout.¹¹⁴ Furthermore, Joko Widodo – manifesting a continuity with Indonesia's traditional commitment to Palestine's self-determination and to anti-colonialism – reiterated the country's support for the Palestinian cause, with the opening of an honorary Indonesian consulate in Ramallah.¹¹⁵

Indonesia also made efforts to consolidate its presence in the Southern Pacific region, strengthening bilateral relations with the countries of

108. 'India, Indonesia to prioritise defence ties: PM Modi', *The Times of India*, 12 December 2016.

109. 'India and Indonesia ask China to follow UNCLOS on South China Sea', *The Times of India*, 12 December 2016.

110. 'Jokowi, Duterte firm friends', *The Jakarta Post*, 10 September 2016.

111. 'Indonesian sailors abducted in Philippines', *Deutsche Welle*, 24 June 2016.

112. 'Duterte aligns Philippines with China, says U.S. has lost', *Reuters*, 20 October 2016. For a discussion of this point see Carmina Yu Untalan, 'The Philippines 2016: Democracy in Dispute?', in this same volume.

113. 'Indonesia Lobbies Other Countries, Attempts to Mediate Iran-Arab', *Tempo*, 7 January 2016.

114. Yenni Kwok, 'Could Indonesia's President Become the Middle East's New Mediator?', *Time*, 20 January 2016.

115. 'Jokowi reaffirms support for Palestine at OIC Summit, appoints honorary consul', *The Jakarta Post*, 7 March 2016; 'Indonesia opens honorary consulate for Palestine in Ramallah', *The Jakarta Post*, 14 March 2016.

the Melanesian Spearhead Group (MSG).¹¹⁶ In March, Luhut Pandjaitan, still in his role of coordinating minister for political, legal and security affairs, accompanied by regional leaders representing Indonesian Melanesian population,¹¹⁷ visited Papua New Guinea and the Republic of Fiji.¹¹⁸ The visit was aimed at influencing the MSG not to grant a full membership to the separatists of the United Liberation Movement for West Papua (ULMWP), to prevent the movement from obtaining too much international clout vis-à-vis Jakarta. So far, it seems Indonesia has been successful, since the group has postponed its decision about ULMWP.¹¹⁹

3.4. *Indonesia and ASEAN*

Since taking office in October 2014, Jokowi has had an ambivalent stance towards ASEAN, creating the impression among analysts that, under the new president, Jakarta was turning away from the Southeast Asian Association. Nevertheless, this is only partially true. Despite being a founding member of ASEAN, Indonesia's commitment towards the regional association has never been unconditional: even under Suharto, whose foreign policy had regional cooperation and stability as its mainstay, a certain amount of ambiguity was noticeable, especially as far as regional economic integration was concerned. Despite this, Jakarta's contributions to ASEAN values and ideas have always been conspicuous – apart from few years after the 1997 Asian financial crisis when the country had to recover. Therefore, Jokowi's stance towards ASEAN has not so far been completely at variance with the attitude of previous governments.

It is true that Jokowi's foreign policy priorities are primarily focused on making Indonesia a maritime power far beyond the regional scenario: this, together with the policy of sinking the neighbouring state's illegal fishing vessels in the name of the protection of natural resources, must have worried the other ASEAN countries about Indonesia's assertiveness – fears that are not historically new in the region.¹²⁰ However, at the same time,

116. The group has Papua New Guinea, Fiji, Solomon Islands, Vanuatu, and New Caledonia's FLNKS Kanaks Movement as full members. The United Liberation Movement for West Papua obtained observer status in 2015. Indonesia is an associate member.

117. Melanesian Indonesians number around 11 million: they live mainly in Papua, West Papua, Maluku, Maluku Utara, and Nusa Tenggara Timur.

118. 'Strengthening Indonesian existence in Southern Pacific', *West Papua Daily*, 30 March 2016.

119. 'MSG meetings in Vila not expected to decide on Papuan bid', *RNZ*, 20 December 2016.

120. Such sense of fear dates back to Sukarno's «*Konfrontasi*» (confrontation) policy against the constitution of the Federation of Malaya (Malaysia) which, according to the first president of Indonesia, was an offshoot of British imperialism. See Dewi Fortuna Anwar, *Indonesia in ASEAN: Foreign Policy and Regionalism*, Institute of Southeast Asian Studies, Singapore 1994, pp.17-32.

during 2016, Jokowi and members of his government who are the closest to him have often acknowledged ASEAN centrality in terms of regional stability and security, stressing the importance of strengthening cooperation to safeguard the region against the interferences of the great powers.¹²¹

Therefore, not differently from his predecessors, Jokowi is mainly interested in ASEAN defence and security issues, something which is hardly surprising if we consider that Jakarta's imprint in the association, since its foundation in 1967, has been particularly marked in the field of security.¹²² The observation that, in the year under analysis, Jokowi promoted a number of initiatives at the regional level to combat the threat posed by the IS,¹²³ to manage the Rohingya migration crisis,¹²⁴ and to promote moderate Islam and democracy in the region¹²⁵ is not of little significance. It means Jakarta still perceives the Southeast Asian Association as an important vehicle to sponsor peace, pluralism, and human rights. Also Jakarta's aloof attitude in regard to the consolidation of the ASEAN Economic Community (AEC), formally established in November 2015, reveals the country's traditional wariness of an integrated regional market.¹²⁶ Even though this seems to be at odds with Jokowi's priority to increasingly attract foreign investment, there are reservations about the benefits which Indonesia can derive from AEC because of the country's overburdened infrastructure, high business costs, and low labour productivity.¹²⁷ Another major problem is that Indonesia does not have a well-developed manufacturing industry, lagging behind other Southeast Asian countries.

121. Sekretariat Kabinet Republik Indonesia, 'President Jokowi: Regional Stability is ASEAN's pride', 6 September 2016 (<http://setkab.go.id/en/president-jokowi-regional-stability-is-aseans-pride>).

122. See for example the role played by Indonesia in the establishment of the Treaty of Amity and Cooperation in Southeast Asia (TAC) and in the creation of the ASEAN Plus Three.

123. Felix Heiduk, 'Finding Regionalism in Jokowi's Foreign Policy', *The Diplomat*, 3 May 2016.

124. 'ASEAN resolves to respond to Rakhine crisis', *The Jakarta Post*, 14 December 2016.

125. 'Vice president opens gathering of ASEAN ulemas', *Antara News*, 13 December 2016.

126. Heiduk, 'Finding Regionalism in Jokowi's Foreign Policy'. Moreover, certain declarations issued by Jokowi after being elected were not conducive to feelings of unity in ASEAN. For example, during an ASEAN summit in Myanmar in 2014, the president declared that Indonesia is not willing to become a mere market and its priority is to safeguard the national interests. See 'A blunt message for ASEAN', *The Jakarta Post*, 13 November 2014. Moreover, the Minister of Culture declared that, since Indonesia is the biggest country in the region and will be the centre for economic development among the group, Bahasa Indonesia should become AEC's main language. See 'Push for Indonesian to be AEC's main language', *The Jakarta Post*, 18 August 2015.

127. 'Indonesia reflects regional doubts on economic integration', *Nikkei Asian Review*, 22 December 2015.

4. Economy

4.1. Managing fiscal deficit

Amidst the persisting economic global slowdown, Indonesia's GDP grew at around 5%.¹²⁸ This was only slightly less than the 5.3% growth rate projected by the 2015-2016 state budget, but considerably less than the overly optimistic 7% growth rate target set by Jokowi at the beginning of his mandate. Also, the current GDP growth rate was too low to provide employment for the estimated 2.5 million new job seekers joining the workforce every year.¹²⁹ Although the unemployment was at 5.6% - that is lower than in 2015, when it was at 6.2% - it should be considered that official data do not include the informal sector, which is still today between 55% and 65% of Indonesia's economy.¹³⁰

The two most important issues influencing the country's economy during the year under analysis were exports falling and the risk to fiscal sustainability.¹³¹ The former problem was due both to weak global demand and commodity prices under pressure, especially the prices of key exports like thermal coal and liquid natural gas.¹³² The latter problem, fiscal sustainability, was the result of an overall slower growth coupled with higher expenditure on infrastructure, social security, and transfers to local government.¹³³ The savings gained from the 2015 abolition of fuel subsidies were only of marginal relevance in helping to improve the fiscal situation. A tax revenue target generally considered too high to be achieved – in October the tax revenue stood at 64% of the amount expected¹³⁴ – was another major

128. Asian Development Bank projection. The GDP is above the regional average, but still low if we consider that Indonesia has still large pockets of poverty and needs higher economic growth rates to lift human development indicators and improve standards of living.

129. 'It's getting harder to find a job, Graduates say', *Jakarta Globe*, 23 July 2016.

130. For 2016 Indonesia's macroeconomic and development indicators see The World Bank, *Indonesia Economic Quarterly. Sustaining Reform Momentum*, January 2017, pp. 39-40.

131. 'Real GDP grows by 5% in Q3', *The Economist Intelligence Unit*, Indonesia, 7 November 2016.

132. 'Can Indonesia's economic opening up boost growth?', *Deutsche Welle*, 18 February 2016. Exports of goods and services contribute considerably to Indonesia's GDP and in 2015 amounted to around 21% of it. World Bank data available at <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>. In the second half of 2016, the price of coal rose significantly: this is a good sign for the mining sector and might have a positive effect in Kalimantan and South Sumatra. 'Indonesia's Coal Price Continues to Soar in 2nd Half of 2016', *Indonesia Investments*, 5 December 2016.

133. In June, the fiscal shortfall, initially estimated at 2.15% by the 2016 state budget, was estimated as touching 2.5% at the end of the year. 'Cash-strapped budget hits Indonesia', *The Jakarta Post*, 1 September 2016. A state finance law limits the deficit to 3% of GDP.

134. 'Tax Revenue Indonesia 2017: Another Shortfall Expected', *Indonesia Investments*, 5 December 2016.

cause for the worsening fiscal balance.¹³⁵ To obviate the risk to sustainable fiscal policy, the Jokowi administration responded with the introduction of a tax amnesty program and the revision of the 2016 state budget.

Sponsored by Jokowi since 2015, the nine-month tax amnesty started in June, despite criticism from the World Bank, the Organisation for Economic Cooperation and Development (OECD), and local activists.¹³⁶ In the government's expectations, the program would widen the tax base, positively impacting the budget deficit and supporting Jokowi's infrastructure development plans.¹³⁷ Nevertheless, according to the data released by the tax amnesty official website in December, it was unlikely that, unless the trend changed in the last trimester, the government would be able to satisfy the increasing need for revenue by attracting all the expected overseas assets. Hopefully for the country's state revenue, though, the Automatic Exchange of Information framework, a set of jurisdictions between countries that commit to disclosing information on assets, should be fully implemented in 2018, allowing Indonesia to improve the GDP-tax revenue ratio.¹³⁸

As far as the 2016 state budget is concerned, recently appointed Finance Minister Sri Mulyani Indrawati revised the assumed GDP growth rate at 5.1% instead of the initial 5.3%. Furthermore, Sri Mulyani cut over 7% of government expenditure¹³⁹ by diminishing the allocations on projects that had not started yet or were considered as non-priority.¹⁴⁰ This austerity measure has been criticised as unduly harsh, by pointing out that the debt-to-GDP ratio was around 27%, much lower than the 60% constitutional limit. It has also been noticed this measure could put at risk politically sensitive social programmes, such as the national health insurance programme, the food security schemes, and the subsidies for poor students.¹⁴¹

135. Mari Pangestu, 'Indonesia an oasis of economic stability?', *East Asia Forum*, 18 December 2016. The tax-GDP ratio is about 11% (10,8% in 2014 according to World Bank estimates), whereas it ranges from 13 to 17% in the ASEAN countries. This is a problem for the archipelago, since tax revenue is the biggest source of government revenue.

136. Official website at <http://www.pajak.go.id/content/amnesti-pajak>.

137. Repatriated funds should be invested in government issued securities, stocks, bonds, and mutual funds by private companies and could therefore be used for economic development. 'Tax Amnesty Program of Indonesia is Constitutional, Says Court', *Indonesia Investments*, 14 December 2016.

138. Glenn Polii, 'Bad news and good news for tax evaders', *The Jakarta Post*, 15 February 2016.

139. OECD data retrieved at OECD, 'Economic Outlook', Preliminary Version, Vol. 2016, n. 2, p. 177 (<https://www.oecd.org/eco/outlook/economic-forecast-summary-indonesia-oecd-economic-outlook-november-2016.pdf>).

140. 'Cash-strapped budget hits Indonesia', *The Jakarta Post*, 1 September 2016.

141. Siwage Dharma Negara, 'Jokowi's latest Cabinet line-up faces challenging economy', *The Straits Times*, 25 August 2016.

4.2. Seeking foreign investment and strengthening Indonesian presence in global markets

Apart from fiscal stability, the economic key target for the Jokowi administration has been infrastructure development, for which an ambitious agenda including the construction of ports, railways, and roads has been outlined for the period from 2014 to 2019. The infrastructure deficit was hampering Indonesia's economic growth.¹⁴² Moreover, due to a very fast urbanisation, insufficient investments were making several communities in big cities vulnerable to poverty, given the limited access to safe water, sewerage, and sanitation systems.¹⁴³ Infrastructure projects were expected to be funded by state owned enterprises (SOE, 20%),¹⁴⁴ by the state and regional state budgets (respectively 40% and 10%) and by the private sector (30%).¹⁴⁵ In addition to the World Bank and the Asian Development Bank, Jokowi has been courting the China-led Asia Infrastructure Investment Bank (AIIB) which, in the president's plan, should finance one third of the money coming from the SOEs and private sector and which issued one of its first four loans to Indonesia in June.¹⁴⁶

To remove barriers to foreign direct investment (FDI), between October 2015 and February 2016 a package of economic reforms liberalised several sectors – the two most important being healthcare and transports.¹⁴⁷ Even though several analysts have argued the reforms were still circumscribed and should have been combined with tackling red tape and with making labour laws more flexible and land acquisition easier,¹⁴⁸ FDI was

142. The costs for logistics in Indonesia are estimated at 26% of the GDP. In Singapore they are at 8%, whereas in Malaysia at 14%. Prashanth Parameswaran, 'Indonesia and China's AIIB', *The Diplomat* 26 July 2016.

143. The World Bank, *Indonesia's Urban Story*, 14 June 2016.

144. Sekretariat Kabinet Republik Indonesia, 'President Jokowi: SOE Must Become Locomotive to Move National Economy', 29 February 2016 (<http://setkab.go.id/en/president-jokowi-soe-must-become-locomotive-to-move-national-economy>).

145. 'State firms told to triple investment to help stoke growth', *The Jakarta Post*, 7 November 2016. The government had plans to create six holding companies for the sectors of 1) oil and gas, 2) construction and public housing, 3) mining, 4) food, 5) banking and financial services, and 6) sectors, with the aim to give them greater leverage in borrowing money.

146. Parameswaran, 'Indonesia and China's AIIB'. See also 'Power plants, maritime infrastructure to be first AIIB-financed projects', *The Jakarta Post*, 30 June 2016.

147. See the detailed graphs on the reforms package at Ken Koyanagi, 'Jokowi's reform efforts are beginning to pay off', *Nikkei Asian Review*, 9 June 2016. According to the World Bank agency Doing Business, Indonesia moved up 16 places compared to the previous year thanks to the reform package (<http://www.doingbusiness.org/data/exploreeconomies/indonesia>).

148. Anthony Fensom, 'Indonesia: Big Bang Reforms or Small Pop?', *The Diplomat*, 14 February 2016.

growing and, at the end of the third quarter, had reached about 75% of the year target.¹⁴⁹

Jokowi's intention to finalise several trade deals¹⁵⁰ aligned with the need to lure investment for priority industries to pursue self-sufficiency¹⁵¹ for a wide range of products and to boost the exports of manufactured goods, as of now lagging behind.¹⁵² Yet, there were divergent opinions on the benefits Indonesia could get from such trade deals, the main concern being that Indonesian manufactured products would not be competitive enough.¹⁵³ Among the trading agreements involving Indonesia, for which negotiations were afoot, the most important was certainly the China-promoted RCEP that involved China, the ASEAN countries, India, Japan, South Korea, Australia, and New Zealand, leaving out the United States. Talks about RCEP gained ground after Donald Trump's victory and the possible discontinuation of the «pivot to Asia» policy and the related TPP. However, it remained a moot point whether Indonesian industries could sustain competition from Chinese products and if the trade unbalance with China could be reduced.¹⁵⁴ Anti-liberalisation sentiments remained in place in Indonesia, also at the high-political level, being strengthened by fears of political interference and geopolitical consequences, especially in relation to agreements with the United States or China.¹⁵⁵

4.3. Poverty and inequality

According to the World Bank the poverty rate fell by 0.4 % in March 2016, marking the most significant decline in the last three years, with the Gini coefficient down by 1.1 points to 0.397, even if this remains one of the highest in the region. This may have been mainly due to the decline of inflation, the improved management of rice imports, and the implementa-

149. 'Foreign & Domestic Investment in Indonesia Rose in Q3-2016', *Indonesia Investments*, 28 October 2016.

150. Namely, entering the RCEP and inking two comprehensive economic partnership agreements, respectively with the European Free Trade Association (EFTA) and with Australia, as well as two free trade agreements with Chile and Peru.

151. See Kyunghoon Kim, 'Indonesia juggles globalism and nationalism', *The Jakarta Post*, 8 December 2016.

152. 'Indonesia to finalise five trade deals next year in hunt for wider markets', *The Jakarta Post*, 8 December 2016.

153. 'Indonesia to finalise'.

154. See footnote 92 about Indonesia-China trade deficit.

155. It is quite telling, for instance, that the directors of three Indonesian state banks were summoned by the House of Representative to justify the spending of US\$ 3 billion given by the China Development Bank as part of China's «One Belt One Road» development agenda. Vincent Lingga, '«Belt and Road» Summit to focus on ASEAN infrastructure opportunities', *The Jakarta Post*, 22 April 2016.

tion of social assistance programs.¹⁵⁶ Nevertheless, according to Indonesia's Central Statistics Agency (BPS), the number of people lifted from poverty from 2010 to 2014 was much lower compared to the previous four years.¹⁵⁷ In addition, notwithstanding high growth rates and the improvement of the poverty rate over the years, income distribution was negatively impacted. All in all, growth has mainly favoured the wealthiest 20% of Indonesians, causing a significant increase of the Gini coefficient in the past decade.¹⁵⁸ Also, the richest 10% of Indonesians still own around 75% of the country's wealth.¹⁵⁹ Thus, Indonesia remains a very unequal country in terms of wealth distribution, although this is slowly improving.

Even though external factors like the economic slowdown and spiking food prices played a role in the reduction of poverty and inequality, these were important results, through which the Jokowi government performance will be evaluated. Jokowi has presented the reduction of both poverty and inequality as essential economic goals: universal healthcare and public education programs, land reform, and infrastructure projects are expected to contribute to reducing the Gini index to 0.36 by 2019. From many sides, yet, it has been argued that Jokowi's infrastructure development agenda is not conducive to the reduction of inequality and that the president should focus more on tackling corruption and making public service more efficient if he wants to meet his targets of poverty and inequality reductions.¹⁶⁰

4.4. State budget plan for 2017

The 2017 state budget, which was passed in October 2016, was contracted for the first time since 2012. In other words, the total amount of both revenues and expenditures was diminished in comparison to those of the 2016 budget.¹⁶¹ In the government's view, the contraction of the budget should improve the country's credibility and attract more foreign investment. The 2017 budget projected an economic growth at 5.1% with a fiscal deficit at 2.41% of the GDP. The forecast for total government revenue was basically the same as in 2016, with central government and local government spend-

156. The World Bank, *Indonesia Economic Quarterly. Pressure Easing*, October 2016, pp. 17-18

157. 'Poverty Reduction Should Be Accelerated', *Kompas*, 18 October 2016.

158. *Indonesia Economic Quarterly*, October 2016, p. 18; Asian Development Bank Institute, *The Sources of Income Inequality in Indonesia: a Regression-based Inequality Decomposition*, Working paper n. 667, February 2017, pp. 1-5.

159. The World Bank, *Indonesia's Rising Divide*, March 2015, p. 84.

160. Zulfan Tadjoeuddin, 'Beyond the technocratic approach to tackle inequality', *The Jakarta Post*, 12 October 2016.

161. 'What Does the 2017 State Budget Contraction Mean?', *Indonesia Economic Forum*, 23 August 2016.

ing almost equal to each other.¹⁶² The three goals that the budget wanted to reach were: 1) the widening of the tax base by 13%, thanks to the last phase of the tax amnesty and law enforcement programs; 2) public spending focused mainly on infrastructure development, interregional connectivity, enhanced goods expenditure, and more efficient subsidy disbursements; and 3) an attentive fiscal management that will keep an eye on the deficit and debt ratio.¹⁶³ Moreover, Jokowi continued to stress the importance of the state budget as an instrument to reduce poverty and fight economic disparity: poverty is expected to go down to 10.5% from the current 10.9% of the total population, whereas the Gini coefficient should hover at around 0.39.¹⁶⁴

162. The state budget for the fiscal year 2017, Law of the Republic of Indonesia Number 18 of 2016 Regarding State Budget for Fiscal Year 2017, is available in the website of the Ministry of Finance (<http://www.kemenkeu.go.id/en/Peraturan/law-republic-indonesia-number-18-2016>). Given the implementation in 2014 of the Village Law, the local government spending includes a village budget aimed at financing Indonesia's villages according to their specific needs and providing them authority and autonomy in line with the power decentralisation process started in 2001.

163. 'Higher growth promised in 2017', *The Jakarta Post*, 18 August 2016. The Ministries of Health and of Education and Culture had their budget cut respectively by 7 and 11%. For an overview in funds allocations see Table 2 at page 8 of Siwage Dharma Negara, 'Indonesia's 2017 Budget Seeks Cautious Economic Expansion', *ISEAS Yusof Ishak Institute*, n. 51, 2016

(https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2016_51.pdf).

164. 'Don't Steal Even a Penny from 2017 State Budget: Jokowi', *Tempo Bisnis*, 7 December 2016.