

**“Politics in post-Suharto Indonesia remains in flux. President Wahid, the parliament, students, political parties, labor, and the military are all scrambling to find a foothold in the country’s new power structure.”**

## Indonesia: Living Dangerously

SCOTT B. MACDONALD AND JONATHAN LEMCO

**L**ong regarded as one of the Asian “tiger” economies, Indonesia’s fall from grace in 1997–1998 was rapid and devastating. The economy imploded under the weight of massive private-sector debt totaling as much as \$80 billion, a plummeting currency, and a systemic political crisis. The political crisis saw the ouster of the long-ruling authoritarian regime of President Suharto and the installation of a new democratic system. At the same time, ethnic and religious violence ignited with East Timor’s drive to independence, the revival of protonationalisms in the provinces of Aceh (in northern Sumatra) and Irian Jaya, and religious violence between the majority Muslims and minority Christians on the eastern Maluku islands.

Four years later Indonesia continues to suffer. President Abdurrahman Wahid, popularly known as Gus Dur (“teacher of his people”), is regarded by many as weak and ineffectual in dealing with Indonesia’s ills. The economy has not returned to sustainable robust growth, and political violence remains linked to elements of the military and the old regime that wish to discredit the democratic process. The next six months could see Wahid removed from office, stepping down because of ill health, or sharing power with his vice president, Megwati Sukarnoputri, or the military, or parliament.

Despite the many problems confronting Indonesia, not all is bleak. The case can be made that the groundwork for a sustainable economy recovery is slowly and arduously being put in place. The low value of the rupiah, one of the worst-performing currencies in 1999 and 2000, has helped stimulate a boom in exports, which reached \$60 billion last year. Higher international energy prices have boosted revenues in the oil and gas sectors. Real

GDP growth in 2000, initially forecast at 4 percent, was actually 4.8 percent, while the current account remained in a healthy surplus for the third consecutive year. The fiscal deficit is expected to have fallen from 4.8 percent of GDP in 1999 to a more manageable 3.2 percent in 2000. Foreign-exchange reserves have also been augmented and efforts have been made to render the financial system more transparent. Real GDP growth for 2001 is forecast at over 4 percent.

In light of these conflicting trends, the question might be asked: Is Indonesia ready to recover and make up lost economic ground from the 1997 crisis? A simple look at macroeconomic indicators reflects progress, but that progress is tenuous at best. Indonesia still faces enormous challenges: a weak consensus on economic policy, a profound crisis in national identity, pervasive corruption, substantial foreign and government debt, and an inability to woo back the badly needed foreign investors who fled during and helped compound the 1997–1998 crisis. Indonesia’s relations with the International Monetary Fund, a key force in providing support to the reform process, remain both difficult and complicated due to the slow pace of reform.

Presiding over the Indonesia landscape is President Wahid, alternatively seen as stumbling from one crisis to another and as an adroit puppet-master shaping political outcomes from the shadows. His most virulent opponents have charged him with corruption. His staunchest defenders insist that these charges of wrongdoing are false and politically motivated. Behind the president is the military, carefully seeking its way in the post-Suharto era—emphasizing its adherence to the constitution and to maintaining public order, yet deeply concerned by the seeming inability of the country’s civilian elite to provide the political stability the country so badly needs.

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SCOTT B. MACDONALD is the director of research at Aladdin Capital LLC in Stamford, Connecticut and JONATHAN LEMCO is a director at KWR International in New York City.

## SHIFTING POLITICAL FORTUNES

Indonesia's future is being shaped by four factors: the new political system that is emerging; the profound identity crisis that has enveloped the country; the massive debt burden; and the need to reach consensus on economic policy to speed the country's recovery. Although these issues are interrelated, the first is the most significant because it entails the creation of a civil society, the protection of human rights, a reduction in corruption, and the deepening of democratic government. It also requires the establishment of new and well-understand rules of the political game and defined roles for each player in the democratic process.

During the Suharto years, Indonesia's political life resembled a power pyramid with the president at the apex, followed by a ruling class of family and close family cohorts. Below this group was the military, top technocrats who ran the government and managed the economy, and business leaders (including many of the more successful members of the Chinese minority). A small yet growing middle class separated the ruling classes from the largest part of the power pyramid: the urban workers and wealthier farmers and headmen (village chiefs), and then the bulk of the population. Political power ran from the top of the pyramid down to the local village level, with President Suharto, as the dominant political force, casting a shadow over the Indonesian archipelago from Aceh to Irian Jaya.

Suharto, who came to power in a coup in 1965, presided over a concerted effort to improve the country's economic well-being. Although considerable corruption existed and those at the top of the pyramid decidedly fared better than the rest of the population, a sense of forward momentum was shared by most of Indonesian society. Real GDP hovered at 6 percent through the 1980s and into the early 1990s. Annual per capita income rose from \$70 in 1965 to \$1,142 in 1996, a greater range of social services was offered (although still limited and rudimentary compared to many other Southeast Asian nations), and the number of people living below the poverty level decreased considerably. The middle sectors of the power pyramid grew in number, as did their expectations.

In the mid-1990s, however, this dynamic changed. Suharto's family and a few selected cronies became more insistent on cutting the rewards pie into bigger slices for fewer hands. At the same time, President Suharto's ability to hold his family's excesses in check declined, especially after the death of his wife and close adviser, Siti

"Tien" Hartinah, in April 1996. The middle sectors, which were key to supporting politically the upper classes, slowly began to turn against the Suharto regime. The desire for a level playing field that would allow upward social mobility ran squarely into the corrupt and controlling factions surrounding the president.

As these sociopolitical tensions began to polarize in the 1990s, the country's foreign-debt burden climbed from \$65 billion in 1990 to \$137 billion in 1996. Many large Indonesian companies had gained access to international capital markets for the first time. Alarming, the private sector also became a heavy user of foreign capital: the portion it held of Indonesia's external debt went from \$13 billion in 1990 to around \$70 billion in 1997, with official numbers understating the burden. Worsening matters was that many Indonesian conglomerates owned banks and were actively lending to themselves. This meant that when the economic crisis hit in 1997, Indonesian companies were left scrambling to pay their foreign debt, which was denominated in dollars, with their earnings, which were often rupiah—and which had declined in value against the dollar. At the same time, these companies were unable to pay back the loans they had taken from their banks. By late 1997, Indonesia's highly politicized banking system was on a downward spiral.

In May 1998, after a round of student-led demonstrations against the Suharto regime provoked an abortive military crackdown, the beleaguered president handed power over to his vice president and long-time confidant, Bacharuddin Jusuf Habibie. With that abrupt transfer of authority, the power pyramid that had dominated and guided Indonesia's economic and political development crumbled. Gone were the clear-cut lines of power and influence: the country's political actors were forced to construct a new order. The considerable excitement about the *reformasi* movement, a student-led opposition movement, soon collided with the difficult task of "re-inventing" Indonesia. The stark reality was that those who assumed power in the aftermath of the Suharto regime were forced to redefine the role of the military, amend the constitution, implement regional autonomy, reestablish the rule of law, strengthen institutions, and establish the various freedoms and human rights associated with democratic government.

The movement toward a new political system thus has been problematic, with the sidelining of older players, and the advent of new players and

poorly defined new political rules. Although the authoritarian structure of the Suharto regime was largely dismantled, elements of it survived, receding into the shadows. The military, long the bedrock of the regime and a key force in the nation's development, was set to be recast in a more professional, less interfering role. Yet East Timor's move to assert its independence in 1998 and 1999 left the military with an immediate national-defense role, which was augmented by separatist threats from Aceh and Irian Jaya as well as the escalation of Muslim-Christian tensions throughout the country.

Indonesia's new political system is more open than Suharto's but remains a considerable distance from a democratic society at ease with itself. The desire for a more open political system was reflected by the inability of President Habibie to remain in office. Although he lasted longer than most analysts expected, Habibie was hurt by his links to the old regime and by a corruption scandal tied to the Central Bank and Bank Bali (involving possible bribes). In 1999 he opted not to seek reelection, following the outcome of the first democratic parliamentary elections in 44 years, which provided a majority for opposition candidates. The selection of a new chief executive then went to the People's Consultative Assembly, where Wahid outmaneuvered his rival, Megawati Sukarnoputri, the daughter of former Indonesian dictator Sukarno, and was elected president.

## WAHID'S WORLD

Wahid was the long-standing leader of Indonesia's largest Muslim social organization, the Nahdlatul Ulama (NU, Awakening of Religious Scholars). With a membership of over 30 million and based largely in Java, the NU gave Wahid a strong foundation to be one of the most influential political figures during the later years of the Suharto regime and in the country's transition from authoritarianism. Wahid has a solid record of endorsing religious tolerance and promoting social harmony. In addition, Wahid comes from one of Indonesia's most famous families, known for its involvement in nationalist and Islamic movements. Moreover, he is a "man of tremendous charisma and intelligence."<sup>1</sup> Yet Wahid is nearly blind, has had two strokes, and is extremely dependent on what people in his inner

circle tell him. Many of his critics allege that he tends to place great weight on rumors. The combination of health issues and reliance on an inner circle have also meant that he does not read policy papers, but is dependent on others to sift through details for him.

Wahid—whether intentionally or not—has sought to reconstruct Indonesia's power pyramid, but with himself at the apex of the power and his loyalists at the next strategic level. Although backed by the mass of NU members, this second level is relatively slim. The level just below it is wider and filled with either competing civilian forces, such as Golkar, the Suharto-era governing party, or potential rivals, such as Vice President Megawati and other key leaders of the Indonesia Democratic Struggle Party (PDI-P). The PDI-P, part of the coalition government, does not necessarily want Wahid out, but is inclined to promote a more open system of governance. Members of the military elite and labor leaders also sit with this group.

Unlike the power pyramid under Suharto, the lines of authority are not clearly marked, and power does not always flow from top to bottom. In fact, many of the levels below the elite are divided into various camps, supporting their leaders in the third level. The definition of power is aggravated by President Wahid's opaque personal style.

A major problem is the inconsistency between the president's public comments and his policies. He has condemned corruption, yet both he and those around him have been implicated in corruption scandals. Wahid has announced that he favors regional stability, but he has made veiled threats with regard to Singapore. While this has further aggravated his opponents, it has also kept his name in the headlines and unsettled his rivals. As long-time Indonesia watcher Donald K. Emmerson has noted: "Media attention magnifies [Wahid's] influence, and he uses self-deprecatory humor to advance his views. In the end, those views reflect Gus Dur's sense of himself not as a commander but as a teacher—engaging his people in a dialogue that will move the country toward tolerance, pluralism, and democracy."<sup>2</sup>

Although many of the country's political parties have advocated a stronger rule of law and a more formal system of governance, Wahid has constructed a new legal system around himself. He has been locked in ongoing battles with parliament and has been forced to reshuffle his cabinet at least once to avoid a parliamentary battle to impeach him or to force him to resign. In August 2000 the president

<sup>1</sup>Douglas E. Ramage, *Politics in Indonesia: Democracy, Islam and the Ideology of Tolerance* (New York: Routledge, 1996), p. 48.

<sup>2</sup>Donald K. Emmerson, "Will Indonesia Survive?" *Foreign Affairs* (May/June 2000), p. 104.

narrowly avoided a concerted parliamentary effort to oust him from power. And in early 2001 he is again in conflict with the parliament, this time over scandals involving the questionable use of funds and donations. In January parliament officially censured him over the scandals, which could start the clock ticking on a possible impeachment process. Wahid has three months to respond to parliament's censure, after which the legislature can decide to proceed to impeachment hearings.

One key area in which Wahid's administration has not lived up to expectations has been rooting out corruption. A number of high-ranking Indonesians have said that the nation faces a culture of pervasive corruption. Transparency International, a Germany-based nongovernmental organization, now ranks Indonesia as the fifth most corrupt nation in the world. Many Indonesians believe that President Wahid has squandered the opportunity to eliminate corruption and strengthen the rule of law. Public discontent has grown as it appears that the government's commitment to these tasks is faltering. Critics point to no indict-

ment in the Bank Bali scandal (during the Habibie administration, an intermediary consultant funneled government money due to the bank to several Golkar officials); to the postponement of prosecution of three conglomerates with ties to the Suharto regime; and to the lack of government funds to help deepen the reform of the legal system and law enforcement. Furthermore, tension has arisen between the president and parliament over the selection of a chief justice for a body regarded by one Indonesian lawyer as the "most weak and corrupt institution in the country" (both the president and parliament have their own candidates for this post, each reflecting loyalty to their sponsor).<sup>3</sup>

Underscoring the corruption issue is the involvement in scandal of individuals near President Wahid. A special committee of parliament has been investigating the fraudulent withdrawal of Rp35 billion (\$3.3 million) from the State Logistics Agency (Bulog) by Wahid's masseur and a \$2-million donation from the sultan of Brunei that the president claims was a personal gift. In early 2001 these two scandals resulted in a number of large pro- and anti-Wahid demonstrations in Jakarta, leaving parts of the

city a near battle zone. The situation was not helped by an accusation from Wahid's National Awakening Party that the parliamentary commission lacked a legal basis and was involved in a "systematic act of corroding the government's legitimacy and character assassination in a bid to oust the president." In response, voices were raised calling for Wahid to step down or for a power-sharing arrangement. The pro- and anti-Wahid demonstrations continued in February, giving the appearance that the political situation had the potential to spin out of control.

Even within the Wahid power pyramid considerable resistance to his ability to consolidate power persists. The military, forced to surrender East Timor in October 1999 and on the defensive in Aceh and Irian Jaya, is restless. Within the ranks of the armed forces are factions that prefer a neutral, nonpolitical, and professional role for the military; those that favor a more political role in controlling any further erosion

of national sovereignty; and those that remember the Suharto years fondly. A major unifying factor is a nationalistic attitude among members of the military

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*The unsettled nature of Indonesian political life has kept substantial foreign capital from flowing back into the country.*

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that is supportive of law and order and that unites the factions against perceived threats to the country's unity.

The political parties cover a wide spectrum and do not offer a unified vision for the future. A number of political groups favor a more Islamic form of government, a minority the imposition of shariah (Islamic law). National Assembly Speaker Amien Rais is a key force within the country's Islamic groups. He is the leader of the National Mandate Party, which holds 7 percent of the seats in parliament, and has some support from two other Islamic parties, the Justice Party and the Umat Sovereignty Party. Still other Islamic groups like NU favor maintaining a secular government.

While discontent has been manifest in the form of parliamentary maneuverings and student demonstrations, there has also been a more sinister undercurrent to Indonesian politics. Beginning in April 1999 and continuing through December 2000, a series of bombings rocked Indonesia. The last incident in December, over Christmas and New Year's Day, killed 40 people and injured hundreds. Although no one has been arrested, those responsible are believed to be elements of the old Suharto regime—drawing on a loose mercenary network of active and retired soldiers, Muslim extremists, and

<sup>3</sup>"Comments from T. Mulya Lubis," US-Indonesia Society Open Forum Series, January 18, 2001, Washington, D.C.

criminal groups—who wish to stave off the prosecution of Suharto-era crimes and create the conditions for the installation of a government that would help preserve their financial and political interests.

### SEPARATISM

Tears in the national fabric are also being felt in Jakarta. During the Suharto decades the government consistently tried to foster a secular nationalism, which left separatism based on region and religion largely on the sidelines. This did not preclude a subdued hostility toward the country's economically powerful Chinese minority, but stopped short of major ethnic conflicts. A strong hand at the country's political center and a willingness to use military force when deemed necessary held many tensions in place, especially in East Timor, Irian Jaya, and Aceh. These three regions had long histories of resistance to central authority in Java, overlaid with ethnic and religious tensions.

East Timor was part of Indonesia from 1975 to 1999, but was never fully absorbed. During the colonial period East Timor, unlike most of Indonesia, was never part of the Dutch East Indies but long an Asian outpost of the Portuguese empire. This meant that East Timor's population was predominantly Roman Catholic and spoke Portuguese. When Portugal cut its former colony free in 1975, Indonesian forces invaded to curtail what Jakarta perceived as a slide into communism. East Timor's population, however, never fully accepted the region's incorporation into Indonesia and a long, violent struggle occurred in which Jakarta clearly dominated but never won the people's heart and minds. Several thousand East Timorese were killed (some estimates place the number as high as 200,000) and the territory's economic development was stunted. In 1999, after considerable outside pressure, Indonesia allowed a referendum, which was overwhelmingly in favor of independence. Despite considerable violence by pro-Indonesian militias, East Timor extracted itself from Indonesia and became a temporary ward of the United Nations.

The territory is currently administered by the UN's Transitional Administration for East Timor (UNTAET). The task is massive. The damage caused by the pro-Indonesian militias was extensive and systematic. UNTAET and the local Timorese must

build an economy as well as effective political institutions before East Timor is ready for independence. Sometime this year a constitution is to be drafted and an election to a constituent assembly will take place. The assembly will then vote on the constitution and East Timor will declare its independence.

Irian Jaya, also known as West Papua, is another colonial legacy issue. Indonesia gained its independence from the Dutch in the 1940s, but one of the last remnants of the Dutch empire in the region, Irian Jaya, did not become part of the new nation until 1962. Occupying the western half of the island of New Guinea, Irian Jaya's largely Protestant population of 2 million resents the exploitation of its abundant natural resources by outsiders, including mining companies with close ties to the power elite in Jakarta. An independence movement, the Free Papua Organization (OPM), has engaged in hostage taking and has issued demands that include compensation for environmental damage, a halt to logging, and independence for the region. Although the OPM has indicated that it is willing to negotiate, it has also

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observed East Timor's use of the United Nations. OPM leader Willem Onde has stated that "If the (Indonesian) government refuses our

demands for independence, we will go directly to the United Nations to have the . . . [presidential decree] on the integration of Papua [Irian Jaya] revoked."

Even more complicated and closer to Indonesia's survival as a nation is the question of Aceh. While East Timor was predominantly Catholic and from the Portuguese colonial empire and Irian Jaya is mostly Protestant and ethnically Melanesian, Aceh is largely Muslim and is located on one of the country's principal islands, Sumatra. Aceh has a long tradition of resisting central authority: the Dutch were forced to fight a series of difficult wars to subdue the region, and Jakarta has had to maintain a sizable military presence and carry out an anti-insurgency campaign against the Free Aceh Movement. This movement favors the creation of an independent Aceh and, at the very least, a high degree of autonomy and a rechanneling of natural gas revenues back into the province.

The government has a considerable interest in retaining Aceh: not only does it have substantial oil and gas resources along its coastlines, it also sits at the tip of the critical Strait of Malacca, a major international shipping point that links the dynamic

Asian economies to South Asia, the Middle East, and Europe.<sup>4</sup>

Ongoing religious violence in the Maluku islands between Muslims and Christians is another concern tearing at Indonesia's national identity. The point of contention in the outer island of Maluku is the delicate balance of power between a growing Muslim and shrinking Christian population that is now collapsing. Because of the Suharto government's policy of moving people from overcrowded Java to lesser populated areas, the once predominantly Christian eastern islands are now 59 percent Muslim and 41 percent Christian.

What once was a region of relatively peaceful accommodation became tense in the aftermath of Suharto's downfall. Christians fear that Islamic groups want to create an Islamic state, a view that was reinforced by the Habibie government's creation in 1999 of two new provinces, Maluku and North Maluku, out of the previous single province, in order to give advantage to the Islamic parties that were contesting the election that year. As the Christians became increasingly apprehensive, tensions rose, eventually leading to riots. Although the desire for secession from the political center is not as pronounced in these cases, the government's continuing inability to provide law and order helps make the case for such thoughts.

Considering the protonationalist tendencies in Aceh and Irian Jaya, the best solution for Indonesia might be to reinvent itself as a federalist state. (Indonesia was briefly a federation between 1949 and 1950, but this experiment failed due to regional political aspirations, the inability of parliamentary parties to overcome local concerns and form functional national parties, and the military's desire to prevent the unraveling of Indonesia. All of this led to the rise of the populist strongman Sukarno, centralization, and the curbing of parliamentary power in the 1950s.) A federalist constitutional structure would require strong provinces and a political center able to lead the nation and apply consensus-driven policies. This is not an easy task. Historically, most federal structures dissolve, although the United States, Canada, Australia, and Switzerland are notable exceptions.

<sup>4</sup>Jakarta has two other areas of concern: Riau and East Kalimantan. Both of these regions have considerable natural wealth (oil and gas reserves), and generate per capita incomes well above the national average, yet control has long been with the central government, leaving these regions resentful that they have been unable to enjoy the full benefits from their wealth. Kalimantan's affairs are also complicated by poor ethnic relations between the local Dayaks and the more newly resettled Madurese.

In 1999, parliament approved legislation that shifted political and economic power from the center to the regions. Since then, although an effort has been made to implement meaningful decentralization, it has not been smooth. Concerns have grown that the new legislation risks failure unless a strong ministry or agency is in place to help implementation. Under the current laws, considerable authority has been passed directly to districts and municipalities, bypassing provincial governments. Districts will now receive 80 percent of income from most mining and logging operations, 30 percent of earnings from natural gas, and 15 percent from oil. In addition, they will receive 20 percent of local income-tax receipts and at least 25 percent of a special fund of centrally collected revenue. Aceh and Irian Jaya, which were not included in the initial round of decentralization, will get "special autonomy" packages later in 2001.

Critics of the decentralization process argue that the legislation and implementation have been rushed and that adequate safeguards against corruption are not in place. This means that as decentralization advances, and power shifts to the provinces and regions, new groups forged at a local level will emerge as corruption becomes more widespread.

## WILL FOREIGN CAPITAL RETURN?

Since the Asian financial crisis and the collapse of the Indonesian economy, the government has made some progress in reforming the economy. The banking sector has been recapitalized and restructured, and new business codes have been adopted, including updated bankruptcy laws. Growth has returned and foreign-exchange reserves now exceed \$25 billion. Poverty is also beginning to fall. Yet as the IMF noted in September 2000: "Market confidence is fragile, and private capital flows have yet to recover. Moreover, asset recovery and corporate debt restructuring have not yet reached a decisive stage."

Indonesia is still in dire need of capital to reconstruct the private and public sectors. Yet the unsettled nature of Indonesian political life has kept substantial foreign capital from flowing back into the country. Indonesian government statistics show that approved foreign-investment projects in the first ten months of 2000 amounted to \$14.4 billion, up 50 percent from 1999. Although this appears positive, it must be seen against the 60 percent decline in foreign investment from \$33.8 billion in

1997 to \$13.5 billion in 1998. Moreover, many former investors in Indonesia remain on the sidelines, deterred by domestic political and social unrest that has included frequent and violent labor protests. Djimanto, the vice chairman of the Association of Indonesian Businessmen, has publicly stated that these “actions have disrupted production schedules of many export-oriented companies, leading to a number of contracts being unilaterally canceled by buyers.”

The economy remains highly dependent on external factors, such as international prices for oil and natural gas and the health of the United States and Japanese economies, to which the bulk of Indonesian exports go. Additionally, the Indonesian government's relationship with the IMF is poor. The IMF is frustrated that the Indonesian Central Bank is not sufficiently independent, and consequently has blocked the release of the latest \$400-million installment of a \$5-billion aid package that was pledged earlier.

Furthermore, since it is unable to effectively reschedule some \$80 billion in private-sector debt and has been slow to move ahead with bank privatization through the Indonesia Bank Restructuring Agency (IBRA), Indonesia has little access to international capital markets, where a number of other countries, such as Brazil, South Africa, Mexico, and South Korea, have issued bonds and obtained loans.

Indonesia has a mountain of bad debt and non-performing loans directly related to the pressing need to advance with corporate restructuring and, by extension, attracting foreign investment. The IBRA could thus potentially play a major role in the sustainable recovery of the Indonesian economy and has made modest progress with asset sales; indeed the IBRA controls assets that equal 57 percent of the nation's GDP. Yet the agency faces considerable challenges, ranging from a multitude of domestic political pressures, sometimes pushy IMF guidance, a shortage of experienced staff, and an almost entirely new legal environment.

Meanwhile, Indonesia's corporate restructuring has carried out the easy tasks: simple debt-for-equity swaps, loan extensions, and debt discounts. The country's businesses have not, however, sought out strategic investors (although the IBRA appears to have started this process more actively in 2001), offering them the opportunity to scrutinize companies, allowing time for proper diligence and a comprehensive audit, and then preparing the companies for sale. Unlike South Korea, Thailand, and even

Japan, Indonesia is missing the inflow of foreign companies that will make the corporate sector more competitive and financially transparent. Instead Indonesia's corporate sector remains shell-shocked, struggling to regain its feet.

### WHICH POLITICAL FUTURE?

Politics in post-Suharto Indonesia remains in flux. President Wahid, the parliament, students, political parties, labor, and the military are all scrambling to find a foothold in the country's new power structure. Indonesia's political players can choose to create a pyramid that is less concentrated at the top and is instead more inclusive and allows greater two-way communication of societal objectives. It would also allow increased input into the creation of the policies required to reach those objectives.

The alternative is to return in a more authoritarian fashion to the Suharto-style pyramid of a small elite surrounding one individual who dictates policy goals and the distribution of favors. Communication will be top-down to the rest of society. Gone will be the democratic niceties of debate and consultation. Clearly, as President Wahid and his administration appear to founder over key issues and the public becomes increasingly frustrated, the risk of blaming the “democratic” process and its fledgling institutions, chiefly the parliament, grows. The louder the public disagreements between the country's civilian political leaders, the greater the chance the military will take a stand and seek to curtail any further descent into chaos. Indonesia's past reflects in the rule of Sukarno and Suharto, a track record of strong political personalities, and a weakness in parliamentary traditions.

Nobody desires a politically unstable and economically troubled Indonesia. Recovery for Indonesia will require stronger leadership (within a democratic context), a clear outlining of goals, the development of policy consensus, and a determination to root out corruption. These are critical elements in pushing through meaningful corporate reform and debt restructuring as well as establishing the stability that provides an incentive for foreign and local capital to invest.

The message is clear: without a resolution to political issues, economic recovery remains a distant hope. And without economic recovery, Indonesia's democratic system will continue to lack the stability needed to achieve long-term sustainable development. ■