INDONESIA: THE NEXT PHASE

William H. Overholt
Vice President
Head, Political Assessment Group

PAG 53/1-D 16 June 1981

INDONESIA: THE NEXT PHASE

EXECUTIVE SUMMARY

Indonesia achieved independence in 1949 with lower per capita income, less infrastructure, less education, less administrative capacity, and weaker national identity than most of its neighbors. Starting from that low base, its achievements have been spectacular. Its nationalism is now intense. Today it has a national language, a national communications and transportation infrastructure, a national administrative apparatus, and a military intelligence network that reaches into nearly every village. For the past decade its economic growth has averaged an impressive 7.5%.

Such rapid change has, however, been purchased at a price. From the time of independence, Indonesia has never been completely free of guerrilla insurgencies. The development of a national identity under Sukarno required the mobilization of revolutionary domestic movements, extensive international conflicts, and disregard of critical domestic economic imperatives. It was associated with the emergence of the world's third largest communist party. Moving into the second phase of development, namely administrative consolidation and economic infrastructure development, required crushing the Indonesian Communist Party at a cost of 300 - 600,000 lives, military seizure of the political and administrative apparatus, gelding the major political movements, and entering the single most expensive modern debt rescheduling.

The economic strategy of this second, Suharto-guided phase, has emphasized rapid development of natural resources, particularly oil, to generate the revenues needed to pay for massive infrastructure and heavy industry projects. Considered on its own terms, this strategy has been successful. However, the overwhelming emphasis on capital-intensive industry has meant neglect of one of the world's most severe unemployment and underemployment problems. It has delayed decisive action on one of the world's most difficult agricultural development problems: in Java, nearly 1800 people per square mile are crowded onto farms averaging 0.36 hectare per family, and national food production is far less than national food requirements. Inequality is bad and getting worse. Oil revenues have permitted the government to defer creating a broad tax base (over 90% of government income is oil-derived), to defer implementation of policies designed to attract investment into labor-intensive manufacturing and agriculture, and to defer a new round of administrative reforms.

In the 1980s Indonesia faces major economic and political challenges. Agricultural problems and a capital-intensive development strategy cannot indefinitely continue flooding the cities and towns with unemployed people. Domestic oil consumption, now rising at 13.5% per year, and declining production will rapidly reduce Indonesia's oil exports to zero, unless domestic oil subsidies are reduced, massive new investments add to oil reserves, and liquid natural gas exports develop rapidly. Indonesians' intense nationalism, and their nearly universal belief that the capital-intensive development strategy and its costs are caused by multinational corporations, could stimulate reactions against foreign influence and foreign interests unless these problems are addressed by an altered economic strategy.

Politically, too, there are strong forces for change. Suharto's generation, the so-called Generation of 1945, is increasingly under challenge and the circle of leadership is narrowing. Anti-Chinese sentiments, always strong in Indonesia, are rising: in 1980, a collision between a Chinese and a pribumi student ignited riots which threatened to destroy the business districts of every major city in central Java. There is a remarkable resurgence of Muslim sentiment, which is hostile to the government and hostile to the Chinese role in the economy. Divisions within the nation's ruling elite have deepened considerably: in 1980, a group of fifty prominent political and military figures signed an open petition against Suharto, and in 1981 a loose coalition of formerly close supporters of Suharto began an extensive campaign to turn public opinion against him and persuade him to step down. Suharto's political base is now very narrow, but it includes a powerful, unified military and a basically loyal government administration.

These rising difficulties occur in the context of steady long-term progress. Rapid economic growth continues. Massive mineral export opportunities continue to emerge. On average, standards of living appear to be rising. Administration continues to improve. All the insurgencies combined total less than even one of the major Philippine movements. The army remains unified, and it is undertaking reforms. Compared with the Philippines, Indonesia remians at a lower level in almost all respects, but its long-run trends are almost uniformly more auspicious.

Indonesia will remain an exciting country, making unusual progress but also experiencing great tension and dislocation. The immediate prospects are for a period of rising tensions and some violence before the 1982 parliamentary and 1983 presidential elections. By the mid-1980s at least, the mounting pressures for

change will become intense. Successful persistence in a business-as-usual strategy by the government beyond the mid-1980s, perhaps combined with major agriculture or oil problems, could create an explosive combination of generational conflicts, Muslim resentment, anti-Chinese pressures, unemployment, and egalitarian demands. If for some reason the government weakened, diverse opposition movements, now pulverized, could coalesce with blinding speed. On the other hand, the existing leadership could substantially ameliorate some of these pressures and postpone regime change through vigorous reforms, which could give way to an incrementally different successor regime. Any successor regime, however, will have to deal with unemployment and rural dislocation, appease some of the anti-Chinese sentiments, and respond to Muslim pressures.

If more discontinuous change does occur, it could take one of two basic directions. First, military reformists might seize power, purge the administration, displace major Chinese positions in the administration and the economy, abandon some huge heavy industry projects, and shift to an emphasis on light manufacturing and agricultural development -- without harming the oil sector. This would be a South Korean-style reform. On the other hand, if xenophobic Muslim elements gain great influence, there could be a much more disruptive purge of Chinese, a broad reaction against foreign roles in the economy, and a <u>partial</u> shift of domestic policies along lines that have slowed Pakistan's development.

On balance, Indonesia has a good chance of continuing its impressive long-term development achievements, thus creating major business opportunities, but there will be significant risks associated with the current political elite, the Chinese business elite, and the capital-intensive development strategy.

INDONESIA: THE NEXT PHASE

William H. Overholt

When Indonesia became independent, on December 27, 1949, it was a severely impoverished country of diverse peoples, speaking 365 languages and dialects with no common language, and spread over 13,500 islands. It possessed a vigorous independence movement, but no universally shared sense of national identity. Its economy had been exploited terribly by the Dutch, leaving it far behind the other principal colonies of Southeast Asia, and had been further shattered by World War II and the subsequent War of Independence. The capital city, Jakarta, was, and for many years remained, an abominable place to live. While Indonesia's new nationalist elite possessed only a rudimentary administrative and military apparatus, it aspired to rule not only its own country but also much of Southeast Asia. Conflicts with neighbors were therefore endemic.

A single generation later, Indonesians share a common national language, Bahasa Indonesia, and enjoy the benefits of an economic infrastructure which pervades most of the heavily populated regions. Indonesians possess one of the developing world's strongest senses of national identity, and their shared nationalism is so intense that a higher proportion of Indonesian students return from study abroad than those of any other country. The country possesses a national administrative system

and a military security system which penetrate most of the nation's thousands of diverse villages. Indonesia is at peace with all of its neighbors, and it maintains good relations with both the third world and the industrial democracies, while maintaining passable relations with the Soviet bloc and holding China at arm's length. Although Jakarta still has bad slums and other problems, its modernity and administration are superior to Manila's and Bangkok's. In short, Indonesia's first generation of independence has been one of remarkable progress.

That progress has, however, been purchased at a considerable price. At no time since independence has Indonesia been completely free from guerrilla struggle. The Communist Party revolted in 1948. A Muslim group called Darul Islam revolted soon after independence. There was a major revolt, assisted by the United States, in West Sumatra during 1958-1959. By the early 1960s the Indonesian Communist Party had become the third largest in the world, after only the Soviet Union and China. When that Communist Party attempted a coup in 1965, 300,000-600,000 people were killed in the ensuing conflict. There is a persistent minor revolt in the Aceh area. Force majeure is still in effect in some parts of Irian Jaya of interest to oil companies, because of the Organization for a Free Papua. East Timor is recovering from major warfare in which the Indonesians acted to seize control of the formerly Portuguese-ruled island.

Upheaval has been an inescapable concomitant of Indonesia's nationalism. The first task of the new republic was to create a nation out of a collection of islands and tribes. This was accomplished by Sukarno, a fiery orator, renowned lover, economic nationalist, and leader of the third world neutralist movement of his day, who managed to endow his country with a sense of national identity. Sukarno implanted the idea of "Unity In Diversity" and articulated an ideology, based on the five principles of Pancasila, whose principles that have made Indonesia governable. Sukarno's success in achieving these goals rightly make him a national hero, the father of his country, the man who laid the political foundations without which his successors' economic achievements would have been impossible. By accomplishing these basic political tasks, Sukarno saved his country from having to undergo a multi-generational identity crisis like the one the Philippine Republic is experiencing.

However, creating a sense of national solidarity required a degree of political flamboyance, hostility to Dutch colonialism and its U.S. ally, and economic irresponsibility that made national and international conflict inevitable. Indonesia's 1965-'66 revolution has only a few parallels in modern history. Ideological polarization was extreme. The death toll was huge. The risks of international warfare were massive. The 1966 inflation rate reached 639%. Indonesia's combined debt reschedulings of 1966-1970 were the largest in modern history, relative terms, of any reschedulings in the past generation.

Following the defeat of the Communist coup, and the subsequent formal overthrow of the Sukarno government, a new technocratic government sought to build upon the nationalism that Sukarno had so successfully created. The Suharto New Order sought successfully to move the nation from a phase of identity creation to a phase of economic growth. In this phase, Indonesia has shifted from confrontation with its neighbors to leadership of ASEAN, from a tilt toward the Communist powers to strong pro-Western alignments, from anti-imperialist attacks on foreign investors to encouragement of Western banks and corporations, and from political priorities to economic priorities.

The Indonesian Economy

Indonesia spent the latter 1960s recovering from the disasters of 1965-'66. It began to encourage foreign investment, rescheduled its loans with the Western banks, and was heavily supported by the Intergovernmental Group on Indonesia. During the 1970s it achieved average annual growth above 7%. Communication and transportation networks became national in coverage. Delivery of basic services came to cover most of the most heavily populated areas. Exports expanded rapidly.

Unlike such countries as South Korea, Taiwan and Singapore, Indonesia has developed mainly around mining, particularly oil, Indonesia's impressive growth and its significant progress in some social areas have been purchased at a substantial social and political price.

Socially and economically, Indonesia is a poor relation of Brazil, with a similar emphasis on capital intensive development, similar difficulties with the income distribution, a larger population (147 million in 1980), far worse overcrowding (nearly 1800 per square mile in Java) of key areas combined with a vast underpopulated frontier, and a per capita income four times lower ($380 in 1980), but with the enormous advantage of having own its own oil.

The success of the oil sector has been Indonesia's greatest achievement and one of its greatest problems. Oil has provided cheap energy for domestic industry and has funded most of the infrastructure projects. More than 90% of the government budget is financed by oil. On the other side, oil has allowed the postponement of structural adjustments which would lead to a broader-based economy, a more technologically dynamic economy, a higher employment economy, and a more egalitarian economy. Oil strengthens the currency and foreign reserves, but thereby makes traditional exports and manufacturing exports more expensive and less competitive. Oil and gas exports account for nearly two-thirds of Indonesia's exports, primary commodities for more than 90%. The presence of oil revenues has greatly enhanced the government's role in the economy and thus spread corruption, and it has tended to accelerate inflation. Thus, oil is heavily responsible for most of Indonesia's economic successes and for most of its most serious problems.

Indonesia's oil production peaked in 1977. Discoveries of new oil sources which would raise reserves have declined in recent years, and the principal large field, Minas, is declining in yield, leading to predictions by some scholars that Indonesia's oil bonanza may be coming to an end. However, firm predictions in this respect are dubious. Much of the decline of discoveries resulted from the withdrawal of most oil company investment during a 1975-'77 series of disputes, now substantially resolved, between foreign companies and the government. Secondary recovery is now expanding rapidly, especially in the Caltex fields. Investment is flowing in at a high rate. Liquid natural gas is rising rapidly as an export and could replace substantial declines in oil exports. More immediate as a threat to Indonesia's ability to export oil is the continued rise of domestic oil demand at about 13.5% annually (1975-'79), encouraged by low prices. At that rate, domestic demand will soon outstrip production. Demand depends upon prices, which are currently being held down because of the forthcoming 1982 parliamentary elections and the 1983 presidential election. Currently about 10% of the national budget is directed to domestic oil price subsidies. The rapid increase of the oil bonanza, despite some production declines, will of course end as long as oil prices remain flat.

The necessarily ambivalent results of the capital-intensive, natural resources-based economy for Indonesia are mirrored by an

intense Indonesian ambivalence regarding foreign investment and, more generally, the role of foreigners in the Indonesian economy. Indonesia is an insular country not only in geography, but also in attitudes; even more than, for instance, India, Indonesia as a nation is uncosmopolitan and uneasy with rising dependence on the world economy. Additionally, Indonesia's intense nationalism translates easily into a generalized resentment of foreign influence which is much more important in the implementation of most policies than the more outward-oriented official policies enunciated by top government officials. Most embassy officials and long-time corporate residents of Indonesia perceive a tremendous nationalism just below the surface, waiting to break through. Most, though not all, perceive a rising stridency on the part of government officials regarding control of foreign investment. Indonesian scholars and bureaucrats perceive the same tendencies.

Partly as a consequence of these attitudes, OECD foreign investment in the non-oil sectors has largely stagnated in the past half-decade, while third world investment in Indonesia has been rising sharply. The official U.S. Embassy overview of Indonesia for September 1980 terms new U.S. investment "negligible." Even Japan is hanging back to some extent from new projects, because of Japanese concern over the tremendous scale of Indonesia's proposed heavy industry projects and also because of distaste over having to deal with Indonesian state

enterprise partners. Investment is greatly affected by corruption and by bureaucratic delays, both of which tend to become much more severe when Indonesian nationalism is on an upturn. These problems in turn are much larger than would otherwise be true, because Indonesia has been slower than other Pacific Asian countries to integrate itself into the Western trading and legal framework: Indonesia has not yet signed the Uniform Customs Evaluation Code, so customs delays and erratic decisions are a major problem, and Indonesia tends to want to refer disputes to the chairman of the Investment Board (BKPM) rather than relying on formal judicial procedures. Thus, Indonesia is extremely attractive to foreign investors because of its enormous natural resources and its rapidly growing economy, but various social forces are acting strongly to limit the speed of growth of the industrial democracies' foreign investment. The corruption and delays deter most small or labor-intensive investors, so the dominance of capital-intensive, resources-oriented investment is preserved; most Indonesians blame this on the multinational corporations, thus creating a vicious circle of ambivalence-capital intensity-ambivalence.

Indonesia's most difficult development problems concern agriculture, where the vast majority of the population still makes its living. The agricultural problems stem from massive overpopulation and from the capital-intensive development strategy described above. Java and Bali are among the world's

most overpopulated regions. Despite a family planning program which has achieved real successes, and a transmigration program to move people from the overpopulated islands to Indonesia's numerous underpopulated islands, West Java's population growth rate continues to be about 2.7%. The transmigration program affects only .01-.02%, and many of the transmigrants return to their Javanese villages for cultural and economic reasons. As a direct consequence of over population, the average operational farm in West Java is only 0.36 hectares. The World Bank defines the absolute poverty line as being equal to 320 kilograms of rice per capita per year; average production in 1969 was 239 kilograms per person and in 1979 about 248 kilograms per person.

Moreover, the problems of poverty have been exacerbated by the problems of severe and worsening inequality. Social scientists in Jakarta report Gini indices of inequality of 0.6, 0.7, and even 0.8 in areas of Java. The government's emphasis on infrastructure has given special advantages to those equipped with the education to take advantage of it, while the government's relative disregard of mass education has deprived much of the population of the necessary skills. Medium and large farmers are able to obtain government credit at 1% per month, while small farmers get credit from shops and from large landlords at rates of 30-50% for a 4 month period. The lucky farmers who get government loans default at a rate of 60% for six-month maturity loans, and 40% for more-than-one-year

maturity loans, while the small farmers who obtained their interest loans within their villages mostly have to repay them.

Overpopulation has destroyed, in many areas, the traditional bawon system, whereby the harvesting was done by many poor villagers, using primitive finger knives in order to spread the bounty around, with one-seventh of the harvest going to the harvesters. In recent years, the number of people desiring to be harvesters has become so great, and the newer technologies have proved so cost-saving, that there has been a shift to the tebasan system of contracting the harvesting of rice out to professionals. This has caused the breakdown of Java's famous "shared poverty system," which traditionally ensured that some benefits of the harvest were spread to nearly everyone.

This much is known, and is relatively uncontroversial. However, further interpretation of the Javanese agricultural situation rests on ideology as much as statistics. There are no scientifically acceptable macro-economic studies or statistics of the dynamics of Java or of any significant part of it. Only three villages appear to have been studied intensively, and those studies reveal sharply conflicting trends; for instance, real population growth in two of the intensively-studied villages has been less than 1% per annum in the last decade, but in the third it was around 3%. Interpretations of the available data divide into two camps, those of the liberal western social scientists who do village studies and those of the Indonesian conservatives

who do limited macro-studies. The western liberals maintain that, in the face of increasing overpopulation, conditions are becoming worse, a situation which can only be remedied by techological advance or by massive promotion of small industries. Their micro-studies usually conclude that even minor technological progress such as replacement of finger knives (ani-ani) by sickles increases unemployment and therefore makes the social situation worse even while improving productivity. Many of these analysts appear to believe that promotion of small industry on the necessary scale is at best an extraordinarily difficult and unlikely undertaking. Hence, the picture one gets from these social scientists is a vicious circle which is virtually impossible to break.

The alternative Indonesian technocratic image of Java's agricultural evolution is one of great poverty gradually being alleviated by effective delivery of credit, insecticides, and seeds to distant rural areas, and by a new generation's emphasis on improvement of development administration in rural areas. In this view, multiple cropping has spread -- to the extent that the problem has changed from one of teaching multiple cropping to one of convincing people to avoid damaging soil by growing too many rice crops in succession. (Ideally, one-third of the crops should be non-rice crops.) Along with multiple-cropping, irrigation and fertilization requirements increase demand for labor and therefore reduce unemployment. While education has been

neglected, nonetheless literacy is gradually improving. Thus the problems are difficult, but the progress is real.

Reality combines aspects of both of these interpretations. In the absence of reliable statistics, one can directly observe conditions in Javanese villages. Virtually everywhere people have a healthy appearance. The incidence of children who run naked and of women who are inadequately clothed because of poverty has obviously dropped dramatically over the last generation. Radios, bicycles, and motor bikes are now omnipresent. Sales of basic consumption items like cheap sandals have multiplied enormously. There has been a massive shift from cassava and sweet potato diets to rice -- which indicates a higher standard of living. By most evidence, the proportion of the population below the absolute poverty line, while still around 60% by World Bank standards, has declined, even though the absolute numbers of these poverty-stricken people have increased. At the same time, the conditions of the extremely poor segments of the population are generally agreed to have worsened and inequality has become far more severe.

Politically this has not led to the formation of any extensive guerrilla movement. It has, however, created an exodus of unemployed rural people to the cities, where an explosive situation has developed. In short, Indonesia's agricultural problems appear very severe, but do not necessarily imply an inexorable descent into starvation and chaos. On average, life

has become better, but in the process the problems have almost certainly become politically more sensitive. They can be ameliorated only by a massive shift of development strategy, building on the capital-intensive, resourced-based, infrastructure-focused phase of development, just as the phase of infrastructure development built on Sukarno's nationalistic, political phase. This is widely recognized among Indonesian scholars and technocrats and is the key to future of Indonesian politics.

Indonesia's Political Development.

Indonesia's politics can only be understood as a series of successive waves. The Sukarno wave brought with it the rise of national identity, as previously discussed, and also the collapse of democracy and the rise of the Communist Party.

Democracy collapsed quickly and quietly in Indonesia. The original constitution, modeled after the Dutch Constitution, is not deeply mourned by most Indonesians. Given the inadequacies of the Dutch educational system, democratic values were never inculcated into most Indonesians as they were into Filipinos and later even South Koreans. A small intellectual elite did become attached to the democratic philosophy, but this was an extremely narrow social group. Western democratic institutions never never penetrated far beyond the capital city and thus were essentially irrelevant to most of the population -- unlike the

Philippines, for instance, where for decades prior to independence each village was deeply divided over very real stakes in the democratic political game. Democratic politics in the early years did not contribute greatly to solution of the nation's pressing development problems; it naturally focused more on patronage politics. Moreover, democratic rules of the game probably would have enhanced the fissiparous tendencies of Indonesian society. They certainly ran counter to the demogogic leadership style of Indonesia's founding father, Sukarno, and, more fundamentally, to the entire magical Javanese view of social leadership. Therefore, while Indonesians generally share political values which emphasize fair play, various versions of human rights, and respect for the will of the people, the basic Indonesian image of politics has remained paternalistic and charismatic rather than democratic. The great struggle between authoritarian and democratic political tendencies which has riven societies such as the Philippines and South Korea is much less in evidence in Indonesia. Indonesia has adopted the concept of elections and the institution of parliament, but these function in the spirit of an audience with the traditional king. The standards of political rectitude are not democracy and liberty, but development, justice, nationalism, and fair play.

Ironically, democracy meant the rise toward power of the Communist Party. The Sukarno Era saw the Communist Party emerge as the third largest Communist Party in the world, after the

Soviet and Chinese Parties, and the largest vote attracter in Indonesia's elections. Muslim groups were to some extent crippled by the failure of the Darul Islam revolt soon after independence, and the Nationalist Party, the PNI, lacked an inspiring social program. Moreover, the Indonesian Communist Party pursued every opportunity to collaborate with Sukarno and therefore gradually became preeminent in Sukarno's affections. Ironically, both democratic institutions and the traditional Javanese charismatic leadership of Sukarno appeared to be leading the nation very quickly toward communism.

Against this future, the most important elements of the army began to develop a separate image of the future, based on technocratic, Western-oriented development. This image was inchoate and its backers were only semi-organized until the attempted Communist coup of 1965, but the outcome of that attempted coup created the two keystones of Indonesian politics ever since: the absence of an organized, articulate left, and the emergence of a highly unified, technocratic, pro-Western military. In the early 1980s there is no significant communist or extreme leftist party in Indonesia -- unlike the situation in most third world countries. Conversely, the unity of the military has proved sufficient to fend off pressures from religious groups, from separatist ethnic groups, and from discontented intellectual and middle class groups who would seek to ally with the unprivileged.

Indonesian politics in Sukarno's day was inspired but not managed. Indonesian politics today is administered but not inspired. The principal claim of the nation's managers is that they have succeeeded in stimulating growth and reducing inflation and social chaos. Their critics charge on the one hand that the management should be more focused on people and less on abstract GNP growth or, on the other hand, that the whole managerial philosophy has led to an abandonment of moral (Islamic) ideals and to a selling out of the national patrimony to foreigners in general and resident Chinese in particular. The government goals comprise more of the same: more growth, continued Armed Forces rule, a large continued role for the Chinese as managers (but with a diminishing economic weight), a quiescent peasantry, and a disorganized opposition. It seeks incremental improvements in prosperity, bureaucratic honesty, and hopefully equity. The government has no stomach for massive social change and, despite a formal electoral process, it has no effective mechanism for transfer of authority from one leader to another.

The regime has sought to underpin its legitimacy by vigorous promulgation of an ideology based on the five principles of Pancasila: belief in a supreme god, commitment to a civilized humanitarianism, the unity of Indonesia, government through consultation and consensus, and social justice. Currently all civil servants, except cabinet ministers, must attend two week courses in Pancasila. Many private groups are being involved in

similar indoctrination exercises. Pancasila is presented as a doctrine which is uniquely Indonesian and therefore superior for Indonesians to acceptance of the western economic doctrines of capitalism or socialism -- or the western political doctrines of democracy or communism. This is an important claim, which taps Indonesian nationalism. Moreover, the Pancasila does seem to articulate key differences between the central values of Indonesian culture and the central values expressed by Western ideologies. For these reasons it is important to take Pancasila seriously as a basis for legitimacy. Possession of an ideology such as Pancasila, which is well-regarded by much of the population, in some ways puts Indonesia ahead of a country like South Korea, which has not been able to articulate an ideology that goes beyond technocratic economics and anti-communism. The extent to which Indonesians take Pancasila seriously is indicated by the extent which opposition groups like the Petition of 50 (see below) accuse the government of misusing Pancasila and the extent to which Islamic groups express concern over the secular thrust of Pancasila.

Indonesia is governed in highly personalistic fashion by President Suharto, whose principal base of support is the military. The highest decision-making institution in practice is ABRI, the Armed Forces. The President and the Armed Forces maintain a dominant position in the National Assembly of 920 members (which has responsibility for maintaining the

constitution and electing the President and Vice President) and in the parliament of 460 members. The 460-member parliament comprises 360 members elected every five years plus 100 members appointed by the President. The government runs its own party, Golkar, which is an association of functional developmental groups, such as farmers, youth, veterans, businessmen, women, and labor, to which all civil servants and Armed Forces members must belong. The government firmly exercises the right to determine which opposition parties will be allowed to compete in the elections, and has grouped all the Muslim groups into a single party (PPP) and the other political parties into a single Partai Demokrasi Indonesia (PDI). By holding elections in which the functional Golkar group dominates, the government periodically renews its formal mandate, and by allowing a certain amount of public debate in the election campaigns and parliamentary debate between campaigns, the government turns the parliament into a useful channel of communication between government and people. This is a modern form of the traditional practice of allowing the people to petition the ruler for redress of grievances. Thus, parliament performs extremely important functions, although not the liberal democratic functions of Western elections and parliaments.

Golkar maintains its political dominance through a concept called the "floating mass." Golkar is constructed according to the principle that every major functional group should be

represented by one, and only one, organization, nurtured by the government to the point where the official organization representing that group dominates all potential opponents. If a member of a functional group wants to enjoy access to the government, and to its patronage, then he must play by the rules and join the official Golkar component. Governance of the component in turn is slanted by the government to ensure responsiveness to government policy. Likewise, the government ensures that the leadership of the opposition political parties, including especially the Muslim PPP, consists of the most malleable individuals or groups within the party. The political parties are allowed to organize at the national, provincial, and district levels, but not at the village level. This restriction against organizing at village level applies in theory to Golkar also, but the organization of the government extends to every level including the village. In particular, every village has a leader, a military commander, an attorney, a police chief, and a judge, each of whom is a member of the civil service, which is a branch of Golkar. Thus, the government maintains an effective political organization at the village level, while depriving every rival of such a parallel.

More generally, the strategy of the government is to fragment every kind of potential opposition, at every level, by depriving it of publicity, funds, and communication, while nuturing a strong, government-supported, malleable competitor.

Conversely, the strategy of every opposition group must be to create clandestine channels of communication, clandestine organizational networks, and perhaps incidents which would give widespread publicity to grievances or programs. The government's strategy has been successful since the founding of Golkar in 1975. The government's penetration of each village with a military official provides ABRI with the eyes and ears to move decisively before any potential opposition achieves large-scale organization. While there is a gradual erosion of the government's ability to keep all opposition groups thoroughly fragmented, the primary threat to maintenance of this political management system is the risk of fragmentation of the elite rather than the risk of overthrow from below. However, if the elite did fragment, then there could be an explosive mobilization of opposition groups whose organization had been fragmented hitherto.

Administration.

The Dutch deliberately neglected the development of an efficient national administration, unlike the British in Malaya and the Americans in the Philippines. Hence, at independence the Indonesians suddenly had to build a nationwide administration. That administration was constructed under Sukarno, for whom efficient management was a very low priority indeed. Educated individuals were scarce. Administrative traditions were poor.

Pay was so low that supporting a family on a civil servant's pay was impossible. Until fairly recent years, it was a common practice for even cabinet-level officials who lacked independent means to furnish their homes by saving on the per diems granted them during attendance at international conferences. As a consequence of all these problems, administration has generally been incompetent and extraordinarily corrupt. In the scandal over the national oil company, Pertamina, General Ibnu Sutowo reportedly made $10.5 billion. The consequences of this administrative problem are particularly important, because the Indonesian government plays a pervasive role in the Indonesian economy and society.

Westerners discover this when they attempt to invest in Indonesia. The nationalism and corruption of the bureaucracy combine to defeat completely the Indonesian Government's efforts to attract foreign investment into the non-oil sectors, particularly agriculture and manufacturing. As a matter of principle, most Indonesian officials are extremely reluctant to administer the President's welcome to foreign investment in the spirit intended by the President. Moreover, to spread the wealth of corruption, the bureaucracy has created a system whereby dozens of signatures and approvals are required instead of one or two.

On the other hand, like the Indonesian economy, the Indonesian administration is moving upward from a low base. At

no time in the past was Indonesia's administration as able as it is today. Pay is rising. Educational levels are improving. There is less dependence on Chinese administrators at the top levels, because there are more trained indigenous Indonesians available. The economy is run at the top by an extremely able group of Indonesians, known as the "Berkeley Mafia" because of their training at American universities during the heyday of American aid programs in Asia, together with a group of able Chinese entrepreneurs and administrators. There is an influx of bright younger professionals into the government, and there are glimmerings of a new commitment by top government officials to do something for Indonesia's villages. There are efforts to increase the resources available to villages, to authorize subdistrict budgeting and development plans, and to encourage some forms of bottom-up development planning within the overall context of Indonesia's highly centralized system. University professors are becoming engaged in local planning, and some of them are beginning to spend a good deal of their time teaching village-level administration. Thus, as with many other things, the new visitor to Indonesia will find administration appalling, but the observer with some long-term perspective will perceive remarkable improvement. This is a sharp contrast to a country like the Philippines, where the administrative standards are generally higher but have been deteriorating for the past five years.

The administrative system depends upon a social division of labor, whereby the economy is run by the "Berkeley Mafia" and their Chinese associates, and politics is run by more traditional Javanese and Muslim groups. Even foreign policy and domestic political strategy are heavily determined by technocrats of Chinese background, most notably at the Center for Strategic and International Studies, whose leadership is predominately Catholic and Chinese. The strains that result from this division of labor possess an intensity that is perhaps two thirds of the way from the tensions between Washington professional civil servants and political appointees on the one hand, and those between indigenous Chinese and the foreign managers of Chinese ports under the late Ch'ing Dynasty on the other. The Suharto regime's theory of resolving these tensions appears to be a continued evolutionary training of indigenous Indonesians to take over the roles of the foreign-trained and Chinese. However, as noted below, there are strong forces which would like to change the system in the short run and who believe that the long-run trends are consolidating the dominant position of Chinese, foreigners, and Christians rather than eroding them.

The Military

The military (ABRI) and police are a central part of the Indonesian domestic administrative system. The military is not primarily an institution for defending the nation against

outside threats; it is a domestic security and administrative force which would be utterly incompetent to fight a foreign war, but which is highly effective in its domestic security role. The military performs all the most important roles of the police, who have extremely low prestige and are generally acknowledged to be incompetent. The military tends to preempt the functions of the courts, which are extremely corrupt.

The military shares the history of the other Indonesian bureaucracies. From the beginning, it was over-extended, underpaid, and underequipped. As late as the 1960s, it was not unusual for military units to fight each other in open combat. Because the government had no means to pay its military bills, but had a substantial military requirement in maintaining national unity, most military units supported themselves by going into business. The military administered nationalized Dutch businesses in order to turn a profit adequate for running its divisions. It used military transport to get into the transportation and communications business, as well as into international trade and smuggling. Future President Suharto gained his reputation as an officer who was unusually able in organizing and developing profitable enterprises for the military. In many ways the organization of the Indonesian military until recently could best be understood by viewing it as a massive third world corporate conglomerate, rather than as a Western style military institution.

The military has shared in the general upward trend of Indonesian administration. It too has experienced an influx of younger and better-trained recruits. It has maintained a relatively small size, 350,000 total for a nation of 147 million people -- as compared, for instance, with 200,000 for the Philippines, which has fewer than 50 million people. Under the current Army chief, General Jusuf, important reforms have been undertaken. For instance, there is a crackdown on military wives who are creating prosperous businesses by trading on their husbands' military positions; such a crackdown is presently unthinkable in the Philippines.

The Indonesian military is relatively unified by third world standards. While it has its share of personal rivalries, and must cope with the ethnic rivalries of a diverse nation, all units are believed to be under the effective control of the center, all are ethnically integrated, and all outer-island units are run by Javanese officers. The Indonesian army probably does not face the risk of multiple fragmentation in a national crisis that the Philippine military would face, and for the present it appears to be in no danger of experiencing the kind of erosion from below by which Islamic groups eventually crippled the Iranian army.

Opposition Forces

Muslims. Indonesia is the world's largest Muslim nation. Indonesia's 147 million people are 90% Muslim, of whom 50% are

nominal Muslims (abangan) and 40% orthodox (santri). Islam is a powerful social and political force. The Islamic organization, Muhammadiyah, runs 12,000 educational institutions. The Darul Islam movement was one of the most fundamental early challengers to the rule of Sukarno. The Sumatra-South Sulawesi revolt in 1957-'58, triggered by economic discrimination against the outer islands, based itself on an Islamic platform and, on Islamic grounds, denounced Sukarno's dealings with the Communist Party. The smoldering rebellion in Aceh, Sumatra, which declared independence in December of 1976, similarly adopted a fanatical Muslim platform and called for aid from Libya to sustain its Muslim objectives. Islamic groups were the key to the destruction of the Communist Party after the 1965 Communist coup, and most of the slaughter of 300-600,000 Communists and Communist suspects was undertaken by local Muslim groups, not by the Army.

The upsurge of Islamic feeling which has occurred elsewhere in the world since the early 1970s, has a strong counterpart in Indonesia. Whereas, formerly, Jakarta's orthodox Muslims complained about having to ride thirty minutes to find a mosque, now there is virtually always one within walking distance. Major office buildings now are usually constructed to include a prayer room. An Islamic think-tank is playing a larger and larger role in the intellectual life of Jakarta. University students, who elsewhere would be expected to become more secular in the university, are increasingly active members of Islamic

organizations. A network of fanatical Muslim youth-groups has staged important incidents such as a recent attack on a Bandung police station and the highjacking of a Garuda airliner to Thailand in March of 1981.

Muslim groups often represent class interests as well as religious interests. The Islamic religion was introduced to Indonesia by Islamic traders, and there is a continuing tradition of orthodox Muslims as small traders and landholders. These Islamic/class groups defend their interests vigorously. The Darul Islam movement was originally formed by Islamic traders to defend their interests against competition from local Chinese. As noted above, defense of their land interests against land reform, and of their business interests against nationalization, motivated much of the slaughter of Communists by Islamic youths in 1965-'66. In addition, virtually any group which revolts against the central government, whether for economic, or ethnic, or regional reasons, tends to adopt extreme versions of Islamic faith as a political platform. The Muslims perceive themselves as subordinate to the Chinese economically and to the technocrats and even the Christians politically. Hence, there is an ongoing resentment of the government and of the current social situation.

Relations between the government and Muslim political groups, therefore, always constitute an uneasy co-existance. Muslim business groups deeply resent the far-reaching hand of the government in regulating and taking over economic activity. They

resent the government role in supporting large-scale Chinese-owned enterprises. They are uneasy at best with the seemingly religiously neutral phrasing of the principles of Pancasila. Islamic groups argued very hard at the time of independence for the proclamation of an Islamic state, and even today a large proportion of active Islamic leaders questions pointedly, why, in a country which is 90% Islamic, Islam should not be formally represented in the constitution and in political institutions. The government banned the principal Muslim political party, Masjumi, for being involved in a revolt against Sukarno. As noted earlier, it has grouped the remaining Islamic parties into a single party, the PPP, and ensured that only the most malleable Islamic spokesman rise to real power.

The Muslim community is deeply divided. The traditionalist Muslims, represented by the Nahdatul Ulama, largely confine their political concerns to ensuring that their religious observances are not being hindered. They are mostly ignored by the government. The reformist Islamic groups seek a more Muslim community, with more devout observance of Islamic laws by Muslims. They make repeated demands that people professing to be Muslims be legally required to observe the requirements of the Islamic faith. Finally, there are politically active Islamic groups, ranging from a small and rather harmless West Javanese group which proclaimed the Islamic Republic of Indonesia in January of 1979 to various paramilitary Muslim extremist groups. The government moves swiftly to pulverize any such organization.

Tensions between the government and various Islamic groups have recently been rising somewhat. The government has several times invaded religious services in order to stop preaching by banned imams, mostly religious figures from Masjumi in the 1950s who have been banned from preaching. A flurry occurred in the last two years over the Muslim Community movement, which allowed members to deal only with other members and treated all others as "kaffir," even to the extent of splitting families. Eventually, the government cracked down and dispersed the movement. Mr. A. M. Fatwa, a radical Muslim leader who signed the Petition of 50, was beaten by the military on October 19, 1980. In 1979 the Education Ministry cut the traditional link between school holidays and the Muslim Ramadan, and in 1980 the Education Ministry cut subsidies to schools run by Muhammadiyah.

The government quickly identifies groups such as the highjackers of the Garuda airliner as fanatical Muslim groups, and such characterizations are widely resented by Muslims, including university professors, as government efforts to discredit Islam. The resentment emerges even when the charges are true. On the other hand, the government has on occasion invented fanatical Islamic groups precisely to discredit other Islamic movements. Intelligence chief Ali Murtopo is widely reputed to have hired many members of the defeated Darul Islam to use for intelligence purposes and as provocateurs. The U.S. Embassy believes that most government references to a highly

organized "Komando Jihad" constitute an effort by the government to create a provocation that will discredit Islamic social movements. Thus, most Muslim groups feel themselves oppressed and to some degree, in opposition.

Spokesmen in Jakarta for modern, well-educated Muslims argue that Islamic influence over government would be a healthful, pro-Western, invigorating force. They point out that Indonesian Islam, unlike its Iranian counterpart, does not flow from the shi'ite revolutionary tradition, but rather from the Wahhabi tradition of Saudi Arabia -- differing from the Saudi version primarily in omitting the monarchy. They point out that Muhammad was a trader and that the traditions of Indonesian Islam emphasize trade and entrepreneurship. (Their claim to a tradition of entrepreneurship is a great deal less true than the fully valid claim that Indonesian Islam supports a tradition of trading.) They also emphasize that, by encouraging people to save in order to go to Mecca, they establish habits that are useful in capitalist development. They maintain that Masjumi has been pro-Western and technocratic, and that it would be far more important than the less politically active Nahdatul Ulama, which to them represents the dark ages. They argue that Muslim honesty would reduce government corruption. They maintain that the government should stop seeking to fragment major social groups and instead seek to unify them. On the other hand, many of the spokesmen tend to be fervently anti-Chinese and to maintain that

Indonesia's problems require the imposition of a very firm hand. They tend to be particularly suspicious of the role of multinational corporations.

The government has tried to appease Muslim groups as well as to fragment them. Recently it has banned all television advertising, in a move to assuage Muslim sentiments as well as to limit the rapid rise of consumer expectations. It has imposed a total ban on gambling, thereby eliminating one of the principal sources of revenue for the city of Jakarta and the principal tax on Jakarta's Chinese businessmen. It has banned many displays of Christmas trees, and has banned Chinese participation in government contracts below certain size limits. For the most part, Islamic leaders express contempt for such measures. They perceive these laws as attempts to buy off Islamic opposition while avoiding the central issues of Islamic social ideals and political power. This is the dilemma which President Zia of Pakistan has confronted in a much larger way.

The Chinese. The most immediately explosive Indonesian issue is the social role of the Chinese. Although local Chinese represent a far smaller proportion of the population of Indonesia than of neighboring countries, resentment of them is far greater. The Chinese constitute only 3% of Indonesia's population. According to a Chinese scholar who has devoted most of his career to the issue, the Chinese represent less than 10% of Indonesia's foreign investment, 26% of the declared ownership of domestic

public corporations, probably a good deal higher proportion of domestic corporations whose ownership is not publicly declared, and about 70% of Indonesia's total trade. In addition, as noted above, the Chinese play a critical role in government administration. They also play a major role in managing the financial affairs of the Indonesian Army as an institution and of Indonesian military officers as individuals. The division between the privileged Chinese economic elite and the average indigenous Indonesian (pribumi) was worsened by the Dutch failure to develop Indonesia's educational and administrative systems. Resentment of the social role of the Chinese was greatly heightened by a deliberate Dutch policy of using the Chinese as intermediaries between the Dutch at the top of the social laddder and the pribumis at the bottom. Tensions are further heightened by the Islamic view of the Chinese as unacceptable heathens and by the traditional conflicts between Islamic traders and Chinese traders. Despite the close ties of the leading Chinese businessmen to the government, the Indonesian government frequently finds it useful to blame the Chinese for economic problems, and anti-government pribumi groups find it very convenient to attack the so-called cukong system of close government-Chinese ties in order to undermine the government without risking a devastating retaliation.

The issue of the Chinese social role is bound up with almost all of Indonesia's major social and political issues. Demands

for improved income distribution usually are at least in part a demand for re-distribution from the Chinese to the pribumis. Denunciations of the role of foreign capital frequently are in large part attacks on the role of the Chinese. Islamic groups emphasize attacks on the power of the (secular or Christian) Chinese. Thus, the role of the Chinese unifies demands for improved income distribution, for less corruption in government, for more attention to Islamic values, and for more nationalistic economic policies, while serving as a useful scapegoat for both the current government and its opponents.

Anti-Chinese sentiment is rising noticeably, in part because of difficult economic times, in part because of the Islamic movement, in part because of rising concern over income distribution issues, and in part because of widespread disillusionment with the government. Indonesia has a long tradition of anti-Chinese riots. Major attacks on Chinese communities occurred in Sala in 1912, in Kudus in 1918, in Bandung in 1963, and as part of the anti-Communist bloodshed in 1965-'66. Further anti-Chinese riots occurred in Jogjakarta and Bandung in 1973, in the anti-Japanese riots of 1974, and as part of election campaign violence in 1977. There was a major outbreak of anti-Chinese violence in Ujungpandung in April of 1980, followed in November of 1980 by a riot in Solo which quickly led to similar rioting in a dozen cities, representing nearly every major city in Central Java, during November of 1980.

Newspaper accounts of the autumn 1980 anti-Chinese outbursts recounted that a young Muslim boy and a Chinese schoolchild got into an argument in Solo, which escalated into riots in Solo and then spread into a conflagration that burned down the Chinese business districts of nearly every major city in Central Java. Muslim leaders provide a somewhat detailed account of the Solo riots, which highlight the perceptions of pribumis as to why such riots occur. (There are many disputes over factual details, but images are as important as factual details in this case.) The government wanted to beautify Solo by building a new shopping center. To do so, it let a contract to a major Chinese firm to build a concrete shopping center. The resulting shopping center was indeed more impressive than the collection of raggle-taggle shops it replaced, but rents in the new shopping center were so high that most pribumi businessmen could not afford the shops; thus the local market was almost entirely taken over by Chinese businessmen. Second, the government required renovation of all the houses on the main street, and most of the local pribumi owners could not afford the renovations, so the houses on the main street had to be sold to Chinese businessmen. Third, the government gave a $3 million loan to a Chinese firm to construct a pseudo-batik factory, which drove out of business the five pribumi batik factories formerly active in Solo. In addition, according to this Islamic leader, local Chinese businessmen were affronted by the ability of Chinese businessmen from Jakarta

to move in and take over, so some local Chinese businessmen participated in facilitating the riots.

While pribumi-Chinese tensions have always been high, one lesson of the outbreaks of 1980 would seem to be that the risk of anti-Chinese outbreaks is now considerably higher than it has been recently. Second, anti-Chinese sentiments are so bound up with other powerful social trends, including anti-government sentiments, that they complicate the government's other rising political difficulties, and, in turn, the government's difficulties compound the dilemma of the local Chinese. In particular, were a sudden change of government to occur, a small number of particularly wealthy Chinese businessmen with particularly strong connections to the current regime could be immediate targets.

Ethnic Tensions. Indonesia's 365 linguistic groups provide ample ethnic tensions. As noted, the central government has triumphed decisively in creating a national language, a national administration, and generalized nationalism. But, inexorably, tensions increase in some regions and occasionally cause explosions. Currently the only active revolts are apparently dying movements in Aceh, Sumatra, and in Papua New Guinea, where the Organisasi Papua Merdeka (OPM or Organization for a Free Papua) manages to cause local difficulties with only about 50 weapons. These are mosquito bites on the body politic. All the active Indonesian insurgent movements combined do not add up to

more than a tiny fraction of one of the major insurgent movements in the much smaller Philippines.

Nonetheless, it is important to note the ethnic stresses and strains and their ties to other issues. Most of Indonesia's people are in Java. Most of Indonesia's money comes from resources located in the outer islands. Nearly three quarters of the national income derives from Sumatra and Kalimantan. Most contracts are signed in Jakarta and most infrastructure projects are built in Java, where they affect neither the resource-rich outer islands nor the immense part of the country which is seagoing. The vast transmigration programs have little impact on the over-population of Java, but they cause major difficulties with the populations of the outer islands. In addition, the government frequently does not keep its promises to transmigrants, and this creates a group of disillusioned Javanese on the outer islands. Given the military's very impressive control of the country, these tensions are, however, not an immediate danger of any magnitude.

Technocratic Elite Groups. As noted earlier, the chief risk to the regime comes not from powerful external challenges but from internal division of the ruling elite. Here several developments present challenges to the Suharto regime. First, Suharto's colleagues, who came to power in 1965-'66, face a generational problem. While Suharto, himself, is not excessively old by the standards of Asian leaders, many of his key associates

have retired, blundered their way out of power, or become weakened. A key example is Ali Murtopo, the omnipresent intelligence chief who has now had three heart operations and is largely unable to function. By all accounts, the Suharto regime has recently narrowed.

Second, in 1980, fifty leading figures signed a "Petition of 50" criticizing Suharto openly for corruption and for trying to bend Pancasila to conform to his personal interests. The signers of the unusual Petition of 50 were men like Ali Sadikin, former commander of the Siliwangi Division and Mayor of Jakarta; General Nasution, the former Army commander; and leading Islamic figures. They stand on a platform of democracy, anti-corruption, and opposition to the "small clique of Chinese around Suharto." They demand decisive action on population, transmigration, income distribution, and employment. The tone in which they talk about decisive measures belies the idea that what they have in mind is "democracy" in the Western sense; rather they seem to mean decisive implementation of what they take to be the needs of the people and the requirements of dealing with great threats to the future of the nation. Suharto responded to their petition by depriving them of government contracts, of the right to travel, and of other privileges. The group was very heterogeneous, comprising men of the Islamic right and men who quote Marxist economics. While the signers of the Petition of 50 are sometimes derided as "geriatric generals," most people in Jakarta perceive them as figures of great power and prestige.

Another group consists of political leaders who have not been so outspoken as signers of the Petition of 50, but who believe that Suharto has achieved what he could for the country and has jumped off the track. Some of these leaders were active in promoting Sukarno's preeminence and then in facilitating Sukarno's downfall. They seek to pressure Suharto to resign by persuading individuals close to him to put pressure on him. They seek to turn public opinion against Suharto by holding seminars at the universities, by convening meetings of associations of men whose shared experience of the revolution created strong bonds, and by tapping the rising waves of pro-Muslim, anti-Chinese, xenophobic, and distributionist sentiments.

Finally, students, always an opposition force, seem to be rising somewhat in government concern. The students are disorganized and largely leaderless, having been badly beaten in their 1977 demonstrations. But feelings run high, and students are prepared with such things as detailed lists of interlocking Chinese businesses to be attacked when the opportunity arises. The Army occupied the University of Indonesia campus in October 1980, when Ali Sadikin sought to give a lecture there. More recently, the Minister of Education has cracked down on student governance. For the time being, the students are the weakest and least organized source of opposition to the government and would likely play a minor role in any succession senario.

Overview. This review of the opposition to the regime highlights several key points. First, there is a broad coalition of groups and social issues around which opposition to the government is based. Second, these groups and issues are tied together in ways that make them mutually reinforcing as an opposition -- although the divisions among groups might make it difficult to form a coherent regime if they ever succeeded in overthrowing the current regime. Third, all of the opposition groups are weak and disorganized. Fourth, there is no extreme left which constitutes a viable political force. Fifth, Suharto's social base is now demonstrably narrow. Sixth, that base does include a highly patriotic and relatively unified military.

The military appears on the surface to be, in addition, totally loyal to President Suharto, but knowledge of the inner thoughts of the units of any foreign military is notoriously difficult to obtain, particularly in the case of a nationalistic country like Indonesia. If significant elements within the military come to desire change, then change is possible. Despite widespread, reinforcing opposition, massive change is impossible without the concurrence of major elements of the military. The military's apparent unity and strength seem to justify substantial confidence in the future of the Suharto regime, but it is also well to remember what happened in South Korea in the autumn of 1979: the Korean CIA, the last organization which

would have been thought to be harboring anti-Park Chung-hee thoughts, assassinated him because of the emergence of a situation which was not a great deal farther down the road than what is emerging in Indonesia. The analogy should not be overdone, because the differences between South Korea and Indonesia are huge, but it is well to keep in mind how much we do not know about the internal politics of the Indonesian military.

International Issues

Indonesia maintains good relations with virtually all Western countries and with all of its non-communist Asian neighbors. An intense diplomatic conflict with Australia developed over the Indonesian invasion of formerly-Portuguese Timor, and the vivid imaginations of some Australian security planners keep a certain degree of tension in the air, but these tensions are of very small concern. Indonesia opposes Vietnam's invasion of Cambodia, but is more inclined to compromise than are the other ASEAN states. Again, this issue probably looms small in Indonesia's future. The only serious medium-term international issue of potential consequence for Indonesia is a contest of ownership over parts of the continental shelf which might contain large quantities of natural gas; the potential continental shelf rivalries between Indonesia and Vietnam have been a prime subject for negotiations between Suharto and Thailand's successive Prime Ministers Kriangsak and Prem. Taking

this into account, however, Indonesia has fewer international problems which could disrupt its economic and political continuity than all but a handful of other third world states.

Prospects for the Future.

The 1982 and 1983 elections. The upcoming elections for parliament in 1982 and for the presidency in 1983 will focus political attention on social conflicts at least for a short period of time. However pre-determined the outcome, the process of campaigning brings conflicts into the open, and the existence of an election inevitably raises hopes in the minds of some groups -- mainly the elite groups noted above -- that a strategy could be found for persuading Suharto to step down.

While Suharto appears to be beset by problems preceding the election of 1982, there is a case to be made that he faced more difficult problems in 1976, prior to the 1977 elections. At that time there were rumors of a petition similar to the Petition of 50. Former Vice President Hatta and a few other aged has-beens signed a demand that Suharto step down. Various incidents of violence occurred between Muslim groups and government supporters. The government arrested 700 people for alleged involvement in a holy war command designed to reinstate Muslim demands for an Islamic republic. Massive financial scandals were revealed. Students demonstrated time after time. But in the end, Suharto dominated and the level of discomforture caused by

the various expressions of discontent was historically quite minor.

That tensions will rise, and that some violence will occur during the pre-election periods, are a certainty. Serious anti-Chinese outbreaks are not unlikely. An effort to unseat or assassinate President Suharto is not impossible. But major short-term change cannot be predicted with confidence.

Scenarios for the Longer-Term Future

Many of the trends discernable in Indonesian politics today seem to go well beyond pre-election cyclical phenomena: the narrowing of the leadership group, generational change, the rising salience of distribution issues, the Muslim resurgence, the widespread anti-Chinese sentiment. For this reason there will surely be a shift during the 1980s to a post-Suharto generation, with some substantial change in the political base and policies of the regime. But in the absence of detailed knowledge as to the strategy and will of President Suharto himself, the details of views in various parts of the Indonesian Army, and the precise sequence of attacks and counter-attacks that may develop in the near future, it is impossible to predict the exact timing and direction of change. Hence, it is necessary to have recourse to various scenarios.

1. Business as usual. Suharto is challenged multiple times during the parliamentary elections of 1982 and the

presidential election of 1983. There are serious outbreaks of anti-regime and anti-Chinese violence from student and Muslim groups. There is rising criticism of the capital-intensive economic strategy. But Suharto holds his ground and the Army remains unified in support of him. Suharto wins his elections -- but by a significantly diminished margin or at the cost of significantly greater tampering with the results. The economic strategy retains its capital-intensive thrust, with some incremental increase of incentives for labor-intensive manufacturing and for outer island investment. Oil continues to fuel the economy; new discoveries replenish reserves but do not greatly expanding them. In this situation, growth would continue at about the old rate of 7 to 7-1/2%, the social base of the regime would gradually narrow, and opposition would gradually mount, but there would be enough progress -- including perhaps some additional progress toward administrative reform -- to maintain military support and to preclude for some years the emergence of very powerful oppositon forces. The result would be a longer period of continuity, but perhaps at the cost of far greater disruption when Suharto does step down toward the end of the decade.

2. South Korea Scenario. President Suharto is removed from the scene -- by himself or by others. Technocratic elements within the military, perhaps supporting General Jusuf,

purge the military of corrupt officers, rapidly promote a new generation of government administrators, drastically reduce the scope of government involvement in the economy to those industries which are security-related or vital to welfare, abandon many of the heavy industrial projects of the previous regime, create huge incentives for investment in agriculture and manufacturing, encourage foreign investment in those sectors, devalue the rupiah, and generally embark on a phase of more broadly-based and better-distributed economic development. This is in many ways the most optimistic scenario, but it would require overcoming major obstacles: corruption, vested interests in current high technology projects, rising nationalism that would impede the foreign investment programs, and perhaps opposition to Jusuf as a non-Javanese. On the other hand, such an approach might well capture the support of the Petition of 50 group, of the young technocrats, of the disenchanted older political leadership, and even (temporarily) student idealists. Destroying a few prominent Chinese business empires might well achieve enough nationalist and Islamic support to minimize opposition from those sectors.

3. Pakistan Scenario. Fractions of the Army more sympathetic to Islamic concerns seize power. Islamic groups are allowed to organize and to conduct massive campaigns in support of

pro-Islamic policies. Islamic programs seriously disrupt the economy, and a combination of Islamic policies and xenophobic nationalism drastically curtail the remaining foreign investment. Chinese businesses are indiscriminately smashed. Hence, the investment climate for most domestic and foreign investment declines severely, and the government becomes still more dependent on natural resources as a base of economic development. The resulting economic and social problems in turn would be blamed on the machinations of local Chinese and of foreign investors. The problems of the Suharto regime would continue to grow, but the ameliorating growth would greatly decline.