

The Indonesian Update

Monthly Review on Economic, Legal, Security, Political, and Social Affairs



Main Report:
**Lamenting the Fate of
Indonesian Migrant Workers Overseas**

The Economics

- Currency War and Rupiah ■
- The Benefits and Costs of "Hot Money" ■

Politics

- BUMN: Between Economic and Politic Entities ■
- Official Overseas Visits of Parliament Members: Costs vs Benefits ■
- Re-arranging Coalition: Golkar Exits, PDI-P Enters, Is it possible? ■

Social Issues

- Disaster Management ■

CONTENTS

FOREWORD	1
MAIN REPORT	
Lamenting the Fate of Indonesian Migrant Workers Overseas	2
THE ECONOMICS	
Currency War and Rupiah	6
The Benefits and Costs of “Hot Money”	8
POLITICS	
BUMN: Between Economic and Politic Entities	10
Official Overseas Visits of Parliament Members: Costs vs Benefits	13
Re-arranging Coalition: Golkar Exits, PDI-P Enters, Is it possible?.....	16
SOCIAL ISSUES	
Disaster Management	19
COMPANY PROFILE.....	22
RESEARCH AND TRAINING PROGRAMS	23
ADVERTORIAL INDONESIA 2009.....	25

Contributors :

Anies Baswedan (**Executive & Research Director**), Endang Srihadi (**Coordinator**),
Aly Yusuf, Antonius Wiwan Koban, Benni Inayatullah ,Hanta Yuda AR., Nawa
Poerwana Thalo.

Editor : Awan Wibowo Laksono Poesoro

FOREWORD

Indonesian people feel such a deep concern about the fate of Indonesian workers (TKI), who suffered persecution and even faced death overseas. In November 2010, at least two extraordinary persecutions were experienced by Indonesian female migrant workers (TKW). The *first*, Sumiati Salan Mustapa (23 years), from Dompu, West Nusa Tenggara (NTB), who worked as a domestic worker in Medina, Saudi Arabia. She suffered wounds on her body, face, and legs due to torture, including the wounds on her lips, which were suspected as the result of being cut with scissor by her employer. *Secondly*, Kikim Komalasari (36 years), who also worked as a housemaid, was allegedly killed after being raped, and her body was found in a garbage can in Abha Asir, Saudi Arabia.

These two heartbreaking events inevitably have made the people sad about the conditions of migrant workers, especially female migrant workers overseas, who suffered much persecution in the countries in which they live. Immediately, these two tragic events unveiled the tip of the iceberg phenomenon of TKI/TKW's misery abroad. The role of the Indonesian government in protecting migrant workers from Indonesia had been criticized again.

This edition of the Indonesian Update will raise some important themes in economic, political, and social fields. On the economy, it talks about the exchange rate war the rupiah and about the pluses and minuses of hot money. On politics, it discusses the State Owned Enterprises (SOEs): between economic entity dan politics and also the DPR's comparative study trips overseas: budget and benefits. The other theme is reshuffling the coalitoin: Golkar Exits, PDIP Enters: Is it Possible? On social affairs, it talks about the disaster management procedures.

The regular publication of the Indonesian Update with its actual themes is expected to help policy makers in the government and the business sector, academicians, and international think tanks get actual information and contextual analyses on economic, political, social, and cultural developments in Indonesia.

Happy reading!

Lamenting the Fate of Indonesian Migrant Workers Overseas

Indonesian people feel such a deep concern about the fate of Indonesian workers (TKI), who suffered persecution and even faced death overseas. In November 2010, at least two extraordinary persecutions were experienced by Indonesian female migrant workers (TKW).

The *first*, Sumiati Salan Mustapa (23 years), from Dompu, West Nusa Tenggara (NTB), who worked as a domestic worker in Medina, Saudi Arabia. She suffered wounds on her body, face, and legs due to torture, including the wounds on her lips, which were suspected as the result of being cut with scissor by her employer. *Secondly*, Kikim Komalasari (36 years), who also worked as a housemaid, was allegedly killed after being raped, and her body was found in a garbage can in Abha Asir, Saudi Arabia. These two heartbreaking events inevitably have made the people sad about the conditions of migrant workers, especially female migrant workers overseas, who suffered much persecution in the countries in which they live. Immediately, these two tragic events unveiled the tip of the iceberg phenomenon of TKI/TKW's misery abroad. The role of the Indonesian government in protecting migrant workers from Indonesia had been criticized again.

The government's response

President Susilo Bambang Yudhoyono (SBY) has assigned the Minister of Women Empowerment and Child Protection, Linda Gumelar, to personally monitor Sumiati's conditions. While the Minister of Manpower and Transmigration, Muhaimin Iskandar, was assigned to handle the technical matters to provide further protection for the victims. President SBY took the initiative to distribute cell phones to the workers who are employed overseas. This is to overcome the communication problems between workers

with officials who are responsible for taking care of them. This has invited criticism from observers of migrant labor. They questioned whether the President really understood the core of the problem. Providing cell phones for workers overseas was not considered as a strategic policy and did not answer the core problem.

The essential problem is the rule of law to protect Indonesian migrant workers abroad. Handphone facility is just a tool, even though it will be included in a memorandum of understanding with the states that will receive the migrant workers. Unless there is law reinforcement of the articles of the principles of protection for migrant workers abroad, the employers can still abuse the workers so that there is still no guarantee of the rights of migrant workers, including the right to communicate. The other concern is the failure of the Indonesian government in bilateral relations in protecting migrant workers abroad. This happened not only with Saudi Arabia, but also with Malaysia as a country placement of TKI/TKW. The Indonesian government's lack of bargaining power has made Indonesia become the exporter of cheap labor by sending TKI/TKW without being able to demand the protection of its migrant workers overseas. Internally, the government's failure to protect TKI/TKW is criticized every time there is a case of TKI/TKW is going back home to Indonesia in a coffin or his/her body is covered with wounds from the persecution at work abroad.

Related to the torture of migrant workers in Saudi Arabia, as stated by Amnesty International's Middle East and North Africa chapter, the root of the problem is the governments of Middle Eastern countries' failure to uphold the rights of domestic workers, especially the women migrant workers. However, the role of Indonesia's diplomacy with the government of the placement country for TKI/TKW should push for the guarantee of Indonesian migrant workers' rights and protections.

Accumulation of problems

The matters of misery and protection of migrant workers from Indonesia in the placement countries have accumulated problems since many years. Until 2010, at least six million citizens of Indonesia have taken the risk to be migrant workers abroad. The vast majority of them (80 percent) are women and 70 percent of them work as domestic servants. Saudi Arabia has become the largest migrant worker placement destination country in the Middle East. While Malaysia has become the largest migrant worker placement destination in the Asia Pacific region. Each year, at least

80 thousand workers leave the country to work in Saudi Arabia. Today, it is estimated that there is at least one million Indonesian migrant workers in Saudi Arabia.

Up to early 2010, Migrant Care recorded 2878 workers had experienced violence throughout the placement countries. Migrant Care also noted that up to early 2010 at least 215 TKIs died while working in Saudi Arabia and 683 people died in Malaysia. According to Amnesty International, women migrant workers who go to Saudi Arabia and Middle Eastern countries have suffered a lot of abuses and exploitation. This in line with Migrant Care's findings about the typology of TKI's problems in the placement countries. The typical problem experienced by migrant workers in Malaysia is the legality of workers. Meanwhile, in Hong Kong, many migrant workers are underpaid; the typical problem of migrant workers in Taiwan is unpaid salaries and forced unemployment; in Singapore, many migrants are trapped in the recruitment of workers for smuggling and in Saudi Arabia many workers, especially migrant workers experience physical violence and sexual harassment.

The accumulated problems of Indonesian migrant workers overseas have become a tangled yarn that has caused the workers to be trapped without a systematic solution. The accumulation of problems has been worsened by endless problems caused by a range of factors, from the quality of human resources that is less adequate compared to the migrant workers from other countries (e.g. English language ability and skills to operate modern household utensils, when compared to Filipino migrant workers); level of intelligence of migrant workers from the rural areas; knowledge and insight of the candidates of migrant workers of their rights and obligations of workers and the relationship between employers and employees; and not to mention the psychological factors of migrant workers from rural areas who tend to be naive and afraid to be assertive to the employers and placement agencies or labor-sending agencies.

In addition to the internal factors of human resources of TKI/TKW mentioned above, the accumulated problems compounded by the cheap labor policy and diplomacy by the government of Indonesia. For many years, workers have been used as commodities by the government of Indonesia to generate foreign exchange reserves for the country. With the pretext of solving unemployment in the country, for many years the Indonesian government has opened widely the dispatchment of TKI/TKW abroad. Each year, the amount of remittances from Indonesian migrant workers increases. In 2004, the total amount of remittances was US\$ 1.866 billion.

In 2005, it increased four-fold to US\$ 5.420 billion. In 2008, it increased to US\$ 6.794 billion and in 2009 to US\$ 6.793 billion. In 2010, it was estimated that the total amount of remittances would increase to US 7.139 billion U.S.

The accumulated misery of TKI has been exacerbated by all brokers, agents, and bureaucrats who allegedly have a syndicate that takes advantage and exploits migrant workers. The exceeding charges for administrative documents, training, shipping, which in turn is charged to each worker adds to the TKI/TKW's suffering. Many cases of unpaid wages due to agents and employers arguing that the workers' wages were retained to pay all the costs incurred during the recruitment and placement process. The workers' lack of bargaining position plus the psychological factors that are powerless to criticize the brokers, agents, and employers often make the migrant workers trapped in unpaid jobs.

The lack of knowledge and skills of migrant workers often make the workers and employers' relations became tense. Employers often torture TKI due to the TKI's mistakes. Because many TKIs do not speak English, it poses some constraints in communications -- while there is no guarantee that the employers speak English, too -- exacerbating the relations between workers and employers. Not to mention the absence of even minimal employment contracts that protect domestic workers, adding to the tendency of employers to be cruel beyond the humanity to the workers who work in their places. The conditions of migrant workers have become more severe when violence and abuse combined with sexual harrassment.

Recommendation

Policy measures that must be carried out include: (1) The government should stop the policy of cheap wage labor exports as a commodity for foreign exchange income. (2) The Ministry of Labor and Transmigration should stop sending any workers who do not pass the certification of labor skills. (3) Empowering human resources in rural and urban areas with employment skills and also public education about the rights and obligations of labor. (4) Empowering the labor-intensive sectors in rural areas with efforts to attract foreign investment into the rural areas should be made to prevent rural people from going abroad as cheap labor. (5) The government should enforce diplomacy and bargaining position to protect Indonesian migrant workers in placement countries.

— **Antonius Wiwan Koban** —

Cheap wage labor export policy should be stopped. Empowering the labor-intensive sectors in rural areas with efforts to attract foreign investment into the rural areas should prevent the rural people from going abroad as cheap labor.

Currency War and Rupiah

Global Currency war persists. The dispute, that was originally only involved the U.S. -- through her dollar -- and China -- through her yuan -- has widened everywhere. The Japanese yen; for instance, continues to climb against the U.S. dollar. The yuan has also climbed higher as the issue of currency war has grown in the international community.

For an export-dependent economy like Japan, the strengthening Yen (“*Yendaka*”) would lead to a disaster. The Bank of Japan would not release yen to the market mechanism. Intervention in the foreign exchange market has become the most rational choice amid the limitations of monetary policy instruments.

The weakening U.S. Dollar

The US-China dispute about the actual exchange rate has been going on for quite some time. The tensions peaked when the U.S. suffered a “growth without employment” (jobless growth). The absorption of labor in the U.S. companies is still weak. The unemployment rate also does not go down despite increased economic growth.

U.S. policy makers assume that the weak absorption itself occurs because of products made by U.S. manufacturing in the domestic market cannot compete with those of China. The U.S. believes that China’s product superiority is more caused by the Chinese government’s behavior to manipulate the exchange rates. As a result, the value of U.S. trade balance deficits is soaring.

The U.S. government has responded with a weakening U.S. dollar. One of its efforts was through the instrument of quantitative easing, which was a measure taken by the U.S. central bank, the Federal Reserve, to buy debt securities issued by the Ministry of Finance.

On one hand, this step aimed to accelerate the U.S. economic recovery. By buying Government bonds, then the Government will have the funds to conduct a fiscal expansion. On the other hand, such a move would make the supply of dollars increase. According to the law, if there is increase in the money supply, then the exchange rate will be weakened. If exchange rate declines, exports will increase.

Rupiah

Rupiah surely cannot escape from this global phenomenon. As has happened with the yen -- and other currencies in the region such as the Thai Baht, Malaysian Ringgit, Singapore Dollar and Philippine Peso -- Rupiah has strengthened *vis-a-vis* the U.S. dollar. But compared to those currencies, the Rupiah has strengthened the smallest.

Regarding the strengthening of the rupiah, we see that there are two things that need to be clarified about the views of most people today. *First*, many people tend to assume that the exchange rate continues to strengthen as a positive thing.

This is not entirely correct. The business sector needs a stable exchange rate, rather than a continuing to strengthen, or weaken, exchange rate. A stable exchange rate itself will increase the confidence of the business community to increase its investment.

Secondly, on the other hand, there is also a belief that the exchange rate that continues to grow strong will have a negative impact on the economy. Such a view only sees Indonesia as an exporter. In fact, in the international business arena, Indonesia also plays a role as an importer.

Moreover, according to the Central Bureau of Statistics (BPS), Indonesia's imports are dominated by capital goods and raw materials that are required for the production process. Thus, a stronger exchange rate would make the price of capital goods and raw materials become cheaper, so that production costs become lower.

— **Nawa Poerwana Thalo** —

The business sector needs a stable exchange rate, rather than a continuing to strengthen, or weaken, exchange rate.

The Benefits and Costs of “Hot Money”

Like other developing countries, Indonesia is currently flooded by the flows of hot money, i.e. the money used by foreign investors to buy various forms of financial instruments, whether issued by the government or the businesses.

Hot money will continue to flood the Indonesia’s financial system as long as: *First*, domestic economic conditions are sound. *Second*, the developed world still strives for their recovery process by running a low interest rate policy (therefore unattractive to investors) in the middle of ample public debts. Both factors are most likely will continue to occur at least in one year to come. In other words, the hot money will continue to inundate Indonesia.

The benefits

First, theoretically supported by empirical evidence, the flows of liquidity into financial instruments will lower interest rates. Low interest rates will have a positive impact on economic growth.

For Indonesia, the interest rates are a serious issue. Compared to other economies in the region, Indonesia is a country with the highest interest rates. This clearly reduces the competitiveness of companies in Indonesia against companies in the region.

In addition, the hot money used to purchase financial instruments issued by the government -- either treasury bonds or treasury bills -- will lower interest expenses that must be paid by the government.

The costs

However, there is no doubt that -- as the name suggests -- hot-money creates fears. When economic conditions worsen, the confidence in domestic financial instruments will deteriorate. As a

result, there will be a sudden reversal of the direction of the money, leaving Indonesia. Furthermore, the exchange rate will fall sharply, thereby creating panic in the financial system.

Considering the pluses and minuses

Traumatized by an abrupt reversal, some economists have called on the Bank Indonesia (BI) to implement control against the inflowing hot money, as undertaken by the Brazil and Thailand monetary authorities.

However, policy recommendations should be based on domestic economic conditions, not necessarily adopting the policy actions of other countries, which may have different conditions.

Indonesia still needs the financial market “booming”, as it will create the impression that the real sector has a great access to financing from the capital markets. One of the factors that had pushed the Japanese car industry to build a plant in India was the good performance of the capital markets. Thus, a positive stock market performance will actually benefit the real sector. In other words, both sectors are not entirely separated.

Moreover, GOI desperately needs a cheap interest rate expenses to fund various growth-supporting sectors. Currently, we are certainly pleased to see that the burden of GOI to pay interest expenses is now lower than that of Government of Spain. In fact, we know Spain is a country that is part of the European Union.

Regarding the sudden reversal of the hot money flows, will it happen in the near future? After Greece and Ireland, we do not know any other country in the euro zone that will suffer a crisis. Even if the reversal of hot money flows occurs, the rupiah will fall back as happened during the 2008 global crisis? It is noteworthy that the ability of BI to keep the rupiah value has now doubled than that in 2008. This is indicated from our foreign exchange reserves that keeps rising.

— **Nawa Poerwana Thalo** —

GOI desperately needs cheap interest expenses to fund various growth-supporting sectors.

BUMN: Between Economic and Politic Entities

These past years, the State Owned Enterprises (BUMNs) journey as business entities has moved forward sluggishly. There are always some factors that determine the ups and downs of the business. The dominant factor that significantly contributes is politics. The political turbulence continuously impedes ways to recover the BUMNs. As a result, BUMNs managements have lost much energy and attractive ways in running their businesses. Accordingly, many have been left behind major private corporates and foreign companies in the country.

In the globalization era, the Indonesian BUMNs are far left behind other BUMNs from other countries, which have even experienced a great success. The Indonesian BUMNs have performed poorly and need some adjustments to adapt to the conditions of the global market. They need to compete with BUMNs from Malaysia, Singapore, and other Asian countries.

BUMNs in Indonesia still face political intervention and unnatural state role. This intervention comes from various interest groups from different social and cultural backgrounds. Every interest group competes to seek various BUMN previliges BUMN such as policies, programs, material infrastructures, and funding estimations.

Of the many problems of BUMNs' corporate mismanagement, there are two major problems: *first*, the strategic position of BUMNs in the national economy, with its giant assets and high coverage in various societal economics fields. Even many BUMN faced on financial losses and a long stagnation of corporate management. Nevertheless, many BUMNs are having trouble to move forward and expand, compared to the private and other modern corporations.

Second, the basic structures of BUMN institutions make it difficult to be empowered, even if they are managed by good quality experts. Some internal factors of the basic structures have influenced and overlapped with some external factors. If they are managed in modern and professional ways, the problems will disappear.

Several ways to change BUMNs into modern, professional business institutions have been introduced since the Soeharto era. A lot of BUMNs still show obsolete faces with old job mechanisms. A great number of BUMNs have been managed under feudalistic pattern in which a kingdom power in a small department dominates and influences the business.

President SBY as the successor of Megawati has been trying to improve the management through his BUMN Ministers Sugiharto and Sofyan Djalil. But, BUMNs are still being used as part of a political power instrument, mainly at the national level. BUMNs have to accommodate various political interests, than concentrating on their true function as modern and professional business institutions.

As to ways to improve BUMNs, there is one of policy guarantees the above mentioned process; that is, the President Instruction of 8 Year 2005 that provides a wide role of an ad hoc team that includes some ministers to conduct directly or indirectly communicative action with various parties in order to improve both internal and external managements of BUMNs.

But, the Instruction puts BUMNs as bureaucrat organizations under the government. BUMNs are economic institutions, while the government is a political institution. The ideal relationship between them is an indirect relationship as arranged by Law of Corporations through a general meeting of shareholders, not by political direct appointment.

Even though the progress of BUMNs is still far away from the ideal expectation, there are several BUMNs that are on the right track and can generate profits for the state from dividend and tax. For these BUMNs, the government must control the majority ownership. From one hundred BUMNs, the the profitable ones are not many, such as Telkom, Bank Mandiri, BNI, BRI, Garuda, and others.

These BUMNs have experienced an internal management reform, so they have an ability to show their identity as modern business institutions. Today, Telkom has advanced an evolution process; Mandiri and BNI have been go public organizations; and Garuda has become an urgent part of international aviation corporation, even it sometimes still faces technical problems that disturbs the customer aviation service system.

There are some notes that should be considered that several BUMN banks that have gained profit still receive state obligations or APBN funds. Some profitable BUMNs control lower market mechanisms and monopoly-oligopoly markets. The profits cannot be claimed as a result of the workings of good management because there are obligations and APBN instruments of support.

The last conclusion that affirms the government role in order to make BUMNs modern business institutions through some policies to determine the Board of Directors and the working system is not entirely right because government practices depends on some interest groups.

— Aly Yusuf —

The last conclusion that affirms the government role in order to make BUMNs modern business institutions through some policies to determine the Board of Directors and the working system is not entirely right because government practices depends on some interest groups.

Official Overseas Visits of Parliament Members: Costs vs Benefits

The official overseas visits of the House of Representatives (DPR) always create polemics in the community. The criticisms to this policy come from political observers, academics, and community organizations that have always been monitoring the performance of the Parliament and its members.

In November 2010, this polemics heated up when members of the DPR visit various countries. A harsh critique came from the society after the visit of the Honorary Board (BK) of the DPR led by BK Vice Chairman Nudirman Munir to Greece.

The criticism is not only about the substance of the visit, which was to study the political ethics of a country that was a source of political ethics, but also about the free time activities like visiting brothels and allegedly watching a belly dancing.

Regarding the latter activity, the members of the DPR who traveled had denied strongly. However, this has not reduced the weight of public criticism about the benefits of the visit.

The official visits of the DPR have been costly, as revealed by Anis Matta, the Vice Chair of the DPR. According to Anis, official visits are part of the legislative process and the obligation of the DPR members as stipulated by the Law.

In the normal legislative process, members of the DPR require a kind of benchmarking to be imitated and compared with from countries that have been visited.

This benchmarking process, regardless of its benefits, is always supported by an adequate budget that grows every year. Based on the data held by the Indonesian Forum for Budget Transparency (FITRA), for the year 2010, the initial budget was Rp. 122 billion, then growing up to Rp. 170 billion after a budget revision.

Below is the comparison between the 2010 Budget and the Revised 2010 Budget Amendment 2010, which originated from Vivanews.com (National Secretariat FITRA prepared from DIPA 2010)

The budget allocation for the working visits of the members of the House of Representatives to overseas in 2010 budget:

1. Delegation visits	: Rp	7.557.240.000
2. Bilateral visits	: Rp	6.683.470.000
3. Commission and body visits	: Rp	103.712.036.000
4. Regional visits	: Rp	4.139.050.000
Total	: Rp	122.091.796.000

The allocation of additional budget for overseas working visits in the 2010 Revised Budget Revised:

1. Domestic visits on the passing of Laws	:Rp	23.208.315.000
2. Commission IV	:Rp	3.131.150.000
3. Commission VI	:Rp	2.007.820.000
4. Commission VI (Bill deliberations)	:Rp	4.888.883.000
5. Commission VII	:Rp	2.833.730.000
6. Commission VII (Bill deliberations)	:Rp	8.809.690.000
7. Bilateral visits	:Rp	3.380.200.000
Total	:Rp	48.259.788.000

The increased budget for these official visits was not really based on fundamental needs or urgency in the legislative process. The increased budget is due to the increase in the number of states for benchmarking from one to two countries in the deliberations of the the Bill. The deliberations of one Bill sometimes needs three countries to visit.

This reason certainly makes us feel sad because based on a simple logic, the members of the DPR can do a lot of things to do a benchmarking process, such as inviting well informed people or experts who have skills in the subjects discussed legislation. Visiting two or three countries for one Bill clearly shows that members of the DPR do not have enough knowledge to perform a legislative function. It seems that official visits are just a sweet packaging for overseas picnic

In the 2010 budget allocation, the members of the DPR are scheduled to conduct visits as many as 58 times to 20 countries; namely, South Africa, Mexico, North Korea, China (2 times), Syria (7 times), Qatar, Australia, Vietnam (3 times), the Philippines, Iran, Turkey, Kuwait, Belgium, Singapore, South Korea, Uganda / Mali, Bangkok (2 times), Venezuela, and the United States (8 times).

The Commission XI will visit four countries -- Britain, Germany, South Korea, and Japan -- in order to complete the Financial Services Authority Bill. Meanwhile, BK DPR visited Greece to study ethics. Based on the data above, There are many problems related to benchmarking purposes. Many things can be debated there, like what were the benefits of learning scouts to South Africa? As to the BK visit to Greece, what was the relevance of political ethics with the contemporary political status of Greek?

Political conditions in Greece are currently classified as not good in terms of political ethics. Some time ago, the Greek community was occupied by demonstrations voicing dissatisfaction with the performance of government, leading to civil unrest. In fact, Greece also received the title as the most corrupt country in Europe.

Based on exposure above, it seems that the benefits that are assessed by the public from the visits of the members of the House were not balanced with the funds that were spent: Rp. 170 billion in a year. Therefore, as representatives of the people, the DPR should begin to think of an alternative way out of this issue, among others, such as involving experts in government issues, constitutional experts that have knowledge with a variety of matters relating to legislation and governance.

Finally, this issue will not stop the criticism about the costs and benefits. This is more about the shame on the DPR and its members related to the image of the DPR, which has not improved from year to year. As the people of the nation, of course we want to have a parliament that is filled up with representatives who fight for the people, not by exploiters of the people.

This issue will not stop the criticism about the costs and benefits. This is more about the shame on the DPR and its members related to the image of the DPR, which has not improved from year to year. As the people of the nation, of course we want to have a parliament that is filled up with representatives who fight for the people, not by exploiters of the people.

— **Benni Inayatullah** —

Re-arranging Coalition: Golkar Exits, PDI-P Enters, Is it possible?

The discourse on the reshuffle of the Indonesian United Cabinet has been caused by the warming relationship between the ruling party (Democratic Party) and the opposition Indonesian Democratic Party for Struggle (PDI-P). The sign is quite clear. It began with the statement of Democrat Ruhut Sitompul that ministers from Golkar Party would be reshuffled and replaced by PDI-P cadres.

While Megawati often states that the coalition between the two parties is unlikely to materialize, even impossible. However, this opportunity is still open. If viewed from a few statements from PDI-P officials, such as Taufiq Kiemas, Puan Maharani, Tjahjo Kumulo, and Pramono Anung, the coalition between the Democratic Party and the PDI-P is not unlikely to materialize. The issue whether there will be a cabinet reshuffle seems to be getting hot at the end of this year. The questions are that who is concerned with the reshuffle issue? Then, why Golkar should be considered to be evaluated, even expelled from the coalition? And what are the benefits for the PDI-P if it is included in the government?

Four perspectives

The reshuffle issue at least can be read in four political perspectives. *First*, from the perspective of the interests of the coalition partner parties, especially the Golkar Party. The reshuffle issue may be deliberately brought to attention to strengthen the bargaining position of parties against the President. Based on the experience of five years ago; for example, the reshuffle issue was often used as a tool for the coalition partner parties to conduct negotiations and political bargaining with the President.

Second, from the perspective of the interests of the government (President), the reshuffle could also be read as a diversion strategy issues. Because reshuffle potentially serves as the transfer of various issues and problems that are never resolved by the government.

Third, the reshuffling of cabinet can also be viewed from the perspective of the interests of the Democratic Party. Reshuffling the cabinet - replacing the position of Golkar with PDI-P - and the closeness of Democrats with the PDI-P has been deliberately

disseminated by the Democratic politicians to bully Golkar. Moreover, Golkar is known to be most often maneuvering in the coalition. In addition, the reshuffle issue can also be read as an effect of the internal dynamics on the Democratic Party. Behind the reshuffle issue is likely the interests of the Democratic Party or the interests of “political factions” within Democrats. Therefore, the reshuffle issue may be deliberately disseminated by the Democratic Party itself as the impact of the strengthening of factionalism within the party.

Fourth, reshuffle issues could also be seen from the perspective of the interests of the opposition party. PDI-P might be interested to get into the cabinet to optimize power and strengthen political economic access to the government. Also a few politicians were also caught in legal problems. In the fourth perspective, the issue of reshuffling cabinet can actually be read as a political bully and a competition of interests of major parties in the parliament, particularly between Democrats and Golkar.

Golkar Maneuver

The Golkar Party, the second largest party in the parliament, of course, wants to reach a more optimal power. During a year with SBY-Boediono, Golkar under the leadership of Bakrie (Ical) apparently did not get it. It is true that the Chairman of Golkar occupies a strategic, prestigious position as the daily chairman of the joint secretariat of the coalition. However, Golkar has no room for maneuver freely in influencing governmental power.

Therefore, the emergence of strong aspiration among Golkar, for a cabinet reshuffle, in truth in order to supplement their ministerial seats and expand the reach of access control of political economy in the government. At least for Golkar, the scenario and political targets in the government of Yudhoyono-Kalla can be achieved. The level representation of Golkar in the cabinet of the Yudhoyono-Kalla government rises. The increase in the number of seats, two ministerial seats in the initial cabinet to three and then four ministerial seats, after two reshuffles.

Moreover, recently, the case of “Gayus tax mafia” is often associated with some corporate tax issues. Ical who is the Chairman of Golkar will potential hold Golkar hostage. In these conditions, it is possible for the Golkar Party to strengthen the two-legged politics, maintaining the coalition in the government as well as strengthening the role of opposition in the parliament. At this point, Yudhoyono’s plan to take Golkar out from the government will become very relevant in order to reorganize the coalition and strengthen of the internal solidity of

the coalition. The only obstacle is that whether SBY has enough political courage to take out Golkar. Expecting Golkar to voluntarily leave the government will be almost impossible.

PDI-P Profit

The opposition style of PDI-P in the second period of the Yudhoyono government is relatively more “soft” than five years earlier. Although its chair, Megawati, often makes harsh criticism against the government, but the position of “hard” Megawati is often neutralized or balanced by the attitude of “soft” senior politician PDI-P Taufiq Kiemas through accommodative political strategies.

Therefore, if viewed from the political signal sent by PDI-P officials, the grassroots supporters of the party are getting closer to the Democrats. Likewise, Yudhoyono and Democrats have also sent a positive signal. Despite the political interests of both parties, particularly the interests of Democrats to bully Golkar, the closeness of the Democratic Party and PDI-P is quite likely. However, Megawati factor remains to be the biggest obstacle in the “political marriage” between the PDI-P and Democratic Party.

If the PDI-P decides to join the government, in addition to reaping the negative risks, at least there are three political profits for the PDI-P due to the effect on the level of party electability. *First*, the PDI-P tends to be perceived as a constructive, accommodative, and objective party. This perception will clearly have a positive impact on PDI-P electability in the middle of the inconsistency of the coalition partner parties. However, there would be risks if the parties are inconsistent.

Second, this attitude will open the opportunity for voters outside the traditional mass of PDI-P - mainly the groups of voters SBY-Boediono derived from the mass base of political parties coalition partners - to provide electoral support. *Third*, the PDI-P will have a positive impact electorally, not just the effect of decreasing public satisfaction on the Government, but also vice versa, the impact of positive public perception on government performance, as experienced by the Democratic Party.

Finally, if SBY reshuffles the cabinet, this is the right moment to determine which parties are invited to join the coalition and which party is also worthy to be moved out of the government. Let us see if Megawati and PDI-P will enter the government, and SBY has the guts to remove the Golkar from the cabinet?

If SBY reshuffles the cabinet, this is the right moment to determine which parties are invited to join the coalition, and which party is also worthy to be moved out of the government.

— **Hanta Yuda AR** —

Disaster Management

Indonesia is a disaster-prone country. According to the Center for Volcanology and Geological Hazard Mitigation (PVG), there are 25 local earthquake-prone regions: Aceh, North Sumatra (Simeulue), West Sumatera - Jambi, Bengkulu, Lampung, Banten Pandeglang, West Java, Bantar Kawung, Yogyakarta, Lasem East Java, Bali, NTB, NTT, Aru Islands, South Sulawesi, Southeast Sulawesi, Central Sulawesi, North Sulawesi, Sangir Talaud, North Maluku, South Moluccas, Bird's Head-North Papua, Jayapura, Nabire, Wamena, and East Kalimantan.

The Indonesian archipelago is also located at the meeting point of three major plates of the world; namely, the Australian, Eurasian, and Pacific plates. The Eurasian and Australia plates collides off the west coast of Sumatra Island, off the southern coast of Java island, off the southern coast of the islands of Nusa Tenggara, and turns northward into the waters of the South Moluccas. The Australian and the Pacific plates collision is located around the island of Papua. While the meeting point between amongst the three plates is located around Sulawesi. These conditions have caused the islands around the meeting point of three plates underdo frequent earthquakes.

According to the National Disaster Management Agency (BNPB) January-September 2010 records, from a total of 354 disaster-prone areas, there are 175 potential areas of high level tsunami and there are 179 prone areas of medium tsunami. BNPB had data since 1629 until 2010, or in the next 381 years, tsunamis have occurred as many as 171 times in Indonesia. In the last six years, it has recorded a variety of major seismic activities in Indonesia. The 9.2 magnitude earthquake accompanied by the tsunami in Aceh in 2004, the 8.7 magnitude earthquake in Nias in 2005, the 6.3 magnitude earthquake in Yogyakarta in 2006, the 7.4 magnitude earthquake in Tasik in 2009, the 7.6 magnitude earthquake in Padang in 2009, and the 7.2 magnitude quake in Mentawai.

This disaster-prone condition is not yet fully understood and has become a major consideration in any development efforts in Indonesia. This was evident from some experiences that have occurred during and after disasters. Meanwhile, the handling tends to slow, causing the the total number of victims to rise. Indonesia has experienced repeated disasters in various regions, and the government has been repeatedly criticized for the bad disaster management carried out both in the stage of the relief efforts as well as in the stage of rehabilitation and reconstruction.

Some examples of the bad disaster management by the government were in the events of the earthquake in West Sumatra in September 2009, of the flash floods in Wasior Papua, and the tsunami disaster in the Mentawai Islands, which coincided with the catastrophic eruption of Mount Merapi in Yogyakarta and Central Java.

The handling of West Sumatra quake had not been systematically assessed. As a result, the evacuation of victims was slow, the distribution of aid was not smooth, isolated areas were untouched, the victim data were confusing, as well as a number of other issues. These weaknesses were partly because of regional heads, as the power holders and the supreme commanders in the areas, had never been trained on disaster management, both pre-disaster, relief efforts (when the disaster occurs), as well as post-disaster. The chief policy is more reactive and not based on knowledge on disaster management. For emergency response, for example, local leaders have never been trained about the procedures of the distribution of aid, evacuation procedures, the handling of refugees, medical treatment, coordination among agencies, and others.

Similar problems recur in disasters in the Wasior, Mentawai and the slopes of Merapi. Disaster victims in Wasior have to wait for days to wait for the help to arrive. The refugees on the slopes of Merapi also experienced the same fate. Although they live on the island of Java, which is the center of this country, the handling of the refugees are still far from ideal. The government looked desperate when it had to take care of hundreds of thousands of refugees in such a narrow and limited evacuation infrastructure.

The Mentawai tragedy clearly showed how the government was not serious in protecting people from disasters. Everyone knows that natural disasters such as earthquakes and tsunamis are difficult to predict, let alone prevented. But the death toll may have not been as high if the government had built an early warning system. The tsunami came after an earthquake measuring 7.2 on the Richter scale shook the Mentawai and Sumatra mainland.

The Meteorology, Climatology, and Geophysics Agency (BMKG) will send a warning about the possibility of a tsunami, which will be broadcast by several television stations. The problem was that not all citizens of the Mentawai watched television. Even if they watched it, not many of them were aware of the danger and then saved themselves. The government does not prepare people to save themselves when danger comes. Even the government does not provide a warning system that can easily and quickly be understood by the public. The officials never seem to learn from the tsunami that devastated Aceh in 2004.

Indeed, the government has put the tsunami detection buoys or equipment in the ocean. Unfortunately, the numbers are too low, not sufficient to monitor the coast of Aceh, Nias, Mentawai, and Padang. Some buoys from the German aid had just become a display because it does not connect with satellites that can send messages that will turn on the siren automatically. Fishermen make things worse by stealing or dismantling the tsunami detection equipment.

The Mentawai tragedy should prod the government to evaluate all the early warning systems, particularly in the coastal areas in the west of Sumatra. Since six years ago, scientists have warned the government that the area is prone to earthquakes and tsunamis. In this region, it is estimated that there will be a big earthquake that always repeats every 200 to 300 years because the earth crusts there collide with each other and at times can be broken.

Admittedly, building a tsunami early warning system to protect all the people in this country is not only complicated but also costly. A buoy will cost IDR 4.2 billion. However, the costs are nothing compared to the lives of the residents. After all, protecting the people is the main function of the state, things that have been ignored by the government.

In the future, within the framework of sustainable social development in Indonesia, relevant disaster management is needed; namely, disaster management that can empower communities that are affected by disasters and help the victims recover from disasters. Rehabilitation and reconstruction should not only be from the physical side, but also from the social and economic side. Community empowerment should involve local wisdoms and a variety of potential in every area of the disaster.

In the future, within the framework of sustainable social development in Indonesia, relevant disaster management is needed; namely, disaster management that can empower communities that are affected by disasters and help the victims recover from disasters. Rehabilitation and reconstruction should not only be from the physical side, but also from the social and economic side. Community empowerment should involve local wisdoms and a variety of potential in every area of the disaster.

— Endang Srihadi —



THE NDONESIAN INSTITUTE

CENTER FOR PUBLIC POLICY RESEARCH

The Indonesian Institute (TII) is a Center for Public Policy Research that was established on 21 October 2004 by a group of young, dynamic activists and intellectuals through the initiative of Jeffrie Geovanie. Its current Executive and Research Director is Anies Baswedan, and the Program Director is Adinda Tenriangke Muchtar.

TII is an independent, non-partisan, non-profit institution, whose main funding stems from grants and contributions from foundations, companies, and individuals.

TII has the aim of becoming a main research centre in Indonesia for public policy matters and has committed to giving contribution to the debates over public policies and to improving the quality of the planning and results of public policy in the new era of democracy in Indonesia.

TII's missions are to conduct reliable research that is independent and non-partisan and to channel the research to the policy-makers, the private sector, and academia in order to improve the quality of Indonesian policy-makers.

TII also assumes the role to disseminate ideas to the society so that they are well informed about the policies that will have a good impact on the people's lives. In other words, TII has a position to support the democratization process and the public policy reform, as it will be involved in the process.

The scope of the research and review on public policies undertaken by TII includes economic, social, and political factors. The main activities have been conducted in order to achieve vision and mission based on research, surveys, training, public discussions, policy brief, and weekly analysis.

Contact details:

Jl. K.H. Wahid Hasyim No. 194
Central Jakarta 10250 Indonesia
Phone. 021 390 5558 Fax. 021 3190 7814
www.theindonesianinstitute.com

Research on the Business and Economy

Business Analysis

The business sector needs a comprehensive analysis in order to minimize the potential risks, while at the same time increasing the value of its business. Business analysis is a solution in corporate strategic planning to make reliable decisions. The TII Business Policy Research Division is present to provide company leaders with practical recommendations on the decision-making process.

Research that TII offers are: **(1) Company Financial Analysis**, which encompasses financial analysis and financial risk analysis. **(2) Corporate Planning Consultancy**, which includes economic and industrial research, business valuation, and brand valuation. **(3) Strategic Marketing Analysis**, which encompasses strategic marketing and *Corporate Social Responsibility* (CSR) program design.

Research on the Economy

The economy tends to be used as an indicator of the success of the government as a policy-maker. Limited resources have often caused the government to face obstacles in implementing economic policies that will optimally benefit the people. The increase in the quality of the people's critical thinking has forced the government to conduct comprehensive studies in every decision-making process. In fact, the studies will not be stopped when the policy is already in place. Studies will be continued until the policy evaluation process.

The TII Economic Research Division is present for those who are interested in the conditions of the economy. The results of the research are intended to assist policy-makers, regulators, and donor agencies in making decisions. The research that TII offers: **(1) Economic Policy Analysis; (2) Regional and Sectoral Prospects; and (3) Program Evaluation.**

Research on the Social Affairs

Social Research

Social development needs policy foundations that come from independent and accurate research. Social analysis is a need for the government, the businesspeople, academia, professionals, NGOs, and civil society to improve social development. The Social Research Division is present to offer recommendations to produce efficient and effective policies, steps, and programs on education, health, population, environment, women and children.

Social research that TII offers: **(1) Social Policy Analysis; (2) Explorative Research; (3) Mapping & Positioning Research; (4) Need Assessment Research; (5) Program Evaluation Research; and (5) Indicator Survey.**

Political Survey and Training

Direct General Election Survey

One of the activities that TII offers is the pre-direct election surveys. There are sundry reasons why these surveys are important (1) Regional direct elections are democratic processes that can be measured, calculated, and predicted. (2) Surveys are used to measure, calculate, and predict the processes and results of elections and the chances of candidates. (3) It is time to win the elections using strategies based on empirical data.

As one of the important aspects in the strategies to win the elections, surveys can be used to prepare political mapping. Therefore, campaign teams need to conduct surveys: (1) to map the popularity of candidates in the society (2) to map the voters' demands (3) to determine the most effective political machinery that will act as a vote getter; and (4) to find out about the most effective media to do the campaign.

Local Council Training

The roles and functions of local councils in monitoring local governments are very important. They need to make sure that participative and democratic policies will be espoused. Members of provincial and regent local councils are required to have strong capacity to understand democratization matters, regional autonomy, legislative techniques, budgeting, local Politics, and political marketing. Thus, it is important to empower members of local councils.

In order for local councils to be able to response every problem that will come out as a result of any policy implemented by the central government or local governments, the Indonesian Institute invites the leaderships and members of local councils to undergo training to improve their capacity.

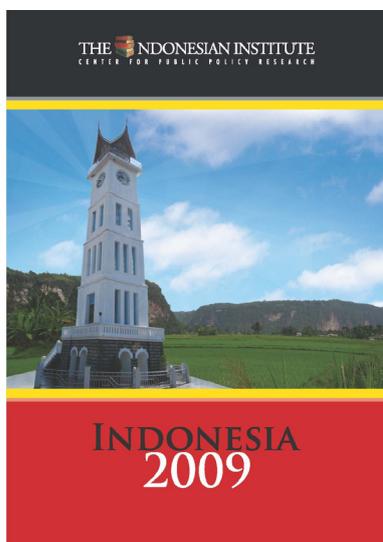
Available now!

The 2009 INDONESIA REPORT

The Indonesian Institute, Center for Public Policy Research (TII) has again published its annual publication, **Indonesia 2009**, after previously producing the report in the years 2005, 2006, 2007, and 2008.

The publication is aimed at presenting clear pictures of economic, legal, social, and political developments and of policies espoused by the Indonesian government. The 2009 Indonesia is published so as to give complete data on Indonesia in 2009. This annual publication is expected to become a basis for predicting Indonesia's short-term and long-term trends.

The publication of a report on Indonesia is also expected to assist policy-makers in the government, the private sector, academia, national and international think tanks in getting actual information and contextual analyses on economic, political, security, and social developments in Indonesia.



Topics that are raised in the 2009 Indonesia:

1. The Year of Economic Recovery
2. Progress of Infrastructure Development
3. Disputes of Three Law Enforcement Institutions
4. The Recycle of Regional Autonomy
5. Indonesian Politics 2009: Political Parties, Elections, Government Coalition and the Prospect of Democracy
6. Portrait and Representation Performance of the New Parliament (2009-2014)
7. Protection of Indonesian Migrant Workers Abroad
8. Gloomy Portrait of Child Protection

The Indonesian Institute Team:

Adinda Tenriangke Muchtar
 Aly Yusuf
 Antonius Wiwan Koban
 Benni Inayatullah
 Endang Srihadi
 Hanta Yuda AR
 Nawa Poerwana Thalo

Supervision: Anies Baswedan (Executive and Research Director)

For further information, please contact:

Mrs. Meilya Rahmi / Mr. Hadi Joko at 021 3905558
 or email to: contact@theindonesianinstitute.com
 or theindonesianinstitute@yahoo.com

Executive & Research Director

Anies Baswedan

Program Director

Adinda Tenriangke Muchtar

Board of Advisors

Rizal Sukma

Jeffrie Geovanie

Jaleswari Pramodawardhani

Hamid Basyaib

Ninasapti Triaswati

M. Ichsan Loulembah

Debra Yatim

Irman G. Lanti

Indra J. Piliang

Abd. Rohim Ghazali

Saiful Mujani

Jeannette Sudjunadi

Rizal Mallarangeng

Sugeng Suparwoto

Effendi Ghazali

Clara Joewono

Researchers of Economic Affairs

Awan Wibowo Laksono Poesoro,

Nawa Poerwana Thalo

Researchers of Political Affairs

Aly Yusuf, Benni Inayatullah,

Hanta Yuda AR.

Researchers of Social Affairs

Antonius Wiwan Koban,

Endang Srihadi.

Program and Supporting Staff

Edy Kuscahyanto, Hadi Joko S.,

Suci Mayang.

Administration Officers

Diana Paramita, Meilya Rahmi.

Secretary: Lily Fachry

Finance Officers: Rahmanita

IT Staff : Usman Effendy

Design and Layout

Harhar, Benang Komunikasi

Jl. Wahid Hasyim No. 194 Tanah Abang, Jakarta 10250

Phone (021) 390-5558 Facsimile (021) 3190-7814

www.theindonesianinstitute.com

e-mail: update@theindonesianinstitute.com