

Jokowi: One Year On

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Summary

Last week marked one year since Joko Widodo took up office as President of Indonesia. Jokowi's rise to power was swift and many doubted the ability of an outsider to effectively manage Indonesia's acutely insider brand of politics; at the same time, he enjoyed an almost unprecedented popular mandate and support from the international community, and expectations when he assumed office were high. How many of these expectations - positive and negative - has Jokowi met? What does his first year in office tell us about the likely trajectory of Indonesia over the next four? This GCI offers an assessment.

Long before his Presidential campaign began in early 2014, Joko Widodo (popularly known as Jokowi) was already saddled with high expectations. A one-time furniture maker and mayor of a second tier Indonesian city, Jokowi was propelled to stardom when he won a surprise landslide victory to become mayor of Jakarta in 2012. On the basis of his unique background - the only presidential candidate in Indonesia's history not to have emerged from the military or the political elite - Jokowi built a national popular movement that was independent from any single political party.

Indonesia's largest opposition, the PDI-P, saw Jokowi as an opportunity and nominated him as their candidate. The public found inspiration in his down-to-earth style, his reputation for being 'clean' from corruption, and the fact that he seemed to represent a radical departure from the business-as-usual of Indonesian politics. Many of Indonesia's largest businesses, still majority family-owned and run and now overseen by a third generation of young leaders, saw him as an alternative to the inertia of the final years of the SBY (Susilo Bambang Yudhoyono) administration. A combination of these

factors propelled Jokowi to victory in the presidential election, shortly after which he was enjoying popular approval ratings of over 70 percent.

Nevertheless Jokowi faced some obvious tests from the start. The first and in many respects most important was as a political manager: with no majority in the Indonesian Parliament and no party base of his own he was reliant on a series of problematic alliances in order to govern. Second, he ran and staked his reputation on being a reformer and anti-corruption candidate, but was relatively ambiguous on what exactly he planned to reform and how. The first of these problems has badly constrained his choices on the second. A year on we can take these tests in turn.

Jokowi as political manager

Following the 2014 election, Jokowi's governing coalition controlled just 37 percent of the seats in parliament, making him the weakest president in structural terms in Indonesia's history as a democracy.

One year on, supporters argue that the president has effectively overcome the disadvantages of governing from a minority

position. The defection of the PAN party to his coalition helped increase its share of seats in parliament to just under half in early 2015. As importantly, relations with the opposition Red & White coalition - previously seen as an existential threat to the survival of the administration - have in fact largely been cordial. The opposition has backed a number of important pieces of legislation including the abolition of the fuel subsidy and the passage of the 2015 budget.

However, Jokowi was also in the unique place of not being the Chairperson of 'his own' PDI-P party - a position occupied by Megawati Sukarnoputri. It has been internal politics within the PDI-P that have caused Jokowi the biggest headache. Megawati was reluctant to concede the PDI-P's presidential candidacy to Jokowi in the first place and has been a constant check on his autonomy since.

The legacy of patronage and a culture of deference among the PDI-P political middle management has kept the party's political machine firmly in Megawati's grip. Jokowi's deferral to Megawati's insistence that he appoint corruption suspect Budi Gunawan to the post of Commissioner of Police at the beginning of this year prompted probably the most damaging eruption of public dismay of his tenure and may yet be the defining event of his Presidency, judging on his record to date. After weeks of political uproar Jokowi was forced to withdraw the nomination.

In a sign of just how badly relations have deteriorated, there is now speculation in some quarters that Jokowi may jump ship from the PDI-P to join a coalition with Prabowo's Gerindra, Golkar or the Democratic Party. Such a move would be unprecedented and constitutionally questionable, and the talk is a symptom of doubt rather than serious strategizing. Despite efforts by some in both parties, neither PPP nor Golkar will break decisively to support Jokowi, which means they cannot be relied on to bolster his own position against the PDI-P. For cultural, political and arithmetical reasons, Jokowi will continue to find it difficult to be his own man.

Jokowi as policymaker

This structural problem has shaped Jokowi's policy achievements. The early and decisive action in largely eliminating Indonesia's high fuel subsidy and reinvesting the proceeds into infrastructure, agriculture and public health provision showed sharp political instincts and shrewdness on timing: the move was met with minimal protests, contrary to many predictions, thanks largely to low oil prices.

Beyond this Jokowi's record to date is thin - an abundance of ambitious talk and targets, with limited progress on implementation. The administration has over recent months set out a three-pronged economic development strategy focused on even distribution of development (focus outside of Java); improving competitiveness and moving Indonesia up the value

chain for exports. As well as setting GDP growth targets (ambitious at 7 percent per annum) Jokowi has also pledged to reduce the GINI coefficient, a measure of inequality which has in Indonesia been climbing steadily over the last 5 years. There are also plans to introduce incentives for small business loans and exports, and to implement a new minimum wage.

To international investors the administration has been keen to present its strategy as a mix of supply side reforms backed up with socially stabilising welfare measures. Much has been made of the deregulation programme and the move to set up a One Stop Service (ONS) for business permits covering 22 government institutions and 160 different types of permits covering electricity, agriculture, industry and tourism. Jokowi has also pledged to improve Indonesia's chronically weak infrastructure and to reduce the costs of logistics by 70 percent. The administration claims that approval times have been reduced by as much as fivefold since the ONS was introduced.

To a domestic audience, the political narrative is more focused on nationalism, self-sufficiency and improving standards of living. Jokowi has doubled defence spending from 0.8 percent to 1.55 percent of GDP; targets have also been set for attaining self-sufficiency in staples such as sugar and rice. At the same time, Jokowi has also quietly increased subsidies for biofuel (in effect swapping one fuel subsidy for another) to reduce the cost of energy imports, and implemented a draconian approach to illegal fishing with a stated aim of boosting revenues from the fisheries industry. All of these measures are arguably more symbol than substance.

Jokowi as political uncertainty

High expectations are often met with disappointment. In this Jokowi finds himself in the same boat as Obama, to whom he has often been compared.

It is a mistake to try and impose too much theory on this administration. Jokowi did not come to power with a governing agenda for the national economy, or Indonesia's relations with its neighbours or with international markets.

Where his instincts can be genuinely distinguished from deferral to those around him (and they very often cannot) they have tended towards economic nationalism (he has imposed new import duties and instituted a range of new local content requirements in areas such as ICT manufacturing) and redistributive (his healthcare policy). He demonstrated a deft populist touch as Governor of Jakarta and those inclinations have carried over, often accompanied by a self-conscious desire to project authority - sinking illegal fishing vessels and executing drug traffickers.

The current forest fires crisis has highlighted much of what may come to be seen as the defining features of this presidency. The fires raging across large swathes

of Indonesia have affected over 40 million people, and associated costs to the economy have been estimated at up to USD35 billion, comprising agricultural losses, health problems associated with breathing heavily polluted air and damage to tourism.

Jokowi has demonstrated genuine concern for those affected, making multiple visits to the fire zones, overseeing the work of the thousands of firefighters and military personnel deployed to fight the blaze and even cutting short his recent US visit. However the administration has stopped short of taking the tough actions needed to address the underlying cause of fires: putting an immediate stop to further development on peatland, overhauling the land tenure system and rooting out the corruption at local level which leads to the deliberate setting of fires for criminal gain. It even took over a month for the administration to admit that the situation was out of control and to ask for foreign assistance.

Moreover, the external environment is likely to exacerbate rather than alleviate the administration's problems. Demand from China has continued to weaken, whilst growth in Indonesia's other key trading partners, Europe and Japan, has been practically non-existent.

The downturn in commodity prices over the last year has hit both company balance sheets and government revenue. Commodity trade has been one of the drivers of the domestic consumption that has helped Indonesia's domestic market attract inward investment and insulate itself to some degree from external volatility over the last five years. But that same demand (often for imports) coupled with falling exports is widening the current account deficit. Jokowi's response has been to double down on a strategy of protecting and incentivising domestic production and self-sufficiency and we do not really know how he might respond to strains caused by cooling growth.

A new poll released last week by the Centre for Strategic and International Studies (CSIS) found that almost 70 percent of respondents were dissatisfied with the government's performance on the economy. At a recent presentation on Jokowi's first year in office, a senior administration official proudly pointed to the fact that though confidence in the regime has been declining, it is still higher than during the last years of the previous government. In this one ambiguous respect it is indeed true that Jokowi has achieved in a year what it took his predecessor seven years to do.

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