

Indonesian parliamentary and presidential elections in 2014. The electoral process and economic challenges.

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Abstracts

This paper is dedicated to the elections and especially to the Indonesian presidential elections in 2014, and to their effects on the socio-economic system of the country. The author intends to analyse the electoral process, the viewpoints, political support and background of the candidates for the office of president, and the results, in light of continued economic growth in Indonesia. The paper presents the most important issues which will have to be faced by Joko Widodo, the new Indonesian president, after he starts his term in office. The paper investigates what problems currently face the largest economy in South-East Asia.

Keywords:

Indonesia, elections, president, Indonesian economy.

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INTRODUCTION

The Indonesian people in 2014 have been very much enticed by the presidential race. It may even be that their commitment level was higher than in previous elections, because the stakes was the winning of power by a different political camp than that which has ruled the country since 2004. The first vote, which was a prelude to the July elections, was held during the parliamentary elections on the 9th April 2014. The aim was to choose 136 members of the Regional Representative Council (DPD), 560 members of the People's Representative Council (DPR). The next stage took place on the 9th July 2014, when Indonesian went to vote for the second time in 2014. This was the day of the presidential elections. The presidential elections in 2014 have been carried out in accordance with the Law, (*Undang-undang*, or UU) No 42 of 2008 about the election of a President and Vice-President (UU 42, 2008).

In the pre-election fervour we would clearly see a struggle between the „old” and „modern” Indonesia. The outgoing president Susilo Bambang Yudhoyono (a general and economics PhD) provided the essential political and social consensus for the last 10 years. For a long time he was a popular politician, with many economic achievements under his belt, thanks to the reforms he pushed through and overseeing a quite liberal economic policy. It is worth noting that the vice-president for the last 5 years had been the US-educated free market economist (PhD) Boediono. However, the final phase of the term of the nearly ex-president, called SBY in short, did not count as a success. Various scandals decreased his popularity and also that of his political camp, *Partai Demokrat* (PD). That is why the Indonesian elections in 2014 mark an end of an era. The new period will begin with challenges faced by a new political force. The parliamentary elections have already shown that the main opposition party, connected to Megawati Sukarnoputri, *Partai Demokrasi Indonesia Perjuangan* (PDI-P), has gained in strength, achieving a total of 19 percent of votes, thus winning the election.

Table 1. Summary of the 9 April 2014 Indonesian People's Representative Council election results (DPR)

Parties	Votes	%	Swing	Seats	%	+/-
<i>Partai Demokrasi Indonesia Perjuangan</i> , PDI-P	23,681,471	18.95	▲4.92	109	19.46	▲15
<i>Partai Golongan Karya</i> , Golkar	18,432,312	14.75	▲0.30	91	16.25	▼15
<i>Partai Gerakan Indonesia Raya</i> , Gerindra	14,760,371	11.81	▲7.35	73	13.04	▲47
<i>Partai Demokrat</i> , PD	12,728,913	10.19	▼10.66	61	10.89	▼87

<i>Partai Amanat Nasional, PAN</i>	9,481,621	7.59	▲1.58	49	8.75	▲3
<i>Partai Kebangkitan Bangsa, PKB</i>	11,298,957	9.04	▲4.10	47	8.39	▲19
<i>Partai Keadilan Sejahtera, PKS</i>	8,480,204	6.79	▼1.09	40	7.14	▼17
<i>Partai Persatuan Pembangunan, PPP</i>	8,157,488	6.53	▲1.21	39	6.96	▲1
<i>Partai Nasdem, Nasdem</i>	8,402,812	6.72	New	35	6.25	New
<i>Partai Hati Nurani Rakyat, Hanura</i>	6,579,498	5.26	▲1.49	16	2.86	▼1

Source: KEPUTUSAN KOMISI PEMILIHAN UMUM, 411, 2014; KEPUTUSAN KOMISI PEMILIHAN UMUM, 412, 2014; Ini Sebaran Kursi Partai di 33 Provinsi, „Kompas”, 13 maj 2014.

According to Indonesian law only parties or coalitions controlling 20% of DPR seats or winning 25% of the popular votes in the parliamentary elections are eligible to nominate a candidate. Because no party exceeded the threshold in the 2014 legislative elections, two coalitions were formed - Gerindra/Golkar/PPP/PKS/PAN/Demokrat (63.04% of DPR seats) and PDI-P/Hanura/NasDem/PKB (36.96% DPR seats). The July elections was being fought out between two candidates –the governor of Jakarta Joko Widodo, whose image has greatly increased the perceptions of PDI-P, and a retired general Prabowo Subianto from the Gerindra party. The choice between them is a choice between two different governing styles, other institutions, ethics – leading to the emergence of different questions in the political debate and to the implementation of different socio-economic policies. Widodo and Subianto are as different as the values that they represent. But a challenge for Indonesia is that these values may be different from what Susilo Bambang Yudhoyono stood for. Thus it is necessary to analyse the candidates and their political camps.

CANDIDATE PROFILES

Joko Widodo, better known as „Jokowi” (shorthand for: Joko-Wi), is from the middle class. He worked before as an entrepreneur, trading in furniture, he was also the governor of a medium-sized city, Surakarta in Java, where in the years 2005-2012 he implemented many reforms. His achievements included attracting foreign tourists. This gave him popularity and the post of the governor of Java, in Jakarta, 500 km away from Surakarta, which he achieved after the elections in 2012. Widodo became known as a person not entangled with the elites „outside the system”. He visited the poor in slums (*blusukan*) and helped during floods. He is part social worker, part idol of the underprivileged, just like Obama in 2008. He raised the minimum wage in Jakarta to 2.2 mln Indonesia rupees (IDR), broadened access to the social security system in the capital, opted for a broader base of the free educational system and proposed various investment projects in infrastructure. His partisans are mainly young Indonesians, who appreciate the modernity of Jokowi. But he also has negative traits – he is inexperienced, and he lacks skills (including English language skills). Most

probably his decisions will be consulted with Megawati Sukarnoputri, the leader of PDI-P. The daughter of Sukarno, and former President, couldn't run herself, because pre-election survey data didn't bode well for her. The choice of Jokowi means a new rise in her influence and that of the group which wants to increase the state's role in the economy.

The opponent of Joko Widodo in the 2014 presidential elections was Prabowo Subianto, a retired general, a backstage figure from the times of Suharto, the general who ruled Indonesia for three decades. Prabowo Subianto was even once married to the daughter of Suharto, he had great influence, but for the last 15 years he remained on the side-lines after a mandatory discharge in 1998, when he was charged with violating human rights and kidnapping student activists towards the end of Suharto's rule. Prabowo Subianto also participated in the military campaign in Timor-Leste in the 1970s. His incredible comeback and political career may be seen as odd, but the times of Suharto are still a very close past in Indonesia. As is fitting for an oligarch, general Prabowo Subianto is the son of one of the most known economists in Indonesia, and his brother is one of the richest businessmen in the country. The general Prabowo Subianto himself has a net worth of approximately 160 million dollars (shares in 26 companies, 3 farms, 8 cars, 90 horses and multiple paintings which are worth a fortune) (Bachelard, 2014). Prabowo Subianto represents the old elites, connected to the times of the ex-dictator, general Suharto.

THE ELECTION CAMPAIGN

Observers of Indonesian politics notice that campaigns in this country last for very long. The political camps conducted various activities from the start of 2014, because the effect of parliamentary elections is felt in the presidential race. Especially the campaign staff of general Prabowo was negative and focused on criticism. For example Hatta Rajasa, Prabowo Subianto's vice-presidential candidate, told the press directly about what the supposed election results from votes cast abroad are. This happened before the elections were held domestically and was aimed at choosing the right candidate – if everyone abroad is voting for general Prabowo Subianto, then this is what should also happen in the country (in fact Indonesians working abroad voted in favour of Joko Widodo, according to the Jakarta Post, by 85 to 15). The Indonesian press also published information, according to which Joko Widodo wasn't a Muslim and his paternal background was questioned. He was accused of Singaporean heritage, in consequence implying that he belongs to the Chinese minority. When Joko Widodo rejected these claims and proved the Javanese heritage of his parents, the media went with a story that the letter „H”, which he uses before his surname, isn't from the name Haji (which would prove having went to the traditional pilgrimage to Mecca), but that it allegedly is Hubertus, which is a Christian name. The negative campaign of general Prabowo Subianto clearly caused many gossip and limited the appeal of Jokowi. In order to counteract the negative information and slander in a country where nearly 90 percent of people are Muslim, Jokowi in the last days of his campaign declared his support for a Palestinian state and published his photos from the pilgrimage to Mecca. Meanwhile general Prabowo Subianto tried an alliance with Islamic scholars. This is why the result could also have been influenced by the fatwa issued by some ulema, whose aim was to declare that voting for Joko Widodo would be unworthy behaviour (for Muslims).

Both candidates during the election campaign wished to be seen as efficient heirs to the outgoing president Susilo Bambang Yudhoyono. They both based their proposals on nationalist rhetoric, with a clear focus on resource nationalism. Both competed for the perception of being more nationalist. Joko Widodo, whose party, PDI-P, traditionally calls for a more social than liberal order, said that he will aim for the country to achieve self-sufficiency in various areas, including food safety. The electoral programme of Jokowi was written down as a 42-page document named “*Vision and*

Mission Statements” (Visi dan Misi), where his postulates were placed. In terms of relations with other countries, Joko Widodo sees a large role for soft diplomacy, identifying cultural diplomacy, educational and trade diplomacy as being areas that needed much greater attention in the future (program Jokowi-Kalla, 2014). Meanwhile general Prabowo Subianto learned national rhetoric from Sukarno himself. His “*Vision and Mission Statements*” (Visi dan Misi) is much shorter (9 pages) and more concise, among others dodging the subject of foreign policy (program Prabowo-Hatta, 2014). The programme of Prabowo Subianto states, that Indonesia will only be respected internationally and only be able to influence others, if it is strong domestically. He has stated in the past that democracy ‘exhausts us’ that he wishes to create a ‘productive’ rather than ‘destructive’ democracy (Aspinall, 2014). His aim was to further increase presidential prerogatives, which could have spelt the return of authoritarian rule in Indonesia (Aspinall, Mietzner, 2014).

In January 2014 the Indonesian government enacted a controversial ban on the export of some ores (nickel), which was intended to force mining companies to build smelters and processing plants, but it also led to long term investor concern. By introducing the ban Indonesia is showing the influence of Asian countries, which can impact, in this example, the global price of nickel. Thus the stock of nickel is falling in economies all around the world, from a high level which had accumulated since the financial crisis. In April 2014 nickel was the commodity with the highest rate of price growth on global markets, seeing a 15 percent price increase. Already in March its price had risen by 11%. After these two significant increases, the price stabilised but maintained a slightly growing trend (Prokurat 2014).

During the televised debates Joko „Jokowi” Widodo didn’t hesitate to say, that in every country there are investment barriers, and that he thinks that maybe it is time to make access to the domestic market more difficult for international investors, in return creating the right conditions for doing business by Indonesians. General Prabowo pointed out that Indonesian assets are in foreign hands – in the hands of foreign companies, thus equity easily leaves the country. During the debate Prabowo, dressed in a traditional *kopiah* hat, openly stated that capital controls should become tighter. What’s interesting, as unofficially stated by the advisors of both candidates, the nationalist rhetoric is a classical unfulfilled example of electoral promises, which is typical for the campaign. Thus it is Prabowo Subianto who is seen by investors as more nationalistic, while Jokowi is seen as a practical administrator, a safer choice, especially for foreign capital.

The campaign dragged on to the last days. Joko Widodo as late as two months before the elections had a 20 percent lead over his rival. All undecided voters, it would seem, took sides with general Prabowo Subianto, seeing in him a charismatic leader and person, who would steer Indonesia with a strong hand for the next five years. The lack of international experience of Joko Widodo and an underfunded campaign (in comparison with the free spending Prabowo Subianto) were biggest problems this politician faced (Martahan Lumban Gao, 2014). Nevertheless election turned out to be a success. Out of the nearly quarter billion Indonesians, out of them 190 million with the right to vote, as much as 67 million people are from the young generation – who are voting for the first time in their life. These were the voters reached by the much younger, modern and open Jokowi. During the campaign he won over voters due to his image of a normal and practical “ordinary Joe”, originally from a family which was far from affluent. *Orang kecil*, i.e. a normal man’s person, who comes to them, visits (*blusukan*) and treats them as if they were his acquaintances. He promises a struggle against corruption, and he listens to Megadeth and Metallica at the same time. Apart from Jokowi’s followers, the preliminary election results were well received by financial markets and foreign diplomats. This is because the choice of Widodo means that the most important politician in Indonesia will not be tainted by the past political culture of the Suharto years.

Table 2. Summary of 9 July 2014 Indonesian presidential election result

Candidate	Running mate	Parties	Votes	%
Joko Widodo	Jusuf Kalla	<i>Partai Demokrasi Indonesia-Perjuangan</i>	70,997,833	53.15
Prabowo Subianto	Hatta Rajasa	<i>Partai Gerakan Indonesia Raya</i>	62,576,444	46.85

source: “Official final tally: Jokowi 53.15%, Prabowo 46.85%”, in: “Jakarta Post”, 2014.

After the elections a couple of prominent pollsters published varying pre-election surveys, which allegedly pointed to Prabowo Subianto winning the race. The question remains what for? The votes have already been cast, so the intention was clear – influence voter behaviour. Play for time and create chaos during a time of public scrutiny over election results. At the same time this political camp would be looking for other methods to achieve a political victory. However nothing of the sort happened, despite a nervous post-election climate in Indonesia. Furthermore the current president Susilo Bambang Yudhoyono himself met with the general-candidate and asked him not to express his dissatisfaction due to his loss. All of this was done not to worsen the situation. In 2009 general Prabowo Subianto also lost in presidential elections (as a candidate for vice-president, under Megawati Sukarnoputri). Indonesia’s Constitutional Court finally rejected Prabowo’s complaint (Cochrane, 2014).

Table 3. List of pollsters supporting Jokowi-Kalla showing election results.

Pollster	Jokowi-Kalla	Prabowo-Hatta
Radio Republik Indonesia	52.7	47.3
Lingkaran Survei Indonesia	53.4	46.4
Populi Center	51.0	49.0
CSIS	51.9	48.1
Litbang Kompas	52.3	47.7
Indikator Politik	52.9	47.1
SMRC	52.9	47.1
Polltracking	53.4	46.6

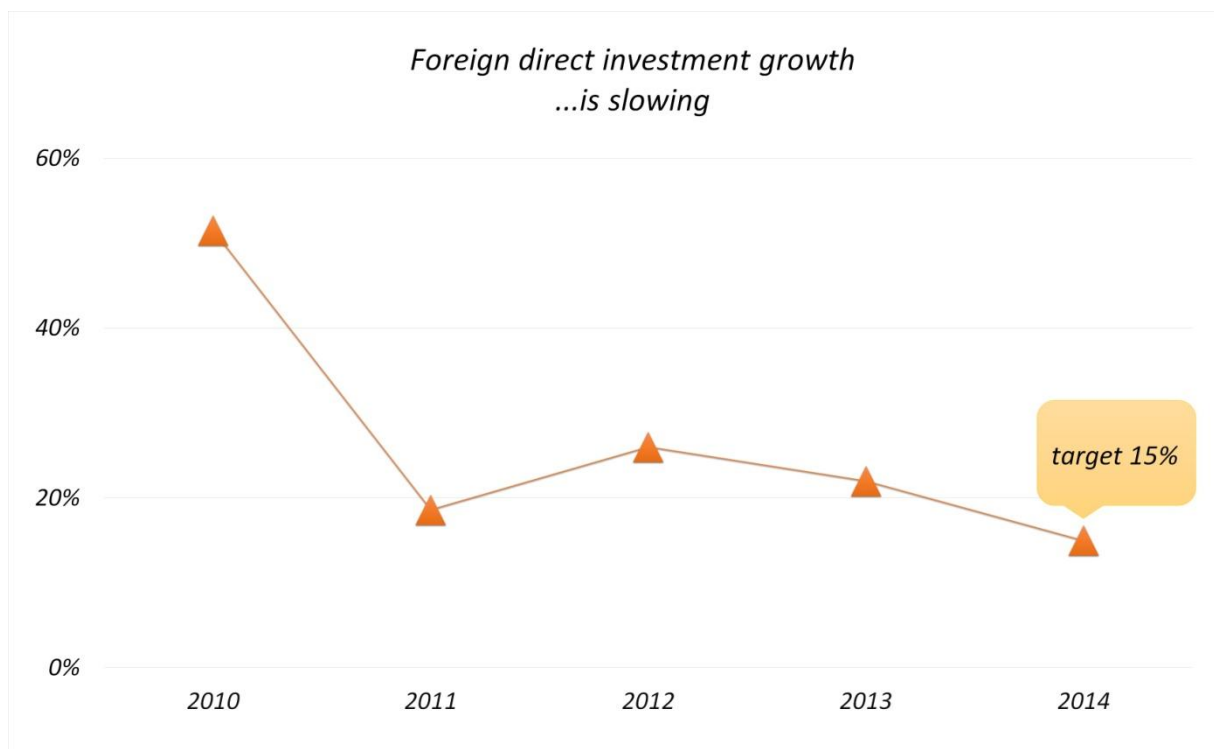
Table 4. List of pollsters supporting Prabowo-Hatta showing election results.

Pollster	Jokowi-Kalla	Prabowo-Hatta
Puskaptis	48.0	52.0
Indonesia Research Center (IRC)	48.9	51.1
Lembaga Survei Nasional (LSN)	49.5	50.5
Jaringan Suara Indonesia (JIS)	49.9	50.1

INDONESIA'S ECONOMIC AND POLITICAL PROBLEM

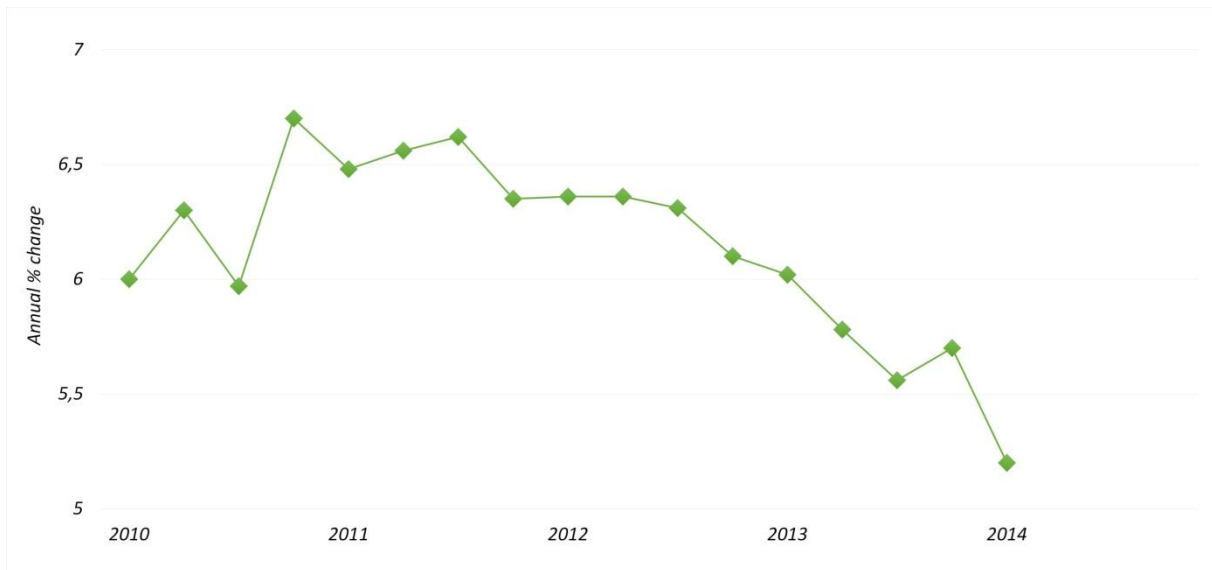
After a long period of rapid economic growth Indonesia is facing a more complicated situation. Foreign direct investment (FDI) in Indonesia was 23 billion dollars in 2013. Meanwhile in 2014 FDI is dropping – by 9.8 percent in the first quarter compared to the equivalent period in 2013. Evidently financial markets are keen to wait and see (Danubrata, Hung, 2014). How will the investment climate change after Susilo Bambang Yudhoyono leaves office? Already now Indonesian economic growth is far from previous years. Further difficult reforms are necessary.

Chart 1. Foreign direct investment in Indonesia 2010-2013 (2014 expected)



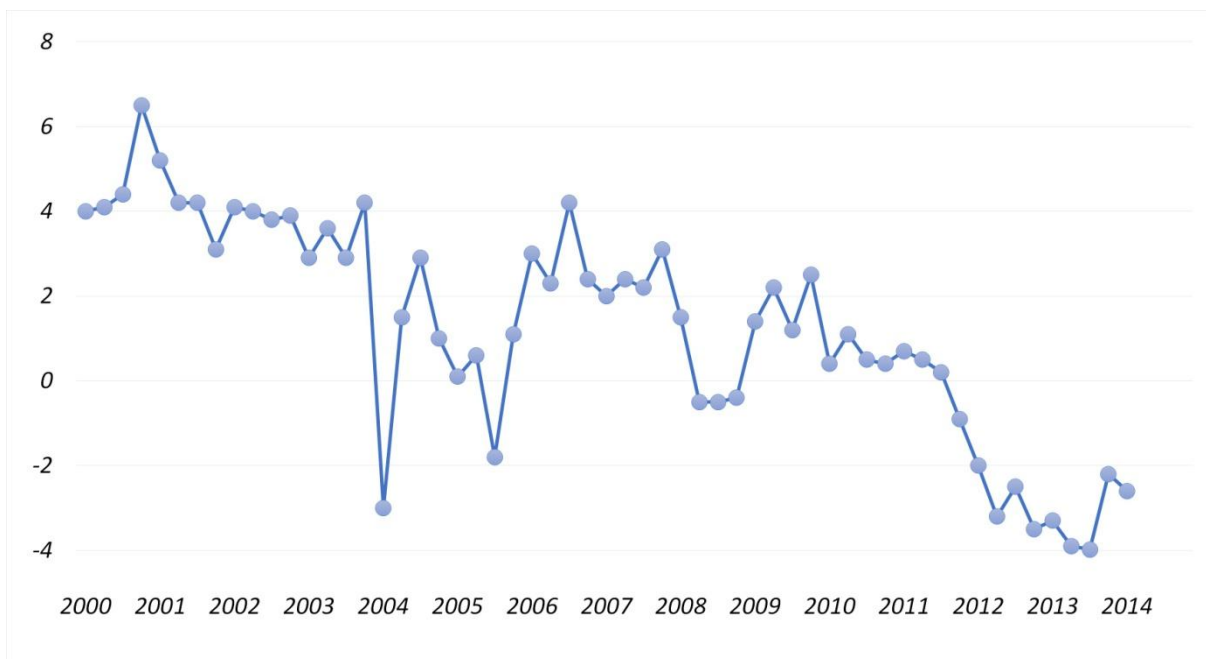
source: Statistics Indonesia, Indonesia Investment Coordinating Board, Bank Indonesia (2014).

Chart 2. Indonesian GDP growth (2010-2014)



source: Statistics Indonesia, Indonesia Investment Coordinating Board, Bank Indonesia (2014).

Chart 3. Indonesian current account balance (2000-2014)



source: Statistics Indonesia, Indonesia Investment Coordinating Board, Bank Indonesia (2014).

Joko Widodo is faced with various tasks, including urgent reform. Stabilising the exchange rate of the Indonesian rupiah, raising productivity given the constantly rising minimum wage (which makes Indonesia uncompetitive in the ASEAN region), falling foreign direct investment, a negative trade balance, general reforms of the social insurance and pension systems, education and cutting fuel subsidies. As *The Economist* sees it: „Energy subsidies cost the government some \$30 billion a year and contribute to a destabilising current-account deficit—and bear in mind that in a few years’ time a country once rich in oil and gas will become a net energy importer” (*The Economist*, 2014). Fuel subsidies in Indonesia use up nearly a third of the budget. Up to now all politicians were afraid of this

task. Will Jokowi, who is a socially sensitive person, be able to introduce market prices in fuels? Other problems include a corrupt bureaucracy¹ that is in urgent need of improvement and poverty. Indonesia has more than 100 million people who survive on \$2 (£1.20) a day or less (Bristow, 2014). The country's energy security also requires attention, as its main principles are: meeting 100% of the country's energy needs, reforming the energy law to make it more transparent, also implementing projects which are aimed at developing the production of biofuels (Maulia, 2014). The new president of Indonesia Jokowi has declared an increase in Indonesia's defence budget to 1.5% of GDP within five years, which will require a significant injection of funds. The current level of expenditure is about 0.9% of GDP, the lowest in ASEAN.²

Joko Widodo has shown that he can make tough decisions. This was what happened when he increased the UMR, the minimum wage in Jakarta, from 1.5 million IDR to 2.2 million, which led to a long stand-off with the influential Indonesian Employers Association. Indonesia's problems were especially apparent in the 2012 demonstrations, which led to paralysis in the country. Nearly 3 million workers from 700 companies took part in them. The protesters demanded outlawing outsourcing, i.e. „short term contracts”, which were the thorn in the side of trade unions, and also demanded raising the minimum wage. Finally the government accepted a 44% minimum wage hike in Indonesia. In comparison with the annual minimum wage rise, which for Indonesia was 11.3% on average for the 2008-2012 period. The Indonesian minimum wage is among the highest in the world in relation to average pay, at 65 percent, according to OECD data. Yet increasing the minimum wage, apart from worker well-being, has its price – firstly some employees are forced to move to the informal market and it is also a significant rise in employers' costs. If work costs are raised with no other changes, the cost of goods and services rises, which is the definition of inflation – entrepreneurs will produce the same product, but at a new and higher price. But if the changes in minimum wage will be accompanied by changes in other areas (reforms, rising productivity), the economy may become stronger. But if these other economic goals aren't met, the only effects of the wage hikes will be a weaker currency and higher inflation. Indonesia should be especially careful when raising the minimum wage. An IMF report from 2010 shows the main disadvantages of the Indonesian economy compared to Thailand, Vietnam, the Philippines, Singapore, Malaysia and China. Its main setback is a below average level of worker productivity. In light of these data the current proposal of raising the minimum wage isn't based on a corresponding hike in productivity.

Expectations are very high. Joko Widodo has received a political opportunity to change Indonesia. Politicians from the „old” elites won't be willing to help, and some may try to undermine his reforms. He provides, as once US president Barrack Obama did, new hope for the country's citizens, hope that the young generation has real influence on politics through the democratic process. The question remains whether these expectations won't be left unfulfilled. The outgoing president, Susilo Bambang Yudhoyono, will be remembered in Indonesia in a few decades as the person who gave the country impressive economic growth in the 2004-2014 period.

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