

Indonesia's Uncertain Dance

By Stanley A. Weiss

JAKARTA—One of the mesmerizing dances performed here is *Jaipongan*, a style that mixes Indonesian martial arts with village ritual music. It features graceful arm movements and slow, lunging steps that create the appearance of forward momentum. While the dancer floats across the floor, you never really notice that she's moving in a circle until the dance ends and she is standing back where she started.

The real question is not whether the racier version of *Jaipongan* performed by young dancers here is out of step with this conservative Muslim nation, which US President Barack Obama announced this week that he'll finally be visiting in November. The real question is whether President Susilo Bambang Yudhoyono's administration is performing an economic *Jaipongan* for the investors of the world.

Certainly, the country's forward momentum is unquestionable. Earlier this month, Indonesia jumped 10 places in the World Economic Forum's Global Competitiveness Index, vaulting to 44th overall, placing it well ahead of better-known BRIC competitors Brazil (58), Russia (63) and India (51), while still trailing China (27).

A few days later, "BRIC" morphed to "BRICI" as the Boston Consulting Group reported the BRIC namesakes plus Indonesia would drive a massive digital revolution in coming years as disposable incomes increased. The faster-than-expected 6.2% growth here last quarter is expected to carry through 2011.

It is a long way from where Indonesia was a decade ago, with an economy in free-fall, religious violence in the east, separatist slaughter in the west, and riots in the capital city.

"Eleven years ago, Indonesia was the basket case of Asia. Now, it's an emerging Asian powerhouse," says Fauzi Ichsan, the senior economist at Jakarta's Standard Chartered Bank. "I have been talking to many investors that I never spoke to before who want to invest here."

Former US Ambassador to Indonesia Cameron Hume adds, "Indonesia has had a stable monetary policy through a time of crisis. People are moderately optimistic. There's no allergy under the skin ready to erupt."

For investors, however, one allergy remains all too visible above the skin: corruption. Everybody here has a story about corruption. Need a driver's license? Pay a bribe. Get stopped for speeding? Pay a bribe (the going rate is about 50,000 rupiah, or US\$5).

"The law enforcers are like hunters in a zoo," Indonesia Corruption Watch researcher Febri Hendri has said. "Corruption is so widespread that they can take a shot and easily catch something."

"I interviewed one governor not long ago who told me that even though Jakarta has an emissions test for buses now, the pollution problem remains because before the buses arrive at the test facility, they stop off at a place and rent a clean muffler for the test, and then return it after it passes," says journalist Lin Neumann. "The governor thought it was hilarious."

During Yudhoyono's first term as president, global investors and Indonesians alike were impressed by the strides his government made against corruption. From 2004 to 2009, Indonesia's standing in Transparency International's corruption perception index – where a score of zero is most corrupt and 10 is cleanest – rose from 2.0 to 2.8. Convinced that he was the only candidate willing to curb corruption further, Indonesian voters re-elected SBY, as he is known here, in 2009, and his Democratic party won last year's legislative elections.

But since re-election, as Sidney Jones, the senior adviser to the International Crisis Group says, "The shine is off SBY."

First, Yudhoyono pardoned former local government officials who had been imprisoned for embezzling state funds. Then, he reduced the sentences of several former central bank officials who had been imprisoned for corruption, including the father-in-law of SBY's eldest son.

Widespread reports of corruption in the attorney general's office and the national police took another hit last month when a businessman sentenced to four years in jail for attempting to bribe anti-graft investigators allegedly did so with the backing of top police and prosecutors – a case so outrageous that Yudhoyono was forced to publicly pledge to replace top police officials.

Lastly, the once-powerful Corruption Eradication Commission (KPK) has yet to replace its former chairman, who was convicted in a murder case, even though SBY finally put forward two candidates this month.

"Some say corruption doesn't matter and some fund managers have already factored it in," says Neumann. Journalist Kath Demopoulos says, "It's also about lost opportunity and stagnation. The country isn't booming as it should because of corruption" – something Fauzi agrees with. "If the government is disciplined and has political will," he says, "nine percent growth is achievable."

Next year, Indonesia will chair the Association of Southeast Asian Nations (ASEAN), which is expected to renew emphasis on its 2015 goal of regional economic integration. As the region's largest economy, Indonesia will also play a lead role in restarting a potential US-ASEAN free-trade agreement (FTA), an agenda topic last week when ASEAN leaders met with Obama around the United Nations General Assembly in New York. Obama also accepted ASEAN's invitation to attend the East Asia Summit, scheduled for Jakarta next year. A similar FTA agreement with China, signed earlier this year, has already boosted trade by 50%.

Will the ASEAN spotlight help bring Indonesia's anti-corruption efforts back out of the shadows, or dance them back to where they started? Nobody knows for sure. In the 1960s, *Jaipongan* was a response to former president and independence hero Sukarno's banning of rock and roll. Today, if Yudhoyono ultimately gives reform the shake, it is investors that will be rattled and rolled.