

Indonesian election produces fractured parliament

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Last Wednesday's national elections in Indonesia produced an inconclusive result. None of the 10 political parties likely to enter the legislature will be able to claim mass endorsement. There will be an acrimonious tussle within the ruling elite as these parties seek to position themselves for the presidential election on July 9.

A presidential candidate must have the support of a party or parties that won 25 percent of the national votes or 20 percent of the parliament's seats. Restrictive and anti-democratic election laws ensure that only well-financed parties of the political establishment can stand. Only 12 of the 48 parties seeking to participate in last week's elections were allowed to do so.

The final result for the 560-seat People's Representative Council (DPR) will not be announced for a month. There were up to 187 million potential voters but surveys showed that more than 80 percent believed all parties and the parliament were corrupt, raising the likelihood of large scale abstention and informal voting. In the 2009 election, this protest vote was over 39 percent.

Usually reliable estimates by the Kompas media outlets and the Centre for Strategic and International Studies gave the Indonesian Democratic Party of Struggle (PDI-P) about 19 percent of the vote. The party was ahead in 17 of the 33 provinces but was likely to fall short of the 112 seats needed to nominate its presidential candidate—Jakarta governor Joko “Jokowi” Widodo.

Golkar, the party of the Suharto dictatorship that collapsed in 1998, polled around 15 percent, followed by the Gerindra party of former army special forces commander Prabowo Subianto, with 12 percent. The Democrat Party (PD) of outgoing President Bambang

Susilo Yudhoyono came in fourth at just under 10 percent. The remaining six parties likely to meet the official threshold of 3.5 percent of the vote included the main Muslim-based parties and Hanura, the electoral vehicle of former armed forces commander Wiranto.

The result is a blow for the PDI-P and powerful layers of the Indonesian political establishment that have been promoting Widodo for the presidency. Widodo, who was plucked from relative obscurity and installed as Jakarta governor, has been promoted as “a man of the people,” in part to legitimise the discredited electoral process. His media opinion polling has been up to 40 percent, double that of his nearest rival, Prabowo.

Former President Megawati Sukarnoputri, who leads the PDI-P, hoped that naming Widodo as the party's presidential candidate would push its parliamentary vote up to between 27 and 30 percent. Indonesian big business and the international financial press favoured such a result to ensure “stability” and the enforcement of pro-market restructuring “reforms,” including an end to fuel subsidies.

There are signs of recriminations within the PDI-P, amid tensions between Widodo and Megawati. Criticisms have surfaced over the party's limited election campaign, which was run by Megawati's daughter Puan Maharani. Widodo told the media last Thursday: “If you ask me whether I am satisfied or not with the result, of course I am not.”

Widodo said he would welcome talks on coalitions, but added: “We're not going to repeat this administration's [Yudhoyono's] mistake and be forced to give away ministerial posts and other concessions in exchange for support.” The PDI-P has since secured an agreement with the small National Democrat (NasDem) party that should ensure Widodo's candidacy. The

NasDem leader—media tycoon Surya Paloh—has not insisted on being the vice-presidential candidate on the Widodo ticket.

Tensions within the PDI-P are likely to intensify over the vice-presidency. Widodo has declared publicly that the selection of his running mate is his call, but Megawati is likely to insist on one of her loyalists.

The other major parties will also have to secure alliances to run their presidential candidates. Golkar has rejected a PDI-P offer of a coalition and will run its own candidate, the wealthy businessman Aburizal Bakrie. Bakrie, however, is widely unpopular, polling well below 10 percent and behind the Gerindra's candidate, Prabowo.

The lack of a clear winner has prompted concerns in business circles over the next administration. Yudhoyono, a former military general, has held power for a decade and is leaving at a time when the Indonesian economy is slowing and foreign investment is falling.

The *Jakarta Post* commented that the “peaceful election may yield a short-term upside to financial markets but there is growing concern about the effectiveness of future economic policy making, after quick counts indicated heavily fragmented factions in the (DPR).”

Immediately after the election, there was a three percent fall in the stock index, as well as a slide in the value of the rupiah and bond markets.

Mining corporation adviser Bill Sullivan told the *Wall Street Journal* that “the next government of Indonesia will be another weak coalition like the existing [one].” He said it was “bad news for the mining sector in general and foreign investors in the mining sector, in particular.”

The *Wall Street Journal* lamented that “key actions” were now at risk, including “opening up industries to foreign investment, instituting labour reforms and rolling back budget-breaking subsidies” especially on fuel. As far as big business is concerned, the problem is that the next president will lack the support need to ram through these unpopular measures.

All the main parties based their campaigns on populism and nationalism. Each pledged to keep legislation in place to force mining companies to build refineries and smelters to process minerals inside Indonesia—a law bitterly opposed in financial circles.

Prabowo proclaimed at mass rallies that “Indonesia cannot be bought” and called for higher wages. He also promised to lift spending on agriculture from 2 to 5 percent of the budget within five years. The PDI-P pursued a similar populist line, appealing in particular to the 67 million first-time voters by promising to allow greater access to education.

Behind the scenes, however, the parties are tempering their language. Gerindra chairman Burhanuddin Abdullah, a former central bank governor, told Reuters on March 31: “Indonesia has to be nationalistic ... but it doesn't mean that if national interest is at the forefront of our policy then foreign companies cannot come to our country.”

The splintered parliamentary vote underscores the fact that no section of the ruling elite has significant popular support. As the economic downturn continues, amid the ongoing global breakdown, the next administration will confront widespread opposition as it seeks to implement the demands of international finance capital for austerity and pro-market restructuring.



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