

New Indonesian president pledges to please investors

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After a day of high drama—reflecting sharp divisions within Indonesia’s ruling elite—Joko “Jokowi” Widodo, a businessman, was last night declared the winner of the country’s July 9 presidential election.

As soon as Widodo was confirmed as president-elect, Reuters released a pre-recorded interview with him, in which he promised to accelerate foreign investment projects and open talks with mining companies to reverse a ban on exports of raw ore.

Widodo also received swift congratulations from US Secretary of State John Kerry, underscoring Washington’s unambiguous preference for the candidate regarded as the more aligned to the global markets.

Despite a possible legal challenge to the result, Kerry said the US looked forward to working with Widodo “as we deepen our partnership, promote our shared objectives globally, and expand people-to-people ties between our nations.”

According to Indonesia’s General Elections Commissions (KPU), Widodo and his running mate Jusuf Kalla received 71 million votes, or 53 percent of the valid votes cast. It was a thin but clear margin over former Suharto-era general and business tycoon Prabowo Subianto, whose ticket with Hatta Rajas obtained 63 million votes, or 47 percent.

Despite the fact that both the well-funded Widodo and Prabowo camps sought to present their candidates as being concerned with the “peoples’ welfare,” 30 percent of the eligible 186 million voters did not vote—an indication of widespread political alienation.

Earlier in the day, Prabowo sought to block the announcement by withdrawing his candidacy, claiming there had been widespread electoral fraud. After hours of uncertainty, amid signs of rifts in his coalition, Prabowo backed away from his threat, allowing the

KPU to announce the result, four hours later than scheduled.

As the announcement was made, the KPU offices resembled a fortress, surrounded by razor wire and a large contingent of police, some of the 253,000 police and troops mobilised nationally.

Prabowo may still challenge the outcome in the Constitutional Court, which could drag out the process for weeks, even up to the scheduled October 5 presidential inauguration.

Prabowo’s intransigence rests on the substantial interests of the “crony capitalist” layers that have continued to dominate sectors of the economy since the fall of General Suharto’s dictatorship in 1998. These layers are personified by Prabowo’s billionaire brother, Hasim Djojohadikusumo, who chairs Prabowo’s Gerindra party. His Nasantara group is involved in oil, natural gas, coal, palm oil and fisheries.

Widodo, who was plucked out of obscurity to emerge as the candidate of former President Megawati Sukarnoputri’s Indonesian Democratic Party of Struggle (PDI-P), is more clearly attuned to the requirements of the global financial markets and mining conglomerates.

Even before his victory was announced, Widodo moved to cast aside his carefully cultivated election campaign image as a “common man” dedicated to addressing the plight of the Indonesian masses—a 100 million of whom live on less than \$US2 a day.

He gave his interview to Reuters last Saturday, on the condition that it not be published until after he was officially named winner. In it, Widodo gave commitments on three issues that had been taboo during the campaign.

First, Widodo said he wanted to sit down with mining companies in a bid to resolve a conflict that has

reportedly halted \$500 million of metal exports a month in Southeast Asia's biggest economy.

Until this year, Indonesia was the world's largest exporter of nickel ore and a major supplier of copper, iron ore and bauxite, generating super-profits for predominantly American companies. Two US giants, Freeport-McMoRan Copper & Gold Inc. and Newmont Mining Corp, accounted for 97 percent of Indonesia's copper production.

In January, the current government of President Susilo Bambang Yudhoyono banned exports of unprocessed ore in an unsuccessful attempt to force the mining conglomerates to build processing plants within Indonesia. "I want to sit down with stakeholders, investors, regulators and with the people to know the problem and find a good solution for them," Widodo said in the interview.

Second, Widodo vowed to fast track investment approvals and deliver the required business infrastructure. "(Investors) say getting business permits is very complicated. Some investors say they need two years. Imagine. So if we can give solutions for getting business permits, I'm sure that we can improve the infrastructure faster."

Third, Widodo foreshadowed the removal of fuel subsidies, which now consume about a fifth of the annual state budget. Previous attempts by presidents Yudhoyono and Megawati to cut these subsidies provoked widespread protests from the 40 percent of the population who live in abject poverty, and who depend on the subsidies.

According to Reuters, Widodo acknowledged that his political honeymoon would be short. In other words, he is acutely aware that his program will put him on a collision course with the working class.

In a quarterly review of Indonesia released on Monday, the World Bank declared that the incoming president confronted "hard choices." Citing "sluggish" exports, in part due to the raw material ban, it cut its forecast for the country's output growth to 5.2 percent for 2014, a sharp drop from its original 6.5 percent prediction.

To avoid "more structural deterioration in growth," the bank insisted, the new government had to implement "deeper structural reforms such as fuel subsidy reform and more infrastructure investment." It warned that a budget deficit blowout from 1.7 percent

of gross domestic product to 2.4 percent, would worsen if world oil prices rose or Indonesia's currency, the rupiah, weakened further.

The bank also drew attention to the politically explosive growth of social inequality, which has worsened more in Indonesia over the past decade than in any other Asian country, except China. In 2002, the top 10 percent of Indonesia's households consumed 6.6 times more than the poorest 10 percent. By 2013, the affluent were spending 10 times more than the poor.

The Jakarta stock exchange dropped sharply yesterday, amid fears of political crisis over the election result, before a rebound in expectation of Widodo's confirmation. This volatility reflects fears in financial circles that protracted political infighting could inhibit investment and also open the door for the eruption of wider social discontent.

Despite heralding a "democratic" outcome in Indonesia, the Obama administration intervened publicly into the election. On June 22, the *Wall Street Journal* reported on an e-mail sent by the US ambassador to Indonesia Robert Blake calling on Indonesia to investigate alleged human rights abuses by Prabowo, including the kidnapping and torture of student protestors in the dying days of the Suharto dictatorship.

Washington backed Suharto's bloody regime for three decades. Its only concerns now were that Prabowo was too nakedly associated with this brutal record and that his nationalist campaign could cut across US economic and strategic interests.



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