

Chapter 14

INDONESIA

Republic of Indonesia

Area:	1.86 million km ² (April 2005)
Population:	217.85 million (June 2004 estimate)
Capital:	Jakarta
Language:	Indonesian
Religion:	Islam, Christianity, Hinduism, and Buddhism
Government type:	Republic
Chief of state:	President Susilo Bambang YUDHOYONO (since October 2004)
Currency:	rupiah (IDR) (US\$1 = Rp 9,704.7; 2005 average)
Fiscal year:	Calendar year (from FY2001)

Aceh Peace Accord and the “Oil Shock”

KAZUHISA MATSUI and YURI SATO

Indonesia has been faced with many calamities, including the Indian Ocean earthquake and tsunami in December 2004, repeated occurrences of bird flu (which has caused 20 deaths as of February 2006), outbreaks of dengue fever and malaria, the first reoccurrence of polio in 10 years, the problem of malnourished children in some regions, the crash accident of Mandala Airlines in September, disasters and accidents such as landslides and floods, and skyrocketing oil prices. Given all of this, it deserves special mention that the Aceh Peace Accord, a matter of concern for many years, was actualized, due in part to the effects of the earthquake and tsunami. Exposure of corruption developed into an investigation of the top level of the Supreme Court, and direct elections of heads of local governments were held, in continuation from the 2004 direct presidential elections, without any major confusion. The Susilo Bambang Yudhoyono (SBY) administration increased its stability, engaged in full-scale diplomacy, endeavored to promote trade and investment, and worked to boost the image of the administration.

The economy in 2005 grew at 5.6 percent, which exceeded the 5.1 percent growth of the previous year and satisfied the goal of 5.5 percent in the medium-term development plan. Growth was led by strong investment in continuation from the previous year, but in the fourth quarter the investment-led growth collapsed. This was due to the largest petroleum fuel price hike in history which the government carried out in October. The price hike was implemented after an unexpected surge in international oil prices forced the government to expand subsidies to keep domestic petroleum fuel prices low. The subsidies led to fears of a fiscal

crisis that provoked market anxiety and caused the rupiah to temporarily plummet. The competence of the Yudhoyono administration to ride out the fuel price hike without major disorder and to avoid a fiscal crisis was highly admired, but the economy following the price hike was clouded by high inflation, reduced investment, and increased unemployment. In contrast to its success in the political realm, the Yudhoyono administration had its hands full ensuring stability in the economic realm, and the growth policies that the administration had originally meant to pursue met with quite limited success.

DOMESTIC POLITICS

Emergency Aid and Reconstruction Assistance following the Indian Ocean Earthquake and Tsunami

The Indian Ocean earthquake and tsunami on December 26, 2004, was a massive disaster that left one hundred and thirty thousand Indonesians dead and thirty-seven thousand missing. Following the earthquake, aftershocks continued, and one in particular on March 28 near Nias and Simeuleu Islands was a large quake that registered an 8.2 magnitude and killed over three hundred people.

After the earthquake and tsunami, international society quickly moved to provide assistance. On January 6, at the Tsunami Aid Summit held in Jakarta, relief funds in the amount of US\$4,268 million, which far exceeded UN Secretary-General Kofi A. Annan's request of US\$977 million, were pledged by national governments and international institutions for the affected countries including Indonesia. Persons engaged in relief efforts in addition to those from international institutions numbered 820 (as of March 3, 2005) from 83 countries and 140 institutions, including national armed forces such as Japan's Self-Defense Force, doctors, nurses, and NGO personnel.

The circle of relief efforts expanded not only from international society but also from within Indonesia. As images of the tsunami and its victims were being shown repeatedly on television, fund-raising drives took place all over the country, and food and clothing, etc., provided by residents were taken to Aceh. In Aceh there was an insufficient number of relief workers because of the large number of the dead, among which there were many military members and police officers, and so not only doctors and nurses but ordinary people also went to Aceh from Java and

other areas. Military craft were made available free of charge to transport those people. It had been previously unthinkable that such a large number of civilians could enter Aceh, where entry had been strictly restricted due to long years of strife, and most of the civilians were volunteers. Given this phenomenon, which recalls the Kobe earthquake in Japan where similar volunteerism poured forth, 2005 could be called the “First Year of Volunteerism” in Indonesia.

Emergency aid was conducted under the direct supervision of the central government because governmental functions had been halted by the disaster in the districts and cities of Nanggroe Aceh Darussalam (NAD) Province. The central government set the emergency assistance period to last until March 26, three months after the earthquake and tsunami, and defined the period after that as the reconstruction period. After March 26, not only foreign military which were supposed to withdraw after three months, but also ordinary foreigners (including volunteers, social workers, and doctors) were forced to leave Aceh. Behind this move were domestic Indonesian companies that wished to shut out foreign competition from reconstruction projects involving housing and roads, in addition to the fact that some foreign organizations were propagating certain religions and there were rumors of orphans being sold.

Behind schedule, the SBY administration moved to implement the Master Plan for the Rehabilitation and Reconstruction of Aceh-Nias on April 16 and set up the Agency for the Rehabilitation and Reconstruction of Aceh-Nias (BRR) in Banda Aceh, the capital of NAD Province, as the coordinating agency for the reconstruction plan. A time limit of four years was imposed on BRR, and Kuntoro Mangkusubroto, former minister of mining and energy, was appointed as director of the agency. The “civil emergency” in which the provincial police have the responsibility to maintain public peace and order under the direction of the NAD governor (implemented in May 2004 following the promulgation of a military emergency in May 2003) was lifted on May 19. However, the outcomes which had been achieved one year later in December 2005 were limited. For example, 300,000 of the 500,000 people who had lost their houses had secured housing, but 67,500 people continued to live in tents and other emergency shelters. Construction was completed on 16,200 units of temporary housing, and 13,200 units were under construction. Of damaged infrastructure, reconstruction amounted to only 235 km out of 3,000 km of roads, 35 out of 120 bridges, 335 out of 2,000 schools, and 38 out of 122 hospitals and health centers. According to BRR, an estimated

US\$5.8 billion is necessary for residents to regain the lives they had before the disaster. The funds apportioned during the year 2005 for reconstruction projects amounted to US\$4.4 billion (US\$1.1 billion from government, US\$1.5 billion from NGOs, and US\$1.8 billion from international institutions), but the funds disbursed up to November 2005 amounted to US\$775 million. Thus, a long, sustained effort is needed for the reconstruction activities.

Actualization of the Aceh Peace Accord

While the Indian Ocean earthquake and tsunami caused enormous damage to Aceh, it also provided the opportunity to actualize the Aceh Peace Accord between the government and the Free Aceh Movement (GAM), an antigovernment group for Aceh independence. As the Indonesian government carried out unified management of emergency aid and reconstruction assistance provided by international society, residents' support rapidly dropped for GAM, which was hit hard and weakened by the disaster. Capitalizing on this opportunity, the government took the initiative and pursued negotiations to its advantage.

Vice President M. Jusuf Kalla led the government's negotiations with GAM. Through a Finnish researcher named Juha Christensen staying in Makassar, Kalla learned of the Crisis Management Initiative (CMI), an NGO led by the former president of Finland, Martti Ahtisaari, in 2004 and Kalla contacted GAM in secret through the intermediation of CMI. Then the Indian Ocean earthquake and tsunami occurred, dealing a fatal blow to GAM. Kalla contacted an Australian researcher Damian Kingsbury who was GAM's advisor, and when he was certain that GAM's stance had softened, he began full-scale peace negotiations. The peace negotiations that ruptured in 2003 were formally restarted through CMI's intermediation in Helsinki on January 28. After five negotiation sessions, both the Indonesian government and GAM agreed to the final draft of the peace accord on July 17, and the accord was finally signed on August 15.

The main points of the Aceh Peace Accord are the following five: (1) both parties agree to a peaceful, comprehensive solution to the Aceh problem, (2) GAM abandons the idea of Aceh independence and recognizes the sovereignty of a united Republic of Indonesia, (3) GAM's establishment of a local political party in Aceh is permitted, and GAM will be allowed to participate in politics, (4) elections for the local head and parliament of Aceh will be held after April 2006, and (5) GAM will disarm, the military and police will withdraw from Aceh, and the Aceh

Monitoring Mission (AMM) led by the EU will begin operations. On August 30, the government granted amnesty to 1,424 GAM members, and after that the disarmament of GAM and the progressive withdrawal of the military and police were realized according to schedule.

The key to success in the peace process following the signing of the peace accord was held by the military which has been conducting military operations in Aceh. Three years ago in December 2002, a ceasefire agreement was signed, but dissatisfaction erupted from within the military, causing the Megawati administration to declare a military emergency in June 2003 and resulting in the military resuming full-scale military operations. President Yudhoyono has basically reined the military by issuing personnel transfers of high military officials and has prevented reactions by disgruntled military members (see below for further details).

In this way, the SBY administration adopted the strategy of not crushing GAM but rather co-opting it into the establishment and rendering it harmless. The BRR mentioned above also has appointed GAM representatives as central members. Vice President Kalla strongly supported the establishment of a local political party by GAM, the establishment of which assumes GAM's participation in politics. Prior to the election of local head after April 2006, the Act on Aceh Government Administration is to be established to replace the Act on Aceh Special Autonomy (the Act No. 18 in 2001) and local political parties are to be recognized therein.

The Aceh residents broadly welcomed the progress of the peace accord since it released them from living in fear of military action. Following the changes in Aceh, attention will be paid henceforth to developments in Papua, where there exists a similar independence movement. Act No. 45/1999 prescribed that Papua be divided into three provinces, and without canceling that act, Act No. 21/2001 was passed to make Papua into a special province. However, the Presidential Instruction No. 1 of 2003 was promulgated to demand the promotion of division of Papua into three provinces, and after that, West Irian Jaya Province, which is one of the three divisions, was launched in February 2003. A Constitution Court ruled in 2004 that the establishment of that province was "illegal but a reality," and the problem of its status remains unresolved. Prior to the elections for provincial governors in Papua and West Irian Jaya, demonstrations protesting the division of the province and the special district frequently occurred starting in the latter half of 2005.

Ongoing Exposure of Corruption

The SBY administration displays a strong stance for stamping out corruption. Efforts to expose corruption, which started first in regional areas in 2004, reached full strength in the central government in 2005. The Corruption Eradication Commission (KPK), the central organization in corruption exposure, is an independent national agency established in December 2003. In addition to coordination and supervision of agencies in charge of corruption cases as well as prevention of corruption, the agency itself investigates and files charges in corruption cases. In addition to the KPK, the Coordinating Team for the Eradication of the Criminal Acts of Corruption (Tim Tas Tipikor) was launched on May 4, 2005. The team is composed of 48 prosecutors, police, and state-owned enterprise staff and headed by the assistant attorney general in charge of special crime. Its goal is to uncover corruption of state-owned enterprises and central government departments and agencies.

The corruption case uncovered by the KPK that attracted the most attention was the organized corruption of the General Election Commission (KPU) which managed and ran the general elections and the direct presidential elections of 2004. First, Mulyana W. Kusumah, a KPU member, was arrested on April 8 on suspicion of bribing staff of the Supreme Audit Agency (BPK), and the arrest of several KPU office staff followed. On May 20, Nazaruddin Sjamsuddin, KPU chairperson, was also arrested. The KPU had used part of a slush fund (Rp 20 billion plus US\$1.155 million), acquired by inflating the procurement prices from equipment suppliers, as bribes for the Ministry of Finance's Budget Office and the House of Representatives (DPR), and the remainder of the slush fund was distributed among all the KPU staff. The Jakarta Corruption Court (the ad hoc court established at the Central Jakarta District Court) issued a judgment in September against Mulyana, and sentenced him to two years and seven months in prison and in December sentenced Nazaruddin to seven years in prison.

In June, H. Said Agil Husin Al Munawar, former Minister of Religious Affairs in the Megawati administration, was arrested by the Coordinating Team for the Eradication of Corruption on charges of causing a Rp 700 billion loss to the nation by appropriating and embezzling funds for pilgrimages to Mecca from the Ministry of Religious Affairs. Said was sentenced to five years in prison on February 7, 2006. The KPK received more than seven thousand contacts with corruption information in 2005, and newspaper articles on the exposure of corruption regularly flourished

in the mass media. According to the Indonesia Corruption Watch (ICW), there were 69 cases of corruption brought to court in 2005 (the defendants were local government heads and bureaucrats in 28 cases, parliament members in 27 cases, and private citizens in 14 cases), with a total of 239 defendants and convictions in 42 cases. According to the Attorney General's Office, in 2005 the president and the minister of the home affairs permitted questioning by the prosecuting authorities of suspects or witnesses in corruption cases that included 13 members of the People's Consultative Assembly (MPR) and the House of Representatives (DPR), 157 members of the Local House of Representatives (DPRD), five governors and vice governors, 19 *bupatis* (district heads), and 6 city mayors.

Efforts to expose corruption finally uncovered a case in the judiciary. It was an open secret that bribery was rampant among *panitra* (an administrative coordination officer in the court) to "buy the court with money," but it was very difficult to expose wrongdoings inside the courts. On June 15, KPK arrested both the attorney and the court secretary on bribery and corruption charges because the attorney for the former NAD governor Abdullah Puteh who had been sentenced to 10 years at his first trial on April 10, 2005, had paid the secretary of the Jakarta High Court in order to receive a better ruling at the appeal hearing. In September, exposure reached up to the top of the judicial system, the Supreme Court. In the case where Probosutedjo, who was a businessman and former president Soeharto's half-brother, was charged with bribery, the attorney for Probosutedjo and the Supreme Court secretary were arrested on suspicion of bribery and corruption. The purpose of the money transferred here was to buy the three judges hearing the court case, and the involvement of one of the three judges, Bagir Manan, chief justice of the Supreme Court, became a focus of attention. Bagir Manan denied his involvement and criticized the KPK, saying they were engaged in "political interference with the autonomy of the judiciary." Meanwhile, the KPK defined the law enforcement institutions such as the courts as the main site for exposure of corruption, and so the offensive and defensive maneuverings of both parties increased in intensity.

In addition, three bank executives including the former president, E. C. W. Neloe, of the state-owned Bank Mandiri were arrested in May by the prosecution on charges of fraudulent loans in the amount of one trillion rupiah, but they received a not-guilty verdict in February 2006.

Another Bombing Incident in Bali and Terrorism Countermeasures

On October 1, Bali, still shadowed by the terrorist bombing in 2002, was again assaulted by a bombing. Just before seven o'clock in the evening as people were having dinner, explosions occurred at two cafes in Jimbaran and approximately ten minutes later at a cafe in Kuta. Among the total 23 dead, there were 15 Indonesians, 4 Australians, 1 Japanese, and 3 who are considered to be the suicide bombers. The SBY administration strongly denounced it as "an act of terror" and said that "information on a terror plot targeting Jakarta was received in July." Because the bombing occurred just after the government decided to raise petroleum fuel prices, some thought that the bombing may have been arranged by the government itself to deflect criticism from the price hike, but the police determined from analysis of the bomb that it had been produced by Azahari bin Husin, a bomb expert wanted by the police.

The police steadily conducted a criminal investigation into the domestic terrorist network, which resulted in the arrest on July 1 of 24 persons related to Jemaah Islamiyah (JI). Following the October bombing in Bali as well, the police proceeded to uncover suspects involved in the incident in addition to the actual bombers, particularly in Central and East Java provinces. On November 9, the special anti-terror police unit stormed a house in the city of Batu in East Java which they had been secretly investigating for several months, and they shot dead Azahari (positive fingerprint identification obtained the following day) who was hiding with bombs wrapped around his body. However, in Semarang the police failed to catch one more wanted terrorist, a Malaysian man named Noordin M. Top.

The police achieved a great accomplishment in killing a terrorist, but it was pointed out that if only they had acted earlier, they could have prevented the October bombing. Security authorities, which think that multiple terror sympathizers are still in Indonesia, strengthened their vigilance after receiving information that consecutive terror incidents would occur between Christmas and the end of the year, but fortunately the year ended peacefully without incident. Abu Bakar Ba'asyir, who is considered the JI leader, was sentenced to two years and six months in prison (the prosecution sought eight years) on March 3 for the crime of tacit agreement with the 2002 Bali bombing and other incidents.

In locations other than Bali, bombing incidents also occurred in Ambon, Maluku Province, and in Poso and Palu, Central Sulawesi

Province. Among these, in Poso, bombing incidents occurred in January and June, and murder and shooting of high school girls occurred in October and November. There were those who pointed out religious conflict and JI involvement in these incidents, but a local NGO insisted that the incidents were only individual cases or connected to a corruption case surrounding humanitarian aid funds for refugees from the Poso riots in 2000. In fact, the previous *bupati* of Poso was arrested by the police in connection with the case, and there are strong indications that local politics are involved.

Direct Elections of Local Heads

In continuation from the direct elections of the president and vice president in 2004, direct elections were held starting in 2005 in which residents directly chose their provincial governors, *bupati* (district heads), and city mayors. The first of these was the Kutai Kartanegara District *bupati* election in East Kalimantan Province held on June 1. H. Syaukani HR, former *bupati* (and chairperson of the National District Government Association: APKASI) promoted by the Golkar Party, won reelection. The first provincial governor election was in North Sulawesi Province on June 20. S. H. Sarundajang, special advisor to the minister of the home affairs who was promoted by the Indonesian Democratic Party of Struggle (PDIP), won for the first time over former provincial governor A. J. Sondakh, who was also a provincial branch head of the Golkar Party. During 2005, there were direct elections of 11 provincial governors and 215 *bupati* and city mayors.

Looking overall at the direct elections of local heads, few of the predicted disturbances occurred, and elections were generally run smoothly. However, there was confusion surrounding the results of some of the elections. One example is the election of the city mayor of Depok in West Java Province. The city election committee decided on July 5 that the election had been won by H. Nur Mahmudi Ismail of the Prosperous Justice Party (PKS), but Badrul Kamal, who was a former mayor and lost by a slight margin, brought a lawsuit charging that the election was invalid because there were uncounted votes. In August, the West Java High Court ruled that Nur Mahmudi's victory was invalid and Kamal was the winner when the uncounted votes were included. The city election committee, which was dissatisfied with this, appealed to the Supreme Court. On December 16, the Supreme Court annulled the High Court's decision since recounting the vote was an overextension of the High Court's powers, so Nur

Mahmudi was confirmed as the winner, just at the city election committee had decided. During this time, the Kamal camp pressured the courts by mobilizing the masses, but in the end it accepted the decision of the Supreme Court. Similar confusion occurred in the Bitung City mayor election in North Sulawesi Province. The provincial governor election of West Irian Jaya Province scheduled for 2005 was postponed until 2006 due to lack of settlement of the status of the province as discussed above. The provincial governor election in Papua Province where the incumbent suddenly died has also been postponed due to frequent protest demonstrations against Papua's designated special autonomy.

Because direct elections of local heads were implemented at a level closer to the residents than the presidential election, they directly reflect the interests of the localities, and so it is predicted that the election contests will be more intense. For this reason, many combinations of heads and deputy heads were chosen with consideration for balance in terms of religion, ethnic group, and representation of public and private interests, with the aim of garnering broad support and avoiding conflicts. The actual voter turnout was lower than in the 2004 presidential election, with a turnout of approximately 60 percent to 70 percent in *bupati* elections and a turnout in the 50 percent range in city mayor elections, suggesting that voters were not so interested in these elections. Moreover, as in the 2004 presidential election, voters displayed a tendency to select candidates rather than political parties. Small party coalition candidates actually put up a good fight in many places, and cases were seen where they defeated the candidates of the leading parties such as the Golkar Party and the PDIP. The voters' distrust of political parties remains as strong as ever.

Reshuffle of the Cabinet

On December 5, the SBY administration announced a reshuffle of the cabinet focusing on the posts related to the economy, given lack of coordination with the central bank involving monetary policy and the large fuel price hike due to skyrocketing oil prices. Boediono, former minister of finance and an economic scholar deeply trusted in Indonesia and abroad, was appointed to the key position of coordinating minister of economic affairs. Aburizal Bakrie, who previously held that position, was transferred to the position of coordinating minister of people's welfare. At the same time, Sri Mulyani Indrawati, chairwoman of the National Development Planning Agency (Bappenas), was appointed minister of finance, and Fahmi Idris, minister of manpower and transmigration, was appointed

minister of industry. There is a strong possibility that Alwi Shihab, coordinating minister of people's welfare, will be appointed as presidential special envoy to the Middle East and that Jusuf Anwar, the previous minister of finance, will be appointed ambassador to an important country.

Paskah Suzetta, DPR representative from Golkar Party, who is one of the leading economic experts in the DPR, was appointed to succeed Sri Mulyani in the position of chairman of Bappenas, and Erman Suparno, DPR representative from National Awakening Party (PKB), was appointed to succeed Fahmi Idris as minister of manpower and transmigration. So, SBY did not forget to be considerate of friendly political parties in the DPR. Demand for a cabinet reshuffle appeared in the DPR around August, and that was a reflection of the desire of each political party to capture more cabinet posts. In the opposition party, Indonesian Democratic Party of Struggle (PDIP), there was visible movement to search for material with which to criticize the administration, such as the fuel price hikes, and there were cases where other political parties used the political agenda as a bargaining chip for gaining Cabinet posts. For this reason, it was necessary for the SBY administration to consider measures for winning political parties over to its side in its handling of the DPR.

In this Cabinet reshuffle, while the administration won over political parties, it also restrained their influence to a minimum and was able to convey the image to the market that a new lineup could implement sounder economic policies. There was demand for the economy ministers to immediately produce results in inviting investment and promoting growth and employment. If this proves difficult under the highly trusted Coordinating Minister of Economic Affairs Boediono, then the rating of the entire administration is likely to decline.

Increasing Stability of the SBY Administration

The SBY administration has produced results during its first year, actualizing the Aceh Peace Accord and pursuing exposure of corruption while responding to the Indian Ocean earthquake and tsunami. Behind this success is the SBY administration's skillful "environmental preparation."

First is its handling of the DPR. Learning a lesson from the confrontation with the DPR that occurred just after the launch of the administration, the SBY administration devised a finely detailed plan for handling the DPR. In addition to allowing adequate time for explanation to the DPR, the administration talked informally with representatives of each party prior to formulating important policies such as the fuel price hike to

find common ground. As a result of such consensus-building efforts, the DPR approved the fuel price hikes on certain conditions in September, and decided not to exercise its right to investigate (*hak angket*) the president concerning rice imports in January 2006. In response to the DPR's demand for a cabinet reshuffle, the administration understood the desire of each party to gain more cabinet posts and allotted posts to friendly parties. The positions of chairperson and vice chairperson of all DPR committees which were filled in October 2004 just prior to the launch of the SBY administration underwent a complete change of personnel by the end of 2005. This is also seen as a part of the administration's measures for handling the DPR. During the first year, the SBY administration produced a relationship with the DPR that enables coordination while retaining an appropriate amount of tension.

Second is the appeasement of Islamic groups and the withering of NGOs demanding democratization. Pressured by Yudhoyono's winning in the 2004 presidential election, many Islamic groups including the Prosperous Justice Party (PKS) were won over to the administration and ultimately incorporated into the establishment. In October, Vice President Kalla aroused criticism by stating, "As a terror countermeasure, we will strengthen supervision of *pesantren* (Islamic boarding schools)." In the end, no special supervision policy was adopted, and the government is maintaining a posture of clearly separating terror and Islam. However, this has not weakened Islamic political groups. The Preparatory Committee for the Upholding of Islamic Law (KPPSI), which aims to have an Islamic state, and the Islamic Defender Front (FPI) which has attacked casinos, etc., continue their activities. However, in the event that these groups openly disturb the activities of other religions or engage in demonstration that presents a danger, the policy is to dispatch the police and punish them in the interest of maintaining public peace and order. It cannot be denied that their activities may become militant, but it can be said that currently they are under the control of the administration. In contrast, the NGOs demanding democratization are being abandoned by the people as the stability of the administration grows, and the need for their existence is beginning to be questioned. In some quarters, a movement has appeared to change the NGOs into political parties in preparation for the 2009 general elections.

Third is command of the military and the police. The SBY administration erased the promotion of Ryamizard Ryacudu, former chief of the Army, to commander of Indonesian National Military (TNI), even though

that appointment had been approved by the DPR in October 2004 just before the end of the Megawati administration's term. Instead, the SBY administration extended the term of Endriartono Sutarto as commander of TNI. Yudhoyono aimed for civilian control of the military, and to obstruct the revival of hardliners who were critical of that, in February he transferred Ryamizard, then chief of the Army, as well as the chiefs of the navy and air force. As chief of the Army, he appointed his former subordinate, Djoko Santoso, deputy chief of the Army. He appointed Slamet Subianto as chief of the Navy and Djoko Suyanto as chief of the Air Force, both of whom graduated from military officers' school with Yudhoyono in 1973. In July, Yudhoyono appointed Sutanto, acting director of the National Narcotics Agency (BNN) who was also his former classmate, as National Chief of Police. Thus, the top military and police positions were filled with classmates of SBY. In parallel, Yudhoyono also undertook changes in the personnel of the Military Territorial Command (Kodam) commanders starting in February. He replaced commanders in 7 of the 12 Kodam, and the majority was former subordinates of Yudhoyono who had experience as infantry division commanders in the Army Strategic Reserve Command (Kostrad). In this way, Yudhoyono nipped in the bud the return of Ryamizard in the military and packed the important posts in the military and the police with his personal connections. Finally on February 13, 2006, Djoko Suyanto, who had served for one year as chief of the Air Force, was appointed as commander of TNI, thereby essentially completely controlling the military and the police force.

Looking at the stability of the SBY administration, it can be said that he greatly changed the political picture after the fall of the Soeharto administration. In short, the administration began to withdraw from the front lines of politics those who had been leaders in the promotion of democratization, including Amien Rais, Abdurrahman Wahid, and Megawati, and instead steadily hardened the political foundation of Yudhoyono and Kalla. Given the rule that direct presidential elections are held once every five years and that there is a limit of two terms, it will be interesting to see whether Yudhoyono and Kalla will be able to consolidate democratic and stable politics that differ from the Soeharto era.

(by Kazuhisa Matsui)

ECONOMY

Five Point Six Percent Growth Exceeds Previous Year's Growth

Indonesia's real GDP growth rate was 5.6 percent in 2005. Growth in the fourth quarter decelerated due to the effects of the petroleum fuel price hike in October. Annual growth did not reach the government's budgetary goal of 6.0 percent, but it did rise steadily from 4.7 percent in 2003 and 5.1 percent in 2004. Growth in the first half of 2005 was driven first by investment and second by exports. In the latter half of the year when investment slowed, growth was supported by consumption and exports. The real growth rates of GDP by expenditure were investment 9.9 percent, exports 8.6 percent, and consumption 4.4 percent.

Investment (gross domestic fixed capital formation), which had been in a slump ever since the currency crisis of 1997, took a turnaround and achieved double-digit growth for six consecutive terms from the first quarter of 2004 to the second quarter of 2005. The brakes were put on investment in machinery and equipment at the end of 2005, but construction investment, which the largest in terms of demand, is maintaining its buoyancy. According to the Investment Coordinating Board (BKPM), realized investment (with permanent licenses) by domestic companies increased by 109 percent YOY primarily in agriculture, mining (excluding oil and gas), manufacturing industries such as paper, food, and textiles, and construction, reaching a record Rp 31 trillion (approximately US\$3.4 billion). Realized investment by foreign companies was US\$8.9 billion, or 94 percent YOY, with growth in transportation and communications, construction, and manufacturing sectors such as chemicals, pharmaceuticals, metals, and machinery. Conspicuous investments were new investments by Singapore, South Korea, and Malaysia, and expansion investments by Singapore and Japan.

The revival of investment has stimulated production in tertiary industries and mining but has not led to an expansion of the manufacturing sector. Looking at the real growth rates of GDP by production sector, tertiary industries displayed high growth similar to the previous year, with 25.1 percent in communication, 13.0 percent in transportation, 8.6 percent in trade, and 7.3 percent in construction. Mining, which had been in a slump since the crisis (-4.6 percent in 2004), recovered to 1.6 percent. However, manufacturing dropped to 4.6 percent from 6.2 percent in 2004. Wood products and steel displayed a real decline in production. Oil

refining and liquefied natural gas declined as far as the -5 percent range due to the stoppage of operation of some facilities. Growth of paper pulp and cement dulled, and textiles growth slowed to 1.3 percent from 4.1 percent in 2004 due to the influx of Chinese goods. Transportation equipment was exceptionally buoyant. Even though there was a slowdown at the year end, growth for the year was 12.4 percent, with records set for four-wheel vehicles of 530,000 vehicles, an increase of 11 percent YOY, and for two-wheel vehicles of 5.07 million vehicles, an increase of 30 percent. The agriculture, forestry, and fisheries industry slowed to growth of 2.5 percent from 4.1 percent in 2004. This was mainly due to the blow to the fisheries industry, which performed well in 2004, from the fuel price hike. Food production was at an average level. Rice production, at 53.99 million tons (-0.2 percent YOY) was almost unchanged from the self-sufficiency level achieved the previous year. Production of grains such as corn and soybeans increased by 7 percent to 10 percent YOY due to expansion of planted acreage.

Although it may be said that exports in 2005 were strong, they were largely supported by mining resources (Table 14.1). Oil and gas exports increased by 23 percent YOY, driving the growth of total export value. Furthermore, the driving force of non-oil-and-gas exports were mining-related products that were among the top 10 items that displayed growth of over 30 percent YOY, including metalliferous ores, coal, and nonferrous metals. Behind this were the skyrocketing prices and a trend toward increased production due to the global shortage of mining resources. Manufactured exports increased only 13 percent YOY (US\$55.1 billion). While major products such as vegetable oils and fats, clothing and textiles, and electrical machinery and apparatus maintained double-digit growth, a decline below tenth place was experienced by rubber and rubber products, paper and pulp, and footwear. Meanwhile, total import value was US\$57.5 billion with a growth rate of 24 percent YOY, which exceeded the growth of exports. Since petroleum fuel imports in particular increased conspicuously by 80 percent YOY, overall oil and gas imports swelled to US\$17.4 billion, or 48 percent YOY increase. The size of the trade deficit in oil and petroleum fuel expanded from US\$3.8 billion in 2004 to US\$7.3 billion. (Oil alone still recorded a US\$1.3 billion surplus.) If total imports are divided into capital goods, raw materials, and consumption goods, capital goods displayed the highest rate of increase, at 27 percent, and this supported firm investment.

Table 14.1. Export Value of Major Products, 2002–5

	(US\$ billion, %)			
	2002	2003	2004	2005
Total export	57.2 (1.5)	61.1 (6.8)	71.6 (17.2)	85.6 (19.5)
Oil and gas	12.1 (-4.1)	13.7 (12.7)	15.7 (14.6)	19.3 (23.0)
Non-oil-and-gas	45.1 (3.1)	47.4 (5.2)	55.9 (18.0)	66.3 (18.6)

Top 10 export items (non-oil-and-gas):				
1. Vegetable oils and fats [42]	2.4	2.9 (20.9)	4.3 (49.8)	4.5 (13.1)
2. Clothing [84]	3.9	4.1 (4.6)	4.3 (5.8)	4.5 (14.2)
3. Metalliferous ores [28]	1.9	2.1 (15.2)	2.9 (35.3)	4.1 (95.4)
4. Coal, coke, and briquettes [32]	1.9	2.1 (14.9)	3.3 (53.1)	3.9 (33.4)
5. Electrical machinery and apparatus [77]	2.7	2.9 (9.3)	3.3 (12.5)	3.6 (18.7)
6. Textile yarns, fabrics, and products [65]	2.9	2.9 (0.4)	3.0 (1.4)	3.0 (12.1)
7. Communication apparatus [76]	3.4	2.8 (-18.6)	3.0 (9.4)	2.8 (-2.6)
8. Wood manufactures [63]	2.6	2.3 (-10.8)	2.2 (-1.5)	2.5 (23.6)
9. Office machinery [75]	2.1	2.0 (-3.3)	2.6 (29.5)	2.5 (3.1)
10. Nonferrous metals [68]	1.1	1.4 (27.0)	1.9 (41.2)	2.5 (43.3)

Sources: BPS, *Statistik Indonesia*, 2004. The top ten items were compiled from Bank Indonesia, *Statistik Ekonomi Keuangan Indonesia*, December 2005.

Notes: 1. Figures in parentheses are the growth rates over the previous year.

2. The top 10 items for 2005 are for January through November, and the growth rates are a comparison with the same period in the previous year.

3. The top 10 items are based on data from the Directorate General of Customs and Excise, Ministry of Finance, and do not include some amount of the export value from export zones. Data from 2004 and thereafter is based on an online reporting system.

4. Figures in brackets following the top 10 item names are the SITC codes.

“Oil Shock”—Fiscal Crisis and Monetary Unrest

The largest issue in managing the economy for the SBY administration in 2005 was how to cope with the skyrocketing international price of crude oil. Even though Indonesia is a producer country, why did high crude oil prices cause an “oil shock” rather than an “oil boom”? The answer is that, unlike in the 1970s, Indonesia had become a major consumer of petroleum fuel and relies partially on imports, but it still maintained a policy of keeping domestic fuel prices low with subsidies despite the total alterations in the fuel consumption and trade structure.

The government prepared the FY2005 budget with a plan to restrain fuel subsidies to Rp 19 trillion by raising the petroleum fuel price, given an oil price of US\$24 per barrel (Table 14.2). A hike in fuel prices is an issue that carries a high political risk, as it triggered the collapse of the Soeharto administration in 1998. Vice President Kalla and the Cabinet persuaded the people about how important it is to reduce the fuel subsidies that also benefit the wealthy and to use that money to invest in the education and healthcare sectors for the poor people. President Yudhoyono himself declared that there would be no second hike within the year. On March 1, 2005, a price hike averaging 29 percent was implemented, although kerosene for household use was excluded. However, at this point, international crude oil prices were leaping up much higher than assumed by the budget. Every time the price of crude oil rose by US\$1 above the assumed price, fuel subsidies ballooned by approximately Rp 4 trillion, increasing the budget deficit by approximately Rp 1 trillion and offsetting the increase in oil and gas revenue. Assuming the price of oil rises to US\$60 per barrel, the fuel subsidy would be as much as Rp 160 trillion, and the budget deficit would expand to Rp 50 trillion. This calculation assumed a fuel consumption level similar to the previous year's, but the actual consumption amount in the first half of 2005 expanded 2.5 times that of the previous year. In spite of the price hike in March, the country thus faced a crisis of possible fiscal ruin due to the unexpectedly high crude oil prices and higher consumption.

Starting in March, the value of the rupiah began to fall. The inflation rate rose from an annual rate of 7 percent to 8 percent, and consequently the interest rate of the Bank Indonesia Certificate (SBI: Sertifikat Bank Indonesia, a security issued by Bank Indonesia) became negative in real terms. However, the Bank Indonesia, central bank of Republik of Indonesia, stating that the rupiah's fall was within a normal range and due to demand for dollars, put off raising interest rates so as not to dampen

growth of the economy. In fact, one of the reasons for the rupiah's fall was that Pertamina (PT Pertamina [Persero]), a state-owned oil company, had procured a large amount of dollars from the market for importing petroleum fuel. However, the central bank was later criticized by economic technocrats in the administration who said it invited monetary unrest due to the lateness of its switch to tight monetary policy.

In July, the central bank introduced the BI rate as a new policy tool accompanying the adoption of inflation targeting. In August, the bank raised the BI rate from 8.5 percent to 8.75 percent, switching to a policy of raising interest rates. In addition, the bank took the policy of restraining purchases of dollars by directly paying fuel subsidies to Pertamina in dollars. The President issued an energy-saving instruction calling for conservation in the use of automobiles and electric power. The government rammed a revised budget through the DPR in which upward revisions were made in the assumed price of crude oil and subsidiary expenditures. However, when the government presented the FY2006 budget bill to the DPR in August, misgivings about the fiscal management of the government spread all at once through the market because it was thought unrealistic to assume a crude oil price of US\$40 per barrel as the bill did. This made, the rupiah plummet 9 percent in the last week of August from Rp 9,830 to Rp 10,840 per dollar. Stock prices also fell to the lowest point of 2005. The central bank immediately raised the BI rate to 9.5 percent. President Yudhoyono called an emergency cabinet meeting, and announced such measures as a review of the budget bill, promotion of oil refineries construction, exposure of fuel smuggling, and accelerated preparation of compensation payments to poor households toward another fuel price hike. However, there was growing public opinion that these measures were still inadequate, and the public criticized the economic ministers for incompetence, and the central bank and the government for lack of coordination. It was said that at this time in the Cabinet, the president sternly took to task the Coordinating Minister of the Economic Affairs Aburizal Bakrie and the Coordinating Minister of People's Welfare Alwi Shihab for lack of preparation of compensation payments. These two coordinating ministers were targeted for personnel transfers in the December cabinet reshuffle.

Significance and Effect of Large Price Hike in Petroleum Fuel

On October 1, the government carried out the largest fuel price hike in

Table 14.2. Indonesia's State Budget (FY2005–6)

(Trillion rupiah)

	2005				2006	
	Initial Budget (Act No. 36/ 2004)	First Revised Budget (Act No. 1/ 2005)	Second Revised Budget		Budget	
			Act No. 9/ 2005	% of Nominal GDP	Act No. 13/ 2005	% of Nominal GDP
A. Total revenue and grants	380.4	491.6	540.1	20.4	625.2	20.6
1. Tax revenue	379.6	484.5	532.7	20.1	621.6	20.4
a. Domestic taxes	285.5	316.8	334.4	12.6	399.3	13.1
(1) Income tax	142.2	166.7	180.3	6.8	210.7	6.9
(2) Value added tax	98.8	99.4	102.7	3.9	128.3	4.2
(3) Land and building tax	10.3	13.4	13.4	0.5	15.7	0.5
(4) Excises	28.9	31.4	32.2	1.2	36.5	1.2
(5) Other taxes	5.2	5.9	5.9	0.2	8.1	0.3
b. International trade tax	12.4	15	17.6	0.7	17	0.6
2. Non-tax revenue	81.8	152.7	180.7	6.8	205.3	6.8
a. Natural resource royalty Revenue	50.9	121.8	144.4	5.4	151.6	5
b. Profit transfer from state-owned enterprises	10.6	8.9	12	0.5	23.3	0.8
c. Other non-tax revenues	20.3	22	24.3	0.9	30.4	1
3. Grants	0.8	7.1	7.5	0.3	3.6	0.1
B. Expenditures	397.8	511.9	565.1	21.3	647.7	21.3
1. Central government expenditures	266.2	364.1	411.7	15.5	427.6	14.1
a. Personnel expenditure	60.7	61.1	61.2	2.3	78	2.6
b. Material expenditures	34	35.1	42.3	1.6	48.1	1.6
c. Capital expenditures	43.1	49.6	54.7	2.1	45	1.5
d. Interest payments	64.1	58.4	61	2.3	76.6	2.5
(1) Domestic interest	39	41.8	42.3	1.6	48.6	1.6
(2) External interest	25.1	16.6	18.7	0.7	28	0.9
e. Subsidies	31.3	96.6	119.1	4.5	79.5	2.6
(1) Oil subsidy	19	76.5	89.2	3.4	54.3	1.8
(2) Other subsidies	12.3	20.1	29.9	1.1	25.2	0.8
f. Social support	17.1	29.3	30	1.1	27.3	0.9
g. Other expenditures	15.8	33.9	43.4	1.6	73.1	2.4
2. Transfer to region	131.5	147.8	153.4	5.8	220.1	7.2
a. Balanced funds	124.3	140.6	146.2	5.5	216.6	7.1
(1) Revenue sharing	31.2	47	52.6	2	59.4	2
(2) General allocation fund	88.8	88.8	88.8	3.3	145.7	4.8
(3) Special allocation fund	4.3	4.8	4.8	0.2	11.6	0.4
b. Special autonomy & adjustment fund	7.2	7.2	7.2	0.3	3.5	0.1

C. Primary balance [A – (B – B.l.a.(3))]	46.7	38.1	36	1.4	54.2	1.8
D. Overall balance (A – B)	-17.4	-20.3	-24.9	-0.9	-22.4	-0.7
E. Financing	17.4	20.3	24.9	0.9	22.4	0.7
1. Domestic financing	37.6	27.9	29.8	1.1	50.9	1.7
a. Domestic banking financing	9	-0.7	4.3	0.2	23	0.8
b. Privatization proceeds	3.5	3.5	3.5	0.1	1	0
c. Assets recovery	4	4	5.1	0.2	2.4	0.1
d. Government bonds (net)	22.1	22.1	22.1	0.8	24.9	0.8
e. Capital participation	-1	-1	-5.2	-0.2	-0.4	0
2. Foreign financing (net)	-20.2	-7.5	-4.8	-0.2	-28.5	-0.9
a. Foreign loan drawing (gross)	26.6	28	35.5	1.3	35.1	1.2
(1) Program loan	8.6	7.9	11.3	0.4	9.9	0.3
(2) Project loan	18	20.1	24.3	0.9	25.2	0.8
b. Amortizations	-46.8	-35.6	-40.4	-1.5	-63.6	-2.1
(1) Principal repayments (gross)	-46.8	-52.4	-55.5	-2.1	-63.6	-2.1
(2) Rescheduled repayments	0	16.9	15.2	0.6	0	0
Budget assumptions:						
Real GDP growth rate (%)	5.4	6	6		6.2	
Inflation rate (%)	5.5	7.5	8.6		8.0	
Rupiah-dollar exchange rate (rupiah/US\$)	8,600	9,300	9,800		9,900	
SBI interest rate (3-month certificates, average)	6.5	8	8.4		9.5	
Oil price (US\$/barrel)	24	45	54		57	
Domestic oil production (million barrels/day)	112.5	112.5	107.5		105	

Sources: Ministry of Finance website (<http://www.depkeu.go.id>), etc.

history, raising gasoline 88 percent, light oil 105 percent, and kerosene 186 percent. Due to this, fuel subsidies were successfully cut down to 89 trillion rupiah, and the budget deficit was kept down to 25 trillion rupiah, or 0.9 percent of the GDP, thereby averting a fiscal crisis (see “second revised budget” on Table 14.2). Although there was social disorder in the form of protest demonstrations against the price hike and long lines of shoppers hoarding supplies, no major disturbances occurred. President Yudhoyono continued to maintain a cautious stance until the end over the large second price hike. However, the President was urged to make a political decision by Vice President Kalla, Coordinating Minister of the Economic Affairs Bakrie, economic technocrats, and even the Indonesian Chamber of Industry and Commerce (KADIN) which represents business circles. In the DPR as well, all political parties except for the Indonesian Democratic Party of Struggle (PDIP) (opposed) and the National

Awakening Party (PKB) (abstaining) backed the government by voting in favor of the second revised budget bill.

The SBY administration may properly be highly regarded for its skill in implementing a fuel price hike, which had been a sensitive agenda for previous administrations, with no major disturbance. The fact that the administration did not delay the subsidy cut and removed the seeds of fiscal instability and monetary unrest as well as distrust of the government was more important than anything for ensuring the stability of the economy. In light of the reality in Indonesia which engages in excess consumption of cheap fuel and mass importation of petroleum fuel, fuel subsidies are not a sustainable policy. The switch in the usage of budgetary funds from subsidy consumption to investment in education and healthcare, and from broad, thin distribution to poverty targeting may be highly regarded from the standpoint of policy rationalization and fiscal sustainability.

However, the effect on the lives of the people was enormous. The middle and lower classes even in the metropolitan capital area rely on kerosene for their daily cooking. The price of kerosene which had not changed since the Megawati era suddenly increased by three times, and public transportation fares shot up to roughly double. The government began to provide compensation aid for 15.5 million poor households with cash of 100,000 rupiah per month starting from October, but conflicts among residents over the transfer of the money arose in many parts of the country, throwing into sharp relief the difficulty involved in cash compensation.

The fuel price hike also had the side-effect of stalling the economy. The inflation rate in October and November shot up to 17–18 percent due to higher transportation and food costs, resulting in an annual inflation rate in 2005 of 17.1 percent. The central bank raised the BI rate each month, setting it at 12.75 percent from November. The rupiah settled down at an exchange rate in the 9,000 range vis-a-vis the dollar, but higher costs due to high interest rates and inflation discouraged investment. A dark shadow fell across the growth and employment touted by the SBY administration as policy objectives. The unemployment rate rose from 9.9 percent in 2004 to 10.3 percent in February 2005, then to 10.8 percent in October following the fuel price hike, resulting in 11.58 million persons unemployed.

Following criticism of government performance during the “oil shock,” a cabinet reshuffle took place in December. Boediono and Sri

Mulyani, who were deeply trusted by international markets and foreign aid institutions, were appointed as coordinating minister of economic affairs and minister of finance, respectively. This worked positively to boost trust in the administration and to stabilize the rupiah. In macro policy management, in contrast to the era of Coordinating Minister of Economic Affairs Bakrie who had almost no dialogue with the central bank, Boediono, who is a former deputy governor of the central bank, and the central bank's board of governors coordinate their efforts at regular meetings. Minister of Finance Sri Mulyani, who proved her strong administrative capability as chairwoman of Bappenas, set to work immediately after taking office on personnel transfers and reorganization of the Ministry of Finance that her predecessor did not undertake. These two are qualified as persons to effectively steer the economy toward stability and efficiency, but in addition, the steering of growth policy is required.

Infrastructure Development as a Growth Policy

In 2005, distracted by the unexpected skyrocketing crude oil prices, the SBY administration had its hands full ensuring stability of the economy, and promotion of its original growth policy took secondary importance. Though very limited, we organize the progress of the growth policy as follows.

The SBY administration held an Infrastructure Summit in January 2005 to attract private investment for infrastructure development, as the first step in its growth policy. In the summit, a list of infrastructure projects released to the private sector was presented with 91 projects costing a total of US\$22.5 billion. Of these 91 projects, it was decided that 11 projects would be implemented by state-owned enterprises on their own and 80 would be implemented with private sector participation. Of the latter, a total of 27 actually took shape by December 2005, including 6 for which the contract was signed through bidding, 3 on which construction work started, 1 on which operation started, and 17 for which it was decided to use existing contractors. Of these 27 projects, 20 projects are for toll roads, and the remaining projects are for water supply, power generation, and gas pipeline. In the bid-tendering stage, there were many foreign investors, but in almost all of the contracted projects, investment was from domestic companies.

To promote private infrastructure investment, it is necessary to modify the legal system, which has assumed heretofore that the government and state-owned enterprises are the project-implementing body.

However, Article 33 of Indonesia's Constitution states that land, water, and people's necessities shall be managed by the nation, and so there is often resistance to the entry of the private sector. In December 2004, the Constitutional Court declared the Electric Power Act No. 20/2000, which allowed private participation in industry, to be unconstitutional. The reason was that introducing competition in the setting of electricity rates was considered likely to increase electricity rates in distant and remote areas. The Presidential Regulation No. 36/2005 on Land Acquisition for the Development of Public Facilities was promulgated by the government in May 2005 for the purpose of promoting private investment in toll roads and railroads, etc. This regulation engendered social protest because it was thought to encourage land expropriation by private investors for their interests. The government is currently preparing a new revised Electric Power Act wherein it is clearly stated that the government retains the right of control over price determination. With regard to the land acquisition regulation, Juyo Winoto, an economist who is close to the president, was appointed as head of the National Land Agency (BPN) which has jurisdiction over land issues, and under his leadership, the agency is working on revising the regulation to make it acceptable to the people .

One obstacle to the promotion of private sector investment in infrastructure is the problem of government guarantees. From the experience of over-issue of government guarantees during the Soeharto administration and the heavy debt burden of the government after the monetary crisis, the Megawati administration halted the granting of new guarantees. In May, the SBY administration reorganized the National Committee for the Acceleration of Infrastructure Provision (KKPPI: Komite Kebijakan Percepatan Penyediaan Infrastruktur) with the coordinating minister of economic affairs as its head (Presidential Regulation No. 43/2005). The committee was granted the right to select projects for government guarantee from among the private infrastructure projects proposed by each ministry, with consideration for the projects' priority across the ministries. Moreover, while prescribed the form of government guarantees in November in Presidential Regulation No. 67/2005, the government newly established a Risk Management Committee in the Ministry of Finance. From among the projects screened by KKPPI, the Risk Management Committee ultimately determined the projects to receive guarantees and its form, in the budget constraint. The fact that the system for granting government guarantees, which had not been transpar-

ent, was set up in this way is regarded as a step forward for the promotion of private investment.

Investment Policy and Cost Reduction Policy

The outstanding feature of the SBY administration in economic policy-making is that policy dialogue was ongoing between the government and business circles and between Indonesian and foreign public/private circles. In the relation between Indonesia and Japan, the High-Level Public/Private Sector Joint Forum on Investment established in December 2004 drew up a Strategic Investment Action Plan (SIAP) in May 2005. SIAP presented concrete measures and a time schedule in the four key policy areas of infrastructure, strengthening of competitiveness and promotion of small and medium companies, taxation and customs, and labor.

BKPM, which is a central agency in investment administration, was shifted by the SBY administration from being under the direct control of the president to the jurisdiction of the ministry of trade. As a result, the Ministry of Trade was in charge of trade and investment. In May, Muhammad Lutfi, a young businessman trusted by the president, was appointed as the new head of BKPM. In the new investment act bill currently being prepared, it is planned to make procedures dramatically efficient by shifting from an approval system to a registration system. When the registration system takes effect, BKPM will no longer be a licensing agency, but instead it will become an administrative service agency that makes investment smoother by coordinating administration among the central government ministries and among central and local governments.

The government announced two policy packages in 2005 to reduce economic costs in terms of taxes, customs, and transportation costs. One was the July policy package which provided the industrial estates on the three islands of Batam, Bintan, and Karimun south of Singapore with a free trade treatment, by reducing and eliminating customs and taxes and by simplifying procedures of licensing and custom reporting. There was a polemic regarding Batam's status as to whether to make it a free trade zone or make it a taxed zone, but this measure, which swept away the uncertainty, can be expected to stimulate investment.

The other package is an incentive policy package for the industry that took effect on October 1 to minimize negative impacts of the fuel price hike. Its main contents are the following cost reduction measures: (1) elimination of import duties on raw materials and components for heavy equipment and on engines for public transportation, (2) exemption of

customs inspections for more superior manufacturers, and (3) reduction of transportation costs, which included abolishment of some weigh-bridges that enforce regulations against overloading (which had actually transformed into mere toll booths operated by provincial and district governments), annulment of 36 local government regulations on weigh-bridges, and reduction of container and terminal handling charges at ports. Terminal handling charges, which had a bad reputation as the highest of any country in the region, were lowered in mid-November from US\$150 to US\$95 per 20-foot container, as a result of firm enforcement of this policy by Hatta Rajasa, Minister of Transportation.

The growth policy to stimulate investment displayed progress in several areas as discussed above but produced no outcomes worthy of special mention. Labor law, which is a crucial policy area, was left untouched, and drastic reforms have been hoped for in the area of taxation and customs.

Problems in Oil Development and Rice Imports

Behind the “oil shock” in Indonesia brought about by soaring world oil prices in 2005 was the fact that Indonesia’s production of crude oil has decreased. The amount of crude oil produced dropped significantly from 1.27 million barrels per day in 2000 to 930,000 barrels per day in June 2005. The main reason for that was not that the reserve was exhausted but that major oil companies from the United States and Europe cut back on investments for new development in Indonesia following the collapse of the Soeharto regime. Given the rise in oil prices, the government wanted to restart investment in oil development and implemented bidding on 21 oil and gas areas during 2005.

What was thought to hold the key to recover of crude oil production was the Cepu oil field in Central and East Java provinces which were expected to produce 150,000 barrels per day and have a total drillable reserve of over 250 million barrels. Exxon Mobile and Pertamina, which had been in conflict over contract extension, finally signed the production allocation contract in September with the help of the government. After that, however, the conflict recurred between Exxon Mobile seeking single operation and Pertamina insisting on joint operation. The government, whose highest priority was the early start of production, hastened the process, with the possibility of a change in the president of Pertamina in mind. The president, Widya Purnama, has been a leader of the reforms at Pertamina, which was incorporated into a stock company in 2003. He was

catapulted from the position of the president of PT Indosat Tbk., a state-owned telecommunication company, due to his impressive skills in managerial reform. Under Purnama, Pertamina won the bid on two drilling areas in Libya in October for US\$3.5 billion and aims to produce 1.3 million barrels per day in total in 2009. In July, the company agreed with Sinopec from China to construct an oil refinery in Tuban, East Java Province. When this refinery goes into operation, domestic refinery capacity will be boosted to 1.25 million barrels per day. Thus Pertamina, which is transforming into self-supporting finance and management, is no longer behaving according to the government intention.

A problem that attracted attention in the latter half of 2005 was the battle surrounding the lifting of the ban on rice imports. Since rice production recovered in 2004 to meet the self-supply needs of the country, the government banned rice imports starting from January 2004. While adequate production for domestic needs was forecasted for 2005, the minister of trade revealed a policy to allow imports to Perum Bulog, a public corporation that was formerly a food procurement agency, for stockpiles of rice for the rice-rationing program for poor households, and the minister permitted the importation of 70,000 tons from Vietnam in November. In response to this, the Ministry of Agriculture, farmers' groups, and agricultural experts at Bogor Agricultural University (IPB: Institut Pertanian Bogor) strongly protested that imports of cheap rice impoverish farmers and run counter to poverty measures, and that importation when there is a surplus of rice is not at all necessary. What complicates the problem is that between those who insist that the rice stockpile is inadequate (i.e., Perum Bulog and the Ministry of Trade) and those who insist that there is a rice surplus (i.e., the Ministry of Agriculture), there is a difference in the data used to estimate rice production. In a cabinet meeting, the government indicated a policy to allow rice imports, in reflection of the fact that the consumer price for rice was being pushed up by inflation at that time. Behind this problem lies the situation that, as in the case of Pertamina above, Perum Bulog began to take profit-seeking actions after it became a corporation and found a way to do this by making a business of importing cheap foreign rice.

(by Yuri Sato)

FOREIGN RELATIONS

Serious Engagement in Foreign Diplomacy by the SBY Administration

Following the launch of the new administration in October 2004, President Yudhoyono, who had stated that he would for a time focus on internal affairs, actually traveled abroad very actively with the related cabinet ministers. He visited Australia, New Zealand, and East Timor during April 3 to 9, the United States, Vietnam, and Japan during May 24 to June 3, China during July 27 to 30, and India during November 21 to 23 following his attendance at the APEC summit meeting held in Pusan, South Korea. In every chance, Yudhoyono appealed for the promotion of investment in and trade with Indonesia.

Meanwhile domestically, following the Tsunami Aid Summit on January 6 (attended by 26 countries and institutions) and the Infrastructure Summit held in Jakarta on January 17 (attended by 22 countries), the government held the Asian-African Summit (attended by over 60 countries) in Jakarta and Bandung during April 22 to 24 to commemorate the 50th anniversary of the Bandung Conference. At the Asian-African Summit, a new Asian-African Strategic Partnership (NAASP) was signed that reconfirmed the Bandung spirit of ethnic self-determination and peaceful coexistence and mentioned the promotion of economic cooperation from Asia to Africa. The purpose of government leaders' visits to foreign countries and the holding of international conferences in their own country were to sweep away the image of Indonesia in international society as an introverted country and to indicate a desire to contribute to international society.

Honeymoon with the United States and Australia

Since taking power in October 2004, the SBY administration has maintained a positive relationship with the United States and Australia through cooperation on antiterrorism measures.

The United States was the first to mention the restart of full-scale military cooperation between the two countries through US Secretary of State Condoleezza Rice on February 17, and in Indonesia, Minister of Defence Juwono Sudarsono strengthened movement toward a restart of cooperation during his March visit to the United States. On November 19, President Bush and President Yudhoyono met at the APEC summit meeting in Pusan and agreed to restart military cooperation, and the official

announcement was made on November 22. This was the restart of military cooperation after a six-year break following human rights infringement incident in East Timor in 1999. Soon after that on December 7, an infrastructure restoration project began on the island of Nias as the first joint activity between the Indonesian and the US military following the restart of cooperation.

Australia declared a donation of one billion Australian dollars over five years as assistance for the Indian Ocean earthquake and tsunami, and the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) was signed. Just after the terrorist bombing incident occurred in Bali in October, Australian Minister for Foreign Affairs Alexander Downer visited Indonesia, and together with offering another one billion Australian dollars for the victims and the community, the Australian Federal Police also assisted in the investigation. Prime Minister John Howard declared, "We do not support the separatists in Aceh and Papua."

In these ways, the government's relationship with the United States and Australia grew increasingly close, but mutual distrust among ordinary citizens remained as strong as ever. For example, there was the case where the death penalty was demanded for an Australian student arrested on charges of illegal drug possession, which led to a massive movement in Australia to petition for mercy and to suspicious mail being sent to the Indonesian Embassy. On May 27, the student was sentenced to 20 years in prison by the Denpasar district court. Meanwhile in the United States and Australia, Indonesian citizens were in fact under surveillance as a part of antiterrorism measures. How the pro-American, pro-Australian SBY administration goes about suppressing the anti-American, anti-Australian sentiments in Indonesia is a matter that should be watched.

Positive Stance toward China and India

The SBY administration displayed a positive stand toward Asian regional integration through free trade agreements (FTA) and economic partnership agreements (EPA). The domestic manufacturing industry is in difficult straits, but the government is resolved to make domestic industry more competitive by exposing it to foreign competition.

Positive signs continued to be observed in the relationship with China. While movement was already underway to reduce tariffs through the ASEAN-China FTA, the Indonesian government signed a strategic partnership with China in 2005 at the Asian-African Summit in April. At that time, the bilateral trade goal up to 2008 was set at US\$20 billion, and dur-

ing President Yudhoyono's China visit from July 27 to 30, that figure was raised to US\$30 billion by 2010. At the same time, agreement was reached on cooperation in the construction of an oil refinery in Tuban, East Java Province, construction of a railway between Cirebon in West Java Province and Kroya in Central Java Province, and construction of a dam and power generation plant in Jatigede in West Java Province. President Yudhoyono's China visit was delayed by two weeks due to issues surrounding the petroleum fuel price hike, but China showed understanding. In August, Vice President Kalla also visited China and signed agreements for 10 investment projects totaling US\$4.91 billion.

Indonesia began genuine contact with India in 2005. When Minister of Trade Mari E. Pangestu visited India in August, agreement was reached to start joint research on the Comprehensive Economic Partnership Agreement (CEPA), and the bilateral trade target was set at US\$4 billion for 2005 and US\$10 billion for 2010. President Yudhoyono visited India in November following his attendance at the APEC summit meeting, and he agreed to sign a strategic partnership with Indian Prime Minister Manmohan Singh. The agreement contained the words, "the two countries with the world's largest democracies and independent spirit," and mentions cooperation in the defense industry, IT technology, and tourism. So, Indonesia's foreign diplomacy was not unqualifiedly pro-Chinese. Indonesia also attempted to exhibit independence in restraining China while working with it by seeking the participation of Australia, New Zealand, and India in an East Asian summit.

Meetings of joint study group for establishing an EPA with Japan were held for the first time on December 16, 2004, and then for the second time on January 31, 2005. Subsequently, when President Yudhoyono visited Japan on June 2, he and Prime Minister Koizumi announced the start of negotiations on an EPA and agreement on a Strategic Investment Action Plan (SIAP). The first EPA negotiation was held in Jakarta during July 14 to 15, and the second negotiation was held in Tokyo during October 11 to 13. While President Yudhoyono expressed a desire to conclude the EPA negotiations in 2006, he repeatedly entreated Japan to consider "Indonesia as a major production base for motorcycles and four-wheeled vehicles, like Thailand." Indonesia indicated a positive stance toward enticement of investment from Japan, including the decision to construct a port especially for loading automobiles and an expressway connecting to it, for which Japan had hoped. However, the enactment of a new investment act, which was vital, was delayed.

Delicate Relationship with Malaysia and East Timor

Turning to relationships with neighboring countries, there was tension with Malaysia in February and March. The trouble began when Malaysia authorized foreign investment for development of an oil and gas drilling in the Ambalat area near the national border off the coast of the island of Kalimantan. In regard to this area, the International Court of Justice had issued a judgment in 2002 recognizing Malaysia's territorial rights over Sipadan Island and Ligitan Island. However, Malaysia's authorization of development of the oil and gas drilling area reignited the dispute between Malaysia, which insisted that it had exclusive economic waters around the two islands, and Indonesia, which held that the territorial rights did not extend to the waters. Tensions elevated as both countries sent battleships to the area and Yudhoyono himself went to observe directly on March 7. Prior to this incident at the end of January, the amnesty period granted to illegal Indonesian workers in Malaysia ended after having been extended several times. As Malaysia began to apprehend the illegal workers, in Indonesia there was sympathy for the workers and growing anti-Malaysian sentiments.

Looking at relations with East Timor, Indonesia and East Timor established the Commission of Truth and Friendship (KPP) with 10 members in August, and it began operation. This commission was in response to the UN's investigation, through an independent committee of experts, of the legitimacy of an Indonesian trial for a human rights infringement case in East Timor in 1999. KPP, in contrast, is for the purpose of having both countries cooperatively investigate the truth without damaging the friendship between the two countries. The Indonesian government was favorably impressed with the stance of East Timor President Xanana Gusmao, who rather than criticize the judgment where almost all of the Indonesian defendants, including military personnel, were found not guilty, conducted realistic diplomacy that gave priority to friendly relations with Indonesia. The work of settling the two countries' borders was almost complete, but clashes along the border occurred sporadically. In January 2006, an incident occurred where East Timorese police officers shot and killed three Indonesians, and residents on the Indonesian side reacted by blockading roadways.

(by Kazuhisa Matsui)

ISSUES IN 2006

The year 2006 will be one when the SBY administration's ability to take action will be tested. The administration should make the most of current political stability for boosting the economy on a growth track of 6 percent or above. It is first crucial to normalize by the middle of 2006 the negative impacts of the fuel price hike, such as high inflation, high interest rates, and lagging investment and consumption. In addition, the administration is expected to produce visible results from its growth policy, including the enactment of a new investment act, the revision of infrastructure laws (e.g., electric power act, land acquisition regulation, and three transportation acts), and start of government-led investment projects. Growth of over 6 percent cannot be achieved without revitalization of the manufacturing sector, and so a policy for that purpose is also required. Another issue in 2006 is agreement on the Indonesia-Japan Economic Partnership Agreement (EPA), as the first bilateral comprehensive FTA for Indonesia.

While it aims for economic growth, the SBY administration must also continue to deal with ongoing disaster reconstruction in Aceh, smooth implementation of direct elections of local heads, continued exposure of corruption, measures against bird flu, poverty measures, and correction of the gap among the regions. In internal affairs, the trends are particularly important in Papua, which has a separatist movement like Aceh. In 2006, elections for governors will be held in Papua Province and West Irian Jaya Province; it is possible that anti-center or separatist sentiments will surface in reaction to the elections, and this may be accompanied by various incidents. Attention will be on how the SBY administration's skillful methods of political management are used to deal with these issues.

IMPORTANT DATES IN 2005

January

- 1: Bombs exploded in two locations in Poso.
- 6: Tsunami Aid Summit was held in Jakarta.
- 11: The government decided on the national medium-term development plan (2004–9) via Presidential Regulation No. 7/2005.
- 13: The President signed the Regulation in Lieu of the Act No.1/2005 which extended for one year the Act on Industrial Disputes Settlement.
- 17–18: Infrastructure Summit was held, attended by 22 countries. Japan committed US\$1 billion in 2005 for infrastructure.
- 18: The Golkar Party's Central Leadership Board replaced the heads of Golkar fraction in the House of Representatives (DPR) and the People's Consultative Assembly (MPR), sending away the Akbar Tanjung faction.
 - The government sold 15 percent of its stock in Bank International Indonesia (BII) on the market.
- 19–20: Consultative Group for Indonesia (CGI) was held and committed US\$3.4 billion in official aid in FY2005 and US\$1.7 billion in reconstruction aid following the tsunami and earthquake.
- 20: The central bank announced loan promotion measures, including relaxation of the legal maximum limit of loans for infrastructure.
- 28: The government restarted peace negotiations with the Free Aceh Movement (GAM) in Helsinki.
- 31–February 1: A joint study group meeting for the Economic Partnership Agreement (EPA) with Japan was held in Jakarta.
- 31: The Malaysian government's amnesty period ended for illegal Indonesian workers in Malaysia.

February

- 1: Martiono Hadiano, former president director of Pertamina, was appointed as president commissioner of Pertamina.
- 3: Bidding began on six segments of toll roads.
- 9: An aftershock of magnitude 6.2 occurred in Aceh.
- 11: Bakrie, coordinating minister, announced that Indonesia has been removed from the list of countries that are non-cooperative with measures against money laundering.
- 14: The government announced the results of its 100-day agenda.
- 21: The Metro TV reporter and cameraman who were kidnapped in Iraq were released.

March

- 1: The price of petroleum fuel was raised by an average of 29 percent. The price of kerosene for household use was not raised.

- 3: The South Jakarta District Court sentenced Abu Bakar Ba'asyir to 30 months in prison (sentence of eight years sought by prosecutor).
- 7: President Yudhoyono visited Ambalat area off coast of Kalimantan where tensions with Malaysia were rising.
- 10–21: Juwono Sudarsono, Minister of Defence, visited the United States.
- 11: The Paris Club gave Indonesia grace on debt repayment of US\$2.6 billion for FY2005 due to the earthquake and tsunami.
- 21: The DPR permitted the petroleum fuel price hike on March 1 after a vote, but also demanded a consultation to review the price hike in the FY2005 revised budget.
 - Bombing incident occurred in Ambon, and again on the 22nd.
 - PT Sampoerna announced the sale of 40 percent of its founder's stock to the US company Phillip Morris.
 - Emirsyah Satar, vice president of Bank Danamon, was appointed as president of the state-owned PT Garuda Indonesia.
- 26: The emergency aid period for the Indian Ocean earthquake and tsunami ended. The reconstruction period began.
- 28: An earthquake of magnitude 8.2 occurred near Nias and Simeuleu islands. There were 296 dead as of the 31st.
- 28–April 2: Indonesian Democratic Party of Struggle (PDIP) held its national congress in Bali. Megawati was reelected as party chairwoman.
- 30: The South Jakarta District Court sentenced Adrian Waworuntu to life imprisonment in the Bank Negara Indonesia (BNI) illegal loan case.
 - Three Indonesians were kidnapped in the southern Philippines. The two were freed by the Philippine military on June 12.

April

- 1: The price of aircraft fuel was raised 21 percent.
- 3–9: President Yudhoyono made a round of visits to Australia, New Zealand, and East Timor.
- 6: Latif, a retired army colonel who was a witness in the September 30, 1965 incident, died.
- 7–10: The National Mandate Party (PAN) held its national congress in Semarang and elected Soetrisno as the new party chairman.
- 7: The central bank purchased Rp 4.306 trillion of government bonds for the first time.
- 8: Mulyana W. Kusumah, a member of the General Election Commission (KPU), was arrested on bribery charges.
- 10: The Corruption Court sentenced former Nangroe Aceh Darussalam (NAD) Governor Abdullah Puteh, who was suspended from his job, to 10 years in prison.
- 14: Sjafrie Sjamsuddin, public relations officer for the national military, assumed office as vice-minister of the Ministry of Defence.

- 16: An earthquake of magnitude 6.1 occurred on Nias Island.
- The Agency for the Rehabilitation and Reconstruction of Aceh-Nias (BRR) was established. Kuntoro Mangkusubroto, former minister of mining and energy, assumed office as director on April 30.
- 21: The Asian-African Business Summit was held.
- 22–24: The Asian-African Summit was held in Jakarta and approximately 60 countries participated. The New Asian-African Strategic Partnership (NAASP) was signed. On the 24th, an event was held in Bandung to commemorate the 50th anniversary of the Bandung Conference.
- 25–26: Hu Jintao, President of China, made an official visit. Both leaders signed an Indonesia-China strategic partnership agreement, signed a seven-point memorandum on the earthquake and tsunami, infrastructure and resource development, etc., and agreed to cooperate on the manufacture of weapons.
- 26: Marubeni announced complete withdrawal from the petrochemical company PT Chandra Asri.

May

- 3: President Yudhoyono issued Presidential Regulation No. 36/2005 on land acquisition for the development of public facilities.
- 4: The government formed the Coordinating Team for the Eradication of Corruption.
- 16: Muhammad Lutfi, a businessman, assumed office as the new head of the Investment Coordinating Board (BKPM).
- The state-owned Bank Mandiri renovated its management board.
- 17: The police arrested three former Bank Mandiri directors for illegal loans.
- 19: The government lifted the state of civil emergency in Aceh.
- 20: Corruption Eradication Commission (KPK) arrested Nazaruddin Sjamsuddin, head of the KPU, on charges of corruption.
- The Democratic Party (PD) held its first national congress and elected Hadi Utomo as the party chairman.
- 23: The government strengthened the authority of the National Committee for the Acceleration of Infrastructure Provision (KKPPI) through Presidential Regulation No. 43/2005.
- 24–June 3: President Yudhoyono made a round of visits to the United States, Vietnam, and Japan, meeting with US President Bush on May 25 and with Vietnamese President Tran Duc Luong on May 30.
- 24: Professor Mubyarto of Gadjah Mada University died.
- 26–29: The Prosperous Justice Party (PKS) held its national congress. KH Hilmi Aminuddin was elected as the party's chief patron, and Tifatul Sembiring was elected as the party chairman.
- 27: The Ministry of Finance announced a measure to write off bad loans of under Rp 10 billion as of the end of 2003.

- The Denpasar District Court sentenced Australian student Schapelle Corby to 20 years in prison for possession of illegal drugs.
- 28: Bombs exploded twice near the Tentena market. At least 22 people were killed.
- 31: After visiting the United States and Vietnam, President Yudhoyono made an official visit to Japan (until June 3). On June 2, President Yudhoyono and Japanese Prime Minister Koizumi issued a joint announcement on the start of EPA negotiations and the Strategic Investment Action Plan (SIAP).

June

- 1: Voting day in the Kutai Kartanegara district head election, the first direct election of local heads.
- 8: KPK investigated Minister of Justice and Human Rights Hamid Awaluddin, former KPU member, in relation to the KPU corruption case.
 - A bomb exploded in front of the house of Abu Jibril, a Muslim cleric in Pamurang, Tangerang City.
- 9: President Yudhoyono directed provincial governors to set up a local intelligence coordination agency (Bakorinda) as a terrorism countermeasure.
- 14: Fourteen countries were added to those that require a visa to enter Indonesia, and the valid period of visas for some countries was extended.
- 15: The attorney for the former NAD Governor Abdullah Puteh and the secretary of the Jakarta High Court were arrested for bribery related to a court judgment.
- 16: The South Jakarta District Court issued a not-guilty verdict for Nurdin Halid, chairman of the Indonesian Distribution Cooperative (KDI), for whom a sentence of 20 years was sought for corruption involving cooking oil distribution.
- 20: Voting day in the gubernatorial election in North Sulawesi Province, the first direct election at the provincial level.
- 23: H. Said Agil Husin Al Munawar, former minister of religious affairs, was restrained in a corruption case involving the Mecca pilgrimage fund of the Ministry of Religious Affairs.
- 24: In accordance with the law (qonun) of NAD Province, 15 gamblers sentenced to whipping by the Bireun Islamic Court received their sentence in a main mosque plaza.
 - The Supreme Court reduced the sentence of Hutomo Mandala Putra (Tommy) Soeharto to 10 years at a retrial on the grounds that there was no danger he would intentionally run away.
- 28: The DPR approved the FY2005 revised budget.

July

- 1: The national police chief announced the arrest of 24 people related to Jemaah Islamiyah (JI).

- The central bank introduced inflation targeting policy.
- 5: A magnitude 6.7 earthquake occurred near Nias Island.
 - The central bank set the BI rate, a new interest rate accompanying the adoption of inflation targeting, at 8.5 percent.
 - The central bank announced measures to restrain the rupiah's fall, such as supplying fuel subsidies in dollars to Pertamina.
- 7: President Yudhoyono decided on seven members of the Prosecution Commission (Komisi Kejaksaan). The Attorney General announced the names of the commission members on the 11th.
 - Din Syamsuddin, head of the Indonesian Council of Ulama (MUI: Majelis Ulama Indonesia), was elected as Muhammadiyah chairman.
- 8: Gen. Sutanto was appointed as the new national police chief.
 - The International Convention on Maritime Liens and Mortgages, 1993, was ratified by the Presidential Regulation No. 44/2005.
- 10: President Yudhoyono promulgated Presidential Instruction (Inpres) No. 10/2005 concerning energy conservation.
 - Exxon Mobile agreed to a contract to supply gas to PT Pupuk Iskandar Muda, a fertilizer plant.
- 13: Foreign shareholders of Tangerang-Merak Toll Road Company decided to withdraw due to accumulated deficit.
- 14–15: The first Japan-Indonesia EPA negotiations were held in Jakarta.
- 15: Suspected bird flu deaths of three persons (father/children) residing in Tangerang.
- 17: The government and GAM agreed to the final draft of peace agreement documents.
- 18: A bird flu study team was formed.
 - The Ministry of Finance approved the sale of Lippo Bank stock held by Swissasia Global to the Malaysian firm Khazanah Nasional Berhad.
- 22: The government announced a policy package of fiscal and trade facilitation measures for bonded zones in Batam, Bintan, and Karimun islands.
- 24: Pertamina agreed to construct the Tuban Oil Refinery jointly with the Chinese company Sinopec.
- 27–30: President Yudhoyono made an official visit to China and met with Chinese President Hu Jintao on the 28th.
- 29: MUI held its seventh national congress and decided 11 fatwahas, including that pluralism and secularism are in opposition to the doctrine of Islam.
- 30: A magnitude 5.3 earthquake occurred near Nias Island.

August

- 1: Pertamina raised the market price of light oil and diesel oil for industrial use.
 - The 10 members of the Commission of Truth and Friendship (KPP) established together with East Timor government were decided. KPP operation began on the 11th.

- 2: Seven members of the Judicial Committee took an oath of office.
- 4: The West Java High Court decided that the results of the Depok city mayor election were invalid and that the Golkar Party's candidate had won.
- 8: During a visit to India, the Minister of Trade declared the start of joint research with India on the Comprehensive Economic Partnership Agreement (CEPA).
- 15: The government and GAM officially signed the peace agreement.
- 16: The foreign minister of the Netherlands recognized, for the first time, August 17, 1945, as the independence day of Indonesia.
- 18: Massive blackout occurred in the entire Java and Bali area.
- 23: Toll road fees raised an average of 15 percent.
- 25: A bomb exploded in Ambon, wounding nine people.
- 29: Nurcholish Madjid, an Islamic intellectual, died of liver disease at the age of 66.
 - The exchanged rate reached 10,840 rupiah/dollar, the lowest level in four years, since November 2001.
- 30: The President granted mass amnesty for 1,424 GAM members.
 - The central bank raised the BI rate to 9.5 percent.
- 31: The government announced an economic policy package in the four areas of energy, monetary, fiscal, and investment.

September

- 1: Pertamina raised the price of its high octane gasoline Pertamina, etc. Meanwhile, seven Pertamina employees were arrested on charges of smuggling petroleum fuel.
- 2: Huge landslides occurred due to heavy rain in Padang, resulting in 11 dead and 14 missing.
- 5: A Mandala Airline's plane originating in Medan failed on takeoff and crashed, killing the governor of North Sumatra.
- 6: The central bank raised the BI rate to 10 percent.
- 9: The Perum Bulog obtained a permit to import 250,000 tons of rice for a rationing program to the poor.
- 12: The Corruption Court sentenced KPU member Mulyana W. Kusumah to two years seven months in prison and levied a fine of Rp 50 million.
 - President Yudhoyono extended the term of the current Commander of Indonesian National Military (TNI) until December 31 due to the needs of disarmament in Aceh.
- 13: The Supreme Court sentenced Abdullah Puteh, an ex-governor of NAD Province, to 10 years in prison and levied a fine of Rp 500 million.
- 15: GAM began disarmament.
- 17: Exxon Mobile and Pertamina signed a joint development contract for the Cepu oil field.
- 18: TNI began full withdrawal by pulling out approximately eight hundred troops from Aceh.

- 19: The government declared an extraordinary situation (KLB) on bird flu. Lagunan Zoo was closed (and reopened on October 11).
- PT PLN (Persero), a state-owned electric power company, proposed periodically raising electric power rates in keeping with the rising petroleum fuel costs.
- 21: The government issued Rp 1 trillion worth of government bonds.
- 22: The Deposit Insurance Corporation (LPS: Lembaga Penjamin Simpanan) was established.
- 27: The DPR voted to approve the FY2005 second revised budget and decided to reduce petroleum fuel subsidies.

October

- 1: The government carried out a large petroleum fuel price hike of 108 percent on average and implemented the deregulation policy package involving taxation, customs, and transportation, etc., announced on the evening of September 30.
- A series of terrorist bombings occurred in Bali, leaving 23 dead.
- 2: Pertamina won the bid to develop oil fields in two drilling areas in Libya.
- 3: President Yudhoyono talked with Singaporean Prime Minister Lee Hsien Loong concerning terror countermeasures in Bali, etc.
- 4: The central bank raised the BI rate to 11 percent.
- 5: The government issued US\$1.5 billion worth of foreign bonds.
- 7: The Constitutional Court Chief Judge sent a letter to the President that inquired into the revision of the oil and gas act in relation to the petroleum fuel price hike.
- 11–13: The second Japan-Indonesia EPA talks were held in Tokyo.
- 15: The Vice President Kalla stated, “As a terror countermeasure, we will strengthen supervision of pesantren (Islamic boarding schools).”
- The state-owned gas company raised gas rates by 15 percent.
- 25: A new local religious group clashed with police outside of Palu, leaving five dead.
- 28: The DPR approved the FY2006 budget.
- 29: Three female high school students were murdered in Poso.
- 31: The Papua People’s Council (MRP: Majelis Rakyat Papua) was established, and 42 council members took office and began operation.

November

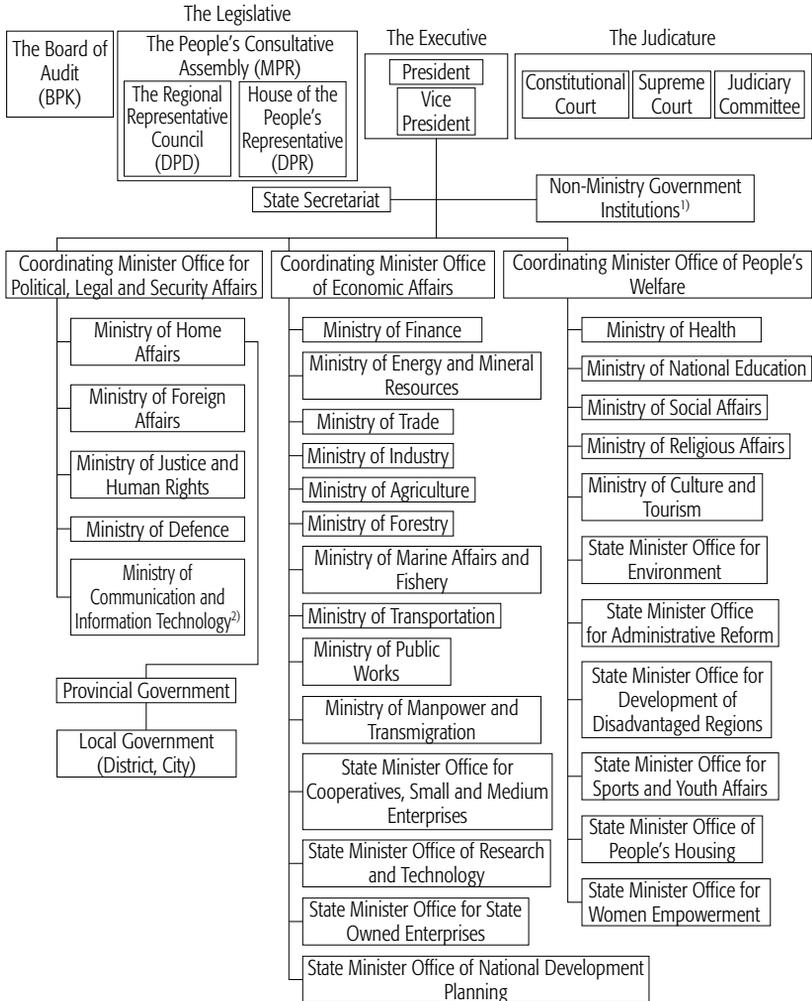
- 1: The minister of trade permitted the importation of 70,000 tons of Vietnamese rice by Bulog as the first round of rice importation.
- The minister of transportation obligated marine shipping companies to lower the terminal handling charge (THC).
- 3: A bomb exploded in Ambon.
- 8: Two girls were shot at in Poso.

- 9: The national police anti-terror special unit shot and killed Azahari bin Husin, who was wanted for terrorism, in Batu where he was in hiding. Positive fingerprint identification obtained on the 10th.
- The government proclaimed Presidential Regulation No. 67/2005, which prescribes the public and private risk apportionment in infrastructure development.
- 11: The national police uncovered a drug-making operation in Serang producing 100 kg/week, and arrested nine people.
- 17: President Yudhoyono gave a speech at the APEC Summit.
- 18: KPK questioned a Supreme Court chief justice, Bagir Manan, for nine hours.
- 22: The United States announced the lifting of the ban on shipment of weapons to Indonesia and the restriction on military cooperation.
- 23: President Yudhoyono visited India and agreed to construct a strategic partnership with India.

December

- 5: President Yudhoyono announced a cabinet reshuffle in Yogyakarta. Three new Cabinet members were appointed, including Boediono, former minister of finance who was the new coordinating minister of economic affairs. Three were transferred including Sri Mulyani Indrawati, former chairwoman of the National Development Planning Agency (Bappenas), who was appointed as the new minister of finance.
- 7: The reshuffled United Indonesia Cabinet (Kabinet Indonesia Bersatu) was launched.
- 14: The Corruption Court sentenced KPU Chairman Nazaruddin Sjamsuddin to seven years in prison and levied a fine of Rp 450 million.
- 15: The North Jakarta District Court declared Nurdin Halid not guilty of charges of smuggling sugar due to lack of records.
- 20: The Central Jakarta District Court sentenced Pollycarpus to 14 years in prison in the murder of human rights activist Munir in September 2004.
- 31: A bombing incident occurred in the pork market of Palu.

APPENDIX 14.1: STATE ORGANIZATION CHART



Notes: 1) National Development Planning Agency (Bappenas), National Institute of Public Administration (LAN), National Archives (ANRI), National Civil Service Agency (BKN), National Library, Badan Pusat Statistik (BPS), National Standardization Agency (BSN), Nuclear Energy Control Board (Bapeten), National Nuclear Energy Agency (Batan), National Intelligence Agency (BIN), National Logistics Agency (Bulog), National Family Planning Board (BKKBN), National Institute of Aeronautics and Space (LAPAN), National Coordinating Agency for Surveys and Mapping (Bakosurtanal), Financial and Development Supervisory Board (BPKP), Indonesian Institute of Science (LIPI), Agency for the Assessment and Application of Technology (BPPT), Investment Coordinating Board (BKPM), National Land Agency (BPN), Food and Drug Control Agency (BPOM), National Institute of Information (LIN), National Resilience Institute (Lemhanas).

2) Promoted from State Minister Office of Communication and Information by Presidential Regulation No. 5/2005 in January 31, 2005. Directorate General of Post and Telecommunication was removed from Ministry of Transportation to Ministry of Communication and Information Technology.

APPENDIX 14.2: THE UNITED INDONESIA CABINET

(Reshuffled in December 7, 2005)

<i>Post</i>	<i>Name</i>	<i>Born</i>	<i>Origin</i> ¹⁾	<i>Previous Post</i>
President	Susilo Bambang Yudhoyono	1949	Military (Retired)	Coordinating Minister for Political and Security Affairs
Vice President	Jusuf Kalla	1942	Businessman (Golkar)	Coordinating Minister of People's Welfare; Chairman of Bukaka Group
[Coordinating Minister]				
Coordinating Minister for Political, Legal and Security Affairs	Widodo A. S.	1944	Military (Retired)	Commander of National Military (TNI)
Coordinating Minister of Economic Affairs	Boediono ³⁾	1943	Bureaucrat	Minister of Finance; Deputy Governor of Bank of Indonesia; Chairman of Bappenas
Coordinating Minister of People's Welfare	Aburizal Bakrie ²⁾	1946	Businessman (Golkar)	Coordinating Minister of Economic Affairs; Chairman of Indonesian Chambers of Commerce (KADIN); Chairman of Bakrie Group
State Secretary	Yusril Ilhza Mahendra	1956	PBB	Minister of Justice and Human Rights; DPR Member; Head of PBB
[Minister]				
Minister of Home Affairs	H. Moh. Ma'ruf	1942	Military (Retired)	Ambassador to Vietnam; Head of Yudhoyono Success Team
Minister of Foreign Affairs	Nur Hassan Wirajuda	1948	Bureaucrat	Director General of Political Affairs, Ministry of Foreign Affairs
Minister of Defence	Juwono Sudarsono	1942	Scholar	Ambassador to UK; Minister of Defence and Security; Minister of Education and Culture
Minister of Justice and Human Rights	Hamid Awaluddin	1960	Scholar	General Election Committee Member
Minister of Finance	Sri Mulyani Indrawati ^{2) 4)}	1962	Scholar	Executive Director of IMF; Chairman of Bappenas
Minister of Energy and Mineral Resources	Purnomo Yusgiantoro	1951	Scholar	Advisor to Minister of Mining and Energy; Vice Rector of National Resilience Inst. (LEMHANAS)
Minister of Industry	Fahmi Idris ²⁾	1943	Businessman (former Golkar)	Minister of Manpower; Vice Chairman of Golkar Party
Minister of Trade	Mari Elka Pangestu ⁴⁾	1956	Scholar	Executive Director of Centre for Strategic International Studies (CSIS)
Minister of Agriculture	Anton Apriyantono	1959	Scholar(PKS)	Lecturer of Bogor Agricultural Institute (IPB)
Minister of Forestry	H. M. S. Kaban	1958	PBB	Secretary General of PBB
Minister of Transportation	M. Hatta Rajasa	1953	PAN	Secretary General of PAN; Head of DPR Reformasi Fraction
Ministry of Marine Affairs and Fisheries	Freddy Numberi	1947	Military (Retired) Bureaucrat	Ambassador to Italy; State Minister for Administrative Reform
Minister of Manpower and Transmigration	Erman Suparno ³⁾	1950	PKB	Treasurer of PKB; DPR Member (PKB)
Minister of Public Works ⁴⁾	Djoko Kirmanto	1943	Bureaucrat	Director General of Housing Development, the Ministry of Settlement and Regional Infrastructure (Kimpraswil)
Minister of Health	Fadilah Supari ⁴⁾	1950	Scholar (Muhammadiyah)	Head, Central Data of Research and Technology for Cardiac Therapy, Harapan Kita Hospital
Minister of National Education	Bambang Sudibyo	1952	Scholar(PAN)	Minister of Finance; Lecturer of Gajah Mada University

<i>Post</i>	<i>Name</i>	<i>Born</i>	<i>Origin¹⁾</i>	<i>Previous Post</i>
Minister of Social Affairs	H. Bachtiar Chamsyah	1945	PPP	Vice Secretary General of PPP
Minister of Religious Affairs	M. Maftuh Basyuni	1939	Religious Leader (NU)	Ambassador to Saudi Arabia; State Secretary
Minister of Culture and Tourism	Jero Wacik	1949	Businessman (PD)	Tourism Businessman; Yudhoyono Success Team Member of PD in Bali
Ministry of Communication and Information Technology	Sofyan Djilil	1953	Scholar	Auditor of PT Kimia Farma; Auditor of PT PLN
[State Minister]				
State Minister of Research and Technology	Kusmayanto Kadiman	1954	Scholar	Rector of Bandung Technology Institute (ITB)
State Minister for Cooperatives, Small and Medium Enterprises	H. Suryadharma Ali	1956	PPP	PPP Central Board Member; DPR Member; Hero Group High-rank Official
State Minister for Environment	Rachmat Witoelar	1941	Politician	Ambassador to Russia; Secretary General of Golkar
State Minister for Women Empowerment	Meutia Farida Hatta Swasono ⁴⁾	1947	Scholar (PKPI)	Secretary General of State Minister Office for Culture and Tourism
State Minister for Administrative Reform	Taufik Effendi	1941	Police (Retired, PD)	DPR Member; Vice Secretary General of PD
State Minister for Development of Disadvantaged Regions	Saifullah Yusuf	1964	PKB	Chairman of NU Youth Front (Ansor); DPR Member (PKB)
State Minister of National Development Planning	Paskah Suzetta ³⁾	1953	Businessman (Golkar)	Chairman of DPR Commission 11
State Minister for State Owned Enterprises	Sugiharto	1955	Businessman (PPP)	Treasurer of MEDCO Group
State Minister of People's Housing	Muhammad Yusuf Asy'ari	1945	PKS	Advisor to RCTI; Auditor of Bimantara Group
State Minister for Sports and Youth Affairs	Adhyaksa Dault	1963	PKS	Chairman of Indonesian National Youth Committee (KNPI)
[Ministrial Level]				
Cabinet Secretary	Sudi Silalahi	1949	Military (Retired)	Assistant to Coordinating Minister for Political and Security Affairs
Attorney General	Abdul Rachman Saleh	1941	Lawyer (PBB)	Judge of Supreme Court

Notes: 1) PKB: National Awakening Party; PBB: Star and Moon Party; PAN: National Mandate Party; NU: Nahdlatul Ulama; PD: Democrat Party; PPP: United Development Party; PKPI: Justice and Unity Party; PKS: Prosperous Justice Party.

2) Removed by Cabinet Reshuffle.

3) Newly posted by Cabinet Reshuffle.

4) Female.

APPENDIX 14.3: HIGH-RANKING OFFICIALS OF NATIONAL MILITARY (TNI)

<i>January 2005</i>	
Supreme Commander of TNI	Susilo Bambang Yudhoyono
Commander of TNI	Gen. Endriartono Sutarto (Army)
National Chief of Police	Gen. Da'I Bachtiar (Police)
Chairman of National Intelligence Agency (BIN)	Retired Lt. Gen. Sjamsir Siregar (Army)
Chief of Staff of General Affairs (Kasum)	Air Marshal Wartoyo (Airforce)
Chief of the Army (KSAD)	Gen. Ryamizard Ryacudu (Army)
Commander of Army Strategic Reserve Command (Kostrad)	Lt. Gen. Hadi Waluyo (Army)
Commander of Army Special Force Command (Kopassus)	May. Gen. Sriyanto (Army)
Chief of the Navy (KSAL)	Vice Adm. Bernard Kent Sondakh (Navy)
Chief of the Airforce (KSAU)	Air Marshal Chappy Hakim (Airforce)
Kodam (Military Territorial Command) Commander	
Kodam I (Bukit Barisan) / North Sumatra	May. Gen. Tri Tamtomo (Army)
Kodam II (Sriwijaya) / South Sumatra	May. Gen. Syahrial BP (Army)
Kodam III (Siliwangi) / West Java	May. Gen. Iwan Ridwan Sulandjana (Army)
Kodam IV (Diponegoro) / Central Java	May. Gen. Soenarso (Army)
Kodam V (Brawijaya) / East Java	May. Gen. Ahmad Djunaidi Sikki (Army)
Kodam VI (Tanjungpura) / Kalimantan	May. Gen. Herry Tjahjana (Army)
Kodam VII (Wirabuana) / Sulawesi	May. Gen. Suprpto S. (Army)
Kodam IX (Udayana) / Bali, Nusa Tenggara	Brig. Gen. Supiadin Yusuf (Army)
Kodam X (Jaya) / Jakarta	May. Gen. Agustadi S.P. (Army)
Kodam XVI (Pattimura) / Maluku	May. Gen. Syarifuddin Summah (Army)
Kodam XVII (Trihora) / Papua	May. Gen. Nurdin Zainal (Army)
Kodam Iskandar Muda / Aceh	May. Gen. Endang Suwarya (Army)

- Notes: 1) Inaugurated in February 13, 2006.
 2) Inaugurated in July 8, 2005.
 3) Announced in December 29, 2005.
 4) Inaugurated in February 18, 2005.
 5) Inaugurated in February 14, 2005.
 6) Inaugurated in February 13, 2006, after Air Marshal Djoko Suyanto (inaugurated as Chief of Airforce in February 18, 2005) was removed to Commander of TNI.

 February 2006

Supreme Commander of TNI	Susilo Bambang Yudhoyono
Commander of TNI	Gen. Djoko Suyanto (Airforce) ¹⁾
National Chief of Police	Gen. Sutanto (Police) ²⁾
Chairman of National Intelligence Agency (BIN)	Retired Lt. Gen. Sjamsir Siregar (Army)
Chief of Staff of General Affairs (Kasum)	Lt. Gen. Endang Suwarya (Army) ³⁾
Chief of the Army (KSAD)	Gen. Djoko Santoso (Army) ⁴⁾
Commander of Army Strategic Reserve Command (Kostrad)	Lt. Gen. Hadi Waluyo (Army)
Commander of Army Special Force Coomand (Kopassus)	May. Gen. Syaiful Rizal (Army) ⁵⁾
Chief of the Navy (KSAL)	Vice Adm. Slamet Subianto (Navy) ⁴⁾
Chief of the Airforce (KSAU)	Air Marshal Herman Prayitno (Airforce) ⁶⁾
Kodam (Military Territorial Command) Commander	
Kodam I (Bukit Barisan) / North Sumatra	May. Gen. Lilik AS Sumaryo (Army) ⁷⁾
Kodam II (Sriwijaya) / South Sumatra	May. Gen. Syahrial BP (Army)
Kodam III (Siliwangi) / West Java	May. Gen. Sriyanto (Army) ⁸⁾
Kodam IV (Diponegoro) / Central Java	May. Gen. Soenarso (Army)
Kodam V (Brawijaya) / East Java	May. Gen. Syamsul Mapareppa (Army) ⁹⁾
Kodam VI (Tanjungpura) / Kalimantan	May. Gen. Erwin Sujono (Army) ¹⁰⁾
Kodam VII (Wirabuana) / Sulawesi	May. Gen. Arief Budi Sampurno (Army) ⁹⁾
Kodam IX (Udayana) / Bali, Nusa Tenggara	May. Gen. Zamroni (Army) ¹¹⁾
Kodam X (Jaya) / Jakarta	May. Gen. Agustadi S.P. (Army)
Kodam XVI (Pattimura) / Maluku	May. Gen. Syarifuddin Summah (Army)
Kodam XVII (Trihora) / Papua	May. Gen. George Toisutta (Army) ⁹⁾
Kodam Iskandar Muda / Aceh	May. Gen. Supiadin Yusuf (Army) ¹⁰⁾

 7) Announced in October 20, 2005.

8) Inaugurated in February 14, 2005.

9) Announced in May 16, 2005.

10) Announced in March 30, 2005.

11) Announced in October 20, 2005 after May. Gen. Herry Tjahjana (announced as Kodam IX Commander in March 30, 2005) was removed to Vice Chief of the Army.

APPENDIX 14.4: HOUSE OF THE PEOPLE'S REPRESENTATIVE (DPR) (as of January 31, 2006)

	<i>Name</i>	<i>Political Party</i>
Chairman	Agung Laksono	Golkar
Vice chairman	Soetardjo Soerjogoeritno	PDIP
Vice chairman	Muhaimin Iskandar	PKB
Vice chairman	Zaenal Ma'arif	PBR
Commission 1 (Defence, Diplomacy, Information) head	Theo L. Sambuaga	Golkar
Commission 2 (Administration, Local Autonomy, Land) head	E. E. Mangindaan	PD
Commission 3 (Law, Human Rights, Security) head	Timedya Panjaitan	PDIP
Commission 4 (Agriculture, Forestry, Fishery) head	Yusuf Faishal	PKB
Commission 5 (Telecommunication, Public Works, Regional Development) head	Achmad Muqowam	PPP
Commission 6 (Trade, Industry, Investment, Business) head	Didik J. Rachbini	PAN
Commission 7 (Mining, Energy, Environment) head	Agusman Effendi	Golkar
Commission 8 (Religion, Social Affairs) head	Hazrul Azwar	PPP
Commission 9 (Population, Health, Manpower) head	Ribka Tjiptaning	PDIP
Commission 10 (Education, Culture, Tourism) head	Zuber Safawi	PKS
Commission 11 (Finance, National Development) head	Awal Kusumah	Golkar
Budget commission	Izedrik Emir Moeis	PDIP
Honorable commission	Slamet Effendy Yusuf	Golkar

Source: Website of DPR (<http://www.dpr.go.id>) and others.

APPENDIX 14.5: MAJOR STATISTICS

1. General

	1999	2000	2001	2002	2003	2004	2005
Population (million persons)	...	205.84	...	212.00	215.28	217.85	...
Number of workers (1,000 persons)	94,847	95,650	98,812	100,779	100,316	103,973	106,888*
Increase in consumer price index (%)	2.0	9.4	12.6	10.0	5.2	6.4	17.1
Unemployment rates (%)	6.4	6.1	8.1	9.1	9.5	9.9	10.8*
Exchange rates (US\$1=Rupiah, annual average)	7,855.2	8,421.8	10,260.9	9,311.2	8,577.1	8,938.9	9,704.7

Source: Badan Pusat Statistik (BPS), *Statistik Indonesia, 2000–2004*; IMF, *International Financial Statistics*, February 2006.

Note: Population figures are estimates of BPS, except data for 2000 which is from a population census in 2000. Number of workers refers to the economically active population aged 15 years and over.

* indicates preliminary figures as of October 2005.

2. Gross Domestic Product by Type of Expenditure (at current prices)

	(Billion rupiah)					
	2000	2001	2002	2003	2004 ^{a)}	2005 ^{b)}
Private consumption expenditure	856,798	1,039,655	1,231,965	1,372,078	1,532,888	1,785,596
Government consumption expenditure	90,780	113,416	132,219	163,701	191,056	224,981
Gross domestic fixed capital formation	275,881	323,875	353,967	392,789	492,850	599,795
Change in stock ^{c)}	20,138	71,166	30,426	-42,996	-49,448	-1,002
Export of goods and services	569,490	642,595	595,514	613,721	729,321	915,610
Import of goods and services (-)	423,318	506,426	480,815	462,941	623,525	797,276
Gross domestic product (GDP)	1,389,770	1,684,281	1,863,275	2,036,352	2,273,142	2,729,708
Net factor income from abroad	-92,162	-61,051	-54,513	-77,414	-78,414	-85,355
Gross national product (GNP)	1,297,608	1,623,229	1,808,762	1,958,938	2,194,728	2,644,354

Source: Statistical data announced by BPS in February 2005 and February 2006.

Note: a) Preliminary figures; b) Very preliminary figures; c) Includes statistical discrepancy.

3. Gross Domestic Product by Industries (at constant 2000 prices)

	(Billion rupiah)					
	2000	2001	2002	2003	2004 ^{a)}	2005 ^{b)}
Agriculture, livestock, forestry & fishery	216,831	225,686	232,974	240,387	248,223	254,391
Mining & quarrying	167,692	168,244	169,932	167,604	160,100	162,642
Manufacturing	385,598	398,324	419,388	441,755	469,952	491,700
Electricity, gas & water supply	8,394	9,058	9,868	10,349	10,890	11,597
Construction	76,573	80,080	84,470	89,622	96,334	103,404
Trade, hotel & restaurant	224,453	234,273	243,409	256,517	271,105	294,396
Transport & communication	65,012	70,276	76,173	85,458	96,897	109,467
Financial, ownership & business services	115,463	123,085	130,928	140,374	151,188	161,960
Services	129,754	133,957	138,982	145,105	152,137	159,991
Gross domestic product (GDP)	1,389,770	1,442,985	1,506,124	1,577,171	1,656,826	1,749,547
Real growth rates of GDP (%) ^{c)}	- (4.9)	3.8 (3.5)	4.4 (3.7)	4.8 (4.1)	5.1	5.6

Source: Same as Table 2.

Note: a) Preliminary figures; b) Very preliminary figures; c) Real growth rates of GDP in parentheses are at constant 1993 prices.

4. Foreign Trade by Country and Area

Country / Area	(US\$ million)					
	2002		2003		2004	
	Exports	Imports	Exports	Imports	Exports	Imports
USA	7,558.6	2,639.9	7,373.7	2,694.8	8,767.3	3,225.4
Japan	12,045.1	4,409.3	13,603.5	4,228.2	15,962.1	6,081.6
Asian NIEs						
South Korea	4,107.2	1,646.8	4,323.8	1,527.9	4,830.2	1,942.6
Hong Kong	1,242.3	240.7	1,183.3	222.2	1,387.5	266.7
Taiwan	2,067.5	1,010.4	2,233.1	877.1	2,854.3	1,240.3
ASEAN	9,933.5	6,767.4	10,725.4	7,729.9	12,997.5	11,494.4
Malaysia	2,029.9	1,037.4	2,363.8	1,138.2	3,016.0	1,681.9
Thailand	1,227.4	1,190.7	1,392.6	1,701.7	1,976.2	2,771.6
Philippines	778.2	113.7	944.7	182.6	1,237.6	228.6
Singapore	5,349.1	4,099.6	5,399.7	4,155.1	6,001.2	6,082.8
China	2,902.9	2,427.4	3,802.5	2,957.5	4,604.7	4,101.3
Australia	1,924.4	1,587.2	1,791.6	1,648.4	1,887.4	2,214.9
EU	8,137.2	3,871.1	8,206.1	3,554.2	9,005.6	5,252.2
Others	7,240.1	6,688.8	7,815.2	7,110.5	9,288.0	10,705.1
Total	57,158.8	31,288.9	61,058.2	32,550.7	71,584.6	46,524.5

Source: BPS, *Statistik Indonesia, 2004*.

Note: ASEAN in total includes Brunei, Viet Nam, Cambodia, Laos, and Myanmar.

5. Balance of Payments

	(US\$ million)					
	1999	2000	2001	2002	2003	2004
Trade balance of goods	20,643	25,042	22,696	23,513	24,562	21,552
Exports, fob	51,242	65,407	57,365	59,165	64,109	72,167
Imports, fob	-30,598	-40,365	-34,668	-35,652	-39,546	-50,616
Service balance	-6,973	-9,797	-9,906	-9,902	-11,728	-10,879
Income balance	-8,997	-8,443	-6,936	-7,048	-6,217	-8,705
Current transfers	1,109	1,190	1,046	1,259	1,489	1,139
Current account	5,783	7,992	6,901	7,822	8,106	3,108
Capital and financial account	-5,945	-7,896	-7,617	-1,102	-949	2,611
Direct investment	-1,866	-4,550	-2,977	145	-597	1,023
Portfolio investment	-1,792	-1,911	-244	1,222	2,251	3,136
Other investment	-2,287	-1,435	-4,396	-2,469	-2,604	-1,547
Net errors and omissions	2,080	3,822	714	-1,691	-3,503	-5,412
Overall balance	1,918	3,918	-3	5,029	3,654	307
Reserve asset changes	3,292	5,042	-1,378	4,023	4,257	25
Purchases of IMF fund	-1,373	-1,123	-397	-1,415	-1,959	0
Repurchases of IMF fund	0	0	1,772	2,421	1,356	983
Reserve asset position	27,054	29,394	28,016	32,039	36,296	36,320
Current account/GDP (%)	4.1	5.3	4.2	3.9	3.4	1.1
Debt service ratio (%)	57.0	41.1	41.4	33.1	32.2	28.8

Source: Bank Indonesia, *Statistik Ekonomi Keuangan Indonesia*, December 2004 and September 2005.

Note: The data on reserve asset change in 2000 is inconsistent with the position. Debt service ratio is the ratio of external debt service payments to export of goods and services.

