

**Vol. 10, no. 3 (Summer 2011)****Indonesia: A Quest for Modernity***Craig Stevenson***Introduction**

This article is written to review Indonesia, a fascinating country with great diversity in people, religion, geography, and economic potential where a definitive future is neither assured, nor even predictable. Where great histories have been told of the Silk Road, the trade in fine goods, gems and spices from India or China to the West, great stories have been forgotten about Indonesia, the so-called Spice Islands, and adjacent lands which were integral components of ancient trade routes. The region's importance as a receiver, transmitter, and supplier of goods and knowledge, sitting astride some of the most important transportation routes of the ancient world, is oft forgotten in modern narratives. In the case of Indonesia, it might be said, that as it had been in the past, it is, and might be more so into the future.

**Between Opportunity and Uncertainty**

Traditionally, in the review of a country, as with a company, one reviews the strengths and weaknesses, the opportunities, and threats as perceived from environmental factors. This is a useful and productive practice. In the case of Indonesia one could identify strength in population, natural resources, bio-diversity, geography, and similar factors. Toward weakness, one could highlight a continuing and pervasive poverty, need for institutional strengthening, need for human capital development, and a pervasive need for investment across a broad measure of indicators. In consideration of the nation's great opportunity, and some of the uncertainties arising from its growing prominence, this article will review economic considerations, natural resources, international relations and internal stability to highlight likely evolutions.

**Trends to Review**

- Economic, Political, Cultural evolutions between Indonesia and ASEAN, China, India, the Muslim World, and the Developed World
- Pace of global growth; pace of growth in Trade and Investment between actors and Indonesia; especially within Industrial, Service, and Infrastructural Sectors
- Strengthening of Institutions, stability in the transition of power, foreign investment laws, success of endeavors related to enhancing human capital development

## **Economic Considerations**

The future will see Indonesia's rise in economic, political and geographical importance. Yet, as the region and broader world go, so goes Indonesia. Positioned equidistant between two rising economic powers, China and India, and within a third, the ASEAN bloc, Indonesia shares many characteristics, problems, and opportunity horizons as exist elsewhere in the region. As a member of the recently envisioned CIVETS and N-11 groupings of nations, Indonesia stands just behind China and India in large country growth rates and has a diverse industrial and natural resource base from which to grow its economy. From USD 700B at present, Indonesian GDP might range near 2 Trillion in 2030, rising to a mid-range middle income country status. Long-run economic growth rates are expected to vacillate between 4% and 7% in annual growth, similar to experience in the previous decade when the economy tripled in size.

Where the nation is poised to play a greater role in the global economy over the coming decades, great investments will need to be made in improving its soft and hard infrastructure. This is no easy task for a country of 17,000 islands, comprised of more than 300 ethnicities, speaking more than 700 languages. Investments will range from transportation to water, from ports to human capital development unto enhancement of informational technology networks. In meeting associated goals, greater reliance upon the financial resources of large trading partners and global capital will be necessary because neither government finances nor local wealth is of such a magnitude to accomplish desired tasks alone.

## **National Resources**

From the hills of Sumatra to the jungles of Irian Jaya, Indonesia is a wide and diverse producer of renewable and extractive resources; such are an important component of the domestic economy, not for their mere abundance, but, rather, for their great diversity. From oil and natural gas to gold, tin, wood, or bauxite, Indonesia is an important producer of resources for Asian and Global supply chains. While resources are, and will continue to be, important components of the Indonesian economy, it should be noted that these are neither the most important ingredient of development, nor could they, alone, translate into a broader prosperity. The reason for this is simple; natural resources are but 30% of exports where exports equal but 30% of the economy for a 9% share of GDP. Recent history, if not longer term reviews, would show natural resources to be just one piece of a broader development puzzle. In the complex set of interactions that make for the broad-based development of a nation, human capital development, deep and sound financial markets, a diverse industrial production and service sector, strong institutions, and longer term time horizons, responsive to changing global circumstances, are rather more important than the marginal benefits gained from the mere extraction of natural resources.

## **International Relations**

The character of Indonesia's future international relations is multiplicative. While its importance in the Muslim World should not go unnoticed, Indonesia's rise on the world stage will be more greatly focused regionally. In regional bodies, between the dominant actors in the region, and actors further afield, Indonesia's strategic importance is unsurpassed. Recent rapprochement between Indonesia and the United States, the strengthening of relationships with India and China, and longer held relationships with ASEAN and Japan, illustrate the importance of the country.

As a model for a potentially democratizing Arab world, Indonesia stands as but one of a few Muslim democracies in the world whose policy of a common national identity supersedes religious identification. As such, the success of Indonesia is an important case toward ethnic and religious harmony

in the greater world. From such, it could be ascertained that Indonesia's profile as a bridge between ethnicities, regions, religions, and other variety of systems should advance over the coming decades.

As the nation becomes a more integral component of the global community of nations, and regarded as such by others of similar importance in the Muslim world, it can be assumed that actors will promote Indonesia's prominence and presence in the important dialogues of global relevance. However, within the narratives of cultural and religious similarity and difference, questions as to authenticity and heterodoxy might need to be overcome prior to Indonesia's relevance as an equal among culturally similar nations can equate to a similar quality on a greatly misunderstood street. Even within the nation, some notions to orthodoxy and heterodoxy need be addressed, as the nation evolves in stability.

### **Internal Stability**

A common uncertainty and concern to reviewers of Indonesia would be conflicts born of the country's great diversity; secessionist movements, inter-cultural and ethnic conflict. Disintegration of the nation would have ramifications globally in terms of natural resources, trade and energy; impacts would be felt strongest elsewhere in the region leading and in markets globally. Having said such, there are a number of reasons to believe that the nation will endure and these stem from the primacy of Indonesian national identity (Pancasila), the growing importance of the nation globally, and the fact that most economic production occurs on the island of Java, where most of the population resides. Present dialogues revolve around the real, and enduring, secessionist movements occur in the resource rich provinces of Aceh and West Papua. The roots of secessionist movements are to be found in Jakarta's perceived exploitation of provincial resources and the marginalization of native communities. Were these regions to secede, there would likely be some local disruptions of lesser impact on the vast majority of the population than is usually assumed. Although important to the national economy and to markets globally, the annual value of resources extracted nationally in totality pale in comparison with the economy of Java, at 60% of national GDP, and do not quite match the economy of Jakarta, at 10% of GDP. Further, Indonesia's strategic geography and its increasing nexus of relations all work toward stability while ensuring global support in the case of tensions.

### **Conclusion**

While the nation will receive increasing investment and interest from regional and global partners, questions as to a broader based prosperity remain to be answered. While the general direction is to rise, the eventual destination of the average Indonesian is uncertain. The advance of prosperity for a people is largely dependent upon a milieu of factors that enable actors to turn change into opportunity in an evolving era of perpetual uncertainty. Where development is concerned, needed and required, the creation of a true and lasting prosperity is a longer term endeavor than that reviewed within this article.

Will the country advance from its status as a lower middle income country? Most probably, yes. Will this require factors, and the support of actors, both internal and external to the nation? Yes. Where the engagement of Indonesia is occurring on so many fronts, and in so many ways, it is certain the country will rise in prominence. Less certain are the timeframes involved to build the very many institutions and systems necessary to lead the average citizen toward prosperity in the ways that are commonly imagined within current dialogues in the present era.