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INDONESIA AND SEPARATISM: FINDING A FEDERALIST SOLUTION

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Since East Timor's violent separation from Indonesia last year, the resilience of the Indonesian state has become an increasing U.S. security and economic concern. Indonesia is the fourth most populous country in the world and the largest economy in Southeast Asia. It sits astride important sea-lanes of communication and trade, and its political and economic stability directly influences the security and prosperity of U.S. allies and friends in the Association of Southeast Asian Nations (ASEAN) and across the world. In the three years since Indonesia's political and financial crises began, the stability of the region has been weakened and U.S. exports to Indonesia have been cut in half. This situation is unlikely to improve until Indonesia achieves political and economic stability. The United States can help Indonesia in this respect by sharing the core principles of federalism that could strengthen the nation and by avoiding actions that would increase tension between civilians and the military and national police forces.

The Roots of the Turmoil. Indonesia is a vast archipelago of 13,000 islands with a culturally disparate people who speak over 200 languages. Nevertheless, for decades the central government in Jakarta has run the country as a "unitary state." It makes all decisions concerning the political, economic, security, and cultural issues of the provinces. Until very recently, local officials down to the village level were appointed by Jakarta, not elected, and were frequently ethnic Javanese assigned to the outer islands. Local decisions have

even been overturned by the military, which has a regional security apparatus paralleling the national political system. As a result, there is a great deal of unrest in the provinces.

The lack of revenue is also an increasing source of tension. The provincial governments have limited power to tax or raise revenue. The central government's principal source of revenue—which funds 75 percent of the national budget—is oil, primarily from the outer islands. Yet very little of that revenue is given back to them. Money that does return to the provinces usually benefits Jakarta-appointed bureaucrats or government-owned businesses. Indigenous populations find it difficult to get jobs in the local government, and the military controls most of the state-owned enterprises. Most Indonesians feel that members of the military are more interested in protecting their business interests and institutional political rights than in national security.

The repression of civilians by the army and the national police has made them the country's most hated and distrusted institutions. However, none of

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the insurgent groups that arose to battle the injustices has met with much success. In some cases, insurgents have practiced indiscriminate killing, kidnapping, and intimidation of innocent civilians and destruction of foreign-owned property and businesses. Rather than build support for their causes, this behavior strengthens the hand of Jakarta.

Separatist grievances focus on access to revenue and the inability of the provinces to pass and enforce local civil and criminal laws. Relieving the causes of the endemic insurrections will be difficult, but not an insurmountable task. The adoption of a system based on federalism could resolve the grievances and weaken the insurrection movements.

First Steps to Federalism. In response to calls from provincial leaders for more local authority, Indonesia passed two laws in 1999—one on “Local Governance” and another on the “Financial Balance Between Central and Regional Governments.” The laws offer a formula for dividing revenue, which would permit the local governments to have semi-independent budgets. The laws, though well-intentioned, are not broad statements of provincial rights. They were written in Jakarta with little provincial input and are regulatory in nature. The final divisions of authority and revenue protect the central government and its budget. Thus, the laws do not go far enough to satisfy the needs of the local governments or to establish a more workable relationship based on federalism.

U.S. Policy. It is the policy of the United States to respect Indonesia’s territorial integrity and international boundaries. But fears are growing that East Timor’s secession could inspire the disintegration of the Indonesian state, which would destabilize the region and affect trade with the U.S. and Asian countries. East Timor, however, is an exception: Indonesia did not inherit the half-island from its colonial predecessor; Jakarta annexed it away from nascent independence after Portugal withdrew in 1975. As a result, East Timor’s independence movement gained broad international support. No other independence movement in Indonesia has achieved such international cachet.

U.S. policy under President Bill Clinton has focused on strengthening and supporting the central government in Jakarta. The U.S. Department of State is planning to spend \$125 million in fiscal year 2000 to strengthen the country’s nascent democratic institutions, the judicial system, civil society, and the institutions of the national and local parliaments.

To increase stability in the region and reduce the threat of separatism, more emphasis should be placed on strengthening the newly elected provincial parliaments and governors and devolving more power to the provinces. To assist Indonesia in this effort, the United States should:

- **Promote substantive devolution of power to the provinces.** The United States, as the world’s foremost constitutionally based federal republic, must clearly articulate its support of federalism. Public diplomacy that promotes devolution of power to the levels of government closest to the people will have the most significant long-term effects.
- **Continue the President’s September 1999 ban on military-to-military engagement.** The U.S. military should not resume activities with the Indonesian military, which has lost respect with the people because of repression and illegal activities, until it has dismantled its regional security apparatus and divested its business interests.
- **Encourage the formation of local police forces.** Police units under the control of the provincial and local governments would enable these authorities to enforce local laws and reduce the role of national police.

Promoting federalism is the best way to reinvigorate Indonesia’s economy and address the root causes of the current instability.

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