

Chapter 4 Decentralization: Seeking a New Central-Regional Relationship

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シリーズタイトル(英)	IDE Spot Survey
シリーズ番号	17
journal or publication title	Indonesia Entering a New Era - Abdurrahman Wahid Government and Its Challenge
page range	[37]-47
year	2000
URL	http://hdl.handle.net/2344/00010360

Chapter 4

Decentralization: Seeking A New Central-Regional Relationship

Unity in diversity – unity wavers when diversity is overemphasized, while diversity suffers when unity comes first. Indonesia, a multi-ethnic nation, is pursuing a nation-building dream that represents a tough challenge yet has to be delivered.

This may be rephrased in that “diversity” is oriented toward localization while “unity” represents a move toward centralization. Once the nation-building foundation of a state has been laid it inevitably finds the reason for its existence in sustaining the state itself. Soeharto, Indonesia’s second president, who ruled the country for 32 years after taking over from founding President Soekarno, took to heart the experiences of revolts in Sumatra and Sulawesi in the 1950s. Firmly convinced that “national unity has to come first in reigning over diversity,” he pushed ahead with the centralization of power, using military pressure when necessary. Centralizing power in the hands of the national government was regarded as a necessary condition for stable economic development. As a consequence of this policy, regional governments lost initiative in economic development and were effectively reduced to bodies that obsequiously followed policies laid out by the central government.

The end to the Soeharto era in May 1998 gave rise to strong national sentiment that a move away from authoritarian government was required. This in turn raised the issue of a transfer of power to regional governments, that is, toward decentralization. B.J. Habibie, who succeeded Soeharto as the country’s third president, thought it important to lift the status of regions, particularly outer islands (non-Java) other than Java. Looked upon as a politician trained and raised by Soeharto, Habibie realized that it was important for him to quickly shed his Soeharto-like image and may have thought that rejecting the centralization of power and the Java-first policy deeply associated with Soeharto’s rule would produce an immediate result. Habibie, who was born in Parepare, South Sulawesi Province, with a Buginese father hailing from Gorontalo, North Sulawesi Province, was widely regarded as a symbol of “non-Java,” even though his mother is Javanese.

Decentralization in Indonesia took a gigantic step forward with the April 1999 enactment of the

law on regional government administration (Law No. 22 of 1999) and the law on balanced budgets between the central and regional governments (Law No. 25 of 1999) under the Habibie government. This chapter examines the provisions of the newly enacted laws in the context of Habibie’s regional concept of the “Eastern Area of Indonesia (EAI)”. Also it gives consideration to the future course of decentralization and the new relationship between central and regional governments seen under the new government of Abdurrahman Wahid, launched in October 1999.

4.1 Politicized Concept of Region: Eastern Area of Indonesia (EAI)

Generally speaking, the terms “central” and “regional” are often used as a set concept. But the central-regional relationship can also be understood as a stratified relationship that involves a hierarchy among regions – upper and lower regions. In other words, within the basic framework of regions (provinces) looking up to the center (Jakarta), a sort of control-subordination relationship exists among regions, in the form of districts following provinces (provincial capitals), sub-districts following districts (district capitals), and villages following sub-districts.¹ Within this structure a provincial government may complain that “the central government does not listen to anything the province says,” but that provincial government is in turn the target of criticism by a district government that “the provincial government does not listen to anything the district says.” This stratified control-subordination relationship between central and regional governments and between upper and lower regions does exist in each level of regions, though the intensity of that relationship may differ depending on the region. When the regions acutely recognize the relationship as being too much to bear, the awareness motivates movements to eliminate the control-subordination relationship, meaning the alienation and separation from the existing system of government.

On top of this stratified central-regional relationship comes the idea of geographical discrimi-

nation between Java and non-Java, and between the Western Area of Indonesia (WAI or *Kawasan Barat Indonesia*: KBI) and the Eastern Area of Indonesia (EAI or *Kawasan Timur Indonesia*: KTI). "Non-Java" is inclined to recognize Java as synonymous with the capital Jakarta, since "Java" represents not only the region of Java but also the Javanese who dominate the central government. Also, because "Java" is geographically included in the WAI, the EAI often recognizes Java as synonymous with the WAI. Most regions of Java Island, in fact, feel strongly that they are subordinate to the center (Jakarta) and are not so united as "Java", as "non-Java" often oversimplifies. Nonetheless, "non-Java" and the "EAI" share a joint perception that they have long been forced into the state of subordination at the hands of "Java" and the "WAI".

Geographical discrimination between the WAI and EAI is the idea that surfaced in the early 1990s.² At that time, while private business groups were taking advantage of economic liberalization to step up business activities, the widening income gap between regions emerged as a problem. In December 1990, the Association of Indonesian Muslim Intellectuals (ICMI) was established with Habibie, then the state minister of research and technology, as its chairman. ICMI intellectuals vocally criticized big business groups (mainly targeted at ethnic Chinese business groups) and demanded a correction in the gap between rich and poor.

While President Soeharto first underscored the importance of development of the EAI in his 1990 New Year address, it was Habibie, ICMI chairman, who took over the idea and carried the torch of the EAI development. Presidential Decision No. 123 in 1993 established the EAI Development Council (*Dewan Pengembangan Kawasan Timur Indonesia*: DP-KTI) as a state organization headed by the president. The one who assumed the post of the council's daily chairman with executive powers was State Minister of Research and Technology Habibie, instead of the ministers of home affairs or public works who had more direct jurisdiction over regional development. The council's secretariat was set up at the Agency for Technological Assessment and Application (BPPT), also headed by Habibie. The council then tried to establish an Integrated Economic Development Area (*Kawasan Pengembangan Ekonomi Terpadu*: Kapet) in each of the 13 provinces³ within the EAI in line with the growth-pole development strategy.

When the regional concept of the EAI was first proposed, regions in the area at first felt they were being forcibly banded together without a sense of economic or cultural unity. Through the 1990s, however, the concept of the EAI gradually came to be accepted within the central government, and that acceptance came in tandem with the rise of Habibie and his entourage on the political stage. It was so much so that those critical of the Habibie group intentionally avoided the use of the term "EAI".

For example, of the 13 Kapets selected by the EAI Development Council, only one area was designated by presidential decision under the Soeharto government, with the remaining 12 areas all decided by the Habibie government. The Kapet was granted preferential investment and taxation measures and companies could set up operations while by-passing central or regional government bureaucracies. Each area had its own Kapet Management Agency, and central government bureaucrats and senior regional government officials (or those who used to be) filled its executive positions. The designated areas were greatly varied in growth potential, however.

In the meantime, simultaneously with the above-described developments regarding economic development of the EAI, the appointments of people from Sulawesi and other provinces of East Indonesia to ministerial and other important posts of government relatively increased from around the launch of the sixth Development Cabinet of the Soeharto presidency in 1993. The trend intensified under the Habibie government. In Jakarta political circles, politicians from Sulawesi, Habibie's home province, and other regions of East Indonesia solidified their group "*Iramasuka*" (the term coined by combining the first letters of Irian, Maluku, Sulawesi and Kalimantan), and became very active behind the scenes in Golkar Party leadership rivalries, general elections and presidential and vice-presidential elections. This marked the emergence in the political world, so to speak, of a lobbying group carrying the name of the "EAI". The *Iramasuka* group was led by politicians hailing from South Sulawesi, including Arnold Baramuli, businessman and then chairman of Supreme Advisory Council (DPA); Marwah Daud Ibrahim, a Golkar leader; and Nurdin Harid, president of the Indonesian Cooperatives Union (*Dewan Koperasi Indonesia*: Dekopin) and one of the *Iramasuka* group's

main fund raisers. The *Iramasuka* group must have thought that as long as Habibie, widely recognized as “non-Java,” stayed in office, it would be easy to arrange preferential central government treatment of the EAI and expand the group’s influence.

In fact, in revising the election system for the 1999 general elections, the allocation of seats was not purely based on population and the number of seats for regional representatives in the People’s Consultative Assembly (MPR) was set at a uniform five for each province. Thus, the new MPR was created under a system that was relatively unfavorable to Java which has the largest share of the total population. The changes could well be linked to Habibie’s reelection strategy as he regarded non-Java as his constituency. The mass media reported that “the *Iramasuka* group, betting on Habibie’s reelection, was buying votes on the assembly floor.” Others said Habibie himself was giving out instructions on the operation.

In retrospect, the Habibie government can be characterized as one that took on a particularly strong “non-Java” coloring. In the preparation of decentralization bills, the subject of the next section, politicians from non-Java regions took the initiative. At the Ministry of Home Affairs, responsible for decentralization, those hailing from South Sulawesi occupied key posts such as director general of regional autonomy (*Dirjen PUOD*) and director general of regional development (*Dirjen Pembangunan Daerah*), and they and their brain trusts paced debate on decentralization.

The concept of the EAI emerged in the 1990s as a concept strongly tinged with politics from the onset and that is why it deviated from the world of economic development so easily and worked to spur on the activities of the *Iramasuka* group within political circles. The activities of Muslim intellectuals at ICMI which blasted the market principles-first policy and called for putting right the gap between rich and poor also overlapped with developments in connection with the EAI. Habibie obtained the post of president by making full use of their activities but failed in his bid for reelection.

Shocked by Habibie’s failure to win reelection, some students demonstrated for “Sulawesi independence”, “East Indonesia independence”, and the “establishment of a federal state” in Makassar (reverting in October 1999 from Ujung Pandang back to the name it had before 1971), the capital of South Sulawesi Province. This student action seems to be

strongly linked with the activities of the *Iramasuka* group discouraged by Habibie’s unsuccessful bid for reelection. However, the students’ actions were not necessarily coordinated across universities, with each university raising a different flag for Sulawesi independence. In that sense, their actions have to be interpreted as something considerably far from the sincere pursuit of regional autonomy or regional development. But the issues they raised unleash a full-scale federal system debate in various regions, a development that deserves full and careful monitoring.

4.2 Enactment of Two Decentralization Bills

Regional government administration in Indonesia had been implemented under the basic law on regional government administration (Law No. 5 of 1974) and the law on village administration (Law No. 5 of 1979) enacted under the Soeharto government. These two laws featured the vertical control-subordination relationship between central and regional governments. Decentralization here was meant for second-level regions (*Daerah Tingkat II*: districts/cities), not first-level regions (*Daerah Tingkat I*: provinces). That was because the Jakarta government feared that if powers were handed over to provincial governments, those rich in natural resources could seek to secede and become independent, making it hard to maintain the integrated nation. Behind that fear were the regional revolts experienced in the 1950s.

The importance of decentralization had been well recognized. For two years from 1995, decentralization experiments were conducted in 26 model districts/cities, in which the transfer of provincial powers to model districts/cities was tested. Fiscal revenue increased substantially for model districts/cities. But what happened was simply the transfer of power from the provinces to districts/cities, while there was no handover of power from the central government to provinces or districts/cities. The result was closer direct ties between central government and districts/cities, a relationship that skirted provincial governments. But expenditures by model districts/cities also rose sharply, as they often had to send officials to the central government in Jakarta whenever they needed to consult with a superior organization. This transfer of power rather strengthened the centralized aspect of relations by letting the central government

extend its direct control to districts.

The new laws on regional government administration (Law No. 22 of 1999) and on balanced budgets between the central and regional governments (Law No. 25 of 1999) were enacted under the Habibie government. They featured the effective abolition of the hierarchical structure between regions and the clarification of fiscal relations between central and regional governments. However, regions targeted by decentralization remained districts/cities. Therefore, the possibility of problems similar to those witnessed in the above-mentioned decentralization experiments emerging in the new decentralization process cannot be ruled out.

4. 2. 1 Supremacy of *Daerah* Concept

There are two concepts of region in regional administration in Indonesia: *daerah*, a unit for local autonomous administration, and *wilayah*, a unit for proxy administrative work representing central government functions. In the previous regional government administration, *daerachs* were equivalent to first-level regions (provinces) and second-level regions (districts/cities), while *wilayahs* corresponded to provinces, districts/cities and sub-districts. In the *wilayah* concept, districts/cities were made subordinate to provinces and sub-districts to districts/cities.

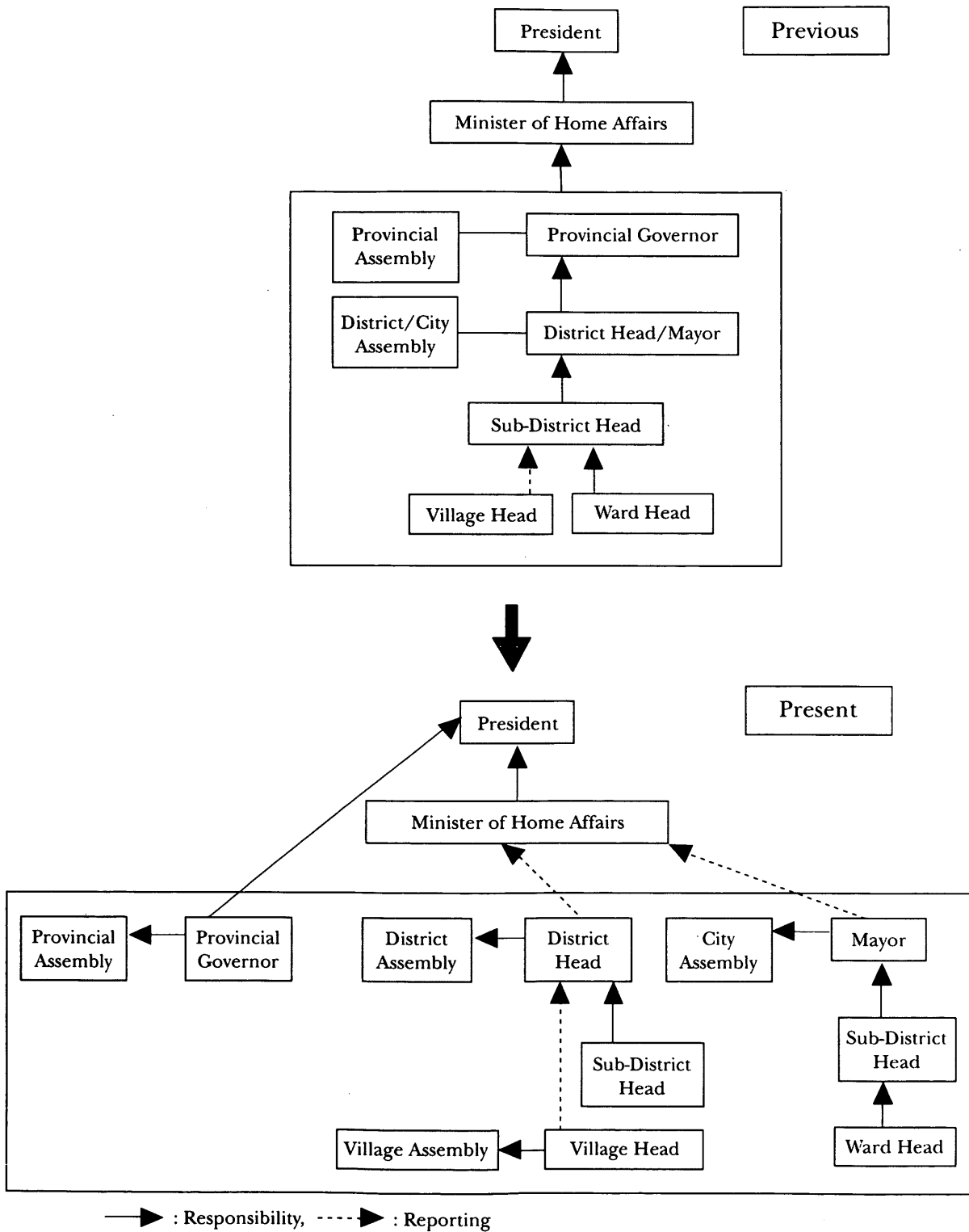
Under the new regional government administration law, *daerachs* are provinces and districts/cities as before, but *wilayahs* are limited to provinces only, with the old hierarchic structure abolished. In other words, provinces and districts/cities now stand on a par, and provinces are put in charge solely of inter-districts/cities matters. Thus, districts/cities are made into the most important single unit of regional government administration. The new law also clarified the function as a local government of villages (*desa*) placed at the lowest end of administrative organization. *Desas* were allowed autonomy in accordance with local customary law (*adat*). Also, *desas*, of Javanese origin, were allowed to use other names suitable to their local conditions (*negeri*, *kampung*, etc.). In the previous centralized system, it can be said, the *wilayah* concept had an administrative status far stronger than the *daerah* concept. But the new law opened the way for this relationship to undergo a major change.

The new law also virtually eliminated the control-subordination relationship of responsibilities

between heads of regional governments. Previously, village heads (*kepala desa*) were responsible to sub-district heads (*camat*), sub-district heads to district heads/mayors (*bupati/walikota*), district heads/mayors to provincial governors (*gubernur*), and provincial governors to the minister of home affairs (on behalf of the president). The new law clarified the separation of executive and legislative branches in regions, making heads of regional governments responsible only to regional assemblies (see Figure 4-1). As provinces cover both regional governments under the *daerah* concept and representatives of central government under the *wilayah* concept, provincial governors are responsible to both provincial assemblies and the president. The method of choosing regional government heads (provincial governors, district heads/mayors) was changed as well. Under the previous method, the assembly of a province (district/city) and the minister of home affairs (the provincial governor) had prior consultations to narrow the field of candidates to between three and five. The assembly then submitted a list of at least two names to the president (the minister of home affairs). The president (minister of home affairs) then appointed one from the list, regardless of the result of the vote in the provincial assembly (district/city). Under the new law, the regional assembly sets up an election committee, which screens the qualifications of candidates put up by each political party or faction. The candidate for provincial governor (district head/mayor) runs on a joint ticket with a candidate for his/her deputy. Each party introduces its candidate on the assembly floor and the candidate then makes policy announcements. This is followed by a question-and-answer sessions with members of the assembly. The election is made either through consultations or by vote. This completes the election of a district head/mayor as the head of a *daerah*. The election of a provincial governor, who is also the head of a *wilayah*, needs the president's consent to become final.

Previously, regional government heads were virtually assured of their post during the five-year term of office (with one chance of reelection). Under the new law, however, this is no longer certain. For example, when a regional government head makes an accountability speech before the assembly at the end of a fiscal year, should the assembly reject it twice, the assembly can propose the dismissal of the regional government head to the

Figure 4-1 Relationship of Responsibilities between Regional Government Heads



president. Therefore it now is feasible that a regional government head who rests on his laurels could be dismissed before the end of his/her term.

4. 2. 2 Boosting Fiscal Sources of Regional Governments

For the implementation of decentralization, administrative decentralization needs to be backed up with fiscal decentralization. In particular, boosting the fiscal revenue of regional governments is essential. Provinces rich in oil and other natural resources, like Aceh Special Province and Riau Province, have entertained deep-rooted dissatisfaction that "the central government has been just exploiting and short-changing the provinces", one reason for the emergence of independence demands. The law on balanced budgets between central and regional governments which was enacted almost simultaneously with the law on regional government administration is specifically intended to eliminate such dissatisfaction.

The new law stipulates that regional governments' fiscal revenues are composed of local revenue, balancing fund (*dana perimbangan*), loans, and other revenues. Previously, the central government disbursed subsidies to regions based primarily on population, but this has been replaced by the balancing fund.

The balancing fund is sub-categorized into three: regional portion of revenue from land and building tax (fixed asset tax: *pajak bumi dan bangunan*) and natural resources; general allocation fund (*dana alokasi umum*); and special allocation fund (*dana alokasi khusus*).⁴ First, 90% of land and building tax and 80% of the acquisition fee for rights on land and building (*Bea Perolehan Hak atas Tanah dan Bangunan*) are allocated to regions.⁵ The central government takes the remainder but all of it is redistributed to districts/cities. Next, 80% of revenue from forestry, mining and fishery resources goes to the producing region but the regional allocation ratio for oil revenue is 15% and 30% for natural gas.

Regarding the general allocation fund, here central government allocates at least 25% of national revenue to this fund in total, with 10% going to provinces and 90% to districts/cities. How much each region gets in general allocation fund is determined by using weighted numerical yardsticks of fund demand and potential demand. The

special allocation fund, on the other hand, is designed to meet the specific fund needs of particular regions that cannot be financed by the general allocation fund. One of the sources of the special allocation fund is the tree-planting fund (*dana reboisasi*), of which concerned regions get 40% and 60% goes to central government.

Under the new law, regions endowed with abundant natural resources are more likely to obtain larger fiscal revenues, while those short on resources could face more severe budget problems. According to one estimate,⁶ of the country's 27 provinces, the four provinces rich in natural resources (Aceh, Riau, East Kalimantan and Irian Jaya [now Papua]) could expect substantial improvement in their fiscal positions, thanks to the law on balanced budgets between the central and regional governments. But the 10 provinces with few natural resources (Jambi, Bengkulu, Jakarta, Yogyakarta, Bali, North Sulawesi, Central Sulawesi, Southeast Sulawesi, West Nusa Tenggara, and East Nusa Tenggara) could suffer sharp revenue falls. The fiscal revenue gap between regions is expected to widen. The disparity between districts/cities is seen as far larger than the gap between provinces.

4. 2. 3 Regions' Reactions to the New Decentralization Laws

Regional reaction to perceived affects of the new decentralization laws have varied. Although both laws have already been enacted there is a two-year transition period until full enforcement in April 2001. For its part, the central government has sent officials to the regions to explain the new laws but understanding in the regions is far from sufficient or thorough.

The main reason for the lackluster approach to the new laws in the regions was a strongly held belief that the laws would be revised in the event of Habibie's failure to get reelected. There was a general impression that the Habibie government had enacted the laws hastily, ahead of a new parliament after the general elections in June 1999. Their enactment came in just over six months after the bills were introduced. In addition, discussion about three political bills – the general election law, political party law, and parliament composition law – was more prioritized than the two decentralization laws. Furthermore, they were laws that were enacted without full discussion or consideration of the vari-

ous involved parties, especially the regions themselves. In fact, the Indonesian Democratic Party of Struggle (PDI-P) and many other parties, while basically in favor of decentralization, opposed the hasty enactment of the two laws by the Habibie government and called for a full debate. It is conceivable that behind the Habibie government's impatient action were the above-mentioned political considerations, including Habibie's reelection strategy.

Moreover, the two decentralization laws cannot be fully implemented by themselves. Their implementation would require the preparation of over 100 government regulations and related laws and rules. Those implementation regulations were not put in place by the original deadline of September 1999. Regions are still waiting for these regulations to come out.

In essence, it appears that the laws on decentralization were written in the old top-down fashion. The Habibie government was so impatient to enact the laws promptly that the central government alone decided the content without sufficient consultation with the regions. Regional governments that are supposed to be the key actors in decentralization, particularly those in Java critical of the Habibie government, may have felt that "the central government has again imposed its own version of decentralization on the regions."

Furthermore, the two-year transition period before enforcement seems to be too short. The central government plan is to complete preparations in the regions for decentralization in the two-year wait period, but many regions expect to start preparations after the two-year period which they believe the central government should be using to prepare implementation regulations. The level of awareness regarding the decentralization laws is low in the provinces but even lower in the districts/cities which are after all supposed to get broad administrative powers as a result of decentralization.

The following points need to be watched in monitoring developments in regions concerning decentralization.

The first point has to do with human resources in regions. Regional government officials (particularly those at districts/cities) accustomed to the wait-and-see way of administration in years under the Soeharto government had no motivations to think or act on their own. When power is handed over to them under decentralization, they will not know

what to do with it. As a considerable number of officials are to be reassigned to regional positions from a slimmed-down central government, frictions may arise between the descending officials and original regional officials. In order to overcome such a situation, it is important to improve regional officials' policy planning and implementation capabilities.

Secondly, district heads/mayors could emerge as political bigwigs in their regions as a result of their reinforced powers. Unless the political awareness and attitude of district heads/mayors changes, they might push egoistic regional interests to strengthen their political footholds in total disregard of neighboring districts/cities, creating regional confrontations. While the assemblies of districts/cities need to have a reinforced mechanism to rein in the behavior of district heads/mayors, it is necessary to contain and adjust such regional egoism by strengthening interregional cooperation.

Thirdly, there is the question of governmental roles. With some exceptions, governmental investment still has a more important role to play than private sector investment in regional development of many districts/cities, with private firms largely dependent on government-funded development projects. As for agricultural projects, government often prepares and provides seeds and fertilizers in advance as well as cultivation guidance to farmers. The continuation of such practices could go against fostering entrepreneurship among farmers. Greater powers at district/city government-level as a consequence of the first stage of regional autonomy may result in more extensive government interference than at present and as a result sap the private sector's vitality. The governments of districts/cities should concentrate their efforts on policies to help private sector activities flourish and devote themselves to improving infrastructure and other elements of the economic environment as well as expanding the education, health and welfare sectors. Moreover, cross-sector regional approaches in development projects instead of narrow sector-oriented approaches should be fostered.

4.3 Future Developments Concerning Decentralization

The central government's timetable for implementing decentralization after the two-year transition period is very ambitious. At government ministries

and agencies, a slipshod air is spreading with officials saying, "Let regions take care of specifics of decentralization". Government employees are also growing concerned that many of them will be transferred to regional governments. The picture is about the same as regards provincial governments that are to be responsible for inter-districts/cities matters. In the meantime, officials at district/city governments have yet to have a real feel of decentralization and tend to see it as something requiring little urgency.

That is to say, there are big doubts about the administrative capabilities of district/city governments, the would-be principal actors in the forthcoming decentralization drama. For example, the new law allows them to make requests on their own to the central government for acceptance of external fund, including foreign aid. But it is not yet crystal clear whether it is the central government or a district/city government that is to repay foreign funds introduced by the district/city with the approval of the central government. Even when district/city governments start using foreign funds, it is also questionable whether the central government can adequately manage the inflows of such funds when the central government itself faces difficulty repaying external debt. Moreover, district/city governments have very few officials who can communicate or write project proposals in English. Aid organizations in the past provided all necessary funds to the central government, which then allocated these funds to provinces and districts/cities. After decentralization, aid donor organization may from time to time have to deal directly with governments of districts/cities. Concerning these matters, some regions including South Sulawesi share a consensus view that it is more realistic to target decentralization at provinces first and then gradually hand over powers to districts/cities in tandem with the progress in provincial decentralization.

The new law provides for the function of surveillance by regional assemblies over regional government heads. But many assembly members are first-timers, and still lack experience and ability as people's representatives. Regional assemblies are expected to perform the surveillance function in order to make sure that district heads/mayors do not use their enhanced powers to turn themselves into regional political bosses. But assemblymen in the multiparty structures of assemblies may step up

maneuvering to advance party interests, raising a possibility of an intensification of power struggles in regional politics.

To cope with these real and potential problems, the most urgent task is to raise the administrative capabilities of regional governments, foster human resources and help enhance the capabilities of individual members of regional assemblies. International aid organizations in Indonesia are already moving in that direction, but each of these endeavors would require a lot of time before bearing fruits.

The decentralization program put on track now is designed as an effort to decentralize as much as possible within the framework of the unified state. At present, however, many regions have begun questioning and criticizing the framework of the unified country, spelling out a lot of problems ahead.

A wave of dissent from the unified state was touched off by the referendum held in East Timor in August 1999, which effectively set the territory on a path to secession from Indonesia. In January 1999, President Habibie made an abrupt announcement that the government would "give East Timor an option to accept or reject a government proposal for wide-ranging autonomy." The Habibie proposal was understood to mean that East Timorese were given the choice of staying in Indonesia or seceding and becoming independent. Western countries that had opposed Indonesia's 1975 annexation of East Timor by force supported the proposal, and the referendum was held with the backing of the United Nations. As clashes between pro-independence and pro-integration residents escalated and pro-integration militias carried out acts of intimidation while the Indonesian military turned a blind eye, many refugees fled to West Timor. Eventually, the international force arrived in East Timor, led by Australian troops, and security is returning to normal gradually. At the moment, however, there are signs of a growing rivalry within pro-independence groups for the leadership of future nation building.

East Timor was a former Portuguese colony, while Indonesia's other territories were all under the control of the Netherlands. This fact served as the major consideration for the Indonesian government's decision to take the special measure for East Timor allowing it to hold the referendum on wide-ranging autonomy. Meanwhile, Indone-

sians in other regions had long regarded East Timor as the most backward region and looked down on East Timorese as second-class citizens. It would be no surprise if people in other regions might have felt that "if East Timorese who are inferior to us won independence, why cannot we do the same?"

Aceh Special Province on the northern tip of Sumatra Island was quick to respond. On November 8, 1999 as many as one million people gathered in the provincial capital of Banda Aceh to call for a referendum on whether to stay within Indonesia or become independent. As sentiments for independence grew quickly in Aceh, Javanese and many other non-Acehnese people began moving out of the province and public institutions turning dysfunctional. Not a few residents reportedly began arming themselves in preparation for a contingency. The Free Aceh Movement (*Gerakan Aceh Merdeka: GAM*), the armed group for independence, already has started providing military training to residents. GAM is contemplating a call for a declaration of independence for Aceh at its anniversary rally set for December 4, 1999, going far beyond the call for a referendum.⁷ Other than Aceh, secession and independence movements are being revived in Irian Jaya (now Papua), and the Free Papua Organization (*Organisasi Papua Merdeka: OPM*) has started to conduct its activities publicly.

Movements toward a seemingly multipolar dispersion are seen not only at the national level but also at regional levels of provinces and districts. For example, in South Sulawesi Province where students in Makassar called for "independence for Sulawesi," several districts in the northwest want to secede as West Sulawesi Province, and several districts in the northeast as Tana Luwu Province, though secession movements are still on a very limited scale in these cases.

Debate on the federal system surfaced against this background. Some are making passionate appeals for the immediate launch of the federation (or even independence in some cases), while others insist on the shift to the federal system only after decentralization has made progress to the maximum possible extent within the framework of the unified state. For examples, some intellectuals consider decentralization as a step toward the federal system in the long run, believing that the two decentralization laws contain provisions accepting a lot of characteristics of the federation.⁸ In early No-

vember 1999, on the other hand, the East Kalimantan provincial assembly unanimously demanded the central government introduce the federal system. In Riau province, the provincial assembly is making a similar move. At the moment, these developments are still far from a unified movement coordinated among many regions. For examples, students in North, Central and Southeast Sulawesi provinces lambasted the call for "independence of Sulawesi" by students in South Sulawesi as self-righteous. Discussions about the federal system, though still fairly limited, are beginning to spread to reach broad geographical areas, including provinces that have already voiced support for the maintenance of the unified country.

Doubts and criticisms of the unified state have been fed by dissatisfaction and complaints that the Javanese-dominated military squashed regional revolts in the 1950s and that Jakarta has continued to exploit regions for natural resources. With East Timor or Aceh, the central government could have made people there feel that they were being treated appropriately as Indonesians if it had sincerely tried to understand the situation they found themselves in and demonstrated that by deeds. By doing so, the central government could have avoided the latest developments. Instead, what it did was to intimidate revolting regions or residents, by armed force when necessary, and force them to obey its will.

In late October 1999, new President Abdurrahman Wahid, alias Gus Dur, spoke of a policy to push ahead with decentralization, leaving open the possibility of going for a federal system in the long run. But intellectuals in South Sulawesi are skeptical about the Gus Dur government's seriousness about decentralization. For example, they cite such things as no decrease in the number of cabinet ministers in the new government from Habibie's and Gus Dur's unilateral request that provincial governments accept employees of the Ministry of Social Affairs and the Ministry of Information, that were abolished in the central government's reorganization. At any rate, steady implementation of decentralization from the medium- and long-term perspective is of vital importance and must not be left to suffer a setback by emotional discussions about "secession and independence" or by regional political strife and political maneuvering in Jakarta.

Emotional debate and political maneuvering, if they go too far, could heighten the confronta-

tion between ethnic groups. Or it could spur a movement toward the establishment of an Islamic state by amplifying anti-Java sentiments, animosity toward ethnic Chinese or any foreigners in some cases, and stirring-up feelings against Bugis people from South Sulawesi who control commercial activities in the EAI. In fact, in Maluku province and in the newly created North Maluku province, sectarian violence has continued for almost one year.⁹ It seems to be very difficult to find an easy solution as the conflict is based on many complicated factors including local political conflicts, historical rivalry, ethnic sentiments, and vested interests in major projects. The cases of harassment against Christians (sometimes including ethnic Chinese) and Javanese are rampant in Makassar, South Sulawesi. Since the present government is supported also by parties that regard Islam as the principle of their existence, instead of *Pancasila* (the five principles of the Republic of Indonesia), it cannot be entirely ruled out that future discussions about decentralization or a federal system may be influenced by various political intentions and motivations. Politicians from Islam-based parties and those who had been at the core of the Soeharto government or the Habibie government have been consistent in maneuvering to block the expansion of the political power of Megawati Soekarnoputri (current vice-president), regarded as a symbolic figure by secular nationalists.

A multiethnic Indonesia, if it is to stay as a unified state, has no choice but to pursue "unity in diversity." Under the centralized rule of the Soeharto era, military force was used to keep a tight noose around the unified state. However, that noose became loose under the Habibie government, and Indonesia began moving toward the multipolar dispersion, rather than converging on the single pole as a nation, with the political intentions of various forces interwoven. Many intellectuals are watching with keen interest how things will develop in Aceh as the impact would be enormous if Aceh, which fought an independence war against the Netherlands alongside other regions of Indonesia, opts for independence in a referendum. Depending on developments, the danger of the disintegration of Indonesia as a state cannot be denied. Having said that, however, it should be equally emphasized that there is no returning to the direction of centralization of power as seen under Soeharto.

There is almost no possibility that the

Abdurrahman Wahid government tolerates a disintegration of Indonesia. With this as the absolute condition not to be compromised, the new government recognizes the Aceh problem as its top priority at the moment. It ordered the military security force to withdraw from Aceh, and is now expected to carefully look for the correct timing to hold a referendum for "a yes or no vote on wide-ranging autonomy," instead of a vote on "independence or staying in Indonesia." It would not want to repeat the mistake of the Habibie government which made the decision on the referendum in East Timor without full consultations with the People's Consultative Assembly. For the time being, the government will likely offer various conciliatory steps to Aceh residents to keep independence sentiments from escalating further. The steps cannot fail to include an investigation into the military's past atrocities in the special province, presenting Gus Dur with the difficult task of how to handle the military. The central government is also considering legislating a special law for Aceh eyeing a transfer of power far more extensive than under the two decentralization laws and allowing a substantial expansion in the application of Islamic law in Aceh.

As for decentralization per se, the Gus Dur government will likely follow a path of prudence in connection with progress in democratization in regional politics while hoisting the long-term flag of the federal system as the future form of government. In doing so, the government needs to set forth clear medium- and long-term goals as a gauge to assess the degree of achievement in decentralization, while paying attention not to let regional political bosses take advantage of decentralization to advance their own interests. When decentralization is positioned as a part of the process of democratization in Indonesia, an important clue as to its success in avoiding the disintegration of Indonesia may be the central government's steady efforts to reach out its hand to regional governments as well as to the private sector and people in the regions.

While mass media, both domestic and international, spoke highly of President Abdurrahman Wahid for his "miraculous" success in establishing the new government amid a mountain of difficulties, he continues to face the very tough situation regarding implementation of decentralization and central-regional relations. The Abdurrahman Wahid government needs to accomplish many

more “miracles” if it is to put forward the process of decentralization peacefully and successfully.

(Kazuhisa MATSUI, in Makassar, South Sulawesi Province, January 21, 2000)

Notes:

- 1 Indonesian names of region are *propinsi* as province; *kabupaten* as district, *kota* (*kotamadya* before the Law No. 22 of 1999) as city; *kecamatan* as sub-district; *desa* as village, and *kelurahan* as ward. Also, the name of a regional government head is *gubernur* in province; *bupati* in district, *walikota* in city, *camat* in sub-district; *kepala desa* in village, and *lurah* in ward. Under the new Law, wards are located only in urban areas. *Camat* and *lurah* are not elected but appointed by *Bupati / Walikota*.
- 2 There were some regional concepts such as EAI. “East Indonesia” or “*Indonesia Timur*” was popular before the independence of Indonesia and particularly in the 1950s when the regional revolts happened in Sulawesi. The contracted form, *Intim*, is still generally used. “Eastern Part of Indonesia (*Indonesia Bagian Timur*. IBT)” was used in Soeharto’s New Year address in 1990. And “East Indonesia Area (*Kawasan Indonesia Timur*. KIT)” was once used in Soeharto’s Annual Speech in August 1997, when there was a political struggle at the inner circle of the central government between Habibie’s group and others.
- 3 EAI includes the 13 provinces: Irian Jaya (now Papua since January 2000), Maluku (now divided to Maluku and North Maluku), four provinces of Sulawesi (North, Central, South and Southeast Sulawesi), four provinces of Kalimantan (West, Central, South and East Kalimantan), East and West Nusa Tenggara, and East Timor. This categorization was officially decided by Presidential Decision No. 123 in 1993.
- 4 The block grant to provinces and districts/cities in the previous budget system is replaced by general allocation fund, and special subsidies based on Presidential Instruction (*Inpres*) by special allocation fund. The usage is not decided by central government in the block grant and general allocation fund, but is decided in advance in the *Inpres* and special allocation fund such as primary school construction, sanitation, road construction and so on.
- 5 The allocation part of regions is divided between province and districts/cities based on the Law.
- 6 *Kompas*, August 27, 1999. This estimate is too rough and depends only on the natural resource existence. In addition, it makes little sense because the main target of financial decentralization is not province-level but district/city-level.
- 7 In fact, the anniversary rally was smoothly held in some areas of Aceh without serious incident. At last, GAM also did not clearly declare the independence of Aceh at the event.
- 8 Federalism itself has a bad image in Indonesian history because the Federal Republic of Indonesia once set in 1949 to 1950 included some components like East Indonesia (*Negara Indonesia Timur*) as a puppet of the Netherlands with the intention to revive her colonial administration. Both pro- and anti-federalism sentiments are still influenced by this image. Dichotomy between regional autonomy and federalism is still dominant in the debate. Some intellectuals comment that federalism expectation is coming back because there is little understanding about the contents of new decentralization laws.
- 9 The Maluku and North Maluku problem are not directly related to disintegration as Aceh is. However, factors that lead conflict can shape the direction for Indonesia toward disintegration. Local political conflicts are usually connected with political conflicts at the central level. There are many factors such as the election of governors, the historical role of Christian and Muslim Ambonese in regional administration, more business opportunity for Muslim migrant traders (as Bugis-Makassar) in Maluku case; historical rivalry between Sultan Ternate and Sultan Tidore, leadership fighting for the first new governor nomination, business interests for a gold mining project in the North Maluku case. At that time, especially during the Habibie government, pro-Muslim and anti-Chinese sentiments had developed in the central political scene.