

# PERSPECTIVE

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## **Indonesia's New Cabinet Holds Good Promise**

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### **EXECUTIVE SUMMARY**

- Indonesian President Joko Widodo's recent cabinet reshuffle sees him practicing the difficult art of balancing transactional politics with the appointment of capable people. The result is impressive in a number of ways.
- Jokowi's ultimate goal is to enhance the country's economic performance. Many in his new team are party-affiliated people rather than professionals, however, and they will be facing significant challenges designing effective policies to fight poverty, unemployment and income inequality.
- Despite some shortcomings, many observers think the new cabinet has the capacity to improve Indonesia's economic performance, and more importantly, ensure political stability in the months ahead.
- President Jokowi looks stronger now than most had expected when he took office in 2014. This cabinet reshuffle consolidates his power.

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## INTRODUCTION

On 27 July, President Joko Widodo reshuffled his cabinet for the second time in a year. The reasons behind this include the following: First, he needs to reward political parties that have recently switched sides to support him; second, he has to redistribute cabinet positions, and third, he has to construct a team that can raise economic performance quickly and substantially.

When Jokowi became president in October 2014, his coalition - based around PDI-P, the party on whose platform he ran for office - formed a minority in Parliament (Dewan Perwakilan Rakyat, DPR). Supported by 207 of 560 members, he could thus only count on support from 37 percent of the DPR. But since then, major parties such as Golkar and Islamic party Partai Amanat Nasional (PAN) moved over to his camp, boosting his number of supporters to 386 members. His coalition now controls a comfortable 69 percent of the votes in the august house.

The custom in Indonesian politics is that parties who support the government expect to be rewarded with cabinet positions Hence the recent reshuffle.

Taking full advantage of the opportunity, Jokowi also removed some members of the old cabinet whom he thought had not been cooperative and re-assigned others who had been too dominant. He was frank about this in the speech he made when announcing the reshuffle. He declared that there is only one vision - that shared by the President and Vice-President. Ministers have to work towards this goal, and no other.

Indonesia's economic performance over the last year has also been a cause for worry. Both the poverty rate and the unemployment rate have been increasing, and the government had had to struggle to maintain a growth rate above 5 percent. Those responsible for economic growth in the new cabinet is expected to respond impressively to these challenges. But since most of them are party-affiliated personalities and not professionals, it remains to be seen whether they can rise to the occasion.

## KEY CHANGES

As many as 13 cabinet ministers were either dropped or reassigned. The most conspicuous is Luhut Panjaitan, an influential figure who had been seen as Jokowi's right hand man. He was Coordinating Minister of Political, Legal and Security Affairs but will now be Coordinating Minister of Maritime Affairs. The *Jakarta Post* argues that although Luhut is an old friend of the President and a troubleshooter who has helped Jokowi secure allies, he has become too influential and surpassed many ministers in stature, making them, and the President, uncomfortable. This, the newspaper claims, is why his power has been reduced.<sup>1</sup>

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<sup>1</sup> Rendi A. Witular and Haeril Halim, "Luhut's role as 'prime minister' annoyed many", *Jakarta Post*, 28 July 2016

At the same time, one can also argue that Luhut's new position is an important one and he is in fact being entrusted with issues that has great bearing on Jokowi's future electability. Rizal Ramli, the man Luhut now replaces, had been found wanting in his handling of the huge challenges facing the maritime sector. Little progress was made for example on port management efficiency. Luhut will now coordinate four ministries, namely the Ministry of Energy and Mineral Resources; the Ministry of Maritime and Fishery; the Ministry of Transportation; and the Ministry of Tourism. What seems clear then is that Luhut will continue to play a significant role in most of Jokowi's priority projects, such as the 35,000 MW electricity project, the sea highway project, and the high speed railway project.

Luhut's old position as Coordinating Minister of Political, Legal and Security Affairs has been given to Gen (retired) Wiranto, a man also known for his strong personality. While some observers see this as part of a balancing game being played by the President, others consider it a mere division of labour. Wiranto may after all be more effective in handling security situation matters, especially where radical Islam is concerned. He is a Muslim and was involved in the establishment of *Front Pembela Islam* (FPI) at the end of the New Order era.<sup>2</sup>

## IMPROVING ECONOMIC PERFORMANCE

Of the 12 other Ministers besides Luhut Panjaitan who were dropped or reassigned, such as those for Finance, Trade, Transmigration, Administration and Bureaucratic Reform, Industry, Energy and Mineral Resources, Agrarian, Transportation and Education, most were concerned with economic affairs, which indicates the importance of economic matters to Jokowi's national vision.

The most prominent name in the new cabinet is Sri Mulyani Indrawati, the World Bank Managing Director who returned to Indonesia to take up the Finance Minister position. In 2005-2010, Sri Mulyani was Finance Minister in the SBY administration and was considered the person who could improve the country's economic performance.

Given declining growth prospects and global uncertainties, Jokowi had to settle for the country's most competent economist for Finance Minister. Sri Mulyani is seen as his best pick in the cabinet. The market reacted positively to Sri Mulyani replacing Bambang Brodjonegoro, who was moved to lead the Ministry of National Development Planning (Bappenas). Not only is Sri Mulyani perceived as one of Indonesia's strongest reformers, she was involved in navigating Indonesia through the 2008-2009 global financial crisis. In her new role, Sri Mulyani is given the task of achieving the tax revenue target including the

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<http://www.thejakartapost.com/news/2016/07/28/luhut-s-role-prime-minister-annoyed-many.html>.

<sup>2</sup> *Premanisme Politik* (Jakarta, 2000), a book published by *Institut Studi Arus Informasi*, does not mention Wiranto being involved in the establishment in August 1998 of FPI. However, FPI members did give Wiranto moral support when he was under investigation by the Human Rights Committee for violation of human rights; pp. 114-115.

successful implementation of the tax amnesty programme, reducing the country's fiscal deficit and promoting further fiscal reform. She is known internationally and can therefore be useful for Indonesia in dealing with the West.

Enggartiaso Lukita takes over the Trade portfolio from Thomas Trikasih Lembong, who goes on to head the Investment Coordinating Board (BKPM). While the latter is pro-market and clearly for further opening up of the economy, Lukita's track record is unclear. He is a long-term politician who started his career in Golkar before becoming an executive committee member of the National Democratic (Nasdem) Party. He also has a lengthy experience in the housing and real estate development business. His appointment is likely to have been driven by Jokowi's need to accommodate his allies than by a solid track record in the sector.

As new Minister of Trade, Lukita will be tested on how he handles the high volatility in the price of commodities such as rice, beef, and other staples. This is a matter of some urgency. Given the fact that he is a career politician, it is likely that he will embrace a protectionist and nationalistic agenda.

Airlangga Hartarto from Golkar becomes the new Minister of Industry, replacing Saleh Husin, who is now out of the cabinet. Airlangga's father, Hartarto Sastrosoenarto, held the same cabinet position under President Soeharto. He is a Golkar lawmaker on the House of Representatives Commission XI overseeing finance and banking. He headed the House's Commission VI overseeing state-owned enterprises, trade, industrial, investment, cooperatives and small and medium enterprise affairs from 2009 to 2014. His appointment also appears to be driven by the need to include a Golkar member in the government.

Airlangga will face the significant challenge of revitalizing Indonesia's industrial growth, especially labour-intensive industries such as textile and garments. As with Enggartiaso Lukita, he may also push for a protectionist and nationalistic policy agenda.

While remaining inclusive on the new appointments,<sup>3</sup> those dropped by Jokowi are mainly professionals without a party base. Their replacements will have to deal with expectations by the public that they lack competence.

Those from the old cabinet chosen to remain in their positions are also significant. These include Minister of State Owned Enterprises Rini Sumarno (who is seen as a controversial figure, and disliked by PDI-P), Minister of Agriculture Amran Sulaiman (who was blamed for failing to maintain the stability of staple food supplies during the month of Ramadhan and Idul Fitri) and Coordinating Minister of Social Affairs Puan Maharani (Megawati's daughter). Despite not excelling in any obvious manner, these Ministers remain useful to the President, or could not be removed due to political affiliation.

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<sup>3</sup> While the original Kabinet Kerja included one Acehnese and Papuan, the new cabinet line-up includes two Chinese Indonesians in Thomas Lembong and Enggartiaso Lukita.

## CONCLUDING REMARKS

Despite some shortcomings, many observers consider that the new cabinet can improve Indonesia's economic performance, and more importantly, ensure political stability in the months ahead. When Jokowi came to power, it was feared that he would be a weak President. After all, his coalition in the DPR was painfully small. Many predicted that he would not last. He has survived the odds, and now, one and half years later, he looks stronger than most would have expected. This cabinet reshuffle consolidates his power.

It also shows that Jokowi is accepting transactional politics, i.e. distribution of power and influence to allies for their support. With the political stability that this promises to bring, improvements to the economic condition of the country are more likely.

The Indonesian economy is already on track to grow by around 5 percent this year. With his new team, Jokowi will seek to create jobs, accelerate poverty eradication, and narrow the income gap. These are no easy tasks.

What is needed first of all is an effective stimulus package, which uses fiscal revenue - including those from the tax amnesty programme - to support the real sector.

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