

Ph.D. Thesis — M.S. Williams
McMaster University — Political Science

ISLAM AND THE FOREIGN ECONOMIC RELATIONS OF INDONESIA

THE ROLE OF ISLAM IN THE CONSTRUCTION OF THE FOREIGN ECONOMIC
RELATIONS OF THE REPUBLIC OF INDONESIA

By

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Abstract

American IPE has traditionally marginalized the role that social forces, and particularly religion, have played in the construction of the international political economy. This dissertation is an examination into the foreign economic relations of the Republic of Indonesia from the perspective of the British school of International Political Economy (IPE). British IPE is used to critically assess what role, if any, the religion of Islam has had in the construction of Indonesia's foreign economic relations. This research demonstrates that Islamic social forces have influenced the political debates that construct Indonesia's foreign economic relationships. Mainstream Islamic organizations pushed the state to engage with international institutions of trade and finance throughout the pre-independence period when Indonesian national identity was being forged, as well as during the parliamentary democracy that followed independence, and into Sukarno's "Guided Democracy." The trend from the Suharto era to the early twenty-first has been the appropriation of Islamic discourse by the state to legitimize its economic policies of engagement with the international political economy. Firstly, this dissertation challenges the dismissal of religious social forces as a salient dimension of the international political economy that is implicit to the American school of IPE. Secondly, the findings of this dissertation challenge the narratives of mainstream International Relations (IR) theory that interprets political Islam as a destabilizing force in international order.

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List of Abbreviations

ABRI-Indonesian National Armed Forces
ASEAN-Association of Southeast Asian Nations
BPUPK-Investigating Committee for Preparatory Work for Indonesian Independence
BMI-Bank Muamalat
CIA-Central Intelligence Agency
DDII-Dewan Da'wah Islamiyah Indonesia
DI-Darul Islam
DPR-People's Representative Council
FDI-Foreign Direct Investment
G30S-30th of September Movement
GAM-Free Aceh Movement
GDP-Gross Domestic Product
HMI-Muslim Students Association
HST-Hegemonic Stability Theory
ICMI-Indonesian Association of Muslim Intellectuals
IPE-International Political Economy
IR-International Relations
ISDW-Indonesian Social Democratic Association
JI-Jemaah Islamiyah
JIL-Liberal Islam Network
KKN-Corruption, Collusion, and Nepotism
LDC-Less Developed Countries
MANIPOL-Political Manifesto of the Republic of Indonesia
MORA-Ministry of Religious Affairs
MPR-People's Consultative Assembly
MUI-Indonesian Ulema Council
NAM-Non-Aligned Movement
NASAKOM-Nationalism, Socialism, and Communism
NATO-North Atlantic Treaty Organization
NEFOES-New Emerging Forces
NU-Nahdlatul Ulama
OEP-Open Economy Politics
OIC-Organization of the Islamic Conference
OLFOES-Old Forces
OPEC-Organization of Petroleum Exporting Countries
PAN-National Mandate Party
PDIP-Indonesian Democratic Party of Struggle
PERMAI-The Indonesian Marhaen People's Union
PKB-National Awakening Party
PKI-Indonesian Communist Party
PKS-Prosperous Justice Party

List of Abbreviations (cont)

PNI-Indonesian Nationalist Party
PPP-United Development Party
PSI-Indonesian Socialist Party
RBQ-Really Big Question
SBY-Susilo Bambang Yudhoyono
SEA-Southeast Asia
SDI-Islamic Council Union
SEATO-Southeast Asia Treaty Organization
SI-Islamic Union
TNI-Indonesian National Armed Forces
UN-United Nations

Chapter 1

The Two Traditions of International Political Economy: Approaching the Study of the Foreign Economic Policy of Indonesia

Introduction

An early work in the modern discipline of International Political Economy (IPE) characterized the discipline as “the reciprocal and dynamic interaction in international relations of the pursuit of wealth and the pursuit of power” (Gilpin, 1975: 43). Though the author of the quote, Robert Gilpin, is widely known as a realist in International Relations (IR), Gilpin, and his early IPE contemporaries, constructed an idea of IPE that was both interdisciplinary and pluralist (Lake, 2006). In a similar vein, another one of IPE’s founding voices, Susan Strange, commented in the 1980s on the discipline’s continued “open range” quality of interdisciplinary eclecticism (Strange, 1984: ix). Gilpin’s oft-quoted conceptualization of IPE was fundamentally “a non-negotiable view of the economy as permeated by politics and state power” (McNamara, 2011: 65). To conceive of IPE in the way described by Gilpin was to reject the view from neoclassical economics—that the study of the economy is something separate from politics, sociology, history and other disciplines (Stilwell, 2012: 150-60). As we will see, the interdisciplinarity and pluralism of IPE is not as robust as it previously might have been. It can be said that pluralism has been subsumed by what Eric Helleiner, borrowing from John Maynard

Keynes, has described as “imitative scientism,” with interdisciplinarity replaced with “models of economics” (Helleiner, 2011: 179; Keohane, 2011: 37).

In broad terms, this dissertation is an attempt to apply Gilpin’s formulation of IPE to understand the circulation of politics surrounding the Republic of Indonesia’s pursuit of power and wealth. This does not entail eschewing the potential insights gained from economics and a more positivist approach, but it certainly requires an appreciation for the ways in which the economy is embedded in political debates. To question the politics of Indonesia’s pursuit of power and wealth certainly requires an examination of the economics of the country, such as foreign ownership of industry, inflation levels, percentage of GDP dependent on trade relations, but this point of analysis alone is not sufficient. This approach treats the state as having a singular trajectory based on rational utility maximization. What is lost in the “imitative scientism” of the neoclassical approach is the realm where the economy is subjected to contesting interests, groups, and ideas. To appreciate more fully Indonesia’s pursuit of power and wealth requires an interdisciplinary approach that does not solely privilege the economy, but is one that includes the political debates that exist within society. This chapter reviews the “two traditions” of contemporary IPE identified by Benjamin J. Cohen as “American” and “British.” It makes the argument that the American school of IPE is too narrow and fails to take into account key societal factors. This chapter argues that the British school of IPE is the

best approach to both explain and understand the Republic of Indonesia's pursuit of power and wealth in its foreign relations.

Indonesia is the most populous Muslim country in the world, hence, this dissertation selects Islam as a potentially salient social force and asks, "what has been the role of Islam in the foreign economic relations of Indonesia?" The response to this question will involve a consideration of Indonesia over the twentieth century, from the colonial period to Indonesia's attempt at parliamentary democracy, the Sukarno era of "Guided Economy, the "New Order" period of Suharto, and Indonesia's early experiences as a young democracy at the end of the twentieth century and at the beginning of the twenty-first. A relationship between Islam, as a social force, and the foreign economic relations of a Muslim majority country is not immediately obvious. The lack of attention on religion as a subject of inquiry in IPE betrays a general tendency to dismiss Islam as a salient force in matters of the foreign economic policy of states. Where Islam might be perceived in IR and IPE as having a role in the international political economy is as a force of destabilization, and opposed to world economic order. The findings of this dissertation contribute to the literature in three main ways. Firstly, contrary to conventional understanding, this dissertation demonstrates that Islam has acted as a salient social force in Indonesia's foreign economic relations. Secondly, this dissertation is that it reveals the role of Islam in pushing Indonesia toward an economic approach with the world that is more liberal, one that encourages Indonesia to participate in international

institutions and to have bilateral relations with other countries. The third contribution of this research on Indonesia's foreign economic relations is that it demonstrates how the government, after the Sukarno era, has attempted to justify its economic policies through an appeal to Islamic values.

The Two Traditions

The publication of Benjamin J. Cohen's (2007) article, "The Transatlantic Divide: Why are American and British IPE so Different?" and the subsequent (2008) book, *International Political Economy: An Intellectual History*, in Cohen's own words, struck "a nerve" in IPE (Cohen, 2009). Cohen elucidated his doubts regarding how interdisciplinary and pluralist IPE had become over the last three decades in the American context. Cohen observed two distinct schools in Anglophone IPE—an American school and a British school. Cohen's thesis is that American IPE has become wedded to the scientific model of positivism and empiricism, whereas British IPE became a normative inquiry into social justice, global equity, and critiquing the patterns of US hegemony in the international political economy. American IPE has been inspired by positivism and reductionism, practicing the collection and presentation of quantitative data through the methods of formal modeling (Cohen, 2008: 41-3). British IPE is premised on interpretive and qualitative methods and rejects the application of the scientific method for studies of the social world (Cohen, 2008: 44-5). It was Cohen's view, despite associating himself more closely with American IPE, that British IPE better reflected the

interdisciplinary and pluralist approach of the earlier years of modern IPE (Cohen, 2007: 198).

Earlier, Murphy and Nelson (2001) made similar comments on the two different approaches to IPE conducted on opposite sides of the Atlantic. They suggested that while American IPE typically practices a more formalized approach to economics, and that British IPE tends to be a proponent of critical theory, the two schools maintain a “heterodox” research paradigm that does not discriminate between realism, liberalism, rationalism, and other more critical approaches (Murphy and Nelson, 2001: 395-7). Cohen’s insight is that American IPE has become far less pluralist in more recent years, an insight that many scholars in IPE, including Murphy, find “convincing,” at least in its broadest expression of there being two different schools that have become much more self-contained (Murphy, 2011: 160, 165-6; Keohane, 2011: 37-9).¹

One study that sought to test Cohen’s claims of the scientism of American IPE analyzed the content of the twelve leading journals that publish articles in the IPE

¹ Though Murphy raises a good point that Cohen’s *An Intellectual History* does leave out some important contributors to IPE and that the American-British distinction might obfuscate a right-left distinction between those who accept “the global political economy as it is and those who are critical of its failures” (Murphy, 2011: 166). Lake (2011) similarly argues that it is more of a distinction between epistemology and methodology that persists between the American and British schools, and Ravenhill interprets Cohen as blurring together different theories to fit his dichotomy of “American” and “British” (Lake, 2011: 49; Ravenhill, 2007: 26-7). However, neither Murphy’s or Lake’s nuances are meant to refute Cohen’s original distinction (Cohen, 2009: 137, 140).

disciplinary subfield of Political Science (Maliniak and Tierney, 2011). According to a number of measures, the authors found that American IPE has mostly lost the pluralism that characterized the discipline during the 1980s. For instance, on the utilization of theoretical paradigms in articles of the journals under investigation, Maliniak and Tierney found that between 60%-70% of the articles subscribed to liberalism (Maliniak and Tierney, 2011: 19). Realist, Marxist, constructivist, and atheoretic paradigms accounted for less than 10% of the articles in any given year during the early twenty-first century. Maliniak and Tierney's observations on methodology in American IPE proved Cohen's thesis of American IPE even more convincingly. The authors found that 90% of the articles surveyed in 2006 utilize quantitative methods (Maliniak and Tierney, 2011: 23).

These trends toward the paradigmatic ascendance of liberal market economics and quantitative data accumulation are the result of the recent initiative in American IPE known as Open Economy Politics (OEP) (Keohane, 2011: 37-8). This research paradigm from the late 1990s is an attempt to embed in IPE, as it is practiced in the US, the assumptions of a rational economic market from neoclassical economics. In this model, interest is defined by the process of the actor negotiating marginal cost and marginal benefit, and then applies this relationship in the study of political institutions. OEP "conceives of domestic political institutions as mechanisms that aggregate interests (with more or less bias) and structure the bargaining of competing societal groups" (Lake, 2009: 225). Economic interest is

what is understood to condition the decision making process of individuals, institutions, and the state. It is the neoclassical claim inherent to OEP that economic interest is “derived from a prior, falsifiable, and empirically robust theory” (Lake, 2009: 227). It is the assumptions of OEP that has become a major source of the growing positivist, quantitative, and paradigmatic liberalism that characterizes American IPE.

The result of the OEP paradigm is what Cohen has described as the “creeping economism” of American IPE, and as noted above, what Helleiner has labeled as “imitative scientism” (Cohen, 2009: 140; Helleiner, 2011: 179). This imitative scientism promulgates an approach to the discipline as “Hyper-rationalism, Individualism, and Materialism,” what Kirshner identifies as “HIM” (Kirshner, 2011: 205). Rationalism can potentially lead to assumptions of policy outcomes that are predictable because there can be only one (or a small number) of decisions available through marginal cost and marginal benefit analysis. Individualism assumes a reductionism of the state as a black-box, ignoring the societal debates that inform or contest the decisions of the state. This gives off the illusion of a unitary body making decisions based on interests. The materialist assumption is premised on the actions of individuals who are “single-minded in their pursuit of more stuff.” What is lost by the application of scientism are the broader challenges and negotiations involved in state-society relations (Kirshner, 2011: 206). Perhaps the most disturbing change that is possible in American IPE is the transformation to a discipline of “IpE,” where

the identification of the contestation of politics is lost to the formal “rigour” of economic modeling (Phillips and Weaver, 2011: 6; Kirshner, 2011: 205). Even Robert O. Keohane, who acknowledges his “respect” for the pioneers of OEP, cannot help but reflect on the paradigm “with a gnawing sense of dissatisfaction” due to the diminished role of politics (Keohane, 2011: 38).

The above literature review is not intended to deny the valuable contributions of OEP, or the American school of IPE in general, but rather to reflect on what is the loss of politics. Politics was the “price that was paid” in American IPE (Keohane, 2011: 37). If there is some defensiveness present in the above review of the literature on the state of American IPE, it is probably a result of the uneven power relations between the American and British schools that Maliniak and Tierney expose. Though British IPE is in part culpable for the transatlantic divide for viewing American IPE as “just numbers” (Lake, 2011: 50), it is American IPE that has been more hostile to the twin pillars of the interdisciplinary and pluralist character of the earlier IPE in its pursuit of formal rigour. Despite some hostility to quantitative research, the British school is the one that is clearly identified as preserving a more pluralist orientation (Hveem, 2011: 170). It is American IPE that has been charged with imposing an intellectual “monoculture” that is characterized as “hegemonic,” trumpeting the value of economics while diminishing the presence of politics in the discipline (McNamara, 2011: 66-7; Wade, 2011: 94; Kirshner, 2011:

207). This loss of politics is not something that is necessarily intrinsic to IPE, but, is in part, fostered by the relationship between IR and IPE in the US and in the UK.

During the early years of the modern discipline of IPE, Susan Strange published an intentionally provocative essay on the “dialogue of the deaf” between those who study international politics and those who study international economics (Strange, 1970). IR, on the one hand, followed the dictum of Hans Morgenthau to separate the study of politics from other realms of inquiry in its consideration of war and peace (Morgenthau, 1985: 312). Economics, on the other hand, typically regarded commentary on politics as “scandalous,” instead practicing formal mathematical modeling (Kirshner, 2011: 203). This “mutual neglect” Strange once identified was to be completely reversed as IPE evolved as a sub-discipline of IR in the American context. IPE was constructed as “a logical extension” of the paradigms and debates in IR, even causing Keohane to reflect that IPE had “practiced too much International Relations” (Keohane, 2002: 284; Cohen, 2007: 204; Krätke and Underhill, 2006: 24-5). It is this “IR-centrism” of American IPE that accounts, at least in part, for the divide between American and British IPE (Phillips, 2011: 75-9). According to Phillips, the publishing of IPE in IR journals, and the acknowledged influence of IR scholars in the discipline of IPE, has conditioned what content is deemed acceptable within the boundaries of the discipline, contributing to IPE’s “slow death of pluralism.” Not only does IPE import the same paradigms as IR, but it

also imports IR's debates on methods, and might even "reflect the historical evolution of IR" (Phillips, 2005: 13-5).

To make sense of this relationship between IR and IPE and its influence on American IPE, it is useful to visit the discussion on a methods divide in American IR that parallels the American and British IPE divide. The so-called "Second Great Debate" of IR occurred during the 1960s and early 1970s as the American school of the discipline slowly initiated a transition toward an empirical grounding.² The empiricist side of the second great debate became increasingly dominant in American Political Science. It ultimately found its expression in the late 1970s with Kenneth Waltz's *Theory of International Politics*, contextualizing the study of international politics in the realm of "laws."³ Such was the extent of the influence of the framing of international politics under positivist assumptions that Steve Smith lamented that, "For the last forty years the academic discipline of International Relations has been dominated by positivism" (Smith, 1996: 11). British IPE was to evolve along with the other side of the Second Great Debate, influenced more by

² The debate occurred between those known as the "behaviouralists," who subscribed to empiricism, and the "traditionalists," such as Hedley Bull, who believed that the study of international politics ought to be the study of history, philosophy, and morality (Bull, 1966).

³ Waltz offers a three-point framework to conceive of a theory of international politics (1979: 116). The first point is to propound international politics as a bounded realm of inquiry. The second point is to discover the law-like regularities that operate within the theory. And the third point is to develop a way of understanding these regularities. Such an approach helps to bridge the work of the behaviouralists with those from the paradigm of realism. These assumptions of the international system largely provide the context for American IPE research.

proponents of the English school of IR, such as Martin Wight and Hedley Bull. These scholars rejected the assumptions of positivism and favoured the interpretive method (Cohen, 2007: 212).

The various paradigms of IR, and as an extension IPE, such as realism, liberalism, and even much of the work based on structuralism, have been defined and shaped by positivist assumptions of international politics in the US. These paradigms constitute what Hollis and Smith (1990) have identified as a model of “explaining” international politics. This approach basis its assumptions about the social world on a particular set of ideas from natural science, such as the existence of “truth” existing “out there” waiting to be discovered by the researcher. The researcher is understood to be observing from a neutral and objective position outside of the phenomena studied, and is able to discover independent variables and generate predictive models of international politics (Hollis and Smith, 1990: 45-67).

The influence of positivism in American IR has not gone uncontested in the discipline though (Smith, 1995). In contrast to the mainstream approach of explaining, “understanding” theories of international politics are interpretive, attempting to address how the construction of rules and meanings influences the social world. This approach employs post-positivist methods to their research that are skeptical of the claims of scientific objectivity and rigour in the positivist literature (Hollis and Smith, 1990). Theories of explanation employ reductionist reasoning to begin their analysis with a set of assumptions about the structure of the

international system and the state as the main actor in this system. Within this approach, rational cost-benefit-analysis acts as the prism for decision-making. Alternatively, theories of understanding are less willing to assume universal characteristics of either the international system or the state. They view the state as a contested domain of competing influence, ideas, and interests, and they are skeptical of assumptions of rationality. The paradigms utilized by the understanding approach consist of the constructivist paradigms, as well as potentially critical theory and feminist literature (Sylvester, 1996; Linklater, 1996).

Maliniak and Tierney's (2011) observations on the twelve major IR journals substantiate Smith's claim on the dominance of positivism. Approximately 80% of the IR articles surveyed subscribed to positivist methods over the last twenty years with just under 20% of the IR articles utilizing either non-positivist or post-positivist methods. While this is high, the figure for positivist articles published in IPE over the last twenty years is at 90%, with non-positivist and post-positivist articles constituting between 10% and 0% during the surveyed years of the study (Maliniak and Tierney, 2011: 29). Another way in which models of explanation enjoy even greater hegemony in IPE compared to IR is with the paradigms. Maliniak and Tierney's research demonstrate that the "ideational turn" of constructivism has been discernible in IR over the last thirty years. Articles that emphasized ideational factors in their research increased from a low of 34% in the 1980s to approximately 45% during the 1990s and 2000s, with a nearly linear increase (Maliniak and

Tierney, 2011: 27). This ideational turn is much less evident in IPE. Articles that incorporate ideational factors in IPE have never passed 25% of total surveyed articles in any year since 1990, with the majority of the years studied having fewer than 20% of their articles emphasizing ideational factors (Maliniak and Tierney, 2011: 27).

The lack of commitment to the ideational turn is also apparent in the literature on foreign economic policy. This literature has traditionally been divided into three approaches: systemic, statist, and societal (Katzenstein, 1976: 12; Ikenberry, Lake, and Mastanduno, 1988: 2-3). Systemic approaches focus on the distribution of power in the international system, and the statist approach views the state as a rational utility maximizer. Both of these approaches are closely linked to the disciplines of IR and IPE, and they fit comfortably within the realist paradigm. The third approach, inspired more by Foreign Policy Analysis than by IR, emphasizes the role of actors in society, or the “domestic structures” of the state (Katzenstein, 1977). The societal approach however, has been more interested in the way in which institutions and ministries have competed with each other to gain access to key policy-makers in the national government, and has not looked as closely at the relationship between social forces and foreign economic policy.

Ikenberry’s work on how the 1944 Bretton Woods conference established an international economic structure to facilitate trade and stable currencies for the post-World War II order moved the study of foreign policy more closely to the

approach of the ideational turn of IR. Ikenberry emphasized the role of ideas amongst American and British policy-makers that approaches Adler's constructivist work on "epistemic communities" of specialists who are connected to the centres of power and are capable of influencing the foreign policy making process (Ikenberry, 1992: 291-2; Adler, 1992). Another insight that is gained from the foreign economic policy literature is what Ikenberry calls the "normative order" of institutions. This is meant to include governing ideologies and philosophy on economic and political order (Ikenberry, 1988: 227). Mark R. Amstutz argues the following regarding the role of social forces in the construction of a country's foreign economic policy (Amstutz, 1977: xiii):

Foreign policy is not developed or designed in a vacuum, nor is it carried out, as some theorists have suggested, by statesmen whose sole concern is the maximization of political power. Rather, foreign policy flows out organically from the nature of a nation's society. This means that if a foreign policy is to be effective in the long run, it must relate to the nature of a country's society, including its culture, social characteristics, economic interests of major social and economic groups, political values, and ideological concerns.

Though there has been some acknowledgement of the role of ideas in the foreign economic policy literature, the dominant approach of this literature has been institutionalist rather than a detailed consideration of the configurations of social forces that is the subject of the ideational turn.

There is now an emerging body of constructivist IPE that employs an approach of understanding social forces in its research (Seabrooke, 2007: 372). One prominent example of constructivist IPE is Abdelal, Blyth, and Parsons' edited

collection: *Constructing the International Economy*. This collected volume explores how economic interest is inseparably linked to social preferences, expectations, ideologies, and conflicts (Abdelal, Blyth, and Parsons, 2010: 4). Textbooks on IPE have also come to add constructivism to the traditional paradigms of realism,⁴ liberalism, and critical theory (Hülsemeyer, 2010: 125-59; O'Brien and Williams, 2010: 36-7; Balaam and Veseth, 2008: 89-90). There are some important works of IPE that do appear earlier than the emergence of the ideational turn in IR, such as John Gerard Ruggie's exploration of the "embedded liberalism" of the Bretton Woods era (Ruggie, 1982), as well as the continued, if somewhat marginalized, presence of British IPE.

It is this general lack of post-positivism and constructivist literature in IPE and foreign economic policy that this dissertation hopes to address. By primarily drawing upon British IPE, and placing a greater emphasis on an approach of understanding the international political economy I will contribute to the marginalized ideational turn of constructivism in IPE, and to contribute to research on the potential role of social forces in the foreign economic policy making of states. While the divide between American IPE and British IPE "does not worry" some scholars, such as Lake, who ruminates that this distinction "should be encouraged," even he still admits that American IPE "needs to be paired with a tolerance for pluralism" (Lake, 2009: 50-1). Lake even goes as far as to suggest that

⁴ Sometimes referred to as economic nationalism, mercantilism, or statism.

“complementary insights into political events that, taken together, are undoubtedly more insightful and complete than either alone” (Lake, 2009: 50-1). Many others commenting on the divide go much further than Lake’s tepid endorsement of pluralism, imploring IPE to cross the disciplinary divide that has emerged to rediscover its former pluralism and “open range” (Cohen, 2009: 142; Katzenstein, 2011: 112; Sharman, 2011: 197). I agree with Jonathan Kirshner that for IPE, the “comparative advantage lies in our understanding of *politics*” and so the examination of the politics of the economy, in the broadest sense of the term politics, must be encouraged and practiced in the discipline (Kirshner, 2011: 207). While each chapter will review the model of explaining Indonesia’s foreign economic policies by considering economic factors such as inflation and GDP growth rates, it does not make neoclassical assumptions on the decision-making procedures of the state. Rather, it assumes that the state formulates foreign economic policy from multiple social contexts and that the state is required to co-habit with the identity politics found in society. We also depart from the methodological approach of large-*n* studies in American IPE by focusing our research on a single case study—the Republic of Indonesia.

This dissertation is an attempt to cross the transatlantic divide, to draw upon areas of concern to American IPE, but to primarily utilize the approach of understanding the role of social forces that is practiced in British IPE, while also, as David A. Lake implores the discipline, to “simply get on with the business of

explaining, understanding, and possibly improving the world we inhabit and, in part, create” (Lake, 2011: 45). The “business” of this dissertation is to consider the economic relations of the Republic of Indonesia with the emphasis placed on the understanding approach of British IPE. The key contribution that this dissertation offers IPE is an in-depth examination of the role of religion in the foreign economic policy of Indonesia.

Methodology

This section on methodology is intended to explain to the reader how this dissertation follows the British school of IPE’s epistemology, but will also consider where it might be said to depart from traditional British school analysis. The components of British school analysis are typically broken down in the following way: as an interpretive and qualitative approach to the analysis of evidence, an exploration into the “Mystery of the State,” constituting an ethical dimension, a commitment to an interdisciplinary approach, and a questioning of what has been called the “Really Big Question” (RBQ). What we find is that each component of traditional British school IPE tends to overlap with each other, but it remains an approach to the study of the international political economy that defies a rigid framework for analysis.

One of the most defining dimensions of British IPE is that it employs qualitative and interpretive methods in the study of the international political economy. This is in contrast to the empirical and quantitative methods that

American IPE has come to favour since the adoption of the OEP paradigm (Cohen, 2008: 44). This commitment to the interpretive method is derived from the British school's rejection of positivism. Positivism's belief in "scientism," or "the unity of the scientific method," encourages practitioners to explain and make predictions on the social world through the collection of data, what we have identified earlier in the chapter as Hollis and Smith's approach of "explanation" (Delanty, 1997: 12; Hollis and Smith, 1990). The alternative method of "understanding," as expounded by Hollis and Smith (1990), and the practice of the British school of IPE:

...stands for the subordination of explanation and description to interpretation, which cannot be reduced to mere observation. The structure of social reality, which consists of objectifications of human meaning, is too complex for observation to provide us with a realistic representation. Therefore the scientist must interpret to reach the deeper levels of reality (Delanty, 1997: 40).

The above quotation on the interpretive method from Delanty reveals how proponents of interpretation assume a complex social reality that elides the definitive relationships argued by the proponents of positivism as it is typically presented in American school IPE.

The British school has embraced this skepticism of the positivist approach. Susan Strange, one of Cohen's two acknowledged founders of British IPE, vehemently opposed the narrow application of positivist methods, what she called, "phoney science" (Strange, 1994: 217). Defending the interpretive approach, Strange wrote:

...the commonsense of common people is a better guide to understanding than most of the academic theories being taught in universities. The social scientists, in politics and economics especially, cling to obsolete concepts and inappropriate theories. These theories belong to a more stable and orderly world than the one we live in (Strange, 1996: 3).

Cohen's other founder of British IPE, Robert W. Cox, similarly advanced a position of interpretive methods.⁵ For Cox:

Even though certain theorems of power relations may be abstracted from the flow of history, they can never be more than explanatory hypotheses, possibly helpful in interpreting specific situations but not to be represented as the universal truth of power politics. The flow of history is constantly producing power structures that shape and constrain actions and outcomes in different historical epochs (Cox, 2006: 41).

British IPE cautions the researcher to be skeptical of theories of explanation, and instead, to identify how the circulation of politics produces authority in the global political economy.

A dissertation on Indonesia that is not based on the empirical methods of American IPE, but is instead based on the more interpretive methods of British IPE, represents a challenge. As King, Keohane, and Verba astutely observe in *Designing Social Inquiry*:

⁵ The placement of Robert W. Cox, a Canadian who worked at York University in Toronto, as a founder of the British school of IPE is illustrative of the imprecision that is discernable in Cohen's dichotomy. There are British scholars who fit more comfortably in the American school just as there are Americans who are speaking to the British school. Cohen even refers to a "Canadian school" that supposedly embraces both qualitative and quantitative research but this too has been questioned by one of the proponents of Canadian IPE identified by Cohen (Helleiner, 2011).

Perhaps the single most important operational recommendation of the interpretivists is that researchers should learn a great deal about a culture prior to formulating research questions. For only with a deep cultural immersion and understanding of a subject can a researcher ask the right questions and formulate useful hypothesis (King, Keohane, and Verba, 1994: 37).

This might be especially true in the case of domestic-international interactions in the field of IPE. According to Frieden and Martin, “the most challenging questions in IPE have to do with the interaction of domestic and international factors as they affect economic policies and outcomes” (Frieden and Martin, 2003: 119). These interpretive interactions between the domestic and international realms have another layer of difficulty when conducting research on what the United Nations (UN) labels as a “Less Developed Country” (LDC), which has historically been a marginalized realm in IPE literature (Taylor, 2005).

The interpretive methods utilized by this dissertation involved two periods of immersion in Indonesia. My first research trip to Indonesia occurred during the Spring and Summer of 2008. The purpose of this trip was to begin to experience the culture of Indonesia, a precondition that King, Keohane, and Verba argue in the above passage, for “formulating research questions.” For this component of field work I enrolled in Bahasa Indonesian language training and then hosted seminars with undergraduate students at the Islamic University of Indonesia in Yogyakarta (UIN), and then at the Jakarta Islamic State University on the role Islam has played in the politics of the Republic of Indonesia. My dissertation does not quote any of the participants from these workshops, nor does it use our discussions to guide

inferences on the relationship between Islam and Indonesia on engagement with international economic relations. What they do represent are my initial first-hand experiences with the political culture of Indonesia, and act as an indirect influence on my study. My second trip to Indonesia was a return to Yogyakarta during the Spring of 2009 to conduct archival research at the UIN. Later in the Summer I visited Leiden University in the Netherlands to visit the Kern Institute Library and the Van Vollenhoven Library, followed by archival research at Tilburg University, the University of Antwerp, and then to the Oxford Centre for Islamic Studies.

Another component of British school IPE is investigating what Cohen characterized as the “Mystery of the State” (Cohen, 2008: 118-41). American IPE has been mostly content to treat the state within the traditional “black-box” model of mainstream IR.⁶ British IPE has insisted that the American approach makes the mistake of equating the state with government, missing out on the totality of what constitutes the state. This creates another bias within American IPE based on an assumption of a unitary rationality that is ascribed to the state, a rationality that might not exist. According to British IPE, the relationships and actors within the state, both ideational and institutional, are an inseparable aspect of the state, without which, there is no state to speak of. “Politics,” Strange reflected, “is larger than what politicians do” (Strange, 1996: xiv).

⁶ The notable exceptions to this generalization of American IPE are to be found in Keohane and Nye’s seminal *Power and Interdependence*, and in the work on domestic politics by Peter Katzenstein (Cohen, 2008: 119).

Cox has also been an ardent proponent of expanding IPE beyond the state. In his classic essay, “Social Forces, States and World Orders: Beyond International Relations Theory,” Cox describes a vast “State-Society Complex” where state-to-state relations are no more privileged than a host of other relationships, such as society-to-state, society-to-society, and the relationships between society and states with “world orders” (Cox, 1981: 138). Rather than focusing exclusively on states, British IPE is more amenable to the description of what Cox has described as the *nébuleuse*, or, discerning the patterns of governance without government, consisting of multiple state and non-state actors and complex inter-relationships (Cox, 2002: 33). Furthermore, in his reflections on Antonio Gramsci, Cox writes that, “it became meaningless to limit the definition of the state to those elements of government. To be meaningful, the notion of the state would also have to include the underpinnings of the political structure in civil society” (Cox, 1983: 164). While Cox, inspired by his reading of Gramsci, admits that the state is still the “basic entity in international relations,” it is a state that includes “its own social basis” (Cox, 1983: 169).

Debating ethics is another important component to British school analysis. Contemporary American IPE, with its belief in positivism and the detached researcher recording empirical observations of the social world, is thoroughly rejected by the British school. While American IPE is typically interpreted as inspired by the paradigm of neoclassical economics, it has been suggested that British IPE is inspired by the approach of the classical economists of the late

eighteenth and early nineteenth centuries. Adam Smith, who worked in the university before the division of departments and faculties, was, as Susan Strange purportedly liked to remind her students, actually a professor of moral philosophy (Cohen, 2008: 56). In her textbook, “Paths to International Political Economy,” Strange wrote that IPE is “about justice, as well as efficiency: about order and national identity and cohesion, even self-respect, as well as about cost and price” (Strange, 1984: x). Palan describes Strange’s understanding of IPE as a “method of diagnosis” for a world that was in need of help (Palan, 1999: 126).

Susan discovered many ill patients ‘out there.’ And when one discovers illness, one begins by examining the symptoms, then one identifies the disease and then suggests, if possible, a remedy (Palan, 1999: 126).

Strange’s work clearly expressed a normative dimension, whether in the deregulation of financial markets (Strange, 1998), or in the loss of state authority in the market (Strange, 1996).

Another defining attribute of British school IPE is the interdisciplinary approach to the analysis. IPE in the American tradition, since the emergence of the field during the 1970s, is understood as a sub-discipline of IR. The study of state behaviour in an anarchic international system tends to provide the basic framework for introducing the subject of IPE to students in the American school. Alternatively, the British school has approached IR as more of a sub-discipline of IPE, even favouring the expression “GPE,” or, Global Political Economy, to avoid privileging the

inter-state dynamic of IR (Ravenhill, 2011: 20).⁷ In British school analysis, the inter-state dynamics are only one component among many to be investigated. An influential work of British IPE by Robert W. Cox describes a framework for studying the global political economy as three categories of forces—ideas, material capabilities, and institutions. What is significant is his placement of ideas as co-equal to material capabilities and institutions, the more traditional domains of Political Science. Cox’s point is that these three forces are a dialectical configuration, each force influencing the other two, and warning the reader not to ascribe too much privilege to the material or the institutional (Cox, 1981: 136-7).

To appreciate the role of power in world politics, according to Cox, one must be prepared to advance beyond the interstate construct of the international system found in contemporary IR. Cox cautions that this cannot be accomplished by simply including markets in the analysis of interstate relations, as is the practice of American IPE, but to “breach sacrosanct disciplinary boundaries so as to draw upon history and sociology and geography—indeed upon all the social sciences and humanities (Cox, 2002: 80).

Susan Strange also articulated a broad and diverse approach to the discipline in “Paths to International Political Economy.” Strange envisioned IPE as (Strange, 1984: ix):

⁷ However, there are proponents of the American school who have notably referred to the discipline ambiguously as “GPE” and “IPE,” such as Gilpin (2001).

...a vast, wide open range where anyone interested in the behavior of men and women in society could roam just as freely as the deer and the antelope. There were no fences or boundary-posts to confine the historians to history, the economists to economics. Political scientists had no exclusive right to write about politics, nor sociologists to write about social relations.

Compared to American IPE, British IPE has rather successfully promoted the discipline as this “open range,” with most proponents continuing to express support for Strange and Cox’s vision of an interdiscipline (Krätke and Underhill, 2006: 25-6; Balaam and Veseth, 2008: 8-10).

While this dissertation draws upon studies that are historical, sociological, and anthropological in an attempt to draw upon multiple disciplines, it is primarily a work of Political Science. The frame of reference for the study is much more clearly grounded in the literature and debates of IR than an interdiscipline that places the disciplinary insights and debates to be found throughout the Social Sciences and Humanities more broadly. While approaching the study of the foreign economic relations of Indonesia that holds the disciplinary debates across Geography, Sociology, Anthropology and others as co-equal does potentially offer profound insight for both the study of Indonesia and for the various disciplines, the “open range” approach is not truly utilized here. This might be a weakness for some readers from the British school of IPE but it also has its strengths too.

By approaching the study from an IR-IPE perspective rather than a strictly interdisciplinary perspective, this dissertation is more capable of engaging with both British and American IPE. Cohen has adamantly called for literature that bridges the

transatlantic divide (Cohen, 2008: 176-8). The location of IPE as a sub-discipline of IR, combined with an examination of social forces underpinning the global political economy, might be a productive approach in this regard. Another potential benefit of the approach of the dissertation is the ability of this research to contribute to the emerging literature in IR that is interested in Indonesia's relations with the rest of the world, especially following the democratic revolution it experienced during the late 1990s and for the IR literature that is attempting to understand the role of religion in global politics that we will consider in the final chapter of the dissertation.

The final dimension of British school analysis that we will discuss in this section on methodology is what Cohen has called the "Really Big Question" (RBQ), or, the attempt to analyze "systemic transformation" (Cohen, 2008: 66). Cohen suggests that the transatlantic divide also pertains to the scope of the research agenda. He reflects that early in the development of IPE in the US, through the work of Charles Kindleberger, the discipline did in fact did ask the RBQ. The example used by Cohen is Kindleberger's groundbreaking work on what was to eventually be called Hegemonic Stability Theory (HST) (Kindleberger, 1973; Cohen, 2008: 69-72). HST attempted to understand how the structures of the international political economy are created and why. American IPE in the 1970s and 1980s was offering commentary on a system in flux, as American power appeared to diminish relative to the economies of Western Europe and East Asia. Scholars such as Robert Keohane

were attempting to understand why international cooperation did not appear to be failing in the wake of a diminished hegemon. The American school, according to Cohen, has since departed from this ambitious approach of trying to make sense of the global structures of economic relationships to instead imitate the approach of microeconomics and neoclassical economics. Rather than ask the RBQ of the overall system, American IPE began to engage in detailed analysis of small-scale dynamics within the international political economy and mid-level theorizing. Cohen even suggests that the movement of OEP toward microeconomic analysis is responsible for Keohane's movement away from IPE and toward studies on institutionalism (Cohen, 2008: 144).

The RBQ of this dissertation might be unsatisfactory for some readers of British school IPE. It does not hold pretensions of unlocking the key determinants of Indonesia's foreign economic relations, let alone the global political economy in general. The RBQ it does examine though is a consideration of the role of Islam in the foreign economic relations of the country. It is still a RBQ because it is an attempt to understand the sub-structure of identity politics that, as Alexander Wendt frames it, "lurks just behind interest" (Wendt, 1999: 104). It is a relevant RBQ because of the general tendency to: 1) assume that identity politics has little influence on economic matters, least of all religion; and 2) assume that Islam's effect on the international system is generally one of destabilization. Other social forces and identities that shape Indonesia's domestic and foreign policy-making are considered in the

dissertation where appropriate, but the primary question pertains to the role of Islam.

Though this dissertation will depart from traditional British school IPE by some measures, it can also be said that British IPE defies a rigid set of rules as a paradigm. Palan suggests that for Strange, “the pursuit of theoretical codification is dangerous...because it may stultify the dynamic relationship between knowledge and practice” (Palan, 1999: 123). British IPE is more about engaging with a general “*problematique*” (Cohen, 2008: 142).

At the broadest level, we all accept that the field is about the nexus of global economics and politics, an amalgam of market studies and political analysis. But try to get any more specific and differences quickly emerge (Cohen, 2008: 143).

As a researcher who defines himself within the realm of American IPE, Cohen is moderately concerned with the lack of rigour of British IPE. While this dissertation is not concerned with the openness of British IPE, it is sympathetic to the concerns raised by American IPE. The *problematique* of American IPE is, according to Cohen, characterized by the twin questions of “actor behavior” and “system governance” (Cohen, 2008: 143). The question that American IPE asks is, “what motivates government behavior, and how do sovereign nations manage their economic interdependence?” (Cohen, 2008: 143) Though this dissertation might not do much to bridge the transatlantic divide in the discipline of IPE, the above question of American IPE actually does come to direct much of the following dissertation. The following chapters explore what motivates the Republic of Indonesia on matters of

the economy, and attempts to understand how the Republic explains its relationship to regional and global economic institutions. The key difference between American IPE and this dissertation is that identity politics is included into both sides of the *problematique*, and might therefore open the research to consider the ways in which social forces and identity politics influences Indonesia's foreign economic relations.

Indonesia and Global Order

While debating the role of Islam in the domestic politics of Indonesia is a well-established research project that has gained ever greater attention following Indonesia's transformation into a democracy (Liddle, 1996; Woodward, 2001; Porter, 2002), the role of ideational forces in Indonesia's foreign affairs is a much more recent area of research. An ongoing debate that is present in the IR literature contests the presence of Islam in the foreign policy decision-making process of the Republic of Indonesia. One side of this debate agrees with Michael Leifer's observations in the 1983 classic *Indonesia's Foreign Policy*. Leifer argues that Islam has only contributed a marginal influence on Indonesia's international relations (Leifer, 1983: 136-40; Suryadinata, 1995; 1996; Perwita, 2007). This literature posits that Islam has only ever enjoyed a low level of influence in Indonesia's foreign policy due to the predominance of *abangan* (nominal) Muslims in the apparatus of the state, and the protections against Islamic governance that are codified in *Pancasila* (the 5 principles of the Constitution). This approach also recognizes the tradition of *bebas aktif* (independent and active) as the central philosophy to guide

Indonesia's foreign policy. The other side of this debate suggests that Islam has actually maintained a diffuse influence on the foreign policy of Indonesia, shaping the state discourse on foreign policy that is directed to the public, and informing the norms and values that the Indonesian Republic projects internationally (Sukma, 1995; 2003). IR has also paid more attention to the role of ideational forces as part of its research on Indonesia in the debates on whether Islamic non-state actors that operate within Indonesia pose a threat to the country, the regional security of Southeast Asia, or even to the world (Gunaratna, 2003: 222-92; Sebastian, 2003; 2006; Desker, 2003; Singh, 2004).

This dissertation broadens the debate on the role of ideational factors in Indonesia's foreign policy in IR to the realm of IPE. Rather than explore ideational forces in its fullest formulation, this dissertation will concentrate its examination of ideational forces on the role of Islam. There are a number of reasons that are worth citing to the skeptical reader to justify a study of the role of Islam in Indonesia's interactions with the global political economy. The first justification comes from the central importance that is typically placed on Islam compared to other social forces in the literature that attempts to discuss the political history of Indonesia over the *longue durée* (Friend, 2003: 4-14; Rickleffs, 2008: 3-16).

The second reason to study Islam in Indonesia's interactions with the international political economy is to link this IPE study to the research on Indonesia being conducted in IR that is also more interested in the role of Islam compared to

other social forces. A third reason to study Islam, and one that is clearly connected to the previous reason, relates to the study of global politics during the early twenty-first century. The terrorist attacks of 9/11 have brought renewed attention to the role of Islam in global politics.⁸ IR is currently experiencing a “religious turn” since 9/11, with a proliferation of literature emerging on religion and global politics, with much of it focusing on Islam, but virtually none of it from the perspective of IPE (Riesebrodt, 2003; Fox, 2002; Fox and Sandler, 2004; Thomas, 2001; 2005; Hurd, 2008; Simbar, 2009).

An important study that can be found on the role of Islam in the international political economy is worth discussing here. Evans (2011) evaluates whether Islam has the potential to act as a “counter-hegemonic threat” to neoliberal world order. The author suggests that there are four features of Islam that may lead its adherents to reject the international political economy, as it currently exists. The first feature of Islam considered by Evans is the tension between “reason and revelation” in Islamic thought, such as the rejection of secular ideology on the economy that has been derided by Islamic scholars as *jahiliyya* (ignorance) (Evans, 2011: 1758-60). The second point raised by Evans is the skepticism found in Islamic discourse over excessive private property holdings that are attained at public loss (Evans, 2011: 1760-3). The third point raised by Evans is the emphasis in Islam on collective rights

⁸ Although it is clear that Islam had become a subject of interest to IR in some notable literature that predates 9/11 (Huntington, 1993; 1996; Rubin, 1994; Husain, 1995; Kubálková, 2000; Philpott, 2000).

over the rights of the individual (2011: 1763-8). The final argument given by the author is related to the Islamic doctrine of *tahwid al-hakkimiyya*, or, the oneness of all aspects of God, including sovereignty. Fundamental to Islam is the belief that God cannot be divided. The implication for some Islamic scholars is that this pertains to sovereignty and government. It is believed that if the state does not adopt *shari'a* (Islamic law) as the constitutional basis of government, then that state is blasphemous and illegitimate (Evans, 2011: 1768-72). This creates a constant state of tension between the *umma* (Muslim community) and the state on the governing economic ideology of inter-state relations if that ideology is not immediately perceived as “Islamic.”

Evans is not arguing whether Islam is a major counter-hegemonic force in the international political economy, but he is questioning whether it is a candidate to inform a counter-hegemonic posturing toward world order. The answer that Evans offers is that Islam indeed has the potential to promulgate a counter-hegemonic force to world order. In opposition to Evans, this dissertation on Indonesia will show that Islam has not informed a counter-hegemonic posturing for the Republic. Contrary to Evans' examination of Islamic thought, Islam in the case of Indonesia's foreign economic relations has actually been a social force pushing Indonesia toward integration in the international political economy and encouraging a liberal economic paradigm for Indonesia to follow. The major contribution of this dissertation is how Islam in Indonesia is seen to overlap and cohabit with the liberal

economic paradigm. However, as we will see, Islam does act as a counter-hegemonic social force in the history of the Republic to a limited extent.

A final justification to study Islam in Indonesia's engagement with the international political economy relates to the underrepresentation of religious forces in IPE. This is an underrepresentation that is even apparent in the thin IPE literature that identifies ideational forces as an important factor in the international political economy (Maliniak and Tierney, 2011: 28). The reason for this underrepresentation is partially a result of the lack of social constructivism in American IPE and foreign economic policy analysis, but it is also because religion is seen as a "hard case" for IPE, or in other words, a social force initially regarded as unlikely to act as a salient factor in the economy. However, the detection of religious social forces influencing Indonesia's participation in the international political economy opens up IPE to consider previously marginalized social forces, and adds a new dimension to the debates going on in the "religious turn" of IR.

It is also acknowledged that 9/11 and the "religious turn" in IR has informed the case selection for the historiography of the following dissertation. As R. G. Collingwood reflects in *An Autobiography*, our inquiry into past events is often informed by the politics of the age in which we live, and this in turn might help us to make historical research relevant to broader society (Collingwood, 1978: 106; Browning, 2004: 73-5; Ferguson, 2011: xx-xxv). These debates on the relationship

between Islamic societies and global order play a significant role in the construction of this dissertation topic.

Discussion and Overview of the Chapters

There are two original contributions this dissertation makes to the existing literature. First, it questions whether Islam has influenced the foreign economic policies of the Republic of Indonesia. Second, this dissertation contributes an understanding of how Islam has influenced Indonesia's foreign economic relations. The dissertation demonstrates that Islam has been present in the politics of Indonesia's foreign economic relations and it has acted in a way that has encouraged Indonesia's engagement with the liberal economic order. To study the role of Islam in Indonesia's political economy and engagement with international order requires a perspective that focuses primarily on British IPE "understanding." This is a departure from traditional descriptions from the discipline of IPE that have been presented through models of "explanation." These traditional models have assumed the state as a unified actor pursuing a rationally calculated self-interest in a predictable environment. What has been missing from such analysis is a reflection on how the decisions of the state might be influenced by social and cultural forces. It also misses how the state attempts to build legitimacy for its policies, or helps to explain a loss of legitimacy.

A perspective based on understanding global politics appreciates the complexity of the political world and the multiple roles that identity might play in

the construction of not only policy and the meaningful debates that exist in political culture, but also the framing of the policy debates and the discourses in which they are presented. The understanding approach is unique in that it is a consideration of social forces that might have been acting as a factor in the construction of the interests of the Indonesian government in the realm of the international political economy, but also opens up space for the voices that are marginalized by the state's official policy. The understanding framework thus requires an exploration of the possible role of Islam in the construction of Indonesia's engagement with the global economic order.

The second chapter of this dissertation is based on research conducted on the *Orde Lama* (Old Order) of the Sukarno era in Indonesia's history and assessing what role Islam might have played in Indonesia's relationship with the international political economy. It argues that Islamic social forces were trying to pressure Sukarno to engage with the West on the economy, and later, for Sukarno to abandon his anti-colonial foreign policies of *konfrontasi*, bifurcation of the world into "new emerging forces" and "old forces," the Moscow-Beijing-Hanoi-Pyongyang-Jakarta axis, and extricating Indonesia from the United Nations and the International Monetary Fund. These Islamic organizations of the time, such as *Muhammadiyah*, *Nahdlatul Ulama* (Revival, or, Awakening of Religious Scholars—NU), and *Masjumi*, were proponents of rebuilding relations with the West following independence to allow Indonesia to participate in the international economic order. My research into

recently declassified US diplomatic archives proves that the US in fact interpreted Muslim organizations, and their leaders, such as Muhammad Natsir, as the allies of the Americans in balancing the revolutionary politics of Sukarno.

The third chapter follows the position of Islam within the *Orde Baru* (New Order) of Suharto. It argues that Suharto attempted to articulate his policies of economic development and engagement in the international economy through reference to an Islamic discourse of hard work combined with global cooperation. The New Order regime practiced a religious *dirigisme* where it attempted to co-opt Islamic organizations and use them to promote the ideological platform of the regime. While these organizations had strained relations with the state on issues of democracy and human rights, the Islamic organizations largely found common cause in Suharto's liberalizing economic programs.

The fourth chapter considers the contemporary period of *Reformasi* (reform) and *Demokrasi* (democracy) in Indonesia. During this period Islam not only remains a social reference for the state to present its justification of engagement with the global economy, even after the 1996-7 Asian Financial Crisis and the 2008 Global Financial Crisis, but Islam actually increases its presence in the discussions on the international political economy. What is new to this period is the discussion on the Islamicization of the global economy, where the Republic of Indonesia calls upon the role of Islam in Indonesian society to mitigate the destructive forces of the global economy. Islamic social values are constructed as a counter-veiling force to some of

the negative aspects of the global economy, such as high interest rate charges, financial speculation, the accumulation of profit without high levels of investment, inequity, and most importantly for Indonesia, the problem of corruption.

The final chapter offers some reflections on three general themes. First, this chapter will discuss some of the broad claims made by the religious turn of IR and what the research of this dissertation contributes to these debates. Though this research shows that Islam acts as an “intervening variable” in state-society relations, the research does not support the religious turn’s claims to transnational identity as a significant influence in global politics. The second theme of this chapter will attempt to explain why mainstream Islamic organizations have generally been supporters of a liberal economic paradigm for Indonesia. Finally, this chapter will reconsider the assumptions of American and British IPE from the perspective of the findings of the dissertation.

This dissertation will be of interest to those who are concerned by the loss of pluralism in IPE and the transatlantic divide. To offer analysis that partially blends these two approaches, the chapters discuss both models of explaining and understanding Indonesia’s involvement in the international political economy, but contribute original research primarily through the perspective of British IPE. The dissertation also avoids making neoclassical assumptions on the mechanism through which the state defines its interest. Furthermore, this research will be of interest to those who question the role of Islam in global politics. Islam is far from

monolithic, either between countries or within them. Each chapter will consider the different roles, ideologies, and interests of Muslim organizations to discern the varied kinds of relations between Islam and global politics. While we appreciate the revolutionary characteristics of some Muslim organizations, as well as the absence of Islam in Indonesia's foreign economic relations by some measures, we will observe a general platform of engagement with the international political economy coming from Indonesia's mainstream Muslim groups. This dissertation will also offer some substance for those interested in Indonesia, and the political debates on how the Republic has been in pursuit of power and wealth in recent history.

What this dissertation will not do is look in depth at the institutional relationships that exist between Indonesia and international organizations, such as the International Monetary Fund (IMF) and the World Bank (WB), or Indonesia's relationships with regional trading agreements, such as the Association of Southeast Asian Nations (ASEAN). This research project will not comment on how government policy is influenced by international institutions. Instead, this dissertation offers a new perspective on the formative context of Indonesia's foreign relations through a consideration of the political culture of the Republic. The political culture that this dissertation focuses on is the general direction in which Islam pushes the government in terms of foreign economic policy. The findings of this dissertation show that the prevailing discourse used by prominent Islamist leaders and parties,

as well as Indonesian political leaders, is for Indonesia's engagement with the liberal economic order.

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Chapter 2

Islam and Indonesia's Engagement with the International Political Economy During the *Orde Lama* (Old Order)

Introduction

This chapter examines Indonesia's engagement with the international political economy during the first three-fifths of the twentieth century. It is a time that came to be known as the *Orde Lama* (Old Order), when Sukarno played a defining role in the politics of the country, both before independence and the period after the Republic of Indonesia became a sovereign state. The chapter represents a departure from traditional inquiries of American International Political Economy (IPE) that focus on models of "explanation," by adopting an approach that utilizes the "understanding" perspective found in British IPE. Whereas American IPE models of explanation generally assume a commitment to positivist methods that are founded upon neoclassical economics, treating the state as a rational utility maximizer that calculates self-interest, our approach of understanding will inquire into the social forces and identity politics that shape and inform the debates that construct the foreign economic interests of the state.

By studying Indonesia's engagement with the international political economy we consider the social forces that both inform and contest the nature of Indonesia's foreign economic policy. The primary social force that is the subject of this chapter,

and the dissertation as a whole, is the role, if any, of Islam in understanding Indonesia's engagement with the international political economy. The position of Islamic groups on matters of economic relations will be reviewed as well as a consideration of the discourse of the Indonesian Republic, to discern the relationship between the policies of the state and how these policies are received and interpreted by members of Islamic civil society.

The chapter is composed of three general time periods. The first is the period of pre-independence. This period begins with the awakening of Indonesian nationalism, as well as the post-war revolutionary period. We will review the role of Islam in the forging of the Indonesian national identity, the multiplicity of Indonesian Islamic groups that appeared during this time, and the rival factions from society that either worked with Islamic organizations, or competed against them, for influence in the nationalist movements and emerging government. The second era that will be considered in this chapter is the period of parliamentary democracy that followed from the international recognition of Indonesia's independence. The third era in Indonesia's political history we will consider in this chapter is the period known as "Guided Democracy," when Sukarno abolished the parliament and centralized authority around himself. The argument that is being presented here is threefold: 1) Islam is relevant to the foreign economic relations of Indonesia, before independence and after; 2) the major Islamic organizations in Indonesia were proponents of connecting the Republic with international patterns

of Western economic order; and 3) Sukarno lost legitimacy from Indonesian civil society because he marginalized Islamic constituents on matters relating to both domestic politics and international relations. During the 1950s and 1960s, Islamic groups such as *Masjumi*, and its leader, Muhammad Natsir, attempted to position the Republic of Indonesia closer to Western institutions in the international political economy and strongly disagreed with the revolutionary politics of Sukarno. President Sukarno's marginalization of mainstream Islamic social constituents who disagreed with his anti-colonial policies and rhetoric represent a major contributing factor to his downfall and later, Indonesia's eventual engagement with the West under Suharto.

Pre-Independence

In this section we will briefly review the emergence of an Indonesian national identity during the latter decades of Dutch colonial rule. While Islam is a major social force of the national revival, we will also observe that Islam is not a monolithic social-political entity, nor does it hold a monopoly of ideological thought in Indonesian society. This is an important consideration for the dissertation because we will see how important Islam was as a social force for the nationalist movement in pre-independence Indonesia. However, it was not the only social force that came to influence the government, and policies more generally, either before independence or after. We will then consider the Japanese occupation and the early government led by Sukarno and Muhammad Hatta that eventually declared the

independence for the Indonesian Republic following the Japanese surrender to the Allied forces. Indonesia's engagement with the international political economy during these pre-independence years is largely as a dependent of its colonial overlords, lacking an ability to construct foreign relations on its own. However, the overview is useful as a context to help understand the debates over Indonesia's later participation in the international political economy as an independent Republic, and it shows how Islamic groups favoured engaging in international trade.

National Revival, 1908-45

We begin our inquiry into the relationship between Islam and the foreign economic relations of Indonesia with a brief consideration of two dimensions of pre-independence Indonesia: 1) the colonial political economy; and 2) the arrival of modern nationalism to the Dutch East Indies and its use to resist colonialism. While the late nineteenth century for much of the Western world is traditionally discussed as a time of economic globalization through trade, stable international exchange rates, and the availability of investment capital, it is also a period of colonial domination over much of the world, represented by the forced entry of colonial people into global markets (O'Brien and Williams, 2010: 104-11). While Indonesia was also a participant in this international trade, their participation was dictated by outside forces, especially the Dutch East India Company, the colonial centre of "Batavia" (Jakarta), and the imperial centre in Amsterdam.

In *Indonesia: The Rise of Capital*, Richard Robison (1986) presents the classic overview of Indonesian political economy for both the period immediately preceding Indonesia's independence, as well in the wake of independence. Robison details four main stages in the development of the colonial economy (Robison: 1986: 3-10). The first stage was one of mercantilist domination of the Dutch East India Company during the seventeenth and eighteenth century. During this time, the colony was subjected to land appropriation for natural resource exploitation and plantation development for export markets. The second stage was largely a continuation of the mercantilism practiced by the Dutch, but instead, under the auspices of the Dutch government rather than the Dutch East India Company, and included the importing of manufactured goods from Holland into the colonies. The third and fourth stages, which we will outline in some detail as it provides the context of the "national revival" of the Indonesian people, represent that of a "liberal period." These two stages occurred between 1870-1930, and the Great Depression, which resulted in the collapse of the colony's export markets and even greater poverty and destitution for much of Indonesian society.

The late nineteenth century to the early twentieth century was a time when "private capitalism came to exert a preponderant influence upon colonial policy" (Ricklefs, 2008: 183). The colonial policies were directed at encouraging the exportation of oil for lamp markets, extracting rubber from tree plantations, as well sugar, tea, coffee, and tobacco cash cropping. However, it was not to be the

Indonesians who came to negotiate the terms of trade with the colony's "trading partners," nor would Indonesians manage the industrial and agricultural relations, and they certainly did not derive much of the profit from the trade of this period (Geertz, 1970). Such was the severity of the exploitative colonial state on the Indonesian people that in the early twentieth century the Dutch even began to reflect that they owed the Indonesians "a debt of honour...for all the wealth which had been drained from their country" (Ricklefs, 2008: 183). This came to be expressed in the so-called "Ethical Policy" of the liberal era that called for a share from the colonial profits to be invested in education, health initiatives, and infrastructural projects, such as the construction of railways and irrigation, all with tepid enthusiasm and uneven commitment from the colonialists (Brown, 2003: 105-6). The "Ethical Policy" was in no way intended to transform Indonesia from its status as a colonial subject whose economic relations was dictated by a European power, but instead was an attempt at gaining greater consent from the indigenous populations and ultimately to further entrench the colonial state over what the Dutch had come to regard as a docile, conquered people.

The popular conception of the Indonesians held by the Dutch colonialists during the liberal period can perhaps best be represented by the notable Dutch historian P. J. Veth, who reflected at the time that, "*De tijger in hem is gedood*" (the

tiger in him is killed) (Sukarno, 1962b: 4).⁹ It was this “spirit of the tiger in the hearts of the Indonesian nation” that Sukarno later stridently declared that the Dutch had almost eradicated through “hundreds of years of imperialism” (Sukarno, 1962b: 4). In his speech entitled, “Only a Nation with Self-Reliance Can Become a Great Nation,” Sukarno commemorates Indonesia’s “National Reawakening Day,” when on the 20th of May 1908, the “coming to life again of the tiger of Indonesia” supposedly occurred (Sukarno, 1962b: 5). The date Sukarno acknowledges is a reference to the creation of a nationalist organization, the *Budi Utomo* (Highest Endeavour), under the leadership of Dr. Wahidin Soedirohoesodo.

Budi Utomo consisted of *Abangan* (nominal) Muslims of the lower *priyayi* (aristocratic Javanese class). The organization increased in membership from 650 people to 10,000 within a year and became the first indigenous organization to be declared a legal organization under the Dutch Governor General van Heutsz in December 1909. Though *Budi Utomo* was able to pressure the colonial government on issues of social reform (particularly education), it was never a powerful force in Indonesian political culture (Ricklefs, 2008: 198-9). The organization was short on money and leadership, it held condescending views toward the inhabitants of the “outer islands” beyond Java, it alienated higher and more influential members of the

⁹ This was a quote from Veth that Sukarno liked to utilize in speeches as a symbol of the way in which the Dutch ridiculed the Indonesian nation. However, as Paul van der Velde (2010) has shown, Veth used his esteemed position in the academy to actually undermine the instruments of Dutch colonialism and attempted to turn Dutch public opinion against the colonial regime of the Dutch East Indies.

priyayi, and was probably never really taken seriously by the Dutch before its dissolution in 1937. What *Budi Utomo* did accomplish was to set a precedent that encouraged the formations of political and social organizations to demand emancipative and progressive policies from the colonial government during the early twentieth century (Vickers, 2005: 73). Within 16 years of the formation of *Budi Utomo*, Indonesia witnessed “an extraordinary proliferation of new organizations” (Rickleffs, 2008: 201).

Many of the largest of these organizations had a distinctly Islamic orientation to them. The understanding of what Islam represented varied between groups that at times cooperated with one another, and at other times, compete against one another for influence amongst the population. Briefly, Muslim groups during this time could be divided into the culturalists, the modernists, the traditionalists, and the socialists. The first of these groups have maintained a presence in Indonesia since the arrival of Islam to the archipelago, whereas the latter three groups, while existing to some degree in Indonesian political culture before the 1908-49 period, distinctly emerged during this era of national revival.

The culturalists consisted of groups notably represented by Clifford Geertz as *abangan* Muslims, representing the majority of Indonesia’s Muslims since the arrival of Islam to the archipelago in the sixteenth century. The *abangan* Muslims have historically been comfortable with an inclusive relationship between the *Shafi’i* branch of Islamic law and Southeast Asian culture (*adat*), which is why Geertz

referred to them as “syncretic” Muslims. The *abangans* also included Muslims who observe Sufi mysticism. Organizations represented by the culturalist grouping during this period include the previously mentioned *Budi Utomo*, as well as the *Sarekat Dagang Islamiyah* (Islamic Commercial Union—SDI). Established in 1909, SDI was designed to advance the burgeoning commercial interests of *abangan* Javanese merchants, particularly those involved in the *batik* trade, which was the profession of the archipelago’s first major converts to Islam.

SDI changed its name to *Sarekat Islam* (Islamic Union—SI) in 1912, boasting perhaps as many as two million members within seven years. Central to SI’s widespread popularity was its critique of the colonial relations that seemed to dictate Indonesian political economy. One account described this doctrine of SI as a denunciation of the “sinful capitalism” Indonesia had been exposed to by colonialist domination over the Muslim economy (Pluvier, 1965: 1-4). However, SI did not call for a complete repudiation of capitalism in the abstract, but rather a condemnation of the method of colonial control of Indonesia’s economy. This culturalist grouping then began to move in two directions, the first being that of the merchant class, what Robison calls the “Muslim merchant bourgeoisie.” This side of the culturalists wanted to allow Indonesia to engage in international economic relations on their own terms and not be subjected to Dutch control. The second movement that originated from within the culturalist grouping represented a much more socialist ideology and became deeply skeptical of international markets (Robison, 1986: 28).

The second general grouping, and one that is closely related to the first, represent those of the Islamic socialists who emerged during the early part of the twentieth century in Indonesia from SI. One of the early leaders of the movement, H. J. F. M. Sneevliet, a former Catholic mystic and European Communist who founded the *Indische Sociaal-Democratische Vereeniging* (Indies Social-Democratic Association—ISDV), only began to appeal to the Indonesian masses when it came to include culturalist Islamic organizations. The most significant such organization was SI, which, like other *abangan* groups, had seen a large component of its membership move toward the political left between 1912-9. The movement to socialist platforms of Islamic organizations such as SI had become so pronounced that it even included elements of traditionalist Islam, such as Haji Misbach, whose open support of an Islamic-Communist union earned him the moniker the “red *haji*” (Rickleffs, 2008: 208).¹⁰

In May of 1920 the ISDV changed its name to reflect its more *abangan*-centred political culture found in SI to the *Pěrsěrikatan Kommunist di India* (the Communist Association in the Indies), and then finally to the *Partai Kommunis Indonesia* (the Indonesian Communist Party—PKI) in 1924. Rickleffs even refers to the PKI at the time as practicing an “Islamic Communism” in its discourse, and

¹⁰ Haji is an honorific given to Indonesians who have completed the *haji* (pilgrimage) to Mecca, a particular sign of piousness and devotion. It should also be noted that undertaking the pilgrimage was also a sign of anti-colonialism as it was a time when the Dutch prevented Indonesians from undertaking it during this period.

becoming “hyper-Islamic” in some places of the archipelago, such as Bantěn (Rickleffs, 2008: 209, 214). The PKI very quickly developed hostile relations with those *abangan* groups who still supported participation with international markets in the abstract. This tension resulted in a deteriorating state of relations between the PKI and many of their former Muslim allies. SI for instance, experienced *fraksi-fraksi* (factionalism) between the “Red SI” and the main SI organization. Though the PKI emerged from an Islamic context, the tension between the PKI and the Muslim organizations came to act as a defining debate in the political culture of the independence movement and especially within the political culture of the Republic after independence was finally achieved.

These first two general groupings of Muslim organizations during the national revival had an identity that was rooted in both Islam as well as economic reasoning. SI, representing a union of *abangan* Muslim groups, denounced the manner in which colonialism was preventing the fair and equitable participation of Muslim merchants with regional and global markets. The break that eventually occurred within the ranks of the SI, creating first the ISDV and then the PKI, was not on Islamic doctrine, but rather on the scope of the critique of the mode of production on the archipelago. The ISDV and even the PKI remained nominally Muslim, but demanded a more socialist mode of production for the colony.

The third grouping under consideration is the modernist movement, which is another broadly defined Islamic movement that distinctively emerges during the era

of national revival. The ideological centre of the movement was actually in Cairo during the late nineteenth and early twentieth century, and numbered among its proponents the Islamic scholars Muhammad 'Abduh, Muhammad Rashid Rida, and Jamal al-Din al-Afghani. Though the Dutch authorities attempted to restrict the access of Indonesian *hajis* (pilgrims) to the Middle East, the works of the modernist writers were still being distributed throughout Southeast Asia through newspaper distribution presses in Malaya, and especially in Singapore. The modernist movement, at least in so far as it becomes interpreted in Indonesia during the early to mid-twentieth century, is ordered by two central tenets. The first tenet is a repudiation of the tenth century doctrine of the closing of *bab al-ijtihad* (the gate of reasoning) that had followed the establishment of the four schools of Sunni Islamic law (*Hanbali, Hanafi, Maliki, and Shafi'i*). The modernists argued that "reasoning" or *ijtihad*, cannot be closed through the *ijma* (consensus) of scholars from the tenth century because of the inherent changes that occur within the context of society as time passes. Modernists derided *taqlid* (narrow reading of Islamic law) as closed-minded and as an interfering force that had been inhibiting the Muslim people from benefiting from the scientific, technological, and educational advances being achieved in the West. They also applied this same logic to partially explain the decline of Islamic power and the colonial rule of non-Muslims over Muslim peoples.

The second tenet of modernism in Indonesia was a movement toward Islamic conservatism. It was argued that the other factor to explain Western colonialism was

the infiltration of *adat* (culture) and “superstition” into the spiritual lives of Indonesian Muslims. The modernists were advocating for both the appropriation of Western advances through the invocation of independent reasoning, and a simultaneous return to the Quran, the *Hadith* (the sayings of the Prophet Muhammad), and the *Sunna* (the road, or way of the Prophet Muhammad). This acceptance of Western advances was particularly endorsed on economic matters. The modernists thought that embracing the West’s industrial revolution and their models for the provision of credit to allow the Islamic world to “catch up” to the West and perhaps to even overtake it economically.

The most important modernist organization to emerge in Indonesia was the *Muhammadiyah* (the Way of the Prophet), founded in 1912 by Kyai Haji Ahmad Dahlan, a distinguished member of *Budi Utomo*. At first, *Muhammadiyah* faced opposition from the government, who regarded them as Islamic revolutionaries, from the culturalists, who were angered by the separation of *adat* from Islam, and by the fourth grouping, the traditionalists, who we consider next as the Islamic grouping. The traditionalists regarded *Muhammadiyah* as trying to deny Southeast Asian spirituality. However, as early as 1938 the *Muhammadiyah* numbered a quarter of a million fully-fledged members.

Those who are typically identified as the traditionalists represent the group who Clifford Geertz famously identified as the *santri*, or students of religion. They were the Indonesians who were educated in rural locations on Java called the

kauman (place of the pious) at the *pěsantren* (place of the *santri*) by the *kyai* (teachers of Islam). Other terms associated with this group during this period included *putihan* (white ones—named for their unshaven beards), and *wong Muslimin* (the Muslims—as identified by Chinese who saw some Indonesians as more Middle Eastern in appearance). This subsection of the Muslim population of Indonesia had maintained a presence for at least a couple of centuries before the national revival, but it had never constituted more than a small minority until the advent of modernism in the archipelago with the establishment of the *Muhammadiyah*. A number of traditionalist organizations were founded as a reaction against the proliferation of modernism, the most significant being the *Nahdlatul Ulama* (Revival/Awakening of Religious Scholars—NU) in 1926. While the NU abstained from having a sustained commentary on the economy during the national revival and the period of independence, as we will show in the next chapter, the NU eventually lent support to Suharto’s strategy of development.

The national revival of the Indonesian people came from all four of the above categories. Nationalism was especially salient for the newly emerged PKI under its powerful leader, Tan Malaka, but so too was nationalism intrinsic to the emergence of the Islamic traditionalists and modernists (Brown, 2003: 115-8). This “anarchic milieu” of overlapping and conflicting ideologies wrapped up in the national revival could not withstand its contradictions. Following an attempted wave of strikes orchestrated by the SI and the PKI in 1924 and 1925, many Indonesians became

disillusioned with the sentiments of the national revival (Rickleffs, 2008: 213-5).¹¹ The strikes seemed to lack popular support and only served to inculcate a sense of disunity among Indonesians (Kahin, 2003: 80-90). What it encouraged from the Dutch colonial government was a repeal of any façade of indigenous representation that may have existed during the first quarter of the twentieth century. What replaced it was an increasingly repressive system that lasted until the Japanese occupation of 1942-5.

It might be amiss to refer to the 1908-25 period as a truly nationalist revival of the Indonesian people. If it can be said that it was a nationalistic movement that was occurring then it must be admitted as equally an Islamic revival that held vague pretensions of an independent Indonesia. No single Islamic identity existed, but a cacophony of identities, including *abangan* merchants and socialists, traditionalists modeling themselves after a Middle Eastern aesthetic, and a modernist revolution inspired by Middle Eastern thinkers. What was commonly held by the various factions at the grassroots level was an Islamic consciousness mixed with an undefined sense of an “Indonesian” nation whose economic and political conditions were forcibly determined by an unrepresentative colonial government.

¹¹ Further exacerbating the “anarchic milieu” of the chaotic 1920s were the racial divisions. Political groups could even be subdivided further into different ethnic groups, such as Malay, Chinese, Indians, Arabs, and European (Brown, 2003: 110).

Having grown into adulthood during the upheaval of 1909-25, and later as a student in the European educational system on Java, Sukarno had interpreted the organizational disasters of 1925-7 as stemming from too much ideological debate. The problem, as Sukarno saw it, existed between Islamic groups that fostered a lack of a commitment to what should have been perceived as an anti-colonial struggle against the Dutch. Sukarno argued in publications as early as 1926 that a triune of anti-colonial forces—Islam, socialism, and nationalism—were all required to break the colonial yoke. What separated Sukarno from the previous generation of organizers is that he aimed to subordinate socialism, and especially Islam, to the putatively superior force of nationalism (Rickleffs, 2008: 218). By 1928 Sukarno had founded the *Partai Nasional Indonesia* (Indonesian Nationalist Party—PNI), with the ambitious objective being the independence of the Indonesian people. What followed in the late 1920s and 1930s was a proliferation of nationalist parties comparable to the proliferation of the Islamic groups that had occurred during the previous two decades, and with it, an ongoing struggle over the *Weltanschauung* of the independence movement between proponents of *kebangsaan* (nationalism) and Islam.¹²

¹² I use the term *Weltanschauung*, or worldview here because it is the term that Sukarno often used for the ideological basis of the new state during this era. The other term that Sukarno occasionally used is the Dutch equivalent, *philosophische grondslag* (philosophical basis) (Sukarno, 1949: 5-8).

To understand what an observer might suggest was a rather slow build up of the nationalist movement it is useful to consider two salient features of Indonesian political culture. The first is one of geo-politics. An ethnically, culturally, and linguistically diverse archipelago, Indonesia was an enormous logistical challenge for the dissemination of propaganda and for the coordination of resistance to the colonial government. The second facet of Indonesia to consider is the role of Islam. During the 1928-42 period of nationalist growth there was a backlash from Islamic leadership. Sukarno's rousing speeches to Indonesians to claim their destiny offended an Indonesian Sunni-Islamic sensibility of a fatalistic passivity regarding the will of God and their subordination to the colonial government. The humanism found in Sukarno and the nationalist movement sat uncomfortably with the doctrine of *tawhid al-hakimiyyah*, the belief in the indivisibility of all aspects of God's character, including political authority.¹³

It was also inconceivable for certain Muslim communities to proclaim an Indonesian unity that was a substitute for the *ummah*, or community of Muslims. Other Muslims at this time denounced the *kebangsaan* (nationalism) of Sukarno and its seemingly secular tendencies, but, like Sukarno, published polemics that espoused the need for independence from the Dutch. One of the most prominent

¹³ The *Partai Islam Indonesia* (Indonesian Islamic Party—PII) was founded in 1938 on the charge that Islam “does not separate the spiritual and the worldly affairs of man, but includes teachings on secular as well as religious activities. Islamic law, sharia, governs both aspects of life—man's relations with God and his relations with his fellows” (quoted from Noer, 1973: 1).

examples from this period was Muhammad Natsir. Having received both a European education as well as an Islamic one, Natsir agreed with Sukarno on independence but wanted to imagine an independent Indonesia that was a state governed by Islamic leaders and through Islamic law.¹⁴

The destruction of the Dutch colonial government did not come from the nationalists. Rather, it would be the Japanese and their demand for war materials and empire who came to displace the Dutch and institute in Indonesia:

the most oppressive and devastating colonial regime in its history. The villages were thus rudely shaken out of their lethargy and political isolation of the later Dutch period. In the end, the most helpful thing the Japanese did was to lose the war, for had they succeeded in their intentions for a 'Greater East Asia Co-Prosperity Sphere' there would have been little prospect of real Indonesian independence (Rickleffs, 2008: 235).

Abangan merchant classes and export markets were totally subsumed by the Empire of Japan's war machine. A *corvée* system was surreptitiously enforced on a desperate population facing extreme poverty and famine from the decade of the Great Depression that had resulted in the loss of whatever meager provisions that trickled down to the Indonesians from the colonial foreign export markets. The first half of the Great Depression caused about a 25% decline in the GDP per capita of

¹⁴ Natsir could not so willingly concede to an Indonesian nation that was separable from Islam. In 1931 he wrote in the publication *Pembela Islam*, "It was (also) the Islamic movement which first paved the way in this country for political action aiming at independence, which first planted the seeds of Indonesian unity, which removed the isolated looks of the various islands as well as provincial features, which (also) first planted the seeds of brotherhood with those of the same faith outside the boundaries of Indonesia" (quoted from Noer, 1973: 260).

Indonesians compared 1929. However, on the eve of the Japanese invasion these losses of GDP per capita were reversed, with GDP per capita returning to 1929 levels. By the end of the Japanese occupation Indonesian GDP per capita had once again declined, this by an overwhelming 65% of its 1940 value (Van der Eng, 1992: 354-5).

In conjunction with the overwhelming forces of coercion at the disposal of the Empire of Japan were two interrelated social forces of consent. The Japanese attempted to co-opt the population through a dual appeal to nationalism and to Islam, covertly planting officers in places such as Aceh even before their conquest of the archipelago (Reid and Akira, 1986: 9-10). The nationalism the Japanese tried to harness was to present the so-called “Greater East Asia Co-Prosperity Sphere” as the expulsion of European powers from the archipelago in support of some vaguely defined pan-Asian identity. Connected to nationalism was the Japanese pressure on Indonesian clerics to declare the Pacific theatre as a *jihad* (holy war) against the Western powers. The most important move of the Japanese in this attempt to co-opt Islam was the establishment of the *Majlis Syuro Muslimin Indonesia* (Consultative Council of Indonesian Muslims), or as it became known as, *Masjumi*.

The popularity of *Masjumi* was rooted in the Japanese move to include members from both Indonesia’s modernist Muslims as well as its traditionalist Muslims. The Japanese attempted this by instating founding members from both *Muhammadiyah* and NU as *Masjumi*’s leadership. Though the Japanese did achieve

some support from the *pěsantren*, and even some members of the *kyais* due to a mixture of intimidation and sentiments of genuine impressiveness with the Japanese victories, the Japanese were still regarded by most as *kafirs* (unbelievers), seen to be worshipping a pagan emperor. Another factor that limited the consent given to the Japanese by the members of *Masjumi* was the profound resentment of the Japanese that was spread by the destitute conditions forced upon the general population. The ultimate contradiction coming from the Japanese that inhibited any long-term and genuine support from the general public was the promotion of anti-colonial nationalism while simultaneously forcing slavery on the population and vigorously opposing Indonesian nationalism.

However, following the Japanese naval defeats in mid-1942, and with little hope of Japanese victory in the war by late 1944, let alone holding such distant territories as the Indonesian archipelago, there emerged within some Japanese naval officer circles a reversal of policy. In the Fall of 1944, Vice-Admiral Maeda Tadashi paid for Sukarno and fellow PNI leader Muhammad Hatta to travel throughout Java and the outer islands to spread an Indonesian nationalist message. Muslim authorities who had been lukewarm to the Japanese, or at least not totally hostile to them, were allowed to organize into armed militias. By early 1945, groups such as *Barisan Hizbullah* (Forces of God), with at least some awareness on the part of the Japanese that such forces would hold little, if any, loyalty to the Japanese army-navy command, began to freely operate in the archipelago.

The relaxation of Japanese control over Indonesian nationalist movements and student groups culminated in the formation of the *Bandan Pěnyělidik Usaha Pěrsiapan Kěměrdakaan Indonesia* (Investigating Committee for Preparatory Work for Indonesian Independence—BPUPK) in March 1945, which included both Sukarno and Hatta. The culmination of these meetings occurred when the first draft of the constitution of the Republic of Indonesia was penned, the *Pancasila* (the five principles) on June 1st. This constitutional draft was followed by a second meeting of the BPUPK in July, producing the *Piagam Jakarta* (Jakarta Charter). The defining debate during these two sessions of the BPUPK was to be between *kebangsaan* (nationalism) and Islam, and their two most important representatives were Sukarno for the former and Muhammad Natsir for the latter. Natsir and Sukarno had previously been publishing competing polemics on the future constitution of an Indonesian state during the 1930s that culminated with the BPUPK meetings (Noer, 1973: 279).

Natsir and the Islamic constituent, the *golongan Islam* (Islamic group), pushed for clear and direct pronouncements of Islam and Islamic law in the *Weltanschauung*. Sukarno and the *kebangsaan* supporters, known as the *golongan nasional* (national group), who were primarily *abangan* Muslims themselves,¹⁵ were opposed to any specific mention of Islam. It is notable that the group absent from the BPUPK meetings that eventually came to act as a third pillar in Sukarno's

¹⁵ Though this group did include at least one secular Christian in A. A. Maramis.

government, and perhaps even his first pillar in his politics, is the PKI. This was due to their continued lack of credibility from the failed experiences of 1925-7 when waves of strikes only resulted in the Dutch colonial government becoming more oppressive. The Jakarta Charter, representing the culmination of the BPUPK on the 16th of August, written by Sukarno and agreed upon by the committee, declared colonial subjugation as a violation of *prikemanusiaan* (humanity) and *prikeadilan* (justice). The *Pancasila* of the new state included (Sukarno, 1958: 11): 1) *Ke-Tuhanan* (belief in one God) “with the obligation to carry out Islamic Shari’a,” 2) *kemanusiaan yang adil dan beradab* (righteous and moral humanitarianism), 3) *persatuan* (unity) of Indonesia, 4) *kerakyatan* (consultative democracy), and 5) *keadilan sosial* (social justice).

After the Japanese loss at Okinawa and the increased bombing of Japanese cities, it was decided by Vice-Admiral Maeda that, following the BPUPK meetings, Indonesian economic independence be bequeathed by the Fall of 1945. This was to be followed by the political independence of Java and then finally the outer islands. The decision by Maeda was probably not a reflection of heartfelt sympathy for the Indonesian people, but a strategic decision made to frustrate any aspirations the Dutch might have of restoring their colonial government in Southeast Asia. On 17 August 1945, the day of the Japanese surrender to the Allies, and one day after the acceptance of the Jakarta Charter, on behalf of “the people of Indonesia,” Sukarno

and Muhammad Hatta issue a declaration of “the independence of Indonesia.” An independence that would be denied to Indonesia for almost five years.

Revolution and State-Building, 1945-9

The *Panitia Persiapan Kemerdekaan Indonesia* (Preparatory Committee for Indonesian Independence) was founded on the following day, with Sukarno and Hatta as Chairman and Vice-Chairman. During that first meeting of the Preparatory Committee Sukarno and Hatta outlined a number of changes to the Jakarta Charter. The first of these changes was to drop the requirement for the presidency to only be held by a Muslim. Another change was to replace *Ke-Tuhanan* “with the obligation to carry out Islamic Shari’a,” in the first principle to *Ke-Tuhanan Yang Maha Esa* (Belief in God Who is Absolutely One) (Anshari, 1979: 29-30). The newly altered *pancasila* was to “unify the whole nation,” according to Hatta, by not privileging the role of Islam (Anshari, 1979: 30). The national unity concerns held by Hatta and Sukarno stemmed from the diversity of religion throughout the archipelago that comprised Sukarno’s “people of Indonesia.” Hindus, Christians, animists, and even the Muslim culturalists (the *abangan*), might refuse to belong to a state that was presumably to be guided by *Shari’a*. The fear was the formation of *fraksi-fraksi* (factions) that could claim their own independence separate from Jakarta, perhaps even carrying out a second revolution against Jakarta, or collude with the returning Dutch colonial forces (Feith, 1962: 281). Later in August, a *Komite Nasional Indonesia Pusat* (Central Indonesian National Committee) was established and laid the foundation for a

Republic of Indonesia government. The government was assembled in Jakarta based on the principles laid out by the BPUPK, with the Preparatory Committee's alterations, with Sukarno as President and Hatta as Vice-President.

The "concession to the Muslims" after the changes were made to *pancasila* was the establishment of the Ministry of Religious Affairs (MORA) in early 1946. This move came at the behest of Natsir and other leaders of religious organizations, such as *Masjumi* (Anshari, 1979: 35-7). Just as the changes to the Jakarta Charter initiated by Sukarno and Hatta emerged out of concern for national unity during a time when international recognition was in doubt, so too was the establishment of MORA a product of Jakarta's fear that Muslims might waver in their commitment to the revolutionary cause. As the Dutch attempted to reassert colonial power in the archipelago, the Indonesian national government became fearful of the inability to muster insurgent forces to use against the Dutch.

It is during this period when the Republic of Indonesia's definitive foreign policy philosophy of "*bebas aktif*" (independent and free) was first conceived in the most significant foreign policy statement made during the revolution. Hatta, acting as Prime Minister, made a speech entitled, "*Mendayung Antara Dua Karang*" (Rowing Between Two Corals) that included the following key argument:

Have the Indonesian people fighting for their freedom no other course of action open to them than to choose between being pro Russian or pro American? Is there no other position that can be taken in the pursuit of our national ideas? The government is of the opinion that the position to be taken is that Indonesia should not be a passive party in the arena of international

politics but that it should be an active agent entitled to determine its own standpoint with the right to fight for its own goal—the goal of a fully independent Indonesia (quoted in: Leifer, 1983: 20).

At the international level the speech was intended to announce an unceasing commitment to the cause of Indonesian independence. Also at the international level, the speech invoked a future Indonesia that was disinterested in joining either the Western bloc of countries or the Eastern bloc, with the intended audience really being the US. Hatta was sending a message to assuage American fears that Indonesia's revolutionary war against the Dutch was also indicative of a global confrontation, a revolutionary war against Western international political and economic order that would continue after the defeat of the Dutch. The doctrine of *bebas aktif* was reflective of the sentiment of SI during the national revival. It was espousing revolution, not to threaten world order, but a revolution against the injustices the Indonesian people are suffering under. Grant the Indonesians independence, Hatta is saying, and Indonesia will work with international society. Just as important as the international level of *bebas aktif* was the Indonesian domestic level. It was a speech of national reconciliation between the different organizations and peoples of the Indonesian nation.

It is difficult to gauge the extent to which the revolution against the Dutch was a truly pristine formulation of *bebas aktif* foreign policy, or a foreshadowing of the revolutionary politics that came to define the later period of Sukarno's rule and his hostility to international economic order. The revolution against the Dutch was probably a neutralist affair with respect to the Cold War politics that were to

crystallize around much of the world at the time. However, there were some tensions between the Americans and the Indonesian revolutionaries. It was widely broadcast in 1948 that the United States had provided US \$359 million to the Netherlands under the Marshall Plan. The Marshall Plan also included credits for the purchasing of US \$130 million of military supplies and an additional US \$190 million for civilian-military purposes.

The US-Dutch relationship was often made perfectly clear to Indonesians, most of whom were even beyond the reach of the Jakarta-Yogyakarta nationalistic newsletters, who saw various American insignias on the military equipment of the Dutch, and even, as George Mc. T. Kahin (1995: 5) observed at the time, Dutch soldiers wearing fatigues with “US Marines” clearly printed on them. It was also understood from the perspective of the revolutionaries that their recognition from the Dutch could be attained with some diplomatic pressure from the US (Kahin, 1995: 4-6). It is remarkable that, despite the circumstances, one of the most dominant mottos during the revolution was: “*Tidak Berpedoman: Washington atau Moskow—Tetapi Rep. Indonesia*” (Don’t be Led by Washington or Moscow, but by the Republic of Indonesia) (Kahin, 1995: 6).

The perspective of the revolutionaries on Indonesia’s foreign economic relations was divided. The PKI defined sovereign independence in a way that was both political and economic. Independence was not only the withdrawal of the Dutch, but also a domestic revolution against property owning aristocrats, and a shift from

trading commodities and resources internationally to production for local societies (Brown, 2003: 157-8). Hatta and Sukarno, attempting to consolidate their government over the archipelago, exemplified a more practical position during the war for independence. This was a difficult position to hold following the Renville Agreement with the Dutch, who imposed a trade embargo on the territories administered by the Sukarno-Hatta government. The embargo caused basic commodity prices to skyrocket. The price of soybeans rose by 600% in less than one year and the price of rice rose by 1,600% (Kahin, 2003: 250-2). Certain products, such as medicines, could not get to the Republican regions on Java at all. Faced with economic catastrophe Hatta and Sukarno remained open to economic trade, but not until foreign domination of agriculture and production was ended and the embargo denounced as illegal (Brown, 2003: 166-8).

After almost five years of insurgent warfare, the Republic of Indonesia was officially recognized as an independent state and the Dutch began to leave Southeast Asia. The newly recognized Republic of Indonesia faced a difficult struggle to enter into the international political economy as a truly independent and sovereign actor.

Parliamentary Democracy

In this section we consider the 1950-7 period of Indonesia's post-independence, known as "parliamentary democracy." In the wake of independence being officially recognized by the international community, the Republic of Indonesia undertook the formidable task of, first, bringing the numerous political

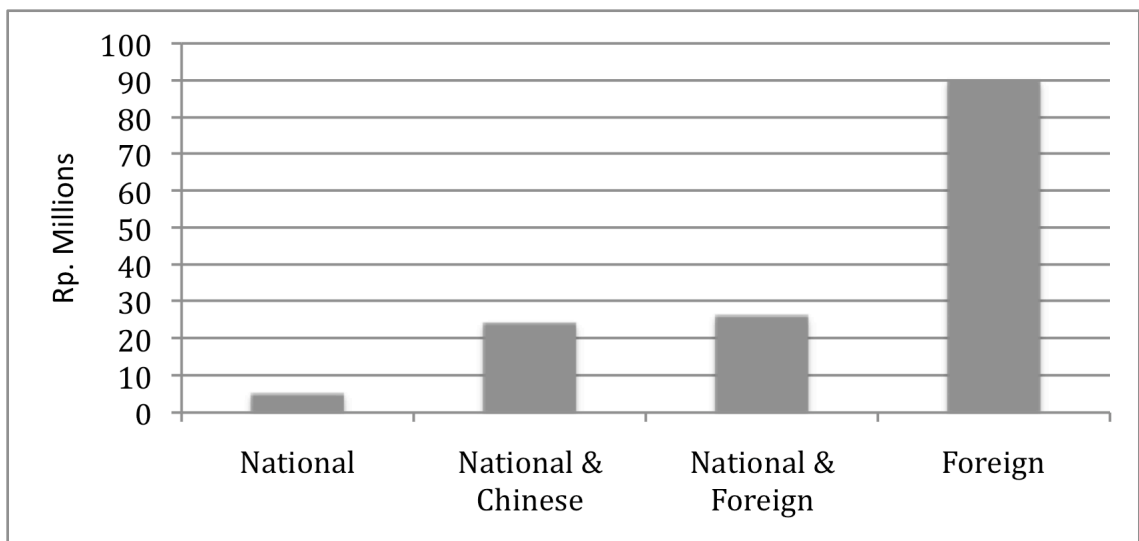
groups into the realm of a government. Second, the new government had to then prevent the main factions from pulling the Republic apart. One of the key issues was the attempt to negotiate Indonesia's relationship with international organizations and other states, and especially, the nature of Indonesia's foreign economic relations. By utilizing the approach of British IPE and its consideration of social forces and identity politics, this section will demonstrate that the role of Islamic organizations was to act as proponents for engagement with Western states in pursuit of Indonesia's economic development.

The parliamentary democracy government recommitted itself to its promises of international cooperation espoused under Muhammad Hatta's 1948 *bebas aktif* speech. In a 1953 essay published in *Foreign Affairs*, Hatta outlined the Republic's six foreign policy objectives (Hatta, 1953: 441-2). The first objective was to defend the Indonesian people and the state. The second was to attain the basic needs of the Indonesian people through international trade. The third objective was to search out foreign sources of capital to invest in public and private infrastructure. The fourth was to empower the United Nations. The fifth was to "place special emphasis on initiating good relations with neighboring countries." And finally, the government vowed to help in the promotion of peace and cooperation between all peoples. Developing Indonesia's economy would certainly have appeared to hold a prominent role in the newly independent state. Unfortunately, as the traditional literature on explanatory international political economy illustrates, the auspicious

agenda of international cooperation and support for international organizations outlined by Hatta was not realized.

Robison’s model of “explaining” the economic relations of the Republic during the period of parliamentary democracy shows how Indonesia was attempting to disengage from the colonial economy that had been imposed upon it. What Indonesia attempted to accomplish during parliamentary democracy was to fulfill the ambitions of the national revival and create an economically independent state (Robison, 1986: 36-68). Economic decolonization was never really established, as figure 1 illustrates. For example, in the case of the important *batik* industry of Bandung, at the end of the parliamentary democracy period under 3.5% of the capital was solely held by national stakeholders.

Figure 1: Ownership of Capital in *Batik* (Robison, 1986: 44)

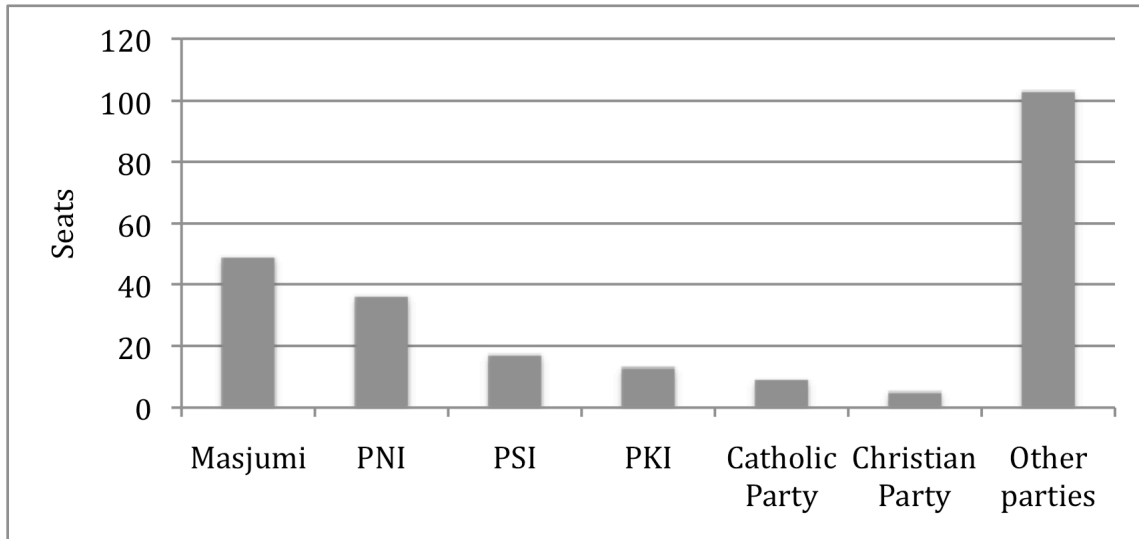


Economic decolonization was not only met with marginal success, it also had the unintentional effect of destabilizing the meager political institutions of the newly independent Indonesia. The inability of the newly independent Republic to not achieve economic independence pushed the most isolated and competent technocrats out of influence to be replaced by more revolutionary forces (Vu, 2010: 61-3). These developments eventually came to push Indonesia toward a more aggressive form of economic nationalism that was dominated by the PNI and the PKI, and Sukarno, as he centralized power around himself (Hindley, 1962: 915; Feith, 1962: 132-4). While I do not intend to contest Robison's explanation of the parliamentary democracy period, I offer that an approach based on understanding the social context of the period can offer a more rounded interpretation of the events of 1950-7 that is both complimentary to Robison's explanations and helps to illustrate the political debates that contested Indonesia's foreign economic relations. First, we will briefly consider the political forces that constituted the parliamentary democracy, and then we will focus our attention more closely to the role of the Islamic party *Masjumi*.

The newly independent regime was centred on the three main pillars of Indonesian political culture that Sukarno had outlined on the eve of the Dutch withdrawal in 1949—NASAKOM—*nasionalisme*, *komunisme*, and *agama* (the nationalists, the communists/socialists, and religious factions). The appointment of

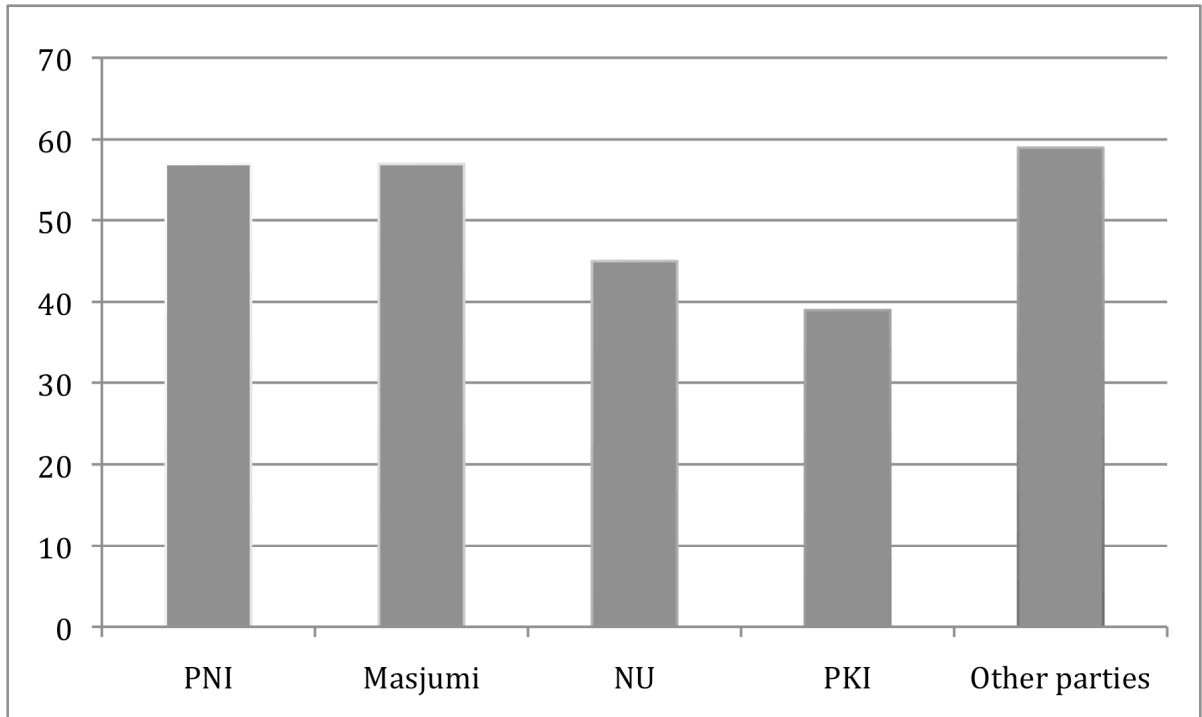
the People's Representative Council (PRC) in 1950 represented this perceived three-way division.

Figure 2: 1950 Appointment of PRC (Ricklefs, 2008: 278)



As shown in Figure 2, the Islamic *Masjumi* party had the most seats at just under 50. The PNI held 36 and the combined seats of the PSI and the PKI stood at 30. The eventual election that was held in 1955, depicting in Figure 3, further empowered Indonesia's Islamic parties, they would fall short of a *Masjumi*-NU majority.

Figure 3: 1955 Election of PRC (Seats Won) (Feith, 1957: 59)



Though the PNI garnered more votes than *Masjumi* by the slimmest of margins, NU came in at a close third.

The parliamentary period represented a high point of influence for Indonesian Islamic organizations that was unparalleled until the latter years of the Suharto era. While certain Muslim organizations intransigently opposed the final version of *pancasila* and its removal of *Shari'a* law, most Muslims were at peace with the constitution. Muhammad Natsir, leader of the Islamic group during the BPUPK meetings and the chief proponent of placing a role for *shari'a* in the constitution, actually came to present the seminal defense of *pancasila* from an Islamic

perspective during this period (1957) in “*Apakah Pantjasila Bertentangan dengan Adjaran Al-Quran?*” (Are the Pancasila in Conflict with the Teachings of the Quran? [Author’s translation]) Natsir’s defense of *pancasila* was an invocation of the Islamic principle of *tahwid* (the oneness of God) that was pronounced in *pancasila*’s first principle of *Ke-Tuhanan Yang Maha Esa*. Secondly, Natsir equated *pancasila*’s commitment to *keadilan sosial* with the Islamic tenet of *adala ljtimaya* (social justice). Thirdly, the dimensions of consultation and deliberative democracy of *pancasila* were identified by Natsir as similar to the Islamic fight against *istibdad* (despotism). Fourthly, *pancasila*’s vision of global humanism was based upon the Quranic vision of *islahu baina’n-nas*, or reconciliation amongst the people. Finally, Natsir even accepted the nationalistic sentiment in *pancasila* by conceding that even the Quran recognized different nations.

The parliamentary democracy period was also a time when Islamic organizations appeared to hold a great deal of sway over Indonesia’s foreign relations. If Hatta’s *bebas aktif* speech was the most important Indonesian foreign policy speech of the revolutionary period, then Natsir’s 1952 speech on “Some Observations Concerning the Role of Islam in National and International Affairs,” at the Pakistan Institute of World Affairs, was the most significant speech from this era. In this address, Natsir attempted to reach out to the former imperial powers through a distinctly Islamic discourse of international cooperation by referencing Islam’s commitment to “peace and liberty” and condemning aggression “under all

circumstances” (Natsir, 1954 [1952]: 1). While Natsir admits that “there have been zealots in the ranks of the Muslims, for instance in my country Indonesia,” he responded by saying that this was also true of any religious group (Natsir, 1954 [1952]: 6). Natsir also accepted that war is not disallowed in Islam but the same can also be said of Christianity. Though war was conditionally allowed, “it is justly considered as a calamity and an affliction, from which all men should hope and pray to be spared” where “the slightest possibility to peace must be seized and made use of” (Natsir, 1954 [1952]: 8).

Natsir also contextualized some of the revolutionary tendencies of contemporary revolutionary Islamic societies.

Centuries of abject submissions to foreign rulers have destroyed the prestige of the Muslims the world over as well as their sense of self-respect...The Pan Islamic Movement was met with suspicion and apprehension by the nations of the Western world as a menace endangering their power over their colonies (Natsir, 1954 [1952]: 2).

Natsir also contextualized the foreign policies of Western European states that were in the early stages of decolonization and were being interpreted as hostile to Muslim societies around the world.

Having been so long masters over the world they cannot lay aside their sense of superiority which has in the past grown to become a racial mania. They still think most of the time that it is their right and their duty, even their moral responsibility, in fulfilling their ‘sacred mission of civilization’ to keep us under their tutelage and guardianship...while humouring us with kind words (Natsir, 1954 [1952]: 13).

Natsir is ultimately optimistic about Western-Muslim relations in 1952 because of the spectre cast by communism and the Cold War.

The Western world, after having belatedly found out that Islam is not the peril the world has to face, is now soliciting our cooperation to preserve peace and ward off the peril of a calamitous third world war (Natsir, 1954 [1952]: 2).

However, Natsir was actually uncomfortable with Western-Muslim cooperation being dictated from the basis of Islam as the “lesser of two evils” (Natsir, 1954 [1952]: 2)

In this case no real success can be expected from a cooperation founded on such weak grounds, with suspicion and distrust on either side ever lurking around the corner. The existing misapprehensions and misconceptions about Islam will have to be rooted out completely if that mutual suspicion and distrust is to be overcome (Natsir, 1954 [1952]: 2).

And yet, Natsir believed that this distrust could be overcome and that relations between the West and Islamic societies, a “family of nations” (Natsir, 1954 [1952]: 12), might usher in a period of peace and cooperation.

Much of this sentiment is echoed in Natsir’s speech “*Revolusi Indonesia*” (The Indonesian Revolution) (Natsir, 1957 [1955] [author’s translation]). Lacking any of the bombastic anti-colonial denunciations that typify later Sukarno speeches on the Indonesian revolution, Natsir offered a conciliatory reflection grounded in an independent Indonesia now being ready to engage with international economic institutions. Natsir argued that “in its essence the teaching of Islam constitutes a revolution” (Natsir, 1957 [1955]: 125 [author’s translation]) and that the revolutionary spirit was ignited “with the words “*Allahu Akbar*” (God is greater) (Natsir, 1957 [1955]: 127 [author’s translation]). But the speech was bereft of general declarations of a continued revolution against the West. Rather, he

grounded the Indonesian revolution in the context of the exploitation and the injustice of the colonial experience (Natsir, 1957 [1955]: 127 [author's translation]), and stated that this is also the essence of revolutionary Islam—a revolution against “the exploitation of man by man, and the elimination of poverty and misery” (Natsir, 1957 [1955]: 133 [author's translation]).

The “*jihad akbar*” (greater struggle) is for Indonesia to “wipe out poverty and misery” because of the Quranic warning of “*ka-da'l-faqrū'an-yakuna kufran*” (poverty and misery are next to godlessness) (Natsir, 1957 [1955]: 133 [author's translation]). In “The Aims of the *Masjumi*,” Natsir identifies the “ideals of Islam” as:

The abolition of all tyranny, the ending of exploitation of man by man, the eradication of poverty...To serve these ideals is to strive to abolish human want and human misery...and enmity between peoples (Natsir, 1970 [1956]: 214).

Natsir expounded on the “practical instruction” of Islam to increase production and to encourage the investment of capital so that employment can be enhanced in society and that manufactured goods can more easily enter the marketplace (Natsir, 1957 [1955]: 133-4 [author's translation]). He worried that the Islamic discourse against exploitation could be used in the post-independence era to strengthen those who advocate “the theory of class conflict” in “the world of production” (Natsir, 1957 [1955]: 137 [author's translation]).¹⁶ While he expressed his sympathy with those who denounce the “tyranny of the employers,” he found those who profess this

¹⁶ Natsir does follow traditional Islamic finance by arguing against the accumulation of wealth that is not continually reinvested in production.

position are “fanatics” (Natsir, 1957 [1955]: 140 [author’s translation]) who contravene the Islamic teaching “to develop mutual understanding between people...or groups” (Natsir, 1957 [1955]: 137 [author’s translation]), and that “discord and violent controversy are not one of our (that is: the Indonesian people’s) qualities” (Natsir, 1957 [1955]: 130 [author’s translation]).

In a commentary that came to define Indonesian participation throughout the decades and even into the early twenty-first century, Natsir confirmed the ability of the Republic of Indonesia to enter the international economic world order without being subjected to the exploitative elements of such a system.

Islam holds the opinion that the employers’ group and the workers’ group do not constitute two classes each representing particular exclusive interests which conflict with each other and cannot be brought together. Islam considers both employer and worker as factors of industry each having his function, responsibility and share, each of the same importance in the process of producing the commodities which society needs...To be able to create a harmonious social inter-relationship between the bosses and the workers, Islam asks that the employer should be able to experience what the worker experiences, should be able to understand the needs and desires of the worker as a human being, should be able to see every problem from the worker’s angle, and should, finally, be able to give an evaluation of the difficulties faced by the worker (Natsir, 1957 [1955]: 137 [author’s translation]).

Following this rejection of Marxist doctrine of class conflict, Natsir continued by discussing the responsibilities of the employers.

On this basis, the employer must be prepared to accept the fullest responsibility for improvement in the implementation of welfare for the worker, both as a factor in the system of production and, even more, as his brother—his fellow man. And, on the other hand, Islam asks of the worker that he should be faithful with regard to his responsibilities, not abrogating

his contract of work, not stealing his employer's time (Natsir, 1957 [1955]: 138 [author's translation]).

It is hard to assess how much Natsir was influenced by a naivety regarding the hopefulness of the Republic's future, what is born out of a fear of the worldview of the PKI and the international communist blocs, and what is just middle-of-the-road politics during an election year to encourage *abangans* and *santri* to both vote *Masjumi*. It is clear though that Indonesians were not the only audience Natsir was trying to reach at the time.

The US came to recognize Natsir, and some of the other Islamic organizations, as their allies in Indonesia against communist radicalization during the parliamentary period. The Americans interpreted the parliamentary period as a zero sum game between PNI, PKI, and *Masjumi*. The PNI was seen as being under the control of Sukarno but lacking majority support indefinitely. The US believed that Sukarno required the PNI to work with either the PKI or *Masjumi* in order to consolidate effective rule. The palpable fear that is identifiable in the American cables is that the PNI were more likely to link its nationalistic politics with the PKI's revolutionary politics rather than with *Masjumi*. The *Masjumi* party was not only seen as more moderate than either the PKI or the PNI, but also interpreted by Washington as more capable of winning elections (US State Department, 1955-7: 148-9, 204). Through an examination of the declassified American cables on Indonesia from the parliamentary democracy era, we can shed light on how the

Americans interpreted the role of Muslim organizations in Indonesia, and how they might position the Republic in the international political economy.

The American perspective on the parliamentary period is summarized in the National Security Council Report on “US Policy on Indonesia” (NSC 5518) from May of 1955.

The possibility that Indonesia may fall to Communism by force, subversion or legal political means is a continuing, long-run danger because of Indonesia’s political instability, uncertain economic situation, internal security problems and popular attitudes precluding full cooperation with the free world (US State Department, 1955-7: 153).

The “popular attitudes precluding full cooperation with the free world” are stated in NSC 5518 as twofold. Firstly, there is what the report identifies as “a strong legacy of anti-colonial feeling from its experiences with the Dutch and Japanese...these attitudes are often exploited to depict US policy as a new form of colonial domination” (US State Department, 1955-7: 155). Secondly, the report ruminates that “many Indonesians do not fully appreciate the current danger of internal Communism,” and though, “they have an inherent fear of China as a power,” they fail to appreciate international Communism “as an immediate threat” (US State Department, 1955-7: 155). The NSC report advises the US State Department to support the *Masjumi* party in Indonesia because it would “probably restrict Communist activity, might seek Western aid for economic development, and would be somewhat more friendly toward the West” (US State Department, 1955-7: 154). The Americans believed that *Masjumi* could bring Indonesia closer to the

international economy by encouraging investment capital from foreign sources, establish trade agreements, and would be best situated to make Indonesia “an important Asiatic power” (US State Department, 1955-7: 154).

A few remarks from the declassified US State Department telegrams will help illustrate the support Washington tried to send to *Masjumi* during the parliamentary period. One telegram on the eve of the 1955 election referred to *Masjumi* as “our most reliable friends” and expressed disappointment over projections that made the hoped for *Masjumi* majority victory unlikely (US State Department, 1955-7: 201). Such was the extent of US support for the *Masjumi* party that the American Ambassador to Indonesia, Hugh S. Cummings Jr., even felt compelled to comment back to the State Department in a telegram that Sukarno expressed his dissatisfaction with the US-*Masjumi* diplomatic channels but would in fact encourage a PNI-*Masjumi* rapprochement. But Cummings then warns the State Department that this rapprochement is likely a disingenuous move by Sukarno to curry favour with the US (1955-7: 136-8).

Towards the end of the parliamentary period the perspective of the US was that the Indonesian political system was beginning to pull away from the international economic order. Following the PKI victories in the 1955 election (figure 3), when the communists achieved three times as many seats compared with the 1950 appointments, US fears began to increase regarding the extent of Indonesia’s engagement with global communism. Another issue from the late

parliamentary period was Indonesia's abrogation of the "Union Statute" they had with the Netherlands in 1956. The Statute had acted as one of Indonesia's links to international economic institutions through its "Financial and Economic Agreements." This Statute had been the chief mechanism for facilitating channels of foreign investment into Indonesia. In this context, US Director Young of Southeast Asian Affairs, observed the following to Robertson, Assistant Secretary of State for Far Eastern Affairs:

The moderate elements which both we and the Dutch would like to see in the ascendancy have been discredited and weakened, and the chauvinists and extremists have been strengthened. The *Masjumi*, the only major, outspoken anti-Communist party, has been isolated from other Moslem and non-Communist elements (1955-7: 231).

An example of this movement toward the communist countries during the Fall of 1956 was Sukarno's state visits to the USSR and China. Sukarno began to speak increasingly positively of communist developmental strategies during and after these state visits. The US expressed some worry over Sukarno's "previous personal convictions and experiences," in one of the patronizing and condescending telegrams from the embassy of the time:

1. Communist lip service in support anti-colonialism during early days Indonesian independence movement and especially Soviet bloc and Red China support Indonesian claim to West Irian.
2. Broad Indonesian agreement on Socialist organization for Indonesia's society coupled with Indonesian political immaturity and consequent inability to distinguish clearly between socialism and communism, for example marhaenism.
3. Indonesian sense of kinship with communist China as fellow Asian country in alleged struggle against 'colonialism and imperialism' and admiration for what Indonesians conceive to be Chinese success in economic development

with general Indonesian tendency to gloss over totalitarian means used (1955-7: 316).

While there was some palpable tension between Washington and Jakarta over Sukarno's exceptionally positive review of Soviet and Chinese developmental strategy, Cummings largely dismissed most of Sukarno's flattery as the way that "Indonesians tend to over-reciprocate in matters [of] this kind" (1955-7: 316). The most "distasteful" statement that arose during Sukarno's state visits was a Moscow-Jakarta joint condemnation of NATO (North Atlantic Treaty Organization) and SEATO (Southeast Asia Treaty Organization). A condemnation which *Masjumi*, Cumming was quick to point out, had opposed (1955-7: 318). By early 1957, since *Masjumi* opposed the inclusion of the PKI in any cabinet, Sukarno began to talk of the PKI being a part of a special "Advisory Council" to him (1955-7: 363-4). It was obvious what position such an Advisory Council petitioned Sukarno to take on the international economic issues of the Republic.

The way that the US compensated for the increasingly revolutionary trends in Indonesian politics during the latter end of the parliamentary period reveals an even greater acceptance of Islamic politics in the international relations of Indonesia. As figure 3 illustrates, the traditionalist NU emerged as the second most powerful Islamic party after the 1955 election, and the third most powerful party overall, narrowly following the PNI and *Masjumi*. It would be incorrect to assume that the US did not wish to see a *santri* Muslim organization increase in power in Indonesian political life. On the eve of the 1955 election, Cumming stated that:

There is no question that results are somewhat disappointing from our viewpoint and that of our most reliable friends here. It now appears *Masjumi* will not, as was hoped, obtain enough seats in new Parliament to give them a commanding voice in formation new government and its policies (1955-7: 201).

The solution to this is posed as a possible *Masjumi*-NU coalition, that Cumming reflected as “probably” forming a government that would “be inclined toward friendliness to the US and anti-Communist” (1955-7: 202). What is quite remarkable in this telegram is that Cumming admits that he knows very little about NU, other than the party not having much contact with non-Indonesians, and then he vaguely acknowledges their Islamic traditionalism. While he expresses worry that their leadership might be too “parochial” and not “articulate” enough, the Islamic traditionalism of NU does not seem to discourage Cumming’s view of a government that would include them (1955-7: 203-4). In January of 1956, Cumming asks the US State Department to initiate the kinds of relations with NU that the US enjoyed at the time with *Masjumi* (1955-7: 283-4).

There is evidence to show that the US did have some reservations regarding the influence of *Masjumi* and NU in Indonesian politics and was uncomfortable with either party attaining too much power. One fear of the US was expressed in a telegram from the US embassy in Jakarta to the State Department in Washington in January of 1955 that increasing electoral victories for *Masjumi*, or a *Masjumi*-NU coalition, could result in a return to the Jakarta Charter version of *pancasila* where *Shari’a* law was given a prominent position in the constitution. While this is not suggested to be against the interests of the US, the American concern was that such a

move could increase resentment amongst the non-Muslim Outer Islands toward Jakarta, foment instability, threaten the integrity of the Republic, and create a vacuum of power that could be filled by communist elements.

The telegram from January of 1955 also confesses a worry from the embassy that an ascendant *Masjumi* could potentially drive the PNI and the PKI into a closer union, where the PKI could then push Indonesia into the sphere of global communism (1955-7: 125-6). This fear seems especially salient when Cumming reflects on the possibility of a *Masjumi*-NU alliance.

Purely Moslem government, i.e., *Masjumi*-NU coalition would inevitably tend towards Islamic state concept, throwing powerful nationalist influences into unhappy fellowship with Commies (1955-7: 205).

However, later in this telegram from 1955, Cumming follows up this discussion by explaining that a PNI-*Masjumi*-NU alliance would not allow for the PNI to seek out the PKI, and represents an “auspicious opportunity” for the US, and is even referred to as the “most favourable combination from US viewpoint” in the telegram (1955-7: 202, 205).

US fears over Indonesian territorial integrity eventually surface in early 1957 when military revolts erupted in two North Sumatran provinces. Sumatra, at the time, contributed to about two-thirds of Indonesia’s foreign exchange through its natural resource exports to international markets. In government, Sumatra had been mostly represented by the *Masjumi* party. It was believed that the revolutionaries had the expressed support of *Masjumi*, and even though, as CIA Director Allen Dulles

acknowledged, the issue the revolutionaries criticized was the corruption of the Prime Minister, Ali Sastroamidjojo, and not Sukarno specifically, the US feared that Sukarno might use the instability to institute “a form of totalitarian government” (1955-7: 339). This fear was eventually realized as Dulles resignedly reflected that the support the *Masjumi* party had given to the rebel forces in Sumatra, and Natsir’s personal relocation to the island, had pushed Indonesia “close to the point of no return” (1955-7: 380).

The Parliamentary Democracy period of the 1950s demonstrates that the most significant Islamic political party, *Masjumi*, wanted to have Indonesia engaged in the international political economy. Its leader, Natsir, consistently propounded a discourse that united Islamic values with international cooperation. However, the 1950s was also a time when Sukarno began to move closer to the PKI domestically, and to the People’s Republic of China and the Soviet Union internationally.

“Guided Democracy,” 1957-65

In May of 1957 the era of *Demokrasi Terpimpin* (Guided Democracy) was ushered in. Parliament was suspended and a *Dewan Nasional* (National Council), with Sukarno acting as Chair, was instituted under martial law. By 1960, parliament was completely dissolved. For this section we will provide greater detail on the explanation narrative than previous sections, as it represents an important case for studies on hybrid economic nationalism/communism and the revolutionary context that inflation can create. We will then complement this discussion with a

consideration of Guided Democracy through our lens of British IPE that is intended to help us to understand the relationship between Islamic sections of Indonesian society and the Sukarno regime. The traditional models of explaining the economic relations of the Guided Democracy period expound a dramatic escalation of the economic nationalism of Indonesia under Sukarno that also included an increasingly hostile state of affairs with the West and seeming alignment with global communism (Robison, 1986: 69-101). The understanding half of this section will show that Sukarno's revolutionary approach to foreign political and economic relationships was resisted by Islamic factions of the Republic.

The foundations of Guided Democracy were expressed by Sukarno in the *Manifesto Politik Republik Indonesia* (MANIPOL—Political Manifesto of the Republic of Indonesia). Touted by Sukarno as a “rediscovery of our revolution,” MANIPOL demanded that Indonesians search:

for a realization of the deepest possible kind—a realization which penetrates into the bones, and into the spirit—the realization that penetrates into the bones, into the marrow, into the mind, into the feeling, into the soul, and into the spirit—the realization that we have deviated from the principles and goals of our struggle (Sukarno, 1970 [1959]: 101).

Sukarno warned Indonesians that counter-revolutionaries, mostly Islamic parties such as *Masjumi*, had used the parliamentary period to attempt to surreptitiously “build up capitalism” in Indonesia. In Sukarno's discourse, this attempt has only served to push the Indonesian people against capitalism, and a desire to “free themselves in a revolutionary way from all the chains of colonialism” (Sukarno,

1970 [1960]: 115). The ultimate goal of Guided Democracy was outlined by Sukarno as the following:

We must throw out the system of liberalism completely and replace it with Guided Democracy and Guided Economy. We must dismantle the old apparatus, which was clearly inefficient, replace it by a new apparatus. We must establish a new order, a new reordering, to see that Guided Democracy and Guided Economy can function (Sukarno, 1970 [1959]: 106).

As Guy J. Pauker observed in the pages of *Foreign Affairs*, Guided Economy, as it was practiced under the Guided Democracy regime, involved major takeovers of foreign capital in Indonesia, as well as significant restrictions placed upon indigenous free market enterprises (Pauker, 1967: 516). Under the pretext of Sukarno's revolutionary denunciations of international order, a great wave of government appropriation of foreign owned industry swept the country, especially targeting Dutch owned industry. There is also a sense from the speeches of this era that Sukarno was very reluctant to be direct when discussing economic policy.

As the Great Leader of the Revolution, I devote very great attention to this economic 'point.' But let me be frank: I am not an economist. I am not an expert in economic techniques. I am not an expert in the techniques of trade. I am a revolutionary, and I am just a revolutionary in economic matters (Sukarno, 1970 [1963]: 392).

Guided Economy was articulated by Sukarno to be embedded in the revolutionary approach of the anti-imperialism of Guided Democracy and was bound up in a politics of indignation.

Sukarno's government did attempt to delineate the Guided Economy on two occasions—the Eight Year Plan of 1960, and then the *Deklarasi Ekonomi* (Economic

Declaration) of 1963. T. K. Tan suggests that these two statements illustrate Sukarno's view that all of the areas of economic life was dictated by the state, that foreign capital was colonial and would be subjected to Indonesian appropriation before being invested, and that both imports and exports would be eliminated in favour of an autarkic Indonesian economy (Tan, 1967: 29-45). Some of the most profound, and notorious, effects of Guided Economy are represented through figures 4-6.

Figure 4: Imports/Exports of Goods and Services (The World Bank Group)



Figure 5: GDP Growth Rate (The World Bank Group)

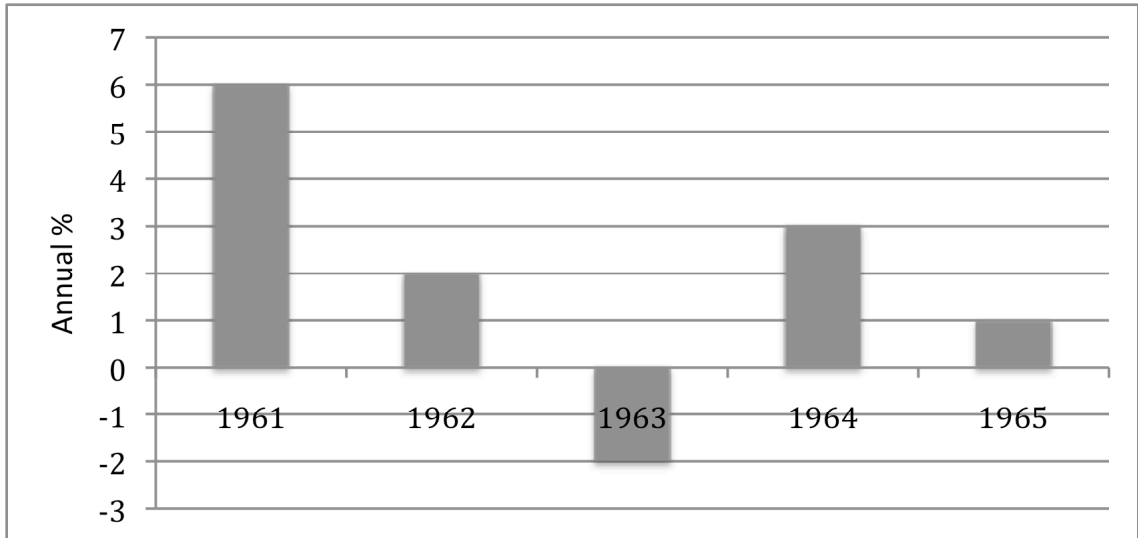


Figure 6: Inflation as Represented by the Consumer Price Index (The World Bank Group)

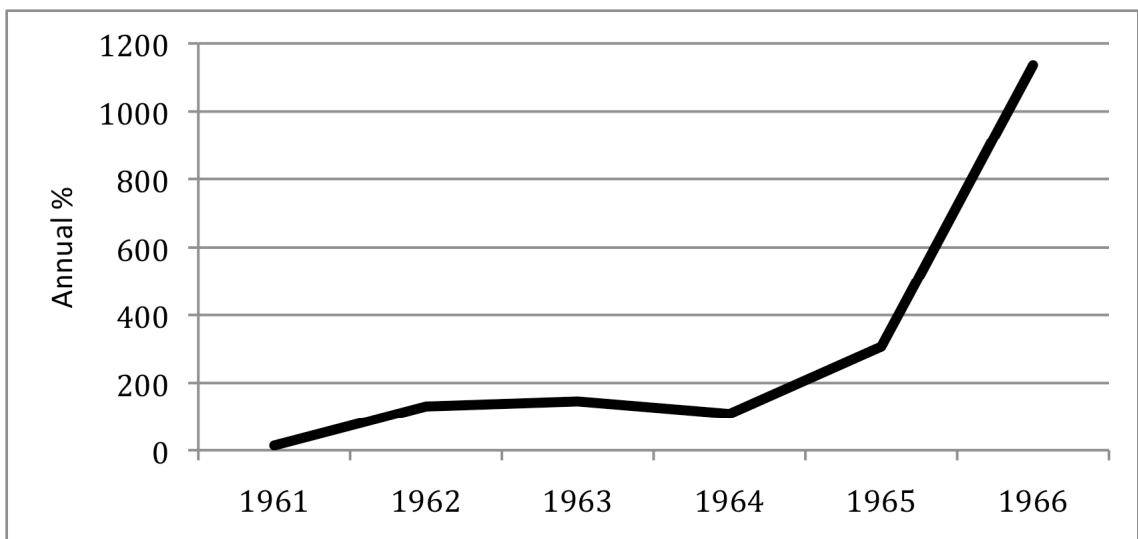


Figure 4 shows the minimal exposure to foreign markets for Indonesian products and the general lack of imports during Guided Democracy. The GDP growth rate as a

percentage is particularly alarming during these years when Indonesia's population was growing very quickly and the extreme inflation, as measured through the CPI in figure 6, speaks of untold miseries inflicted on the Indonesian consumer trying to purchase basic necessities, such as clothing, food, and fuel.

What we intend to do in the rest of this section is to continue our application of British IPE's understanding of social forces in the context of Indonesian political economy during the Guided Democracy period. These final eight years of Sukarno's rule represented a centralization of power around him that would ultimately become unsustainable. Sukarno's doctrine of NASAKOM began to unravel as the *agama* faction appeared to have less and less of a role in the government, and particularly in his speeches to the Indonesian public. As Guided Democracy progressed, pretensions to NASAKOM came to be replaced by the far more revolutionary mantra of *romantik*, *dialektik*, and *dynamisme* (romanticism, dialectic conflict, and a spiritedness) (Mackie, 1974: 276). It is Sukarno's revolutionary discourse presented to the international community, and his close relations with the PKI, that play an even more significant role in destabilizing relations with the Islamic organizations of Indonesia.

A memorandum from John Gordon Mein, the US Deputy Director of the Office of Southwest Pacific Affairs, to Walter S. Robertson, the US Assistant Secretary of State for Far Eastern Affairs, following the declaration of emergency powers to Sukarno, weighs what the US response to Guided Democracy should be. The focus of

the debate is whether Sumatra should become recognized as an independent entity from the Republic of Indonesia. Mein first outlines a number of reasons why the US should recognize an independent Sumatra. The main reason listed by Mein is that Sumatra and some of the other islands threatening secession are “strongholds of the religious parties” *Masjumi* and NU. These have been the Indonesian parties that the US has historically given the most support to because of their “anti-communist” orientation (US State Department, 1955-7: 381). Another reason offered by Mein in support of Sumatran independence is the “high percentage of foreign exchange revenues” in the form of natural resources that “would be advantageous” to be held “under more reliable political control” (US State Department, 1955-7: 381-2).

The point that we are making here is that the Americans were very much under the impression that this revolutionary Muslim insurgent group based in Sumatra might actually have been more favourable to US interests than a united Indonesia under Sukarno for international economic reasons. However, the idea of recognizing Sumatra is eventually scuttled by Mein later in his memo. He wonders if the rebel governments are actually “closer to the “fanatical” *Darul Islam* (Abode of Islam—DI) than to the *Masjumi* and Nahdlatul Ulama” (US State Department, 1955-7: 382). Mein also doubts the economic viability of either Java or Sumatra if they were separated from each other. Sumatra is too dependent on Java for foodstuffs, textiles, manufacturing, and banking, and Java is in turn dependent on Sumatra for its current accounts balance. Separating Sumatra from Java would only “further

intensify the disruptive political forces” and strengthen communism in Sukarno’s government, a force that was already appearing to grow at an alarming rate (US State Department, 1955-7: 383).

John Moore Allison, US Ambassador to Indonesia, wrote to Robertson in August of 1957 some of his reflections on the preponderance of the PKI in Sukarno’s National Council:

I believe it important to look at historical record for a time from Indonesian point of view in order to understand why it is so easy for the communists and their Russian friends to gain popularity here and so difficult for the United States...Indonesians had been greatly disillusioned by the lack of American support to degree anticipated after the war and had not forgotten that it was American tanks and arms which Dutch used in effort to regain their control. Indonesians may be unfair in their attitude but we cannot ignore it if we hope to stem commie tide here (US State Department, 1955-7: 405).

To the ambassador, the best way to curb the influence of the PKI would be through US aid. Allison concludes by mentioning an upcoming dinner with *Masjumi* party leaders, including Natsir, and seeks advice from Robertson to better understand US policy toward their allies in a new Indonesian environment under the Guided Democracy regime. In the ambassador’s follow up communiqué on the meeting with *Masjumi*, Allison offered the following comments:

All agreed that one of chief reasons for PKI victories was actions of Sukarno and he emerged as principal factor to be considered. *Masjumi* leaders believe that Sukarno will bow only to superior force and their objective is to convince him that there is such force aligned against him. At first Natsir said they had tried to win his friendship and confidence by cooperation but they were now convinced that only superior strength would be effective (US State Department, 1955-7: 407).

This telegram is significant for two reasons. Firstly, it shows that the US still viewed *Masjumi* as their most important allies in Indonesia after the pronouncement of a new era. Secondly, Natsir and the *Masjumi* party leaders expressed their skepticism over Allison's argument in favour of increasing aid to the Republic. *Masjumi* had begun to conclude that Sukarno had centralized his control over the government, made the PKI a prominent member of this government, and that the method to "bow" Sukarno can only be through the application of "superior strength." Allison concluded his telegram by assuring Washington that the *Masjumi* leaders believed that "American policy in Indonesia was good" and that the most Washington could do is "to continue our aid programs" (US State Department, 1955-7: 408). However, Natsir's decision to end attempts at cooperation was a huge miscalculation as Sukarno pushed the Islamic parties out of government and aligned more closely with the PKI.

The Guided Democracy period dramatically intensified the tension between Sukarno and the Islamic organizations. On the first level, Sukarno does this discursively through his speeches that range from demonstrating a general ignorance of Islam, to doubting the relevance of Islam in the lives of Indonesia's Muslims, to then making accusations and charges against the Islamic parties. The second level where Islamic sensibilities were offended by Sukarno were through his domestic relations with the PKI and his revolutionary politics, and his rejection of Indonesia's participation in international trade.

The first level in which Sukarno alienated Indonesia's Muslims was the discursive distance he put between the Indonesian nation and Islam, as well as a distance he placed between himself and Indonesia's Muslims. This tension in Sukarno's speeches is not unique to the Guided Democracy period either. Probing as far back as his seminal 1945 address "*Lahirnya Panca Sila*" [The Birth of Pancasila], Sukarno posits that "Islam is not truly alive among the people" (Sukarno, 1945 [author's translation]). At another point in the speech, Sukarno ruminates that "Indonesia is not establishing a state in the light of the full moon, but under the hammer and in the fire of war" (Sukarno, 1945: 15 [author's translation]). It was a sentiment professed by Sukarno that was intended to downplay the role of the divine in the course of Indonesian independence that was a part of the narrative of the revolutionary war held by many among the Muslim community. In his reflections on the revolutionary war Indonesia waged, Sukarno ambiguously reminisces that:

if we think it over carefully, we should express our thanks to the Almighty that we won our independence not—as I have said—under the rays of the full moon, not protected by the perfume of roses and jasmine. No, it has always been through struggle, struggle, and yet again struggle...No, we are a nation that has waged a life and death struggle for independence (Sukarno, 1961: 5-6).

On the one hand, Sukarno begins by giving thanks to God for independence, but on the other hand, follows this thankfulness by denying any role of God in the fight for independence, citing traditional Islamic imagery as absent from the historical narrative. The effect of these comments is to alienate traditionalist, modernist, and

even culturalist Indonesian Muslims who were uncomfortable ascribing such a monumental victory to “man.”

In a speech to Muslims at Jakarta’s *Negara Palace* (State Palace) on the occasion of *Eid ul-Fitr* (the “festival of breaking the fast” at the conclusion of Ramadan), Sukarno, strangely, draws attention to his ignorance on the principles of Islamic doctrine as it is observed in Indonesia.

As far as I know there is not a single sentence, and not even a single word in our Holy Qur’an which read that on these two days, both *Eid ul-Fitr* and *Eid al-Adha*, we should have a holiday and should be idle. I think, our Minister of Religious Affairs may correct me if I am wrong...Am I right Minister? (Sukarno, 1962c: 3-4)

Perhaps even stranger is Sukarno’s insistence that Muslims renew their support of his power, and not allow their observance of *Eid* to interfere with the radical politics of agitation that had become the Sukarno regime. During Guided Democracy, a phrase that came to represent Sukarno’s thoughts on the relevance of Islam to the Republic was, “*Inna’lláhá la jugojjirû mâ bekaumin hattâ jugojjirû ma bianfusihim*” (God will not change the fate of a nation if that nation itself does not change its own fate) (Sukarno, 1962b: 11 [author’s translation]).

It should be noted, before we move on to the second level where Sukarno alienated Indonesia’s Muslim organizations, that Sukarno had at times given his recognition of Islam as a positive force in the country. As we noted early in the chapter, Sukarno reflected fondly on Indonesia’s first national revival movement *Budi Utomo*, which was an Islamic association. In an essay published in 1926,

Sukarno referred to Islam (along with nationalism and Marxism) as part of the “inner spirit” of the Indonesian people (Sukarno, 1970 [1926]: 36). In this essay Sukarno denounced the “nationalist who is hostile to Islam” as someone who is “mean-spirited and narrow-minded” (Sukarno, 1970: [1926]: 43). Sukarno even allocated approximately a third of this essay to justify unity between Marxism and Islam. He did this by appealing to the element of social justice in Islam, and Islam’s rejection of charging interest (usury). He attempted to invoke Islam “as a religion of the enslaved” and a religion that propounds a worldview that is “anti-capitalist” (Sukarno, 1970 [1926]: 44-53, 60-1). On the eve of independence, these three forces—nationalism, religion, and communism—eventually came to represent his doctrine of NASAKOM. Ultimately, this more positive presentation of Islam was probably somewhat disingenuous, and not only an attempt at subordinating Muslim interests to anti-colonialism propaganda, but also informed by his indignation at Muslim organizations that had been supportive of market-based economics, even before independence (Vickers, 2005: 146).¹⁷

The second level, and a more significant one, where Sukarno alienated many Muslim groups in Indonesia, was through his domestic support for the PKI. The domestic politics favoured those groups who were sympathetic to Sukarno’s expressed economic nationalism and anger at Western economic models for causing

¹⁷ Sukarno once chastised Muslims to “not forget that capitalism, the enemy of Marxism, is also the enemy of Islam!” (Vickers, 2005: 80)

imperialism and poverty. One such group was the *Persatuan Rakyat Marhaen Indonesia* (The Indonesian Marhaen People's Union—PERMAI)¹⁸, an *abangan* party that had been founded in 1945. *Marheanism* included culturalist Islamic cosmology, but was extremely hostile to both the Islamic modernists and the traditionalists in Indonesia. PERMAI worked aggressively against groups such as *Masjumi* because it believed that the prominence placed on Islamic sources and texts such as the Qur'an and *Shafi'i* law was imposing a system of foreign (Middle Eastern) values on Indonesia. The party received a disproportionate amount of power in Sukarno's "Guided Democracy" because of its continuous denunciations of *kapitalisme, imperialisme, dan kolonialisme* (capitalism, imperialism, and colonialism) and its doctrine of *sosio-nasionalisme* ("social nationalism"). Sukarno defended this controversial party by stating that all Indonesians are basically *Marheanists* if they are concerned for the *proletar buruh* (proletariat workers), the *tani melarat* (destitute farmers), and the many peoples of the "Third World" (Sukarno, 1970 [1957]: 154-60). The tension that Sukarno created with this endorsement was that PERMAI, an organization that aggressively sought to delegitimize the non-culturalist Indonesian Islamic organizations, was held up as the ideal party and social movement for the country's Muslims, a proposition that *Masjumi* and NU could not accept.

¹⁸ The acronym PERMAI translates into "beautiful." The name Marhaen is supposedly the name of a farmer Sukarno met who, despite his enviable land holdings and a strong work ethic, remained destitute. To Sukarno, Marhaen thus became symbolic of the Indonesian proletariat (Sukarno, 1970 [1957]: 157).

The major source of domestic support for the Guided Democracy regime though, became the PKI and the PNI. While the parliamentary period existed as a balance between the PNI, *Masjumi*, and the PKI, the destruction of the *Masjumi* removed a key pole in the distribution of power in the Republic. This had the effect of transforming politics from a tripolar distribution to essentially a bipolar one. What occurred in July of 1960 was an order for all parties to sign a “declaration of full ideological support to the government,” or risk their legal recognition by the Republic to be revoked. *Masjumi* was unwilling to concede absolute authority to Sukarno, and so the party was subsequently banned a month later (Pluvier, 1965: 56). The removal of *Masjumi*, as well as the PSI under these same conditions, also signified the dismissal of the two dominant parties in favour of increased participation in international economic relationships (Pluvier, 1965: 54). It was a message to the Western countries that Sukarno was not interested in developing economic relations outside of the socialist states. The PNI and the PKI then competed against each other, as they were not really allies, for power and influence in the government.

However, as Robison (1986) explains, what helped unite the PNI and PKI was that the two parties shared the economic nationalist vision of Sukarno during the Guided Democracy era. The PKI obviously wanted to strengthen the role of the state, limit free market relations, and reorient the Republic toward communist formations of international order. The PNI similarly promoted government oversight of

industry, trade, agriculture, pricing, and investment through various supervisory boards (Robison, 1986: 73-4). Unlike the PKI, whose support for government control over the economy was borne out of ideology, PNI support for government supervision owed more to the military's infiltration of government bureaucracies and the avarice to exploit nepotistic relationships, foster corruption, and collude with industrialists. This was to eventually set the context for the infamous *KKN* (*korupsi, kolusi, and nepotisme*, or corruption, collusion, and nepotism) of industry-government-military economic dominance that came to haunt Indonesian politics throughout the rest of the twentieth century and into the early twenty-first century.

With the admittance of the PKI into various cabinets of the government, Sukarno was attempting to co-opt the communist faction, rather than necessarily to award it greater autonomy and powers (Pluvier, 1965: 56-7). This co-optation of the PKI was not limited to the domestic sphere either. Another reason Sukarno had for bringing the PKI into his government was international. As his anti-imperialist and revolutionary rhetoric came to increase in its vitriolic and strident criticisms of the West, Sukarno saw it as expedient to court the Soviet Union for economic aid and military support (Pluvier, 1965: 57). The revolutionary zeal of Sukarno, coupled with his hostility toward Muslim organizations, was seemingly in harmony with the platform of the PKI, giving the communists a renewed vigour domestically. It was also the beginning of a forceful reorientation of Indonesia toward global communism. This movement was a drastic departure from Hatta's stated objectives

in his essay from the 1950s that was published in *Foreign Affairs*. It was even further removed from the ambitions of harmonious relations between the Islamic world and the West hoped for during the 1950s by Natsir.

The revolutionary politics of Guided Democracy put Sukarno on a trajectory of confrontation with the international political and economic order. It was not an entirely unambiguous movement toward global communism. During the Independence Day speech of 1960, Sukarno suggested a return to the foreign policy of *bebas aktif* and presented an argument that the “foreign economic relations” of the Republic must not extend favour toward “the West or to the East” (Weinstein, 1976: 165). However, the overall sentiment expressed by Sukarno was an anti-colonial campaign of global revolution and alignment of Indonesia with communist countries (Agung, 1973: 27-8).

The first specific issue that contributed to Sukarno’s revolutionary international relations of the Guided Democracy period was the debate over West Papua, or, as it was known at the time, West Irian. International recognition of Indonesian independence in 1949 did not include West Irian, which was instead recognized as the Dutch New Guinea territories. Sukarno viewed the Dutch presence as both a symbol of continued colonial injustice against the Indonesian nation, and as an appropriation of Papua’s potentially vast natural resources. Sukarno’s government entered into negotiations with the Dutch, the Americans, and the United

Nations, in a failed attempt to settle the dispute. In 1961 the Republic of Indonesia invaded West Irian.

To preface the discussion of Sukarno's speeches on the conflict in West Irian it should be noted that he encountered an Indonesian public that was generally supportive of Indonesian sovereignty over the territory, but one that was probably not willing to accept mass casualties so soon after the revolutionary war that was fought against the Dutch. An even greater source of concern for much of the Indonesian nation is the stridently combative rhetoric of Sukarno that is being directed toward the international order because of the crisis. During a time when most Indonesians wanted to enter into the international economic order, Sukarno was setting upon an opposite trajectory that tore Indonesia away from international economic institutions such as the UN, the World Bank, and the International Monetary Fund. Mindful of this desire within the Indonesian nation for a conciliatory approach toward foreign policy, Sukarno would offer comments where he promised that he "shall go to the Netherlands to say frankly, open-heartedly, 'thank you Dutch people, let us from now on normalize anew the international relations between the Netherlands and Indonesia'" (Sukarno, 1962c: 6). However, Indonesians had reason to be doubtful that such an auspicious state of relations could be achieved during Guided Democracy.

In his public recounting of a meeting between US mediator Ellsworth Bunker and Secretary of State Dean Rusk, along with Dutch representatives that included

Foreign Minister Joseph Luns in Athens, Greece to discuss the ongoing negotiations, Sukarno stated the following:

I even received a letter from a friend, a close friend, he is an American citizen. He said: 'Beware of the delay tactics of the Dutch, Brother Sukarno—he addressed me with Brother Sukarno—look out they are now using delay tactics, that means dragging on (Sukarno, 1962b: 9).

There are a couple of noteworthy remarks to consider based on this speech. The first is that Sukarno was very keen on portraying to the Indonesian public that he was working very hard toward a peaceful resolution to the crisis. He constantly affirms that he would rather achieve control over West Irian through peaceful negotiations (Sukarno, 1962b: 7) but that “we love peace, but we love independence even more” (Sukarno, 1961: 15). He attempts to place the blame on the shoulders of the Dutch who he argues are delaying the negotiations and then “shout to the rest of the world ‘Hey Sukarno is the trouble maker’. It is he who always makes trouble, makes nuisance, makes chaos” (Sukarno, 1962b: 5). The second noteworthy remark is Sukarno’s invocation of the Americans as also recognizing that the fault lies with the Dutch negotiating team. Such a commentary was meant to persuade skeptical Indonesians, those who experienced the war of independence and witnessed the support the Americans gave to the Dutch against them, of the impossibility of the whole process. However, I argue that the intended audience of the speech was less those Indonesians who held a hostile attitude to the US and more those who desired closer relations with the US. This latter group saw the Americans as honest power brokers, which is why Sukarno seems proud that this American insider referred to

him as “Brother.” The message remains the same though, no matter which group of Indonesians Sukarno might have been aiming at. His key message was the futility of the negotiations with the Dutch over West Irian.

In the aftermath of Indonesia’s 1961 invasion, Sukarno expressed his bitterness toward not only the Dutch but also toward the UN.

we tried, we strove, we tried, we strove, to bring West Irian into the territory under the authority of the Republic, by means of diplomacy, through talks, through nice-sounding speeches at the United Nations...But what was the result? In the United Nations too, there was no result at all. In fact, in the United Nations there were those who said: we agreed with the Dutch controlling West Irian. The Dutch said: oh, in West Irian, we are not carrying out colonization, we are there, oh yes, only to educate the people of West Irian; we are not carrying out colonization. And fancy, there are United Nations members who confirm this (Sukarno, 1961: 8).

Sukarno comes to believe that the UN is an institution that is colluding with imperialist powers. He is convinced that the UN is not only preventing Indonesia from achieving complete independence, but colluding against the decolonizing world in general. In the same speech Sukarno lamented that:

For years, we have tried in the UN, tried in the UN, tried in the UN, tried in the UN, tried in the UN, without success. One day, I said to the Government of the Republic of Indonesia: Do not discuss the West Irian question in the UN anymore, but practice a new policy vis-à-vis Dutch Imperialism. Let us have a confrontation of strength vis-à-vis Dutch Imperialism (Sukarno, 1961: 9).

Throughout this speech Sukarno attempted to justify the invasion of West Irian and to mobilize a suspicious population behind a war that the president stated might require general mobilization of the Indonesian populace.¹⁹

Not only were Indonesians suspicious of West Irian as justifying total war in the archipelago, there was also a growing resentment toward Sukarno's bombastic declarations against the UN and of global order. What emerged amongst Indonesians was a deepening suspicion of Sukarno's foreign policy agenda. And yet, Sukarno directed a constant barrage of charges against the UN:

When a session (of the UN) is on, they dress themselves up, doll themselves up in smart ties, and say: Yes, I am the representative of my people. They make fine-sounding speeches, and yet for the greater part, these speeches do not conform with the sentiments of the people they represent (Sukarno, 1961: 8).

In Sukarno's worldview during the Guided Democracy period the UN was little more than a dystopian setting where inhumane cruelty was to be concealed behind fine suits and florid rhetoric. Regarding U Thant, Sukarno believed that the Secretary General just wanted to set up spurious negotiations where the Dutch say "Yes, wait a minute, wait a minute" and prevaricate on substantive talks (Sukarno, 1962a: 8).

¹⁹ Sukarno was repeatedly issuing his "Tri-Command" on West Irian (Sukarno, 1961: 16). The first command was to defeat the "formation of the Dutch puppet state of West Irian." The second command was to unfurl the Republic of Indonesia's red and white flag in West Irian. And the third command was to "be ready for general mobilization to defend the independence and unity of Country and Nation."

The state of diplomatic negotiations over West Irian helps provide the context for the final years of the Guided Democracy period and the revolutionary trajectory Sukarno embarked Indonesia on.

Friends, some accuse us: Yes, the Republic of Indonesia turns too sweet a face to the Socialist states, oh, the Republic of Indonesia is far too friendly with the Socialist states. I ask: and is this not fitting? The Socialist states have helped us, the Socialist states endorse our claim to West Irian...Let's imagine that over there are the Socialist states. And over there are the imperialist states. Yes, indeed, the Republic of Indonesia stands in the middle, indeed the Republic of Indonesia pursues an independent and active policy (Sukarno, 1961: 13).

Sukarno justified the burgeoning relationship with the socialist and communist countries of Europe and Asia in a cautious manner in 1961. He affirmed that it is the eastern bloc which is recognizing Indonesian claims to West Irian and not the "imperialist states." Sukarno is cautious to exclude Indonesia from the orbit of the eastern bloc countries by restating his commitment to an independent and active (*bebas aktif*) foreign policy agenda. However, *bebas aktif* was being used here to actually explain Indonesia's tilt toward the Soviet Union and the People's Republic of China. After explaining that the "imperialist states" are not Indonesia's friends, Sukarno offers a cordial "thank you friends from the Socialist states. Thank you, and we turn a friendly face towards them. That's how it is with friends. Come, let us march onwards. As I have said, repeatedly, in fact we do not stand alone" (Sukarno, 1961: 13-4).

Bebas Aktif foreign policy according to Sukarno during the Guided Democracy period supposedly *informed* the Republic of Indonesia to work with the Soviet Union

and China in the wake of hostility from the “imperialist states.” In his speech “*Membangun Dunia Kembali*” (To Build a New World), Sukarno stated that support for China is *bimbing oleh realisme politik* (guided by political realism) (Sukarno, 1960: 5 [author’s translation]). In an environment where Sukarno boasts of a Soviet government giving Indonesia all the aid the Republic could need, *bebas aktif* militates a pro-Soviet foreign policy orientation (Sukarno, 1962b: 10). The Soviets, under Krushchev, were happy to reciprocate, interpreting the PKI and the Marhaenists in Sukarno’s government as united through a loose agreement on the virtues of Marxism (Boden, 2008: 110-4). The Soviets also wanted to showcase to the decolonizing world its aid to Indonesia for the Cold War propaganda campaign. International relations with prevailing patterns of international society are said by Sukarno to have become unpalatable due to its corruption by *golongan* (class) forces that seek to deny the independence of states in the decolonizing world for the sake of profit (Sukarno, 1960: 20-1 [author’s translation]).

Indonesia’s confrontation with the West only intensified following the end of West Irian crisis. Early in 1962, Indonesian military forces finally invaded West Irian and forced the Dutch to recognize Indonesian claims over the territory. The diplomatic success in West Irian only served to embolden the revolutionary politics of Sukarno and by default, strengthen the position of the PKI on foreign policy.

It was a clear victory for Indonesia, for Sukarno personally and for his regime which, like all dictatorial regimes, needed an occasional fanfare of success. But this victory contained an element which could prove dangerous. The ending of the West Irian problem meant the removal from the political scene

of an issue upon which popular attention could be focused. But the immediate consequences were even more embarrassing. Now the Dutch influence had disappeared from the region there was no more need for the emergency regulations or for such a large military force...Now that the Dutch question was finished with, a new scapegoat was needed to divert popular attention from the economic situation (Pluvier, 1965: 62-3).

Konfrontasi (confrontation) with Malaysia, in the wake of the declaration on 16 September 1963 of a Federation of Malaysia, was Sukarno's "new scapegoat," and acted as another example of the increasingly revolutionary nature of the Guided Democracy regime during the first half of the 1960s (Hauswedell, 1973: 112). Identifying Malaysia as a stooge of British interests in Southeast Asia and facilitating colonialism in the region, Sukarno embarked on a diplomatic crusade to "crush Malaysia" (Pluvier, 1965: 67). Even though *konfrontasi* was more a spectacle of revolutionary politics than a committed military invasion to crush the Malaysian Republic, there was a significant amount of violence connected to the conflict (Mackie, 1974: 1-5). *Konfrontasi* included the burning of the British embassy by a riotous mob in Jakarta, and numerous incursions into the Malaysian states Sarawak and Sabah by Indonesian military forces from Borneo during 1963-4. These incursions even resulted in direct skirmishes between British military units and Indonesian military units (Fowler, 2006). The campaign also included a ban on trade with Malaysian states, resulting in the severe deterioration of relations with Western states.

The declaration of *konfrontasi* was not only a product of an authoritarian state attempting to engineer crisis to galvanize public support for the government

and distract them from Indonesia's economic ills, but it also had an international dimension. Firstly, because Sukarno had alienated the West due to his mixture of revolutionary anti-colonialism and support for communism, he began to leverage *konfrontasi* as a method to garner greater sympathy from the Soviet Union and the communist bloc. Secondly, Sukarno feared the apparent prosperity of Malaysia and of Singapore, two countries who had actively sought out economic integration with the West. The early successes of Malaysia and Singapore represented an embarrassment to Sukarno, who had denounced cooperation with the Western international order.

The tension between Java and Sumatra that ended the parliamentary period was still quite high during the *konfrontasi* with Malaysia. Jakarta worried that an independent Malaysia would re-energize Sumatran demands for secession from Indonesia to join the so-called "federation" (Pluvier, 1965: 70). This possibility was especially high following Sumatra's previously failed bid for independence when a black market flow of trade started in the Straits of Malacca between Sumatra and Malaya. However, Sukarno could not possibly hope to frame the conflict in these terms, as doing so would only bring attention to the economic woes of the Republic. These economic woes were even more profound than they might originally have been. Because of the belligerence of *konfrontasi*, when inflationary pressures increased in Indonesia marginally sympathetic Western governments who might have assisted the Republic decided not to act (Pauker, 1964: 692-3).

If it was the case that success in West Irian emboldened Sukarno's foreign policy of *konfrontasi* with Malaysia, it might also be stated that the failure to subdue Malaysia contributed to the next revolutionary stage of the Guided Democracy. Sukarno actually increased the anti-colonial rhetoric with his proclamations of "living dangerously" and "standing on our own feet" (Mackie, 1974: 284). In an attempt to end the incursions into the Malaysian states of Borneo, the US, in 1964 placed a condition on its aid package to Indonesia. The US stipulated that aid was now to be conditional on an Indonesian commitment to terminate the raids into Malaysia. This caused Sukarno's famous outburst telling the US to "go to hell with your aid" (quoted in: Weinstein, 1976: 219). Sukarno offered no remorse for this comment, reflecting later that, "it is imperialism that needs us, not we who need the imperialists" (Sukarno, 1965a: 3). One of his more revolutionary pronouncements was his division of the world into two spheres. The one sphere represented the imperialistic "old forces" (OLFOES), which included Europe, the US, and their allies amongst the decolonizing world. On the other side were the "new emerging forces" (NEFOES), that Sukarno characterized in a speech commemorating the ten-year anniversary of the Bandung Conference in typical incendiary language for the late Guided Democracy period:

A mighty storm against imperialism is now raging in Asia, Africa, Latin America. These continents of ours, so long subjected to humiliation, enslavement, plunder, are no longer prepared to bear the crazy burden of imperialism upon their shoulders. We have cast this burden aside! We today stand firmly upright in the mighty ranks of the new emerging forces, and are now storming the last bulwarks of imperialism! (Sukarno, 1965b: 37-8)

Sukarno's division of the world between OLFOES and NEFOES became the central tenet of Guided Democracy's foreign policy after 1960 (Agung, 1973: 282-7). On New Years Eve of 1965 Sukarno pulled Indonesia out of the UN to protest Malaysia's inclusion in the Security Council for a split term seat with Czechoslovakia. The immediate implications of this move for Indonesia's international economic relations was a more direct relationship with communist China. Sukarno's revolutionary pronouncements enjoyed a seeming convergence of interests, or at least rhetoric, with that of Peking (Beijing). This relationship between Indonesia and China culminated in the so-called Jakarta-Phnom Penh-Hanoi-Peking-Pyongyang axis.²⁰ As one might expect, Sukarno justified Indonesia's participation in this decidedly non-neutral axis with reference to *bebas aktif*. According to Sukarno, the axis was the only way for Indonesia to preserve an independent and active foreign policy, especially in the realm of foreign economic relations (Sukarno, 1965b: 16). Constructing an alliance with Cambodia, North Vietnam, China, and North Korea did much to position Indonesia outside of international economic relations, with the exception of a meager \$50 million aid package from China (Mackie, 1974: 287-9).

In an address to Indonesians who were concerned about the country's instability and dire economic condition, Sukarno lambasted them as lacking a humanistic perspective of solidarity with the NEFOES of the socialist states. He

²⁰ The Soviet Union came to be interpreted by the Guided Democracy regime as a member of the OLFOES, though it was not subjected to Sukarno's anti-colonial tirades so as not to antagonize the PKI (Weinstein, 1976: 116).

declared in one section that, “I should make it clear that national instability is a thousand times better than colonial stability!” (Sukarno 1970 [1965]: 468) While this appeal elicited some sympathy from the Indonesia people²¹ it was not to be nearly enough to keep Sukarno in power following the events of September 30th, 1965 and the cataclysmic aftermath to follow.

Discussion

This chapter has complemented traditional explanations of Indonesia’s engagement with the international political economy immediately before independence, during the period of parliamentary democracy, and finally, during the period of Guided Democracy. This has been done by applying British IPE’s examination of social forces so as to better understand the relationship between identity politics, in this case the configurations of Islam in Indonesia, and the economy. What we have discerned is that Islam acted as a moderating force in Indonesia. Islamic groups had attempted to balance against revolutionary pressures that were pushing the Republic away from patterns of Western economic order. As a result, the United States recognized Islamic groups such as *Masjumi* and NU as their allies in Indonesia. The Islamic organizations were unable to prevent Sukarno’s consolidation of power around himself and apparent alignment with international

²¹ I would say that this is supported by the lack of debate in Indonesian political culture surrounding the presence of the unity of mankind and social justice in *pancasila*.

communism. However, there are some important counterpoints to consider regarding the strands of revolutionary action on the part of certain Islamic groups in Indonesia during this period.

The first example of a Muslim organization espousing much more revolutionary ideals than the cases we observed above is the case of the *Darul Islam* (House of Islam, or Abode of Peace—DI) movement. The organization was led by the Islamic mystic Kartosuwirjo, who was eventually named by the *Ikhwan* (Muslim Brothers) in Indonesia as “*Bapak Proklamasi Negara Islam Indonesia*” (Father of the Proclamation of the Indonesian Islamic State) (Raillon, 1993: 215). DI was formed out of a loose coalition of Muslim militia groups organized and trained by the Japanese during their occupation to wage guerrilla warfare against the invading Allied armies. Following World War II, those militias who were inspired by Kartosuwirjo joined the Republican insurrection against the Dutch. It was in 1948, after the signing of the Renville Agreement between the Republicans (led by Sukarno and Hatta) and the Dutch that Kartosuwirjo proclaimed DI in the Dutch sector of Java.²² Unhappy with the removal of Islamic law from *pancasila*, DI attempted to tap into feelings of betrayal among Indonesia’s *santri*, or traditionalist, population by offering them a vision of an Islamic state that places *shari’a* in the basis of the constitution (Federspiel, 1984: 70).

²² The Renville Agreement partitioned Central and West Java for the Dutch and East Java and the limits of the Western coast for Republicans. Kartosuwirjo viewed the partitioning as a betrayal of the revolution.

DI expanded its sphere of influence following independence, not only in West Java but also South Sulawesi, and especially in Sumatra. Intermittent conflict between DI's *tentara Islam Indonesia* (Indonesian Islamic Army) and the Indonesian military escalated toward the end of the parliamentary democracy period. DI even attempted to assassinate Sukarno and had appeared to be on the verge of achieving independence in Sumatra. The uprising was finally quelled in 1962 with the arrest of Kartosuwirjo, but the organization continued to exist and inspired later organizations that have espoused terrorist actions to overthrow the Indonesian government, such as *Jemaah Islamiah* (Islamic Congregation—JI) (Singh, 2004: 50-1). It has even been suggested that DI's insurrection of the late 1950s perhaps contributed to Sukarno's growing distrust of Muslim organizations during Guided Democracy. Sukarno came to equate all Muslim groups with having the same ambitions and motivations as DI, and seemed to relish in using the example of DI to spread a fear of Islamic parties among Indonesians (Anderson, 2002: 6; Desker, 2003: 416).

The second counterpoint to consider is the violence that erupted in late 1965 in the immediate aftermath of the coup against Sukarno. This will be discussed in much more detail in the next chapter, as the carnage of 1965-6 had a great impact on Muslim-government relations during the *Orde Baru* (New Order). It is worth mentioning here, at the conclusion of this chapter, that Islamic factions who had professed moderation and cooperation during both the period of parliamentary

democracy and Guided Democracy ultimately colluded with factions of the military. The result was a wave of attacks against the PKI and the *abangan* Muslims. Members of NU, as well as *Masjumi*, wrought destruction and death upon their fellow countrymen.

There are a number of insights that we can pull from the case of Islam in Indonesia and the economy. One insight pertains to the use of explanation and understanding in the international political economy that is typically employed by the American school of IPE. As we have noted, models of explanation in global politics traditionally assume the state as a unitary, rational, utility maximizer. Alternatively, models of understanding, as they are employed by the British school of IPE, are interested in questions of identity in society and the competition of ideas. This chapter problematizes the explanatory model of the state as either 1) unitary, or 2) rational. We outlined a number of competing factions in the political debates on Indonesia's foreign and domestic economic relations. We played particular attention to the debates between Muslim organizations and the government, as well as the debates that existed between different Islamic groups. It is hard to conclude that the decisions made by Sukarno were always based on a "rational" calculation of self-interest. Is it rational for the leader of a country that is 90% Muslim to show very little familiarity with the religion during an Islamic festival? Was an "axis" with North Korea, North Vietnam, Cambodia, China, and the Soviet Union rational? Could

NASAKOM ever provide a stable and prosperous political culture for Indonesia when the Muslims and the communists interpreted each other as an existential threat?

There is a discernable presence in the history of what some have called an “aversion to reality” in the economic policies of Sukarno (van der Kroef, 1973: 269). It is still, perhaps, inappropriate to suggest that Sukarno was entirely irrational. Most of Indonesia’s Muslims were *abangan* culturalists who were uncomfortable with interpretations of Islam that were too Middle Eastern. His domestic support base drew upon the military, who had successfully infiltrated the ministries of government, and the communists, who wanted state control over the economy and connections to global communism. He pursued international confrontations with the Dutch, and Malaysia, and told the US to “go to hell with your aid.” However, Sukarno was part of the struggle for the independence of his people. This struggle that could not have been accomplished as quickly as it had without armed rebellion and the loss of human life. His experiences as a revolutionary fighting for independence from Western imperialists made him deeply skeptical of the intentions of the West, especially on matters of economic relations (Anderson, 2002: 2-4).

Another insight we can garner is one that is especially germane to the early twenty-first century observer. Islamic factions were actually forces calling for moderating relations between the Republic of Indonesia and Western international society during the 1950s-60s. It was the leaders of these Islamic organizations, particularly *Masjumi’s* Natsir, who sought to reorient Indonesia toward the

international political economy of the West after independence. The US in turn recognized these Islamic parties as their allies, and desperately wanted leaders such as Natsir to rise to prominence in the government and the political life of the Indonesian people. It is possible that this arrangement was driven primarily out of necessity, precisely what Natsir feared in his speech, “Some Observations Concerning the Role of Islam in National and International Affairs,” that we reviewed earlier in the chapter. The West and *Masjumi* simply shared similar enemies in the PKI and global communism. This perspective must certainly hold some truth. However, political expediency is unlikely to provide a sufficient account. Developing economic relationships amongst the Muslim merchant class was hugely influential in the national revival of the early twentieth century. Later on, Natsir embedded his peaceful vision of Indonesia in harmonious relations with the rest of the world in a discussion of Islamic norms and values.

Another conclusion that we can draw from this chapter is to remain skeptical about assuming that support for patterns of order in the international political economy necessarily translates into peaceful politics. As British IPE reminds us, opposing revolutionary politics and seeking engagement with American institutions of the international political economy does not make one wholly incorruptible and an endless proponent of peace and social justice. Islamic organizations such as *Masjumi* and NU attempted to balance the revolutionary politics of Sukarno but were themselves at least partially responsible for the genocide that occurred as the

Guided Democracy period came to its end and is the topic that will be discussed early in our next chapter.

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Chapter 3

The Role of Islam and the Foreign Economic Policy of Indonesia's *Orde Baru* (New Order)

Introduction

This chapter inquires into the period of Suharto's rule over Indonesia (1966-98), known as *Orde Baru*, or the "New Order." The chapter will consider the following two related questions; firstly, did Islam influence the foreign economic policies of the New Order regime? Secondly, if Islam did influence the regime on matters of Indonesia's foreign economic relations, what types of policies were produced in this Islamic context? These questions are important to consider because they test our understanding of both the Suharto government as well as the relevance of religion as a social force in international politics. The traditional perspective from American International Political Economy (IPE), as well as the traditional perspective of International Relations (IR), on the international politics during the Cold War, the time period for most of the New Order period, is rooted in the realist explanation of a bipolar distribution of power between the United States and the Soviet Union. This bipolar competition between the two superpowers is suggested to act as the prism through which states viewed the international system (Wendt, 1999: 17; Rosenau, 1992: 14; Korany, 1986). As Kenneth Waltz argued in his seminal work *Theory of International Politics*, "the story of international politics is written in terms of the great powers of our era" (Waltz, 1979: 72). What we intend

to do is to partially challenge these assumptions by posing a more constructivist question inspired by British IPE on the role that social forces played in Indonesian foreign economic policy. The specific question that is under consideration for this chapter is whether Islamic groups impacted Indonesia's foreign economic relations.

The economic policy of the New Order is chosen for a couple of reasons. The first justification that I present is that to understand the history of a country's foreign policy is a complex and vast undertaking. It is only fair to consider what the country prioritizes as its interests in the domain of foreign policy. In this case, it is clear that *pembangunan*, or foreign relations to bolster the internal development of the Indonesian economy, was the most significant foreign policy priority of the New Order government. A second justification for the study of the foreign economic policy of Indonesia is that economics appears as a "hard case" for the study of social forces. As we discussed in Chapter 1, American IPE has not paid much attention to the role of identity in the international political economy, and this is particularly so in the case of religion. There might also, perhaps, not be an intuitive relationship between economics and social forces for many observers. Therefore, the identification of Islam as a social force that was influencing the foreign economic policies of the New Order represents a significant case for the historic relevance of religion in international politics, especially since it represents a case from the Cold War period.

Following an overview of some of the key tensions and trends found during the New Order era, this chapter will provide an outline of the literature that traditionally attempts to explain the New Order regime's economic policies from the perspective of realism, and the state as a rational utility maximizer. While acknowledging the value that such a narrative might offer, including a discussion of recently declassified documents on American-Indonesian relations, we will seek to expand on this perspective of the economy in a following section. This section will attempt to discern the social forces that the Suharto government played upon to justify its policies, giving particular attention to the role of Islam. What will be revealed is that Islamic groups did influence the foreign economic policies of the New Order government. Furthermore, the government attempted to legitimize its policies through Islamic discourse. By adopting this approach we intend to engage with a model for understanding Indonesian foreign economic policy that is practiced in British IPE and to then suggest that Islam acted as a reference point for development, and the economy more generally, during the New Order period.

Finally, in keeping with the theme of pluralism in British IPE to more completely define Indonesia's pursuit of power and wealth (in the broader sense of "power"), this chapter will also consider the ways in which Islam does not conform to the general argument of the chapter. We will do this by primarily reviewing the revolutionary discourses of Islam in Indonesia during this time period. This section will pay special attention to non-state actors advocating revolution against the

existing Republic and fundamentally altering the nature of its international relations. It is the argument of this chapter though that Islam acted as a powerful justification for the economic development of Indonesia during the New Order decades, as well as a social force employed by the regime to rationalize the New Order's foreign economic politics. Islamic discourse that called for engagement with the liberal economic order was an independent social force that predates the New Order, but it was a social force that was coopted by the shrewd Suharto government.

The New Order: An Overview

Before we address the realist perspectives on Suharto it is worth providing a few comments on the New Order period, its origins, its politics, and to acknowledge the human experiences under Suharto. Edward W. Said argued in his seminal book *Orientalism* that perhaps the greatest failing of modern day orientalism has been the inability or unwillingness to fully connect with the humanity of the East (Said, 1978: 328). The West speaks with a solemn reverence when discussing the barbarisms of its own history, such as the Holocaust of the Second World War, or the hallowed battlefields of the First World War, but rarely treats the even more recent violences and atrocities performed in the non-Western world with the same introspection and respect. As an authoritarian ruler whose reign stretched for over three decades, the Suharto period represents perhaps the most complex, difficult, and sincerely emotive set of case studies to reflect upon in Indonesia today. The current president of Indonesia, Yudhoyono, delivering a state eulogy at Suharto's funeral following his

death on the 27th of January 2008, expressed this mixed reflection on such a polarizing figure in Indonesian politics (Yudhoyono, 2008 [author's translation]):

We recognize that as a person, as well as a leader, the deceased could not escape from mistakes or from shortcomings. No man, even a faithful servant of God is perfect in this world. For that, let us, as a high-minded nation, sincerely thank you and give you the respect and high appreciation of the nation.

Later in his eulogy Yudhoyono asks Indonesians to, “turn to prayer, and may God accept his (Suharto’s) worship and the charity to forgive his sins” (Yudhoyono, 2008 [author’s translation]). President Yudhoyono offers no romanticization of the past but cautiously and intentionally avoids an inflammatory damnation of Suharto, and by extension, of a time known as “*Kehidupan partai politik yang dikontrol*” (when life was controlled by political parties) (Subono, 2001 [author’s translation]).

Creating the Orde Baru from the Orde Lama (Old Order)

Considering the origins of the New Order regime forces one to question the most complicated and irreconcilable event in 20th century Indonesian political history, and where we left off in chapter two. It is known by various names, such as *Gerakan 30 September*, or G30S/PKI, or the 30th of September Movement of 1965, and the debate over what happened is still yet to be reconciled, not only in Indonesian academic circles, but also in the Indonesian courts (Aprianto, 2005). This is not going to be the forum for a detailed analysis of the impossibly complex series of events that brought Suharto to power in Indonesia and ended Sukarno’s domination of Indonesian politics, as it is outside of the scope of the dissertation. A

brief consideration of the events does provide a disturbing example of an Indonesian “worst-case scenario” that came to partially define the identity of the country during the New Order. The horrors that were unleashed upon Indonesian society during the mid 1960s demonstrated to the New Order regime the interdependence between internal stability and economic development. The following events also loomed over much of Indonesian civil society, encouraging many Islamic organizations, such as NU, to cooperate with the New Order state to avoid the violence and anarchy of the 1960s.

In 1966, six generals, including Army Commander Lt. General Achmad Yani, two of his three deputies, two of his four assistant generals, and Chief Military Prosecutor Brig. General Sutojo, were murdered in their beds in Jakarta by a branch of the Indonesian National Armed Forces when Lt. Colonel Untung, the Commander of the Palace Guard, allowed their entry into the complex (Boland, 1971: 136). The self-proclaimed “G30S” proceeded to declare that the dead officers represented a “Council of Generals” who conspired to takeover the state. The G30S then proclaimed on the 1st of October that the existing Indonesian president, Sukarno, was being placed under their protection. The rest of the military establishment however, declared the assassinations committed by the G30S as a *coup d’état* by the Indonesian Communist Party (PKI). The military, in response to the G30S, began to insert divisions throughout Jakarta in a holding pattern in the capital city. Anarchy reigned in Jakarta and beyond for the next three months. The military eventually

captured Jakarta from the G30S revolutionaries, defeating the coup, but undertaking a coup of their own by disallowing Sukarno to continue as Indonesia's head of state. The leader of the military forces, Suharto, an instructor at an army officer graduate school in Bandung as well as the general responsible for the "Army's Strategic Reserve," emerged first as the representative of the military, and then by March 12th 1967, the President of Indonesia. The PKI was then blamed for the coup attempt in Jakarta and its 3,000 party leaders became the subject of widespread attacks on Java as well as the outer islands that left perhaps 800,000 dead during the Fall of 1966.

It has been commented that Suharto in fact fanned the flames of social enmity that resulted in this explosion of violence. The violence was largely unstructured and occurred at the grassroots level and further incited the tensions that existed between many Muslim groups and the PKI that developed during the Sukarno years. Suharto supported the numerous *ulama* proclamations during the uprisings against the PKI that declared the rise of the new President as a "great victory for Islam" (Boland, 1971: 158).²³ The former leaders of the Muslim group *Masjumi*, banned during the Sukarno era, were even offered tentative admission to the New Order state with promises of restoring the reference to Islam and Sharia law in the Jakarta Charter (Boland, 1971: 158; "Suharto's Search for a Policy," 1968: 512). However, these promises of constitutional reform and the return of the *Masjumi* to political life

²³ The violence was equally an intra-Islamic one as much as it was one of Muslims vs. Communists as the violence could also be interpreted as *santri* (orthodox) Muslims murdering or disposing *abangan* (nominal) Muslims (McVey, 1983: 202-3).

in the New Order were quickly quelled in 1968. During this year the military forcefully silenced the potential for the re-opening of the debate on the specific mention of Islam in Pancasila and once again banned the Islamic political party (McVey, 1983: 214-5).

There persist three explanations of the events surrounding the 30th of September. The official position of the Suharto government, the military, and even in the Indonesian government today, is that the G30S conspirators were part of an attempted communist revolution. The PKI had grown to 3 million members toward the end of the Guided Democracy regime while internationally Sukarno was leading Indonesia into an international communist camp through his “wasteful displays of international diplomacy” (Vatikiotis, 1998: 3). Part of the theory is that Sukarno was attempting to use the PKI as a populist means to curb, and perhaps even neutralize, the powerful military over which he had begun to lose control, as well as to compensate for the loss of whatever support from Islamic organizations he might have enjoyed due to his combative international rhetoric and denunciations of capitalism that were detailed in the previous chapter.

The second explanation of the events of 1965-6 were first outlined in an essay, and then subsequently published as a book, by Ruth McVey and Benedict Anderson (1966; 1971). Their account was written during the chaos and it argued that the US government was responsible for both the coup and the counter coup that brought Suharto to power. McVey and Anderson (1966) suggested that the US

engaged in this act of regime change against the seemingly pro-communist Sukarno government to place the free-market and pro-West Suharto as President of Indonesia. Their re-construction of the events emphasizes that as the military encroached upon the territory held by the G30S (the revolutionary group), both Lt. Col. Untung (supposed leader of the revolutionary) and Sukarno, who had been warned of Central Intelligence Agency (CIA) plots against his life continually since 1958, believed that the Indonesian military was being controlled by the CIA. In their view the G30S began to recognize themselves as “dupes” who were used to justify an overthrow of the Sukarno regime (McVey and Anderson, 1971: 52-53). This line of reasoning is linked to the “domino theory” of communist expansion in Southeast Asia feared by Washington during the 1950s-1970s and is also the subject of another first-hand account, *Shadow of a Revolution* by Roland Challis, a Southeast Asia correspondent for the BBC, who remarked on the context of the Cold War and suggested a salient role for the CIA (Challis, 2001).

This explanation that centers on US involvement has been subjected to criticism. McVey and Anderson rethink their accusations of a US involvement in the coup and counter-coup in their 1971 book compared to their earlier 1966 essay. In the essay, they frame the discussion of the CIA as one that is interpreted more from the perspective of the G30S, rather than as a more objective analysis from different perspectives. Documents from the American embassy in Indonesia that became declassified during the 1990s suggested two relevant pieces of information from the

American perspective (Vatikiotis, 1998: 19-20). First, the US did not actually assume that Sukarno was really a communist or a supporter of international communism. They interpreted him as playing anti-colonial populist politics domestically and trying to secure greater recognition and aid from the USSR, and China. Second, the most likely fear that the US envisioned was not a communist takeover, but a collapse of the existing government.

The US feared a state of anarchy where Indonesia would implode, where millions would be killed, even more people would become refugees, with the country subjected to great power conflicts as states seek to compete against each other for access to Indonesia's natural resources, in a situation comparable to areas of Central Africa. The other major problem that this theory fails to explain is how Suharto took power in Indonesia. He was not Western educated in the slightest (Sukarno was far more a product of the West) and it does not appear that anyone in the American embassy in Indonesia even knew who Suharto was. Suharto was a poor farmer and Buffalo herder from Central Java who eventually became a divisional commander of the "*Diponegoro Division*" of Central Java, one of the PNI's most isolated divisions from foreign governments (McVey and Anderson, 1971: 1).

The final explanation presented on the events of the 30th of September in 1965 revolve around the role of the Indonesian military as unleashing the G30S themselves. The military ostensibly allowed the assassinations of the senior leadership of the PNI, removed Sukarno from power, and then attained rule of the

country themselves. This explanation appears to offer the most credible explanation for the revolution over forty years later. However, it does not answer how it is that an unconnected and low ranking general such as Suharto emerged as president of Indonesia and maintained this position of power for over three decades. It is especially difficult to imagine why popular and experienced generals such as Dharsono, Kemal Idris, Sarwo Edhie Wibowo, and the hero from the insurgency against the Dutch, A. H. Nasution, deferred to Suharto's rule during the violence. The most probable reason is that the popular generals had decided upon a "junta" style of military rule where the presidency is passed around throughout the senior echelons of the military (Vatikiotis, 1998: 17-8). Suharto, as an outsider and junior member, would likely have been perceived as easy to manipulate as an initial president. Suharto transformed a tenuous grip on the executive during the period between 1965-7 into a consolidated government where even the conspiring generals came to be disciplined at times by the President (Vatikiotis, 1998: 23-6).²⁴

The events surrounding the 30th of September in 1965 may not yield any direct explanations as to how it may have happened, but an appreciation of it does help to define much of the early foreign economic policy of the New Order. First, the

²⁴ Even this explanation is still full of unanswerable questions. Was Suharto actually part of any conspiracy? Did he have any contact with Untung or the G30S movement leading up to the 30th of September? Was he either before or after aware of any conspiracy planned by Nasution? It seems that Suharto's ascendancy to the status of president was a Machiavellian blend of the luck of the moment—*fortuna* and his leadership abilities and unknown political machinations—*virtù*.

30th of September Movement resulted in a major geopolitical realignment of Indonesia from the Peking (Beijing)-Hanoi-Pyongyang-Jakarta axis and Sukarno's policy of international *konfrontasi*, toward a more pragmatic international position. In the aftermath of the violence, Indonesia came to offer much greater recognition to patterns of order in international society, such as the Association of Southeast Asian Nations (ASEAN), the UN, and the Organization of the Islamic Conference (OIC), and an orientation that was more accommodating with the West.

Secondly, the New Order recognized the importance of *pembangunan* (development). This became not only the central priority of the early foreign policy of the state of Indonesia, but almost the exclusive foreign policy of the New Order for the first two decades. Thirdly, Sukarno's alignment with the Asian communist countries such as North Korea, North Vietnam, Cambodia and China was interpreted as alienating Indonesia from international society and offering too much support for international communism. This alienation was the context of Indonesia's struggles with poverty, particularly inflation, during the latter part of the Sukarno period when foreign governments decided against offering help to the collapsing Guided Democracy regime. Engagement with the West and with broadly-based international organizations was seen as instrumental for Indonesia to gain access to foreign investment to be used for development.

Fourthly, the breakdown of society during the latter part of the Sukarno era was also due in part to his power base becoming increasingly situated within the PKI

and various other communist groups in Indonesian society (such as the Marhaenists). As a majority Muslim country, this resulted in a growing distrust and resentment aimed at the elites of the Sukarno government. The New Order was not willing to concede power to Muslim parties or institutions within civil society, but by making Islam a part of state institutions it allowed the government to practice a religious *dirigisme*. This move was an attempt to accomplish the following two goals: 1) first gain and then maintain some degree of legitimacy from Muslim society; and 2) contain Muslim groups and to prevent them from undermining the state.

A fifth major change to Indonesia's foreign economic policy following the revolution was the interpretation of disturbances to the balances of power. In Indonesian politics and society a general fear arose regarding the breakdown of order. Further breakdowns were interpreted as a threat to both social harmony and political stability, and so a *preservation of the status quo* became the overall strategy, or, a doctrine of "*stabilisasi politik*." The overall fear was the collapse of the institutions of the Republic of Indonesia, revolution, and a return to the genocide and ethnic cleansing that the New Order regime itself was partially responsible for during the final quarter of 1965.

In order to prevent a return to the violence of 1965-6, the Suharto government adopted a regime type that was highly centred on the 1945 *Pancasila*,

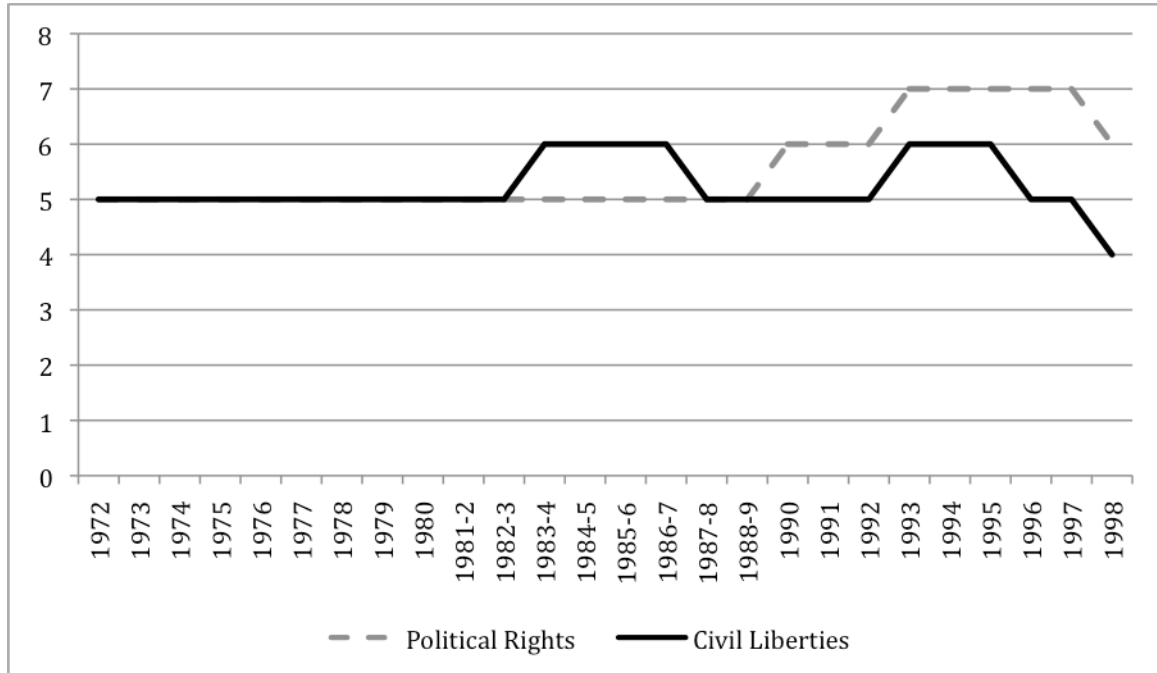
or the five pillars of Indonesian society and politics. They were the following:²⁵ 1) belief in one God; 2) a just and civilized humanity; 3) the unity of Indonesia; 4) democracy led by the wisdom of deliberation among representatives; and 5) social justice for the whole of the people of Indonesia. The premise of *Pancasila* was to negotiate between the enormous number of social groupings in Indonesian society so as to maintain the status quo. It was ostensibly to prevent the politics of race, religion, or ethnicity from causing *fraksi-fraksi* (factions) and, hence, to threaten the integrity of the country as had happened during 1965 and the latter portion of Sukarno's rule. "Democracy" is the typical translation, but it is bounded within the context of a group of representatives, and is not the Bahasa word, "*Demokrasi*," that is used for the Republic of Indonesia today.²⁶ The New Order in many ways came to be defined by *Pancasila* rather than, or perhaps instead of, democracy.

Ever since Freedom House started providing scores on civil liberties and political rights in 1972, Suharto's Indonesia never scored less than a "5" in its scale between 1-7, where 1 is most free and 7 is the least free. It was not until the year Suharto resigned when civil liberties scored a modest "4." Political rights even scored a "7" for six consecutive years during the 1990s.

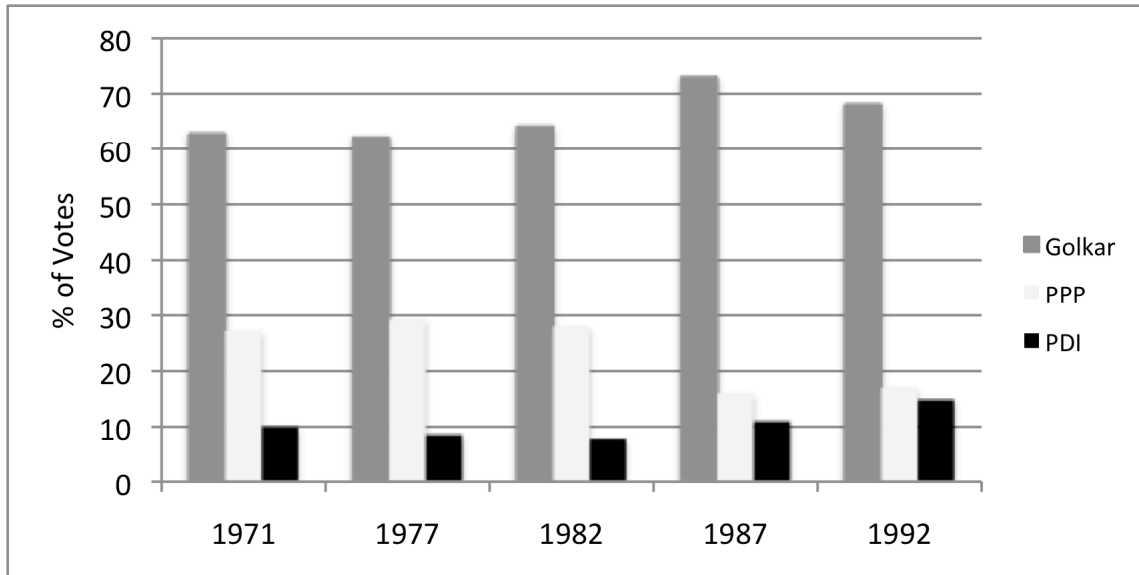
²⁵ 1) *Ketuhanan yang maha esa*, 2) *Kemanusiaan yang adil dan beradab*, 3) *Persatuan Indonesia*, 4) *Kerakyatan yang dipimpin oleh hikmat kebijak-sanaan dalam permusyawaratan/perwakilan*, 5) *keadilan social bagi seluruh rakyat Indonesia*.

²⁶ Although Suharto certainly used the term "*Demokrasi*" when referring to his own regime it is not the word in *Pancasila*.

Figure 7: Freedom House Scores During the New Order



The New Order regime never achieved the Freedom House designation of “free,” only “partially free” or “not free” as it was a regime that was commonly accepted as authoritarian (Liddle, 1996). However, the discourse of the New Order state, particularly within the proceedings of the *Majelis Permusyawaratan Rakyat* (People’s Consultative Assembly), is that of a *demokrasi* “in the making.” The literature, particularly the influential study on the New Order’s government by William Liddle (1996) as cited above, maintained that the government structure was authoritarian because the regime did not allow for rivals to challenge Suharto as the Head of State. The *Majelis Permusyawaratan Rakyat* nominated Suharto for the position after each parliamentary election.

Figure 8: New Order Parliamentary Elections (King, 2003: 160, and 166)²⁷

The history of parliamentary elections in Indonesia can shed some additional light on why the New Order period has traditionally been identified as authoritarian. Golkar (*Golongan Karya*—The Party of the Functional Groups) was the party of Suharto and the New Order regime. It was a party premised on *Pancasila* as the guiding document, or *asas tunggal* (sole foundation), of the state. These overwhelming electoral victories allowed the New Order state to be governed by a

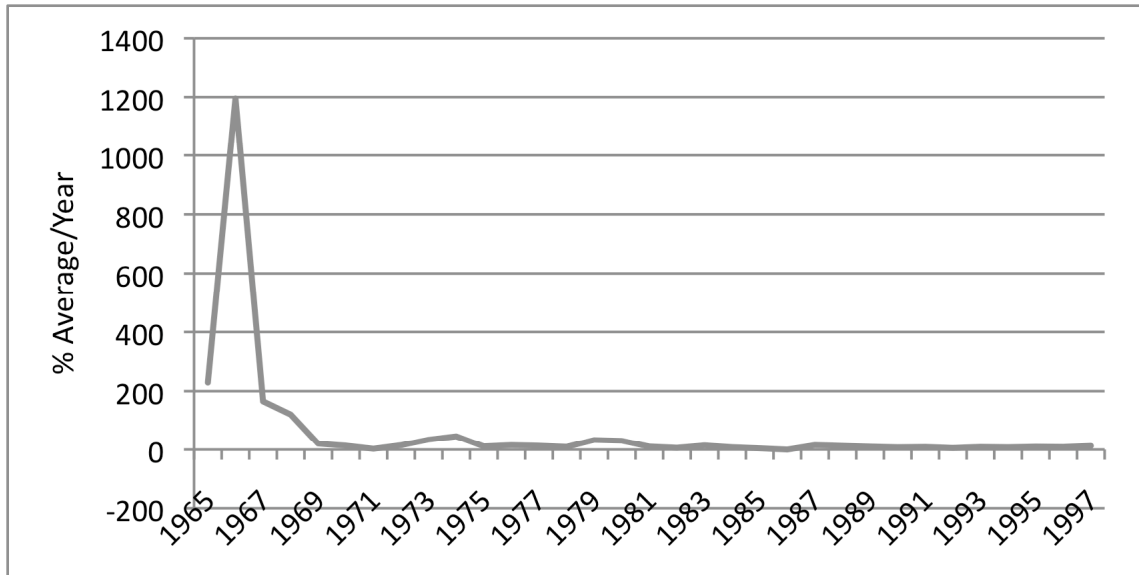
²⁷ The reporting percentage for the PPP in the 1971 election actually represents four parties that were collapsed into one following the first parliamentary election of the New Order period. These parties included the large *Parmusi* and *Nahdlatul Ulama* (which withdrew from the PPP coalition during the 1987 election, accounting for its smaller percentage of the vote that year) as well as two small Islamic parties. The percentage for the PDI likewise collapses two other small Christian parties and two small nationalist parties.

single party with restrictions placed on the platforms and ideology of parties, with many parties not recognized by the state or able to institutionally participate in elections. Though dominated by Golkar, the party of Suharto never garnered more than 75% of the vote, as was common in authoritarian regimes throughout the communist states and the Less Developed Countries (LDCs). In Indonesia, other state-approved parties did participate in elections and gained a modest number of votes, though not nearly enough to constitute the New Order regime as a multi-party state. The second most successful party during the New Order, the PPP (*Partai Persatuan Pembangunan*—United Development Party), was a Muslim party that was not allowed to actually identify itself as “Islamic” in its title.²⁸

The economic context of the Republic of Indonesia immediately before Suharto took power was one of out of control inflation. Under Suharto’s rule inflation was contained and was not allowed to reach anywhere near the volatility of the mid-1960s again.

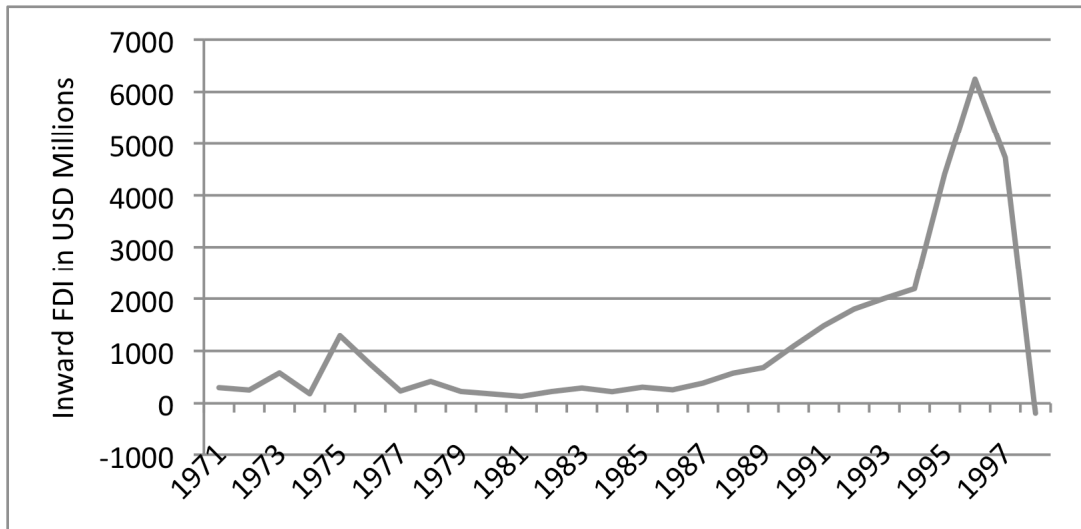
²⁸ The translation is actually “Party for Unity and Development.” It was only allowed to identify with economic development. The PPP was not allowed to identify itself as an “Islamist” party that identified more with Islam than with economic development and social justice.

Figure 9: Inflation, GDP deflator (United Nations Statistics Division)



As Figure 9 depicts, inflation of the rupiah was absolutely crippling the Indonesian economy and a major part of the context of the genocide at the end of the Guided Democracy period. The New Order deemed that curtailing inflation was the instrumental first step toward Indonesia's economic development. The second major step toward economic development centred on securing foreign direct investment (FDI).

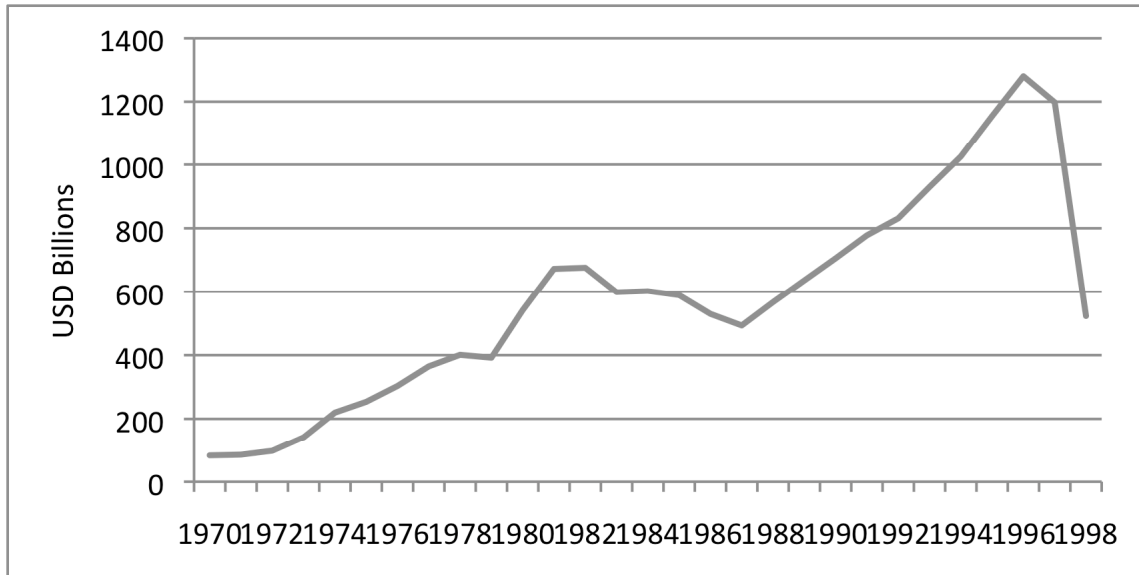
Figure 10: Foreign Direct Investment: The New Order Period (UNCTAD)



The New Order achieved an early period of success in attracting FDI following the 1970s oil boom, but it was during the late 1980s when the growth of manufacturing in Indonesia resulted in a massive expansion of inward FDI.

As Figure 11 illustrates, while political rights and civil liberties were restricted by a mostly undemocratic regime, there was an incredible expansion of the Indonesian economy.

Figure 11: Gross Domestic Product (United Nations Statistics Division)



The total gross domestic product early in the New Order period increased from approximately \$80 billion US to over \$670 billion US by the early 1980s. This commitment to economic growth earned Suharto the title of “father of development” and largely provided the government with its legitimacy. The trade-off was clearly economic growth, with democratic government or a free civil society left out of the picture. There are two obvious periods of economic decline as measured by GDP in the above figure, one that is particularly calamitous. The first period of relative economic decline occurs during the early 1980s. The “debt crisis” of the 1980s, which was caused by a constellation of factors including a rapid decline in the price of oil, investment flowing toward rapidly industrializing countries of the decolonized world, followed by a closing off of access to American markets due to

increases made in US interest rates, resulted in the “lost decade” for development (Rapley, 2007). The second period of relative economic decline occurs much more rapidly, causing a collapse in 1998 of GDP back to 1988 levels in a matter of months. The Asian Financial Crisis was caused by different factors, according to different perspectives.²⁹ For Indonesia, the Asian Financial Crisis acted as the immediate cause of the end of the New Order regime and Suharto’s decades long, highly controversial period of authoritarian rule, and the establishment of a new, democratic government for the Republic of Indonesia.

A reexamination of the Suharto era—to both explain the economic and political transformations that occurred during the final three decades of the 20th century in both Indonesia and international politics more generally—allows us to better understand and appreciate the construction of legitimacy in the largely undemocratic New Order regime. As has been noted in the pages of the popular Indonesian magazine *Tempo*, since the fall of the Suharto era the *obsesi* of commentaries on the New Order is actually to forecast on the future fate of the Indonesian Republic rather than to try and understand the New Order regime itself (Subono, 2001 [author’s translation]). By considering the patterns through which

²⁹ The Asian Financial Crisis remains a deeply contested economic meltdown. Economic liberals explain the crisis as caused by the ‘crony capitalism’ practiced in East Asia where the market is regularly interfered with by the state. Critical theory approaches will generally focus on the instabilities inherent to the global political economy and consider the broader experience of financial crises that have occurred over the last 25-30 years, with a general trend of greater instability and economic collapse (Stubbs, 2005: 198-209; O’Brien and Williams, 2007: 11-13).

the New Order government entrenched a degree of consent from the general population we might better understand the relationships between society, the state, and foreign relations on matters of the economy.

Explaining *Orde Baru* Foreign Economic Policy

Any discussion of Indonesian foreign policy should begin with a brief overview of *bebas dan aktif* (free, or independent, and active). As we discussed in the previous chapter, since the war for independence against the Dutch, *bebas aktif* has loosely been the foreign policy doctrine of Indonesia. The doctrine was first propounded by Indonesia's first Vice-President, Mohammad Hatta, in 1948, in a speech entitled, "*Mendajung Antara Dua Karang*" (Rowing Between Two Coral Reefs). In this speech Hatta looks toward Indonesian independence and asks:

Have the Indonesian people fighting for their freedom no other course of action open to them than to choose between being pro-Russian or pro-American? Is there no other position that can be taken in the pursuit of our national ideas? The government is of the opinion that the position to be taken is that Indonesia should not be a passive party in the arena of international politics but that it should be an active agent entitled to determine its own standpoint with the right to fight for its own goal—the goal of a fully independent Indonesia (Hatta, 1953: 446 [author's translation]).

There are three goals that Hatta sought with this speech (Sukma, 1997: 232-3; Leifer, 1983). The first was to situate Indonesia outside of the emerging superpower rivalry so that an Indonesian Republic does not appear as a threat to either Washington or Moscow, thus avoiding one side or the other from deciding that it would not be in their interest to recognize an independent Indonesia. The second

goal was to attain this international recognition by promising that an Indonesian Republic would cooperate within international society. During the war of independence for instance, Indonesia vowed to continue the insurgency against the Dutch, but promised that diplomacy could be the normal relations of the Republic toward the rest of the world. Finally, Hatta wanted to maintain social cohesion between Indonesia's communists and the rest of the country by strongly arguing that Indonesia was not to be pro-Soviet or pro-American. As we shall see, Suharto's New Order interpreted that it was in their interest to link themselves with the international economic institutions of the West.

The foreign policy under the New Order regime was largely an extension of the regime's commitment to *Pancasila* (Suharto, 1988: 11-12). Within this context there existed essentially two primary goals of Suharto's foreign policy—*pembangunan ekonomi* and *stabilitas nasional*, or economic development and national stability (Perwita, 2007: 13). They were not interpreted as two separate goals but were seen as cohabitating and mutually reinforcing. We will consider the New Order's foreign economic policy by considering two different aspects. First, we will review the domestic economic policies of the New Order government that sought to encourage greater foreign direct investment (FDI) in Indonesia and open the country up to international financial markets. Second, we will consider Indonesia's international relations—with the US (especially for aid), ASEAN, the OIC, the Non-Aligned Movement (NAM), and the UN—to show how the New Order

government interacted with these institutions in order to promote economic integration toward *pembangunan ekonomi* and *stabilitas nasional*.

Domestic Reform and the International Economy

Our discussion of the foreign economic policies of the New Order regime must first look within the state at the level of domestic political and economic reform. The reason why we must do this is because the initial years of the New Order are characterized by a “low profile” approach to international politics. At first, the regime sought to alter state-market relations within Indonesia away from the nationalistic economic control of Guided Democracy/Guided Economy in preparation for Indonesia’s foray into international markets (Sukma, 1997: 237-8). Suharto’s alterations were intended to promote liberal economic policies that could integrate Indonesia into emerging patterns of the capitalist international system, or as Suharto called it, “*tata ekonomi dunia*” (world economic order), through three waves of reform (Sabirin, 1991: 385-91).

The first of these major reforms occurred in April 1969, only two years after Suharto assumed the position of president. Under the “5 Year Development Plan,” known as *Repelita*, the New Order sought to correct two major economic problems of the late “Old Order” period—high inflation and the tightly regulated banking sector. This first wave of reform adopted a policy of balanced budgets by first breaking with Sukarno’s national development projects that featured enormous operating costs and offered questionable contributions to economic development.

Secondly, Sukarno's practice of printing rupiah at a rate set by the national government was interpreted as the most salient cause of the country's inflation. The availability of money became instead managed through increased interest rates, as well as through restrictions placed on the printing of money. Thirdly, the reforms of the late 1960s and early 1970s attempted to initiate the process of liberalizing the foreign exchange markets, making it easier for investment to enter Indonesia. These reforms helped usher in a period of high economic growth of over 8% per year. The 1973 oil embargo and transfer of wealth to the oil producing countries, now including Indonesia among them, put powerful inflationary tendencies once more on the rupiah. The central bank, Bank Indonesia, was ordered to respond by placing "credit ceilings" on loans issued by banks to once again restrict the availability of cash.

The second major system of reforms under the New Order regime began in June 1983, in the wake of the debt crisis. As can be seen above in figure 10, the early 1980s represented a distinct period of contraction in the Indonesian economy. The first measure was to remove the credit-ceiling put in place because of the inflationary pressures that resulted from the oil prices of the previous decade. Oil prices had collapsed in the 1980s and the credit ceiling was seen as restricting the development of potential securities markets. The next measure was to discontinue the practice of interest rates being set by Bank Indonesia on either deposits or loans. The new strategy, to a certain degree at least, allowed for the market to inject

flexibility in the determination of interest rates rather than be set by Bank Indonesia. Finally, the reforms of the 1980s further decentralized the nationally overseen banking sector constructed by Sukarno's government by transferring the provisions of credit and liquidity from Bank Indonesia to the branches, to both reduce dependency on the central bank and to reduce nepotistic lending practices on "priority credit." The results from this second wave of reform were increased interest rates, but along with them, a fourfold increase in bank deposits.

The third major period of reforms, and perhaps the most significant, began in October of 1988 and provide the context for the phenomenal economic growth of the New Order period, including a doubling of GDP within the first four years. Firstly, financial markets were opened to allow for the formation of new domestic banks and a streamlined branch expansion application process. This measure even allowed for the introduction of joint venture banking institutions between national and foreign banks. Secondly, the reserve ratio for banks on short-term liabilities was reduced to increase the attractiveness of the emerging money market trading. Thirdly, the tax treatments on interest became equalized on deposits and securities to continue to develop the capital markets. Finally, "market forces" (or more precisely, the difference between domestic interest rates and overseas interest rates) was used to calculate exchange risk coverage on swaps.

There are some important conclusions that can be drawn regarding the above discussion, but also some equally important questions. In order to pursue its

program of economic development it was fundamental for the New Order regime to ensure two equal constants: one “domestic” and one “international.” First, it was essential that the “state-society complex” be stable and highly functional. A constant self-image of threat to the security of the Indonesian Republic is one of domestic instability from social, institutional, and economic breakdown. This is what Muhammad Natsir, member of the *Masyumi* Party during the 1940s and 1950s and Indonesian Prime Minister (1950-1), referred to in Arabic as *‘asabiyya jahiliyya* (Natsir, 1998: 66). “*Jahiliyya*” is a reference to pre-Islamic Arabia that is described as an “age of ignorance” and internecine tribal warfare. By using “*‘asabiyya*,” Natsir referred to “kinship,” or the ties that bind together society. Natsir was profoundly troubled by the prospect of xenophobia, *ta‘assub* (fanaticism), ethnic violence, and even genocide that could tear Indonesia apart, and that economic instability would be the most likely trigger for social disintegration. Second, the strategy of the Suharto government was to initiate Indonesia’s entry into global financial markets in international society, what Suharto called “*tata ekonomi dunia*” (world economic order).

The process of becoming *kapitalis* was both an internal process of transforming the Indonesian economy from statist to one where private enterprise flourished, with some statist controls over the market. However, for these developments to succeed, Indonesia had to further integrate itself into the international economic order. This required Indonesia to reverse its revolutionary

politics of the Sukarno era and to accept the post-Bretton Woods system of market-based exchange rates and free flows of capital. We can then observe how the New Order regime attempted to pursue economic liberalization. One of the observations that can be made, important for understanding the Asian Financial Crisis and the collapse of the Suharto government, is that liberalization proceeded primarily with regard to financial mechanisms, more so than with trade. The New Order regime persistently cultivated securities markets and reduced the role of the central banks on monetary policy, rather than building up a strong base for production.

Indonesia's International Economic Relations

Indonesia's international economic relations throughout the New Order regime rested on four major main points: 1) development of export markets for Indonesian raw materials and cheaply manufactured products; 2) access to foreign investment; and 3) participation in international institutions to increase mechanisms for economic cooperation; and 4) to ensure peaceful interstate relations so as to remove the threats that political violence could pose to development (Hossain, 2009: 260-1). This philosophy of economic relations was, in part, inspired by Indonesia's most prominent economist—Dr. Sumitro Djojohadikusumo. In 1968, Sumitro became the New Order's first Minister of Trade. In his magnum opus, *Ekonomi Pembangunan* (Developmental Economics), Sumitro affirmed his belief in the flexibility of the internationalization of trade. He argued that liberal models of growth can afford much greater efficiency than autarkic or

socialist modes of production, but he worried that equitable development in society will not inherently follow from participating in emerging patterns of international trade (Djojohadikusumo, 1959: 342-48 [author's translation]).

Indonesia's relations with international society during the Sukarno era became increasingly strained as Indonesia pursued its Peking-Hanoi-Pyongyang-Jakarta axis, *konfrontasi*, and bluster of "OLFOES." The New Order wanted to erase this "revolutionary" image of Indonesian international relations by promising to cooperate with the US, and to re-establish links with international organizations. In this section we will review the foreign economic policies of the New Order by reviewing Indonesia's relations with the US, ASEAN, the UN, NAM, and finally the OIC. We will consider the patterns of Indonesia's interactions with "*tata ekonomi dunia*" (world economic order) (Suharto, 1980: 38 [author's translation]).

Though the US was not Indonesia's number one trading partner, Suharto regarded the American relationship as the Republic's most important foreign relationship (Suryadinata, 1996: 2). The US was fundamental for Suharto's developmental strategy of "*bantuan luar negeri dan penanaman modal asing*" (foreign aid and foreign investment) (Suharto, 1975:53). So important was foreign aid to Indonesia during the early part of the New Order that over 27% of government revenue between 1969 and 1970 derived from it, with the majority of that figure coming from the US (Stubbs, 2005: 147; Robison, 1986: 171). To secure this lucrative aid package, the New Order government adopted a foreign policy that

demonstrated to the US that Indonesia recognized the interests of the US in Southeast Asia.

A collection of documents from the Suharto era that was declassified by the US government and made available in 2008 reveals the nature of the US-Indonesian relationship. In a memorandum from Secretary of State Henry Kissinger to President Richard Nixon dated July 18, 1969, in advance of President Nixon's state visit to Indonesia, Kissinger outlined Suharto's main interests as the following: 1) American containment of China following any withdrawal of troops from Vietnam; 2) gauging US reaction to Indonesia's commitment to the Non-Aligned Movement, and ASEAN; 3) enhancing Indonesian-American economic relations; and 4) increasing Indonesian oil exports to the US (The National Security Archive, 2008). In the following Spring, leading up to Suharto's visit to Washington, Kissinger explained in a memorandum that since Nixon's 1969 visit, relations between the two countries have become "excellent," with the purpose of the visit "to thank us for the aid we have provided" (The National Security Archive, 2008). Kissinger later praises Suharto for his government's fulfillment of the "concept of Asian responsibilities under the Nixon Doctrine" of "peace, stability, and economic development" in Southeast Asia. In the memorandum of the conversation from 1970 between Presidents' Nixon and Suharto, along with Henry Kissinger, Suharto is constantly trying to shift the conversation toward Indonesia's economic development, whereas Nixon is grilling Suharto on how Indonesia could support the Americans in the

Vietnam War, and in particular, the type of aid that the Indonesian government could promise to the Cambodian government.³⁰

During Suharto's second visit to Washington to meet with President Gerald Ford in 1975, the Indonesian president suggests that there is only one way Southeast Asia can avoid becoming communist after the American withdrawal from Vietnam is complete.

It is not the military strength of the Communists but their fanaticism and ideology which is the principal element of their strength. To consider this, each country in the area needs an ideology of its own with which to counter the Communists. But a national ideology is not enough by itself. The well-being of the people must be improved so that it strengthens and supports the national ideology (The National Security Archive, 2008).

President Ford later asks whether economic progress in Indonesia is the only way to prevent the return of a powerful communist party. Suharto immediately responds that, "The principal factor is creating a national stability principally in the economic and monetary fields" which is "the role of US in her responsibility toward this area" (The National Security Archive, 2008). With both Ford and Nixon, Suharto linked the economic development of Indonesia with the geopolitics of regional stability and the regional threat of communism. The US was told by Suharto that the Americans have nothing to do with the prevailing ideology of Indonesia, but the US has everything to

³⁰ In an impressive exercise of Indonesian politeness, President Suharto expresses his doubts regarding the ability of the Indonesian government to send aid to the Cambodian government in a way that will truly bolster the Cambodian government until Kissinger interrupts to make Suharto's point for him as directly as possible to President Nixon.

do with the economic development of Indonesia.³¹ Even when Ford asks about military assistance,³² Suharto briefly discusses the Indonesian ships that are no longer serviceable but then quickly responds that:

The most important need is not in the military but in the economic area. This is where we must build the nation. Indonesian can be an example to other countries of the importance of strengthening their national resilience (The National Security Archive, 2008).

Suharto then discussed Indonesia's position within the Organization of Petroleum Exporting Countries (OPEC) and of not participating in the 1973-4 oil embargo that occurred in the aftermath of American assistance to the IDF being made known to the world during the 1973 October War. By not joining in the embargo, Ford stated his commitment to exempt Indonesia from Congress' trade bill to discriminate against OPEC members as a reward to Indonesia.

In an April 1977 meeting between President Suharto and Assistant Secretary of State Richard Holbrooke, Suharto echoed his earlier conversations with Presidents' Nixon and Ford. Suharto argued that communist "subversion" will only be contained through economic development. He posited that, "non-communist nations in SEA (Southeast Asia) are in race against time in relation to communist

³¹ When President Suharto discusses *Pancasila* as the state ideology of Indonesia, the transcriber of the conversation has no idea what Suharto is saying and transcribes "*Pantchestita(?)*" wherever it is mentioned.

³² This is an issue that Kissinger advised Nixon not to bring up out of fear that Indonesia wanted the US to be its largest provider of military equipment during a time when military resources were needed for the Vietnam War.

states,” suggesting that if Indonesia’s rate of development is eclipsed or perceived as slow then Indonesian society might be swayed back to communist ideology (The National Security Archive, 2008). A 1984 telegram from the US embassy in Jakarta to the State Department regarding Vice President George H. W. Bush’s meeting with President Suharto revealed this continued emphasis on economic development. The transcription relates that Suharto was in favour of encouraging greater US-Chinese cooperation to prevent destabilization or conflict, but also expressed a great deal of concern that the US is less committed to its relationship with Indonesia, as textile quotas from China to the US increased at the same time they decreased from Indonesia to the US (The National Security Archive, 2008).

Another institution that was vital to Indonesia’s foreign economic relationships during the New Order regime was ASEAN, founded in August of 1967 when the foreign ministers of Indonesia (Adam Malik), Singapore, Malaysia, Thailand, and the Philippines signed an international document called the “Bangkok Declaration.” This declaration established an “Association for Regional Cooperation” in Southeast Asia that recognizes the sovereignty of the signatories to erase the fear of the different countries subverting each other’s national independence. Recognition of sovereignty might then be followed by economic cooperation and development (ASEAN Secretariat, 1967). For Indonesia, the intent of ASEAN was to provide *kedamaian, kemajuan dan kesejahteraan* (peace, progress, and prosperity) (Suharto, 1980: 37 [author’s translation]). Indonesia’s interests went even beyond

the stated mandate of ASEAN. The New Order took a leadership role during the formation of ASEAN as a way to attract FDI and foreign aid by projecting, “an image of a trustworthy state and a friendly neighbor” (Haftel, 2010: 88; Anwar, 1994: 38-40).

Indonesia’s relationship with the OIC (Organization of Islamic Cooperation) had traditionally been a strained one in many ways, despite being a member since its founding in 1969. During the 1970s it was the only member that was not constitutionally an “Islamic Republic,” and as such, never signed the OIC Charter. While other members, such as Saudi Arabia, wanted to keep the organization focused on political Islam, Suharto interpreted the OIC as an economic institution to be used for the purposes of trade and finance. Suharto saw the creation of the Islamic Development Bank of the OIC as a great achievement of his that fulfilled his idea of using Islamic identity as a basis for trade relations (Suharto, 1975: 50).³³

When Indonesia finally hosted a session of the OIC Council of Ministers in Jakarta during December 1996, the Republic used the occasion to direct the attention of the member states toward economic growth. In his opening speech for the session, President Suharto began by reflecting on how the OIC can be capable of responding to the economic changes that globalization poses. He argued that by

³³ The agenda of the OIC during the 1970s and 1980s was to use the organization to bolster a sense of global Islamic identity and to denounce anti-Islamic sentiment. Suharto was the leading voice for utilizing the OIC as an institution to encourage trade and investment between Muslim majority countries.

“finally” capitalizing on the potential of the common identity of Islam held by the member states of the OIC, economic cooperation can proceed through a forum of mutual respect (OIC, 1996). The elected Chairman of the conference, Indonesian Foreign Minister Ali Alatas, directed an unprecedented amount of attention toward “Economic Affairs” over the course of the summit to enshrine participation of member states within the framework of the WTO, but also to develop an “Islamic Common Market” to act as a global economic grouping to further encourage economic cooperation between Islamic countries.

The Non-Aligned Movement (NAM) is an institution that Suharto inherited from his predecessor. Sukarno’s Indonesia was a founding member of NAM in 1961 along with Tito’s Yugoslavia, Nehru’s India, Nasser’s Egypt, and Nkrumah’s Ghana. The organization was of course intended to be a statement by its members that they would stay outside of either the Western sphere of influence or the Soviet sphere. The NAM agenda did not sit comfortably with New Order foreign policy and as NAM shifted more toward the Soviet orbit and Suharto pushed Indonesia toward the West, the relationship with NAM turned quite sour, ultimately nearing a breaking point. However, Indonesia never left NAM and did try to avoid overt tensions with member states regarding the country’s warm relationship with the United States. Suharto’s Foreign Minister Adam Malik defended Indonesia’s distancing from NAM in the news magazine *Tempo* by suggesting that it had become dominated by leftist-radicalism. This radicalism of NAM, Malik suggested, was itself a violation of the

spirit of NAM. Malik argued that there persisted in Indonesia a reluctance to leave NAM because of the possible relevance of the institution as a tool to be used “*melawan penjajahan dan kemiskinan*” (against colonialism and poverty) (Malik, 1976 [author’s translation]).

The questions that emerge from this discussion of the economic policies of the Suharto era pertain to how this transformation of an Indonesia emerging into patterns of *tata ekonomi dunia* (world economic order) was managed. A related question is how Suharto was able to keep power for just over three decades to pursue this political project. The above literature that we have reviewed emphasizes the traditional perspective of explaining Suharto’s foreign economic policy. Perhaps what it leaves out, or marginalizes anyway, is an attempt to understand the social forces of the Suharto era. By adopting the approach of the British school of IPE, this chapter will now inquire into how the regime was able to legitimately pursue its economic policies, and ultimately how it lasted for such a long time.

British IPE and Understanding Orde Baru Political Economy: “Religious Dirigism” and the Politics of Islam

It is not that I want to entirely dispute the institutional claims made by models seeking to explain the Suharto era’s foreign economic policies, such as engagement with the West and liberal economic policies. I do, however, want to contest the presentation of the means by which these institutional projects were legitimized. The above narrative is suggestive of an omnipotent state, or president

and his technocrats,³⁴ dictating through the direct agency of politicians as well as through the diffuse institutional forces of the political economy of the Republic. This interpretation is only partially credible in the case of the New Order regime as it was never a democracy that respected civil liberties or political rights. In Suharto's own words, his regime represented the doctrine of *pembangunan* (development) along with the attempt to "*memantapkan kestabilan politik dan ekonomi*" (consolidate political and national stability) (Suharto, 1971: 14 [author's translation]). Much of Suharto's discourse could be said to comfortably reside within the realist perspective of International Relations, and perhaps even within the neoclassical perspective of American IPE, as it is full of comments to the extent of an Indonesia that ought to be, "*bebas dari ketakutan ancaman dari luar dan bebas dari kecemasan gangguan dari dalam*" (free from fear of external threats and free from an anxiety disorder on the inside) (Suharto, 1974: 23 [author's translation]).

Suharto feared for the security and survival of his government and perhaps the Republic itself. Because of these fears, Suharto advanced a program of market-based economics and engagement with international institutions and the US. However, there is both a tendency to describe Suharto as more of a dictator than perhaps is entirely fair,³⁵ as well as a tendency within American IPE literature to rely

³⁴ Those who worked for Suharto were famously known as the "Berkley Mafia."

³⁵ As Michael Vatikiotis notes, Suharto never ruled by "dictatorial fiat", he maintained observance of the 1945 Constitution of the Republic of Indonesia, and he held elections every 5 years. The last argument made in support of Suharto's

too heavily on a state-centric approach. Repositioning Indonesia away from the revolutionary politics of Sukarno to accepting Western world order was a major transformation for Indonesia. Even the acceptance of aid from the US was initially very unpopular for many Indonesians who thought that Indonesia was betraying its identity in the international system (Weinstein, 1976: 254-60). What American IPE is missing is a consideration of how the state attained its legitimacy for its foreign economic policies.

Understanding New Order international political economy requires a consideration of the British school of IPE, and the utilization of an approach that admits social forces as relevant factors perceived by the state, and the government-civil society relations that emerge from these perceptions. As has been commented before, there is a tendency to overlook the “cultural politics” of the New Order regime, as if such a thing did not exist (Robison, 1981: 1-4). We want to inquire into the realm of cultural politics on the subject of Indonesia’s foreign economic relations and *pembangunan*. It requires us to borrow from social constructivism and to question the extent to which identity, and for the purposes of this dissertation that of religious identity, might make up a dimension of the foreign economic policy of Indonesia during the New Order. In this section we will explore the domestic politics of Islam during the New Order to see how the regime practiced a style of religious

magnanimity by Vatikiotis is probably the most contentious one due to the restrictions made on the eligibility of candidates and of parties during the New Order period (Vatikiotis, 1998: 26).

dirigisme over Islam. Following this we will consider how this cultural politics of Islam was similarly invoked to justify Indonesia's foreign economic politics.

Islam and Legitimacy: Domestic Politics

As was discussed above, the founding ideology of the New Order state was a return to *Pancasila* as the *philosophische grondslag* (philosophical basis) (Effendy, 2003: 31). It is, however, superficial to simply exclude Islam as a significant feature of the political culture of Indonesia during the Suharto era. The ideology of the New Order was absolutely not going to dismiss Islam from the politics of state-society relations, as was practiced by Sukarno's "Guided Democracy" regime (Surjomihardjo, 1992). This was even noted by Suharto, who in his first two public addresses to parliament, linked the economic decline and problems of Indonesia to a moral and spiritual decline of the previous regime, and then made promises not to allow the government to interfere with Islamic matters (Suharto, 1968: 17-8; 1969: 7-9). Some commentators have even described the New Order regime as actually one that was "bipolar" (Raillon, 1993: 200). One pole of the regime was the *priari*, a reference to the secular, nationalist forces in Indonesian politics, such as the army, Javanese aristocrats, Golkar members, and the technocrats, or as Effendy (2003: 113) describes this relationship during the New Order, the *ukhuwwah wathaniyah* (national brotherhood). The other pole of the New Order regime however, was in the *kiai*, or the "unarmed" members of civil society that consisted of Islamic scholars, and the generally Muslim populace (Raillon, 1993: 200), or what the New Order

described as the *ukhuwwah Islamiyah* (Islamic brotherhood) (Effendy, 2003: 113). Islam was then one component of the political culture of the New Order state to bolster legitimacy for its policies within Indonesian society.

The New Order state attempted to manage the *ukhuwwah Islamiyah* found primarily in Javanese and Sumatran civil society through the cultivation of a stream of Islamic thought in Indonesia that sought to de-emphasize an active and overtly political version of Islam. Instead, it was taught that the duty of good Muslims was to accept the government in power. The New Order state attempted to manage its relations with the *ukhuwwah Islamiyah* that underlined its rule through the involvement and empowerment of patterns of Islamic thought that taught a politico-theology of reconciliation with the existing political order. In this way the New Order sought to bolster its legitimacy through a religious *dirigisme*, or strong directive influence of the state.

During the New Order, there persisted a number of schools and streams of thought on Islam and what ought to be the behaviour of Muslims in Indonesian society following the coup that displaced Sukarno's Guided Democracy. Suharto called upon these religious scholars to contribute to his regime's commitment to economic development (Suharto, 1969: 46). Though Islamic organizations were often in conflict with the New Order and Suharto, Islam remained a social force that acted as a source of legitimacy for the government. The doctrine of *Pancasila* did much to guide the political culture of the state during the New Order period, but it

must also be remembered that belief in one God remained as the constitutional “first principle.” The ideology of Pancasila required secularization of political institutions, but was in fact opposed to secularism in society (Effendy, 2003: 72-3). The New Order Minister of Religion to the Republic Indonesia, Haji Alamsjah Ratu Perwiranegara,³⁶ summed up the New Order position on the relationship between *Pancasila* and religion as “*Masyarakat Pancasila yang religus, dan masyarakat religus yang Pancasila*” (religious Pancasila society, and Pancasilaist religious society) (Perwiranegara, 2002).

We must be careful here to avoid characterizations of *Pancasila* during the New Order period that swing too far to either extreme. Moch Nur Ichwan has suggested that the New Order utilized the Ministry of Religious Affairs (MORA) to act as the “middle way” between “the theory of separating religion from the state and the theory of uniting religion and state” (Ichwan, 2006: 12). Though MORA was not the most important institution in the government of the New Order, it was seen as the mechanism through which the New Order became a “religiously engaged state” (Ichwan, 2006: 12).

One school of particular significance during the first decade of New Order rule was the HMI, or “Limited Group.” The HMI were centred in Yogyakarta on Java, a Sultanate that was historically the imperial capital of Islamic Java and whose

³⁶ “Haji” is an honorific reserved for Indonesians who have made the *Hajj* (pilgrimage) to Mecca.

kraton (palace) was recognized as (at least) semi-autonomous by the Indonesian state since independence (Woodward, 1989: 199-214). The Limited Group promulgated a politically passive interpretation of Islam through a doctrine that included the following principles (Effendy, 2003: 70-1): 1) Muhammad never proclaimed an Islamic state; 2) Islam is granted as holistic, but cannot be considered an ideology; 3) Islam is universal and timeless and so it should be interpreted without dogmatic pontifications or unnecessary legalism; and 4) God is the ultimate source of truth and *tawhid* is absolute, then any temporal religious authority must be conditional on the limited faculties of man requiring *la rahbaniyyah ti al-Islam*, or, no religious priesthood. HMI's president from 1966-71, Nurcholish Madjid's famous proclamation of "Islam, yes, *Partai* Islam, no" became a New Order Slogan (Tajuk Rencana [Editorial], *Tempo*, 1986 [author's translation]).³⁷

Another Islamic organization that was intimately connected to the New Order through MORA, the *Majelis Ulama Indonesia* (MUI), was founded in 1975 at the behest of the government. The ostensible purpose of the MUI was the issuance of *fatwas* (Islamic legal rulings), as well as to review New Order policies to ensure that they did not contravene *Shari'a*. However, this was a carefully managed and controlled institution. Suharto personally warned the council members to avoid

³⁷ The slogan represented a rejection of political Islam in the political landscape of Indonesia. While Islam is accepted as a component of the political culture of Indonesia, a party that exclusively advanced the political interests of Islamic constituents would not be tolerated.

“practical” and “political” issues entirely (Hosen, 2004 152). For this reason the MUI during the Suharto period primarily concerned themselves with issues pertaining to worship and doctrine, science, health, and social problems (Hosen, 2004: 171).

During the mid to late 1980s Suharto sought out even greater support from Islamic organizations for New Order policies. The regime detected an Islamic renewal (*pembarwan*) being experienced in Java and Sumatra (along with the broader Islamic world after the Islamic Revolution in Iran in 1979) and sought to engage with this powerful social force in two ways. First, it wanted to practice its policy of religious *dirigisme* by carefully managing these groups and even forcing them to accept *Pancasila* as their *asas tunggal* (sole foundation) by 1985. Those groups who refused to subscribe to *Pancasila*, such as the *Salafi* organization *Dakwah*, were required to keep a low profile, face arrest, or be forced to flee to Malaysia (Collins, 2007: 156). Second, for those groups who could be enticed into recognizing the Republic’s constitution, the New Order wanted to free-ride off of the legitimacy of these Islamic organizations through cooption.

Indonesia’s largest Islamic organization during the New Order, *Nadhlatul Ulama* (NU), enjoyed a relatively favoured status within the Republic because of its willingness to work with the New Order regime.³⁸ Abdurrahman Wahid, chairman of

³⁸ The major sources of tension between the NU and the New Order was probably during the so-called elections when NU refused to support Golkar and protested the restrictions placed on Islamic parties such as the PPP (Jones, 1984: 11-6).

the traditionalist NU from the mid 1980s until the end of the Suharto regime, had argued that Islam was a complementary force in the political and cultural life of the New Order.³⁹ Because of *Ketuhanan yang Maha Esa* (belief in one God) as the first article of *Pancasila*, Muslims could participate in the Republic. Also, the social values and oneness of humanity articulated by Islam, allowed for the state and Islam to cohabitate with each other. Also central to Abdurrahman was *Pribumisasi Islam*, the indigenization of Islam in Indonesia. Abdurrahman sought to persuade Indonesians to think of a number of features of Islam in Indonesia in a new way. In particular he emphasized the following: 1) denying any tension between *adat* (culture) and Islam that has historically been debated in Indonesia; and 2) to caution against unfair comparisons between Indonesia and the Middle East on the nature of “pristine Islam” (Effendy, 2003: 76-8).

Another Islamic organization was founded by the New Order in 1990 called the *Ikatan Cendekiawan Muslim se-Indonesia* (ICMI), or Association of Indonesian Muslim Intellectuals. The purpose of the ICMI was “*membantu, membina, dan membimbing*” (to help, uplift, and guide) Indonesia’s Muslims, and it originally had

³⁹ Indonesia’s second largest Islamic organization, *Muhammadiyah*, had a far more tepid relationship with the New Order. As the major backer of the *Masyumi* party during the revolution where Suharto came to power, *Muhammadiyah* initially provided a strong endorsement of the New Order. However, the New Order’s eventual banning of *Masyumi* resulted in tense relations between the regime and *Muhammadiyah*. The New Order even made attempts to have NU and *Muhammadiyah* folded into each other so that NU could then dominate them (Federspiel, 1970: 76-9).

support from NU and even *Muhammadiyah*. However, Abdurrahman Wahid came to see the ICMI as a blatant political manipulation of Islam by the regime and the ICMI had a contentious relationship with many of the Muslim organizations in Indonesia as its relationship with the state lacked both the distance and the nuance that other organizations appeared to enjoy (Mujiburrahman, 1999: 339; Saeed, 1997: 280-1).

For the remaining 8-9 years of the New Order regime, Suharto attempted to embed a greater presence of Islam within his traditional politics of *Pancasila* and economic development. This expansion of Islam within the state primarily occurred at four levels of state-society relations—structural, legislative, infrastructural, and cultural (Effendy, 2003: 151-171). Firstly, there were discernable structural changes in both the state as well as society. With respect to the state, the New Order regime sought to enhance the Indonesian labour force within state bureaucracies and ministries. The expansion of this administrative labour force drew upon pools of candidates with backgrounds from Islamic institutions at both secondary and post-secondary levels that previously would have experienced greater difficulty attaining government employment. The technocrats of the later New Order period entered the civil service with a new motto, “*Quran di tangan kanan, ilmu pengetahuan duniawi di tangan kiri*” (Quran in his right hand, and worldly knowledge in his left hand) (Tajuk Rencana [Editorial], *Tempo*, 1992 [author’s translation]). With respect to structural changes within society, the years immediately preceding the Asian Financial Crisis witnessed a dramatic demographic growth of the middle class across society, but

particularly so for *santri* Muslims who had traditionally found themselves marginalized.

The second level of increased accommodation by the state toward Islam during the late New Order period was legislative. Two major legislative upheavals occurred in 1989 that represent this greater recognition of Islam—*Undang-Undang Pendidikan Nasional* (Education Law) and *Undang-Undang Peradilan Agama* (Religious Court Law). The former law controversially introduced both curriculum changes that increased the presence of Islam as a subject, as well as staffing changes, that, for instance, required the religion of teachers to represent the religion of the majority of the students (Cammack, 1997). A third and fourth law that passed in 1991, *Badan Amil Zakat* and *Infak dan Sadaqah*, institutionalized governance over the collection and distribution of religious alms and charities respectively. A further legislative example from 1991 was the reversal of the existing policy on *jilbab*, or headscarves. This law allowed for high school students to wear a head covering for the first time beyond a *kerudung* (a loose head covering). The legal decision to annul in 1993 *Sumbangan Dermawan Sosial Berhadiah*, or the national lottery, provides a further example of the late New Order regime attempting to accommodate Islam within its own legal framework by abolishing the institution of gambling that was deeply resented by Islamic leaders.

The third level at which the New Order regime attempted to pursue a policy of accommodation towards Islam was through infrastructural projects. These

infrastructure projects included supporting over one thousand *da'i* (preachers) in *transmagrasi* (the state policy of encouraging migration of the Javanese to the Outer Islands) areas outside of Java. Another infrastructural project of the late New Order period was the founding of the *Bank Muamalat Indonesia* (BMI), Indonesia's first Islamic bank, in 1991. A fourth level at which the New Order regime attempted to cautiously promote Islamic policies was at a cultural level, such as the *Istiqlal* festival in the Jakarta mosque, and promoting the use of *assalamualaikum* (peace be upon you) as a greeting.

As we have seen, Islam did act as a pole of the politics of the New Order. It was a deliberate and state-controlled relationship where the regime actively attempted to manage the expression of Islam in Indonesia to gain legitimacy from society. In the next section we will continue with this approach of British IPE to understand whether Islam might also be invoked to justify Indonesia's international economic relations during the New Order. This might at first present itself as a more challenging task. Both the discipline of International Relations, and of American IPE, often assumes the state as a "black-box" model that is cut-off from society. This model interprets the state as a unitary and rational utility maximizer that makes decisions to best reflect the national interest of the state. We will see that this caricature is not entirely correct. Much as there exists a relationship between the New Order and Islam in the realm of domestic politics, so too is there a presence of Islam in the regime's international economic politics.

The International Economic Relations of Development and Islam

The tendency of the literature on the New Order is to focus on domestic and foreign levels of analysis and conclude, as Suryadinata does (1995: 291-2), that the New Order government was “non-Islamic.” Domestically, the tension between Islamic groups in civil society and the New Order state has been reviewed by some to prove that the New Order oppressed Islam, or acted to limit its visibility in society or the state (Utrecht, 1978: 411-6). Granted, Islam is not easily apparent as embedded institutionally in the New Order government. Because the New Order regime did not construct its foreign policy on the basis of “Islamic solidarity” it has been implied that therefore, Islam did not really inform the foreign policy of the government. An example of this is in the above case of Indonesia’s relations with the OIC, where Indonesia was uncomfortable with the institution’s focus on Islamic solidarity and wanted the institution to facilitate economic ties (Suryadinata, 1995: 294-6). This approach to interpreting the relationship between Islam and the government, or Indonesia in general, understates the role of Islam in the New Order. In this section we will consider how New Order politics was constituted through a combination of “*kelompok Spirituil dan kelompok Materii*” (spiritual groupings and material groupings) in the political culture of the New Order regime (Suharto, 1970: 18 [author’s translation]).

The first method in which the New Order managed the Islamic pole of its rule was achieved by “*Islam ditempatkan dalam dimensi etis dan moral*” (situating Islam

in the moral and ethical dimensions) of the state (Saidi, 1989 [author's translation]). The New Order regime wanted to include Islam in the discourse of the state primarily as a way of responding to their critics that the technocratic regime was a failure with respect to *keadilan sosial* (social justice) (Widjaja, 1982: 216 [author's translation]). This required Islam to be included in the political culture of the New Order state, but not institutionally within the government. Neither was Islam intended to be a force in civil society completely removed from the domain of Suharto's semi-authoritarian regime. It represented a middle way between using Islam as part of the social legitimacy of the state, but not allowing Islam to be used as a discourse against the state, or, to deeply embed Islam within the institutions of the New Order regime, such as a political role for *ulama*, or the meaningful inclusion of *Shari'a*. The international relations of Indonesia were also meant to internalize morality, and not act like it was only epiphenomenal to the national interest (Tajuk Rencana [Editorial], *Tempo*, 1976). In one speech, Suharto even argued that a potential obstacle to development is a "*moral, etik dan spiritual*" (moral, ethical, and spiritual) void in society, which of course to Suharto, is a problem that Indonesians are not burdened with (Suharto, 1988: 13 [author's translation]).

I suggest that this strategy was adopted as a way for the regime to connect with the political culture of Indonesian society. Suharto, despite being a very dry speaker, known for his droning monotone voice, did want to motivate Indonesians to support the country's foreign economic relations and engagement with

international trade and finance. In one address to parliament he proudly described elements of Indonesia starting to get “*gandrung*” (crazy) about development and participating with the international political economy (Suharto, 1971: 8 [author’s translation]). This sentiment, often described by Suharto as “*djiwa Bangsa*” (Spirit of the Nation), was an attempt on his part to rouse the nation toward economic development, and it had a distinctly Islamic discourse (Suharto, 1970: 8; 1971: 9 [author’s translation]).

Suharto argued that Indonesians could find this *djiwa Bangsa* from multiple locations. As a leader of a state amongst the LDCs that underwent a violent war for independence, Suharto did occasionally draw upon anti-colonial rhetoric. By calling Indonesia “*sebagai bangsa pejuang*” (a nation of fighters) and proclaiming “*penghapusan penjajahan*” (the elimination of colonialism), Suharto would at times invoke the themes of Sukarno (Suharto, 1988: 14 [author’s translation]). But it is a far more nuanced rhetoric compared to that of his predecessor. If he were to speak too boldly along these lines and to echo his predecessor too strongly, Suharto would have done much to delegitimize his agenda of cooperation with the former colonialists in the West.

Suharto more commonly, and more comfortably, played upon vague nationalistic sentiment, glorifying the values of Indonesian society and speaking of an Indonesian role in transforming “*tata ekonomi dunia*” (world economic order) to reflect “*keadilan ekonomi dunia, dan juga kemantapan ekonomi dunia*” (world

economic justice, and also world economic stability) (Suharto, 1980: 38 [author's translation]). One of these major social forces that Suharto tried to draw upon was "*api agama*," or the "fire of religion" that exists in Indonesia (Suharto, 1974: 22 [author's translation]). In this same speech to the parliament Suharto, calls upon Indonesians to embrace religion (Suharto, 1974: 23). Suharto also invokes Islam directly as "*api Islam*" (energizing spirit of Islam) and embeds Islam into his overall doctrine of *pembangunan*. Islam then, is to become "developmental Islam" during the New Order, invoking Islam as in congruence with "*tata ekonomi dunia*" (Ichwan, 2006: 3, 10). Elsewhere, Suharto says that "*keagamaan serta kepercayaan terhadap Tuhan Yang Maha Esa*" (religion, and a belief in God Almighty) is a precondition for Indonesia's economic development (Suharto, 1988: 13 [author's translation]). Following a discussion on foreign policy and the Indonesian business community, Suharto speaks of community "*keadilan*" (justice) and Indonesians acting as "*luhur*" (noble), and says that this is deeply embedded in the nation's "*watak keagama*" (religious character) and it's "*budi pekerti*" (teachings of morality) (Suharto, 1974: 24 [author's translation]). It is in part through Indonesia's religious values that this transformation of world economic order might result in an "*ekonomi dunia baru*" (new world economy), at least according to Suharto (Suharto, 1980: 39 [author's translation]).

Ultimately the New Order could not withstand the economic collapse that the 1997-8 Asian Financial Crisis precipitated. The "father of development" could no

longer justify his hold on power based on *pengembangan* (development). As the World Bank famously reported at the time (World Bank, 1998):

Indonesia is in deep crisis. A country that achieved decades of rapid growth, stability, and poverty reduction, is now near economic collapse...No country in recent history, let alone the size of Indonesia, has ever suffered such a dramatic reversal of fortune.

A new mantra of *Korupsi, Kolusi, dan Nepotisme* (corruption, collusion, and nepotism) became circulated throughout the political culture of Indonesia and directed primarily at Suharto and his family (Hill, 1999: 48-52). After over three decades in power, with rioting in Jakarta, Suharto resigned on May 21st, 1998.

Discussion

It is not that we seek to entirely privilege the British IPE perspective of understanding at the expense of the American IPE perspective of explaining. But through a consideration of the approach of understanding from British IPE we can better discern how the Republic of Indonesia during the Suharto era pursued power and wealth in the international political economy. We are able to better understand this by looking at how the New Order maintained control over the national government for so long. We have argued that Islam acted as a social force that was invoked by the New Order to legitimize foreign economic relations and to insert Indonesia into the liberal economic order. However, it is worth reviewing the counter-arguments that can be made to this claim to better recognize the complexity of identity and cultural politics. As part of a pluralist approach to IPE we want to

recognize the other circulations of politics that are also present. We will first consider two different criticisms that can be made from a position of realism, and to an extent, the neoclassical approach of American IPE, and then second, to reflect on a criticism from a more revolutionary perspective. The first argument, made from the perspective of realism, suggests that Islam did not have a role in the politics of the New Order. The second realist perspective, inspired more from the critical thinking of British IPE that considers the violences caused by the state, we will discuss is the appropriation of Islam by the state to pursue aggressive and violent policies. Rather than use Islam as a force for cooperation, we can also see Islam as a social force used to justify military violence. Finally we will consider whether the dominant expression of Islam in the New Order was really at the sub-state level, and reflected a more revolutionary style of politics that rejected Indonesia's participation in the international political economy.

As we have noted in the introductory chapter of the dissertation, both International Relations and especially American IPE have traditionally excluded religion from the discussion on how a state behaves. One argument that can be made within the context of this chapter pertains to the beliefs of Suharto himself. In his autobiography he rarely speaks of Islam. The only occasion where Islam appears at all is a reflection on Sufi thought of unity and empathy (Suharto, 1989: 320-2). Leo Suryadinata (1995; 1996) has well articulated the position that Suharto was not influenced by Islam in his foreign policy. Suharto did not feel bound to an Islamic

solidarity through the *ummah* (Muslim community) in his relations with other Islamic states or Muslims, such as with Palestinians or Bosniaks. For instance, Suryadinata describes the first, and only, state visit of Yasser Arafat to Suharto's Indonesia in the early 1990s. He argues that for the New Order regime the visit was not occurring out of solidarity with the Palestinians, but to act as a political spectacle to allow Suharto to contend for the leadership of NAM (Suryadinata, 1995: 297-8). Another example from the same time period is during the Gulf War. Suharto did not support the coalition to oust Saddam Hussein from Kuwait, but only because he feared international intervention being mobilized against Indonesia in East Timor (Suryadinata, 1995: 298). Another major component of Suryadinata's position was the role of ISIS (Centre for Strategic and International Studies), a New Order think-tank dominated by Indonesian Christians that pressured the government to be more involved in global politics (Suryadinata, 1996: 8-9). A further point comes from a vernacular study of "development" during the New Order that concluded that the authoritarian state of Suharto only pretended to care about what people thought about their policies but really did not (Dove and Kammen, 2001: 631-2).

The second criticism that can be made from the perspective of realism, but is also worth thinking about in the context of the more critical sentiment of British IPE, pertains to the invocation of Islam in the New Order to legitimize the violent actions of the ABRI (*Angkatan Bersenjata Republik Indonesia*—Indonesian Armed Forces) at the end of Suharto's reign. The so-called "greening," or Islamicization of the ABRI

began in 1995 when Suharto's nationalist brother-in-law General Wismoyo was "retired" and replaced by the General Hartono, a well-known proponent of political Islam. Under Wismoyo, and ABRI Commander Feisal Tanjung, there emerged a split between the nationalist ABRI, *Merah Putih* (Red and White), and Wismoyo and Tanjung's alignment within the ABRI, *Hijau* (Green). Ultimately the "Green" ABRI was to dominate the military campaigns in Aceh and East Timor during the mid to late 1990s. Aceh's insurgent militia, GAM (*Gĕrakan Aceh Mĕrdeka*—Independent Aceh Movement), was not to receive support from the local *ulama* under the targeted campaign of incentives offered to the *ulama* by the ABRI. The military campaign against the separatist movement in East Timor became an unabashedly sectarian conflict in the eyes of the ABRI as primarily Catholic Timorese became targeted by the military under a context of *jihad* (Ricklefs, 2008: 363-5, 374-6).

A further criticism of the overall argument of this chapter can be made from the viewpoint of Islam as part of the revolutionary politics of the New Order period. This approach says that the dominant expression of Islam in Indonesia was actually one of hostile opposition to the New Order. This is a point made by Adrian Vickers (2005) in his chapter "Terror and Development in Happy Land." Vickers suggests that after the revolution crushed the PKI and the Muslim *Masjumi* party was banned, Islam became the dominant mode of protest against the state through a number of loosely affiliated groups, such as "*Jihad* Command," "The Islamic Revolutionary Council," "The Islamic Congregation," and even the "House of Islam" movement (DI)

that fought for independence against the Dutch (Vickers, 2005: 177-9). As we explored in the second chapter of this dissertation, revolutionary Islamic groups such as DI opposed the Republic due to Jakarta's exclusion of them from the political process.

I do not mean to entirely repudiate any of these perspectives. As we have noted, the pluralist IPE that we employ in this dissertation does not mean to completely deny the realist position that states might adopt, or the importance of revolutionary politics of non-state actors. While American IPE, by assuming an approach of explanation, is more committed to parsimony, an understanding approach must accept the multiplicity of identity and the competition of interests in the political realm. My response to the above critiques is that it is problematic to suggest that Suharto was not a Muslim. Suharto was in many ways a product of his surrounding Central Javanese culture of *abangan* Islam. There is a history of observers, most famously Clifford Geertz, who question the authenticity of *abangan* Islam, choosing instead to refer to them as “nominal” or “*stastikal*” Muslims who practice a “syncretic” style of Islam. To deny *abangan* Islam as a “true” expression of Islam is recognized by many as woefully unfair (Federspiel, 1984: 56-7; Eliraz, 2004: 20-4, 71-5). Suharto did eventually undertake the pilgrimage to Mecca, and was afterward often referred to by the honourific “Haji” Muhammad Suharto. It is likely the case that Suharto was performing for Muslims in Indonesia, but the performance in itself indicates something about the political culture of Indonesia during the Cold

War and how the New Order interpreted its own legitimacy. I think the more important critique comes from the perspective of the revolutionary politics of Islam during the New Order toward the end of Suharto's regime. As we will see in the next chapter, Islam was to feature as a significant dimension of the protests that eventually forced Suharto to resign, but was then brought even closer to the political culture of the Republic.

This chapter demonstrates that Islam was coopted by the New Order to help build consensus from society to support the regime's developmental strategy. Suharto enacted a reversal of the revolutionary politics of the Sukarno government that appealed to the Islamic constituents of Indonesian society who had been calling for economic engagement with the West since the colonial period. Though Suharto invoked Islam in the discourse of development, he did not grant much autonomy to Islamic organizations, instead practicing a religious *dirigisme* of control that was to finally come to an end three decades after the coup and counter-coup that brought Suharto to power.

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Chapter 4

Identity Politics of Islam During *Reformasi* (Reform) and *Demokrasi* (Democracy): Indonesia and the International Political Economy

Introduction

This chapter continues to apply the perspective of “understanding” social forces that is the subject of the British of International Political Economy (IPE) for the case of Indonesia. The time period that this chapter will consider is the contemporary era known as “*Reformasi*” (reform) and “*Demokrasi*” (democracy) that follows the New Order. The preceding chapters have primarily focused on the British IPE perspective of understanding the social forces lurking behind Indonesia’s engagement with the international political economy during the Sukarno and the Suharto eras. The social force that we have studied is the role that Islam has played during these two periods in relation to Indonesia’s participation in the international political economy. Sukarno neglected Islamic social forces and provided a revolutionary alignment of “NEFOES” (new international forces) against international institutions such as the UN and the IMF. Sukarno’s revolutionary politics resulted in the alignment of Muslim groups against his regime of “Guided Democracy” and in favour of seeking engagement with the structures of the international political economy that Sukarno had severed. Suharto practiced a top-down religious *dirigisme* that sought to co-opt Islam to legitimize his doctrine of development through liberalizing trade and finance. The question that remains is:

what has been the role of Islam in negotiating Indonesia's engagement with the international political economy since the Asian Financial Crisis ended decades of authoritarian rule and triggered a democratic reform of Indonesia's political system?

Compared to earlier periods, the question of Islam and the Republic of Indonesia, and the broader theme of this dissertation's inquiry into the relation between religion and the constitution of the international political economy during this period, is perhaps most profound since *reformasi*. Sukarno and Suharto show that even authoritarian regimes gain legitimacy by engaging with social forces, such as the case of Suharto, or alienate society by failing to engage, as in the case of Sukarno. But a democracy, by virtue of its regular elections as a mechanism of public accountability, presumably creates conditions where the potential exists for a greater presence of social forces to influence the politics of the country, perhaps particularly in the case of the social force of religious identity (Nasr, 1995: 26-3; Foley and Edwards, 1996: 44-6).⁴⁰

Another trend that makes the democratic era in Indonesia so important for this study on Islam and international politics is the increasing "Islamicization" of Indonesian society. The stakes of the twin processes of democratization of the state and Islamicization of society are profound, if perhaps misunderstood. There are two

⁴⁰ I would like to make clear that there is the *potential* for this to happen, rather than state that this is the case. Robert A. Dahl's (1961) famous discussion on *homo civicus* and *homo politicus* and the apathy of a society toward the politics of the country is an important qualifier to this discussion.

caricatures that are often assumed with respect to the growth of Islam in society: 1) the government will undergo a regime change, becoming an “Islamic state” that is hostile to the West; or 2) sub-national and transnational Islamic organizations could threaten global security through terrorist activity or violent insurgencies (Sirozi, 2006: 390-5). The former perspective comes from a fear of Islam influencing the formulation of the foreign policy of a state to make it practice a more “offensive” style of realism that is confrontational, violent, and hostile to the West. It assumes that the state will participate in what Huntington (1993; 1996) famously described in his “Clash of Civilizations” as the conflict between Islam and the West. The latter perspective fears the revolutionary doctrine of Islamist groups that subscribe to *salafi* notions of the injustices suffered by the *ummah* and the desire to transform global politics into an Islamic system ruled by *Shari’a* law.

In this chapter we will first explore this literature on the Islamicization of Indonesia, briefly review the Indonesian foreign policy doctrine of *bebas aktif* (free and independent) and then consider the four administrations that governed Indonesia after the fall of Suharto. We will inquire into how Islamicization and democratic politics has impacted Indonesia’s foreign policy on issues of the international political economy. As we have stated earlier, we are choosing the international political economy as our focus for two reasons: 1) the economy has been the main foreign policy issue for Indonesia since independence in 1949; and 2) it represents what might be a “hard case” for a study on religion as there is not an

intuitive connection between religion and foreign economic policy that one might assume. The thesis for this chapter is that the Republic of Indonesia since *reformasi* and *demokrasi* has presented a discourse that justifies the country's participation in international economic institutions in part, through an appeal to Islamic values of cooperation, and it is an attempt to placate the social discontent present in Indonesian society regarding the issue of *Korupsi, Kolusion, and Nepotisme* (corruption, collusion, and nepotism—KKN), as well as regarding the inequities, instabilities, and inequality created in the context of the international political economy. The Republic attempts to negotiate this by promising an “Islamicization” of the economic structures of Indonesia's foreign relations.

The Islamicization of Indonesian Society

There are two levels at which an Islamicization of society is generally said to occur. Firstly, it is commonly posited that there has been a global expansion of religiosity among Muslims since the 1970s, but also a greater sympathy among Muslims to Islamic expressions of politics (Lapidus, 2002: 822-35; Esposito, 1999: 74-6). This literature has suggested that it had been the failures of the secular-nationalist governments that emerged across the Muslim world following decolonization that prompted an “Islamic revivalism” to occur. These failures included not achieving consensus-based rule, the military failures against Israel and the West, and the economic failures to achieve equitable growth. However, the examples such as the 1979 Iranian Revolution, the 1980s *jihad* against the Soviet

Union in Afghanistan, and the perceived victories against the Israeli Defense Forces (IDF) in Southern Lebanon by Hezbollah, supposedly offered an auspicious promise of “political Islam,” or “Islamism.” Islamists have offered their model of governance as an alternative to both the incompetent autocrats whose legitimacy was held in doubt, as well as to the economic structures of a modern and globalizing world. Furthermore, political Islam suggested itself as an effective and committed bulwark to prevent aggressive actions against the *ummah* (Muslim community) by the West, or the United States, “Christians,” Russians, Israelis or other non-Muslim groups that were seen as militarily seeking to dominate Muslims. This narrative argues that these successes of political Islam and this nostalgia for a romanticized past, lost in a modern world have helped to create a revival of Islam and the identity of Islam as a more salient social and political force within the global Muslim community.

Southeast Asia is a region where the relationships between politics and Islam have been historically overlooked. The media, public officials, and to a much lesser degree, scholars of Political Science, Islamic Studies, or Southeast Asian Studies have previously not given as much attention to the role of Islam in society in Southeast Asia, as compared to the attention given to the Middle East (Hefner, 2000: xix).⁴¹ However, Islam in the region of Southeast East Asia has started to generate more interest since the mid 1990s. By this time, observers could not help but perceive

⁴¹ Some have even commented within Southeast Asian Studies that the reticence on Islam in the region was out of a political opportunism to reify Southeast Asia as perhaps more secular than it was (Hefner and Horvatic, 1997: 8-11).

that, much like the Middle East and South Asia, Southeast Asia too was undergoing an Islamicization of society. It was a growth of what was identified in Bahasa Malaysian as *kebangkitan Islam*, or “Islamic consciousness” (Hefner and Horvatic, 1997; van Dijk and de Groot, 1995).

The literature on Indonesia has also identified an Islamicization of society taking place along with these global and regional trends. Indonesian Islamicization relates to the general trends as noted above, but is not simply explained by these trends. It is important to note that this process of Islamicization in Indonesia was in many ways a state project directed and controlled by the religious *dirigisme* practiced under Suharto’s *Orde Baru* (New Order). Mosques were constructed and religious services and education were all encouraged, as long as the Islamic institutions, groups, and parties recognized the state ideology of *Pancasila* (5 principles of the Constitution) as their *asas tunggal* (sole foundation) (Hefner, 2000: 16-8). Before the Suharto regime’s disintegration, the regime created the *Ikatan Cendekiawan Muslim se-Indonesia* (ICMI), or Association of Indonesian Muslim Intellectuals in 1990. This organization represented 42,000 members across Indonesia and abroad, and included representation from Indonesia’s two largest Islamic groups, *Muhammadiyah* and *Nahdlatul Ulama* (NU). The mission of the ICMI was “*membantu, membina, dan membimbing*” (help, uplift, and guide) Indonesia’s Muslims (Husaini, 1995: 58 [author’s translation]). The seminal study on the ICMI by R. William Liddle explains that the creation of the ICMI was out of Suharto’s

recognition of the increasing importance of Islam in the lives in Indonesia's Muslims and an attempt by a discredited regime in its twilight to gain legitimacy (Liddle, 1996: 631). But to understand what the implications of a trend of Islamicization means for the political culture of Indonesia one must consider the context of the varieties of Islamic beliefs commonly identified in the country.

Islam is the faith of over 1 billion people in the world and so it is no surprise that it is a realm of diversity of opinion amongst its adherents on issues of theology, politics, sociology, and economics. It is also no surprise that Indonesia, with more Muslims than any other country in the world and with a national motto of *Bhinneka Tunggal Ika* (Unity in Diversity), has many groups with differing interpretations on Islam and the conduct and roles of Muslims in society. The most famous distinction made in terms of Islam in Indonesia is that of the *aliran* (streams) of Islam—*abangan*, *santri*, and *priyayi*—identified by Clifford Geertz, in his classic book *The Religion of Java*. *Abangan* Muslims, also known as *statistikal* Muslims, or “Culturalists,” are what Geertz described as “syncretic,” as they are not opposed to the presence of *Sufi* Islam in their cosmology nor do they understand the presence of *adat* (culture) as problematic for their faith (Geertz, 1960: 121-130). The *santri* are described by Geertz as “purists” due to their education at Saudi financed *Madrassas* and their unease with the presence of *adat*, or culture, in the religious practices of

Islam and its acceptance in society more broadly (Geertz, 1960: 121-130).⁴² The *priyayi* are aristocratic Muslims that blend caste elements from Hinduism (Geertz, 1960: 227-60). There is a certain robustness to Geertz's trichotomy, as it maintains a place in the discourse of Islam in Indonesia to this day, but there are also inadequacies. Geertz's comments on *abangan* Muslim as "syncretic" and practicing a "folk Islam" vastly underestimated how important Islam truly is in the lives of many of its adherents, and how involved they are in Islamic organizations. It also drastically underestimates their contributions to Islamic social and political thought, to say nothing of the inflammatory insinuation that they might be a second class of Muslim in terms of commitment (Barton, 1997: 324). Also, within Islamic organizations there is a growing inclusion of *abangan* Muslims in traditionally *santri* organizations and the inclusion of *priyayi* in predominantly *abangan* organizations (Rickleffs, 2006: 35-6).

The four orientations that are now typically identified in the literature on Islam in contemporary Indonesia consist of the following: 1) Culturalists, 2) Traditionalists, 3) Modernists, and 4) Islamists.⁴³ The first group of Muslims in

⁴² And by 'culture' *santri* Muslims also include other religious practices or cosmology, such as Hinduism and animistic Javanese.

⁴³ Others, such as Barton (1997) and Woodward (2001), posit a fifth major grouping of "neo-modernists" who reflect on the relationship between Islam and contemporary Indonesian life, such as democracy and economics. In my experiences in Java I have found debates on Islam and contemporary issues to permeate all of the four other groupings and not really necessitating an additional category.

Indonesia are most closely associated with the *abangan* and *priyayi* Muslims of Geertz's trichotomy. This first group seeks to integrate Islam within a broader social context (*adat*) and is the dominant expression of Islam in the densely populated regions of eastern and central Java (Woodward 2001: 30). The second orientation represents that of traditional Sunni Islam, loosely identified with Geertz's *santri* group. Indonesia's largest Islamic organization, *Nahdlatul Ulama* (Religious Scholars Awakening—NU), remains the most significant example of this stream. Along with its emphasis on classical Islamic legal study, NU was founded in 1921 to promote Islamic schools (*pesantren*) and distribute educational texts, encourage solidarity among the Islamic scholars, construct mosques, and assist the poor (Woodward, 2001: 32).

The third orientation of Islamic thought in Indonesia is representative of the Modernists. This group is represented best by *Muhammadiyah* (Followers of Muhammad), Indonesia's oldest Muslim organization. The *Muhammadiyah* have existed in Indonesia since 1912 and have sought to help Muslims adapt to the modern world without leaving Islam. They promulgated a politically progressive discourse that interprets Islam in harmony with human rights, and democracy, as well as having turned to Sufi thought as legitimate Islamic texts. The final orientation of Islamic thought in Indonesia is that typical of Islamist groups such as *Laskar Jihad* (Warriors of Jihad) and *Jemaah Islamiyya* (Islamic Congregation—JI). These groups

represent a type of *Salafi* thought that have undertaken violent insurgencies and/or terrorist operations in Indonesia at times during the post-Suharto era.

Since the 1979 Iranian Revolution there has been a fear that democracy in the global Muslim community could result in “*Khomeinism*.” This was a fear in the West, that also existed in places of the Islamic world, that people would elect an Ayatollah Khomeini type of leader who was surrounded by religious scholars (either Mullahs or Imams) that would deny civil liberties, suspend future elections and political rights, and be an implacably hostile opponent to the West and international society (Zakaria, 2004: 119-60). The West has followed, in the words of influential historian Bernard Lewis, a policy of “devil you know rather than the devil you don’t” by merely “paying lip service” to democracy across the Islamic world but not pursuing democratization as a foreign policy principle (Lewis, 2003: 103-12).⁴⁴

There is a similar fear that Indonesian democratization could result in one of two situations: 1) the Republic of Indonesia responds to a society that is becoming more Islamic by catering to populist Islamist sentiment and behaving according to principles of offensive realism, seeking to defy the West and threaten international society; or 2) the Republic of Indonesia allows greater autonomy for revolutionary Islamist groups who threaten international security in the name of *jihad*, making

⁴⁴ The events of the “Arab Spring” that began in March of 2011 might represent a major shift in the foreign policy of Western governments to the Middle East on the issue of democratization. The extent of American support for democratization in the Islamic world is still to be debated.

Indonesia into a haven for terrorism. In the next section we will consider the foreign policy doctrine of *bebas aktif* and Indonesian foreign policy in the historical context.

The Foreign Policy of *Bebas Aktif*

Indonesian foreign policy during the periods of authoritarian rule is not traditionally interpreted as influenced by Islamic politics. This dissertation has attempted to problematize those assumptions by showing that Sukarno's alienation of Islamic proponents of moderation greatly contributed to his undoing, and that Suharto gradually did attempt to coalesce support for *Orde Baru* economic policies through Islamic legitimacy. The foreign policy of the Republic has primarily been described as influenced by the framework of *bebas aktif*, meaning "free, (or independent), and active." As we have noted in previous chapters, the doctrine was first publicly elucidated in 1948 by then Prime Minister of the revolutionary government Mohammad Hatta in a speech entitled "*Mendayung Antara Dua Karang*" (Rowing Between Two Corals).⁴⁵ The speech was intended to declare the following:

- 1) Indonesia was committed to both *perjuangan* (struggle) as well as *diplomasi*, and
- 2) Indonesia would not take sides in the emerging conflict between the Soviet Union and the United States. The new Republic, it was affirmed, would instead make foreign policy decisions based on what the interests of Indonesia might be. The first

⁴⁵ It is sometimes translated as rocks or reefs. I am using coral as the translation because that is how the *Kementerian Luar Negeri* (Ministry of Foreign Affairs) usually translates the expression.

point of *bebas aktif* was to send a strong message to the Dutch that they were willing to continue armed resistance against their occupation. At the same time, it was also to promise the United Nations that a liberated and recognized Indonesia would participate in international society with normal diplomatic relations. The second message of *bebas aktif* was to curb the ambitions of elites who represented pro-American or pro-Soviet forces from interpreting the emerging Republic as a site of *fraksi-fraksi* (factions). *Bebas aktif* was also to assuage the fears of those elites who believed themselves to be threatened by their rivals if they did not fill any power vacuum after the Dutch left (Leifer, 1983).

The fidelity of the Republic of Indonesia to *bebas aktif* during the Sukarno and Suharto years has been a matter of debate (Sukma, 1995; Hadiwinata, 2009). Sukarno pulled Indonesia away from the West and toward an anti-colonial orientation, making Indonesia the largest recipient of Soviet aid outside of the communist bloc, and declaring a Jakarta-Hanoi-Peking-Pyongyang Axis (Kahin and Kahin, 1995). Declaring that the US, the Netherlands, the UN, and the IMF had made Indonesia a “nation of coolies and a coolie among nations,” Sukarno came to align himself and his government with communism abroad, as well as the Indonesian Communist Party (PKI) at home (Feith and Castles, 1970). At the other extreme, Suharto was also accused of deviating Indonesia from *bebas aktif* by pulling Indonesia toward the Western bloc, liberalizing the economy, becoming a major

recipient of US aid, and opposing international communism. While domestically, Suharto crushed the PKI during the mid-1960s.

It is misleading to discredit *bebas aktif* as an entirely rhetorical discourse from Hatta to gain international recognition and to prevent civil war on the archipelago. One might initially characterize the Sukarno years as a departure from a “free and independent” foreign policy in favour of a radical, or revolutionary foreign policy intended to upset the status quo of the international system. However, this analysis does gloss over the context of Indonesia during the 1950s and 1960s. The underlying context of Sukarno needs to consider the period of Dutch colonial rule, followed by the Japanese occupation, the war of independence fought against the Dutch, the lack of international recognition during the war of independence, and the struggle to achieve economic sovereignty following independence in 1949. The proximate cause of Sukarno’s radicalism was the international controversy over Indonesia’s annexation of West Irian (West Papua). The United Nations position of staunch opposition of the annexation incensed the Sukarno government, interpreting it as an act of supporting the colonial state in Papua (Irian) and not recognizing Indonesian territory.

If it is true that Sukarno was indeed practicing a revolutionary foreign policy then, it was due to the supposed injustices in the global system that he was trying to overturn. It is also important to consider that the revolutionary politics he did expound actually help to explain his fall from power. Sukarno’s bombastic discourse

sat uneasily with powerful social forces within the country, such as the army, but especially with Indonesia's Muslim groups. Islamic organizations such as *Masjumi* opposed communism, and at the time, sought integration with international economic institutions and reconciliation with the West. There is also a context for Suharto's foreign policy, particularly the fear that Suharto had of a crumbling economy and the effects of poverty on the disintegration of his regime and a descent back into the anarchy of 1965-6.

As I have argued elsewhere in the dissertation, the overall context of *bebas aktif* after independence had two mutually constituted features: 1) the stability of Indonesian politics and the management of social tensions (*stabilisasi politik*); and 2) developing the economy (*pembangunan ekonomi*). It is the nature of the relationship between these two features that has been debated in Indonesian politics. Earlier, Sukarno took domestic stability very seriously by helping draft *Pancasila*, but then later, during his period of "Guided Democracy," obsessed over Indonesia's failure to develop its economy, blaming colonialism and the international system. Suharto interpreted a stable economic system and a developmental economy as more reinforcing of one another, careful to avoid the strident orations of his predecessor. However, his regime's failure to adequately respond to the 1997 Asian Financial Crisis, combined with the fostering of *Korupsi, Kolusi dan Nepotisme* (Corruption, Collusion, and Nepotism—KKN), proved to be the proximate and underlying causes of the end of the *Orde Baru*.

To the observer from the perspective of either American IPE, or even IR theory, *bebas aktif* might sound much like realism. The explicit focus of national stability and economic development actually includes affirmations of being “realistic,” “calculated,” and “interest driven” (He, 2008: 47-50). This dissertation has not tried to necessarily argue against realism combined with economic interest as explaining Indonesia’s behaviour in the international system. However, it has tried to utilize British IPE to better locate Indonesian foreign policy in the space between material forces influencing behaviour and the ideational forces that likewise influence the state, but are lost in the explanation paradigms of American IPE. What we have been most interested in is the understanding perspective’s sensitivity to constructivist insights on the importance of social forces in the behaviour of states, particularly of the social forces that help condition the state’s relations with international society (Buzan, 2001; Reus-Smit, 2002).

National stability and economic development are still the major issues for Indonesian foreign policy after Suharto and into the period of *Demokrasi* and *Reformasi*. Indonesia is still listed as a Less Developed Country (LDC) according to the UN in terms of per capita GDP, and still consists of an incredibly diverse population across an expansive archipelago. As we have noted, two factors have changed. One is that of the process of greater Islamicization of Indonesian society, and the other is the advent of the democratic state after the Asian Financial Crisis. In the following section we will review Indonesian foreign policy under the four

administrations that have presided over the country since the fall of Suharto and consider the role of Islam in the foreign economic policy of the Republic.

Islam, Foreign Economic Policy and *Demokrasi*

The Chaotic Years: Creating an Order in the Midst of Instability, 1998-2004

In the first section we will consider the volatile period of Indonesian politics immediately following the resignation of Suharto through to Indonesia's first authentic vote to directly elect a president in 2004. During this volatile period Indonesia had three presidents—B. J. Habibie, Abdurrahman Wahid, and Megawati Sukarnoputri—in less than six years. Because of this volatility in the political process there was a discernable reticence in terms of developing a new foreign policy as the state attempted to reform an authoritarian regime into a democratic one. The Republic was also desperate to stabilize the economic situation following the Asian Financial Crisis, and to manage social violence and secessionist provinces. A context of *Korupsi, Kolusi dan Nepotisme* (corruption, collusion, and nepotism—KKN) at the domestic level, a mistrust and discontent with international economic structures, such as the World Bank and International Monetary Fund, and an increasing role for Islam in the politics of the Indonesian state came to all co-evolve from this period and proceed to inform Indonesian foreign policy during the second phase.

By the Spring of 1998, the social discontent caused by the Asian Financial Crisis had created the right mix of mass demonstrations from civil society and the loss of support from the military for the regime that made the Suharto presidency no longer tenable (Hafidz, 2006: 43). The demonstrations by Islamic organizations were particularly salient, with Abdurrahman Wahid (President of NU), Amien Rais (President of *Muhammadiyah*), and Hasan Bassi (Head of Indonesian Council of Ulama's) all calling for Suharto's resignation (Smith, 2000: 31). On May 21st, the day after Suharto's resignation, Suharto's Vice-President, Bacharuddin Jusuf Habibie was sworn in as president. Habibie's short tenure as president (May 1998-Oct 1999) represented more of a continuity with the Suharto period rather than much in the way of meaningful change. However, Habibie did respond to the Islamic substance of the protests against Suharto and initiate a process of Islamicizing *Golkar* (the party of the Suharto government) through the Islamic Students Association (HMI).⁴⁶ The new *Golkar* leadership under Habibie eventually came to include Akbar Tandjung, the former national chair of HMI, Fahmi Idris, HMI's Jakarta chair, and HMI's Feisal Tanjung (Suryadinata, 2007: 340). *Golkar* did not renounce *Pancasila* as its "sole foundation," nor did it incorporate Islamic iconography into its propaganda. Voters in Indonesia under Habibie began to see it as an Islamic party though, while the older *Golkar* party members began to label Habibie and Akbar as the "Green Group"

⁴⁶ *Golkar* had traditionally been a party supported by three pillars—the military, the bureaucracy, and the transnational capitalist class, and not Islamic organizations.

of the party (Means, 2009: 292; Suryadinata, 2007:339; Ananta, Arifin, and Suryadinata, 2004: 371).

Any foreign policy that the Habibie's Administration might have attempted was limited by four major factors (Smith, 2000: 36). The first limiting factor was the economic crisis of the country in the wake of the Asian Financial Crisis and the ensuing political crisis as Suharto was stepping down from the presidency after three decades in power. The second limiting factor pertains to the gross human rights violations being perpetrated under Habibie's watch against the Chinese in Java, as well as the social violence that was intensifying in the outer islands. The third factor was the fear, present in Indonesian politics since independence, of *disintegrasi* (disintegration). Finally, the taint of Suharto era *Korupsi, Kolusi, and Nepotisme* (KKN) could never be extinguished from the Habibie government, both due to the overall continuity between the two governments, and the failure of the Habibie government to pursue legal investigations of the *Orde Baru* (King, 2006: 6-7). Despite not being able to project much by way of a foreign policy, it was however, global politics and Indonesia's foreign policy requirements, that proved to be the end for the Habibie administration and dashed his hopes of winning the 1999 election.

The first international event that hastened the end of the Habibie government was the violent suppression of the East Timorese. There was a mix of domestic and international outrage at the *Tentara Nasional Indonesia* (Indonesian Armed Forces—

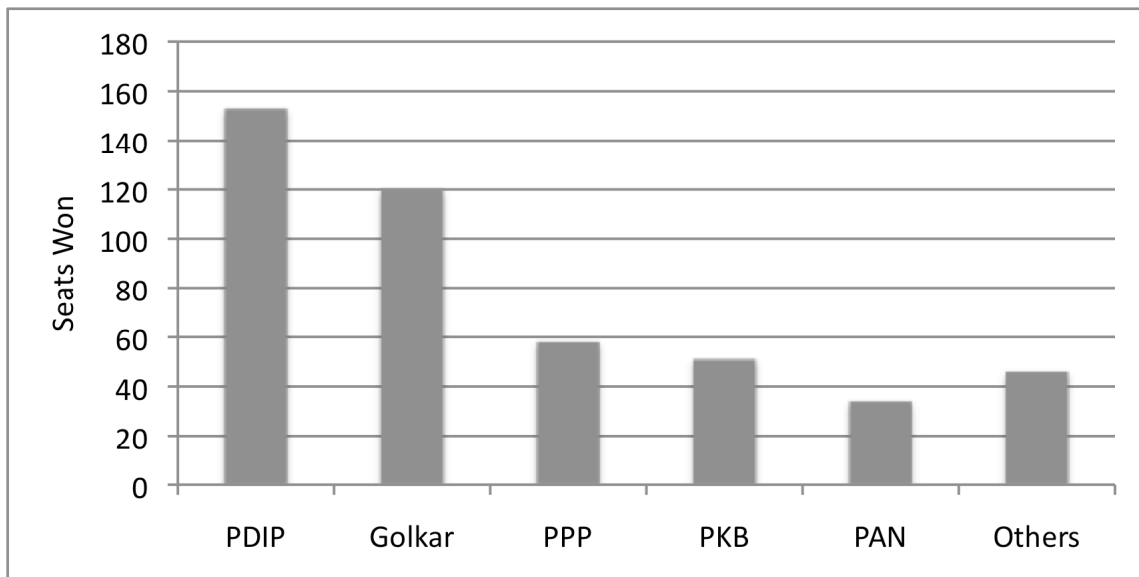
TNI) and the Habibie government over the brutality of the occupation of East Timor that contributed to an Australian led military intervention. Facing international and domestic outrage over allowing the TNI to wage a campaign of genocidal proportions (Kiernan, 2003: 46-51), Habibie's eventual conciliatory gesture of holding a referendum turned his supporters from the ranks of the armed forces against him, leaving him with little remaining support.

Secondly, and more importantly, there was the international economic dimension. Habibie, like Indonesia's previous two presidents, knew that his administration's legitimacy rested on economic stabilization and development. However, it was made known in May 1999 that Habibie's government had requested Rp 560 billion (US \$60 million) from the major Indonesian bank *Bali Bank* to sponsor *Partai Golkar* in the upcoming elections. The money transferred to *Partai Golkar* though, was taken from the IMF stabilization funds that were introduced to provide liquidity to the Indonesian banks (Saydam, 1999). When this transaction was made known publicly and demands were made to show how the money was spent, *Partai Golkar* could only account for Rp 400 billion, the remainder having been stolen by members of the Habibie government (Suryadinata, 2007: 343). During this political crisis, the IMF threatened to withhold any further loans and made clear that they would be suspicious of any government controlled by *Partai Golkar*, B. J. Habibie, or any members of the former regime (Suryadinata, 2007: 343).

It was under this cloud that Indonesians held their first general election in 44 years for 462 seats in the *Dewan Perwakilan Rakyat* (House of Representatives—DPR).

While almost 50 parties officially registered leading up to Indonesia’s general election in 1999, the campaign was primarily contested by five major parties (Ricklefs, 2008: 38). Habibie’s *Partai Golkar*, Megawati Sukarnoputri’s *Partai Demokrasi Indonesia Perjuangan* (Indonesian Democracy Party of Struggle—PDIP), Hamzah Haz’s *Partai Persatuan Pembangunan* (United Development Party—PPP), Abdurrahman Wahid’s *Partai Kěbangkitan Bangsa* (National Awakening Party—PKB), and Amien Rais’ *Partai Amanat Nasional* (National Mandate Party—PAN).

Figure 12: 1999 National DPR Results for Parliamentary Seats (Ricklefs, 2008: 391)



Contrary to the expectations of a democratic Indonesia with a society that was seen as in a period of “Islamic Consciousness,” it was the most secular party that won the

most seats and the second most secular party to win the second most. The PDIP was derided by some Islamic leaders because it was seen as sympathetic to communism and because its leader, Megawati Sukarnoputri, was a woman (Ricklefs, 2008: 388). *Golkar* did surprisingly well due to strong support in the outer islands and Habibie's attempt to introduce Islam to the discourse of the party. The three Islamic parties—PPP, PKB, and PAN (as well as the smaller Islamic parties)—could only manage roughly a quarter of the seats in the national assembly. It was not a case of these groups having questionable legitimacy either, or being unknown. The PPP had long been established as the acceptable Islamic opposition party to *Golkar* during the Suharto period, the PKB had the support of Indonesia's largest Islamic organization NU, and PAN was supported by *Muhammadiyah*, Indonesia's oldest Islamic organization.

The *Majelis Permusyawaratan Rakyat* (People's Consultative Assembly—MPR) still needed to elect the president later that Fall. Habibie made the argument in a speech to the MPR that he might not have maintained political stability but he had established economic stability. Around 10,000 demonstrators took to the streets of Jakarta in protest against his speech with the MPR rejecting his presidential address by a vote of 355 against to 322 in favour, causing Habibie to withdraw his candidacy for president (*The Jakarta Post*, 1999). Despite Megawati leading her party to victory in the 1999 election, the MPR elected PKB leader Abdurrahman Wahid as the fourth president of Indonesia with 373 votes (from the Islamic parties and *Golkar*) to 313

votes for Megawati. The presidency of Wahid, popularly known as “Gus Dur,”⁴⁷ was only marginally longer than Habibie’s, lasting from Oct 1999 until July 2001.

As a former chair of the traditionalist NU, Wahid had long discussed *Negara-Agama* (State-Religion) relations in Indonesia. In his political writing during *Reformasi*, Gus Dur expounded on an “integrative” strategy for implementing *Shari’a* (Wahid, 1998a [author’s translation]). He suggested that Islamic law was not intended to be formally (*formalisme*) applied by the state through the merging of state and religious powers, but the point of *Shari’a* is rather to integrate the substance of *Shari’a*. This was to be primarily accomplished by the state pursuing a political program of social justice and equity (Wahid, 1998b). This discussion was born out of Gus Dur’s earlier controversial critique of *Shari’a*. Mujiburrahman (1999: 344) explains that since at least the mid-1980s Gus Dur had consistently expounded his position that *Shari’a* is not what is permanent or divine in Islam. Gus Dur believed that *Shari’a* was full of contradictions due to the political motivations of *muftis* (jurists), who were detached from the modern world. Islamic jurists, according to Gus Dur, made themselves irrelevant with their continued discourses that allow for slavery and polygamy. Islamic legal theory was too heavily influenced

⁴⁷ Gus is the short form for *bagus* (Javanese for “handsome lad”), a name commonly used for the son of a *kyai* (Indonesian Islamic scholar). Dur is a shortening of Abdurrahman. The title “Gus Dur” is the primary way Abdurrahman Wahid is addressed in the Indonesian press and media.

by classical Arabic literature that did not translate into policies for a modern state, and was suggested as not being important for the majority of Indonesia's Muslims.

The substance of *Shari'a*, Gus Dur argued, that could be integrated into the state were Islam's universal human values. Gus Dur believed that Islam's provisions for the protections afforded to the individual, to personal religious freedoms, the family, property, and to the workplace made Islam well-suited to contributing to social justice and equity in Indonesia (Mujiburrahman, 1999: 342). Gus Dur famously stated that for Indonesia, "without *Pancasila* we will cease to be a state" (Ramage, 1997: 45). *Pancasila* is, then, to be understood as integral to the "public interest." With *Pancasila's* first principle being belief in one God, the relationship between Islamic law and *Pancasila*, for Gus Dur, was one beyond simple mutual compatibility. It was a symbiotic relationship where the compromising of one side degrades the functionality of the other (Mas'udi, 1998). Gus Dur was never a proponent of *Salafi* Islamic thought, but neither should he be considered a secularist, since he maintained the position that Islamic values were the basis of Indonesian solidarity (Mujiburrahman, 1999: 348).

Gus Dur's presidency was a tragic one in the way that Žižek (2009) describes politically tragic figures as a distance developing between ideals that are truly held by the individual, and the behaviour and politics that the individual is later responsible for once in a position of authority. His high ideals regarding social justice quickly came to be questioned when anti-KKN campaigns resulted in the

investigation of many of his cabinet members, including Hamza Haz, Yusuf Kalla, and General Wiranto. The “crisis politics” of Gus Dur’s presidency interfered with any attempt at formulating any foreign economic policy. Eventually, Gus Dur was also investigated when it became known that the Sultan of Brunei donated US \$2 million to his campaign and US \$3.5 million was missing from the National Food Logistics Agency (Gorjão, 2003). Within this context of corruption, the DPR passed a vote of condemnation. Gus Dur responded by requesting the Coordinating Minister for Legal, Political, and Security affairs, (and future president), Susilo Bambang Yudhoyono to declare a state of emergency. Yudhoyono declined the request and was summarily fired by the President, who then went on to declare a state of emergency himself. Gus Dur then issued a decree to dissolve Parliament, and called for a new election in a year. The crisis Gus Dur caused resulted in a meeting of the MPR and a vote to impeach him that passed with almost 600 votes out of a total of less than 700. After a brief standoff with the MPR, Gus Dur resigned and left the presidential palace to undergo medical treatment in the US.

As Abdurrahman Wahid’s vice-president, Megawati Sukarnoputri became the fifth president of the Republic of Indonesia from July 2001 until Oct 2004. Despite being an early champion of the revolution, not to mention the daughter of Indonesia’s bombastic former president, Sukarno, Megawati’s early presidency was cautious, deliberate, and intended to avoid controversy. She formed a cabinet that she called *Kabinet Gotong Royong* (Mutual Assistance Cabinet), made up of former

members of the Abdurrahman administration, and even Islamic party members such as her vice-president and nemesis Hamzah Haz, leader of the PPP who a year and a half earlier stated that “no woman was fit to lead a Muslim nation” (BBC News, 1999). Controversy was to come to the Megawati administration on September 11th, 2001, regardless of her low-key politics. Megawati became the first Southeast Asian head of state to visit Washington following 9/11, and in a move straight out of the Suharto era, pledged Indonesia’s strong support in the newly declared “war on terror” in exchange for a large economic aid package. This position was to prove highly unpopular with both Muslim Indonesians as well as members of *Salafi* organizations.

Muslim Indonesians were upset with the identification of Indonesia as a “front” in the war on terror, and resented the insinuation that al-Qaeda had a presence in Indonesia. Indonesians also thought that US foreign policy was at least in part responsible for the attacks, and many even allowed themselves to be persuaded by conspiracy theories that suggested the CIA was actually responsible for the attacks (Friend, 2003: 554). More radical elements of Indonesian society, including Megawati’s vice-president, actually expressed joy over the 9/11 attacks and viewed the hijackers as martyrs and not terrorists (Means, 2009: 301-2). To further complicate Megawati’s position the Indonesian Council of Ulamas (MUI) and the *Front Pěmbela Islam* (Islamic Defense Front—FPI) both issued incendiary *fatwas* declaring *jihad* against the US (Means, 2009: 301).

The protestations against Indonesian accommodation with the US proved to act as the delegitimizing factor for the Megawati presidency. This is in spite of the fact that Megawati never truly departed from her original quiet, or *tenang*, approach to politics, and never established much of a foreign policy at all, outside of vague support for the US. Even this Indonesian support for the “Global War on Terror” never amounted to the deployments of troops out of the archipelago, and the government only moved slowly in pursuing members of Indonesian *Salafi* groups, such as *Laskar Jihad* and *Jemaah Islamiyah*.

Over the term Megawati served as president *Salafi* Islamic discourse moved from the periphery of Indonesian political thought to the centre (Sebastian, 2003: 432). There emerged in Indonesia, particularly leading up to the invasion of Afghanistan in October of 2001, and then again during the build-up to the invasion of Iraq in March of 2003, the sentiment that the US, in waging a war on terror, was really engaged in a clash of civilizations. It was a sentiment that feared that the US was waging a war on Islam, and so Islam had to unite and counterattack. Jakarta’s “Centre for the Study of Islam and Society” at the State Islamic University conducted national public opinion surveys at the end of 2001, and again in late 2002. In this study 61% of Indonesian respondents in 2001, and 67% of respondents in 2002 agreed with the statement that Islamic government “under the leadership of Islamic authorities...is best for a country like ours” (Liddle, 2003: 5). In the same two studies 46% in 2001, and 54% in 2002, agreed with the statement “that the ideals and

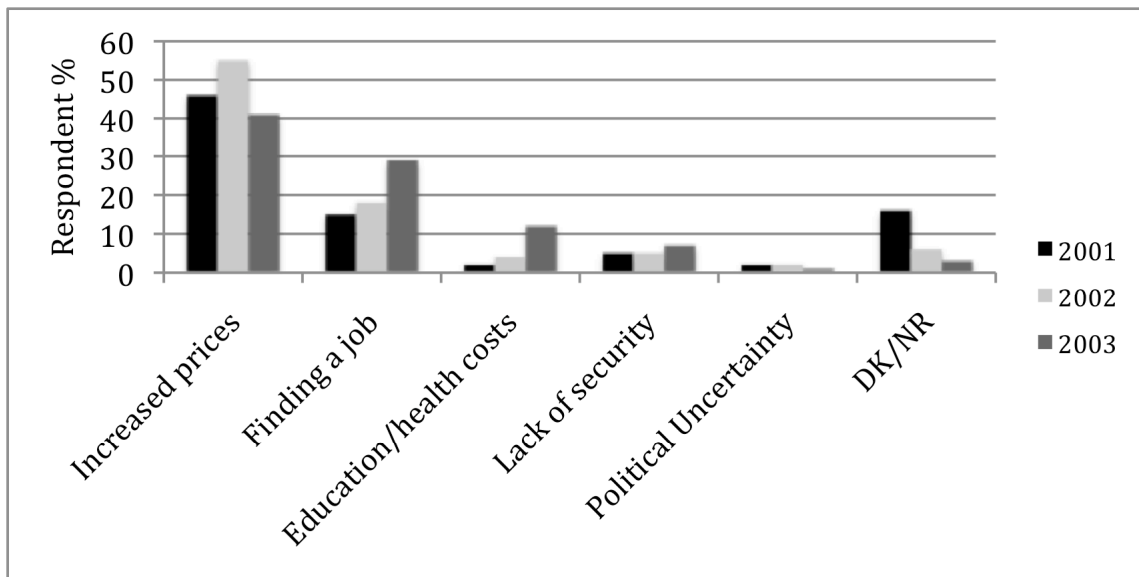
struggle of Islamic movements or organizations (like Islamic Defenders Front, *Laskar Jihad*, *Darul Islam*, and others) to implement *Shari'a* in the government and society must be supported" (Liddle, 2003: 5).

There are two main causes for this upsurge in support for Islamic organizations and politics during the Megawati presidency. The first is likely as a reaction against the foreign policy of the Bush Administration, and Megawati's perceived obsequious posturing on the Global War on Terror. That does not seem to be the only reason though. This increase in support for Islamic organizations and *Shari'a* also seems to be born out of the prevailing patterns of *Korupsi*, *Kolusi*, and *Nepotisme* (KKN) of the previous five years (Sebastian, 2003: 434-5). According to Juwono Sudarsono, Indonesia's first civilian Minister for Defence in half a century and Indonesian ambassador to the UK under Megawati, people in the streets expressed greater sympathy for Islamists, and politicians in the DPR engaged in a more radical expression of Islamic discourse. Politicians and civil society felt this way because there was a perceived vacuum of legitimacy being created within the Indonesian political process (Sudarsono, 2002: 14-5). The movement from the centre to the periphery of *Salafi* Islam in Indonesia during the Megawati years is partially a product of the Global War on Terror, but also an expression of economic discontent caused by the Asian Financial Crisis and KKN.

The following two graphs produced from data collected in Indonesia by the International Foundation for Election Systems (IFES) highlights both the way

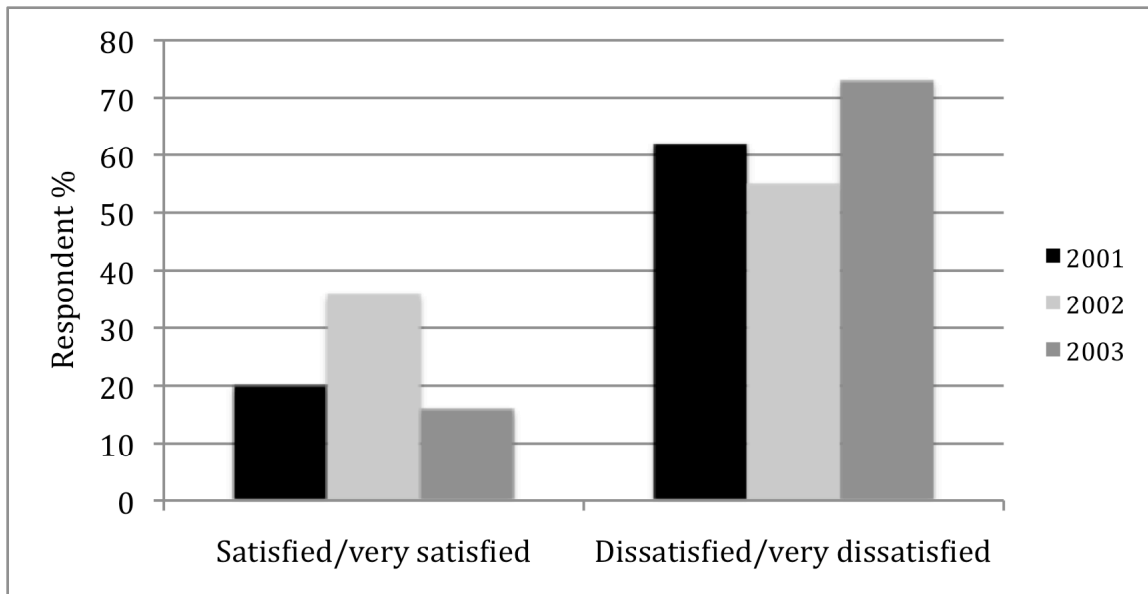
Indonesians interpret economic problems compared to other types of problems and the level of dissatisfaction Indonesians feel with respect to the government's handling of KKN.⁴⁸ Inflationary pressure on the prices of basic needs, such as rice and petrol ranked as the top problem Indonesians believe exists in their community followed by finding paid work.

Figure 13: Biggest Problems Facing Community (IFES, 2005: 16)



⁴⁸ The IFES Indonesian studies were conducted through the Republic of Indonesia's National Election Commission. For all of the data utilized in this chapter from the IFES polling was conducted between late Spring and early Summer where n=3,000-3,500.

Figure 14: Satisfaction with Government Handling of KKN (IFES, 2003: 23)



What these graphs also reveal is the dissonance between the politics of the Megawati administration and the feelings of Indonesians. Though Megawati positioned Indonesia as an ally in the Global War on Terror with the Bush Administration to procure US aid, Indonesians interpreted Megawati's posturing as too focused on security and marginalizing the economy. If you collapse the responses for those who chose lack of security and political uncertainty together you still get fewer than 10% of respondents suggesting that a fear of violence is the main problem in their community.⁴⁹

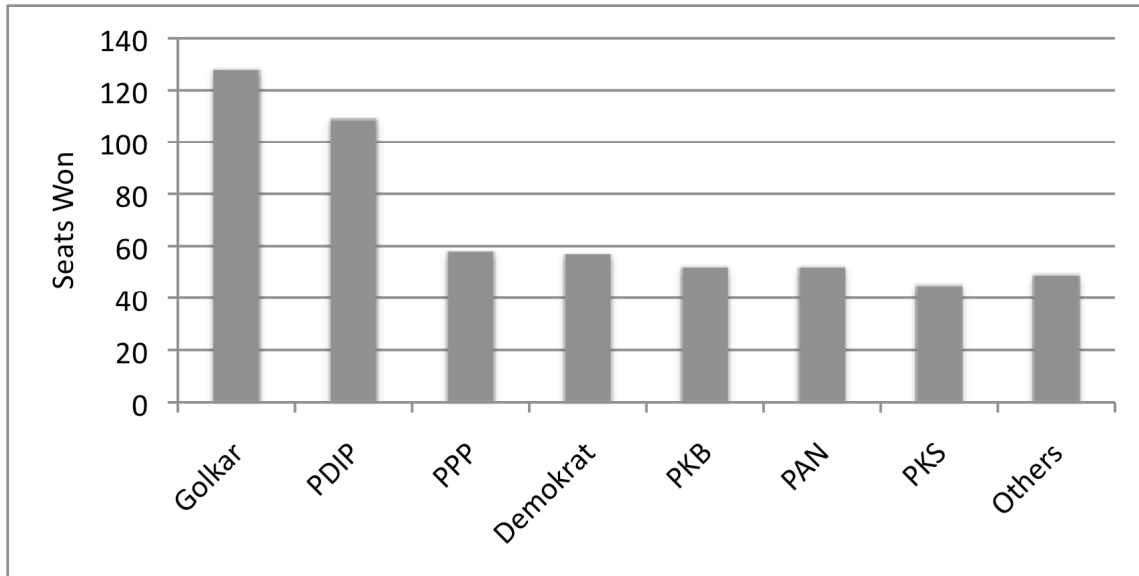
⁴⁹ However, if the survey offered a category of "terrorism" then you might achieve a higher rate of response. But, you could get even fewer responses because then you are isolating "terrorism" from violence that is more broadly captured when asking Indonesian respondents to rank "lack of security" and "political uncertainty" less

The endemic corruption that plagued the latter years of the Suharto government, and the inability of *Reformasi* to finally purge the debilitating practices of KKN, acted as a powerful push factor in the politics of Indonesia's Muslims to look for alternative models of social and political organization. Islam had historically acted as this spiritual and moral code for Indonesian Muslims during the periods of authoritarian rule, and when faced with an economic climate of volatility, inequity, and poverty, Islam was being presented as a fair and even viable alternative.

When the next parliamentary election came around in April 2004 the major Islamic parties (PPP, PKB, PAN, and the newly relevant PKS) did not actually risk running a campaign of imposing *Shari'a* and transforming Indonesia into an Islamic state. Nor did any of these major parties make *jihad* a part of their campaign. Instead, these parties decided to focus on two areas: 1) social justice, equity, and fighting corruption; and 2) repudiating Indonesia's relations with international economic institutions which were derided as non-Muslim and evil "foreign influences" (Ricklefs, 2009: 402-3; Guerin, 2006: 2-5). However these elections saw Golkar and Megawati's PDIP come out as the two biggest winners with the major Islamic parties, such as the PPP, PKB, and PAN, able to perform better than in 1999 but still only able to garner just over a third of the seats.

than a decade after a revolution. If you were to substitute "fear" for "biggest problem" then I think you might have a higher rate of response for the categories involving violence or conflict. "Biggest problem" likely forces an association with something that is immediately present and observable whereas "fear" might evoke worst-case scenario types of speculations from those surveyed.

Figure 15: 2004 National DPR Results for Parliamentary Seats (Tan, 2006: 92)



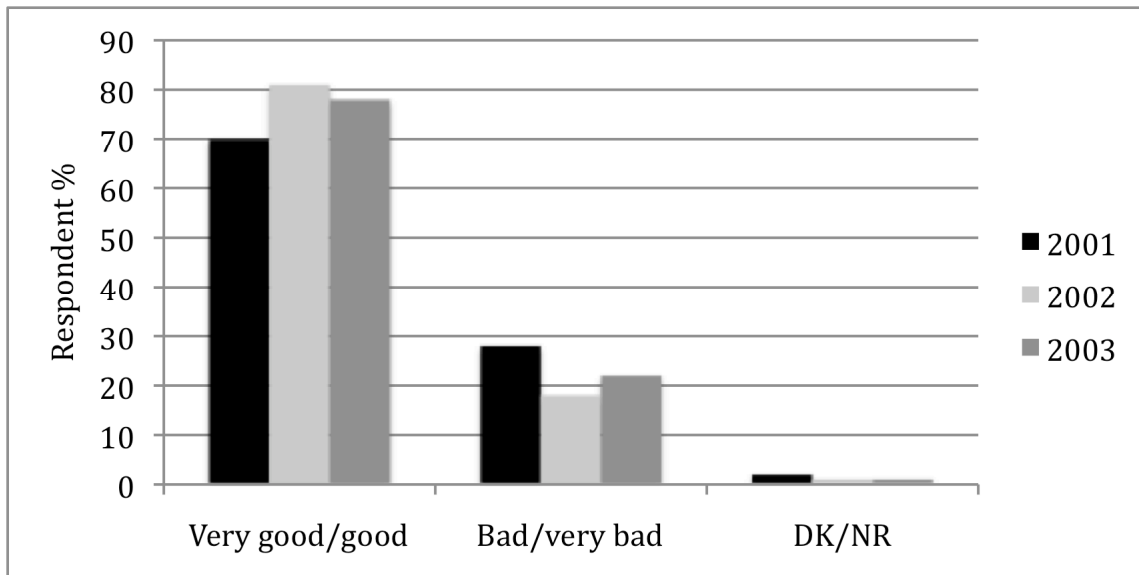
This helps us to understand Indonesian political culture and the extent to which Indonesians had been willing to embrace Islam in their politics. The 2001-2004 period witnessed a discernable level of support for Islamic organizations and an expressed sympathy for the Global *Jihadist* Movement. However, this sympathy has not translated into votes for Islamist political parties to run the state.

It is instructive to ask why this might be the case. As we noted above, there was widespread dissatisfaction with Megawati's lackadaisical approach to combating KKN. Nor did Indonesians seem to be persuaded by Megawati's view of a war against terrorism. We should ask ourselves: why did the Islamic parties not pursue an Islamist agenda more vigorously? The main reason why the mainstream Islamic parties, such as the PKB, the PPP, PAN, and the PKS, did not pursue a more

revolutionary strand of Islamist politics is that they do not actually subscribe to such a worldview. The *Partai Keadilan Sejahtera* (Prosperous Justice Party—PKS) is an *Ikhwan* (Muslim Brothers)-sponsored party that did campaign for *Shari'a* in 1999 (as the Justice Party), but avoided this platform in 2004. The change occurred when the PKS began to draw more upon the social justice writings of the Egyptian *Ikhwan* founder Hasan al-Bana. The PPP accepted *Pancasila* as its *asas tunggal* for decades and *Muhammadiyah* and NU, respective sponsors of PAN and PKB, actually began an unprecedented degree of cooperation to counter Islamist groups like *Laskar Jihad* and FPI during the Megawati years. Young leaders from the traditionalist NU even created a new and very popular organization called *Jaringan Islam Liberal* (the Liberal Islamic Network—JIL) to refute doctrines of violence and intolerance that were being cloaked in Islam. JIL produced a formidable range of literature for Indonesian Muslims on Islamic parties not having the right to re-write the Indonesian constitution (Novriantoni, 2003; Ghazali, 2002; Anwar, 2003; Fatah, 2003; A'la, 2002), women's rights (Mahmada, 2001; 2003; Umar, 2001), and some very nuanced and sophisticated analysis that urge Indonesians not to blame all Americans, Christians, Jews, or the West for the foreign policy decisions made by the Bush Administration (Novriantoni 2003; Gaban, 2003; Lev, 2003; Sahal, 2003). These parties maintained their position in Indonesian Islamic political thought that, at least constitutionally, accepted the type of government of the Republic and instead asks Muslims to examined their own morality.

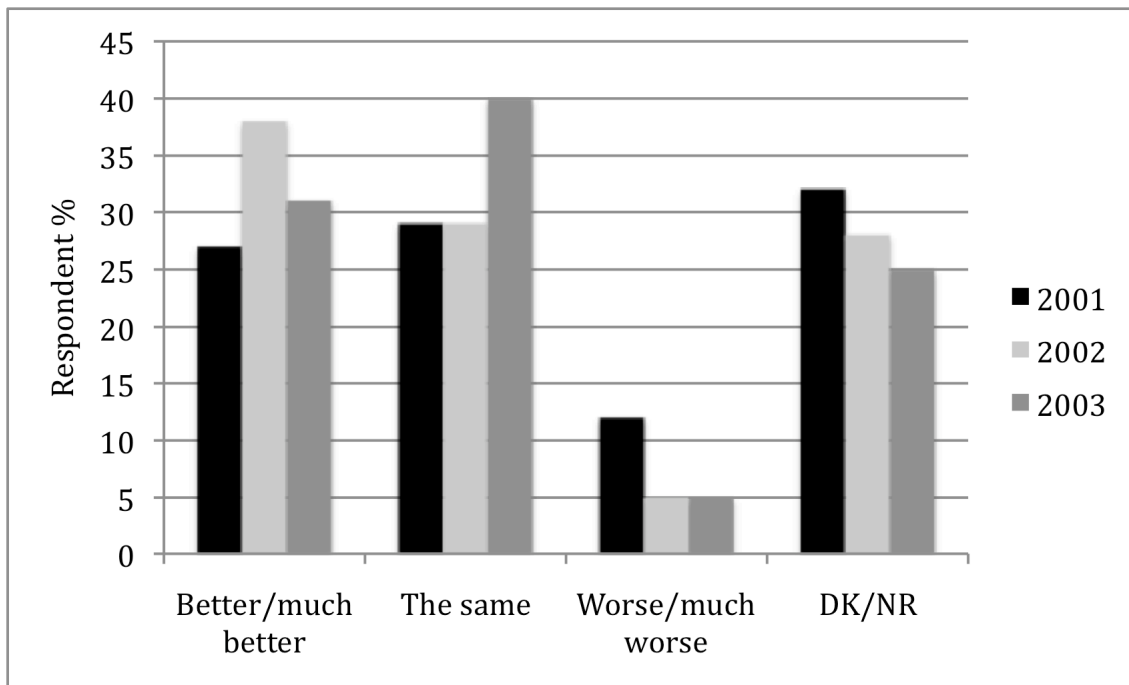
If there was dissatisfaction with the economic situation and KKN, did the Islamic parties miss out on a politically salient event by not expounding Islamist politics? Were they not revolutionary enough in their politics? This is likely not the case. It does not appear that the dissatisfaction expressed during the Megawati period could be understood to have translated into a “revolutionary moment.” Trying to determine when a society is primed for a radicalization of their politics is fraught with difficulty, if not impossible. A marginally useful indicator one can consider is to ask segments of society to examine their current well-being and to get people to examine what they think about their life overall, and what they think about their future prospects (Perlstein, 2008).

Figure 16: Family's Quality of Life (IFES, 2005: 17)



The figure above is hardly indicative of a population clamoring for more revolutionary change again just after a previous revolution. The figure below suggests that Indonesians remained fairly optimistic about the near future during the Megawati presidency with only 5% of respondents believing themselves to be either worse off or much worse off in one year's time when surveyed in 2002 and 2003.

Figure 17: Situation Months into the Future (IFES, 2005: 19)



For the first round of the Presidential election in July, 2004 every pairing included at least one person with an Islamic affiliation (Ricklefs, 2009: 403). Susilo Bambang Yudhoyono (SBY) and his running mate Jusuf Kalla gained the most votes in the first round of voting, and placed first again in the second round (33.6% in July

and 60.6% in September) and SBY became the sixth president of Indonesia, ushering in a period of stability and renewed attention on foreign economic relations.

*Indonesia Returns to Global Politics, Islam as “Identity Politics,” Not “Practical Politics”
2004-2011*

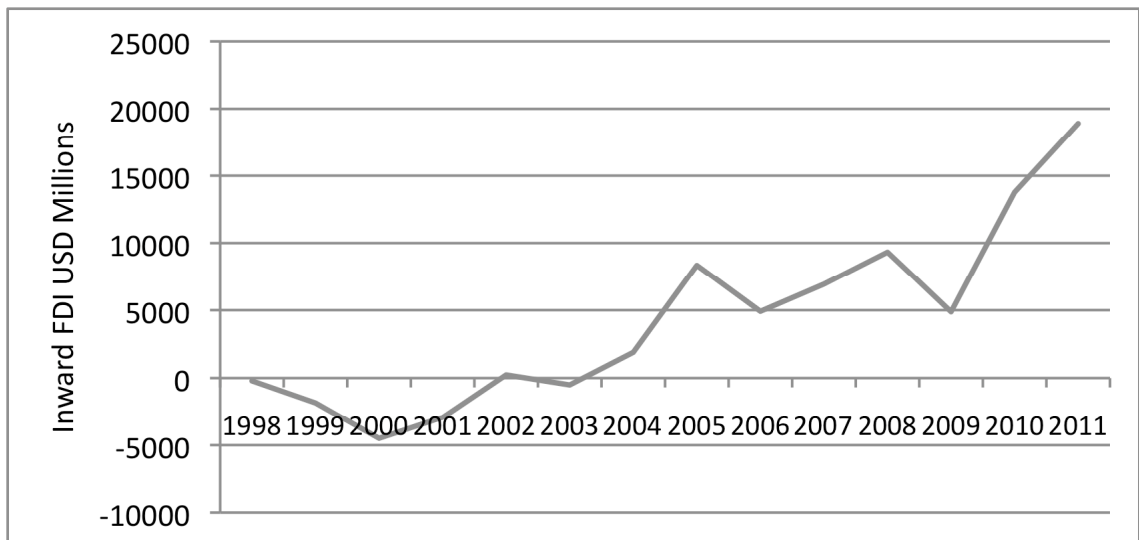
The title of this subsection is taken from a quote of Susilo Bambang Yudhoyono’s (SBY) during the latter stages of the 2009 presidential election that won him his second term in office. Despite having warm relations with NU and *Muhammadiyah* during his first term in office, Indonesia’s two most prominent Islamic organizations publicly endorsed the Kalla-Wiranto ticket. SBY retorted that NU and *Muhammadiyah* had stepped out of bounds by injecting Islam into the “practical politics” of the Republic rather than Indonesia’s traditional inclusion of Islam as the politics of the inspirational, or what we might call “identity politics” in *International Relations* (Santoso, 2009).

The presidency of SBY has seen Indonesia’s return to global politics with a renewed emphasis on Indonesia’s historically most important foreign policy issue—economic development (Murphy, 2009). There are multiple pathways by which the SBY government is trying to achieve this, such as through foreign direct investment (as shown in Figure 18),⁵⁰ once again becoming an active leader within ASEAN, and

⁵⁰ “Because of its impact on job-creation, we see private investment, especially foreign direct investment, as necessary for the conquest of poverty. It is a key factor to human development. Every job created by an investment lifts an individual from

as a founding member of the G20 (one of only three Muslim majority countries in the institution).

Figure 18: Foreign Direct Investment: *Demokrasi* Period



What we are going to consider in this section though is the political discourse of the SBY administration on foreign economic relations. What SBY is attempting to do is to ascribe an Islamic ethic on two interdependent and mutually constitutive layers of foreign economic policy: 1) Islamic values of cooperation that are germane to the global economy; and 2) Islam as a social force that can temper the instabilities and inequities of the global political economy.

First we will consider how SBY discusses an Islamic ethic of cooperation in Indonesia that he links to the role of Islam.

extreme poverty and redeems her dignity. That is why we are determined to make foreign direct investments the engine of our economic growth” (Yudhoyono, 2005b).

A clash of civilizations is not inevitable. A confluence of civilizations is entirely possible. For millennia, our archipelago has been home to many currents of civilization. This is why, in today's Indonesia, democracy, Islam and modernity can go hand-in-hand—despite the occasional threats of extremism (Yudhoyono, 2009).

He has repeatedly made the comment that Indonesia's successful transition to democracy is proof to the rest of the world of the potential for Islam and democracy to not only simply co-habit, but to reinforce each other. The foreign policy review document, *Diplomasi Indonesia 2010*, the *Kementerian Luar Negeri Republik Indonesia* [Republic of Indonesia, Ministry of Foreign Affairs], discusses this congruity between democracy and Islam in Indonesia and the international symbolism it represents.

The success of Indonesia as the largest Muslim country in carrying out democratic elections demonstrates to Western countries and the international community that the values of democracy, Islam, and modernity can coexist peacefully and harmoniously (*Kementerian Luar Negeri Republik Indonesia*, 2010: 104 [author's translation]).

The above discussion of Islamic values of cooperation is not only a discussion of democracy and Islam but is also linked to the economy. The context of SBY's use of "modernity" is wrapped up with economic patterns of globalization. By speaking of peaceful coexistence of Indonesia with modernity, SBY is suggesting that it is Islam that co-exists with the global political economy.

A further example illustrates another dimension to this relationship between democratic cooperation and the economy. When comparing his own administration to Suharto's, SBY notes the following (Yudhoyono, 2005b):

Ensuring the social protection of the most vulnerable segments of society, we also ensure that there are no social upheavals as we take the blows of any economic crisis.

That is the beauty of democracy.

A democracy also provides all the political incentives for a government to become an institutional partner of the market. That is why in Indonesia today we have a government that listens to the market, responds to the market and works with the market.

According to SBY, this political cooperation putatively equips Indonesia to engage better with global market forces. SBY's foreign economic policies require Indonesians to "become more active participants in international cooperation and partnership building" in order to capitalize on foreign direct investment and engage in patterns of free trade (Yudhoyono, 2008 [author's translation]). Under SBY, Indonesia is re-entering economic foreign relations with global capitalism through international society.

It does seem, though, that SBY's ethic of cooperation requires more. SBY challenges the Islamist rhetoric against engagement with international (or "foreign" in this case) economic forces by suggesting that it is an Islamic ethic to participate. He describes this characteristic of cooperation as the "soul and spirit" (*jiwa dan semangat*) of the nation (Yudhoyono, 2004b [author's translation]). Following the formation of the G20, SBY made similar comments regarding the role of Indonesia within the institution. The G20 is certainly about the distribution of power in the early 21st century and developing an architecture of global governance in the wake of the 2008 Global Financial Crisis and resulting Great Recession. But Indonesia's responsibility to the G20 is also linked to the identity politics of this spirit of

cooperation represented by Islam in Indonesia, an ethic that is suggested by SBY as guiding not only Indonesia toward participation in international society, but eventually most Muslim majority societies toward the “global community” (Yudhoyono, 2010: 29).

There is a second major dimension where Islam is present as identity politics rather than as practical politics in the economy of the SBY administration. This is the invocation of Islamic values of social justice as a way to eradicate, or at least constrain, the economic violences imposed by globalization and capitalism. SBY makes a point to affirm continuity with the Indonesian foreign policy doctrine of *bebas aktif* (independent and active) for a new era, but suggests that Indonesia is no longer paddling between those two corals (the US and the Soviet Union). Nor is Indonesia necessarily trying to avoid any coral at all. The issue for Indonesian foreign policy is now twofold: 1) public and private cooperation to encourage foreign investment in Indonesian agricultural, industrial, and service-based activities that can lead to development (*pembangunan*) (Yudhoyono, 2004a; 2005a); and 2) navigating “*bergolak*” (turbulent) waters in the global economy (Yudhoyono, 2008 [author’s translation]). It is no longer a contest between superpowers but it is those broader, structural forces in the global political economy that pose a threat to Indonesia’s development and growth. SBY says that Indonesia “must resist and prevent the pernicious effects of globalization, which is against our national interest, which is against our values” (Yudhoyono, 2008 [author’s translation]).

These pernicious effects of globalization revolve around themes of greed, exploitation, and unfairness that exist in the capitalist global economy. Almost always, either immediately before or after an overview of his administration's policies to attract foreign direct investment and stimulate Indonesia's abilities to export products, SBY will then make two claims regarding the role of Indonesian diplomacy to attract international attention. Firstly, he wants to show that he is working hard toward *pengembangan* (development). Secondly, he discusses the importance of *bebas aktif*, by affirming that Indonesia is engaging with the global economy as a voluntary act of their own free will. It is important for the SBY administration to convey to the Indonesian people that the Republic's engagement with the global economic order is on an equal footing.⁵¹

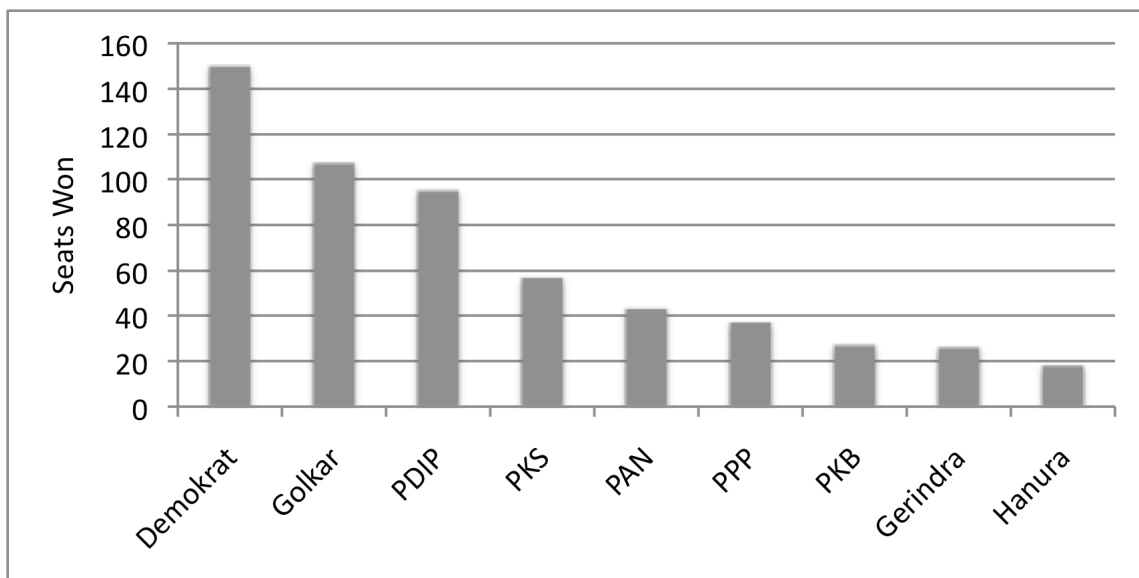
In a certain context, it could be suggested that Indonesia's foreign policy is driven by realism, and this is not entirely misplaced. In a speech where SBY discusses whether Indonesia ought to pursue the national interest of Indonesia or the global interest of the world, he notes that "we want realism, not liberalism, and not idealism in our foreign policy," and we choose national interest first, and global interest second (Yudhoyono, 2008 [author's translation]). There are some important distinctions to make so we do not misread SBY's foreign policy. In this same speech he does not deride the global interest but actually speaks at length of climate change,

⁵¹ Great examples of this is evident in SBY's state addresses on the budget, such as found in Yudhoyono, 2005c, and 2004b.

environmental degradation, world oil prices, and global poverty. However, he only cautions against “objectives that we cannot achieve” due to limited capabilities, and that the placement of global issues as secondary does mean that they fall off of the national agenda (Yudhoyono, 2008 [author’s translation]). Furthermore, Yudhoyono is best interpreted as a proponent of international society rather than purely as a realist.

As we critiqued the efficacy of the Habibie, Gus Dur, and Megawati administrations, and its impact on foreign economic policy, we should do the same for SBY. By considering these administrations critically we can try to better understand the political culture of Indonesia. An important dimension to consider is the electoral one.

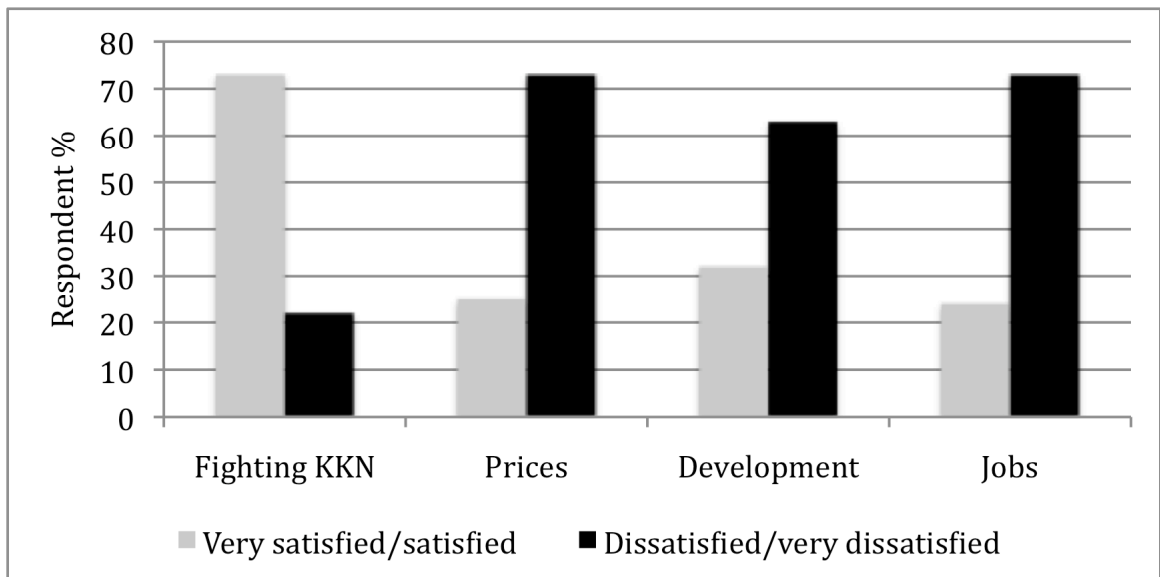
Figure 19: 2009 National DPR Results for Parliamentary Seats



During the 2009 DPR election, SBY's *Demokrat Partai* did remarkably well, winning over 150 seats, almost 100 more than in 2004. In the 2009 presidential election, SBY won a majority of votes in the very first round, obviating a second round runoff entirely. The central issue that SBY was able to win the election on was portraying himself as a pragmatic moderate, competing against parties and politicians that are too ideological. When it comes to matters of the economy however, the intended focus of the chapter, support for SBY is much more tepid.

Public opinion polling of Indonesians between 2004-2011 reveals mixed sentiment regarding SBY's economic politics.

Figure 20: Extent Satisfied with SBY's Polices (IFES, 2005: 24)

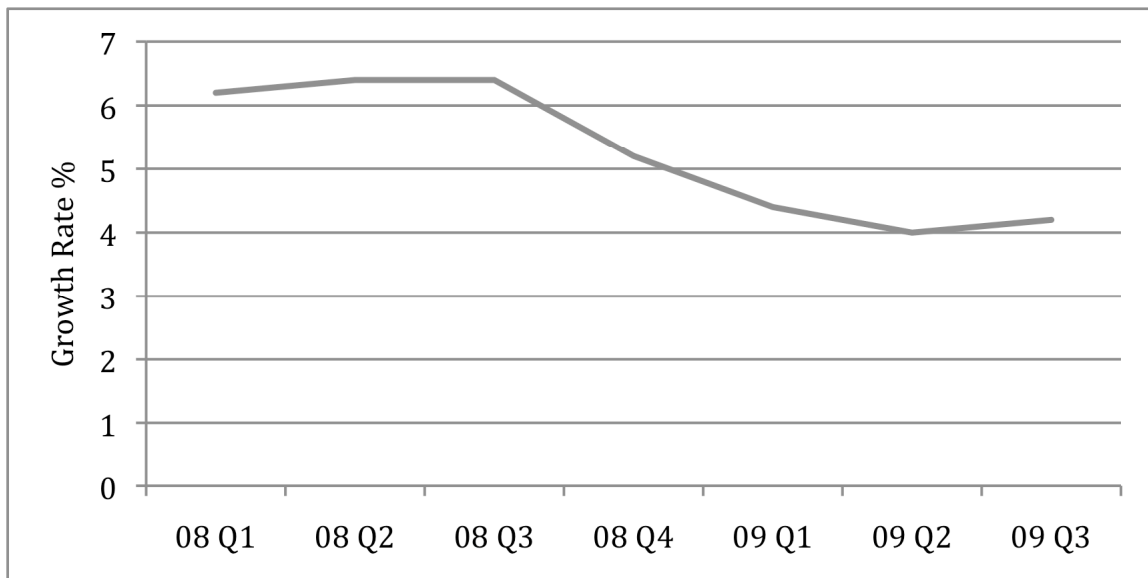


SBY does garner widespread satisfaction from those polled regarding his fight against KKN. This is truly significant, as KKN had contributed to the downfall of all of

his predecessors, including Suharto. Where satisfaction is much lower is with respect to the economy, the other major problem that faced Indonesian presidents since the late 1990s. It is also important to note that this polling was conducted before the 2008 Global Financial Crisis.

The Global Financial Crisis and Great Recession that ensued represented one of those pernicious effects of globalization SBY had discussed so often before. GDP growth did shrink as a result of the financial meltdown, but it did not result in a recession for Indonesia, with recovery beginning by the third quarter of 2009.

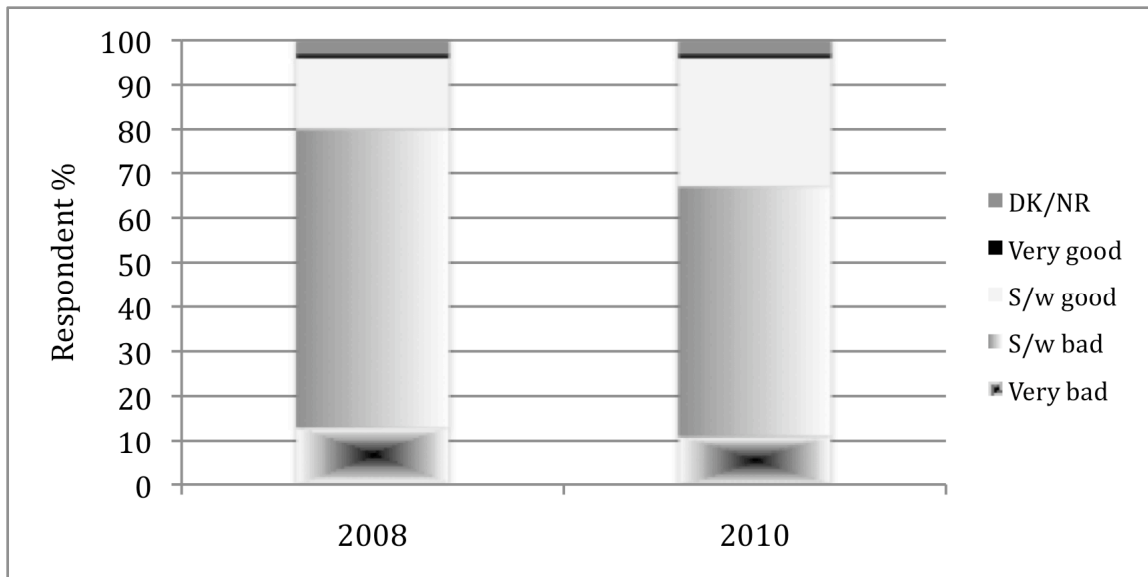
Figure 21: 2008-09 GDP Growth Rate as Percentage (ASEAN: 2009: 2)



However, Indonesians remained skeptical regarding the economic situation of the country. When canvassed in 2008 and 2010 only 1% of respondents interpreted Indonesia's economic situation as "very good." In both surveys the mode and the

median were the category “somewhat bad,” although there was a modest increase in 2010 for the “somewhat good” category. It is doubtful that Indonesians are going to report much enthusiasm on the economy until there are very high levels of economic growth again that are comparable to the boom years of the New Order, and maybe not even until the general *malaise* of poverty in the country is dramatically improved.

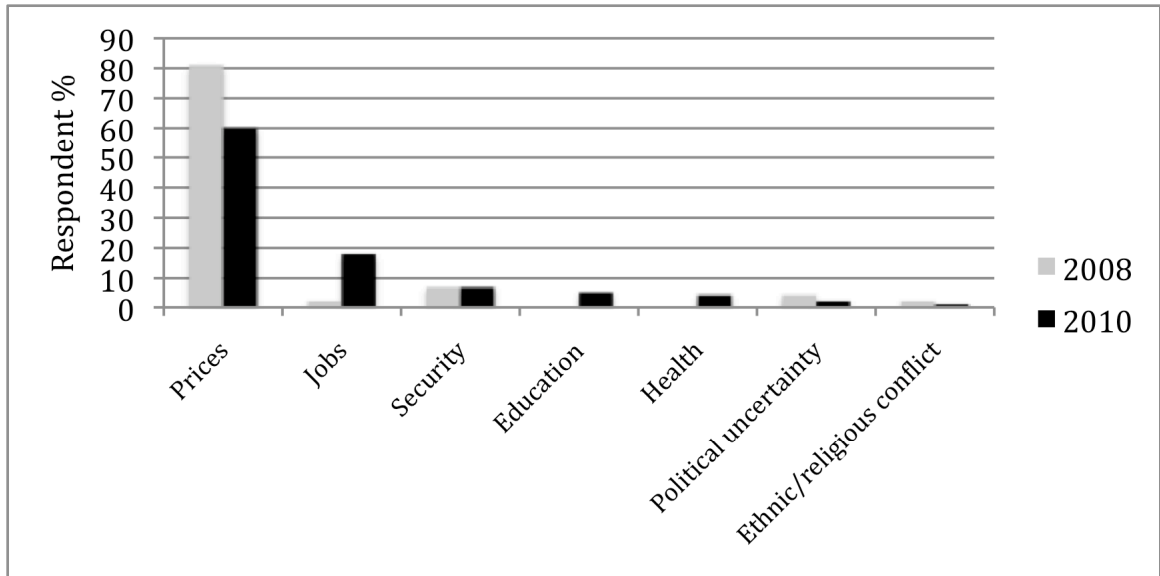
Figure 22: Current Economic Situation in Indonesia (IFES, 2010: 10)



Similar to the polling conducted between 2001-2003, inflationary prices of basic needs continue to represent the greatest problem facing Indonesians, with over 80% of Indonesians selecting this category in 2008.⁵²

⁵² This was due to the record high rice prices during 2008 as well as the high fuel costs.

Figure 23: Currently the Greatest Problem Facing Indonesians (IFES, 2010: 11)



Once again, the above figure attests to the low rate of response for security and the minuscule respondent rate on ethnic and religious conflict as the most significant problem facing Indonesians.

It does seem that SBY's politics has some support from society, but this support is certainly not inattentive to the economic problems of the Republic and those facing society, with large numbers of the public expressing concern regarding prices, and the general state of the economy (figures 22 and 23). But, what are the perceptions of Indonesian Muslims toward international economic institutions that SBY believes are so important? The East Asian Barometers Survey conducted polling on this question in 2006. The data I am presenting is only for those respondents who identified themselves as "Muslim" in the survey.

Figure 24: Impression of the International Monetary Fund (EAB, 2005-08)

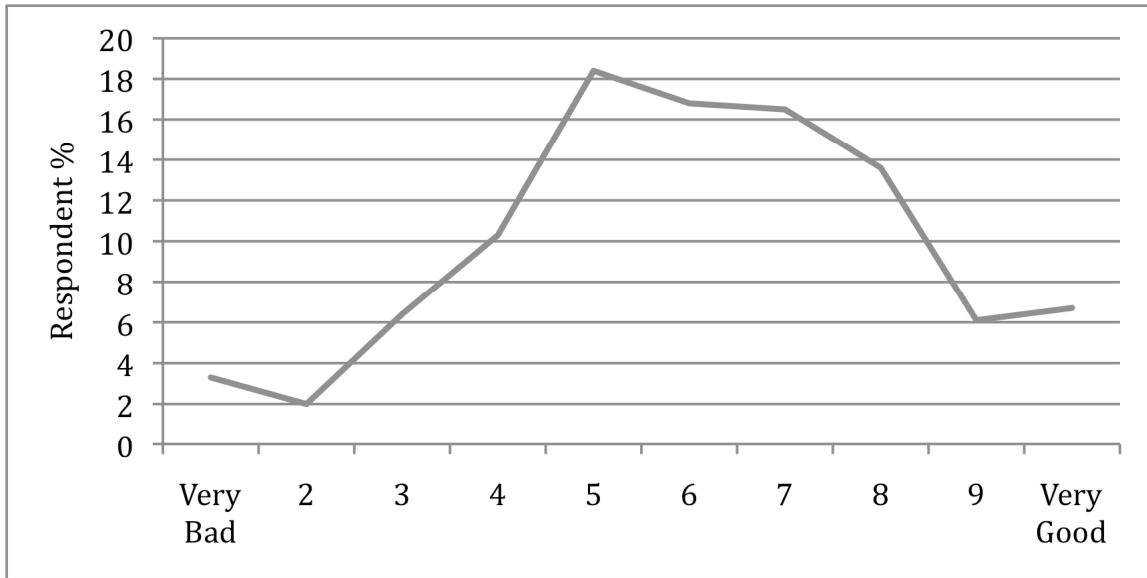
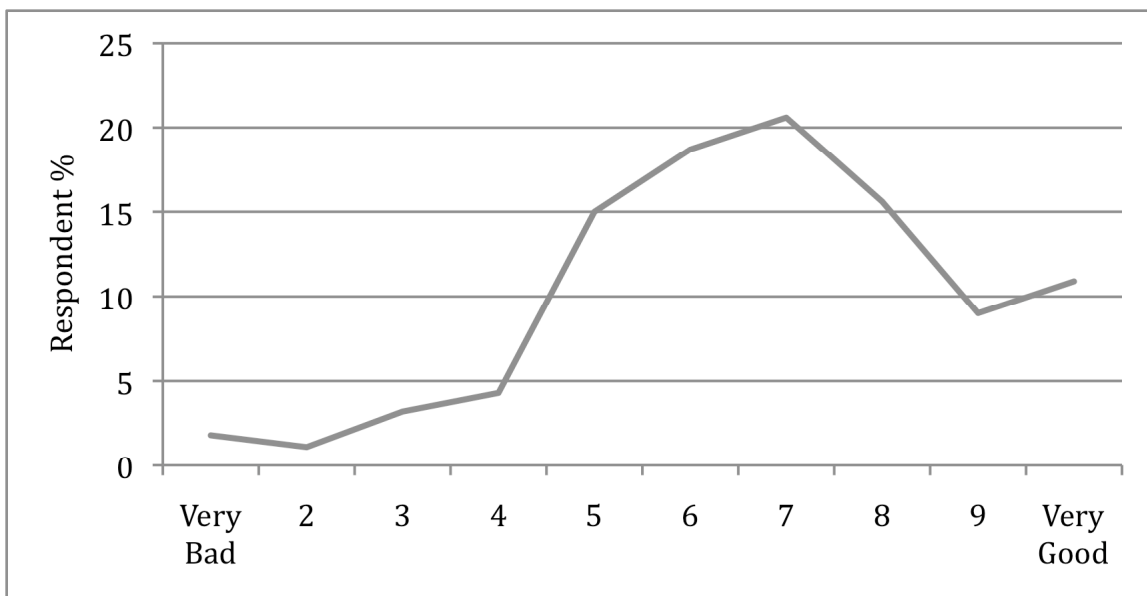


Figure 25: Impression of the World Bank (EAB, 2005-08)



The above figures are illustrative of an overall positive impression Indonesians have of the WB and the IMF. The results for the IMF are particularly interesting as the IMF

and Indonesia went through a difficult phase in their relationship during the Asian Financial Crisis. Another question is to gauge public opinion among Indonesian Muslims on capitalism. As the above figures suggest, Indonesians express discontent over the state of the economy, but they also express support for institutions in the international political economy.

As the following figures suggest, Indonesian Muslims appear, by some measures, to express some sympathy for a capitalist worldview.

Figure 26: Hard Work and Competition (WVS, 2005-08)

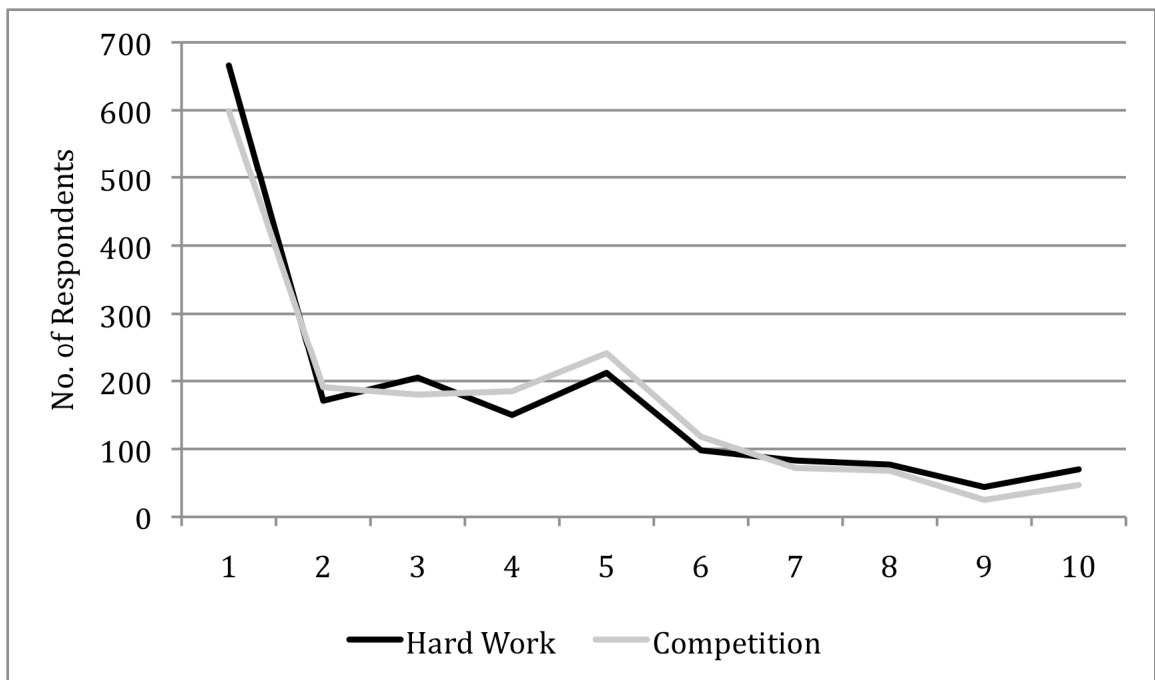
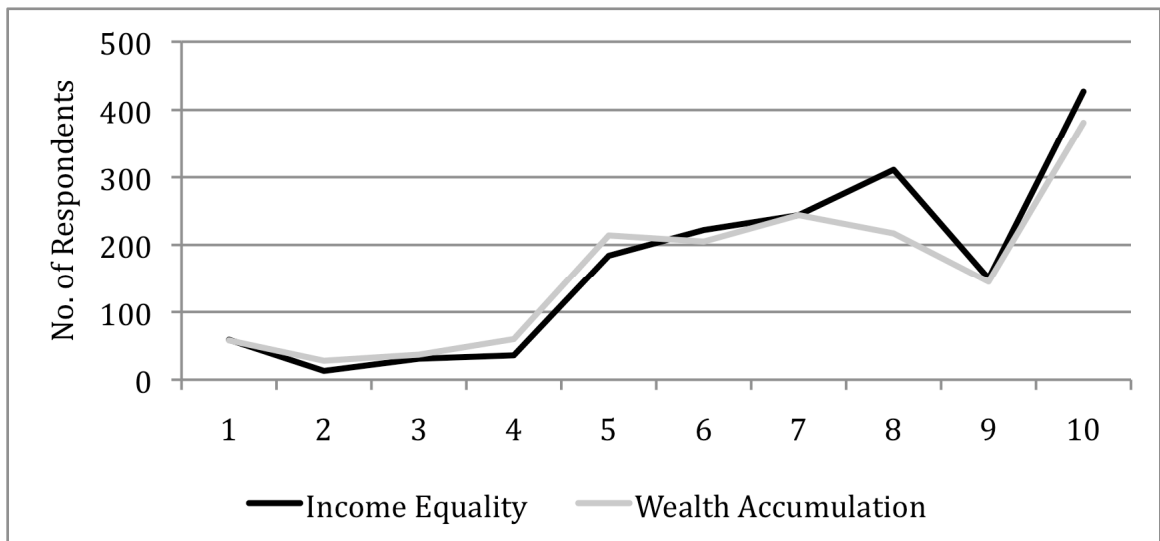


Figure 26 is an attitudinal thermometer test based on almost 1900 Indonesian respondents who identified themselves as Muslim. They were asked to identify

where they position themselves on a scale from 1 to 10. The question on hard work asked respondents to position themselves on a scale where 1 is an agreement with the statement, “In the long run, hard work usually brings a better life,” and 10 agreed with, “Hard work doesn’t generally bring success, it’s more a matter of luck and connections.” For the question on competition, 1 is an agreement with the position, “Competition is good” and 10 was an agreement that “competition is bad.” For both of these questions, the mode for Indonesian Muslims was clearly a 1, indicating a substantial congruence with a capitalist perspective.

Figure 27: Income Equality and Wealth Accumulation (WVS, 2005-08)



For the above figure, respondents were asked where they identify their views on income equality and wealth accumulation. For the question on income, the value of 1 is an agreement with the statement, “Incomes should be made more equal,” and 10 is an agreement with, “We need larger income differences as incentives.” For wealth accumulation, 1 is represented by the statement, “People can only get rich at the

expense of others,” and 10 is represented by the statement, “Wealth can grow so there’s enough for everyone.” For these two questions, the mode for Indonesian Muslims was a resounding 10, what would generally be interpreted as demonstrating the greatest support for a capitalist worldview.

Figure 28: Work and Society (WVS, 2005-08)

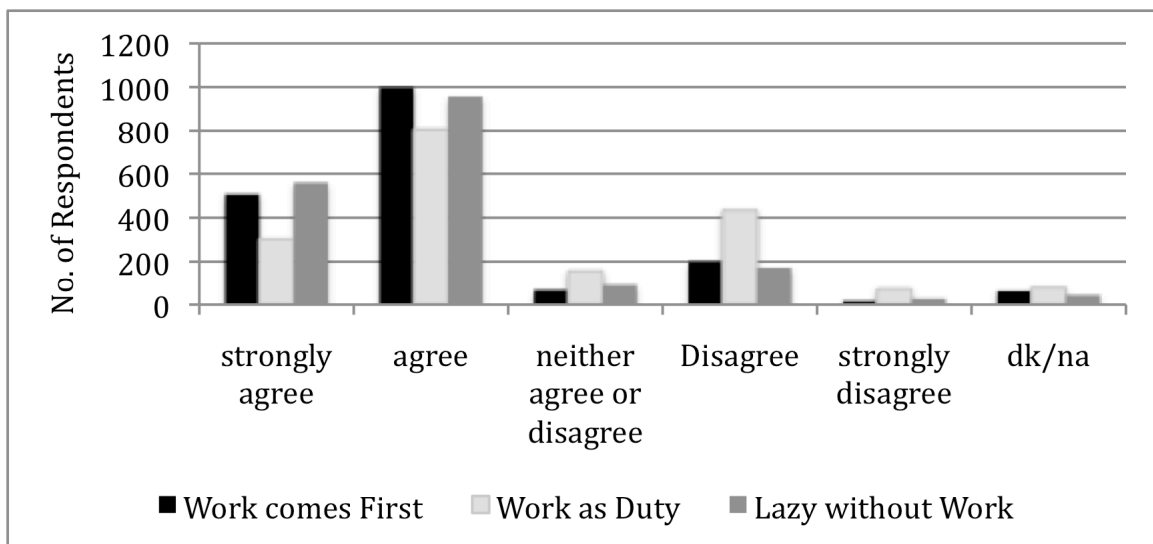
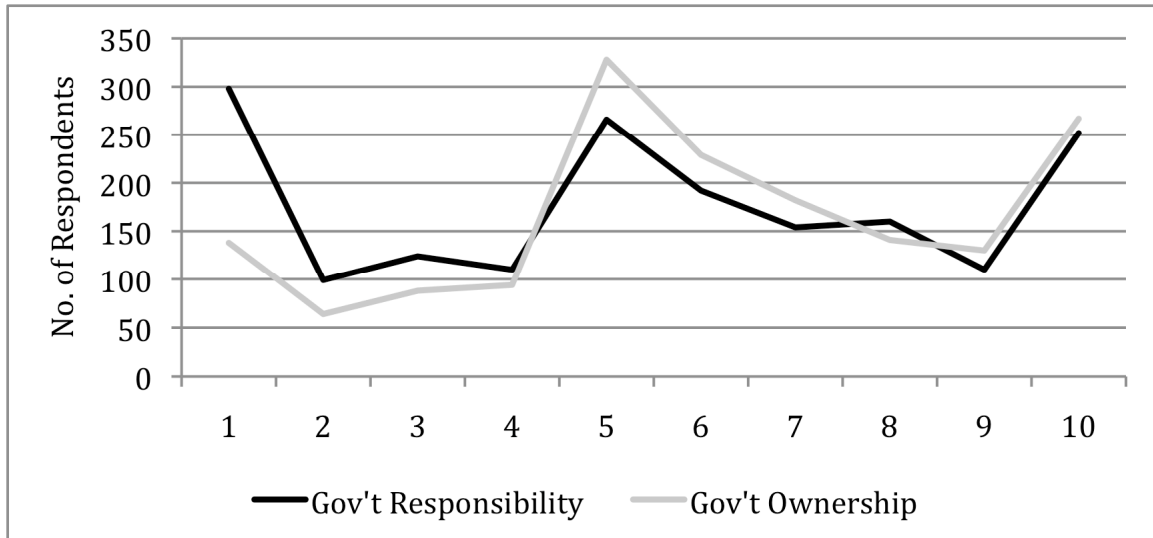


Figure 28 shows the responses from Indonesian Muslims for questions on the extent that they agree with whether work should come before spare time, whether work is a duty to society, and whether people become lazy if they do not work. Once again, the data suggests a great deal of support for the value of work, though there is a greater proportion of disagreement for the idea of work as a duty to broader society.

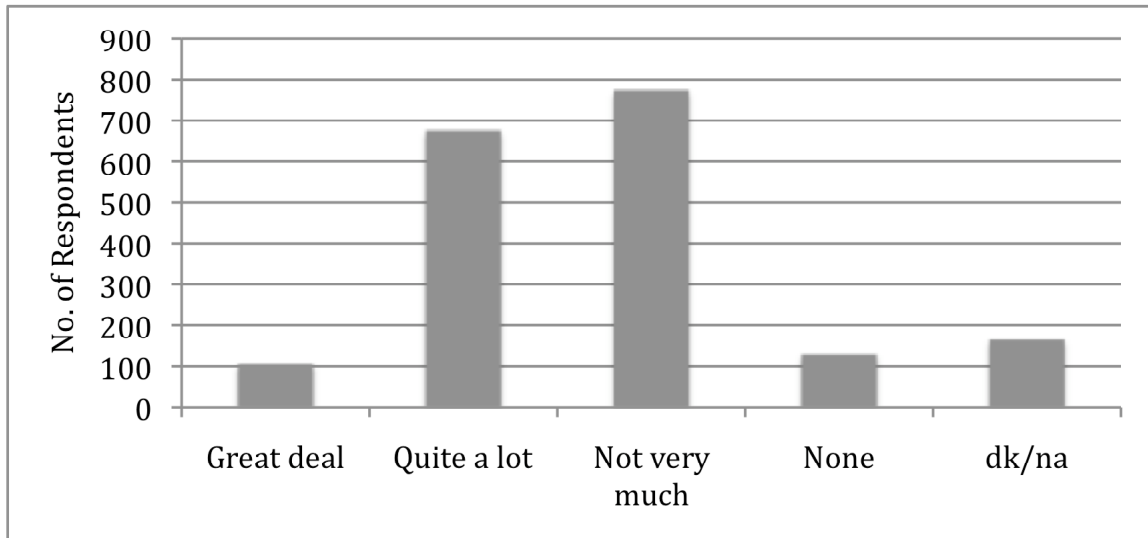
However, there is also data that suggests noticeably less support for the capitalist worldview amongst Indonesian Muslims.

Figure 29: Government Responsibility and Ownership (WVS, 2005-08)



The above figure is based on two questions. The first is a question that asks respondents to situate themselves between 1, which represents the statement, “The government should take more responsibility” for economic provisions, and 10, which represents the statement that, “People should take more responsibility.” The second question asks respondents to consider their position between 1, which is represented by, “Private ownership of business should be increased,” and 10, which is represented by the perspective, “Government ownership of business should be increased.” Indonesian Muslims are much more split on these two questions, with respondents identifying almost evenly between 1, 5, and 10 on the attitudinal thermometer. It also appears that Indonesian Muslims are not naïve about major corporations.

Figure 30: Confidence in Major Companies (WVS, 2005-08)



It is evident that confidence in major corporations is similarly divided amongst Indonesia's Muslim population. An example of this is in the above figure, where more respondents either identified that they did not know about their confidence levels or decided not to answer rather than identifying either no confidence or a great deal of confidence.

It does appear that the identity politics of Islam during the SBY administration does connect with the political culture of Indonesia's recent history. Indonesians have a positive view of SBY's pragmatism, his anti-KKN stance, and voted for him and his party in 2009. Indonesian Muslims do not have an antagonistic view toward international economic institutions, and they also appear to have a favourable outlook on capitalism, based on certain measures. The problem areas remain inflationary prices of basic goods, employment, and the general economic *malaise* of Indonesia overall. It suggests that Indonesian political culture does

believe in the politics of economic development and turned against Islamist revolutionary rhetoric. However, Indonesia is only in the second decade of *Demokrasi*, with both an economic and political future far from certain.

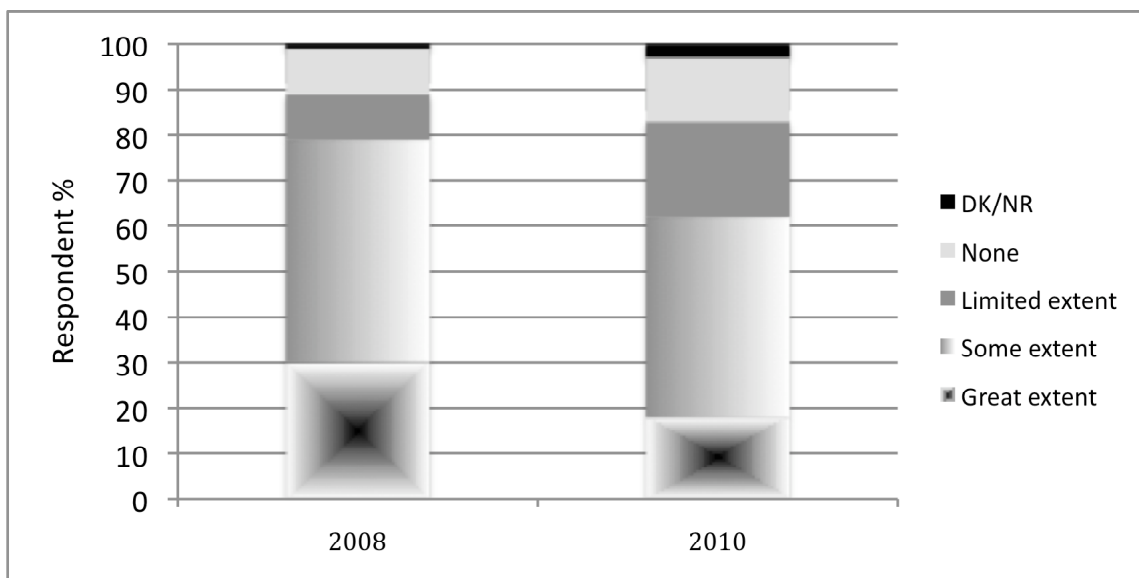
Islam as Offensive Realism and as Revolutionary Ideology

For the final section of this chapter we need to comment on some of the challenges to this analysis that can be posed. We have followed the method of understanding social forces in the approach of British IPE to consider how Islam has entered into the political culture of Indonesia. Islam has been an ideational force that supports Indonesian engagement with the global political economy over the *Reformasi* period. This was something that evolved over time in response to the instabilities Indonesia was subjected to due to global economic institutions, the domestic problem of KKN, and the rise of Islamic politics in the Republic. We are going to critique the above discussion by considering the following qualifying statements: 1) most Indonesians do not really believe in the identity politics of religion and take a completely secularist approach while a very small but very vocal minority are Islamists; 2) Islam has entered into Indonesian politics under the rubric of “offensive realism,” or a realism that is based on a more aggressive understanding of the pursuit of power and domination; and 3) revolutionary Islamist groups in Indonesia have been severely understated and they are a potential threat to the Republic and to international security.

Firstly, we should consider whether the dominant political culture of Indonesia is actually secular, with a fringe minority obscuring the discussion with its loud clamouring for Islamist politics. Ever since Clifford Geertz propounded *abangan* syncretic Islam there has been a questioning of the importance of religion in the lives of most Indonesian Muslims. In polling done in Indonesia in 2006, the World Values Survey found that 95% of Indonesia Muslims identified religion as “very important” in their lives, with only a combined 1% identifying religion as “not very important,” or “not at all important” (WVS, 2005-08).

There is a separate question though on whether Islam matters in the politics of most Indonesians.

Figure 31: The Extent that Religion Influences your Voting Preferences (IFES, 2010: 25)



It cannot be suggested that Indonesian Muslims are not influenced by religion at all in their politics. In polling that questions the respondent on the extent to which voting is influenced by religion both the median and the mode were identified with the response to “some extent.” In figure 31, only 10% - 20% of respondents claimed that religion had no influence at all in their voting behaviour. This is polling conducted during the SBY era, immediately before and after the 2009 election where SBY easily won the presidency and his *Demokrat Partai* finished first in the DPR elections. Being influenced by religion did not make Indonesians necessarily vote for Islamic parties, but vote based upon Islamic politics, more loosely defined. SBY has also stated that he believes that religiosity is growing in Indonesia and around the world (Yudhoyono, 2009).

Secondly, following the influence of critical theory in British IPE, it is important to consider whether Islam has been entered into the discourse of the state in justification of an offensive realist posturing since the end of the New Order regime. In Ambon, Eggy Sudjana, an aide to Adi Sasono, Minister of Cooperatives in the Habibie Administration, called for a *Jihad* against Christians in 1999 (Hefner, 2000: 210). In East Timor, the former Portuguese colony which was on the verge of independence when it was invaded by Indonesia in 1975, had been occupied territory during the Suharto years. East Timor is also the site of what the influential scholar on modern genocide, Ben Kiernan, describes as a protracted “genocidal campaign” in the Indonesian government’s suppression of the predominately

Catholic and animist Timorese (Kiernan, 2003: 47).⁵³ Historically, Islam had existed in the discourse of the Indonesian military and New Order officials to justify the brutality inflicted on the Timorese (Taylor, 1999: 98). This trend continued up to the 1999 UN referendum on independence in the post-Suharto period when the Indonesian governor of East Timor, Abilio Soares, ordered the killing of nuns, priests, and other community leaders (Evans, 1999).

The invocation of Islam to justify mass atrocities, or to conspire in the formulation of mass atrocities, reveals to us a dimension of Islam in Indonesia that is suggestive of violence, or at least the threat of violence. However, the Indonesian government did not make any announcements of *jihad* with respect to the conflicts in Papua or East Timor, and neither did the government seek to legitimize its actions through Islamic authorities or *fatwas*. Also, when one considers the case of East Timor during the late 1990s it is also useful to include in the discussion a contemporaneous event in Indonesian security in Aceh province in northern Sumatra, where about 98% of the population is Muslim (predominantly *santri*), and where *Shari'a* law is practiced with greater regularity and institutional authority than any other province in Indonesia. During the last eight years of the New Order period the region was designated as *Daerah Operasi Militer* (Military Operations Area) where the ABRI (Armed Forces of the Republic of Indonesia) became reviled

⁵³ Indonesian Foreign Minister Mochtar Kusumaatmadja gave a figure of the number of Timorese killed at 120,000 between 1975-79 out of a population of 600,000 (Taylor, 1999: 203).

for mass murders of civilians, particularly students at religious schools, such as *Teungku Bantaqiah*, as well as for the destruction of mosques. By 2001, almost a quarter of a million Acehnese were made internal refugees within the province (Ricklefs, 2008: 387-8). The state refrains from a discourse with Islamic content in this case when those who are oppressed are in fact Muslim. Islam is not a guiding framework for the offensive realism of the state, at least not for the majority of the state or of the nation. The violent actions of the government in East Timor, Papua, and in Aceh have been the result of a military that had historically been allowed to act with impunity across Indonesia's so-called "Outer Islands" for the preservation of *nasional stabilitas* (national stability).

Perhaps the more challenging argument to our discussion of the role of Islam as a social and political force in Indonesia that is supportive of liberal foreign economic relations is regarding the role of non-state revolutionary Islam in Indonesia, particularly the *Salafi Da'wa* (The Call) movement. Indonesia had faced Islamic insurgencies aimed at overthrowing the Republic since its independence in 1949. These groups, such as *Darul Islam* (DI), which was discussed in chapter two, rejected the artificial demarcations of geopolitical boundaries that divided the *ummah*, and rejected any state that was bereft of *Shari'a* Law as the sole inspiration for law as a corruption of *tawhid al-hakimiyyah* (the indivisibility of God's sovereignty that cannot be co-opted by temporal authorities). The *Salafi Da'wa* movement became institutionalized under the *Masjumi* Party in the 1960s, but

following its ban under Sukarno, the movement reconstituted itself primarily through the *Dewan Dakwah Islamiyya Indonesia* (DDII-Indonesian Council for Islamic Propagation).

Throughout the majority of the New Order period the *Salafi* movement in Indonesia was characterized by a “stance of apolitical quietism” (Hasan, 2007: 83). The movement was primarily concerned with matters of personal piety, including the encouragement of Middle Eastern styles of dress for both men and women. These groups also focused on distributing *Salafi* publications, such as the work of Ibn Taymiyyah, Abul A’la al-Mawdudi, as well as the *Wahhabi Salafi* writers such as Muhammad ibn ‘Abd al-Wahhab. The DDII even cooperated with the New Order regime through the *Majlis ‘Ulama Indonesia* (MUI-Council of Indonesian Ulema) to train preachers (LPBA, 1985: 8). The end of the Suharto regime resulted in a return to politics for *Salafi* Islam in Indonesia (Hasan, 2007: 91-3).⁵⁴

At least 50 terrorist attacks perpetrated by Islamic groups occurred between 1998-2001, followed by a reduction in the frequency of attacks following 9/11, but an increase in the scale of the attacks. Targets included Christian churches, the

⁵⁴ Though I must strongly agree with the work of Burgat (2003: 54-7) and of Gettleman and Schaar (2003: 1-2) who argue that Islam, and *Salafi* groups especially, can hardly ever be considered as either entirely political or apolitical at any specific time. Even during the so-called apolitical period of the DDII during the New Order, it was a choice with political consequences to be distributing the work of someone like Mawdudi, or to be encouraging people to dress differently than the society around them.

Jakarta Stock Exchange, tourist destinations, such as the tragic night club attack in Bali in 2002, Western hotel chains, as well as the largest mosque in Southeast Asia—*Istiqlal* (Ricklefs, 2008: 397).⁵⁵ It was the period between 2001-2002 that witnessed what was probably the height of the Islamist revolutionary movement in post-New Order Indonesia. Following 9/11, previously obscure Islamist groups started to become more public in major cities, including Jakarta, to organize protest against the United States' impending invasion of Afghanistan, and American foreign policy toward the Islamic world more generally.

One such organization to rise to prominence during this period was the *Front Pěmbela Islam* (Islamic Defense Front—FPI), which organized massive protests against US foreign policy. These protests included violent attacks on nightclubs and bars, but also religious centers that profess the modernist *Muhammadiyah* version of Indonesian Islam (Ricklefs, 2008: 397). Another self-identified *Salafi* group, *Laskar Jihad*, was formed in 2000 following Christian attacks against Muslims in Ambon province. Approximately 3,000 *mujahedeen* entered Ambon and eventually forced then-President Gus Dur to declare a state of emergency. *Laskar Jihad* was successful in taking over a major police headquarters and began to impose their version of *Shari'a* law. Influenced by *Salafi* writers such as Mawdudi and Wahhab, *Laskar Jihad* declared war on *abangan* Muslims, the Republic of Indonesia, and Gus Dur in

⁵⁵ *Istiqlal* Mosque, or Independence Mosque, was a target of Salafists who reject both the idea and institutions of the Republic of Indonesia, and view the mosque and its celebration of Indonesia as an apostolic abomination.

particular who was derided as *kafir* (unbeliever). *Laskar Jihad's* involvement in the Ambon conflict greatly contributed to the 9,000 people killed and the half a million people made refugees between 2000-2002. Domestically, the group has affirmed itself as the successor to *Darul Islam*. Internationally, the group has maintained connections to Islamist groups such as the Taliban, and to al-Qaeda through Abu Sayyaf in the Philippines. Their discourse mirrors that of groups such as al-Qaeda with their incessant rants against “World Christianity” (Schulze, 2002: 57-61).

With respect to these latter two criticisms that we have reviewed in this section—Islam as the offensive realism of the state and Islam as a revolutionary doctrine of Islamist groups—we should not entirely ignore them or even downplay them much. When we expand our analysis of Islam and international politics in the Indonesian context beyond the domain of the international political economy we need to acknowledge the role of Islam in relation to the offensive realism in Indonesian foreign policy, as well as the role of Islam as a revolutionary ideology of groups operating within Indonesia. International cooperation, in the words of SBY, “is not utopia” (Yudhoyono, 2010: 29). The Republic of Indonesia has been responsible for ugly and violent behaviour since *Demokrasi* began, much of it cloaked in a politics of Islam. There also persists a real threat from Islamic organizations that would overthrow the government, impose *Shari'a*, expel and murder “foreigners,” and declare *jihad* against much of the Muslim and non-Muslim world. Such is global politics during the late twentieth and early twenty-first

century. Thankfully, while both extremes exist, the dominant political culture of Islam in Indonesia during this period has overall been in support of international society.

By utilizing the approach of understanding social forces recommended by British IPE, it has been shown how the SBY government has expressed an Islamic sentiment to garner support for Indonesia's participation in the global political economy. SBY has done this through an appeal Islam's "ethic of cooperation," and Islam's appreciation of social justice. In the final chapter we will review our findings on Indonesia during the modern era and consider why Islam is invoked in what has appeared to be a context of global capitalism, compare our results to the emerging literature in the "religious turn" of International Relations, and finally reconsider the debates between British IPE and American IPE through the lens of our case study.

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Chapter 5

Discussion: Assessing the Liberal Economic Paradigm in the Case of Islam in the Republic of Indonesia

Introduction

This dissertation has been an attempt to utilize the social constructivism of British International Political Economy (IPE) to understand aspects of, “the pursuit of wealth and the pursuit of power,” through a case study on Indonesia (Gilpin, 1975: 43). The original contributions of this research to the literature in IPE has been an examination of: 1) Islam as a salient factor in the politics of Indonesia’s engagement with the international political economy; and 2) Islam as a social force that has encouraged Indonesia toward foreign economic relations with other states and institutions. The dissertation, firstly, shows that Islam is a part of the discursive landscape of Indonesia’s foreign economic relations. Secondly, the dissertation suggests that Islam has appeared to push Indonesia toward a more liberal economic order. The final chapter of this dissertation will, first, review the recent “religious turn” of International Relations (IR) and how the case of Indonesia appears to justify some of the claims of the emerging literature. This chapter will then move into the realm of IPE to offer some explanations for the findings of the dissertation that reveal a general level of support for a liberal economic order amongst the mainstream Islamic groups in Indonesia. Finally, this chapter will test some of the assumptions of both American IPE and British IPE. Through a consideration of our

case study on Indonesia's engagement in the international political economy, this chapter concludes that the British school helps to provide a more comprehensive understanding of the politics that lies behind the economic decision making institutions of the state.

The Religious Turn of IR and the Case of Indonesia

If one were to use the literature found on Islam in global politics to explore the dominant economic paradigm propounded by mainstream Islamic groups in the largest Muslim country in the world, one would not be expected to offer the liberal paradigm as a hypothesis. In the global politics literature, there have been two dominant narratives of Islam. The first narrative of Islam in global politics that has typically been discussed is Islam as a revolutionary force threatening international order. The best known source that has presented this argument is Samuel P. Huntington's famous thesis on a potential "clash of civilizations" (Huntington, 1993; 1996).

The underlying problem for the West is not Islamic fundamentalism. It is Islam, a different civilization whose people are convinced of the superiority of their culture and are obsessed with the inferiority of their power. The problem for Islam is not the CIA or the U.S. Department of Defence. It is the West, a different civilization whose people are convinced of the universality of their culture and believe that their superior, if declining power imposes on them the obligation to extend that culture throughout the world (Huntington, 1996: 217-218).

Though, like Huntington's thesis, literature that subscribes to this narrative of Islam as a threat to international order does predate 9/11 (Esposito, 1999), the post 9/11

period has seen much more literature from this perspective (Lewis, 2003; Berman, 2003).

The second narrative of Islam in the global politics literature, and the far more prevalent one, is the disciplinary silence on any relevance of Islam at all in IR (Smith, 1995). Hans J. Morgenthau, in his seminal *Politics Among Nations*, wanted to justify a separation of politics from other disciplines. In making this argument, Morgenthau singled out religion in particular in a section that is worth quoting at length.

Recognizing that these different facets of human nature exist, political realism also recognizes that in order to understand one of them one has to deal with it on his own terms. That is to say, if I want to understand “religious man,” I must for the time being abstract from the other aspects of human nature and deal with its religious aspect as if it were the only one. Furthermore, I must apply to the religious sphere the standards of thought appropriate to it, always remaining aware of the existence of other standards and their actual influence upon the religious qualities of man. What is true of this facet of human nature is true of all the others. No modern economist, for instance, would conceive of his science and its relations to other sciences of man in any other way. It is exactly through such a process of emancipation from other standards of thought, and the development of one appropriate to its subject matter, that economics has developed as an autonomous theory of the economic activities of man. To contribute to a similar development in the field of politics is indeed the purpose of political realism (Morgenthau, 1985: 16).

In the above passage, Morgenthau argues that political realism, like any other discipline, requires “a process of emancipation from other standards of thought,” such as religion. Religion and politics are divided from each other and treated as subjects that ought to be understood as autonomous. It is also worth noting that he includes economics as one of his examples of autonomous realms. Morgenthau

posits that the study of the economy similarly requires a focus purely on economic activity without reference to other realms of thought. He then speculated the following on what he perceived as a decreasing level of relevance of religion in global politics:

The supranational forces, such as universal religions, humanitarianism, cosmopolitanism, and all the other personal ties, institutions, and organizations that bind individuals together across national boundaries, are infinitely weaker today than the forces that unite peoples within a particular national boundary and separate them from the rest of humanity (Morgenthau, 1985: 312).

During the second half of the twentieth century, IR and IPE generally shared this assumption that the unit to be studied in the international system was the state, relegating other realms of social sciences and humanities to their own distinctive disciplines.

As we discussed in the first chapter, Susan Strange identified the “mutual neglect” of those who study international economics and those who study international politics (Strange, 1970). The legacy of this insight was the eventual establishment of IPE as a discipline of IR. Similar essays that could problematize the mutual neglect between global politics and religion took a much longer time to be recognized in IR. Certainly most scholars engaged in the discipline largely doubted the importance of religious forces outside of historical inquiry. In his essay, “Religion and International Affairs,” Barry Rubin relates what he views as the three erroneous assumptions that led Morgenthau and mainstream Political Science to assume the decline of religion in society, politics, and especially in the realm of international

politics (Rubin, 1994: 20-21). The first error that Rubin attributes to IR was assuming a caricature of religion as theology. This represented a failure to understand that theology co-habits with politics, and that it can potentially act as a source for either stability or instability in international politics. The second error committed was the belief that modernity would weaken religious sentiment and relevance. Rubin argues that IR held up a monolithic conception of human participation in globalization as universal economic development, political liberalism, and the secularization of society. The final error discussed by Rubin was that IR seemed to implicitly agree with Marx's derision of religion as the "opiate of the masses," and to fail to appreciate the importance of religious institutions and belief structures in the community and in society.

The recent literature of the "religious turn" in IR now acknowledges that religion should be understood as always having had some influence in global politics, and that this influence has been increasing since the late 1970s (Dekmejian, 1980; Kubálková, 2000; Hurd, 2008). The literature is not trying to say that religion is the most important force shaping global politics, or even a "causal variable." Instead, the religious turn of IR is making the case of religion as a significant "intervening variable" in global politics. This is especially made on issues of political legitimacy, and for some state and non-state actors, perhaps, even the most significant variable (Fox and Sandler, 2004: 166). Religious legitimacy is thought to affect international politics in a number of broad ways. Firstly, religion is a

configuration of normative power in international relations. International norms interact and shape domestic religious norms, and international norms might in turn be shaped by religious norms (Fox and Sandler, 2004: 45-47). Secondly, religious legitimacy is influential to policymakers in garnering societal support for their objectives. Thirdly, religion is linked, however complicatedly, to transnational identity, exerting pressures on areas of society and politics such as morality and behavior (Fox and Sandler, 2004: 50-53). Another insight of the religious turn of IR is the observation that the influence of religion on global politics is varied (Thomas, 2005). Religious legitimacy can be directed toward heinous acts of terrorism, or the militarism of a state, or an apathetic acceptance of despotism. But, to offer a nuanced critique of Huntington's "clash" thesis, religious legitimacy can also be directed toward peace, social welfare, and national, regional, and global cooperation.

Though this dissertation is within the tradition of IPE—a discipline that has not shown much interest in either the religious turn, or the ideational turn more broadly—the findings of this project does lend considerable support to a number of the claims of the religious turn of IR. One broad claim that this research supports is on the relevance of religion to global politics. Contrary to Morgenthau's predictions, the prominence of religion in political culture is on the increase. Islam is gaining greater significance in the political culture of the Republic of Indonesia since the late Suharto period. This has especially become the case during the contemporary period of *Demokrasi*. Even though religious parties are not dominating the elections,

most parties do utilize religious language and sentiment, and the majority of Indonesians currently express the sentiment that religion does affect how they vote.

Religion as an intervening variable is another theme of the religious turn of IR that is also present in this research. Sukarno's politics of *konfrontasi* with the West and his relationship with the PKI had an effect of alienating the majority of the population. In this case, even when Islam was ignored and silenced, it still acted as a variable influencing the political culture of society, and in this case, offering a legitimate alternative to the official policies of the government. The Islamic party *Masjumi* worked very closely with the US government to try and position the country toward the more liberal regimes of trade and finance. Unlike Sukarno, Suharto did recognize Islam as an intervening variable and actively sought to co-opt Islamic voices to support his ideology of free-market capitalism. The period of *Demokrasi* presents even greater evidence for the understanding of religion as an intervening variable. The Yudhoyono government has argued that capitalism, which is embedded in the social values of Islam, is more fair and just. This approach also acts as a way to build legitimacy for his government's status quo approach to foreign economic policy.

It is on the issue of transnational identity where the case of Indonesia does not as strongly support the religious turn IR literature as strongly. While it is unfair to suggest that Indonesians lack any sentiment of the global *ummah* (Muslim community), it is also true that transnationalism has played only a marginal role in

informing the Islamic politics of either the state or sub-state organizations. During the *Orde Baru* (New Order), Suharto actively pushed the OIC (Organization of the Islamic Conference) to focus less on the global politics of Islam and, instead, to focus on developing economic relationships between states. I suggest that the strongest “push” factor that can result in an increase of transnational identity politics of Islam in Indonesia is in the wake of perceived military aggression of a non-Muslim power toward a predominately Muslim society. The most relevant example of this is the case of the post-9/11 period during the presidency of Megawati. A factor that mitigates the formation of a strong sense of transnational identity in the Islamic political culture of Indonesia is likely due to the numerous groupings of Muslims in Indonesia, which we surveyed in earlier chapters. While Indonesians recognize a certain unity of Islam, they are also keenly aware of doctrinal and lifestyle differences that exist not only within their own country, but also within Southeast Asia, and throughout the broader Muslim world.

Finally, in this dissertation we have seen how Islam in the case of Indonesia has been invoked to support a full spectrum of political ideology and behaviour. Examples surveyed include the use of terrorism by non-governmental actors, as well as state violence against non-Muslims. The general trend though has been a discourse of national and global cooperation. In fact, the overwhelming majority of Islamic politics in Indonesia has been to support the liberal economic paradigm. This has been the case throughout the modern history of the archipelago, including the

periods of pre-independence, Indonesia's parliamentary democracy in the 1950s, Sukarno's Guided Democracy, Suharto's New Order, and the contemporary period of *Demokrasi*. Islamic political culture, with the exceptions that we review, has generally been oriented toward Indonesia's engagement with the more economically liberal world order.

As a study on religion from the perspective of IPE, this dissertation offers a unique voice to the emerging literature within the religious turn of IR that has been security-centric. Though IPE might explicitly be exploring the pursuit of wealth, as Robert Gilpin famously argued in 1975, a research agenda on the pursuit of wealth is not easily separated from a research agenda on the pursuit of power. The relationship between power and wealth allows IPE to overlap with the themes explored in IR, and this dissertation does not remove itself from the dimension of security. This dissertation explores how colonialism inhibited the ability of Indonesia to achieve economic sovereignty. Failing to navigate Indonesia's economic sovereignty contributed to Sukarno's revolutionary politics and alignment with communist forces. As Sukarno's Guided Democracy regime radicalized, it had the subsequent effect of turning the Muslim organizations against him. The dissertation also explores the genocide during the dark period of Indonesia's history between 1965-1966 that contributed to the general support of Suharto's government and a fear of anarchy. As the British school of IPE reminds us, the economic context is not separate from the political context, and diminishing the role of "politics" in the

discipline loses the “comparative advantage” that IPE has over the Economics discipline. Politics and economics are better understood as mutually constitutive, providing a continuous context shaping ideas and behaviour. The next section of this chapter will continue to explore this theme of the politics of economic ideas by offering some comments on why there has historically been support for the liberal economic paradigm amongst Indonesia’s Muslims.

Indonesian Muslims and the Liberal Paradigm

The guiding economic paradigms of Indonesia have varied greatly over the history of the Republic. The post-colonial Indonesian state was unable to pursue an independent foreign economic policy because of the colonial legacy. In the aftermath of the failures of independence, Sukarno created an economic nationalist/communist hybrid regime. For three decades, Suharto ruled through a liberal/authoritarian hybrid regime. This has since transformed into a liberal economic state in the early stages of democracy. Islamic politics in Indonesia though, have fairly consistently reflected what appears to be a liberal economic paradigm. This is contrary to the study by Evans (2011) reviewed in the first chapter. Briefly, Evans suggested that Islam has the capacity to act as a counter-hegemonic force to neoliberal world order because of Islamic thought on revelation, property, the individual, and the state. This dissertation has shown that Islam has acted as a social force that has actually encouraged Indonesia to engage with the liberal economic order. It is worth noting that Evans does not argue that Islam is acting as a counter-

hegemonic force in the international political economy, but that it has the capacity to encourage this kind of orientation. It is worth reflecting on why Islam has not encouraged a radical approach to Indonesia's foreign economic policies, but has instead pushed for greater engagement with international economic institutions and trade relations.

There are a number of explanations that, taken together, might account for this relationship between liberalism and Islam in Indonesia. One explanation pertains to the role of international and regional trade in the history of Islam in Southeast Asia. It is believed that trade is likely the most important factor for the arrival of Islam in the archipelago on a broad scale during the sixteenth and seventeenth centuries, and that this has caused trade and Islam to seem bound up with each other in the Indonesian experience (Ricklefs, 2008: 13-6). While there is a rich tradition in Western literature that debates the role of Protestant Christianity and the rise of capitalism, there is much less commentary on the relationship between capitalism and Islam.⁵⁶ The origins of an "Islamic-capitalism," and whether it is particular to Indonesia, or applicable to the broader Islamic world, have become a matter of debate. Some commentators have made observations on the seeming congruence between capitalism and the doctrine of Islam (Nasr, 2009; Çizakça,

⁵⁶ It was Max Weber who controversially explored the relations between religion and the economy during his tour of the United States that led him to believe that the Protestant work ethic and deferred gratification was responsible for modern capitalism. The debates on Protestant Christianity and capitalism continue to this day (Ferguson, 2011: 260-4; Landes, 1999: 516-8).

2011; Iqbal, and Mirakhor, 2007; Askari, Iqbal, and Mirakhor, 2009).⁵⁷ Others have argued that the Islamic world has not generally been successful at encouraging market-based economic systems (Binder, 1988; Wilson, 1995; Platteau, 2008; Henry, and Springborg, 2010). The case of Indonesia offers support for the former selection of literature, as Islamic groups have typically called for more international trade, and the state, since the fall of Sukarno, has built its legitimacy on the economy through an appeal to Islamic values.

Another explanation for the relationship between the liberal paradigm and Islam in Indonesia might actually relate less to the free-market ideology of liberalism, and more to the spirit of cooperation that exists in both the liberal paradigm and Islam. Though Muslim societies—no different from Christians, Jews, Hindus, and any other religious grouping—have histories that are, at times, full of violence and bloodshed, there are also powerful sentiments of pragmatic cooperation in Islamic political thought. This is particularly evident in commentaries on interstate relations. In his essay, “War and Peace in Islam,” Bassam Tibi argues that proponents of Islam as a religious order that is either inherently prone to war,

⁵⁷ Though there are important distinctions to be made between capitalism and Islamic doctrine on economics. The most well-known example is that of interest (*riba*) being forbidden in Islamic finance. However, it is perhaps superficial to suggest that interest is not awarded to the lender in Islamic financial transactions. Instead, the rate of return to the lender is dependent on the profit accrued by the borrower. Another difference that has been suggested between Western capitalism and Islamic capitalism is that in the Islamic model risk is carried more by the lender than the debtor.

or leaning towards pacifist idealism, are both wrong. Tibi suggests that *dar al-Islam* (House of Islam) was never meant to necessarily equate with *dar al-Salam* (House of Peace) (Tibi, 2002: 176).

The only possibility of world peace in Islamic thought is perhaps a type of ultimate fulfillment of *da'wa* (the calling to Islam) and conversion to Islam, but this lack of idealism is supposedly why Islam encourages cooperation between Muslims and with non-Muslims. According to Tibi, war is accepted as a component of the Islamic tradition, but *jihad* is often confused with *qital*, which is a literal and physical war rather than being interpreted as it should be as a spiritual war against sin, which is much more present in Islamic sources (Tibi, 2002: 178-179). Ehteshami notes that there really exists no coherent “Muslim approach to international politics,” but that Muslim governments generally participate and support the international system, even forfeiting any notion of “Muslim solidarity” in international politics (Ehteshami, 2005: 45). This is also so in the case of Indonesia. Simbar largely agrees with both Ehteshami and Tibi, interpreting the Qur’an as a text that does not assume that peace is possible without divine intervention, but that the text is “calling for peace,” and desperately warning against “perpetually armed holy war” (Simbar, 2009: 119).

For Indonesia, in a primarily liberal world order, Muslim groups have generally thought of liberal economic policies as the best available way to

pragmatically engage with the rest of the world.⁵⁸ Islamic groups in Indonesia have interpreted alternative models of international society, such as global communism during the Cold War, as a threat to a cooperative world order. Groups, such as *Masjumi*, were profoundly worried by Sukarno's relationship with the communist world and his revolutionary foreign policy. Though they were denied a high level of autonomy, some Islamic organizations, such as the traditionalist *NU*, were willing to accept Suharto's engagement with the West and work with the regime. During the early years of Indonesia's democracy, Muslim Indonesians have offered support for the government's continued involvement in international economic institutions, despite the Asian Financial Crisis and the Global Financial Crisis. Declarations of revolutionary and violent sentiment have clearly been the exception in Indonesia rather than the norm.

The final explanation that I offer for the support of the liberal paradigm in Indonesian Islamic political culture is linked to the first two reasons outlined above. Indonesia is a country listed by the World Bank as a "Lower Middle Income" country

⁵⁸ It is also worth acknowledging that Indonesia is not unique as a Muslim majority state where Islam and economic liberalism coexist. Another highly populated Muslim majority country that is outside of the Arab world where Islam and liberalism interact is Turkey. Turkey's Justice and Development Party is a moderately Islamist political party that favours a liberal economic order and participation with the European Union (Yildiz, 2008: 50-1). The party has been a proponent of a Turkish "economic Islam" that is pragmatic and generally promoting the liberal paradigm (Keyman and Koyuncu, 2005: 112, 125). Turkey is similar to Indonesia in being a democracy with a secular constitution that is also a member of the G20.

in the “Developing World,” with a GNI per capita of just US \$2,500 in 2010. The Human Development Index scores Indonesia a rating of “Medium,” where lack of economic development has understandably been identified as the central threat to the Republic of Indonesia (World Bank, 2012). Over the decades, *pembangunan* (development) has not only been the central component of Indonesian foreign policy, but domestic policy as well. Islamic organizations have similarly shared this pursuit of *pembangunan*, but where they have differed from the Indonesian Republic is that they have consistently linked Indonesian development with liberal economic order, even before Indonesia became independent. I believe that it is a stretch to suggest that Indonesian Islamic organizations have been driven to a liberal economic paradigm out of ideological fervour. Rather, it has been a combination of the long-held relationship between Islam and trade, the belief in cooperation with international society, and a pragmatic commitment to economic development, that Indonesia’s Muslims have perceived to offer the best chance of success through liberal world order.

In the final section of the dissertation we will return to the Transatlantic divide. We will consider the American school of IPE and the British school of IPE to assess the strengths and weaknesses of the two approaches with reference to the contributions made by this dissertation. It will be argued that the British school, by privileging the broad study of politics, compared to the privileging of economics and

“imitative scientism” in American IPE, offers an auspicious starting point for greater development of the ideational turn in the IPE literature.

The Two Traditions of IPE: The Case of Indonesia

While this dissertation followed the British school of IPE, it did not reflect on the merits of the two traditions that became evident during the research. Instead we chose to follow David A. Lake and to “simply get on with the business” of research and refrain from methodological debates (Lake, 2011: 45). In this final section of the last chapter we will reflect on the two schools of IPE and demonstrate what the research suggests regarding the strengths and weaknesses of both American IPE and British IPE.

The first issue that we need to discuss is the liberal economic paradigm that the dissertation reveals to have a close association with Indonesia’s mainstream Islamic groups. As we reviewed in chapter one, American IPE has become overwhelmingly representative of the liberal paradigm of IPE. The American school of IPE assumes that the liberal paradigm, through the proliferation of market-based economic structures, will provide positive-sum gains for society and contribute to peaceful cooperation between states (Maliniak and Tierney, 2011). British IPE, on the other hand, has been much more pluralist, even holding a special place for the role of critical theory in the study of the international political economy. To a certain degree, this dissertation showcases the attractiveness of the liberal paradigm in Indonesia with its counter-intuitive findings on Islamic organizations.

Though it is true that we have detected a consistent acceptance of the international engagement within the liberal paradigm, discourse offering strong support for global capitalism is not necessarily as obvious. In fact, during the period of *Demokrasi*, there is a detectable sentiment of doubt that global capitalism will inherently help Indonesia develop. There also persists the fear that Indonesia could be subjected to another financial crisis. Perhaps most important in the contemporary context, is the concern over *korupsi, kollusi, dan nepotisme* (corruption, collusion, and nepotism—KKN) in Indonesia politics. Islam acts as both the context for engagement with the international political economy, but also as a bulwark against the dangers and potential injustices of global capitalism. It should also be remembered that Islamic organizations offered tepid support for capitalism leading up to independence. The oppressive economic structures that the colonial government placed on Indonesians to tie them to globalization during the nineteenth and twentieth centuries were a source of misery and discontent for most. These organizations did support regional and international trade, but they were not naïve about the importance of economic sovereignty. The debate on whether post-independence Indonesia should adopt a liberal economic orientation even resulted in a divide within the main *abangan* Islamic associations and was the context for the creation of the Communist Party of Indonesia (PKI).

A more direct critique of American IPE that we can make based on this dissertation is that if we were to follow its neoclassical assumptions on economic

interests then we would probably never have researched the Islamic organizations of Indonesia at all. American IPE's paradigm of Open Economy Politics (OEP) is particularly ill-suited to this study. OEP suggests that sectors, or "factors of production," derive their interest from their position in the economic activity of the state. Institutions of the state are then believed to structure and aggregate interests from individuals and society. It is what Lake characterizes as a "uni-directional conception of politics" that attempts to discern causal variables in the formation of economic interest (Lake, 2009: 225). It is this approach of causation, or, as Martin Hollis and Steve Smith describe the approach, "explanation," that overlooks the realm of identity and social forces as a salient force in the international political economy. As we discussed in chapter one, American IPE has marginalized the study of social forces and has thus missed out on exploring the potential research benefits of the ideational turn of IR. Certainly, American IPE has ignored the research being done within the British school of IPE. It has instead come to practice what might be better interpreted as "IpE" rather than IPE, and has little interest in contributing to a greater sense of, as Hollis and Smith define it, "understanding" the social construction of the international political economy (Maliniak and Tierney, 2011; Hollis and Smith, 1990).

Another dimension to the American-British IPE divide is the question of positivism in the discipline. American IPE, as noted earlier, has been influenced by American IR and neoclassical economics, and come to practice an "imitative

scientism” premised on rational-utility maximizers in a predictable environment. British IPE, on the other hand, has been influenced much less by the positivism of American IR, and has instead evolved in connection to the more interpretive method of the English school of IR (Cohen, 2007: 212). The question is whether a positivist approach is best for research on social forces and identity politics, and religion in particular. Just as the merits of positivism for the study of social forces and identity in IR theory have prompted a contentious debate (Wendt, 1999; Guzzini and Leander, 2006), so too is there a debate between positivist and interpretive methodologies for religious studies. This is a debate with support more clearly defined as in favour of the interpretive approach (Jakelić and Starling, 2006: 200-1, 210-11).

In a classic text on the study of religions, Lewis and Slater offer the case against positivist approaches, and one of the quintessential defenses of interpretive social science for the study of religion. In the selection below that is quoted at length, Lewis and Slater discuss the practice of positivist social science (Lewis and Slater, 1966: 18-19):

In the process of selecting and presenting ‘structures’ of belief and practice, he [the social scientist] has taken the raw material of religious phenomena and shaped the form of it so that their significance may be more apparent. In effect, he has told the philosopher what to observe, and, in doing so he has himself gone so far in the direction of interpretation that the question is raised: can there indeed be understanding without interpretation?

Adopting an interpretive approach of understanding has emerged as a dimension of the religious turn of IR, with much of the literature expressing skepticism about the

merits of traditional positivist approaches (Kubálková, 2000: 688-689; Riesebrodt, 2003: 98-99). In one of the more critical reflections on the positivist approach in the study of religious social forces, Scott M. Thomas argues against the “secular reductionism” of positivism, warning that this approach “is based on an illusion—the choosing, rational, autonomous self of liberal modernity” (Thomas, 2005: 96).

An important component of British IPE, and one that is not as clearly expressed in American IPE, is that IPE is a normative endeavour that ought to ask “really big questions” on systemic transformation and on social justice and equity in global politics (Cohen, 2007: 214-5). Though Indonesia is the fourth most populous country in the world and a member of the G20, it is still a Less Developed Country (LDC) according to the UN. It is hard to imagine conducting research on the pursuit of power and wealth in Indonesian foreign policy, or, for that matter, conducting research on any country in the world that might include field-work to some extent, and not reflect on broad issues such as economic justice. At the Vancouver 2009 meeting of CCSEAS (The Canadian Council For Southeast Asian Studies), I contributed to an open panel discussion for graduate students conducting research on developments in Southeast Asia. It was suggested that all of our dissertations might be subjected to a temporal bias caused by the 2008 Global Financial Crisis, and so all of our dissertation titles might need to include “In A Time of Crisis.” I realized that this would not be quite as warranted for a research project on Indonesia. This is because the political culture of the economy in Indonesia, to a

certain extent at least, is perceived to be in a type of continual crisis until the general economic *malaise* of poverty is overcome. This general *malaise* is probably heightened by an acute awareness among Indonesians of how great the potential is for absolute poverty levels to be eradicated, and for infrastructure and services to improve the lives of Indonesians. It is thought that if only government, business, and international actors somehow worked together a greater provision of wealth could be made available for all (Rieffel, 2004: 107). If American IPE does not ask questions on social justice like the British school, then the research might be missing a dimension that is inseparable from the international political economy, especially research conducted on LDCs.

One of the conclusions that can be drawn from chapter four on *Demokrasi* and *Reformasi* is that Indonesian's still have a high regard for the IMF and the WB. However, that does not mean that they naively trust global capitalism to automatically, and naturally, lift Indonesia out of poverty. This is particularly evident when President Yudhoyono speaks of Islam almost as an intervening variable between global capitalism and Indonesian society to potentially "soften" the injustices caused by capitalism. There exists in Indonesian political culture a view of Islam's sense of social justice. This sentiment is expressed through its hostility to interest charges, and denunciation of the pursuit of profit as an end in itself, as well as acting as a bulwark against the potential ills of capitalist world order. British IPE is skeptical that world order, as it currently exists, is the best world possible, a doubt

that one does tend to experience when researching Indonesia's not always successful pursuit of wealth and power.

Along with doubting the justice of contemporary world economic order, British IPE also asks us to be similarly suspicious of the intentions and ambitions of the state in its pursuit of power and wealth. It is the case that there have been some well-intentioned individuals that we have come across in our study, such as Natsir and Hatta. We have also seen how the state has been responsible for authoritarianism and violence that American IPE might lack a certain sensitivity towards. The study of the international political economy ought not to be merely the study of charts, graphs, and regression analysis. Behind the data is the human experience, both the positive, such as work, opportunity, prosperity, and family, but also the negative side of poverty, dispossession, instability, and crisis. Indonesia is a young democracy that has been remarkably successful at resisting attempts at authoritarianism and totalitarianism, but economic crisis certainly has the potential to create the conditions for the erosion of democratic freedoms and the transition to power of non-democratic blocs, such as the totalitarian *Front Pembela Islam* (Islamic Defenders Front), *Jemaah Islamiyah* (Islamic Congregation—JI) and *Laskar Jihad* (Warriors of Holy War) (Desker, 2003; Schulze, 2002; Wanandi, 2002) and the potentially authoritarian *Tentara Nasional Indonesia* (Military of Indonesia—TNI) (Rieffel, 2004).

This dissertation represents a significant contribution to the British school of IPE. It presents an examination of social forces in the politics of the international political economy, and in the area of the foreign economic policy of a state. Also, this dissertation acts as an important case study in the predominance of the liberal economic paradigm in the Islamic politics of Indonesia. It is also hoped that scholars of American IPE too might gain some insight into their primary paradigm of liberalism that has gone under-researched as a result of their reluctance to engage more fully with LDC case studies. Furthermore, scholars and students who are interested in the role of religion in global politics might come to this study from the perspective of IPE, a perspective that has not been developed in the IR-centric ideational turn and religious turn. Finally, I hope that this study sheds some light on the politics of Indonesia for the English-speaking world.

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