INDONESIAN POLITICAL ECONOMY OF DEVELOPMENT AND LESSONS FOR NIGERIA.

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Abstract: The growth of any country is measured by the vibrant nature of its political economy. Indonesia is known to be among the largest and fastest growing economy in the world, both in economics, natural resources, geography, and demography. Indonesia has lived in different scenarios since its independence in 1949. From an authoritarian regime to its present state of free market and democratic system. Based on these variables, this paper examines, in brief, the most significant stages of the country’s post-colonial development, taking into cognisance the major events that transformed the economy of Indonesia, to comprehending the strength and weaknesses that led to its growth. Using the Economic Nationalism theory that, a country protects its own economy by reducing the number of imports and investments from other countries, the paper reveals that Indonesia have used her political and economic resources/initiatives to achieve development. Through secondary data such as journals, books and the internet, the paper will analyse Indonesia’s post-colonial challenges, such as the Asian financial crisis, and the Covid-19 pandemic. It will conclude on how Indonesia managed its political and economic crisis to attain tremendous growth and recommend that Nigeria should use her political and natural economic resources to modernize and pull her citizens out of poverty and reposition as a political and economical giant within Africa and the globe.

Keywords: Political Economy, Indonesia, Economic Nationalism, Asian Financial Crisis, Covid-19 pandemic, Development, Nigeria.

1. INTRODUCTION

Indonesia archipelago is a group of islands nation in Southeast Asia and Oceania, it lies between the Indian and Pacific oceans. Indonesia consists of more than seventeen thousand islands. Indonesia is the world’s largest island country and the 14th largest country by land area, at 1,904,569 square km (www.nhtransit.com). It is the world’s 4th most populous country with over 267 million people, as well as the most populous Muslim-majority nation. The world’s most populous island Indonesia is Java, known as home to more than half of Indonesia’s population. Indonesia was annexed by India and colonized by the Chinese dynasties before falling into the trap of the Europeans (Netherlands), which led to a very solid economic foundation while that of China/India led to strong values, culture, and industrialization. Since the independence of Indonesia in 1949 from the Netherlands and its freedom from the Japanese occupation, the country’s economy was left in an extremely worse condition and its national income was far below the global level in the 1940s. Although compared to the third world countries, the economy fared better in the early years of independence, this was because of the colonial economic structure left behind by the Dutch and not because of modernization. Marked by severe political instability, the country experienced about 17 cabinets from 1945 to 1958 which were led mainly by the non-communist party that was seeking for support with its adopted populist policies to strengthen the PKI (Communist Party of Indonesia) instead of enhancing an economic development that was based on indigenous wealth. Rosotti (2019) in Rosser (2007).

By 1956, the leadership of Sukarno began the proclamation of the “Guided Democracy”, an Indonesian system of government that significantly represented the interest of the social groups like the Islamic, army and communists’ groups. Despite the unanimous method that the “Guided democracy” adopted in ruling the people of Indonesia, the country shift from the center left programmes to radical policies. Important among them was the new laws for agrarian and the American/ British assets nationalization. Although different reasons were given for Indonesia’s
radical economic policies, there was this great desire to naturally eliminate liberalism in the economy since they had suffered a huge loss during the colonial era. Similarly, these changes also caused an average GDP growth in the 1960s which did not measure up to the population. According to the World Bank, the lower personal income was about 1000% in 1965 and together with the high inflation, it had a tremendous impact on the overall status of the economy.

In 1967, the army took over in a coup because the citizens became unhappy with the economic performance of the nation and its increased communists’ prominence. Thus, by 1968, Suharto was made the president. His tenure (New Order) lasted for over three decades with a practical economy and financial stability and reforms that were focused on attracting foreign investments across the world. So, a group of US technocrats made this feasible through the appointment of the “Berkley Mafia”. This Berkley Mafia was a Socio-economic and policy think-tank of the Suharto government that superintended all strategic policy and programmes in Indonesia under the new order. However, one of the factors that led to this great development was the economic policies of the New Order.

This was followed by oil price shock after 1973. Thus, Indonesia moved from a predominantly agrarian economy to hydrocarbon exporters. The shift was influenced by foreign geopolitical events, especially the Viet Nam war. The US was afraid of an expansion of communism in South East Asian if Hanoi emerges as a victor in the Indochina war; hence, using large quantities of development aids, the US supported the anti-communist regime by giving Indonesia top aid during the 1970 war. Additionally, the economic growth in the country continued up until the 1980s, only during the fall in oil prices that it slowed down. The reforms from the world recession of the 80s made possible this remarkable stability. Suharno's team of economists called for the Rupiah to be devalued, and there were fuel subsidies and a cut in food prices. The team also pushed for tax reform and the liberalization of the financial system. After the second fall of the oil prices, similar reform policies were also undertaken to cushion the effect of the recession.

Furthermore, the proximity to other Asian Tigers and to Japan was a great advantage. It is known that Indonesia reacted productively to the crisis in the 1980s thereby maintaining growth rates that was above the world average and at the same time control the inflation. Also, in 1993, the World Bank listed Indonesia among the “Asian Tigers”, a group of 8 high-performing Asian economies (Hong Kong, Indonesia, Thailand, Japan, Singapore, Malaysia, Taiwan and the Republic of Korea) due to its remarkable achievements during the first two decades of the New Order. These Asian Tigers stabilized their economies with proactive developmental policies that led to quick growth in the region. They had open policies that enhanced capital accumulation by making banks more reliable and by encouraging high levels of domestic savings. Rossoiti (2019). Skilled labor was increased through universal education across the country. Another round of huge growth for Indonesia was during the half of the 20th century when Iraq invaded Kuwait and oil prices increased globally. Since the country had good policies in place, it started attracting huge amounts of foreign capital.

According to the World Bank, direct foreign investment jumped from 1.03% of GDP in 1990 to 2.74% in 1996. Thus, Indonesia saw itself soaring as a non-oil exporter and better integrated with the global market. In summary, Indonesia enjoyed a robust transformation during the decades of the new order in many regards. Similarly, the World Bank noted that the population that lived with less than $1.90 per day was 70.3% in 1996. The condition continued to improve and between 1970 to 1996, Indonesia outperformed in growth in every region of the world. Although, serious socio-economic and natural disasters such as corruption, social-political upraises, and agitation for more social justice, infrastructure deficit, volcanoes, elitist overbalance, poor banking systems, lack of nationalistic feelings among the citizens were all present. Despite these, Indonesia was able to remain afloat to withstand the dangerous turn of the Asian Financial crisis. Today, the outbreak of the Covid-19 Pandemic has hit the world hard, further exacerbating the political economy and awaken nations self-induced and auto mode. Again, Indonesia has tackled this crisis effectively and it’s presently revamping her economy.

Using the Economic Nationalism theory that, a country protects its own economy by reducing the number of imports and investments from other countries, the paper reveals that Indonesia have used her political and economic resources/initiatives to achieve development. Through secondary data such as journals, books and the internet, the paper will analyse Indonesia’s post-colonial challenges, such as the Asian financial crisis, and the Covid-19 pandemic. It will conclude on how Indonesia managed its political and economic crisis to attain tremendous growth and recommend that Nigeria should use her political and natural economic resources to
modernize and pull her citizens out of poverty and reposition as a political and economical giant within Africa and the globe.

2. THEORETICAL FRAMEWORK

This paper examines the political economy and development in Indonesia, using Economic Nationalism Theory that describes a process by which a country protects and controls its own economy by reducing the number of imports and investments from other countries and by generating national resources to serve the interest of the country. It relates to a set of national policies that regulate the relations between a country and the rest of the world. (Heilperin, M.1960). This is an ideology that favors state interventionism with policies such as domestic control of the economy, labor, and capital formation, over other market mechanisms, even if it requires the imposition of tariffs and other restrictions on the movement of goods, labor, goods, and capital. Economic nationalism is also known as Mercantilism. In international relations parlance it is referred to as Realism, a situation that tends to be a zero-sum game. This approach is where nations tend to be in disputes and develop policies that can assist them to gain at the expense of another nation or nations. In an increasingly interdependent world, political and economic cooperation between countries is a positive-sum game because both sides win. The benefit may not be equal, but both sides benefit (www.lewisu.edu, 2018).

Economic Nationalism opposes globalization and frowns at the benefits of unrestricted free trade thereby tilting to the side of protectionism. The economic nationalists’ view is markets are subordinate to the state and should serve the sole interests of the state (such as providing national security and accumulating military power). It sees international trade as zero-sum where the objective is to derive relative gains as against mutual gains. Economic nationalism emphasizes industrialization which often boosts industries with the support of the state, they believe industrialization has positive spillover effects on the entire economy, promotes political autonomy and self-sufficiency of the country, which is a crucial aspect in building a national military power.

For instance, there exist an economic policy in the USA where tariffs are placed on foreign cars, giving indigenous producers such as GM and Ford, the market power and advantage to increase the price of cars that negatively affects the American consumers who faced higher prices and fewer choices. The idea that Economic Nationalism theory has gained relevance in today’s world is indisputable. Indonesia’s rich natural resources such as the tin to nickel, copper, and natural gas, are a yardstick to keep more of the wealth for the greater benefit of its 265 million citizens by restricting exports. The theory is tightly connected to the strategies/initiatives that Indonesia employed to boost economic development starting with Suharto. According to President Yoko Widodo, we shall maintain our sovereignty and guard our natural resources by using it as much as possible for the prosperity of the Indonesians. While this theory may pose a risk to South-East biggest foreign investors, it will probably win a vote. Also looking at the consistency in growth in the past decades remains the likely trend in years ahead.

Using the economic nationalism theory by Ernest Gellner, he argues that nations should use their resources to actualize their economic desires but not to allow other nations to tap it away. This is because the primary target of the economic resources is for the benefit of the citizens and the nation that has the resources. For instance, China and Indonesia have used their economic resources for the greater gain of its citizens. This has been achieved through committed and visionary leadership that is masses driven/oriented (inclusive). These countries have strong currencies, cultures, and institutions that regulate their political and economic activities. But in Nigeria, the situation is far from good. Nigeria is rich and endowed with natural and human resources but 95% of the economic resources especially crude oil is controlled and used by foreigners, and not to the benefit of the Nigerian citizens.

For Nigeria, this theory is often misapplied. Since Nigeria’s independence in 1960 from its British colonial ruler, the nation has been struggling with the crisis of good leadership and lack of citizens inclusion, policy somersault, lack of clarity in Grand strategies, and many more. Nigeria has abandoned it education, health, infrastructures, security, and all that concerns its citizen’s welfare. Nigeria also suffers from capital flight and brain drain as the very skilled citizens migrate to foreign lands in such of a better standard of living. These have led to the current state of citizen’s agitation, insurgency, and underdevelopment. For every nation across the world is in the struggle to control their economic resources. China is using its economic resources through the Belt and Road Initiative of President Xi Xinpeng to control the world and gain influence for the benefit of its citizens. Indonesia is the world’s largest producer and exporter of hydrocarbon. It can also be observed with BREXIT, as Britain through
the leadership of Theresa May decided to leave the European Union to control its economic resources since their jobs are been taking over by foreigners. Other instances of the application of economic nationalism are the trade war between the US and China, and the annexation of Crimea by Russia just to gain control of the economic resources in the region.

3. THE POLITICAL STRUCTURE OF INDONESIA

Indonesia operates a political structure that is Republican in nature. It is the Republican Republic that is a federal state in which all authorities are consolidated in the central government. After a long period of colonial rule by the Dutch, and the occupation of the Japanese during the Second World War, the Republic of Indonesia was born in 1945. To form a central government, the founding fathers created a federal state to help in the unification of the people of Indonesia from across the varied cultural, ethnic, and religious blend found among the archipelago. The Republic of Indonesia continued to practice the federal system of government for a period of five years since independence until 1949, when it embraced the United Republic of Indonesia model for seven months until in August 1950. However, based on the 1945 Constitution, Indonesia reverted to the practice of the central unitary state.

By 1966-1998 which was the end of the Indonesia new regime, the country underwent an all-inclusive reform in both the political and governmental institutions. As four amendments were enacted in Indonesia in 1998-2000 to the 1945 Constitution, with the recognition and reorganization of the judicial and legislative authorities. Then the government of Indonesia faced pressure by the provinces to reduce the centralization of power. This birthed the autonomy of the provinces and the subsequent transformation of the system into a republican and decentralized constitutional democratic model. First, the Indonesian Constitution was written in July 1945, but suspended and replaced with the Federal Constitution of 1949 and the Interim Constitution of 1950, and then the Constitution of 1949 was reinstated in July 1959 (Jakarta embassy, 2020). The Constitution regulates the activities and relationship between the status of the State and the other states institutions as well as the powers, responsibilities, and functions of the State officials.

According to the Constitution, the President is the head of Indonesia’s executive authority, who acts as the head of state, government, and commander-in-chief of the armed forces, with the responsibility for local administrations. The President and Vice-President are elected by direct vote for a single term of five years and shall be allowed to govern for two consecutive terms, as provided through the Shura Council in previous events before 2004. To manage the country independently. The prime minister is appointed with the enormous powers to act in situations of emergency. Also, the Supreme Court, which is the highest judicial body, has it appointed judges by the President of the Republic. The judiciary is composed of a variant court that is distinguishable by jurisdiction. Many of the civil cases are adjudicated before the national courts, with appeals heard before the Supreme Court.

Other courts in Indonesia include The Commercial Court which examines insolvency cases and bankruptcy. The State’s Court of Administration considers cases of administrative law against the government. The Constitutional Court examines cases related to the general elections, the dissolution of political parties, and the legality of laws including state institutions. While dealing with legal cases is within the jurisdiction of the religious courts. The Indonesian environment has a large range of political parties which differ in both ideological and intellectual backgrounds. In 1999, about 48 political parties participated in the elections. But only 9 parties formed a quorum which allowed them to participate in the Parliament. Indonesia had 7 cabinets following its revolution; These are Sukarno-1945-1967, President Suharto-1967-1998, B.J Habibie-1998-1999, Abdurrahman Wahid-1999-2001, Megawati Sukarnoputri-2001-2004, Susilo Bam bang Yudhoyono-2004-2014 and presently is President Joko Widodo, from 2014 to date.

3.1. The “Guided Democracy” system in Indonesia

Since the rebellions that engulfed Indonesia in 1957, the maiden steps towards a form of government by President Sukarno were called the ‘guided democracy’. This was announced in a gathering of Indonesia's political Chiefs and military leaders, among them, was the Hatta, the former Vice-President of Indonesia, on a proposal to review the government. Sukarno declared that the Western concepts of parliamentary democracy in Indonesia had led to recurring crises, because of the weakness of government authority and the vehemence of political opposition,
Sukarno suggested a system in harmony with the soul of the Indonesian people, a system in which all members of the family seat at table. At the eating table and at the working table (Van der Kroef, J., 1957).

At first, the cabinet review was to include the representatives of all political parties with a sizable delegation from the parliament (this criterion of size and the permission to include a political party in the new cabinet was at the discretion of the parliament). Very few parties were accommodated by having one of their members appointed to the position of a vice-premier in the new go tong rojong (mutual co-operation) cabinet. Also, the National Advisory Council was to be formed and led by President Sukarno himself, which will advise the cabinet, whether it likes it or not, and which would consist of representatives of "functional groups of society, such as the peasantry, labor, the intelligentsia, national entrepreneurs, various religious, youth, and women organizations.

The “Guided Democracy” was rather a fluid system of government burdened with the enormous crisis, and a constantly changing political atmosphere all through the most critical era of the history of Indonesia since the revolution.

The Guided democracy was dominantly the brainchild of President Sukarno, although with shared initiatives from the onset with the army leadership. The guided democracy was radical in nature, but masses are driven. It offered the Indonesians peace and stability for at least eleven years. During this period, many observers saw Sukarno as a dictator and as his demeanor grew more ostentatiously as some began to see him as an aging lampoon. However, President Sukarno was neither of these things. He was a highly skilled manipulator of symbols and men. He could charm a potential adversary with equal ease, although he was also very skilled at hating his enemies. He offered Indonesians something to believe in, something which many hoped would give them and their national dignity and pride (Ricklefs M.C.,1993).

Fundamentally, President Sukarno had a lot of challenges leading to post-independence, and as an emerging nation into the economy of nations but he made tremendous growth with no one to help Indonesia. However, many countries copied the guided democracy. Even the Americans abandoned their democracy and used the guarded democracy, calling it the -rule of law-. France also copied the guarded democracy and it helped them. Similarly, India, Malaysia, New Zealand also used it to safeguard their democracies. Sukarno brought himself forward in the during the crisis of 1957, as others joined him to maintain his central position. But all these were in support of a political balance that even Sukarno could not maintain. A political balance which introduced an agreement between irreconcilable interest groups and was not acceptable by anyone. Although Sukarno had his own vision about the future, he had none that was generally satisfactory by his people and the future of his nation. The promise of guided democracy was an empty one (Ricklefs M.C.,1993).

None the less, despite all its limitations and challenges, the guided democracy was able to fill the political void that plunged the country into chaos and crises, as well as democratic conflicts and confrontations between and among the various centers of power. Furthermore, the system of guided democracy also brought about relative peace, harmony, stability, progress, and prosperity to Indonesia for about eleven solid years. Something that was a tall dream before the emergence of Sukarno.

3.2. The “New Order” system in Indonesia (Golden Era)

The New Order, also known as Orde Baru or Orba in Indonesia is a term that was coined in 1966 by the Indonesian President Suharto to differentiate his regime from that of his predecessor President Sukarno’s "Old Order," or Orde Lama. The regime of General Suharto also known as the Golden Era brought Indonesia to a stage of imposed political stability and the beginning of the economic revival, and financial stability using the Bertley Mafia as a think tank. The New Order instilled cultural values in the citizens and introduced substantive reforms that attracted foreign investors into Indonesia’s hydrocarbon sector. Although the army holds predominant and ultimately political power, civilian participation in government is considerable and effective (www.cia.gov,2005).

In 1965 after the attempted coup, the political situation in Indonesia was uncertain, but Suharto’s New Order gained more popular support from the various groups wanting a break away from the crisis of Indonesia since its independence. A group known as the ‘generation of 66’ (Angkatan 66) championed a discussion with a new group of young thoughtful and new intellectual leaders. Following Indonesia's communal and political disputes, the
collapse of economic and social order in the 1950s to the 1960s, the "New Order" was devoted to maintain and achieve political and economic development, with the removal of mass engagement in the political processes. The characteristics of the "New Order" in the late 1960s were embedded with a strong political role for the army (totalitarian), the corporation of political and bureaucratic procedures, and organization of society and selective but effective repression of opponents was key, among others.

The hallmark of the regime’s 32 years reign was full of strident anti-communist doctrines, and Islamism as the focus in the early 1990s. However, many of the key allies during the years in disputes turned against the New Order, which was composed of the army faction aided by a small group of civilians. In 1998 many of the pro-democracy groups that forced Suharto to resign during the Indonesia Revolution gained power and the term “New Order” become derogatory. It then became popularly used to relate to personalities who were either linked to the Suharto era, or who endorsed his authoritarian practices such as nepotism, collusion, and corruption.

### 3.3. Joko Widodo’s Era

Joko Widodo, also known as Jokowi, was born on June 21, 1961, in Surakarta, Central Java, Indonesia). Joko Widodo is a businessman, government official, and a politician who served in 2012-2014 as the governor of Jakarta. And in 2014, he became the president of Indonesia. Joko Widodo attracted the attention of the international community due to his populist style anti-corruption platform through campaigns. He emerged as Indonesia’s first elected president without any military background or a descent of the country’s prominent political families. This was seen by many observers as the beginning of a new, more democratic, and political era in Indonesia. Born and raised in Surakarta, a city in the center of Java northeast of Yogyakarta. Jokowi’s father was a wood seller who plied his trade within the streets, living near the city’s flood-inclined Solo River in illegally built shacks throughout much of Jokowi’s childhood.

For this reason, his populist appeal when joined politics was deeply rooted and connected in part to those humble beginnings. Later, Jokowi enrolled himself at school at the Gadjah Mada University in Yogyakarta, where he graduated with a degree in forestry engineering in 1985. For many years Jokowi worked for a pulp mill company that was state-owned in the Aceh region of northern Sumatra. He further established his furniture factory in Surakarta. Jokowi became successful furniture exporter in 2002, with many showrooms across the continents, as well as the chairman of an indigenous furniture branch of Indonesia’s influential furniture manufacturers’ association (Hollar, S. 2014).

In 2005 as a member of the Indonesian Democratic Party of Struggle (Partai Demokrasi Indonesia-Perjuangan; PDI-P), Jokowi won election as the mayor of Surakarta. The first to be directly elected to that position. He was an extraordinary and effective leader who reduced the crime in Indonesia to the barest and attracted many foreign tourists to the city. He made a habit of making spontaneous visits to poor neighborhoods and refused to accept a salary meant for his public service. These acts contributed to promoting his reputation for honesty and humility among the populace. Jokowi was re-elected a mayor in 2010 with more than 90 percent of the votes. He was ranked as the third best mayor in the world by the international City Mayors Foundation (Hollar, S.2014).

By 2012 at his gubernatorial campaign in Jakarta, Jokowi began to be widely compared in the media to U.S. President Barack Obama, in part because there was a physical resemblance but also because Jokowi largely fit the Obama mold as a charismatic non-traditional politician (www.britannica.com). Jokowi won the incumbent, Fauzi Bowo, in the second round of the election, and became the governor of Jakarta, where he initiated and launched programs geared towards the improvement and access to health care and education to all Jakartans. By 2014, Jokowi was selected as the presidential flagbearer by the PDI-P for the Indonesia election that held on July 9. He won with more than 53 percent of the popular vote, defeating former general Prabowo Subianto.

On October 20, 2014, Jokowi took over the office. As Jokowi entered the presidency, he identified clamping-down on corruption as among his top priorities and as a necessary step to attract more foreign direct investment to the country (www.scribd.com). He also pushed a nine-point plan for Indonesia that emphasized helping the poor by improving public services, implementing land reforms, and developing more affordable housing, among other measures (www.britannica.com). Jokowi's leadership has been elitist to masses driven. He has remained visionary, committed, and consistent with the provision of adequate modern social Infrastructure.
4. **THE ECONOMY OF INDONESIA**

Indonesia is the largest economy in Southeast Asia, rich in all types of natural resources. As a young and dynamic democracy, it has rapidly modernized and urbanized into a 21st century nation. Compared to most OECD nations and many emerging economies, about half of the Indonesian population is under 30 years old, with a working-age population ratio set to rise in decades ahead (United Nations, 2017). Indonesia is a diverse archipelago nation of more than 300 ethnic groups that has charted an impressive economic growth after it overcame the Asian financial crisis of the late 1990s (OECD, 2020).

Two decades after the 1998 Asian Financial Crisis, and one decade after the Global Financial Crisis, Indonesians’ living standards are far higher than before, and their economy has gained resilience and stability (OECD, 2020). The nation’s GDP per capita has risen by 70% over the past two decades (OECD, 2020). The end of the commodity price boom weighed on incomes and government revenues, yet the GDP growth of Indonesia have remained around 5%, and per capita income increased by almost 4% annually (OECD, 2020). Currently, Indonesia is the world’s fourth most populous nation, the world's 10th largest economy in terms of purchasing power parity, and a member of the G-20 (OECD, 2020). In an emerging lower-middle-income country, Indonesia has made enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999, to 9.4% in 2019 (World Bank, 2020).

The economic plan of Indonesia follows a 20-year development plan, spanning from 2005 to 2025. It is segmented into 5-year medium-term plans, called the RPJMN (Rencana Pembangunan Jangka Menengah Nasional) each with different development priorities (OECD, 2020). The current medium-term development plan, the third phase of the long-term plan, runs from 2015 to 2020 (World Bank, 2020). This laudable plan focuses on, among others, infrastructure development and social assistance programs related to education and healthcare. Such shifts in public spending are enabled by reforms of long-standing energy subsidies, allowing for more investments in programs that directly impact the poor and near-poor (World Bank, 2020). Although considerable challenges still exist in achieving Indonesia’s objectives. Out of a population of about 267.3 million, around 25.1 million of Indonesians still live below the poverty line (www.dailymail.co.uk).

The World Bank data in 2019, shows that approximately 20.6% of the entire population of Indonesia is vulnerable to falling into poverty, as the citizens income hovers marginally above the national poverty line (World Bank, 2019). Prudent macroeconomic policies and progress in structural reforms have been recognized by credit rating agencies, and Indonesia has climbed up international rankings of competitiveness and the business environment (OECD, 2020). Since 2015 Indonesia has leaped 34 places in the World Bank’s Ease of Doing Business ranking to 72nd (OECD, 2020). Indonesia is the 9th fastest growing economy in tourism, and the highest exporter of rice, Palm oil, and electricity. While greater efforts are being carried out to improve basic public services, the quality of schools and health clinics is uneven by standards of middle-income country, allowing for more investments in programs that directly impact the poor and near-poor (World Bank, 2020). Although considerable challenges still exist in achieving Indonesia’s objectives. Out of a population of about 267.3 million, around 25.1 million of Indonesians still live below the poverty line (www.dailymail.co.uk).

4.1. **THE ASIAN FINANCIAL CRISIS AND THE INONESIAN MODEL**

A few years after the proclamation of the South Asian miraculous economic growth by the World Bank, the most dramatic financial crisis hit the region. This was triggered by Japan with the depreciation of the Yuan against the US dollar as a monetary policy expansion which was needed to aid the country’s banking challenges and the stagnant economy. The crisis had a huge impact on Indonesia and Thailand since they were in trade with foreign direct investment from Japan. This action made the Thai and Indonesian goods towards Japan less competitive and this moved the attention to the problems with Jakarta and Bangkok US dollar pegs. These pegs were unsustainable as Thailand became first to devalue its currency and Indonesia second, leading to a high surge in public debt and inflation. Hence, the adoption of five main economic policies to respond to the crises.

The key measures were strict monetary policy, with very high-interest rate levels; large budget deficit, closure of 16 banks, weak prudent banking regulations, and economic liberalization (getting rid of monopolies). All these policies in conjunction with the contraction of strong export made the GDP to adversely drop with increased unemployment. Eventually, Indonesia was rescued by the International Monetary Fund (IMF). The Suharto’s regime and the IMF signed a deal of about 43bilion dollars to ensure strict monetary policies and to importantly
enhance sectoral and institutional changes geared towards areas of favoured regime patronage. As unpopular and extreme as these reforms were, especially among the elites and allies of the president, discontent began to brew with popular protest and loss of support from traditional institutions like the army. Hence, Suharto resigned in 1998. A fast process of democratization followed his departure and liberalization and cultural and political fields began to gain momentum.

By 1999, Indonesia held its first election and Abdulrahman Wahid emerged as the President by the parliament and the country moved to another new phase of its history. Nevertheless, Suharto's regime had an impact on the economy of Indonesia. During his tenure, Indonesia witnessed huge economic growth with benefits for the larger population. During his leadership, Indonesia according to CESRAN (2019) data, in 1967, when Suharto's got to power, Indonesia ranked 32nd in terms of GDP; three decades later, before the Asian Financial Crisis, Indonesia ranked 21st. This remarkable transformation was based on the efforts of Suharto's skillful technocratic economic team. On the contrary, the authoritarian regime of Suharto suffered typical problems that were associated with similar systems of government, such as weak institutions, dependency on resources, corruption, clientele, patrimony, and many more. Therefore, it was hard to manage the legacy left behind by successor democratic governments.

4.2. THE ASIAN FINANCIAL CRISIS AND THE INDONESIAN ECONOMY MODEL

Even though the political economy of Indonesian development spanned through several regimes and administrations, the nature, character, and destinations of the model are one and the same. In spite of the differences and variances in both policies and programmes occasioned by the styles and panaches of the different leaders, the typologies and technical strategies of their planning, implementation and evaluation are all nationally driven and developmentally motivated, focused and determined. Although these initiatives were never an end in themselves in terms of implementation as problem solving mechanisms, however, played a crucial role in the recovery of Indonesia by providing huge capital and aid. They are as follows:

1. The strengthening of the economic initiative in the Eastern and Southern-eastern Asian region through project “Manila Framework Group” in 1997, where about fourteen states established a regional economic surveillance mechanism to ensure financial and crisis management.

2. The creation of the Association of Southeast Asian Nations (ASEAN) to improve macroeconomic and financial surveillance among member states.

3. The Japan Ministry of Finance “New Miyazawa initiative” with a chain of bilateral mechanisms to support Asian nations.

4. The Asian counterpart of the IMF (The Asian Monetary Fund).

With the ascendance of Megawati Sukarnoputri presidency, the chaos in Indonesia began to improve. She adopted the tradition to use the Berkley Mafia as technocrats and economic team. Also, she had a better position to reconcile international creditors by carefully adhering to IMF and World Bank directives. This brought back market confidence in Indonesia. By 2003, Jakarta was no longer borrowing from the IMF Extended Fund Facility. These help her to commence the privatization process with PT Telkom and Indosat to be precise. The GDP terms accelerated under her watch due to the oil price rise. But in 2004, Megawati was defeated by Susilo Bambang Yudhoyono (Democratic Party) in the ever first free elections held in Indonesia.

Despite this change, the macroeconomic aspect of Jakarta remained the same with bank capitalization, a reduced deficit, rupiah appreciation, and low-interest rates. Precisely ten years after the Asian Financial Crisis in 2008, the world was hit by another dramatic crisis called the Great Recession. It was a Global Financial Crisis which was more acute than the 1997 depression. Banks collapsed but for Indonesia, 2008 -2012 was not a critical period. In truth, its economy grew and since then, the Indonesia economy has done better with a GDP average rate of 2% compared to the rest of the world.

Then came the global outbreak of the Coronavirus pandemic, which originated from Wuhan in China. The disease named novel coronavirus 2019(Covid-19) is known as an infectious disease caused by severe acute respiratory
syndrome coronavirus 2. The disease came with rapid disruptions and a sudden halt in human activities. The Covid-19 outbreak has spread across over 100 territories and countries in every continent of the world, snuffing lives out of mankind. Due to the fast spread, the World Health Organisation (WHO) declared it a pandemic to enable governments to take responsibility and respond quickly to the issues it presented (Albert-Makyur, S.D., 2020).

The pandemic equally affected the economy of Indonesia. Scholars have identified four main indices to the Indonesia approach in relation to two crises.

1. By 1998, the financial system of Indonesia was very weak; particularly with regards to the Non-Performing Loans Ratio around 27%. Indonesia banks were stable and healthy in 2008 during the Asian Financial Crisis and the NPL ratio of less than 4%.

2. Indonesia was using a managed floating exchange system that fell in 1998 during the Asian Financial Crisis. Thus, the transition to a floating system that was free caught the economic players unaware. But by 2008, they got used to the exchange rate system and learned to diversify their risks.

3. Most of the policy responses to the crises in 1998 were proved ineffective. Indonesia adopted a different approach by incrementing liquidity, lowering taxes, and providing a social safety net, this mitigated the impact of the crises on the poorest segment of the society.

4. According to the World Bank, in 1998, Indonesia’s exports accounted for over 50% of GDP. In 2008, only 29% was accounted for. To this fact, the Global Recession had minimal impact on the country compared to other G20 nations.

4.3. COVID-19 PANDEMIC IN INDONESIA

Indonesia is one of the many countries across the world experiencing severe changes to their economic and social structures due to the COVID-19 pandemic. The citizens have been forced to aggressively reduce social interactions to prevent the rapid spread of the disease. These measures inevitably have a great impact on various sectors that run the economy of Indonesia, as they have been forced to adapt to new and unique circumstances. The economic sectors highly affected by the COVID-19 pandemic contributed 71% to the national GDP in 2019 (www.humanitarianresponse.info, 2020). The five highly impacted sectors (oil and gas, manufacturing, wholesale and retail trade, repairs, transportation and storage, accommodation, and services), made up 41% of the Indonesian economy in 2019, employing 45% of the country’s total workforce (www.relief.int, 2020). Indonesia is home to upstream oil and gas fields activities which are an integral part of the country’s economic growth.

To cushion the impact of the Covid-19 pandemic, the government has put in place key changes to regulate activities affecting the oil and gas sector. This includes an announcement of a fund allocation of IDR. 695.2 trillion by the Indonesia government to mitigate against the crisis, with an additional IDR. 203.9 trillion for social assistance (www.reliefweb.int, 2020). Similarly, the government enacted a Presidential Decree No. 7 of 2020 regarding the COVID-19 Mitigation Acceleration Task Force (“PD 7/2020”) and Government Regulation No. 21 of 2020 (www.lexology.com, 2020), regarding Large-Scale Social Distancing to Accelerate the Response to COVID-19 (“GR 21/2020”), both of which help implement the Health Quarantine Law (www.reliefweb.int, 2020). This requires regional governments to implement large-scale social distancing, which includes the lockdown of workplaces, schools, and restrictions on religious gatherings and other activities in public facilities.

However, these restrictions must consider the fulfillment of the basic needs of citizens, food, and drinks including but not limited to health services, and other daily requirements. The government regulation also exempted the production of oil and gas, coal and minerals are among many businesses/institutions that provide essential goods and/or services from the lockdown under the large-scale social distancing programs. This is to avoid total economic lockdown and the meltdown effect on the citizens and to keep the economy on a slow pace but steady actions. The Indonesia government initiated the “New Normal” after a few months into the pandemic to begin the removal of social distancing following various health protocols to enable the reopening of schools, workplaces, and some public activities particularly in the oil and gas sector, with the hopes the “new normal” can revitalize business activity while maintaining some control over the Covid-19 pandemic.
4.4. INDONESIA TRANSFORMATION IN THE 21ST CENTURY

As noted in our earlier discussion, the years of Suharto recorded great transformations in Indonesia, even after the Asian Financial Crisis. The change to democracy had a great effect on policymaking, as the Reformasi era underwent a central political and policy system with a powerful and dominant president who reigned for 32 years with a diffused and evolving system with a more pluralistic and an increasing dynamic parliament. They stood out more as an independent institution, making political negotiations as key for the first time in decades. Even the judiciary became seemingly autonomous but with a slow and ineffective transformation in many events. Indonesia witnessed the proliferation of civil society groups and life returned to normalcy. In economic terms, the guidelines that were set by the IMF, the World Bank, the US, and other bilateral donors failed to be effective in the earlier autonomous development agenda of the regime. But there was continuity with four agendas of the new order which helped to keep development on track. These were: equity outcomes, slow administrative reforms, prudent macroeconomic management, and open economy.

5. FINDINGS

5.1. Indonesia has recorded several challenges including natural disasters since independence in 1949. These challenges are similar with Nigeria.

5.2. Indonesia and Nigeria have experienced colonization, military regimes, financial crisis, and the Covid-19 Pandemic.

5.3. Both nations are agrarian and have close population with Indonesia leading with 267m and Nigeria about 200m.

5.4. They borrowed loans from the IMF and the World Bank, respectively.

5.5. The two nations are religiously and ethnically diverse with about 350 groups co-existing together. However, Indonesia has over the decades overcome these wanton challenges and made giant political economic strides due to the following major attributes: disciplined/ visionary leadership, policy clarity/consistency, capacity building (political/ Economic), promotion of economic nationalism, policies led by technocrats, but regulated by government.

5.6. Today, Indonesia is the largest economy in Southeast Asia. It is identified as one of the emerging world market economies with upper-middle income population. Indonesia is the 7th largest economy in the world in terms of GDP, and a member of the G20. As the world’s largest exporter of hydrocarbon, rice, and palm oil. The Indonesia archipelago depends mainly on its domestic markets, state owned enterprises and government budget.

6. LESSONS FOR NIGERIA

6.1. All nations have both internal and external challenges facing their growth and development. The ability of a nation to surpass these challenges is strongly dependent on a trajectory of good, visionary, and committed leadership. The Indonesia archipelago has been able to achieve its development because of the above-mentioned qualities.

6.2. Nigeria must learn from Indonesia by building modern and scientific/technological research institutes, build infrastructures such as schools, roads, state-of-the-art healthcare system (particularly during the Covid-19 pandemic) to mitigate against future outbreaks.

6.3. Like in Indonesia, Nigeria should operate an all inclusive and masses driven system of government, harnessed its demography (youth/women population) adequately to increase agricultural production and discourage rural-urban inequality. Nigeria must utilise its abundant natural and human resource to gain regional Strength and influence in Africa.

6.4. Nigeria should also, as a matter of urgent national priority create its own equivalent of Indonesian “Guided Democracy” and “New Order” to reflect the soul of Nigerians where all Nigerians should sit on the same table.
7. CONCLUSION

Indonesia has witnessed a huge transformation since independence. Its economy changed in structure from a predominantly rural to an oriented economy towards secondary/tertiary sectors. These coupled with its technological and scientific advancement made an increase in labour productivity/agriculture, and in turn, discouraged rural-urban inequality. The main factor to consider in analyzing the Indonesia economy is inequality. Notwithstanding the rapid economic growth, the differences in regional strength, and the rich hydrocarbon nature of Indonesia, the country has managed to remain above the world average by also bringing a large number of its population out of poverty and maintaining inequality at very low levels.

Key Challenges to determine Indonesia’s future are:

1. Demography: With a youthful population that may last for about two decades, Indonesia’s economy will continue to grow due to high expected consumption rates. Also, it will help by bridging the gap between developed economies. But afterward, the population may start to age quickly. Therefore, there is a need to innovate sustainable economic ideas to withstand the future.

2. Party/Government Relations: There is a great need for good governance. Indonesia witnessed a transition from an authoritarian rule to democracy after the AFC. However, some political issues still exist as the president is unable to benefit from a majority parliament that will provide hitch-free governance. This has led to tension and a lack of collaboration between the executive and the legislature.

3. Corruption: This like in many other economies has remained a cause for concern. Suharto’s regime was characterised by endemic and widespread corruption. Thus, much progress needs to be done to reduce this vice.

4. Decentralisation: Irrespective of the various gains of the reforms in 2001, many issues persist. Government policies from the center are becoming less effective due to principal to agent issue. But its low-grade infrastructure inhibits its competition with other developed economies.

6. Covid-19 Pandemic: Rising unemployment is likely to result in a reduction of purchasing power, which in turn will put pressure on household food consumption quality and quantity. Therefore, providing access to unemployment benefits and social protection to those affected will be critical to cushion the impact of the pandemic on vulnerable groups, enhance purchasing capacities, and may significantly reduce the risk of food insecurity and malnutrition in the mid- to long-term (Reliefweb.int, 2020).

Finally, Indonesia has changed radically its position at the global international economic arena from the edge to the center. Thus, as more focus moves to Asia in terms of international economy and politics, Indonesia should reposition in the right direction to face the challenges ahead, by creating sound policies on social and economic sectors and on food security in the country to reduce the effects of the Covid-19 pandemic in the mid- to long-term, and to prepared for possible future pandemics shocks. With these, it may probably become one of the most significant global actors in the 21st century.

Therefore, achieving citizens' benefits in Nigeria lies hugely with good leadership, commitment, vision, and not ruler ship. A good leader will spur and mobilize the citizens through various campaigns avenues such as the schools, social media, and the traditional media to support and help actualize the nation’s dreams, aspirations, and objectives and missions. To prevent Nigeria from being a dumping ground and only a consuming nation, the Government of the day must pick up all the good existing political economy development policies, implement them and commence the production of made in Nigeria goods/products(food, textiles, cosmetics, etc.) for the benefit of the citizens before it begins to look at the exportation of such goods/products.

Nigeria should also borrow a leaf from the initiatives of Indonesia to spearhead the region, by employing mechanisms that can stimulate and boost political and economic development in the region, by looking inward and creating an Africa Monetary Fund(AMF) which will be led by technocrats and rich business moguls but regulated by the government. This will create a credible and sustainable lender of last resort for African nations to
borrow funds to build infrastructures and develop the region. Also, Nigeria must use its population to enhance agriculture and productivity for food and human security. Nigeria must elect good, visionary and committed leaders with the political will to fight against corruption, youths and women inclusion, harness the rich natural resources such as iron and ore, steel, tin, uranium, petroleum, coal, agricultural produce, and liquefied natural gas for the common good of all Nigerians. These and many more initiatives will go a long way to pull Nigeria out of object poverty and reposition it as a political and economical giant within the region and globe.

8. REFERENCES


