

Manufacturing religious cleavages for the 2019 presidential election?

Ahmad Najib Burhani

Conventional wisdom tells us that with the appointment of Ma'ruf Amin as his running mate for the 2019 presidential election, Joko Widodo (Jokowi) has shielded himself from religious-based attacks for the campaign. Instead, the economy, Jokowi hopes, will become the key campaign issue. However, several Indonesian cities have seen a series of demonstrations, collectively known as *Aksi Bela Tauhid* (Defending Tauhid [Oneness of God] Action), which appears to be an effort to exploit Islam for political purposes and undermine Jokowi's support base by attacking one of his main supporters, the NU (Nahdlatul Ulama).

Flag-burning and demonstrations

The spark for these demonstrations was a two-minute clip depicting members of Banser [*Barisan Ansor Serba Guna*], the paramilitary wing of the NU, burning a black flag bearing the Islamic declaration of faith [*shahāda*] during the National Santri Day [*Hari Santri*] in Garut, West Java, on 22 October 2018. What was initially believed to be an act of nationalism in burning a flag associated with the HTI (Indonesian Hizbut Tahrir), a transnational movement outlawed by the Jokowi government, has now been framed as insulting to Islam or an act of blasphemy. Various individual Muslims and organizations, including Muhammadiyah and the MUI (Council of Indonesian Ulama), have expressed regret over the incident

and have demanded that Banser apologize to the Muslim community. The chairman of GP Ansor, Yaqut Cholil Qoumas, said that he would issue a stern warning to Banser members who burned the flag, but refused to apologise for the incident since he believed that the flag symbolised the HTI.

His refusal to apologise led to the series of demonstrations attended by thousands of people in several cities after Friday prayer on 26 October 2018 and 2 November 2018. Protesters at the rally in Sukabumi, West Java, demanded that the flag burners be prosecuted and that Banser apologize to the Muslim community. If Banser did not comply, they would demand that the government ban this group. During the rally in Jakarta on 2 November 2018, one of their demands was for NU to apologize for the incident and for the purification of the NU from liberalism and any other deviant beliefs. The organizer of the rallies is the same as the organizer of rallies against Basuki Tjahaja Purnama (Ahok) in 2016 and 2017, namely the GMPF (National Movement to Safeguard Fatwas), which includes people such as Yusuf Martak.

Conclusion

In response to the escalation and politicisation of the issue, Vice President

Jusuf Kalla invited leaders of mainstream Muslim organizations, such as Nahdlatul Ulama, Muhammadiyah, Al-Wasliyah, and Persatuan Islam (Union of Islam), to meet in his office on 26 October 2018. These leaders then issued a joint statement, calling on all Muslims to be united and not allow any provocations to divide them. The meeting was followed by a similar meeting between leaders of Muhammadiyah and NU in the headquarters of Muhammadiyah in Menteng, Jakarta on 31 October 2018, which also issued a similar statement.

The issue of the controversial flag-burning shows that religion can still be politicized during the presidential electoral contest. Although Jokowi has sought to shield himself from sectarian issues by appointing Ma'ruf Amin as vice-presidential candidate, the Indonesian President is still vulnerable to attacks based on the politicization of cleavages within the Islamic community.

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Indonesia's economic challenges

Siwage Dharma Negara

President Joko 'Jokowi' Widodo's chances of re-election on 17 April 2019 will very much depend on how he handles the national economy. External factors, such as China's economic slowdown and the trend of trade protectionism have put pressure on Indonesia's trade balance. The tightening of monetary policy in the US and other advanced economies has triggered capital outflows from emerging markets, including Indonesia. These developments have strained Indonesia's current account deficit and weakened its currency.

Moreover, the rise in world oil prices and the weakening rupiah have impacted the economy, putting pressure on the state budget and on domestic prices. Internally, the government has to tackle issues like the widening fiscal deficit, slow investment growth, sluggish manufacturing sector performance, and the increase in the borrowing cost for businesses.

In line with rising public pessimism about the economic situation, Jokowi's political opponents have criticized him for mismanaging the economy. They have argued that he is responsible for the country's stagnating growth and for the rising external

debt that has increased the country's financial vulnerability. They also claim that the government has failed in maintaining the value of the national currency. The rupiah (Rp) depreciated beyond the so-called psychological barrier of Rp 15,000 per US dollar in October 2018, and this was despite Bank Indonesia having raised its benchmark interest rate five times since May, to 5.75%. The question then, is how strong Indonesia's economic fundamentals actually are.

Relatively strong fundamentals

If one were to look at key macroeconomic indicators such as growth, inflation and foreign reserves, the Indonesian economy offers no real reason for concern. Compared to the 1998 Asian Financial Crisis, the 2008 Global Financial Crisis, the 2013 Taper Tantrum, and the recent emerging market crisis, the Indonesian economy exhibits relatively stable growth, coupled with low inflation rate and higher foreign exchange reserve. Moreover, Indonesia's external debt level is also relatively low, at 34 per cent

of GDP, compared with 116 per cent during the 1998 Asian Financial Crisis.

Nevertheless, there is one potential source of vulnerability in the economy, and that is its expanding current-account deficit. The tightening of monetary policy in the US and Euro region, together with general tightening of financial conditions have exerted considerable pressure on the financial stability of emerging market economies, including Indonesia. Portfolio investors have been withdrawing their investments from these markets, particularly those with a large current account deficit, such as Argentina and Turkey. Both have seen their currencies plummet since the beginning of this year. To a lesser extent, Indonesia is vulnerable to this type of capital outflow since a large proportion of its current-account deficit is financed by portfolio investment. Failing to manage its current-account deficit will certainly put Indonesia under increased risk of financial instability.

Economic challenges

While the key indicators are strong and the country's economic fundamentals remain resilient, there are challenges that loom ahead for the administration.

First, it must find ways to deal with the current-account deficit. A large current-account deficit dominated by portfolio investments makes for economic vulnerability. The government's efforts to attract FDI need to be complemented with reforming regulations that constrain the expansion of its manufacturing sector and export performance,

including revision of the 2003 labour law to boost the growth of labour-intensive exports.

Second, given the expected tighter fiscal space, the government should re-evaluate all projects listed as national strategic projects and be more selective in prioritizing them, in particular those related to infrastructure and to energy subsidies. Going forward, it needs to consider adjusting gradually the domestic price of fuel following changes in global oil prices. To cushion the social impact, the government will need to provide social assistance to those most impacted by the price adjustment. At the same time, the government needs to signal that fuel subsidies are no longer viable, particularly when oil prices are increasing and the rupiah is weakening.

Finally, the government must carefully implement and monitor its import restriction policy, including the local content requirement (TKDN) policy and the mandatory use of a 20 per cent blended biodiesel (B20) mix. Local content requirement, if too restrictive, may adversely affect industrial performance and its competitiveness. A more buoyant environment for export should be prioritised. The B20 policy also needs to be supported by a clear implementation strategy for fear of it failing, as in the past.

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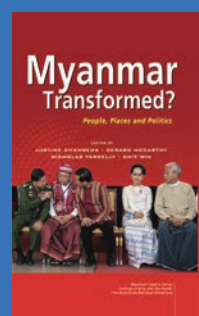
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