

FDI Feature Interview

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Energy and Defence Outlook in Indonesia: Colin Singer

Key Points

- The government response to COVID-19 has been disorganised and inconsistent, while the number of cases has been surprisingly small, thus far.
- The energy sector faces significant challenges in attracting foreign investment, as the Indonesian Government pushes to nationalise the industry under Pertamina, an enterprise which has shown itself to be lacking the capabilities needed to develop technically-difficult near-mature-producing fields.
- There is a push to bring defence down to the people, by focussing resources on the equipping of a more localised military force, as opposed to grand expenditures on such armaments as aircraft and submarines.
- While it is largely supported by the public, a more widespread military force could have repercussions for regional governments by extending the influence of the central government.
- Australia has, in fact, gone backwards in its understanding of its giant neighbour and needs to develop a deeper awareness of the shifting geopolitical realities in the region.

Introduction

Colin Singer is the Chairperson of Indonesia International Initiatives (TIGA-I) with extensive connections in Indonesia, where he is partly based. Future Directions International recently spoke with Mr Singer in an effort to shed light on the situation in Indonesia regarding COVID-19, while also exploring key issues within the energy sector and upcoming shifts in defence.

Commentary

FDI: *Thank you for talking with us this morning, Mr Singer. To begin, can you give us an overview of the situation in Indonesia in light of the COVID-19 crisis and the national policy that has been put in place to tackle the issue?*

CS: The COVID thing, well, I don't think anyone has any clue what's taking place, if I'm honest; not a clue. And that's dangerous. In terms of a national policy, there may be one in place, but it's just so unclear what that might be. There are so many people saying so many different things with no consistency to what is being said. The military has been brought in to help, but all that seems to have done is to create more pieces of paperwork which no one is going to pay attention to. Lion Air's (Indonesia's biggest airline) decision to cancel all flights after restarting, due to passengers failing to possess the ever-changing paperwork requirements, is a vivid example of this.

In regard to social distancing, the situation at Soekarno-Hatta International Airport in May sums up how problematic things are. The government had just passed all these laws and regulations, and then you see all those pictures of masses of people trying to get on planes; utterly chaotic. Then there was the situation with the McDonald's restaurant at Sarinah, which was closing down permanently. In the pictures that came out showing the closing ceremony, you can see thousands of people in the restaurant and all the way down the street. The public response so far has been totally undisciplined.

So, overall, the government response has been chaotic. Hospital-wise, there's been really limited improvement in facilities, and they're still producing hydroxychloroquine and azithromycin. The saving grace for Indonesia is that it has a very young population; the warm temperatures may help, too. So, between the climate and the young population, they've not been hit as hard as they could be. The government figures of about 1,300 dead is generally believed to be inaccurate; the info that I've been hearing from the mosques that handle the burials, is that the increase in the dead is in the ballpark of about 4,000. So, while it's not that big, actually, considering the overall population, it's big enough, but it's not as big as people worried it might be. So, while the COVID situation seems to be under control for now, very little of that has to do with the government's response, which has been problematic at best. They have taken some action to fund and support the disadvantaged, but the problem is how much (or, more realistically, how little) will actually end up with those in desperate need. It should not be forgotten that for them No Work, means No Money, means No Food, No Accommodation, No Education, No Medical Care. Thus, their only survival mechanism is to return to their villages (*mudik*) and the government's efforts to stop that were ineffective, perhaps by necessity.

FDI: *You mentioned that the government has brought in the military. What has been its role in the situation?*

CS: Well, they brought in the military because, in general, people will listen to the military but they won't listen to the police – and certainly not to politicians. The real problem is the question of how to discipline a population that really doesn't want to go along with the new regulations. The other, perhaps more dangerous thing, is that Jokowi is really between a rock and hard place. He is really worried about social unrest and all of the undesirable results that can flow from that. Some of the provincial and regency (or local authority) governments seemed more concerned about their prospects for the 2024 election than the well-being of their own populace, and they won't do anything unless they feel politically threatened. Now that the Army has been brought in, and I think they've done a relatively good job, the question of how can they enforce things remains. There are legal questions as to whether the Army has authority over the police, and the relationship between the Indonesian Army and police is never particularly good, even at the best of times.

FDI: *Looking more broadly, what do you see as a key challenge facing Indonesia in the future.*

CS: I think that one of the key issues Indonesia faces is procuring outside investment, especially in its energy sector. There is the problem of how to run big, expensive businesses with such high risks as are present in Indonesia. Jokowi is also pushing to re-nationalise the oil and gas industry, although he has not been very successful in this effort.

If you look at Mahakam, for example, which I believe was the third-largest oil and gas field in Indonesia, it was operated by Total and Inpex for years until Pertamina, the state-owned oil and gas company, took over. In less than a year, production went down very significantly. A similar thing happened in Coastal Plains-Pekanbaru, which was operated by Chevron Pacific Indonesia. When Pertamina took over, production went down 19 per cent and they fractured the reservoir. Now they have commenced taking over some of the Chevron and Caltex blocs, which have some of the most complicated, expensive, technically-challenging oil and gas fields in the world.

Companies would like to invest in energy in Indonesia, but they won't do so because of the risks involved. Who's going to spend money when they're possibly going to lose their permits? So, energy will be a problem and, I might say, the biggest potential problem in Indonesia. Oil and gas are rapidly running out and there has been no exploration taking place for about five years. I think that by the time the authorities decide to do something about it, it will be too late. It's not possible to wake up tomorrow and just start drilling for an oil and gas field.

FDI: *Do you believe that the Indonesian Government is fully aware of this problem? Doesn't it have advisers telling it that information?*

CS: Not many. Within the sector, there is SKK Migas, which is the regulator, and there is Pertamina. There are also deeper problems. The previous head of Pertamina, for instance, was imprisoned last year after she invested in an oil and gas block here in Australia that didn't produce all the barrels that it was supposed to. They said she had broken the law and flung her in prison. So, who is going to make decisions in that kind of atmosphere? Even with the issues plaguing Pertamina, Jokowi still wishes to nationalise the industry under it. As a result, pretty much week by week, as permits get near to expiring, companies are starting to pull out or trying to guarantee their position. Chevron has a multi-billion-dollar bill coming out for deep water developments in Makassar – which they've indicated they're not going to go ahead with, unless the Indonesian Government gives a 30-year extension to the permit. Pertamina, on the other hand, is saying 'don't bother with them, we can do this', but Pertamina does not, in fact, have the necessary funds or expertise to succeed in the effort.

Energy is going to become one of the biggest problems confronting Indonesia. Even coal-powered energy is facing problems, because Indonesia has discovered huge amounts of coal, but even that's running out. Now they've built all these power plants but they've no need for the power. They have around 26 per cent excess capacity, and that is growing year by year. Most of those plants were built by China, and Indonesia is paying them off whether or not they are being used. It's a classic example of clouded transparency in Indonesia's dealings with China. Were there better plants available? Yes. Was the relationship between the companies involved and those other countries the same? No. Now, as a result, Indonesia is stuck with these substandard, polluting, low-lifespan power stations.

FDI: *Moving on to the defence industry, what are some of the changes taking place under the new Defence Minister, Prabowo Subianto?*

CS: Much like in the energy sector, defence is said to suffer from vast amounts of corruption. While there are some people who are pushing for that corruption to be dealt with, there are also politics involved. If they were to go and point out the hundreds of millions of dollars' worth of corruption in many defence contracts, that will embarrass those people involved with the contracts. So, they've now got to find a way of sorting out those issues without embarrassing the people involved.

There is also an interesting shift happening in defence. Prabowo Subianto, the new Defence Minister, wants to see defence taken down to the people, and he is pushing for a "bamboo army" to emerge. Prabowo sees a large part of the defence force being part of this volunteer army reserve, and I believe he intends that to be fully-equipped. In short, perhaps what he wants is to redirect the money spent on hugely expensive defence materiel, and instead spend it on improving the soldiers' conditions and equipment,

with the idea that such an investment will be a much more efficient use of resources. This is something that I think Australia should keep a close eye on; there's going to be a big change in Indonesia's approach to defence. Indonesia, as I understand it, accepts that it will never win a war, but the approach now is to make it too painful for another country to start a war with Indonesia. So, its defence capabilities will need to become an effective deterrent.

FDI: *So, is Indonesia going back to having a much wider-spread military involvement throughout the country, through this "bamboo army"?*

CS: Yes, through the village-level *babinsa* military commands, which have already been reinstated. What they're going to do is actually take it further, where they would have a local military force in each area, one separate from the regular military, as well as training Indonesian youth in a voluntary cadet programme and creating a volunteer military, which will be equipped similar to the British Territorial Army. That will provide a lot of the security and intelligence network that they require, and at very low cost compared to other defence expenditures. Overall, Indonesia is becoming much more militaristic, and is heading back towards aspects of the New Order regime. Jokowi's appointment of Prabowo is, in a sense, just a way to make him appear strong. But Prabowo is making the most of this opportunity in his position. He has media input through things like the *Indonesian Observer*, and is able to make his policies more palpable to the public, especially as Indonesia undergoes this military shift.

FDI: *What impact, if any, do you see this having on the general populace and how might it influence the political situation, especially in local governments?*

CS: Well, in general, the idea of this bamboo army is proving to be very popular with most of the public. In schools, they are giving out pads of paper and things like that, very much feeding into the strong sense of nationalism in the country; they glorify Indonesia. People are liking this idea, that Indonesia could be under threat and that everyone should take part to defend it, and they're all enthusiastic about it, waving flags and everything else. It has the potential to expand into a much larger programme.

In terms of the political situation, I don't think the local governments will have much say in the matter. For example, if the military in, say, Bandung, tells the governor, 'we have been told by our general to do this', it's irrelevant what the governor thinks. It will be done; the local governments are not going to stand up to the military.

FDI: *Seeing as the military's role has been expanded and is under the authority of the central government, would that increase the power of the central government over the provincial governments? Since, as you said, they will be reluctant to say "No" to the military?*

CS: I believe so. Indonesia is hierarchical. The military is under the control of the President; he is at the top and his decisions filter their way down. Therefore, disagreeing with the military is akin to disagreeing with the President.

FDI: *In light of your comments, what is your take on the Indonesia-Australia relationship and the direction in which that is heading?*

CS: I think for Australia, one thing needs to drastically change, and that is the mindset of how to approach Indonesia. So far, there has been a degree of arrogance in that approach, with this idea that Indonesia needs Australia more than Australia needs Indonesia. We need to change that mindset, away from a transactional relationship to one where we can speak with Indonesia and work things out that can be beneficial to both sides, especially in business. China is very good at that, and at looking way into the future and getting involved in projects that will greatly benefit it further down the line strategically, while also making them look appealing for Indonesia, too.

Unfortunately, there is also a growing distrust between both countries now, and especially on the part of Indonesia. National defence comes to the fore; whether we like it or not, Indonesia will defend itself, and that is why they are very nervous. They keep going back to 1965, when the mindset was that Australia was a direct and growing military threat to Indonesia. Indonesia is really worried about what's going on in the region and beyond, and is taking the view that Australia has no real interest in its wellbeing, and that is a big change. Jakarta doesn't expect the Five Eyes arrangement, for instance, to have any interest in the wellbeing of Indonesia, and that perhaps is driving a lot of this militarisation.

FDI: *What's the cause behind that line of thinking? Has there been a catalyst?*

CS: Well '65 comes into it, but I think primarily it is the growing problems between America and China and the real potential for armed conflict. Much as in 1965, the West sees growing Chinese-style communism as a regional threat, which is preparing many for the possibility of war. History has shown that when there have been serious problems between China and the West, Indonesia has been the one that has suffered the most, and Jakarta is perhaps now more astute to political and media manipulation. You can also look at what we've done in the north of Australia: permanent US and Singaporean bases; armaments, troops and facilities augmenting Australian forces are aimed at Indonesia – not as a target itself – but as an obstacle in the way of greater threats. Indonesia also sees Australia as being strongly anti-Islam. In Australia, Islamophobia is ignited and fed by many within government and is widespread within the community. Australia's ongoing support to those who are persecuting Yemenis, Rohingya and Palestinians gives further credence to those concerns and the belief that Australia does not have Indonesia's interests at heart.

I think, if nothing else, Australia needs to have a relationship in which we have a plan for how to address these potential situations, especially in this very uncertain period of time. Australia sees itself as a middle power and one of the core regional players, but there needs to be much greater awareness of this new reality, in which Australia now needs Indonesia more than Indonesia needs Australia. That might be a hard reality for Australia to accept, or even understand. Since Indonesia became independent, with strong support from Australia, the prevailing view has been that, while both countries may be close neighbours, they are light years apart in culture, skills and technology. The reality now is that Indonesia is a confident, developed, technologically adept and richer nation. It is now the tenth-largest economy in the world and on track to become the fifth-largest in twenty years. When that reality finally hits, where will that leave Australia? As Indonesia has grown and developed, it's hard not to think that Australia has gone backwards in its understanding of its giant neighbour. Somewhat indicative of the above, the only "positive" action taken by Australia in regard to the newly completed Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) appears to be further restrictions in visa issuance to Indonesians; as Indonesians say, they want our trade and money but not our people. So, change is needed and from the top!

About the Interviewee: Colin Singer is the Chairperson of Indonesia International Initiatives (TIGA-I). Prior to that appointment, he was Chairman of the Foreign Relations Committee and Director of Social and Political at the Indonesia Institute (ii). He is a Senior Visiting Fellow with Future Directions International. Mr Singer has over 40 years' experience in the resources industry, most particularly in Australia and Asia. He is a Founding Member of the Asia-Pacific Forum for Restorative Justice (APFRJ) and is a Justice of the Peace in Western Australia. Mr Singer is based between Australia and Indonesia, where he has extensive governmental, non-governmental and commercial affiliations and links. Mr Singer has lectured at

Universitas Parahyangan (UNPAR), Sultan Ageng Trisakti University and others in Indonesia on social topics and matters relating to the Australia-Indonesia relationship.

Any opinions or views expressed in this paper are those of the individual interviewee, unless stated to be those of Future Directions International.