

INDONESIA

Introduction

Indonesia is an immense archipelago of over 13,000 islands spread across 5,000 kilometers (one eighth of the earth's circumference) between the Indian & Pacific Oceans. It has a population of 142 million people, divided among 300 different ethnic groups, speaking 250 distinct languages and dialects. Over half the population is concentrated on the island of Java, and is of Malay origin. The centrifugal forces resulting from this diversity are counterbalanced by an administrative structure which is highly centralised, the cultural predominance of Java and, to a lesser degree, Sumatra, and a military organization which plays a very important political and developmental role.

Rich in natural resources, including oil and gas, Indonesia should continue to enjoy excellent economic growth over the coming years under the government's ambitious development program.

Domestic Political Situation

Indonesia has a complex form of government (including Advisory Councils and a Consultative Assembly) but is nominally republican (the President is indirectly elected for a 5 year term), and is heavily influenced by the Javanese sense of respect for leadership and authority. Following the leftist experiments of President Soekarno and a purported Communist coup in 1965, the administration of President Soeharto (a former General) has led the country through a period of rapid economic growth based on elements of a free market economy, favourable international markets for its exports, "dirigiste" policies, and especially in the latter part of the 1970s and into the 80s, rising government oil revenues. Indonesia has the largest Muslim population of any country in the world. It is Sunni rather than Shia (as in Iran) and therefore receptive to industrialisation and other forms of modernisation.

Domestic Economic Situation

The Indonesian economy, similar in some ways to that of Thailand and the Philippines, is basically divided between a large, fragmented agricultural sector, and a small, dynamic industrial sector. Indonesian industry has been fueled by inexpensive domestic oil and is primarily oriented to satisfy a substantial domestic market. Import substitution has been the traditional emphasis of Indonesian industrialisation while export earnings have come from the petroleum, forestry, agriculture and the minerals sectors.