

**Jakarta in Post-Suharto Indonesia:  
Decentralization, Neoliberalism and Global City Aspiration**

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## **Abstract**

In this paper, we examine Jakarta's changing political and economic position since the mid-1990s. This period of transformation is dealt with in four parts: the first relates to spatial and administrative changes to Jakarta and its wider urban region; the second considers the impact and implications of the 1997 Asian financial crisis (*krismon*) and ensuing political transformation which saw the resignation of President Suharto; the third part details the decentralization laws of 1999 and their implications for urban and regional development; and the fourth considers the context of the 2008-2010 global financial crisis (*krisis global*) in which 'neoliberalisme' became a political slur in Indonesia, ironically at the same time as the governor of Jakarta declared 'global city' aspirations.

## **Introduction**

Jakarta has experienced profound economic, political and social transformations since the early 1990s. At that time, the city was 'a showcase for the Indonesian development miracle made possible through the forceful leadership of Suharto's New Order government' (Silver, 2008: 187). According to Christopher Silver in his book on the history of the planning of the Indonesian capital, 'Jakarta's marble-walled Stock Exchange and adjacent office complex symbolized the role that global capitalism played in transforming Indonesia from an underdeveloped nation into a global player' (*ibid*). Yet

by 2010 the empty shell of the partially-built Westin Hotel on Thamrin Street symbolizes the end not only of this global economic dream but of the New Order regime itself. The currency crisis which began in mid-1997 decimated the value of the Indonesian rupiah, wiped out banks, made Jakarta's real estate market grind to a halt and scared off most of the foreign direct investment upon which Suharto's economic 'miracle' had been founded. And so, the 1997 economic crisis bled into a political crisis which saw the fall of Suharto in 1998 and a period of social unrest during which the dominant image of Jakarta was one of demonstrations, riots and ethnic violence. The ensuing period of political transformation also saw the introduction of laws on decentralization which reconfigured Jakarta's political and economic position as part of the national processes of post-Suharto democratization. In comparison to all of these shifts – and arguably also in relation to the urban geopolitics of the city manifested in the terrorist bombing of the Marriott hotel in 2003 and the Australian Embassy the following year – the impact of the global financial crisis of 2008-2010 on Jakarta has paled in significance.

In this paper, we examine the key events which have (re)shaped Jakarta's national and international position from the mid-1990s up to the recent global financial crisis. While the paper is intended primarily as a case study of the city and wider urban region of Jakarta, it also has important resonances for issues of urban space and polity in many other contexts. There are four main ways in which the case of Jakarta speaks to wider debates on the politics of urban and regional transformation. The first concerns Jakarta's special position both nationally and globally. Jakarta is not only the capital of a nation-state which for much of its history has been highly centralized but also provides an example of a city (and wider mega-urban region) which has served as a 'national urban

node' (Bunnell, 2002: 294) for plugging into economic networks that are global in scope. A second debate to which our analysis of Jakarta contributes concerns the position of nation-states as frames of reference for urban politics and transformation. While important and deservedly influential work on 'global cities' and associated networks has emphasized the dangers of methodological nationalism (see, for example, Taylor, 2004), it is clear from the case of Jakarta that national scale politics, processes and transformations remain significant even in cities with 'global' aspirations. Third, Jakarta is an important site for examining the outcomes and implications of wider processes of decentralization and democratization. To the extent that these processes are found in some of their most dramatic and wide-ranging forms in Indonesia, Jakarta may be expected to reveal urban trends and perspectives that are found, perhaps in diluted form, in other countries. Fourth, a case study of Jakarta provides evidence of the wider contextual variability of political economic processes such as neoliberalization (Brenner and Theodore, 2002) that are often presented as universalizing. Not only does Indonesia provide a distinct case of changing relationships between the state, regional and local forms of governance, but 'neoliberalism' has been subject to widespread discursive critique and reworking even as city authorities continue to aspire to make Jakarta into a 'global city'.

The remainder of the paper is divided into four main parts: the first defining 'Jakarta' spatially, administratively and economically; the second sketching the impact and implications of the 1997 Asian financial crisis; the third detailing the decentralization laws and their implications for urban and regional development, including the national position of Jakarta; and the fourth considering the context of the 2008-2010 global

financial crisis in which ‘*neoliberalisme*’ became a political slur in Indonesia, ironically at the same time as the governor of Jakarta declared ‘global city’ aspirations.

### **1. Locating Jakarta**

Since Indonesian independence in 1949, Jakarta has been the republic’s symbolic and material centre. The country’s first president, Sukarno, was trained as an architect and he embarked upon an ambitious modernist remaking of Jakarta not only as the ‘exemplary centre’ of the nation (Kusno, 2000: 62), but as ‘the beacon of the whole of humankind’ (Sukarno in Abeyasekere 1987: 168). As Abidin Kusno has put it, ‘the sober realities of Jakarta had to be subsumed under new “monumental” projects, planned and built to remind the nation not of what it is, but of what it should be; and of what it meant to have real independence after almost 350 years of colonialism’ (p. 54). Administratively, this importance is reflected in the fact that since 1959 Jakarta has been governed not as a city but as a province. *Daerah Khusus Ibukota Jakarta*, the ‘Special Capital Territory of Jakarta’, comprises five cities (*kota*) and one district (consisting of nearby islands). Particularly after Suharto became President in 1968, the highly centralized and hierarchical system of government meant that political power was truly concentrated in the capital territory and especially in the *kota* of Central Jakarta where national government ministries were (and still are) located.

The urban region which in popular parlance is often referred to simply as ‘Jakarta’ has long exceeded the administrative boundaries of the ‘Special Capital Territory of Jakarta’. As early as the 1960s, regional planners recognized the existence of

an extended urban region which incorporated the neighbouring settlements of Bogor, Tangerang and Bekasi (and which hence became known by the acronym 'Jabotabek'). It is worth noting that work on this region gave rise to terms such as *desakota* (a combination of the Indonesian words for village and town/city) (McGee, 1991) and 'mega-urban region' (Jones, 2002), both of which have travelled to and had considerable influence in urban studies in contexts beyond Indonesia and, indeed, beyond Southeast Asia. Jabotabek has continued to expand spatially and with this even longer acronyms have come into being, most recently 'Jabodetabekjur', following the addition of Depok and Cianjur to the region (Firman, 2009). Henceforth, in this paper, we use 'Jakarta Metropolitan Area' (or JMA) for the urban region and 'Jakarta' for the provincial administrative unit.

The national economic predominance of JMA became increasingly marked during the Suharto era. It has been widely observed that the New Order's highly centralized governance served to increase regional disparities between the most populous island of Java (and especially Jakarta)<sup>i</sup> on the one hand, and other regions of Indonesia on the other (see, for example, Aspinal and Fealy, 2003; van Klinken, 2007; Lewis and Oosterman, 2009; Wollenberg et. al., 2009). In an article published in this journal in 2003, Tommy Firman noted that more than three-fifths of the nation's economic activities are concentrated in the Jakarta Metropolitan Area. As noted, the seemingly irrepressible economic growth of the city during the 1990s was reflected in the dramatic transformation of its skyline. No less than thirty new high-rise towers appeared between 1990 and 1995, mostly in and around the central 'Golden Triangle' commercial district (Silver, 2008). Silver describes this period of transformation in Jakarta as 'more rapid and

more dramatic than in any decade in its more than three centuries of growth and development' (*ibid.*, p. 187). Especially given that this was associated with expansion of the financial sector, the transformation also prompted suggestions that Jakarta was emerging as a 'world city' (Silver, 2008) or 'global city' (Firman, 1998). The expansion of Jakarta's outer areas and the Jabotabek region were also assisted by the liberalization of land ownership in 1993, which prompted a meteoric growth in giant real estate complexes (Lim, 2007: 220). Yet from mid-1997, Jakarta changed even more dramatically, from a 'global city' to a 'social and physical wasteland' amidst 'dozens of unfinished skyscrapers' and skyrocketing unemployment (Swyngedouw and Heynen, 2010: 79).

## **2. Jakarta and the 1997 Asian Financial Crisis (*krismon*)**

The wider origins of the 1997 Asian Financial Crisis and its impact on Indonesia as a whole are beyond the scope of this paper (though see, for example, Hill, 1999; Nasution, 1998; Noble and Ravenhill, 2000; Sharma, 2003). We focus only on the implications for Jakarta of what in Indonesia is known as '*krismon*' ('monetary crisis'). Rapid depreciation of the rupiah in mid-1997 hit hard because many private firms had taken unhedged, short-term offshore loans; and because many businesses had become dependent upon imports during a time when the rupiah had been relatively much stronger. In addition, the banking system had overextended itself, especially in making loans for property development in and around Jakarta. As has been widely documented, this was associated with vast patronage networks which enabled a 'culture of corruption' that pervaded all levels of

government as well as the private sector (Wei, 2000; Temple, 2003; Chua, 2008; Dowling and Chin-Fang, 2008). Indonesia was forced to accept a US\$43 billion bail-out from the IMF which required financial reforms and the withdrawal of subsidies on basic commodities (Suryadinata, 1999). Just as the city and wider metropolitan region of Jakarta had risen highest during the ‘miracle’ years, this area fell furthest during *krismon*. The Gross Domestic Product (GDP) of Jakarta declined from more than Rp.69 trillion in 1997 to around Rp.52 trillion in 1998, and the total approved domestic investment in Jakarta declined from Rp.63 trillion in 1997 to only about Rp.18 trillion in 1998 (Firman, 2009). During the same period, demand for office space in Jakarta CBD halved from 300,000 m<sup>2</sup> in 1997 to 150,000 m<sup>2</sup> in 1998 and fell again to only 85,000 m<sup>2</sup> in 1999 (Firman, 1999). Tax revenues also fell by more than half between 1997 and 1998 such that in the 1998/99 fiscal year, Jakarta’s annual operating budget stood at Rp.1.75 trillion as compared to more than Rp.3 trillion the year before (Firman, 1999).

What did these figures mean for the lives of ‘ordinary’ people in Jakarta and JMA?<sup>ii</sup> This kind of information is much more difficult to access than aggregate economic statistics. It is particularly difficult to ascertain how many people left Jakarta altogether. Cybriwsky and Ford (2001) in their profile of Jakarta noted a fall in population of almost three quarters of a million between 1995 and 2000. While they partly attribute this drop to statistical inaccuracy and ‘metropolitan decentralization’, they also note that ‘the number of migrants to Jakarta may have declined during the present economic reversal’ (*Ibid.*, p. 201). This reversal led to a dramatic rise in informal sector activities, particularly among workers laid off from the industrial sector. The number of vendors and itinerant traders operating on the sidewalks (*Pedagang Kaki Lima*), for

example, were said to have increased from about 95,000 in 1997 to 270,000 in October 1998 (Firman, 1999). The IMF-directed withdrawals of subsidies for basic commodities meant that some rose in price by 100 per cent, hitting urban poor communities especially hard. As is typically the case during times of financial crisis, women workers and poor/lower middle class households in Jakarta were the worst affected (Silvey and Elmhirst, 2003; Thomas et al., 2003). This situation turned Jakarta into a 'flashpoint' for local and national elites and foreign observers alike who were 'concerned that the city could erupt into "large scale conflict" due to political manipulation of its impoverished residents by competing political factions, especially those led by ethnic and religious extremists' (Essex, 2009: 10-11).

It is also important to recognize that not everyone prospered in the city during the earlier 'boom' times. The urban poor, who constitute an unknown but sizeable minority<sup>iii</sup> of Jakarta's official population of 8,490,000, have been casualties of the city's path to economic progress for decades (Dinas Kependudukan dan Pencatatan Sipil, 2008). The rapid development of commercial, retail and high-end residential space in the CBD in particular has led to extensive *kampong* demolition and eviction, with *kampong* (urban neighbourhoods) being reduced by fifty per cent over the past twenty years (McCarthy, 2003). Land clearing to make way for Jakarta's large-scale development projects has often been conducted by 'gangs of thugs' who have 'used disproportionate force, including rape and murder, to evict tens of thousands of squatters, renters and landowners' (Davidson, 2009: 305). To the extent that the 'crisis' slowed down such development, it may indeed have 'helped' in retaining land for informal and/or *kampong* settlement, at least in the short term. The focus of government intervention during the

1997 *krismon* was a Social Safety Net (*Jaring Pengaman Sosial: JPS*) programme funded through assistance from international agencies such as the World Bank and IMF. These, however, attracted considerable criticism, perhaps most significantly for serving to break down existing traditions of community self-help (*gotong royong*) and associated social networks by fostering a ‘beggar’ or subsidy mentality (Sumarto and Suryahadi, 2000; Pritchett et al., 2002).

Jakarta’s urban poor have also been plagued by water problems throughout the city’s history. Seasonal flooding has always been Jakarta’s biggest problem. This is precipitated, in the first instance, by the bursting banks of the Ciliwung River that intersects the city, and is amplified by ineffective and mismanaged official disaster response policies (Texier, 2008). Because less than two per cent of households in Jakarta are connected to a sewerage system, the great majority of residents are forced to dispose of their waste water into the heavily polluted Ciliwung River, as well as canals and (often dysfunctional) septic tanks, leading to predictable detrimental impacts on public health (Bakker, 2007; ADB, 2003).

Public safety, too, is a serious issue for Jakarta’s urban poor, with the city ranking amongst the most dangerous in Asia and where those who can afford it ‘embrace private solutions to public problems’ by hiring private security personnel (Hogan, 2005: 157). In the aftermath of the 1997 financial crisis, heightened social tension and economic unrest were intertwined with the dynamics of political change. The riots across the city which followed the shooting of four student demonstrators at Trisakti University (known locally as *Insiden Trisakti*) served as an immediate catalyst for President Suharto’s resignation on 21 May 1998. The implications of this incident (and subsequent ‘riots’) for the city are

multifold. Most immediately, of course, they manifested in the loss of life and damage to property (public as well as private). Subsequently, the image of violence and disorder scared investors, domestic as well as international, and tourists (especially from overseas). An ethnic dimension to the violence sparked capital flight among wealthy Chinese Indonesians, many of whom fled Jakarta and, in some cases, Indonesia altogether (Hughes, 2000; Wibowo, 2001). For those who stayed or have since returned, the riots deepened their desire for security. This has taken many forms, including the growing popularity of gated communities outside the administrative boundaries of Jakarta in JMA and in fortified 'superblocks' in inner Jakarta (Hogan and Houston, 2002; Leisch, 2002; Kusno, 2010).

Abidin Kusno's recent book considers the private sector development of 'superblocks' in the central city, something which he distinguishes from the 'suburb paradigm' (2010: 83) of gated communities in New Order Indonesia in terms of a 'neoliberal turn in the political economy of the country since the late 1980s' (p. 82). On the other hand, Kusno does not reduce spatial and political changes in post-Suharto Jakarta to global processes of neoliberalization emanating from the West.<sup>iv</sup> Nor does he see associated changes in terms of the kind of 'undifferentiated gloom' (Seekings and Keil, 2009: 6) that pervades much of the critical social science literature on neoliberalism. In particular, the private sector may be understood as producing new public spaces with new modes of urbanity in which superblocks are not simply gated as the underclass may enter. In making this point, Kusno cites an architect who told his client that hiring security guards is 'not for keeping people away but rather for educating the public on how to treat public facilities' (p. 84). While this new private-sector led

‘urban pedagogy’ (Kusno, 2010: 87) is clearly not to be celebrated uncritically, it does suggest that Jakarta elites’ global city aspirations are somewhat aligned with aspirations of urban citizens in democratic Indonesia.

### **3. Jakarta through democratization and decentralization**

After the resignation of Suharto in May 1998, Indonesia had three further presidents before the current President, Susilo Bambang Yudhohono, who took office after the first republic’s direct democratic presidential election in 2004. While these changes and associated processes of democratization clearly had important implications for Jakarta as the national capital, it is worth noting that leadership of the city itself did not change during that period. Governor Sutiyoso, a Lieutenant General who was appointed in 1997 held office until 2007 when the former treasurer of Golkar (the ruling party under Suharto’s New Order regime), Fauzi Bowo, became the first elected Governor of Jakarta for the ruling term of 2007-2012. While changes associated with democratization have clearly been significant, therefore, it is also important not to overlook *continuities* from the New Order period. On the one hand, therefore, Jakarta was swept along by the tide of pressure for political change that enveloped the rest of the country, which was driven by the regions and which toppled centralized rule, leading to fundamental realignments in the nature of centre-periphery relations. On the other hand, there remained a high level of continuity in Indonesia’s political and business leadership who shaped the processes of political, administrative and economic reform in Jakarta.<sup>v</sup>

Such continuities should not obscure Jakarta's changing position within Indonesia as the result of decentralization. While this process was certainly aligned with World Bank and IMF prescriptions, it also emerged from fears of territorial disintegration within the context of the fragility of the Indonesian state after the fall of President Suharto. Political scientists in particular have widely documented regional resentment towards Jakarta, including demands for secession in some of Indonesia's outer regions, most notably in Papua and Aceh (see for example, Miller, 2009; Aspinall, 2003; McGibbon, 2004; King, 2004). The secession of East Timor from Indonesia in 1999 appeared to heighten the possibility of a 'Balkanization' of Indonesia. It was in this context that political elites in Jakarta initiated policies which ran against 32 years of highly centralized rule under Suharto.<sup>vi</sup> Decentralization, or 'regional autonomy' as it is called in Indonesia, was thus considered key to holding the archipelagic diversity of the Indonesian nation-state together.

We contend that because debates about decentralization – both among policy makers in Jakarta and in most academic studies – have largely revolved around their impact on 'outer' regions, hardly any attention has thus far been given to the effects of decentralization in/on the centre (that is, Jakarta). Yet the simple fact that regional autonomy and especially fiscal decentralization made urban and regional development a local authority affair – in which state power and authority is devolved to the sub-provincial units of the city (*kota*) and district (*kabupaten*) (Carnegie, 2008; Hudalah and Woltjer, 2007; Diprose, 2009) – suggests profound implications for Jakarta and JMA. In the case of Jakarta, which comprises five cities and one district, for example, decentralization gave rise to issues of provincial coordination and control for Governor

Sutiyoso which would have been unthinkable when he was appointed at the tail end of the Suharto era.<sup>vii</sup> Unsurprisingly, integration of the wider JMA metropolitan region also became more vexed in this new context. Sutiyoso's proposal to integrate development of 'Megapolitan Jabodetabekjur', for example, was greeted with accusations of 'annexation' from neighboring cities and districts (Firman, 2009).<sup>viii</sup>

Yet with democratic decentralization, there has been a loosening of the bonds of 'nationalist urbanism' that once held sway amongst Indonesia's political leadership and cemented Jakarta's place as the apex of the Indonesian republic (Kusno, 2004). After the initiation of democratization, Lieutenant General Sutiyoso and other political survivors of the New Order continued to attempt to mould the 'national conscience of Jakarta residents through a number of urban projects of national sentiment' (*Ibid.*, 2381). However, democratization transformed public spaces that were originally designed to invoke a sense of awe at Indonesia's historical greatness into spaces for staging mass protests and demonstrations against the New Order's perceived injustices (Padawangi, 2010). In other words, Indonesia's newly resurgent civil society transformed Jakarta's sites of 'nationalist urbanism' into propaganda spaces of their own making. This in turn invoked a backlash from Governor Sutiyoso, who set about what he called 'disciplining public space' by physically altering Jakarta's nationalist monuments to make them less easily accessible. For instance, it was Sutiyoso who ordered in 2001 the renovation of Jakarta's landmark Hotel Indonesia Roundabout (and the most visible site of mass rallies) by changing the flat walking surface at the centre of the roundabout into a slanted surface submerged by a large water fountain (Lim, 2007: 225).

There have, of course, been more constructive public initiatives spawned by the

'loosening' of the centre. Democratic decentralization has encouraged JMA's political leadership to search for new solutions to old problems. In particular, Governor Fauzi Bowo has been exploring new avenues to help relieve Jakarta's serious traffic problem, which is second only to the problem of flooding. Traffic jams are a growing problem as car ownership in Jakarta increases; in 2002, the ratio of vehicle ownership in Jakarta (143 per 1,000 people) was nine times higher than that of Indonesia as a whole (APEC, 2006: 77). In conjunction with the Home Affairs Ministry, Jakarta's political leadership is starting to look towards sharing the burden of road transportation with other Jabotabek district administrations through the development of an integrated transport system. At the time of writing, legislation is being drafted to integrate the 'externalities', or areas of overlap between Jakarta and other Jabotabek regions in the provision of public services and infrastructure for transport, water, electricity, sewage and waste disposal.<sup>ix</sup>

In terms of the redistribution of resource revenues through decentralization, contrary to expectations that resources and investment would flow away from the 'centre', neither Jakarta nor its heavily industrialized neighbouring regions appear to have lost out in broad economic development terms. Budgetary transfers from the central government have largely taken the form of revenue sharing (*bagi hasil*) for provincial and local governments from employee and income taxes, oil and gas exploitation, forestry products, fisheries; and mining production. While some previously under-developed regions have benefitted from this arrangement, Jakarta has done well too. By way of example, almost one-third of the total Rp.7.736 trillion of national income-tax revenue sharing for both provincial and local governments in Indonesia in 2001 (the first year Indonesia's decentralization laws came into effect) went to the Daerah Khusus

Ibukota Jakarta ('Special Capital City District of Jakarta') (Firman, 2003). As the Director for Regional Autonomy in the Ministry of Home Affairs put it, Jakarta 'is still a magnet' for both people and investment.<sup>x</sup>

Despite being hit by terrorist bombings in 2003 and 2004, economic conditions steadily improved and construction cranes began to reappear on the skyline of Jakarta's CBD. However, Indonesia continued to be plagued by a bureaucracy that was lacking in transparency and accountability, and which ranked lower on 'good governance' indicators than most countries in the region. By 2008, a decade after the initiation of Indonesia's transition to democracy, the country enjoyed 'much lower rates of effective governance than it did when the Suharto regime was at the height of its power' (Banton, 2008: 140). Continuing widespread social discontentment with living conditions was reflected in the shocking results of a survey ten years after the fall of Suharto in which 58 per cent of interviewed Indonesians said they preferred life under the New Order (Mietzner, 2009). Nonetheless, interviews with NGO and academic informants in late 2007 and early 2008 revealed widespread optimism that democratization would pay dividends in terms of governance and planning processes, especially at the level of newly-empowered sub-national regions.<sup>xi</sup> In economic terms, the prevailing view at that time was that Indonesia was on track to finally complete recovery from the 1997 *krismon* – to be 'post-crisis' (Banton, 2008: 127).<sup>xii</sup>

#### **4. Global city aspirations in a time of global financial crisis**

Then came the global or world financial crisis (*krisis global*) of 2008. In Indonesia this raised fears of a repeat of the economic devastation wrought by the 1997 *krismon*. While noting that Indonesia was less exposed than some of its regional neighbours such as Singapore, Markus Mietzner contends that Indonesia ‘nevertheless suffered tremendously’ (p. 117). The Jakarta Stock Exchange lost more than half of its value between June and October 2008 and trading was suspended for several days. The value of the rupiah temporarily fell to a ten year low and reserves had to be drawn upon in order to stabilize the currency.

Unsurprisingly, given decreasing global demand for manufactured goods, export industries were the hardest hit, resulting in widespread job losses especially to subcontracted, casual and temporary workers. This in turn resulted in further expansion of the informal economy, which is said to account for seventy per cent of workers in Indonesia (*The Jakarta Post*, 30 November 2009). Despite this, Indonesia avoided the full impact of the 2008-2010 *krisis global* and conditions have certainly did not deteriorate to anything like the 1997 *krismon*.

While the material economic effects of the *krisis global* appear to have been limited when compared to the *krismon*, it sparked a wave of ‘*anti-neoliberalisme*’ discourses in mainstream Indonesian politics. Nostalgia for the Suharto era – particularly in terms of health services, security and the affordability of basic goods – is one manifestation of widespread disenchantment with liberal economic policies. In the lead up to the 2009 presidential elections, this disenchantment was played upon by challengers to the incumbent President Susilo Bambang Yudhoyono, whom his detractors accused of being ‘neoliberal’. In fact, *neoliberalisme* became a political slur in general; Indonesian

politics must be one of few domains where neoliberalism is considered as dirty a word as it is in ‘critical’ Anglophone academic social science.<sup>xiii</sup> By way of example, on 6 September 2009, *The Jakarta Post* published a letter entitled ‘My wife is a true neolib’ in which the author, Eric Musa Piliang, complained that he hated shopping with his wife because of her aggressive haggling in Jakarta’s ‘traditional markets’. According to Eric, ‘It’s not only embarrassing, but it’s cruel as she is dealing with small traders who most likely work on slim margins. The worst part is that we always end up having a heated argument later in the car, between the socialist-me and the capitalist-her’. After elaborating on his wife’s art of purchasing bananas as cheaply as possible, Eric scales up his point from South Jakarta to the global market:

‘In the neoliberal free-for-all world, there is no fast rule on how low do you start when you haggle. It could be half, but could be as low as a tenth. If unlike me you have no scruples, the trick is to ask and then to look completely disinterested. Although market forces have been good to us, I fully agree with the current sentiment that neoliberalism is bad for Indonesia and should therefore be completely banned. It will prevent me from having unnecessary arguments with the wife.’

It is worth noting, however, that serious political rivals to President Yudhoyono were not ‘socialists’ but crude nationalists – including some Suharto apologists with blood on their hands from New Order military campaigns (for example, one presidential candidate, the former chief of Indonesia’s notorious Special Forces unit, Kopassus, Lieutenant General Prabowo Subianto). Although there are of course some more progressive critiques of neoliberalism in Indonesia – such as from the so-called People’s Economy (*Ekonomi*

*Kerakyatan*) (Saksono, 2009) – these are paid little more than populist lip service by the major political contenders. The ‘neoliberal’ candidate, Yudhoyono was reelected in October 2009, winning an outright majority in the first round of balloting.

In a series of interviews with senior government officials in November/December 2009, all were dismissive of the effects of the 2008 global financial crisis on Jakarta specifically, and on Indonesia more broadly. For example, the Secretary to Indonesia’s Vice President, Djohermansyah Djohan, suggested that the decline of the Jakarta Stock Exchange had mostly impacted upon *orang bule* (foreigners) who accounted for the majority of its ownership. As Djohermansyah Djohan pointed out, Indonesia still has a ‘traditional economy’ in contrast to the ‘global’ or ‘globalized’ economy of countries such as Singapore.<sup>xiv</sup> The ‘global’ and its attendant problems are thus considered to be ‘out there’, part of the world of foreigners and separate from the world of Indonesians. In this context, and given the prevailing negative connotations of anything ‘neoliberal’ (or ‘global’) in Indonesia, it is perhaps surprising that the Governor of Jakarta – the first elected Governor<sup>xv</sup> – publicly expressed his desire to ‘turn Jakarta into a global city’ (*The Jakarta Post*, 21 August 2009).

It should be noted that the audience to which Fauzi Bowo expressed this aspiration was the Jakarta Chapter of the Indonesia Chamber of Commerce and Industry (KADIN). Fauzi would surely have couched his aspirations in other ways had he been addressing a meeting of street vendors. The economy of Jakarta appears to have fared well despite the global economic crisis, but have the men and women (and children) who form the majority of workers in the city’s informal sector? On the one hand, there is a danger that this sector is treated as a ‘sink’ for workers displaced from formal

employment, undermining efforts to afford the latter greater security and protection. On the other hand, there is clearly genuine innovation and capacity in the informal sector itself (see, for example, O'Neill, 2009). At least rhetorically, the Jakarta city government recognizes this in its deployment of central government funds for an Independent Community Empowerment Scheme, and even boasts having opened Indonesia's only Small Business Development Center in Jakarta (Fauzi Bowo, 2009). Still, it remains to be seen the extent to which these initiatives serve to benefit 'ordinary' Jakartans.

## **Conclusion**

The case of Jakarta provides a window onto a range of issues of polity and space which are of much wider scope. In the first place, Jakarta provides an example of a city whose official aspirations have become increasingly global. While some scholars have noted a 'neo-liberal turn' beginning from the late 1980s (Kusno, 2010), processes of decentralization over the past decade or so have enabled city authorities to strengthen Jakarta's economic linkages in an era of globalization. Second, our analysis shows that national scale politics retains importance as a frame for understanding transformation of the city. Significantly, this is the case even as the Jakarta is inserted into economic networks that extend transnationally. Third, Jakarta is the capital city of the country which has experienced some of the most wide-ranging processes of decentralization and democratization in the world in recent years. While most policy makers and academics have focused on the effects of this for regions beyond Jakarta to which power and

resources were to be spread, we have shown that decentralization and democratization have profound implications for the ‘centre’ too. Fourth, the case of Jakarta is one which demands a wider conceptual rethinking of what (and where) is the centre. Although some may wish to read decentralization in terms of universalizing trends emanating from Washington D.C. or from supranational organizations such as the World Bank or International Monetary Fund, it is clear that such influences are intertwined with much more contextually-specific histories and geographies. Neoliberalism continues to be subject to political critique and reworking even as Governor Fauzi Bowo reaffirms global city aspirations for Jakarta.

It is likely that the legacy of Fauzi Bowo will be judged in two main ways. The first is in his administration’s capacity to manage the city’s dire problem of annual flooding (see Douglass, 2010), and the second is in improvements to Jakarta’s *macet* (traffic jam) problem. These are the same key issues that plagued Jakarta before the *krisis global*. The fact that the latter problem is partly attributable to rising affluence with more vehicles on the road also suggests that this crisis is now over in Indonesia. Something that does seem to have changed, however, is the pervasiveness of opposition to *neoliberalisme* and anything considered ‘global’. Indonesia is indeed a bastion of the argument that there is nothing inherently progressive about being anti-neoliberal or anti-global(ization). The multiple and variegated meanings attributed to these terms – and to ‘global city’ for that matter – raise serious questions about whether scholars should stop using them altogether. Yet the fact is that they circulate and have effects through economic and policy discourse, and that these discursive effects themselves require critical analysis. Does seeking to make Jakarta into a ‘global city’ necessarily mean

victimizing the poor? Or could it mean the development of infrastructure which would reduce most Jakartans' exposure to floods and traffic jams?

Writing before the global financial crisis, Christopher Silver expressed optimism that 'the projects underway in newly democratized Jakarta did so under the watchful eyes of an empowered civil society and within a more inclusive policy environment' (Silver, 2008: 227). As a result of the *krisis global*, sections of Indonesia's policy planning elite do seem to more strongly emphasize the importance of the informal sector as embodied in the traditional economy, as well as in ordinary people, their capacities and resilience. After his presidential reelection in 2009, Susilo Bambang Yudhoyono publicly urged local administrative leaders not to evict street vendors when implementing planning 'improvements' (*The Jakarta Post*, 26 October 2009). For his part, Jakarta governor Fauzi Bowo will have to at least be seen to follow such advice, and to develop Jakarta as a more inclusive 'global city' than it was during the Suharto era if he wishes to be re-elected as governor in 2012. In this, his administration will also have to work with and within the ongoing national processes of democratization and decentralization, both of which have had profound implications for Jakarta/JMA, their governance and positioning within Indonesia.

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<sup>i</sup> It is worth noting that although disaffected regions often mistakenly conflated Java (and the Javanese ethnic group) with Jakarta in airing their grievances about centralisation under the New Order regime, parts of the island of Java (including within the city of Jakarta itself) experienced, and continue to experience amongst the highest poverty levels nationwide.

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<sup>ii</sup> Though it should be noted that Jakarta is a city which has given rise to some of the very kinds of urban ethnography through which such insights could be tapped (see, for example, Jellinek, 1991; Murray, 1991).

<sup>iii</sup> Nobody knows for certain how many poor people live in Jakarta, and poverty 'guesstimates' vary tremendously according to how poverty is defined, where the boundaries of Jakarta are drawn (i.e; to include only JMA or satellite towns), and between official and unofficial figures. For instance, Indonesia's 2009 Central Bureau of Statistics (*Badan Pusat Statistik*, BPS) states that 3.62 per cent of Jakarta's population live below the poverty line, and defines poverty as those who are unable to afford basic food items to the value of 2,100 per day, and those who are unable to afford essential household items, schooling and housing (BPS, 2009). However, many NGOs criticise the BPS statistics for being too low and cite higher poverty levels of about thirteen per cent (see, for example, McCarthy, 2003: 195-228).

<sup>iv</sup> Rather than seeing the gatehouses (*gardu*) that feature in private sector residential developments as 'merely a symptom of a recent global urban form associated with the rise of disciplinary society and gated communities worldwide, for example, Kusno reflects on the *gardu* 'as an institution that embodies specific histories and has over time shaped the collective memories of people who lived through those histories' (p. 20).

<sup>v</sup> As Abidin Kusno (2010: 5) has put it recently, 'Indonesians today remember a decade since the fall of President Suharto (1966-98). However, no one seems sure how different the present era is in comparison with the previous one'.

<sup>vi</sup> However, it should be noted that there had been some prior experiments with limited decentralization (see, for example, Miller, 2004; Turner et. al., 2003).

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<sup>vii</sup> However, it should be noted that national policy shifts especially since 2004 have sought to ‘revitalize’ the role of provincial governments in overseeing and co-ordinating their constituent districts. Interview with I Made Suwandi, Director of Regional Autonomy, Ministry of Home Affairs, 15 January 2008.

<sup>viii</sup> Attempts to deal with such problems must also be noted. These include debates in the Home Affairs Ministry and Bappenas concerning new laws to deal with common externalities. Interview with I Made Suwandi, 2 December 2009.

<sup>ix</sup> Interview with I Made Suwandi, 2 December 2009

<sup>x</sup> Interview with I Made Suwandi, 15 January 2008.

<sup>xi</sup> As the Executive Director of Regional Autonomy Watch (*Komite Pemantauan Pelaksanaan Otonomi Daerah*) put it, ‘For the long term we are quite optimistic...in terms of the future of Indonesia I am quite optimistic for the decentralization and one of the future of Indonesia is also inter-regional cooperation. To expect best practices in the central level is quite difficult but to expect best practices to be implemented from the local government it’s quite manageable actually so we try to develop optimism by developing this country from the region’. Interview with P. Agung Pambudhi, 11 December 2007.

<sup>xii</sup> And Mietzner (2009) even notes reduction in poverty figures during this period.

<sup>xiii</sup> See, for example, <http://www.thejakartaglobe.com/news/sbys-platform-a-neoliberal-manifesto-critics-say-as-name-calling-continues/276709>

<sup>xiv</sup> Interview, 30 November 2009.

<sup>xv</sup> See: <http://www.citymayors.com/mayors/jakarta-mayor.html>