Food, the State and Development:

A Political Economy of Agriculture and Trade in Indonesia

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A thesis submitted in partial fulfillment of the requirements for the degree of

Master of Arts in International Studies

University of Washington

2015

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Program Authorized to Offer Degree:

Jackson School of International Studies

University of Washington

Abstract

Food, the State and Development: A Political Economy of Agriculture and Trade in Indonesia

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Global South economies experience significant political economic challenges to developing and implementing effective national development policy today. Many of these challenges are illustrated in the case of food policy in Indonesia, the subject of this study. After a period during which free trade and neoliberalism pervaded its national policy, Indonesia has experienced a rebirth of economic nationalism in national development. This is highlighted by food policies and political economic decisions being made at the national level focused on protection of domestic agricultural and trade sectors. This study applies qualitative research methods and historical analysis to understanding why this phenomena is taking place. This analysis explores intersections of state development, food security and globalization that influence policy–making, and identifies conflicting political economic interests vying for power and working to shape state decisions. These decisions are critical to shaping and perpetuating conditions of poverty, inequality and hunger that exist today.

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Acknowledgements

There are a number of people instrumental in making this project possible.

I would like to express my deepest gratitude to my committee members: Dr. Sara Curran and Dr. David Balaam. Thank you for your wisdom and direction throughout this process. This thesis would not have been possible without your guidance and support.

Professor Balaam, I am incredibly humbled by your investment in this project. I am truly grateful for your time, counsel and continued encouragement to dig deeper into these complex problems.

Words, in any language, are inadequate to express the extent of my appreciation for the generous contributions made by my friends, colleagues and advisors in Indonesia:

Mbak Tutik –for listening to my aspirations for this project and your guidance in the early stages of my research during my time in Yogyakarta.

Dr. Hudayana, Pak Agusalim, Dr. Lele, and Dr. Retnandari –for offering your time, expertise and critical perspectives.

Mbak Ria –for your insights; you enriched my understanding of Indonesian agriculture and rural farm life tremendously.

Terima kasih

CHAPTER 1:

INTRODUCTION AND PROBLEM STATEMENT

1.1 –INTRODUCTION

Ramadan was set to begin when I arrived in Indonesia during the summer of 2013. Within the first week of my visit, the beginning of the Islamic holy month had ushered in a period of fasting for the vast majority of the nation's population. Each day as evening approached, masses of food vendors would converge onto roadsides wheeling their carts of *soto ayam, mie goreng, gado-gado, sate,* and *roti bakar.* Vendors sold a remarkable array of foods to passersby in preparation of breaking fasts and beginning an evening of feasting long into the night. Such was the scene as I began my stay in Indonesia.

Despite its association with self-restraint and austerity, Ramadan is a period renowned for increased consumption and rises in food prices. Shortly after its start, front pages of newspapers splashed headlines of skyrocketing prices of rice, *cabe*[1], meat, and other staple food items. Though not written into the calendar, food price spikes reflected heightened scarcity of food during times of increased demand in the country. Ramadan was a prime example of this phenomena. The annual occurrence of consumption outpacing available food

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[1]chili –a centerpiece of the country's varied cuisine and a staple in people's diet in Indonesia.

supply during the holy month was one many Indonesians anticipated, along with the effects of higher food prices and substitutions of alternative products. Yet, this was experienced most acutely by the poorest who could hardly afford to pay two- and three-times their normal food budgets just to maintain their eating habits.

Food price spikes corresponding with Ramadan that year had come on the heels of several national food controversies still reverberating across the country. In January 2013, the arrest of a major political party leader for accepting bribes from a major domestic meat import firm to smuggle large amounts of beef into the country grabbed the national spotlight and received widespread attention. This scandal, referred to as 'Beefgate', involved the highest political levels of the country and followed another domestic food scandal.

One month prior, the discovery of beef meatballs adulterated with pork enraged millions of *bakso*[2] consumers. Meatball producers were found to have been adulterating meatballs with a cheaper substitute, motivated largely by exorbitant domestic beef prices – some of the highest in the world. This story, too, garnered widespread attention and drew particular ire from Islamic adherents living in Indonesia, home to world's largest Muslim population. In the presence of increased food scarcity amidst rising demand, these events highlight challenges Indonesia continues to face with its national food policy. Indonesia's national food policy, developed in part to address its food scarcity problems, has encountered significant obstacles with enforcement and unintended consequences. The events of late 2012 and early 2013, which served to indict state efforts to address domestic food security.

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[2] A traditional beef meatball soup.

Following these controversies and in the midst of food price spikes during Ramadan, the government responded by loosening import restrictions on beef and other food and agricultural goods. These restrictions had been in place since the country's 2012 Food Law went into effect, which gave greater regulatory authority to state and local government to implement food trade restrictions and import safety standards and ensure minimum domestic production targets. Speculation of a shift by the state away from protectionist strategies to boost domestic agricultural production, reduce reliance on foreign food products and make food more accessible and affordable was short-lived. In 2014, Indonesian lawmakers passed a landmark protectionist trade law regulating raw materials exports, carrying significant implications for cross-border distribution of agricultural goods and natural resources.

Figure 1.1: Map of Indonesia

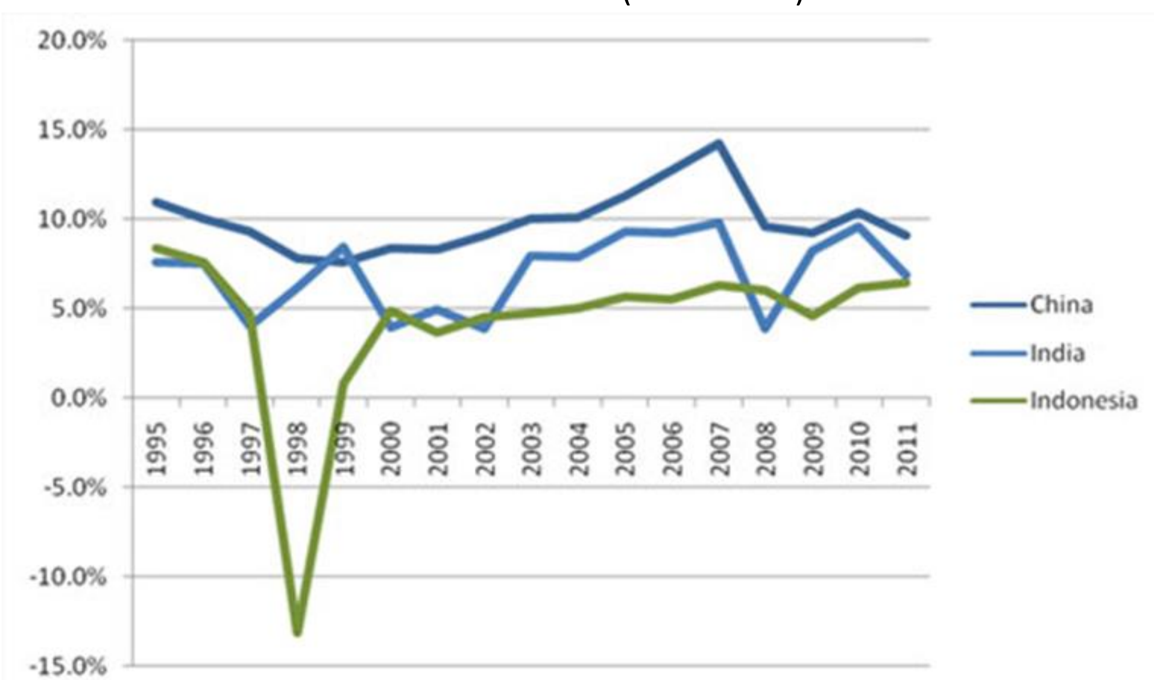
1.2 –BACKGROUND

The nation of Indonesia consists of a large archipelago, comprised of over 17,000 islands. While approximately 6,000 of these are inhabited, most of the country's population is scattered across several of the largest islands: Sumatra, Sulawesi, Papua, Kalimantan (Borneo), Java, and Bali. The country has a population of over 253 million total, making it the world's fourth most populous nation. Despite over 80% of the national population practicing Islam, there exists a range of religious and cultural practices across the country, as many islands remain predominantly Buddhist, Hindu, Christian, or animist. In addition, there is a tremendous amount of diversity among Indonesia's population linguistically and ethnically, with hundreds of languages and dialects spoken across the country.

The country also possesses diverse topography and climate. It has some of the world's largest tropical rainforest areas –much of that located on the islands of Sumatra, Sulawesi, Kalimantan, and Papua— as well as vast coastal regions. Thus, forestry products and fishing activities comprise a significant part of agricultural and natural resource sectors. In addition, the country has vast mountainous areas and fertile valleys, suitable for producing a wide variety of agricultural products year round, given its largely tropical climate. As one of the most actively volcanic islands in the world, Java and its nutrient-rich soil serves as the center of agricultural and industrial production in the country and is by far the most densely populated island in the country. These factors contribute to Indonesia's richness in natural resources such as tin, nickel, forestry products as well as agricultural production of products such as coffee, tea, palm oil, and rubber.

Despite the advantages these characteristics have brought, Indonesia has struggled with stagnation in agricultural production at times, including at present. Studies in recent years have emerged pointing once again to lagging production in the agricultural sector (Pasaribu, 2010; Timmer, 2004). In addition to sector-specific challenges, the national economy has struggled at times to keep pace with its large, growing population. In the latter half of the twentieth century, Indonesia was rapidly developing, with World Bank projections putting Indonesia's economy at the world's fifth largest by 2020 (Massar, et al, 2000). However, the economy was hard-hit at the end of the twentieth century, with significant inflation, unemployment and poverty creating widespread national economic and financial crises.

Figure 1.2
GDP Growth Rates (1995-2011)



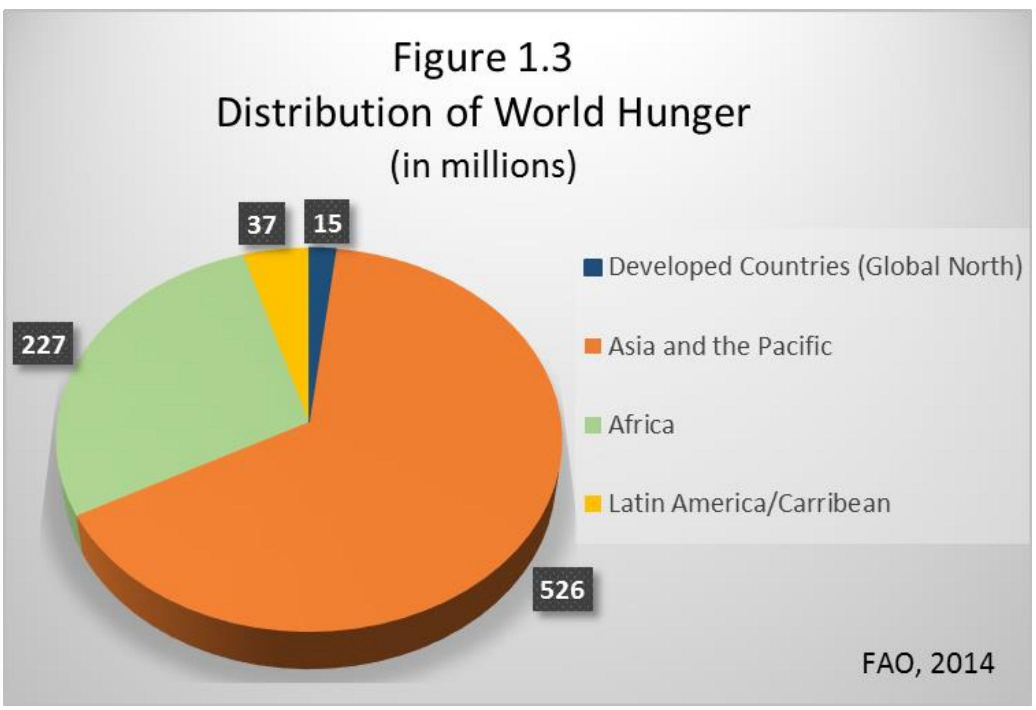
World Bank, 2015

Nevertheless, recovery has indeed taken place. Since the crisis, Indonesia has experienced significant political and economic progress, transitioning into a democratic nation with presidential elections and decentralized authority across multiple levels of village, provincial, territorial, and national government --a sharp contrast from the highly centralized, authoritative rule from the previous half-century since post-independence. It has also emerged out of the ranks of low-income countries to become a middle-income country, the largest Southeast Asian economy and a member of the G20 nations. Indonesia has also been able to move many out of poverty, as the nation's poverty rate has been reduced by two-fifths since 2000 (World Bank, 2012a; World Bank, 2012b). The country's economic growth has been well above the average for G20 nations in recent years and in 2013, it surpassed India for the second fastest growing G20 economy behind China. In the midst of these positive indicators, the country grapples with problems of poverty, inequality, as well as chronic and short-term food insecurity as over 30 million of its 250 million total population remain impoverished and 65 million more in danger of falling into poverty (World Bank, 2012a). The literature on Indonesia's history of political, social and economic development suggest these struggles are rooted in its past, extending to the present day and persisting amidst transformation.

As with other states, Indonesia has a vested interest in food security within its borders. Past cases have demonstrated the importance of food security to national political stability worldwide (Lewis, 2008; Wallenstein, 1988). Indonesia is particularly a country whose history is riddled with examples of the political consequences for a state unable to feed its population. Hunger and national food scarcity problems directly contributed to political upheaval, socioeconomic tensions and regime change. In the 1960s, Suharto ascended to the presidency amidst rampant hunger and escalating poverty. Political and economic instability in Indonesia was quelled until the end of the twentieth century, when once again a series of crises gave way to political, economic and social unrest. Food riots and mass looting in urban centers served to bookend this period and usher in an era of democracy (Schneider, 2008; Patel and McMichael, 2008; Collins, 2007).

In addition to its adverse political effects, hunger contributes to poor social and economic development outcomes for states and adversely affects quality of life, cognitive development, educational attainment, and income prospects (Banerjee and Duflo, 2011). As poverty is a key determinant of hunger and food security, states with populations affected by hunger are often limited in their development and risk getting caught in a cycle of poverty, hunger and underdevelopment (FAO, 2013; WHES, 2015).

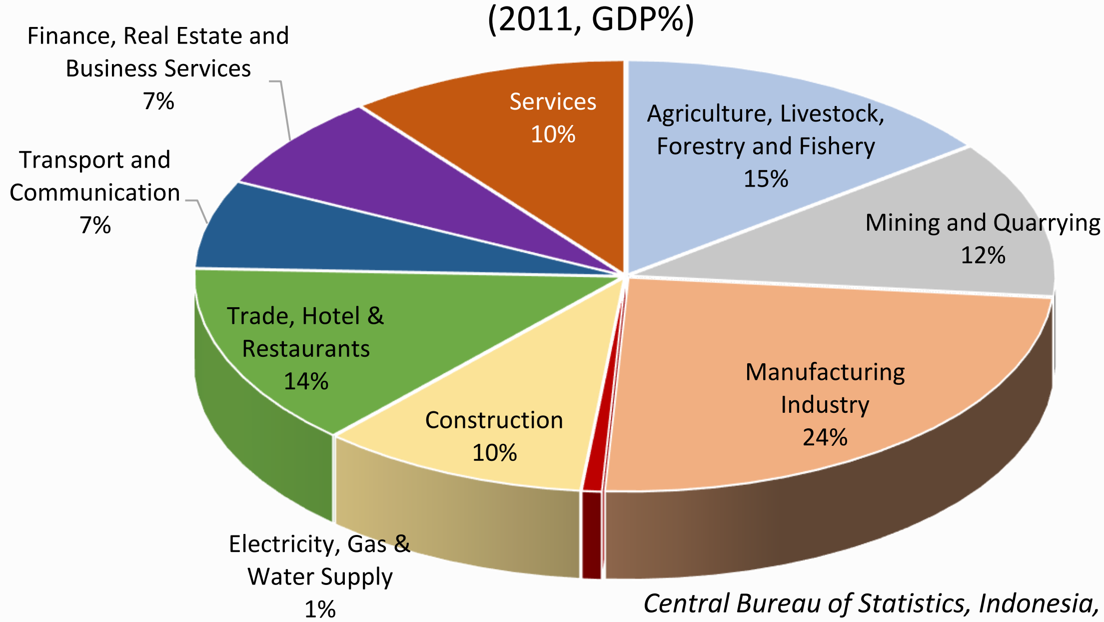
These problems are neither peculiar to Indonesia nor Southeast Asia. The need for effective policy to combat hunger and ensure food security for states and their populations is a challenge felt throughout the world. For developing countries in Africa, Asia and Latin America, where the vast majority of those most vulnerable to hunger reside, this issue is particularly pressing. According to data from the Food and Agricultural Organization (FAO), over 800 million people



worldwide are chronically hungry, with 98 percent of global hunger concentrated in the Global South (FAO, et al., 2014).

For years, the search for viable, long-term solutions to hunger at state, regional and global levels have driven research, policy discussion, and ever-expanding literature on the subject. During 2006-2008 global food crisis, food shortages and food price spikes exacerbated worldwide hunger by the millions. Since the global food crisis, food security, hunger and agricultural development have commanded even greater attention from the development community and the state –in Indonesia and governments worldwide (Vanzetti, et al, 2010). The United Nations and 2015 Millennium Development Goals (MDGs) have placed hunger alleviation and poverty reduction among their core objectives while the eradication of these problems are central to the efforts of many international organizations and leading philanthropic institutions, from the World Bank, FAO, and the Bill and Melinda Gates

Figure 1.4
Distribution of Indonesian Economy by Sector
(2011, GDP%)

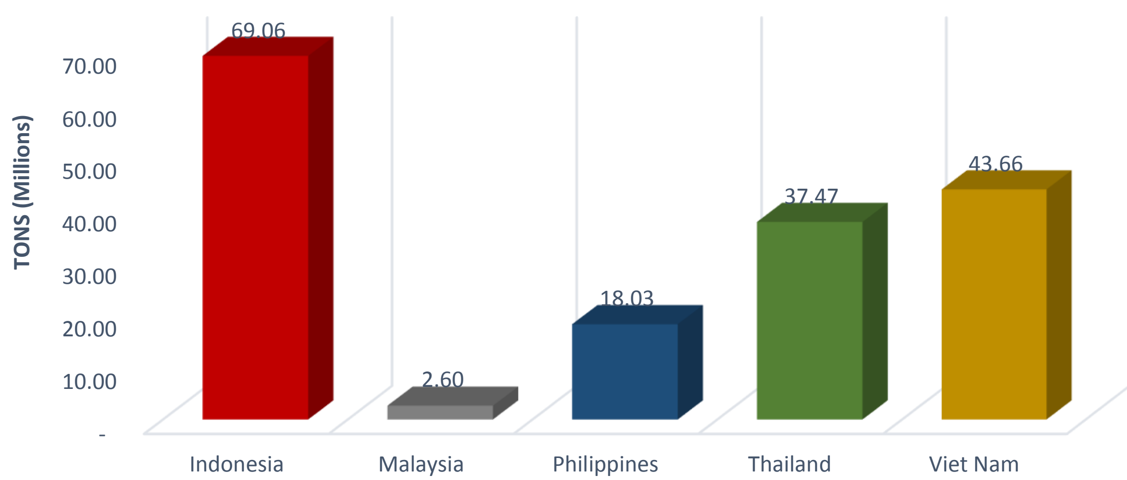


Central Bureau of Statistics, Indonesia, 2014

Foundation. Yet as one in nine people in the world remain hungry, this is a problem that largely remains unsolved.

The global food crisis served to highlight Indonesia's vulnerability to hunger. As a nation in which agricultural and natural resource sectors factor prominently in its economy (figure 1.4), Indonesia is a major global agricultural producer, highlighted in the figures below. However, Indonesia also relies heavily on global markets and agricultural and food trade from its neighbors. In the midst of the Asian Financial Crisis and global food crisis, Indonesians experienced significant challenges with rising food prices impacting their income, health and quality of life –particularly for the poor (Salim, 2010; Yamauchi and Dewina, 2012).

Figure 1.5
2012 Rice Paddy Production Among
SE Asian Agricultural Economies



FAOSTAT, 2015

Figure 1.6
2012 Cereal Production Among
SE Asian Agricultural Economies

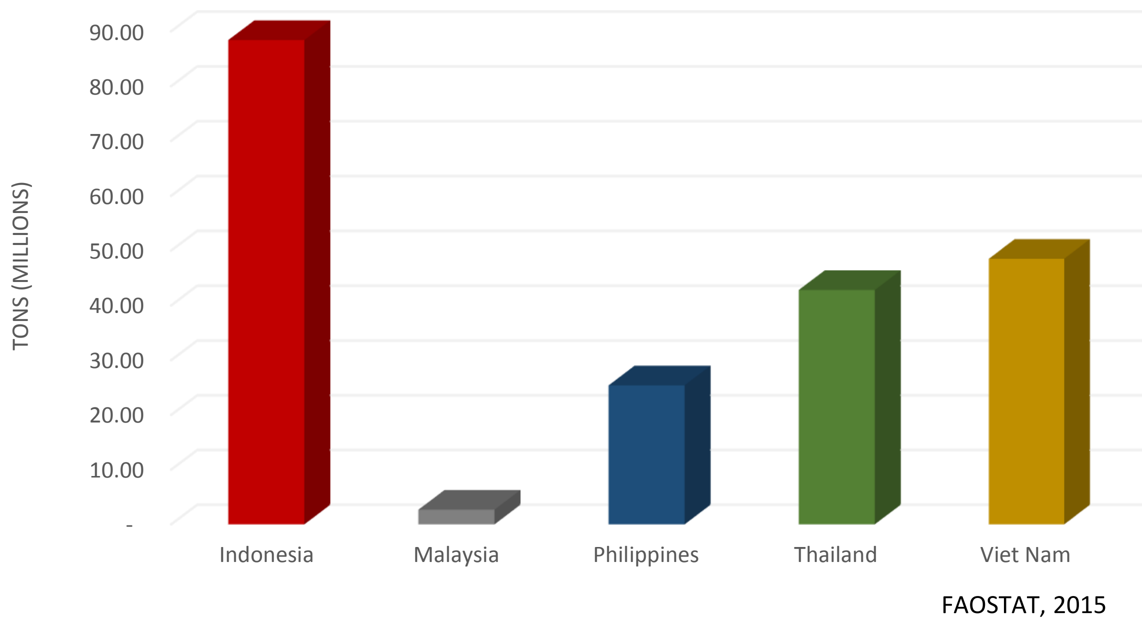
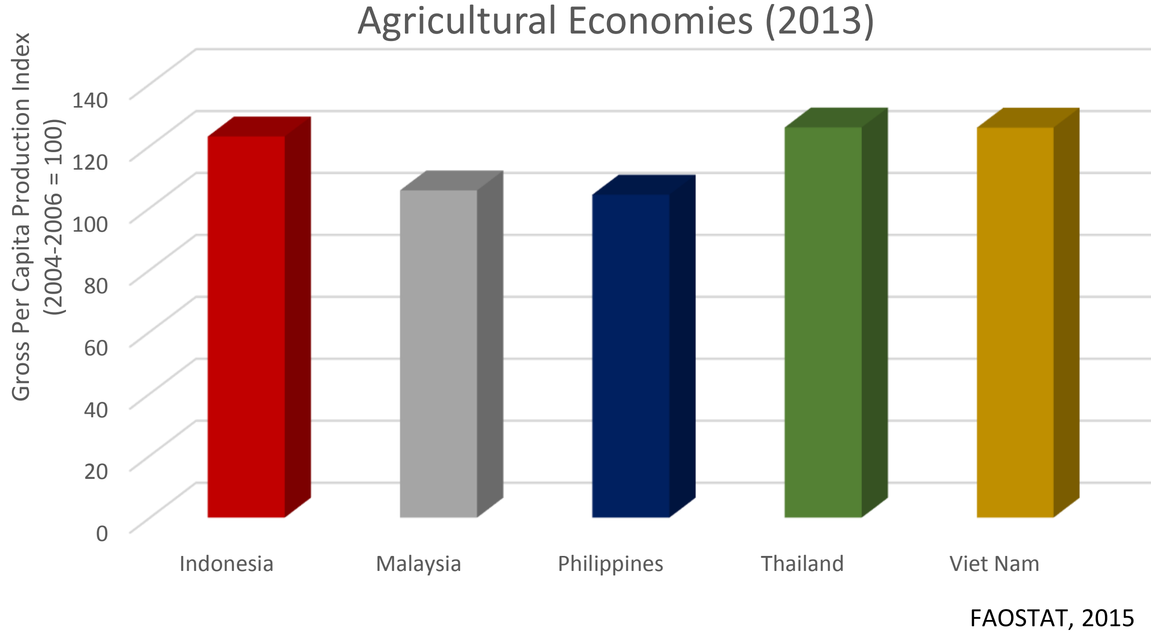
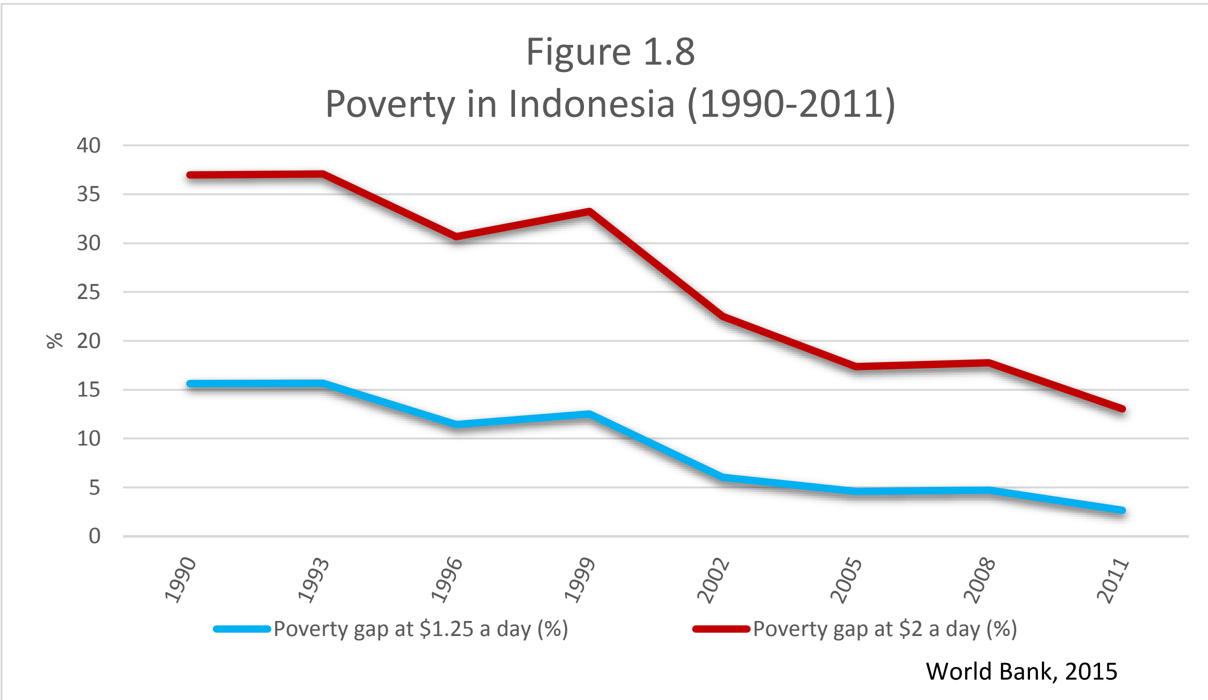
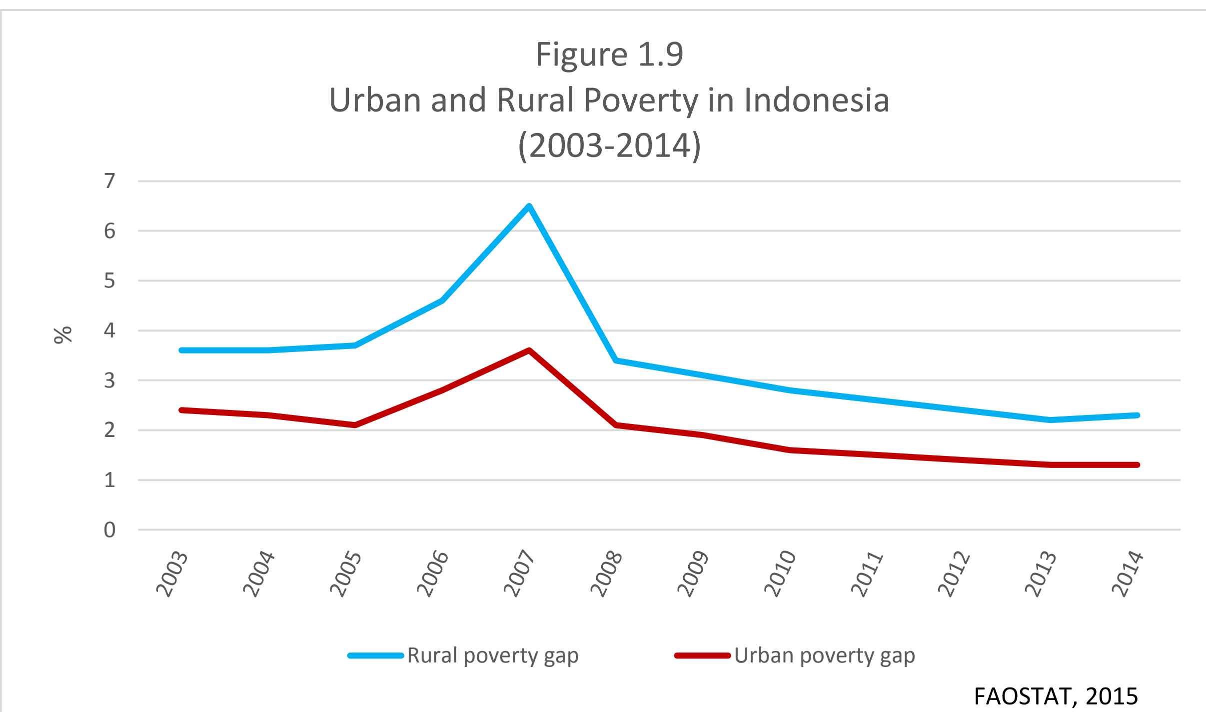


Figure 1.7
Per Capita Production Among SE Asian
Agricultural Economies (2013)



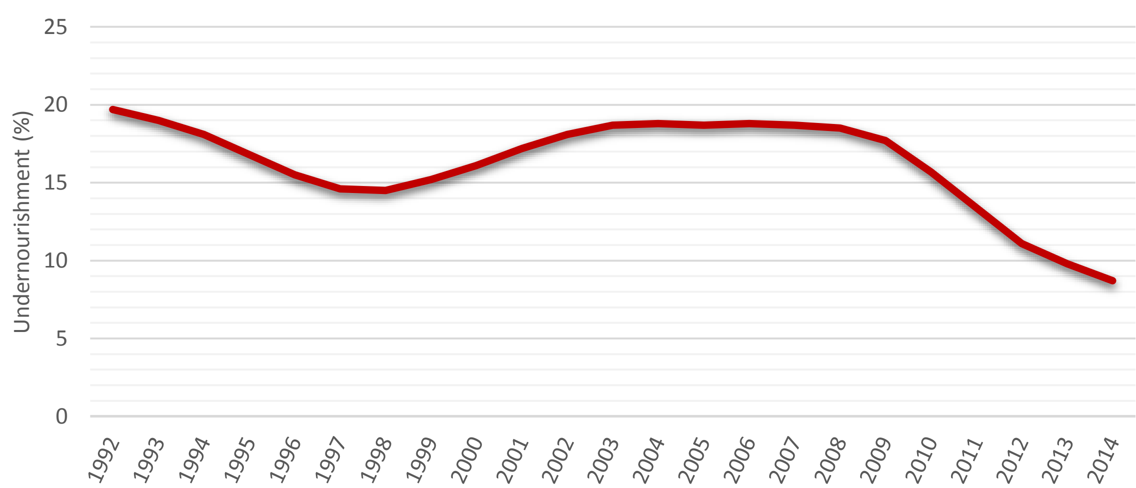
Despite economic progress in recent years, during the global food crisis, just as in the Asian Financial Crisis of the late 1990s, food price shocks on the domestic and global levels heightened national levels of poverty and hunger. As figure 1.8 shows, following a decade of





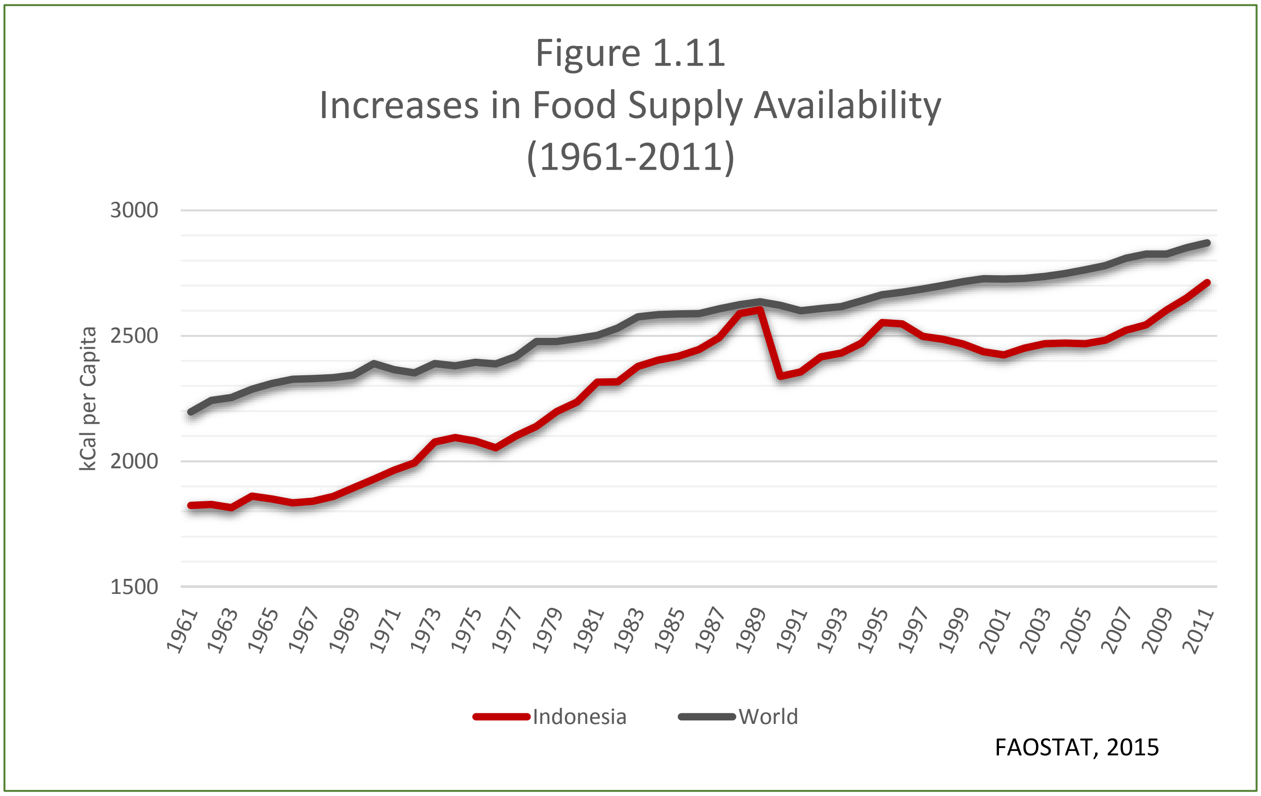
prosperity and seeing significant inroads to poverty, Indonesia's poor and near-poor populations increased as the effects of the global food crisis were felt. This was also true with the Asian Financial Crisis a decade earlier. It is those poor and near-poor who are most vulnerable to hunger and food insecurity and are those most heavily impacted by Indonesia's national food policies. In Indonesia, the poor are most frequently food producers themselves and disproportionately residing in rural, agricultural areas of the country –these people are particularly vulnerable to the effects of poverty and hunger, as figure 1.9 suggests.

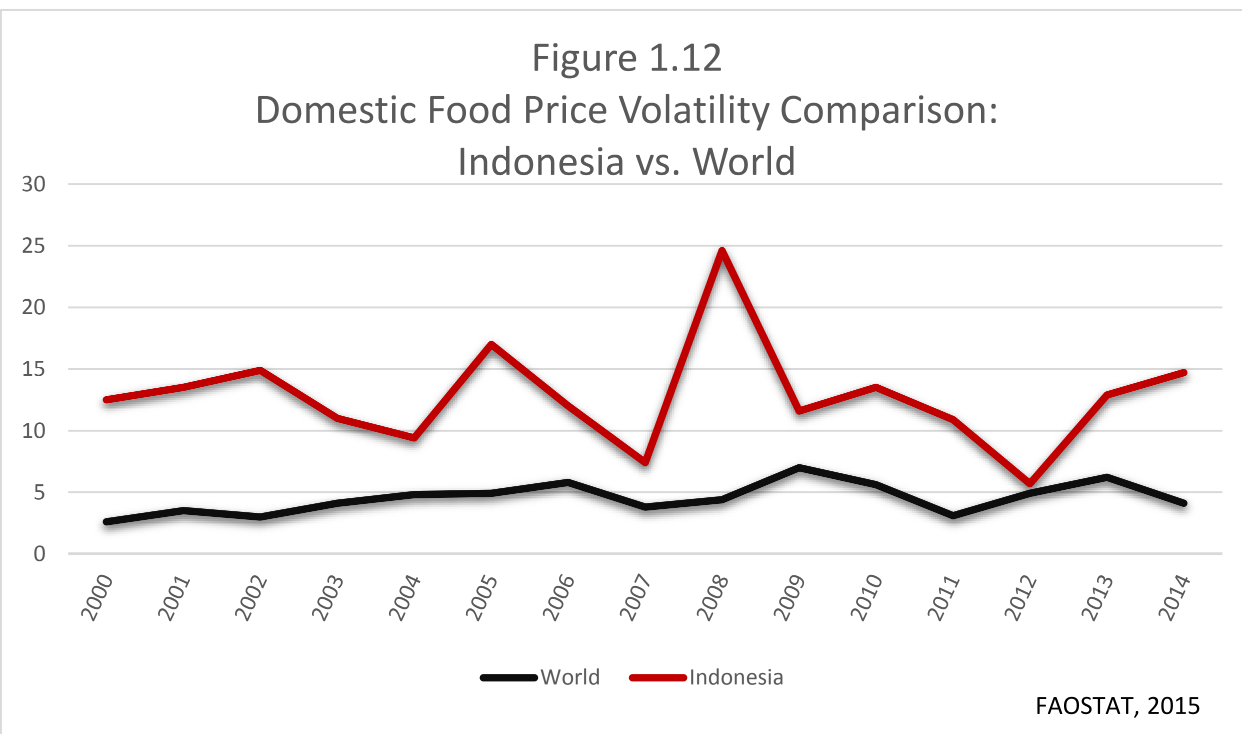
Figure 1.10
Indonesia's Progress in Hunger Reduction



FAOSTAT, 2015

As noted above, Indonesia has made tremendous strides addressing its food security challenges over the past five decades (figure 1.10). However, gaps between Indonesia and the developed world remain (figure 1.11). With millions in poverty, and many millions more at or near the poverty line (World Bank, 2012), small movements in food prices continue to play a key role in whether households are able to remain out of poverty (figure 1.12). Fluctuations in food prices –particularly of staple food items— is a key determinant to whether millions can afford adequate food for themselves and their families, as food is the major budgetary expenditure for the poor.





1.3 –PROBLEM STATEMENT

In Indonesia and other emerging economies, market-based approaches had become synonymous with mainstream international development policy by the early 1990s (Chang, 2002). This particularly impacted agriculture and trade development (Magdoff and Tokar, 2009). Underlying principles of market-oriented development were pervasive in policies advocated by the World Bank, International Monetary Fund (IMF), and other leading international financial, trade and development institutions and influence national policy in developing countries today (Collins, 2007; McMichael, 2008). Leading up to the turn of the century, neoliberalism and the free market had seemingly become ideological winners within a larger debate on globalization, economic development, and acceptable approaches towards achieving prosperity, poverty reduction, and the alleviation of hunger (Chang, 2002). Yet, by the first decade of the new century, Indonesia's protectionist food and agricultural policies were judged as largely out-of-step with such mainstream development approaches (Timmer, 2004; Basri and Patunru, 2012).

After decades of market-oriented policies guiding development in Indonesia --along with other countries in Southeast Asia and the Global South— protectionist policies suggest not only to a change from development policy steeped in neoliberalism, but a focus on economic nationalism (Di Nunzio, 2013). These policies have persisted over time. They are also indicative of a renewed effort by national lawmakers to elevate the role of the state in protecting domestic agricultural production and regulating exchange of food and agriculture in a way that promotes national interests (Soesastro and Basri, 2005; Patunru and Basri, 2012).

States confronted with food security dilemmas face challenging policy decisions. How an emerging economy grapples with the problem of food scarcity within its borders in a world of abundance is a complex question. This is the subject of this study. To explain and fully understand the phenomena of state involvement in national development and the emergence of protectionist legislation following an era of market-oriented policy, this study considers the relationship between the global food system and a developmental state in the Global South. This study sets forth to explain why the phenomenon of economic nationalistic food policy-making is taking place in Indonesia and understand the role of state developmental capitalism in improving conditions of poverty and hunger within the country. It also explains how these problems have emerged and assesses the national efforts to address a variety of interrelated issues in the long-term. Indeed, Indonesia has food security challenges marked by price spikes, low domestic production, trade restrictions, ineffective policy-making and corruption. These contribute to perpetuating the problem of hunger within the country.

My experience there led me to examine Indonesia's past and present approaches to food policy and led me to inquire about the origins of Indonesia's food and agricultural protectionism. In doing so, I considered why the nation's food security problems persist despite the role of protectionism in the nation's food policy today.

This study finds oppposing neoliberal and state developmentalist forces throughout Indonesia's history have sought to exert influence on state policies and advance their interests. This has often resulted in subverting effective national policy-making. The thesis of this work is that Indonesia's renewed emphasis on economic nationalism in food policy stems from a reaction to neoliberal forces, as well as an effort by the state to address long-term structural issues and balance conflicting interest groups, while exercising greater autonomy over national development. Both global and domestic actors confound Indonesia's efforts to make significant inroads into agricultural production and distribution challenges in a way that best addresses the issues of poverty, food security and sustained national development.

1.4 –ORGANIZATION

As this study reveals Indonesia's shift towards protectionist-oriented policies, key actors emerge, including those whose interests are either threatened or advanced by their implementation. Each significant period of Indonesian development is assessed using a conceptual analysis of food security, the developmental state and the globalized food system. National food policy has been characterized by economic nationalism throughout Indonesia's history. Historical analysis shows Indonesia's development has resulted in the emergence of present-day food production and distribution systems, a variety of critical political economic issues, and policies that have shaped food security in Indonesia. Key historical periods studied are as follows:

- The Colonial era prior to independence (c. 16th Century – 1949);
- Independence through the New Order (1949-1996);
- The Asian Financial Crisis and Democratic Transition (1997-2000);
- The Post-Crisis Democratic Era (2000-present).

Indonesia's colonial era is the first significant historical period covered in chapter three. Here, the broader relationship between the global food system and Indonesia, as part of the colonial developing economies in Southeast Asia, is the focus. The ways in which present-day agricultural production and distribution structures stem from its colonial past are examined in light of theories on state development by Chang and List, along with Akamatsu's theories on agricultural and economic development of what are now the Global South economies in Asia. Like others in this group, a key structural characteristic of Indonesia's economy is its large-scale, export-oriented production of natural resources and agricultural products. This phenomenon can be seen continuing through the close of the colonial era and into the next significant period of mid-twentieth century state formation.

Chapter four traces Indonesia's efforts to break from its colonial ties and the structure of global food trade dependence in the decades following independence. External actors -- Global North states, international institutions, and private interests— have played roles in influencing Indonesia's food production and distribution through engagement with local political elites, an occurrence that continues today. Historically, agricultural products have been moved out of resource-rich, underdeveloped regions, and funneled into spatially distant regions to be used to advance Global North development. In this chapter I use theories by Friedmann and McMichael in particular, to focus on the emerging globalization of national and regional food production and distribution systems, as well as Indonesian studies on the rule of President Sukarno and President Suharto. This tumultuous period realized remarkable socioeconomic growth, particularly in the years leading up to the conclusion of the twentieth century. Nevertheless, the patterns of production and distribution of agricultural and natural resources that are perpetuated serve to undermine the ability of Global South countries to develop evenly in a manner that addresses the needs of their populations. The extent to which this has taken place during the heavy handed rules of Sukarno then Suharto, with the emergence of economic nationalism and adoption of a developmental state model, is considered here.

Attempts to establish national self-sufficiency through developmental state strategies by both Sukarno and Suharto regimes would at times serve to undermine their efforts to maintain greater control over their national economies.

Chapter five covers the late 1990s, and the halt of significant economic development of the preceding decades, along with the collapse of political structures and authoritarian regimes post-independence following the Asian Financial Crisis. As this chapter details, a series of unexpected financial, economic, and political crises struck the country, leaving substantial and lasting impact on national food security and food policy-making. The socioeconomic impacts of the economic and financial collapse that swept the nation during this period played a significant role in shaping national food policy well into the period of democracy that immediately followed. The way in which various political economic perspectives are currently perceived by both political leaders and the people in Indonesia are in no small part a testament to the policies in place prior to, during and in the aftermath of the crisis of the late 1990s.

Chapter six addresses the latest historical period in Indonesia, from the beginning of the twenty-first century, as emerging protectionism once again clearly manifested itself in agricultural and trade policy. Recent political economic developments reveal the extent to which economic nationalism has pervaded national policy in Indonesia’s democratic era. The role of developmental state capitalism in Indonesia’s food policy is considered in light of legislation and historical evidence presented in preceding sections. This chapter study covers recent national food laws and scholarly works on agricultural production and trade in Indonesia's democratic era, as well as state and non-state actors who play a role in the policy-making process.

The study concludes in chapter seven. The pervasiveness of protectionism in Indonesia's national agricultural and trade policies is examined more closely, noting political economic and structural factors involved in shaping national food policy and influencing recent shifts in Indonesia towards economic nationalism. In particular, key actors are seeking to advance their interests and to benefit from the promotion of national protectionist policies. This study lends greater context to understanding why Indonesia has pursued a national food policy of economic nationalism and considers some of the implications of this.

CHAPTER 2:

METHODOLOGY AND CONCEPTS

2.1 —METHODOLOGY

Purpose and Research Questions

This study brings an international political economy (IPE) perspective to analyzing Indonesia's development of a protectionist national food policy in recent years. An exploration of the political economic realms of trade and agriculture involves studying multi-level actors, public and private interests, and competing ideologies intertwined across domestic and foreign spheres. The subject of trade is itself is one that is inherently political (Kuttner, 1999; Balaam and Dillman, 2014) and –amidst an environment where neoliberal (via free trade and market-orientation) and neomercantilist policies (via economic nationalism, regulation, and protection) are in direct conflict— provides an ideal setting for an IPE study. These contrasting political economic perspectives are used throughout this study in considering Indonesia's use of developmental state capitalism since the turn of the century and considering its role in national food policy.

While neomercantilism and neoliberalism comprise the two largest areas of political economic thought, a third perspective is significant to this study as well. With its emphasis on class dynamics, inequality, exploitation, and the way in which the emergence of worldwide capitalist economic structure has impacted inequality in development, structuralism as a political economic perspective provides the analytical framework for dependency theories on unequal development in Global North and Global South states. These notions of dependency and structuralist ideas of how globalization has contributed to challenges emerging economies such as Indonesia face in their policy-making and national development efforts are carefully considered in this study.

The central thesis questions guiding this study are as follows:

1. *How has economic nationalism pervaded Indonesia's national food policy?*
2. *How pervasive is economic nationalism in Indonesia's agricultural and trade policies today?*
3. *To the extent to which economic nationalism pervades national policy-making, why is this taking place?*

Evidence and Approach

The empirical research in this study is based primarily on qualitative methods approach. The first stage of research consisted of observations and interviews conducted during July and August, 2013. Observations were collected in Yogyakarta City throughout my stay and on three field visits to *kelompok pertanian*[3] located in the rural, agricultural regions of Gunung Kidul[4] and

[3] farmers groups

[4] Field observations and meetings with the farmers group in *Gunung Kidul* took place in the sub-district of *Tanjungsari* on August 21, 2013.

Kulon Progo[5], two of the four *kabupaten*[6] belonging to the Special Region of Yogyakarta in central Java. Interviews were conducted with four Indonesian scholars on national socioeconomic and political development at University of Gadjah Mada (UGM) in Yogyakarta, during July and August of 2013.

The first interview subject was Dr. Bambang Hudayana[7], chair of the Center for Rural and Regional Development Studies at UGM. Pak Hudayana's research focuses on rural Indonesian economic development, economic and socio-cultural anthropology, and ethnography. The second interviewee was with Pak Dafri Agusalim[8], an International Relations scholar from the Faculty of Social and Political Science at UGM, specializing in Indonesian foreign relations, human rights and security. The third interviewee was with Dr. Gabriel Lele[9], a public administration scholar at the UGM Faculty of Social and Political Science. Dr. Lele's area of expertise centers on governance, political institutions and policy reform in the Indonesian post-Suharto, democratic era. The fourth interviewee was Dr. Nunuk Dwi Retnandari[10], an Indonesian scholar of public administration and a food policy professor in the Faculty of Social and Political Science at UGM. Each interview consisted of a series of open ended questions, varying in relation to the subject's areas of expertise, with subjects encouraged to respond with narrative answers. Interviews were conducted during sessions lasting for approximately two

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[5] Field observations and meetings with farmers groups in *Kulon Progo* took place in the sub-districts of *Pengasih* and *Kalibawang* on August 16, 2013.
[6] regencies –there are four *kabupaten* located within the Special Region of Yogyakarta, an area heavily reliant on agriculture.
[7] Interviews took place on July 10, 23, 24, 2013.
[8] Interview took place July 17, 2013.
[9] Interview took place July 31, 2013.
[10] Interview took place August 14, 2013.

hours. Interviews with Pak Agussalim, Pak Lele and Ibu Nunuk were each conducted during one session, while the interview with Pak Hudayana occurred over a series of three separate sessions taken over three days. All of these occurred in Yogyakarta during July and August of 2013. Both the interviews and field observations helped identify key themes, pressing challenges facing national food policy, and guided further research into the country's development and national policies driving agricultural production and distribution –both across and within Indonesia's borders.

For much of my literature research, I sought out secondary sources on Indonesian development –with an emphasis on scholarship addressing the development of agricultural and trade sectors, impacting food production and distribution. This yielded political economic works by Indonesian (e.g. Basri and Patunru; Ananta and Barichello; Djiwandono) and other western/regional scholars on Indonesian and Southeast Asian development (e.g. Timmer, Warr, Akamatsu, Collins, Kano). Additional research was undertaken to identify significant works from notable scholars beyond the case of Indonesia, specifically focusing on the realms of food security, the developmental state, and the effects of neoliberalism and globalization on national development, agriculture, and trade.

Upon researching extensive scholarship on these conceptual areas, I used data from the FAOSTAT, World Bank, and Indonesian Central Bureau of Statistics online databases between November 2014 and April 2015 to examine food security, economic and social development indicators in Indonesia, providing global and regional comparisons where feasible. This data aids in highlighting the role of national agricultural production and foreign trade on national food security throughout its history.

2.2 –CONCEPTS

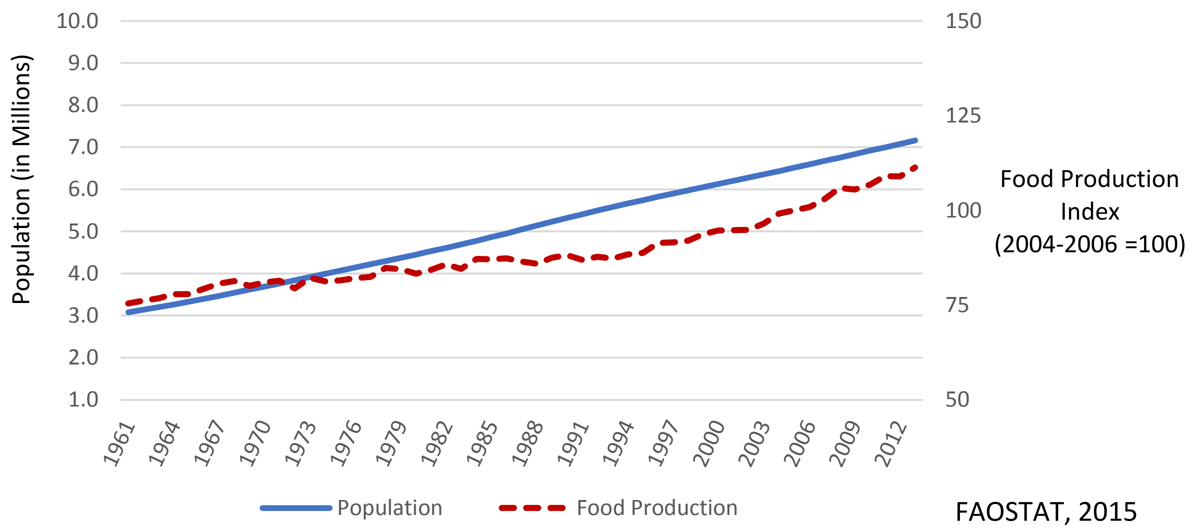
Globalization and the Global Food System

As previously noted, there has been renewed interest in promoting agricultural development and hunger alleviation in recent years. These arenas have been given heightened emphasis following the 2006-2008 food crisis which helped drive world food prices, ultimately reaching their historic peak in early 2011 (FAO, 2011; Dethier and Effenberger, 2012). Central to this study is the global food system which takes into account globalization and global food system factors to fully understand how states address challenges of poverty and hunger.

Agricultural production, distribution and consumption patterns in Indonesia are taking place as part of a broader international system. Together, these patterns drive what is being produced, where, how, and for whom. Food system activities provide a method of organizing and analyzing food and agricultural production in Indonesia, distribution in and outside its borders, and the way consumption has helped shape –and been shaped by—decisions of domestic, state and foreign actors around agriculture and trade.

As a concept, the food system refers to the various activities involved in production, distribution and utilization of food for urban and rural consumers (Staatz, 2000). With the global population expected to move closer to 10 billion over the next few decades, questions about the ability of the global food system to support increased population, environmental, and ecological pressures are being questioned. Additional increases in global food supply needed to account for the gap between expected global food demand by 2050 and current total production levels (figure 2.1) will require answers, at least in part, from agricultural production activities (Searchinger, et al, 2013). However, upon assessing the hunger problems of today and tomorrow, it is clear these cannot be solved through production alone. Just as the food security concept used in the 1970s to ensure food production levels met population thresholds, failed to result in an abatement of hunger.

Figure 2.1
Global Population and Food Production Growth



FAOSTAT, 2015

Food scarcity and the persistence of hunger in the presence of unparalleled production, mobility and abundance is a paradox of the modern global food system. Despite staggering number of hungry in the world, production levels are well above those needed to support the global population. This has been the case since the mid-twentieth century. Scholars increasingly recognize the persistence of hunger as an issue of access (e.g. distribution), poverty and inequality (Holt Gimenez, 2012; WHES, 2015; Balaam and Dillman, 2014). However, the call to address the distribution component to hunger is not new. Francis Moore Lappe in particular was one of the earlier thinkers to lend a voice to this argument with her work in the 1970s on the subject (Lappe, 1971).

In his study on the modern agricultural system, Pfeiffer finds remarkable increases in global food production and available food energy corresponding with increases in net amounts of fossil-fuel energy needed to produce equivalent amounts of food energy over time. Greater energy and resources are needed to produce industrially manufactured inputs (e.g. fertilizers, pesticides, hydrocarbon-fueled irrigation techniques), grow food, distribute to processing centers, travel greater food miles across borders in the global food trade, and in the increasing amount of energy it takes to prepare and consume food in households today (Pfeiffer, 2006).

Today's global food system –and the global economy it is based in— is built upon a foundation of neoliberal and neomercantilist ideologies informing the rules and structures upon which its activities, along with national and regional food economies, operate. Both the global food system and globalization are products of these and other political economic forces at work over the course of the past several centuries. Understanding these forces is critical to the narrative of Indonesia's national development policy, alongside the international production and distribution systems intertwining developed and developing economies.

Globalization describes the integration of national economies into a larger international, if not global, and regional economies via greater cross-border mobility of goods, capital and people through less restrictive trade, finance, and migration patterns. This has implications on how and where food is produced and distributed, as an increasingly globalized world has seen production patterns, trade activities and diets shift worldwide. Political economic scholars have written extensively about the development of globalization, along with the effect this has had on poverty, inequality, agricultural production, and hunger (Wessel, 1983; Clapp, 2012)**.**

For the Global South, where agriculture comprises a significant part of the economy, agricultural production and distribution is particularly vital. How these activities are transformed through the global food system is an outcome of centuries of policies and critical events worldwide, first emerging with the origins of the capitalist economies in the 16th and 17th centuries.

According to neoliberal perspectives, the global food system is a huge success. Development indicators in figure 2.1 suggest our food system has contributed to increased worldwide food production and per capita food supplies amidst unprecedented increases in human population growth. Some attribute this success in part to ushering in triumphant new eras of industrialization, democracy, modernization and economic growth across the globe, contributing to unrivaled increases in national incomes, productivity and development (Paarlberg, 2010). Reductions in malnutrition and other indicators of global hunger have also occurred in recent decades, albeit slowly for some regions such as Sub-Saharan Africa and South Asia. Nevertheless, the paradoxical presence of food beyond the reach of many in a world of food abundance is a defining characteristic of the global food system.

Food Security

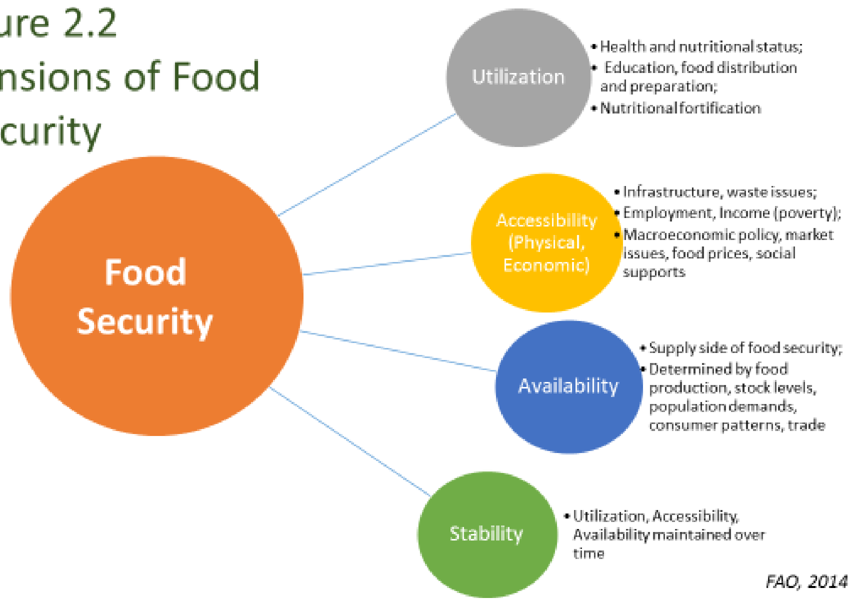
Historically, food security has played an important role in national development and is critical to understanding the emergence of the global food system. Since its origins in the twentieth century, this concept has been pivotal to the formation of food policy, as strategies to address hunger and food scarcity often occur via food security narratives. Food security is achieved “when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life" (FAO, et al, 2014). This definition evolved from an emphasis on food availability, production, and global markets in the 1970s. The narrative largely driven by the FAO and UN, encouraged states to pursue food security via greater regulation and control of food supply (e.g. production) through global market integration.

However, some have critiqued food security as being an analytical construct for worldwide hunger devised to be compatible with globalization (Laroche-Dupraz and Postolle, 2010). The emphasis on production occurred alongside the Green Revolution –an agricultural revolution that first spread from the Global North to Latin American then Southeast Asian economies, bringing increased yields and advancement in agricultural technologies, though often at the expense of smallholders and subsistence farmers (Collins, 2007). Indicators of food security at the time --determined by dividing total production by the total population, whether state, regional, or global— failed to account for distribution and access, along with poverty and inequality.

In the 1980s, Amartya Sen was instrumental in altering prevailing perspectives on food security. His work emphasized the importance of economic access, shifting the focus from states achieving food security via policy-making to highlighting household and individual food security (Sen, 1981). This aligned well with dominant neoliberal perspectives on globalization, microeconomic choices and market forces (many individual-level decisions), as opposed to policy choices made by states. Development institutions such as the World Bank, FAO and later the WTO would use this in the rationale to shift away from the state and focus on global and household food security, emphasizing free markets –as opposed to state intervention—to produce the economic growth to increase household incomes needed to maintain economic access to food, strengthening the poverty-hunger relationship. Thus, agricultural and trade policy, increasingly adopted free market approaches in the Global South (Laroche-Dupraz and Postolle. 2010). Eventually, broader recognition of the role distribution problems have on food insecurity elevated the physical accessibility and utilization dimensions and importance of addressing these challenges on local, state, regional, and international levels (Fairbairn, 2010; Laroche-Dupraz and Postolle, 2010).

Some have critiqued the food security concept and its market-centric approach to

Figure 2.2
Basic Dimensions of Food Security



hunger as being detrimental to Global South development. States' efforts to achieve food security via food self-reliance (producing sufficient food to support domestic demand) or food self-sufficiency are placed in conflict with privatized forms of food security achieved through import dependency for many countries (McMichael, 2008; Warr, 2011). The notion of national self-reliance as vital to achieving hunger relief has been echoed for many years by other scholars as well (Balaam, 1981; George, 1984; Lappe, 1971).

Other critics of neoliberalism and the dominant view on food security defend states' food and agricultural autonomy via right to food and food sovereignty approaches. Right to food and food sovereignty groups have played an important role in steering food policy away from pure market-orientation and towards consideration of protectionist policies. Even at the UN –a bastion of neoliberalism in the latter half of the twentieth century—there have been calls for the right to food and food sovereignty narratives to be considered in the crafting of national food policies (De Schutter, 2011 and 2014; Laroche-Dupraz and Postole, 2010). All the while, Global North countries in the late twentieth century have incorporated protectionism in their own agriculture and trade policies, seeking to shield domestic sectors from foreign competition (Balaam and Dillman, 2014; Chang, 2002). Food security and alternatives, such as self-sufficiency and food sovereignty, illustrate competing visions for national food policy, supported by various political, social, private and civic actors.

State Developmental Capitalism

In accordance with developmental state capitalism, economic adjustments occur at the state level through economic nationalistic policies. This realm of political economic thought advocates advancement of state interests through the management of markets and is often used in reference to late industrializing nations in their efforts at catching up with more advanced nations. Developmental state capitalism is conceptually positioned between a free market capitalist economic system and a centrally planned economic system, marked by private ownership and state guidance (Woo-Cumings,1999) which characterized the industrial development of East Asia states such as Japan, South Korea, Singapore, and Taiwan. Economic nationalism can be understood as "a set of practices designed to create, bolster and protect national economies in the context of world markets” (Pryke, 2012). While developmental state theory has fallen in and out of favor with development experts and academics over the past three decades, debate on its relevance today in an increasingly globally integrated economy, where free trade continues to be a virtue pressed onto economies worldwide, continues to thrive. As Chang notes, there remains tremendous pressures placed on developing economies by Global North states to adopt “good policies” and “good institutions” for economic development. Among these prescribed “good policies” include deregulation, trade liberalization, privatization, and restrictive macroeconomic policy (Chang, 2002).

CHAPTER 3:

COLONIAL-ERA INDONESIA IN THE EMERGING GLOBAL FOOD SYSTEM

3.1 –COLONIAL ERA ORIGINS OF THE GLOBAL FOOD SYSTEM

Advancements in creating transnational political economic ties took place in the 18th and 19th centuries as Western imperialism and colonial expansion began to shape relations between Global North and Global South countries. Industrialization also began to transform national economies, particularly in the North. Colonization and foreign trade were central to the 19th century national capitalist economies, as states developed more advanced methods of international economic coordination (Sassen, 2006).

In his seminal work on development in Asian states, Akamatsu theorizes on the international division of labor that emerged between Global North and Asian developing economies during this period. This system came about as differing specialties –the comparative advantage—from Asia and Western Europe formed a division of labor through heterogeneous interrelationship. While aspects of this structure were complementary, European states were careful to maintain a system whereby sought after goods and materials were manufactured abroad in colonies. Eventually, Asian economies transitioned to homogenization while Western capitalism transplanted local industries to further exploit and extract profits in their complementary regions. Akamatsu uses this pattern to conceptualize the “Flying Geese” pattern of economic development among less-advanced Asian nations (Akamatsu, 1962). However, this analysis does not account for the export-orientation of many Asian economies, shaped by colonial era international division of labor. Such ordering of economic production and trade activities served to supply the industrialization and imperialist expansion of the Global North and reorder Global South economies. As Western European and North American economies industrialized, the Global South was seen as vital to their domestic industry and economic growth. Global South colonies were a source of inexpensive labor and provided Global North states with access to an abundance of natural resources and agricultural materials to fuel industrial expansion. In Indonesia and other parts of the Global South, rubber, sugar, copra, and hard fibers were sought-after agricultural materials, in addition to high value production of coffee, tea, tobacco, and spices. Structural theorists in particular regard this era as one in which the Global North turned abroad to "dump" cheap, surplus goods produced at home –offering them at lower prices than those charged in domestic markets (Balaam and Dillman, 2014). Though this system emerged seemingly as a result of inherent comparative advantages within disparate economies, the export reliance that began during the colonial era often places the Global South at a *comparative disadvantage.* Scholars have argued this has led to substitution of global trade and vulnerability to global fluctuations instead of developing domestic industry and promoting national economic self-reliance (McMichael, 2008).

Table 3.1		
Agricultural Development and Trade During Indonesian Colonial Period (c. 16th-19th Centuries)		
Period	**Event**	**Description**
1500-1600s	Global North Capitalist Expansion into Indonesia	Portuguese and Dutch join 13-14th Century Islamic Traders in establishing Western colonial presence in Indonesian archipelago.
1603-1650s	Dutch East Indies Company (VOC) Arrival	Dutch joint-stock company established to control spice trade and earn profits for shareholders. Quasi-governmental powers gave VOC authority to use military force, make treaties and form settlements. Initially created trading posts on Java before supplanting Portuguese and Javanese holdings, placing islands under private corporate-colonial control.
1600s	Export-Oriented Agricultural Production	Coffee, tobacco and other agricultural goods introduced to the islands. Plantation-based cash-cropping for export to Global North states begins, imposed by VOC with support of local political elites.
1700-1800s	Plantation-Based Agricultural Production	Plantation-based system of monocultural cash-cropping for export, with revenue supplied to colonial rulers rather than directly to producers, introduced and entrenched in Indonesian agricultural and economic structure.
c. 1798-1800	Colonial Control of Indonesia by Dutch State	Dissolution of VOC transferred colonial control of archipelago directly to Dutch state. Indonesia became an official state colony, with firms vying for dominant positions in agricultural and natural resource exports and import of Global North-produced manufactured goods.
1800s	State Intervention in Agricultural System	Colonial Indonesia's agricultural sector targeted as source of revenue for Global North states. Requirements imposed by Dutch state on types and volume of crops produced, predominantly for export. Local Javanese officials, alongside Dutch, enlisted to oversee emerging top-down agricultural and economic system.

3.2 –STATE DEVELOPMENTAL CAPITALISM IN THE COLONIAL ERA

In the literature on the development of the global economy during this period, it is clear neoliberal principles (e.g. comparative advantage and free trade) were not the only political economic forces at work. Chang's study on developmental states and the historical role of protectionist policies in the development of Global North economies finds neomercantilist perspectives on trade and production central to their economic growth. He finds evidence free trade often took a backseat to state intervention as Global North economies developed. Rather than uniformly adhering to neoliberal policy, Chang contends the Global North used regulatory and interventionist policy to develop domestic industry and gain competitive trade advantages before moving to liberalize sectors. This was exemplified in 19th century Britain as it made significant use of protectionist policies and colonial New World resources to nurture domestic production and manufacturing sectors. The infamous British Corn Laws of the early 19th century imposed steep import duties on grain (Chang, 2002). Such use of state intervention to develop domestic industry and advance economic objectives were at the core of List's infant industry arguments in *The National System of Political Economy* (List, 1885). This provided the theoretical framework for Chang's study on the role of the state in development –namely, as more developed countries grow, these economies could only develop new industry with state intervention.

As Britain industrialized, it repealed the Corn Laws after building a comparative advantage in key economic sectors with the aid of protectionist policies. Britain then began importing food grains and other agricultural goods from abroad –particularly high-value items for its growing middle- and upper-classes. It obtained these goods from Global South regions and New World colonies. With few economic rivals, Britain adopted more free market policies and sought to increasingly integrate with global markets for goods, capital and labor. This lowering of barriers to trade was made possible due to production and distribution efficiency and made necessary to bring in capital and raw materials to fuel burgeoning domestic industry. Britain's economy thus became closely linked to foreign agricultural economies providing raw materials in the "workshop of the world", as supply chain and trade linkages emerged between the Global North and Global South. This era of free trade in Britain continued for a few decades before domestic manufacturing sectors succeeded in bringing back large-scale state protectionism (Friedmann, 1982; Chang, 2002).

The story of Britain's industrialization provides a counter-perspective to neoliberal notions on the use of laissez faire policy to pursue national economic development. While trade liberalization can be beneficial between countries with similar levels of industrial development, the notion of employing neoliberal policy to drive growth and levels of development that exist in the Global North today runs counter to the actual experience of Britain and the U.S. in their development trajectory (List, 1885; Chang, 2002) –and certainly 'Asian tiger' economies of Japan, Korea, Singapore, and Taiwan, whose economic growth in the twentieth century was characterized by varying forms of state developmental capitalism.

3.3 –FOOD SECURITY DURING INDONESIA'S COLONIAL PERIOD

Features of state developmentalism involved in shaping Indonesia's economic development can be traced back well before twentieth century state formation. Like many other Asian states, Indonesia's economic growth has been influenced by the spread of capitalism (Akamatsu, 1968). This phenomenon first made its entry into the Indonesian archipelago in the 15th and 16th centuries and became firmly established with the arrival of the Dutch East Indies Company, whose primary objective was to control the region's spice trade and return profits to its shareholders. By this period, many present-day cash crops, such as coffee and tobacco, had been introduced to the islands by colonizers for export (Pelzer, 1963).

In her observations on the origins of coffee cultivation in Indonesia, Taylor notes the Dutch East Indies Company first brought the coffee plant to Java in the 17th century from a mountainous region on the Arabian Peninsula. Their objective in doing this was to develop a coffee industry in Indonesia for profit-seeking, export-oriented production of an agricultural luxury good. The company used ties to political elites in West Java to establish the coffee industry there. Initially, local Javanese farmers were paid high prices, incentivizing high levels of production. However, as European markets for the luxury good grew more saturated, the company cut prices to producers, resulting in devastating economic consequences for local farmers and communities (Taylor, 2003).

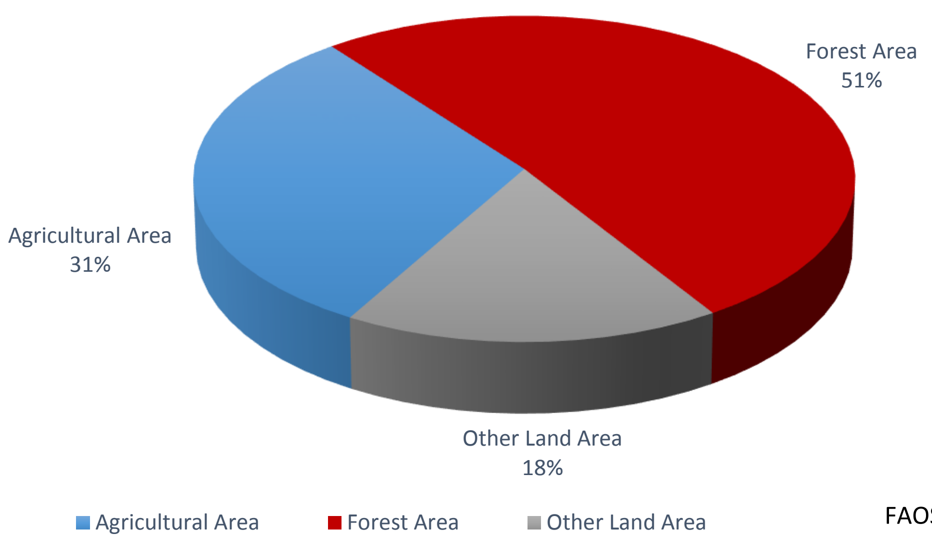
Agriculture has been a vital part of Indonesia's economic development throughout its history. Rapid agricultural growth has often played an important role in overall economic growth in cases where agriculture comprises a majority share of the national economy in terms of total output and labor (Timmer, 1988). In the absence of the degree of agricultural development necessary to achieve sufficient levels of food production and trade, hunger and food scarcity exist. In his quantitative study on the history of agricultural production and trade in Indonesia, Kano confirms export-oriented production and trade took root during the colonial era. His study examining financial balance sheets show export-led production and trade consistently occurred across the islands, with trade balances showing exports exceeding imports. Investment income by Global North firms into the sector was the largest non-trade expenditure item in current accounts, indicating money leaving Indonesia and into Europe. However, due to a large trade surplus, via the export-orientation of its agricultural economy, Indonesia showed a balance of trade that was overall favorable during this period (Kano, 2008).

Global North states were pivotal in shaping economic and agricultural development in the archipelago during the colonial era. Other key actors include Chinese merchants involved in economic activity throughout the islands, as well as local Javanese officials and political elites who were often appointed by colonial administrators to oversee and enforce the colonial structure. Global North firms, and the states in which they were based, sought to exploit Indonesian agricultural and natural resource exports and expand imports of manufactured goods from industrialized countries (Porter and Ketels, 2013). This model of export-oriented production was a common feature of colonial expansion in the Global South and evident in Indonesia (Robison, 1981; Akamatsu, 1968). Other studies also place emphasis on the export-oriented agricultural model established in Indonesia, rooted in colonial production to supply high-value agricultural goods and raw materials to the Global North for industrial and economic expansion. Mercantile forces at work during this period drove the creation of an export-oriented agricultural system in the Indonesian archipelago that supplied 20-30 percent of Dutch state revenue. By the 19th century, the plantation system of agricultural production was firmly entrenched as part of the cultivation system across Indonesia, with revenue from production going to colonial rulers and political elites, rather than producers. This system was more favorable than relying on indigenous smallholder production for growing large amounts of an agricultural good via monocultural production for export purposes and extracting revenues for the Global North states. In this manner, revenues were able to supply the capitalist expansion of the Global North while Global South colonies maintained relatively flat levels of economic development. Pelzer's study finds this colonial regime was central to the emergence of a model of production in Indonesia still evident today: a two-part division of the agriculture sector consisting of plantation and estate agriculture on the one hand, and labor-intensive peasant agriculture bound by tradition on the other (Pelzer, 1963; Ito, et al, 2011; Robison, 1981).

Another important colonial legacy in Indonesia was the development of land rights and the methods through which land is used and accessed. Scholars have widely observed that for many rural populations, particularly in developing countries and where agricultural production is vital to economic activity, land is their most productive asset. Land ownership and access is critical as a key determinant of wealth and central to the ability to buy and sell food and other essential goods (Timmer, 2004; Meinzen-Dick and di Gregorio, 2004). There is a close relationship between secure access to land and secure access to food, with weak access to land negatively impacting investments in land production (LANDac, 2012). Bachriadi finds current challenges in Indonesia with landlessness and barriers to securely accessing land and natural resources are vestiges of colonial agrarian policies. These policies stemmed from the Dutch colonial regime and continued in new forms after independence (Bachriadi, 2009).

One such colonial-era policy designated all forest lands throughout the islands as state-owned. This proved significant as forested lands comprise the majority of land area and are where many indigenous populations –for whom agriculture is their primary livelihood—live off the land. A notable outcome of this policy was that many indigenous people were left with

Figure 3.1
Land Use in Indonesia (% of Total Land Area)



FAOSTAT, 2015

limited or no rights to lands they inhabited and cultivated. Lack of formal recognition to lands occupied by native and rural communities has limited land access and increased land insecurity, leaving many vulnerable to being displaced from lands used and held through informal systems, often bound through traditional ties. Sumatra and outer regions in particular have been heavily impacted by insecure land ownership and land tenure systems (Collins, 2007). Colonial era policies and practices set in place have had a marked and sustained impact on poverty, food production and hunger, particularly in rural parts of Indonesia.

3.4 –CHAPTER CONCLUSION

Since the origins of capitalist expansion into the archipelago, there have been efforts by external actors to penetrate, subvert and reorganize established systems of agricultural production and trade in Indonesia. The reorganization that occurred helped establish export-oriented plantation-based agriculture, natural resource extraction and large-scale monocultural production alongside native, smallholder multi-cropping production practices that exist to this day, as later chapters illustrate. Colonial era involvement in agricultural production and distribution was largely motivated by the pursuit of economic wealth and influence of imperialistic and expansionary states and international firms, predecessors of modern day multinational corporations. Local political elites were also pivotal figures in creating linkages of power, access and legitimacy. The colonial expansion and reorganization that occurred in Indonesia during this period took place via state developmental strategies pursued by Global North colonizers –particularly the Dutch. This laid the framework for the eventual promotion of neoliberalism, particularly through open trade. As is further explained in chapter four, efforts by Indonesia to assert itself as a sovereign state and stem the tide of state capture by outside interests would lead to the promotion of state developmental policies in agriculture and trade.

CHAPTER 4:

POST-INDEPENDENCE INDONESIA

–GUIDED DEMOCRACY AND THE NEW ORDER

4.1 –POST-COLONIAL INDONESIA AND THE GLOBAL SPHERE

The international division of labor established in the 18th and 19th century colonial era created the structure of 19th and 20th century trade relations between the Global North and Global South: export-orientation of agricultural, natural resource and raw materials alongside import dependency of manufactured goods by the latter. However, counter-movements sought to challenge this order (Munck. 2006), with Global South decolonization movements carried out largely through economic nationalist and political sovereignty campaigns. National import-substitution policies were common strategies to increase national self-reliance, reduce foreign dependence, industrialize and further national economic development. Global South states frequently employed import controls to reduce imports of foreign manufactured goods and shift resources into domestic manufacturing. Similar to List's mercantile infant industry arguments, national policies in Global South states reflected development strategies with the objective of achieving domestic industrialization and the economic growth experienced in the Global North (Akamatsu. 1962; McMichael. 2008).

In *The Great Transformation,* Polanyi became one of the first prominent theorists to articulate the way in which laissez faire economic policy is achieved through regulation. Polanyi found opposing forces created patterns of state regulation and resistance via interventionist and protectionist policy, followed by periods of liberalization. Scholars have noted *Polanyian cycles of resistance* are a distinct historical pattern of state development, with free-trade and free-markets being an unnatural phenomena that are a result of strategically crafted policies (Polanyi, 1944; McMichael, 2008). These cycles of resistance first began prior to the 19th century with the rise of the nation-state and national political economies in 16th century Europe that saw imperialistic expansion necessary for accumulation of national wealth and power. The spread of capitalism in the colonial era was inherently national and global in scale (Sassen. 2006) and made possible by the mercantilist era that preceded it.

The emergence of capitalism on a global scale yielded the transformation of national economies and spread of dominant, free-market principles. In 19th century Britain, interventionist policies paved the way for trade liberalization. The U.S., gradually attained global economic preeminence during the early twentieth century and did not adopt a broader free trade policy until the 1930s and began to champion free trade after World War II (McMichael, 2008; Chang. 2002). Prior to this time, much of its trade and overall economic policy was protectionist-oriented, as politically powerful agricultural interests were able to keep policies in place to reduce competition from low-priced foreign agricultural goods as the transition towards an industrialized, commercial agricultural model took hold. U.S. agricultural exports grew exponentially in the late 19th century, while tariffs on imported manufactured goods provided a barrier from foreign competition and raised domestic prices (Wessel, 1983; Mills, 1951). Following the Great Depression of the 1930s, New Deal-era farm programs and pro-farm legislation were enacted in the U.S. as the state intervened to provide increased supports to the agricultural sector. Some of this occurred via the Agricultural Adjustment Act of 1933, a bill that provided price supports and production controls to address domestic overproduction and low farm incomes (Wessel. 1983).

Following the turn of the century, the emergence of industrialized Global North economies and their adoption of neoliberal trade policy began. Also at this time, counter-movements in the developing Global South began seeking protection against effects of unbridled free market expansion via economic nationalistic policies, self-sufficiency strategies and nationalist campaigns. Resistance by sectors vulnerable to free market policies cast doubt on this approach as a viable means of achieving prosperity for all. It served as a constraint particularly for agricultural economies as local production decisions were heavily influenced by the Global North and many food and agricultural products produced locally were distributed and consumed abroad (Polanyi, 1944; Collins, 2007; Munck, 2006*)*. Beginning decades earlier, at the end of the nineteenth century, independence and decolonization movements were well underway in the Global South, including Indonesia. By the middle of the twentieth century, many of these movements had resulted in independence, as would eventually be the case with Indonesia by the late 1940s.

McMichael notes the paradoxical relationship between foreign investment and protection, particularly for Global South countries. By promoting economic nationalism, some Global South countries engaged in protectionist import-substitution policies, encouraging direct investment by foreign firms –investment many TNCs would make in natural resource industries. For Indonesia, efforts at protectionism have had marginal, or short-lived success at reducing poverty and hunger. Historically, efforts to promote investment of domestic industry have at times had the unintended effect of further weakening state and domestic control. Today, these relationships are often viewed as highly extractive, with widely-noted issues related to corruption and claims of ecological, environmental and economic exploitation, particularly from populations in these Global South developing regions (McMichael, 2008; Hudayana Interview).

As Global South states sought to assert sovereignty over their economies, agricultural policy figured prominently in these efforts. From addressing domestic production, to protecting local agricultural, natural resource and manufacturing sectors through trade regulation, neomercantile policies have been a central part of development strategies employed in the early and mid-20th century. In particular, neomercantile policies designed to address agricultural development have factored prominently, as states have also made use of neoliberal policies to achieve economic development in a controlled manner –a phenomena achieved by many Asian tiger economies, such as Japan, Taiwan and South Korea as Chang notes (Chang, 2002). In his study on Global South agricultural development, Picard notes primary methods to overcome and counter the dependency relationship between the Global North and South –a concept referred to as dependency reversal. These include partial or full withdrawal of the state from the global economic system to protect emerging domestic economic activities; policies promoting self-reliance for food and other basic needs; and national development administration tasked with achieving development goals (Picard, 1986).

4.2 –INDEPENDENCE AND THE EMERGING DEVELOPMENTAL STATE

These strategies were at work during the early stages of Indonesian independence. While colonial resistance occurred for centuries, a national "Indonesian" identity had been fomenting. Revolutionary and independence movements gained traction across the islands in the first decades of the twentieth century. The arrival of Japanese imperialists in the early 1940s brought the defeat of the Dutch colonial regime (Anderson, 2001) and shortly after the conclusion of World War II in 1945, Indonesia established itself as an independent republic. Following four years of conflict with the Dutch, the Republic of Indonesia was formally declared and an era as an independent state began. The newly created parliament elected General Sukarno –a prominent military figure and key member of the Indonesian nationalist movement in the 1920s— as president. With few checks and balances in the new state's minimal constitution, President Sukarno was soon pronounced president for life (Butt and Lindsey, 2012; Porter and Ketels, 2013).

At this time, economic nationalistic forces in Indonesia were reacting against colonial era liberalization. International trade rules largely reflected the interests of the dominant, Global North states. Most food, agricultural and natural resource products at this time were excluded from international markets, a trend continuing from the 1930s into the 1960s, suggesting products were consumed domestically, while a select few items were grown for export such as rubber, petroleum and sugar, as had been the case during the colonial era (Knutson, et al., 2006; Gellert, 2010). The colonial era left a legacy of distrust towards private business and foreign capital. These institutions had essentially been developed and existed to serve the interests of Global North states (Porter and Ketels, 2013; Parente, 2009).

Following independence, Indonesia sought to step out from the global economic system. Aiming to reduce the dominance of remaining Dutch enterprises controlling upwards of 25 percent of national GDP, Sukarno established agreements with the Netherlands before ultimately nationalizing firms, banking institutions, utilities and railways (Porter and Ketels, 2013). Having inherited an economy largely in disarray, Sukarno struggled to address myriad challenges before him. Being a military strategist and revolutionary, rather than an economic tactician, he pursued a state- and military-sponsored form of development (Friend, 2003). In an effort to create political stability in the midst of economic turmoil alongside political and social tensions taking place across the country and influenced by economic transformations in Soviet Russia and China, Sukarno blended nationalist, Islamic, and communist elements into a new government, ending the Liberal Democracy era in place since independence and creating an Indonesian-style of socialism (Massar, et al, 2000). In 1957, supported by a coalition of parties, Sukarno created a regime of *Guided Democracy*. A primary economic goal of his Guided Democracy was national self-sufficiency –strengthening national production and loosening dependency ties to the global system via foreign trade. This new era brought promises to spur national economic growth through a heavily-regulated, bureaucratic approach (Glassburner, 1978).

However, rather than bringing strong domestic development and differentiation from the institutions shaped over previous centuries, Guided Democracy perpetuated colonial era economic patterns. Indonesia moved further towards reliance on global markets marked by patterns of export-oriented production of agricultural goods that differed little from pre-independence and importing raw materials and manufactured products (Robison, 1981; Kano, 2008). In explaining this occurrence, scholars examining the political economy of Indonesia's development in this period point to two key factors. Vested interests at the national government level along with the nascent, yet rapidly expanding, bureaucracy shared significant interests in maintaining the economic structural status quo. Robison's study on twentieth century Indonesia's cultural and political economic history found little incentive on the part of the state to reform or transform existing structures. Rather, these persisted due in no small part to benefits the state received from greater integration with the global economic order. Exploitation of natural resource and agricultural sectors was carried out by state control of licenses and import concessions. Political parties and elites were able to secure control of bureaucratic offices in charge of key sectors such as banking, customs, and industry. These acts served to increasingly blur lines between political and bureaucratic power (Robison, 1981) and coopt state authority. While Sukarno sought to disentangle Indonesia from Western influence, and had a stated objective of curbing increased reliance on the global import/export trade structure established during the colonial era, there was little done to ensure the nation's survival outside of this system (Parente, 2009). Under Guided Democracy, Indonesia's economic

Table 4.1

Agriculture and Trade During Indonesia's Post-Independence and Guided Democracy Eras (1940s-1960s)

Period	Event	Description
1930s-1960s	International Trade of Agricultural Products	Most agricultural products excluded from global markets. Confined primarily to a few commercially grown cash-crops.
1950s-1960s	Rise of State Bureaucracy	Bureaucracy increased in size and authority. Emerging bureaucratic control of significant positions of state power by political elites blurred political and bureaucratic divisions, serving to preserve vested economic and political interests.
1957-65	Guided Democracy	Sukarno's largely anti-Western government, blending nationalist, Islamic and communist elements to create heavily regulated state.
Late 1950s	National Food Self-Sufficiency	One main economic objective under Guided Democracy. State unsuccessful reducing dependence on global markets and boosting domestic agricultural output to achieve self-sufficiency. Production in many areas experienced decline in presence of eroded infrastrure and lack of investment.
Late 1950s-1960s	Agricultural Trade and Balance of Payments	Balance of payment deficits continued during this period. Agricultural exports accounted for majority of foreign exchange. Often insufficient as nation continued import-reliance, even of agricultural goods and raw materials.
1957-1966	National Financial and Inflationary Crises	Inflation, along with budget and balance of payment deficits, chronic but manageable in early years following independence. Became crippling in late 1950s and early 1960s, rising from 30% to over 160% by 1963 with hyperinflation by mid-1960s as rates soared to over 600%.

infrastructure experienced erosion and compound foreign debt, reducing commodity imports and massive, rapidly accelerating inflation levels (Porter and Ketels, 2013; Redfern, 2010; Robison, 1981).

4.3 –FOOD SECURITY AND GUIDED DEMOCRACY

Effects of this rippled across the economy, including the agricultural sector. As the nation's population grew in the years following independence, food production failed to keep pace in meeting growing demand (Kano, 2008). Scholars have noted ways the Green Revolution aided national agricultural development, such as spurring use of improved seeds and cultivation techniques. Nevertheless, these improvements were largely concentrated on Java while in many other regions production languished. An overall lack of extension services and other sectoral investments limited broader benefits of these improvements.

National self-sufficiency ultimately became an unattainable ideal. In terms of food production, this was largely defined in terms of rice. The pursuit of an agricultural policy so narrowly focused on rice production and price manipulation under Sukarno's leadership came at the expense of other foods and served as a setback for most of the sector, particularly small farmers typically involved in production of a wide range of agricultural goods. While small-scale farming suffered, estate crops and monocultural mass production seemed to gain. Agricultural policies under Guided Democracy served to pave the way for the Green Revolution's march into Indonesia which eventually took place under the next regime (Glassburner, 1978).

In the late 1950s and into the 1960s, Indonesia remained reliant on commercial crop exports to generate the foreign exchange necessary to bring much-needed imports and development capital into the country. Agricultural and natural resource exports were the primary sources of foreign exchange during this period and a significant portion of the national budget (Redfern, 2010). However, problems with lagging domestic food production diverted critical amounts of foreign exchange away from these areas and towards agricultural imports. Outside of rubber, commercial crops produced primarily for export purposes began to decline by 1960s. This contributed to soaring inflation and huge increases in the cost of rice and other basic commodities. Efforts to curb these problems only exacerbated the country's trade and foreign exchange dilemma (Pelzer, 1963).

As Guided Democracy wore on, Indonesia experienced declining foreign investments and became a major importer of rice and other food products. This two-fold occurrence further strained the national budget and foreign exchange and came as a significant blow to the country's self-sufficiency efforts as the country was a major rice producer and rice is a staple food for its population. Indonesia became reliant on the global food system, turning more outward than ever. With no accumulated reserves and a mounting foreign exchange deficit, the state began accumulating vast amounts of foreign debt and experiencing hyperinflation, eventually reaching over 600 percent (Redfern, 2010; Hansen, 1978; Friend, 2003) During Guided Democracy, Indonesia sought to achieve economic self-sufficiency, but failed on key indicators –struggling to meet basic needs and unable to ensure adequate food for its people.

The Sukarno regime has been characterized as one of economic and political chaos. The stagnation of Indonesia's agricultural sector and overall economy during the waning years of Guided Democracy occurred within a nation grappling with centuries of colonial-era violence, internal conflict, and an unstable political environment. Indonesia move furthered towards a highly centralized bureaucratic polity exercising greater control over economic sectors, such as trade and finance. In addition, Indonesia increasingly used the military to maintain order and create social and political stability amidst failed foreign conflicts and domestic social unrest. This was somewhat successful until an attempted coup in the mid-1960s, marking a shift in power at the highest level. The response was an anti-communist military campaign, violently and systematically killing untold numbers of suspected communists across the country.[11]

Alongside this horrific scale of genocide, this communist purge served to remove the Indonesian Communist Party (PKI) –one of Sukarno's pillars of support— as a political force. This tremendously weakened the president politically and created an opportunity for a rising military officer, General Suharto, to seize control of the government. The consolidation of power and establishing Suharto as head of state took place in early 1968 (Massar, et al, 2000; Jackson, 1978; Friend, 2003). Though the internal trajectory of his rise toward the highest political station in the country has been widely noted, scholars also recognize that transfer of power in Indonesia to General Suharto was not completely a product of events occurring in a domestic vacuum. Suharto was widely supported by the U.S. and other Western nations who all generally saw the communist purge as a victory for Indonesia and Asia and the change of leadership favorable to U.S. national interests (McMichaeel, 2008; Massar, et al, 2000).

[11] Estimated numbers of those murdered during this military campaign range from hundreds of thousands to 3 million, ranking as one of the worst mass killings of the twentieth century.

Table 4.2		
Production, Trade and National Development In the New Order and Suharto Era (1967-1998)		
Period	**Event**	**Description**
1967-68	Foreign and Domestic Investment Laws	State sought to attract investment revenues and offset reliance on exports to pay off foreign debts. Law gave tax and import-duty concessions to foreign investors.
1969-1970s	Green Revolution in Indonesia	Increased rice production was stagnant since 1954. Utilized high-yielding plant varieties, industrial inputs (e.g. fertilizers, pesticides), new agricultural technologies and practices. Briefly helped bring about national self-sufficiency in rice, but production soon lagged, unable to keep pace with population and consumption increases. Distributionary problems; poor governance, planning and implementation of projects; inadequate agricultural infrastructure; and problems adapting to largely smallholder and peasant-based agrictultural system limited effectiveness.
1969-74	Agricultural Policy (*Repelita*)	First five-year plan for national agriculture and included self-sufficiency targets, particularly for rice.
1970s	National Development Projects	National infrastructure eroded during Guided Democracy. New Order investment in national development projects brought about new and rehabilitated large-scale infrastructure capital. This helped boost rural employment and increased private, largely foreign, investment in national development. Projects were often plagued by claims of corruption and local elites taking significant shares of village development projects and disproportionately benefitting from government distributionary programs.
1980s	Structural Adjustment Programs	Following the global debt crisis of the 1970s and early 1980s, Indonesia was forced to take on Structural Adjustment Programs attached to IMF loans as external debt reached $57 billion. This required government austerity measures, deregulation and economic liberalization, particularly with reduced barriers to trade. Export-oriented production in agricultural and natural resource sectors were emphasized to generate revenues for servicing loan debt. Imports also increased as Indonesia became more integrated with global markets.
1997-1999	Asian Financial Crisis	Started as a currency crisis, before affecting banking, rapid inflation, high unemployment, and socio-political problems with widespread hunger and riots that contributed to the end of the New Order.

4.4 –STATE DEVELOPMENTALISM INTO THE NEW ORDER ERA

When Suharto formally assumed leadership, Indonesia was mired in economic and political turmoil. Calling his government *Orde Baru,* “New Order” in Indonesian, Suharto was quickly faced with having to rehabilitate an economy that was one of the poorest in Asia and experiencing financial disaster. Hyperinflation, an unstable currency, and capital flight were all consequences of failed development schemes and errant policies of Guided Democracy. As the New Order began, Indonesians were earning less than any other country in Asia. Per capita incomes were remarkably low, contributing to poor quality of life –regarded as among the lowest in the world. Pelzer’s study found one area this had a significant impact was in citizens’ diets. Per capita nutritional and caloric levels were well below internationally recommended thresholds. It was the efforts of the previous regime to compensate for these caloric deficits through agricultural imports that contributed to the troubling financial conditions Suharto inherited (Pelzer, 1963; Friend, 2003).

Suharto as head of state was widely supported by the Global North (McMichael, 2008). Though from the outset, national policies he pursued could be readily characterized as developmental in their approach to bringing growth and stability to the nation's beleaguered economy. One of the notable legacies of Suharto's era was the national development programs undertaken. Glassburner's study on early era New Order development policies found large-scale infrastructure investment programs –particularly bridges, roads, irrigation projects—created new and rehabilitated existing infrastructure capital. This was seen as critical to rebuilding vital national infrastructure that had fallen into disrepair in the preceding decades. It also brought about rural employment, and increased private investment in development projects. (Glassburner, 1978).

However, these projects have been critiqued for leading to massive rural displacement, urbanization, poverty and human rights abuses. The scholarly consensus with the New Order era has been that despite clear economic growth that occurred, the benefits were too narrowly shared in Indonesian society. Despite huge inroads in reducing infant mortality and establishing universal primary education, gaps in access to basic health, sanitation, and education continued to exist –particularly for women and rural populations (Porter and Ketels, 2013). Collins' study finds appropriation of land, power, and decision-making from local and indigenous populations took place in the implementation of development projects in favor of foreign, government, or corporate interests. New Order development policies, then, justified political power for those allied with corporate interests, bolstering existing power and wealth and pushing people off land and into cities for subsistence living (Collins, 2007). These projects often relied on outside investment and government-awarded contracts.

4.5 –1980s REFORM: A PRELUDE TO CRISIS

During the 1970s-80s, investment from abroad outpaced domestic entrepreneurial investment while government policies encouraged private investment through tax remission and protection. In emerging from the economic crises in the 1960s, the state borrowed heavily from foreign investors and turned to its natural resources. With national debt payments exceeding export revenue, the state passed the Foreign Investment Law followed by the Domestic Investment Law, providing investment incentives via attractive tax and import concessions. It relied on natural resources ---particularly in oil and gas exports—making up the majority of budget revenues to maintain stability (Porter and Ketels, 2013; Glassburner, 1978; Collins, 2007). Indonesia was still a net oil-exporting country at the time and the crisis of the mid-1970s was largely attributed to enormous accumulated debt from national oil company, Pertamina (Ananta and Riyanto, 2006). Kano's study on Indonesia's balance of payments finds the aforementioned investment trend increasing over the course of the New Order. This proved problematic as trade surpluses waned, particularly as global prices that peaked in the 1970s, fell in the 1980s, creating a current account deficit and revenue crisis (Kano, 2008).

Like other developing countries facing economic crises during the 1970s and 80s, Indonesia needed foreign assistance to address its mounting national debt. Prior to this time, the New Order regime pursued foreign aid and investment in a controlled manner to maintain its goals of economic nationalism and ensure the basic needs of its people. Early on, despite a focus on economic nationalism and state developmental capitalism, Suharto maintained close ties with the West and was able to negotiate cancellation of national debts following the end of Guided Democracy. Indonesia’s postcolonial structure afforded it sizable trade surpluses in its current account –a result of the large balance created by the export-orientation of its agricultural and natural resource sectors, including oil and gas.

This export orientation of production served to offset sizeable capital account deficits it frequently experienced. Significant remittances repatriated capital overseas as foreign investment remained high and even increased notably during the New Order. However, this structure disintegrated as less favorable terms of trade and poor investments from foreign loans during the previous decade caught up with the state following the 1970s oil price crisis and other global price shocks. This plague struck economies throughout the Global South during late 1970s-80s and Indonesia was no exception.

When the debt crisis of the 1980s struck, the government acted swiftly to shore up the economy. To address the crisis, the country acquired multilateral and IMF emergency bailout loans. These loans carried with them conditionalities, largely referred to as structural adjustments. Structural Adjustment Programs (SAPs) commonly attached to emergency bailout loans during this era were issued during times of crisis and required terms such as political economic reforms, austerity measures, privatization, and freedom of capital movement (McMichael, 1993; Kano, 2008). Repayment commitments from these loans and their accompanying SAPs, alongside Indonesia’s involvement in the General Agreement on Tariffs and Trade (GATT), brought significant external pressures and economic changes to the state.

Economic nationalist aims gradually yielded to neoliberal macroeconomic reforms based on the free market model promoted by the Global North and the prevailing development principles of the era. Indonesia altered its trade regime, moving further outward-looking with higher priority placed on non-oil and gas exports. Indonesia's investment policy changed from one of carefully control to foreign-investment promotion, while trade reforms brought reduced trade protection. SAPs brought in a large influx of private capital, an emphasis on privatization, decreased government spending, and continued promotion of export-oriented production for economic growth and debt repayment purposes. This furthered the historical shift from import substitution to export-orientation (McMichael, 2008; Soesastro and Basri, 2005) as the country continued to experience economic growth in excess of 6% annual GDP during this decade.

While SAPs have largely been abandoned as a development practice today, many of the same underlying neoliberal principles continue to be pursued in IMF lending strategies and through assessment of national government financial policies. This includes agricultural reforms and trade liberalization policies that focus on privatizing production and distribution while restricting government, often through massive deregulation and spending cuts which some have found to increase inefficiency and stifle growth (Chang, 2009). For Indonesia, critics of the strategies employed during this period have argued neoliberal reforms contributed to continuing natural resource extraction, monocultural agricultural exports, and labor-intensive investments for export at the expense of public sector expenditures such as health and education (Collins, 2007). This occurred as state emphasis on import-substitution was replaced by export promotion and deregulation of finance, agriculture and trade. The shift in emphasis was in no small part due to pressures from the IMF, World Bank and other development and financial institutions alongside Global North states advancing a neoliberal development agenda. It should be noted that Suharto encouraged and saw to a remarkable amount of development funding and foreign aid entering Indonesia during his presidency. These sums helped build ties to the West while increasing pressures to take on neoliberal reforms undermining state economic nationalistic aims. However, resistance to imposing checks on protectionist policies

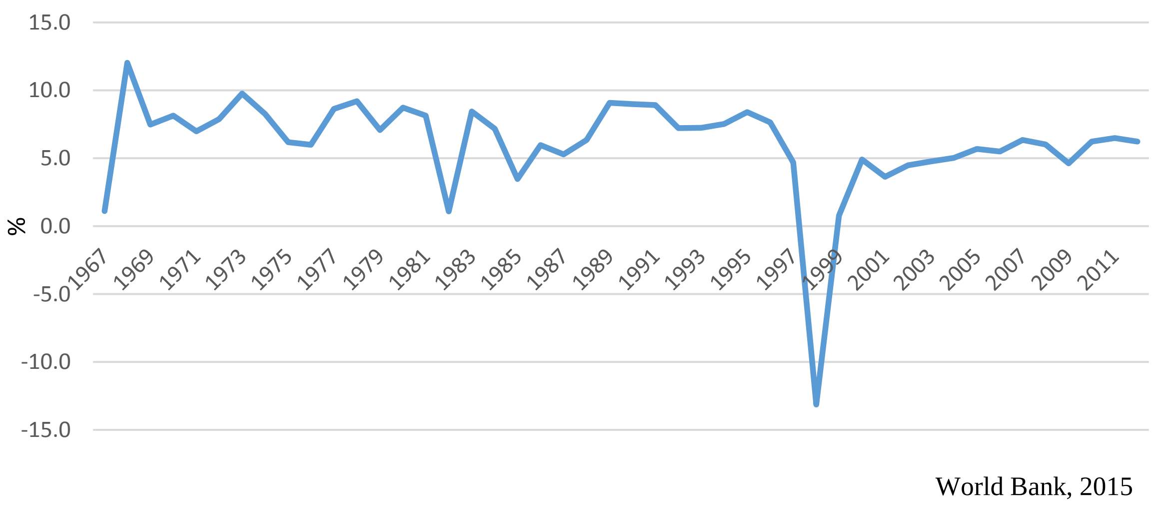


Figure 4.1
Indonesia's Annual GDP growth
(1967-2012)

by political elites was, at least in part, checked by the large amounts funneled from foreign aid that brought vast wealth to political elites during the New Order (Jubilee, 2007).

Suharto's New Order government is widely viewed as having been rife with transparency issues and corruption, as political elites and Suharto family members were awarded lucrative investment shares in development projects (Porter and Ketels, 2013). Despite the debt that accumulated during the 1960s-80s, large amounts of foreign aid and loans taken on by Indonesia during this time were siphoned off, with the people never realizing any benefit, yet saddled with the debt and repayment burden. Reports indicate an estimated 20-30 percent of state development budget funds were diverted in this era to state government officials. As much as $10 billion of the $30 billion (USD) lent to during the New Order by the World Bank were diverted or misused, with over $500 million stolen by Suharto to enrich himself, his family and friends (Jubilee, 2007).

4.6 –FOOD SECURITY, FOOD POLICY AND SOCIOECONOMICS IN THE NEW ORDER

During the New Order, as in the Sukarno era, Indonesia again turned to national self-sufficiency as a development objective. The state pursued increased agricultural production to become self-sufficient in rice, which it achieved for a brief period. Some attribute the nation's success at least in part to agricultural changes ushered in via the Green Revolution. Development of new agricultural technologies and practices in the Global North pioneered structural changes in the agricultural model introduced to Latin American and Asian economies. The Green Revolution was characterized by agricultural and technological transfers that included high-yielding plant varieties and increased fertilizer and pesticide usage. This helped lengthen growing seasons and make use of marginalized and depleted lands. (Ito, et al. 2011; Hansen, 1978).

Studies have also found another side of the Green Revolution and its impact on agricultural productivity. In Indonesia, the Suharto government faced challenges in effectively implementing Green Revolution programs. Problems with administrative, governance and communication structures in the country undermined many agricultural projects, resulting in the Green Revolution falling short of expectations. Agricultural self-sufficiency was confined to a singular crop –rice— and short-lived. Increased yields did lead to 7.5 percent annual increases in production between 1967-73. Yet, Indonesia found itself unable to sustain the rate of increased production needed to meet national demand and, as a result, rice self-sufficiency would falter (Hansen, 1978; Glassburner, 1978).

There were clear benefits to the Green Revolution's implementation in Indonesia as well as unintended consequences. It facilitated the rise of industrialized agriculture and extending its reach internationally to Latin America and Asia. During this time, significant vertical integration and consolidation across production and distribution streams took place, helping bring about the prominence of agribusiness –multinational corporations that dominate global agriculture today (Pfeiffer, 2006). Though yields soared and incidence of famine was greatly diminished in Indonesia with the arrival of the Green Revolution, effects on the poor and working class were at times negative and gendered. Increased fertilizer use had ecological and health implications. New varieties of rice in some instances led to production of shorter varieties that had to be cut with larger, heavier tools. This contributed to displacement of women from their agricultural livelihoods (Hudayana interview, 2013). Sepe's study on the Green Revolution's impact on Balinese agriculture finds it helped perpetuate bureaucratic production systems established under colonial Dutch rule while incorporating a farming style incompatible with their culture, history and national agriculture. This was done in an effort to capitalize on rice as a cash crop, ultimately failing to do while degrading the environment, agricultural, as well as social and cultural systems (Sepe, 2000).

Indonesia experienced huge demand pressures during this period. This was in part due to population growth and equally attributed to rising consumption that came with income growth in the New Order. BULOG, the national logistics agency established in the New Order responsible for rice-purchasing to augment domestic production and maintain price control, has often been criticized for reactionary and often ineffective performance. Rice prices and rice policy, which went hand-in-hand with national agricultural policy, was a politically-charged issue with urban unrest and political tension often expressed in direct response to price increases (Glassburner, 1978).

Global actors continued to play a critical role in the shaping of national food policy in Indonesia in this era. State efforts to achieve agricultural and food autonomy continued to be difficult to achieve in the modern global food system. Global institutions and transnational corporations have long sought to increase state reliance on global markets and influence national diets. Global North countries like the US have played an important role in this phenomena during the post-war era via provisioning food aid to underdeveloped Global South countries (Wessel, 1983; Clapp, 2005; Friedmann, 1982). Major food aid recipients later found it easier to invest in food imports to address domestic production shortages, rather than make long-term national investments for production and distribution of local food (Friedmann, 1990; McMichael, 2008). For Indonesia, this happened increasingly in the latter stages of the New Order, as forced opening brought in greater foreign investment, outside influence and global reliance.

In describing the restructuring of global food production and consumption relations through shifting multilateral food trade, McMichael finds Japan and East Asia's pattern of food importation and its rise in domestic animal protein consumption during the twentieth century particularly compelling. A shift in consumption took place as national agriculture was transformed, mirroring industrializing Britain's "workshop of the world" strategy of importing key agricultural products. This case illustrates the emergence of a global food system where corporate-driven, rather than state-driven, markets are preeminent. The national change that occurred towards agricultural liberalization and restructuring of food production is a key trait in the global food system, skewed towards supplying diets of the rich through global markets. This was made possible through agricultural policy liberalization and occurred alongside agriculture's national and global transformation (McMichael, 2000). These food production and distribution activities not only are increasingly happening on a global scale, they are part of a worldwide industrial agricultural model with origins in rich developed countries and has been exported to, and implemented in, the Global South (Clapp, 2012).

4.7 –CHAPTER CONCLUSION

As this chapter highlights, Indonesia faced pressures from myriad domestic and national actors in implementing its national development strategies in the decades following independence. The state struggled to adhere to a decisive national food policy, experiencing a tug of war involving vested bureaucratic and political interests; population pressures and citizen demands; foreign development institutions and Global North economies advancing neoliberal doctrine; and multinational corporations. Attempts to establish national self-sufficiency through developmental state strategies by both Sukarno and Suharto regimes would at times serve to undermine their efforts to maintain greater control over their national economies.

Such was the case as the Green Revolution arrived in the 1960s, and in Sukarno's campaign for agricultural self-sufficiency, as both cases resulted in reinforcing an export-orientation of production, benefitting those already in power. While Indonesia experienced outstanding socioeconomic progress and increased national prosperity during the New Order, the poor were particularly harmed during times of crisis that continued while consolidation of wealth and power was a hallmark of Suharto's regime.

Agricultural development and national food self-sufficiency objectives would continue to be subverted in favor of reinforcing a neoliberal, open trade, export-oriented structure. This occurred as the Green Revolution was introduced in Indonesia in the 1960s and again with the debt crisis of the 1980s. In both cases, strategies were employed to trade domestic products away for foreign exchange. Political elites seeking to maintain status quo patronage systems entrenched in the national political economic structure provided a critical counterpoint to Global North states and institutions such as the World Bank and IMF advocating development through de-regulation and an open-market. These foreign actors would have increasing prominence in Indonesia following Guided Democracy and as the New Order period progressed.

CHAPTER 5:

CRISIS AND TRANSITION

5.1 –VULNERABILITY, CONTAGION AND CRISIS

It was in the shadows of 1980s debt reform that weaknesses in Indonesia's economic and financial structure were exposed during the Asian Financial Crisis of 1997-99. In the years preceding the crisis, disproportionate export-orientation and large trade account surpluses masked service-account deficits and mushrooming foreign loan dependency (Kano, 2008). The crisis first hit Thailand in 1997 before the rupiah significantly decreased on foreign exchange markets. The Thai crisis served as a contagion, spreading panic to other Asian economies. For Indonesia, a currency crisis took hold, leading to rapid capital outflow in anticipation of currency depreciation, unsustainable reserve depletion and radical policy change. This was soon followed by financial crisis, with a collapse of domestic financial institutions as numerous banks were either liquidated or taken over. The subsequent economic crisis came as a result of the former two, characterized by contraction of output, causing loss of government revenue, employment, household income and large-scale hardship (Warr, 2002; Djiwandono, 2005). Indonesia faced enormous inflation, currency devaluation, bank closures, an erosion of middle class prosperity that had emerged in the 1980s and 1990s, and a food price crisis (Collins, 2007).

Beginning in 1997, prices of basic goods soared, leaving large portions of the population hungry and unable to affordably access food. With high prices and high rates of unemployment, rising numbers of Indonesians could barely afford to feed themselves –even those with jobs (Siegel, 2001; Hidayat, 2002). The state was restricted by its heavy debt burden and cuts in spending, stemming from the SAPs of the 1980s. This contributed to the deepening recession and impoverishment of millions. A devalued national currency contributed to rampant hunger, hunger-related deaths and food riots which provided powerful, lingering symbols for Indonesians (Collins, 2007; Schneider, 2008; Porter and Ketels, 2013). The IMF again came to the rescue, approving credit for more structural reforms. Its rescue program served to further liberalize Indonesia's economy, as domestic agricultural trade became completely deregulated, with most non-tariff barriers (NTBs) lifted (Basri and Putunru, 2012).

In hindsight, many have questioned the economic fundamentals of Asian state economies during this period of deregulation and open-market reform. In his detailed study on the crisis in Indonesia, Djiwandono finds that while the country displayed sound macroeconomics based on several key indicators at the time, there were structural and institutional weaknesses in the financial sector contributing to the crisis and the extent of its impact in Indonesia (Djiwandono, 2005). Warr, in his study on the crisis and its origins, concurs. The answer to the depth and breadth of the multi-level catastrophe that hit Indonesia can be found in the vulnerability of its economic and financial sectors. This vulnerability occurred largely unnoticed and had been developing over the preceding two decades (Warr, 2002).

These unfortunate events set the stage for the political and economic change that occurred at the end of the twentieth century in Indonesia. With the nation once again in crisis, the New Order regime crumbled. On May 21, 1998, President Suharto stepped down, succeeded by Vice President B.J. Habibie.

5.2 –DEMOCRATIC TRANSITION AND *REFORMASI*

Perhaps the most notable legacy of the Asian Financial Crisis for Indonesia was the remarkable political transformation and era of reform, or *Reformasi*, that occurred in its aftermath. With the end of the autocratic, highly centralized New Order regime, democratic reforms swept the country and decentralization across all levels of government took place.

During the initial transition, the state experienced three different presidents in the first three years of the post-Suharto era. Despite a short-lived presidency, Habibie made some radical political changes to gain national and international support and bring Indonesia closer to democracy. Under his administration, general elections were put into place and political decentralization was established in 1999 via two national laws on regional autonomy and equal budget division. Further significant democratic advancements occurred under President Megawati Sukarnoputri as a constitutional court was formed along with other reforms creating new checks and balances (Hadiwinata and Agustin, 2011). Two bodies of parliament were also created –a senate to exist alongside the People’s Consultative Assembly—and in 2004, direct presidential elections replaced a system of parliamentary-elected president, with Susilo Bambang Yudihoyono becoming the first directly elected president on a platform of economic reform, national development, combating corruption and terrorism, and increased trade and poverty reduction (Porter and Ketels, 2013).

Corruption in the *Reformasi* era has remained a challenge. The Anti-Corruption Commission (KPK), was established following the New Order era to address this problem and the administrations of Yudhoyono and his predecessor are marked by substantial inroads into the corruption that had been endemic to the state political system throughout its history. Nevertheless, many Indonesians view the corruption problem as more widespread and integrated throughout the levels of government following decentralization (Ananta and Riyanto, 2006; Hadiwinata and Agustin, 2011). Political parties, which often control much of the state bureaucracy and ministerial positions, were and remain widely perceived among the most corrupt of political institutions (Sebastian, 2012). Patronage and graft have permeated provincial and local government and contributed to inequities and distortions in education, health, and social justice (Blunt, et al, 2012).

5.3 –FOOD SECURITY ALTERNATIVES AND POLICY INFLUENCE IN INDONESIA

In his study on social movement organizations (SMOs) in Indonesia, Bachriadi found many organizations in existence and at work for decades prior to the institutionalization of democracy at the end of the twentieth century. SMOs played a critical role in influencing national policy, law and practice during the New Order. Such groups were often involved in opposing the authoritarian nature of state development, contesting corruption and abuses of state power, and calling for increased land rights. Many were peasant-based farming organizations, promoting agrarian reform and food sovereignty. In addition, SMOs were instrumental in the call for democratization in the years leading up to the dramatic political shift from authoritarian rule that occurred in 1998. Once restrictions on independent organization emerged with the end of the New Order regime, SMOs no longer had to operate underground or in an environment of overt political repression and began to gain more widespread social and political influence in Indonesia (Bachriadi, 2009; Lee Peluso, et al, 2008).

While some SMOs struggled to consolidate at a national level, movements such as the Federation of Indonesian Peasants Union (SPI) were able to gain national presence, opposing market-based approaches to national agricultural development. SPI has been able to advance food sovereignty to connect with and mobilize key populations. Food sovereignty is broadly defined as "the right of nations and peoples to control their own food systems, including their own markets, production modes, food cultures and environments" (Wittman, et al, 2010). While some movements face difficulty in leading efforts to mobilize around agendas calling for increased stewardship, the food sovereignty movement proponents have been able to make the concept of right to food central to their narrative. This human rights-based narrative is more broadly resonant, rooted in democracy and able to attract a larger base for their movement while providing potential to more easily expand and mobilize (Keck and Sikkink, 1998).

Food sovereignty emerged in the 1990s as a critical alternative to the dominant neoliberal model for agriculture and trade, primarily conveyed through the food security concept (Wittman, et al, 2010). Championed by global SMOs such as La Via Campesina (LVC), food sovereignty is seen as a movement in reaction and relation to right to food and food security concepts (Fairbairn, 2010). Food sovereignty finds food security to be an incomplete way of conceptualizing and problematizing hunger, and offers a more complete solution (Edelman, 2005). It also has a significant voice in Indonesia with its large population base of rural farmers, peasant-based agricultural producers, fishers and advocates of land, agrarian, environmental, and agroecological rights (Lee Peluso, et al, 2008). Networks dedicated to democratic development through greater community participation and empowerment, such as the Indonesian Society for Social Transformation (INSIST), have become vital to the advocacy of improved food policy and re-imagining ways to address the food security problem locally in Indonesia. LVC and other food sovereignty proponents also provide powerful voices to the call for greater state protection of domestic agricultural producers.

Food sovereignty and right-to-food advocacy efforts in Indonesia extend nationally as well as down to community levels. Jhamtani articulates the relevance of this on food security in her study of community-based food security in Indonesia. She highlights indigenous groups who have maintained native diets in food insecure regions of Indonesia while maintaining higher levels of food security during periods of food price shocks and scarcity (Jhamtani, 2008). Through her study, Jhamtani points to ways food security can be achievable for a population beyond the dominant, neoliberal model.

5.4 –CHAPTER CONCLUSION

In addition to political transformation, this era would leave a lasting legacy on Indonesia’s economy. While the economic and financial crises were dramatic and widely felt, change and recovery began to soon take place. Following economic contraction during the Asian Financial Crisis, GDP growth had stabilized by the end of the twentieth century. At the end of 2003, Indonesia was able to graduate from IMF support, becoming the last Asian economy to do so. Its young, growing population began to experience a tremendous increase in living standards, with an emerging middle class while the country moved many out of poverty. Since 2000, the nation's poverty rate has been reduced by two-fifths (World Bank, 2012).

The economic crises of the 1980s and 1990s would lead to pressures by multinational corporations, the IMF, and the Global North to shift from protectionism and liberalize trade while focusing agricultural production on exports. These crises also brought increased reliance on global markets and foreign investment (Hidayat, 2002). Following the turn of the century, Indonesia experienced a period of increasing integration with global and regional markets via the WTO and ASEAN agreements. With concerns of the rapid pace of liberalization, the state would soon move to again regulate certain economic sectors (Porter and Ketels, 2013). Scholars have noted that for many in Indonesia, neoliberal reforms are strongly associated with the national economic and financial crisis of the late 1990s. As a result, liberalization policies are frequently met with skepticism, distrust and are largely unpopular politically (Hudayana Interview, 2013; Agasalim Interview, 2013). Protectionist-oriented policies then are often favored by not only political elites in Indonesia, but by the larger public as well.

CHAPTER 6:

POST-CRISIS INDONESIA AND THE DEMOCRATIC ERA

6.1 –SOCIOECONOMIC CHANGE AND THE GLOBAL FOOD CRISIS

As noted earlier, shortly after the Asian Financial Crisis, widespread economic recovery in Indonesia was well underway. Steady GDP growth the country experienced at the beginning of the twenty-first century and renewed prosperity was heavily focused on the upper class and emerging middle class. Along with this, came a large urban population with changing consumption patterns as incomes and diets have shifted.

This shift is consistent with broader changes to consumption taking place worldwide. Global patterns of consumption are undergoing a convergence as demands for food, transportation and housing are becoming increasingly resource-intensive and similar to those in the Global North. Dietary shifts include rising consumption of wheat, protein-based foods, such as meat and dairy products, and more oils and fats (figures 6.1-6.3). Such convergence may result in resource scarcity problems (Kasa, 2008). This problem was illustrated in Indonesia and worldwide during the global food, energy and financial crises of 2006–2008. Origins of this food crisis include a complex list of factors, including diversion of agricultural production to fuel rising biofuel and livestock production demands, decreasing land availability for food production, agricultural commodity speculation, increased land under corporate agricultural control, adoption of a global neoliberal agricultural model, stagnant growth in yields, and crop

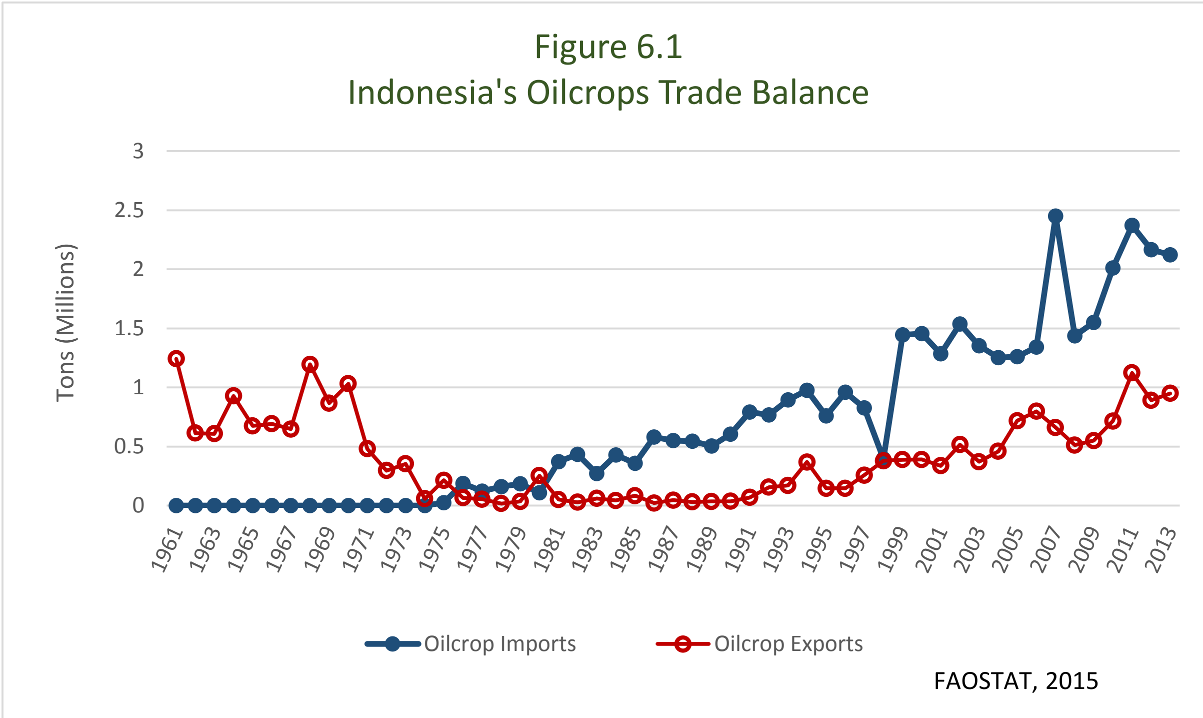
Table 6.1

State Developmentalism and National Food Policy in Indonesia During the Reform Era (1999-Present)

Period	Event	Description
2001-2009	Regulations from the Ministry of Health and National Agency of Food and Drug Control	Nineteen significant regulations on food and agricultural production, importation and distribution.
2008	Ministry of Trade Regulations	Six significant trade regulations issued during 2008 pertaining to a range of food and agricultural products.
2008-2009	Legislation Regulating Food and Agricultural Imports	Two separate bills regulating food and agricultural imports. The first concerned Micro, Small and Medium business. The second concerned animal husbandry and animal health.
2012	National Food Law	Law aiming to increase national food sovereignty, self-reliance, and food security. Seeks to minimize food price shocks and price disparities with increased domestic production. Mandates greater role for government in food provisioning via a national food reserve and food distribution to stabilize food availability, accessibility, and price, particularly with staple foods.
early-mid 2013	State Reduce Agricultural Import Restrictions	In the face of rising food prices, and on the heels of two highly visible food scandals, the government rolled back food import restrictions of key food products.
2013	Mineral Export Ban	State restriction on the export of raw minerals. Part of the state's effort to restrict the flow of raw materials and natural resource extraction while encouraging growth of domestic manufacturing sector and processing and smelting industries.
early 2014	National Trade Law	First national trade law issued post-independence. Provides state government authority to impose trade restrictions and prohibitions; gives guidelines on labeling, along with imports/exports; encourages consumption of domestic products; regulates e-commerce; provides addditional stipulations for the promotion of trade, forming a national trade committee, and trade information system.

failures (Magdoff and Tokar, 2009; Magdoff, 2008; Timmer, 2010; de Schutter, 2010). Food exporting countries experiencing growing seasons with lower harvests moved to restrict exports agricultural products while net food importing countries like Indonesia in response sought to lower import barriers to address food challenges.

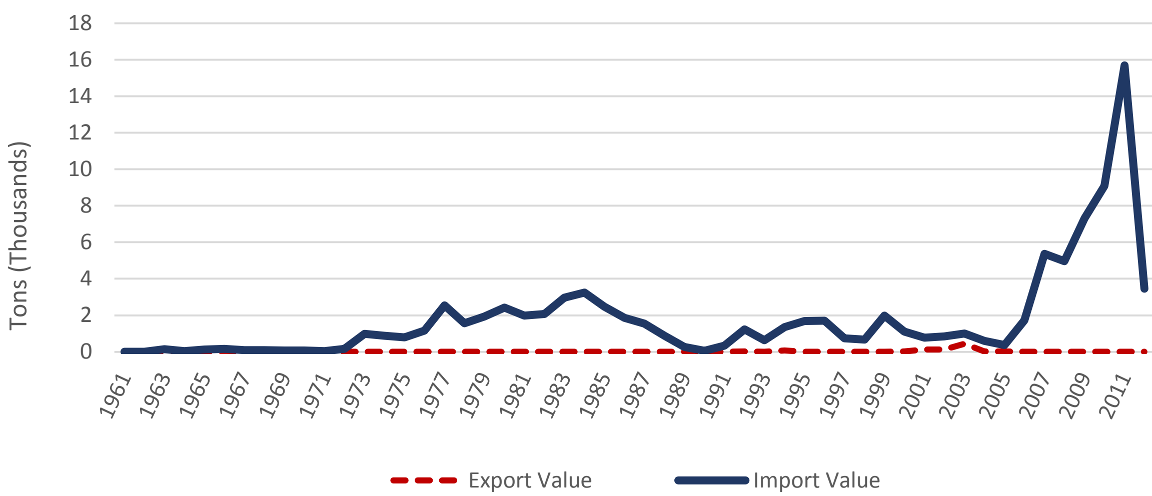
Neoliberal pressures seen in other parts of Asia and the Global South have been at work in Indonesia, also contributing to consumption increases. Efforts from Global North states and global and regional institutions such as the WTO, World Bank, and ASEAN to open up Indonesia's domestic markets for beef, rice, and other food products is also significant in changing consumption patterns (Kasa, 2008). The import complex of food that has come to characterize Asian states in the Global South have been based in the political management of food surpluses –food used as aid and in global trade. McMichael describes this as a movement toward a multilateral food trade regime rooted in proliferating supply zones (McMichael, 2000).



With Indonesia becoming a net importer of key food products, and most notably becoming the world's largest rice importer, it began looking to other countries such as India, Australia, and

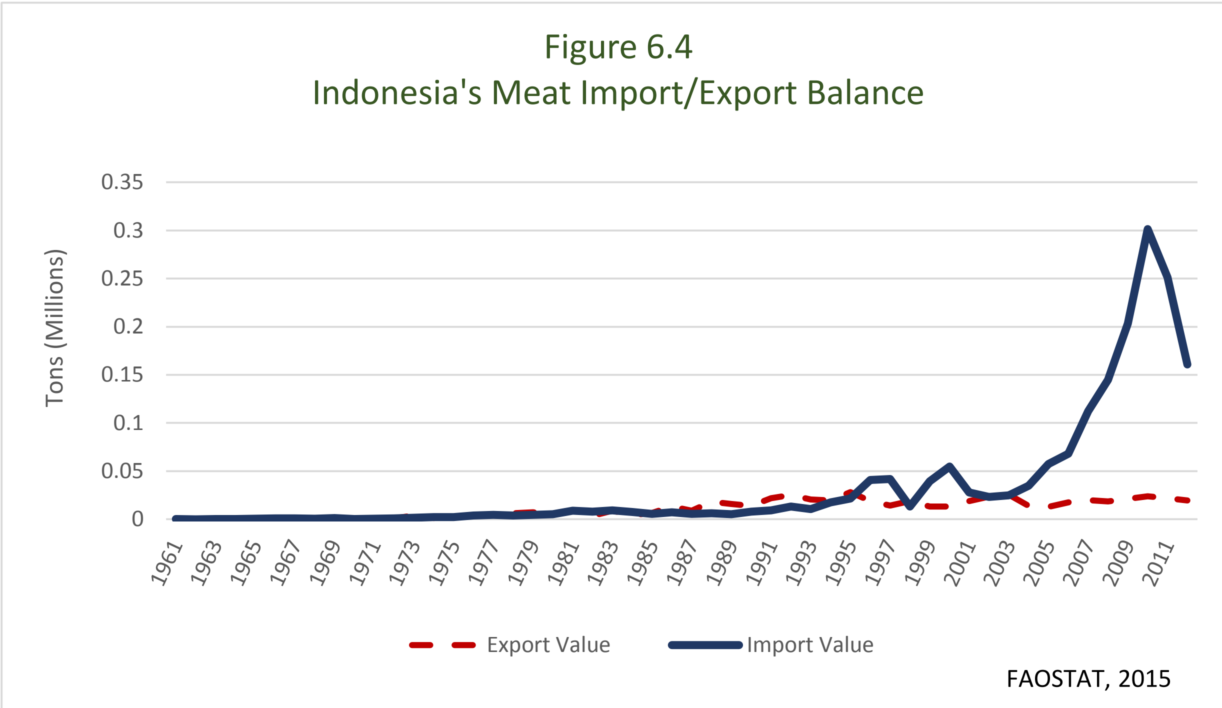
Thailand –countries that, in fact, were traditional food exporters. Yet with domestic food supply shocks occurring in the midst of the global food crisis starting in 2006, these countries restricted food exports, limiting the food supply available on world markets sending prices on a path of escalation. This occurred alongside global financial and energy crises, plunging millions worldwide into hunger and poverty.

Figure 6.3
Indonesia Cattle Import/Export Balance



FAOSTAT, 2015

Just as previous crises and inflationary periods had significant economic impact on Indonesia, the 2006-2008 global crises sent important political and economic ripples across the country. National resolve to move away from dependency on the global food trade appeared to strengthen with the world food crisis, as international food prices soared. Adverse effects of dependence upon food imports was felt particularly by poor consumers as price shocks moved prices of food upwards. As noted earlier, poor harvests for agricultural producers and major food exporting countries contributed to limited availability of many key commodities, such as wheat, corn, rice, for distribution in local and international markets (Lewis, 2008).



6.2 –DOMESTIC ACTORS, PROTECTION AND THE 2012 NATIONAL FOOD LAW

In explaining this shift and better understand the impact the foreign sphere has on Indonesia's national food policy, the domestic side must also be accounted for. The dual phenomena of changing consumer preferences of nontraditional food imports and export-oriented production in Indonesia have proven problematic to achieving national food security. As noted earlier, Indonesia's shifted from self-sufficiency in rice production in the 1980s to becoming the world's largest rice importer. Rice is the staple frequently used as a measure of Indonesia's food and agricultural sector health. With Indonesia being one of the largest producers and consumers of rice, it is vital to its economy and is its most politicized agricultural product. Thus, a move away from self-sufficiency in rice in Indonesia is a significant shift.

Rice is the most important income source for small farmers and agricultural households. With over 75 percent of the poor net consumers of rice, stabilization of rice prices is of great importance. Any agriculture trade barriers serving to increase prices could, in fact, disproportionately harm poor, agricultural producers who would be best served economically by lower rice prices. However, rice producers are often poor, small-holder farmers, ill-equipped to organize politically and lack the power, organization and influence to substantially pressure national officials for sound rice price policy (Basri and Patunru, 2012). Nevertheless, efforts to increase domestic food production in recent years have been given greater emphasis in state policy-making and scholars find rice has received greater trade protection by the state since 2000. While protectionism overall is on the rise, trade protection levels are still deemed lower than those of some of its Southeast Asian neighbors.

When the global food crisis hit, some have suggested Indonesia was able to mitigate widespread negative effects via protectionist measures already in place. Trade barriers served to shield the domestic economy from some of the global shocks, while social protection schemes also aided the poor and most vulnerable populations (Ananta and Barichello, 2011; Ananta and Arifin, 2011). Following the global food crisis, which ended in 2008, global food prices continued to climb reaching global peaks in 2010 and 2011, but prices of rice and other commodities continued to climb through 2013 (Hossain and Green, 2011). Yudhoyono, head of state during this period, was largely viewed as supportive of increased trade openness and a market economy approach to national development. Nevertheless, this was tempered with development strategies that were inward-looking as well, rather than purely market-oriented (Basri and Putunru, 2012).

In addition to trade regulation and agricultural supports, Indonesia has implemented numerous social protection strategies to help address the issue of domestic hunger. Some of these involve direct cash transfers or food subsidies. Domestic social protection schemes such as RASKIN [12]serve as social safety net food provisions for the poor, though these have been cited as inefficient and contributing to dependency. Not only are they poorly targeted (World Bank, 2012), they are difficult to access. By the time poor recipients take the time and opportunity costs from being away from work and productive activities, and the financial costs of going to obtain rice rations, it can be more costly to receive these services than to go without (Hussain and Green, 2011). Reports have found distribution systems at times to be poorly targeted and susceptible to corruption and misuse, as intended recipients may not actually receive the food subsidies (Collins, 2007). Such programs have also contributed to dependency, moving indigenous, self-sufficient communities off of diets based on locally-sourced *sago* and cassava and onto rice, a more expensive and difficult to obtain product (Hudayana interview, 2013; Retnandari interview, 2013).

Government policy-making has responded at various times to social welfare concerns and pressures from interest groups. Fuel subsidies in Indonesia are a prime example of poorly targeted protectionist measures. These disproportionately benefit the middle class and wealthy

[12] A social safety net program providing rice subsidies for the poor, taken the words *beras* (rice) and *miskin* (poor). Rice rations are typically distributed to village administrators, who then are responsible to allocate the food subsidies to those that qualify.

while tying up large portions of the national budget, limiting infrastructure and social spending to better target the poor and overall socioeconomic development. However, the reduction of these is widely perceived to be politically unpopular and many leaders have shown reluctance to sacrifice political support in the short-term in favor of measures that would likely have a very real, long-term benefit to the population –particularly the poor. During that time, the state provided cash transfers to mitigate the negative impact or higher fuel prices on the poor (Patunru and Basri, 2012). While fuel subsidies were reduced in 2005 under President Yudhoyono, experts find that these were modest and undermined by later concessions to roll them back, thus further reductions are necessary (Ananta and Arifin, 2011; Dartanto, 2012).

As mentioned above, liberalization has been blamed by protectionist advocates for past economic crises in Indonesia. Some of these groups continue to maintain key positions in both government and private sectors, as strong patron-client relations persist into the democratic era and interest groups serve as primary opponents of trade liberalization (Basri and Putunru, 2012; Soesastro and Basri, 2005). Agricultural trade protection receives support of civil society groups, particularly national farming and agricultural advocacy groups and SMOs (Purwanto, 2013; Ananta and Barichello, 2011). Trade reform is understood to benefit poorer, net consumers of rice as it allows them to buy rice at lower, international prices. On the other hand, protection benefits net producers who are generally not poor. As Basri and Putunru note in their study on political economy of protection, the state tries to balance conflicting groups to maximize political support. In the case of trade protection for agricultural commodities such as rice, net producers are a smaller group and have greater incentive to lobby for protection than net consumers have for liberalization (Basri and Patunru, 2012).

In 2012, the country passed a new national food law ceding greater regulatory authority to the state for food production and safety. Food self-sufficiency targets were set with the goal of attaining national self-sufficiency in staple food products such as rice, grains, and beef largely through trade regulation, agricultural subsidies and price supports. Key strategies employed by this, and many of the protectionist policies during this era are noted in table 6.2. The 2012 law included a provision identifying a self-sufficiency target of 90-percent by 2014. This required the country's food needs be met through domestic production with up to 10 percent coming from food imports. This had limited success, as the state during 2013 lifted many of the quotas restrictions due to insufficient domestic production.

Table 6.2

Agricultural Policy Instruments Used to Promote Food Self-Sufficiency in Indonesia

Trade Barriers	**Domestic Policy**	**General Services**
Tariffs	Minimum Purchase Price	Irrigation
Import Licensing/Quotas	Fertilizer Subsidies	Research & Development
SPS and Food Safety	Seed Subsidies	Marketing & Promotion
Export Taxes	Income Support	
Export Licensing	Credit Schemes	
	Insurance	
	Extension Services	

Source: OECD Review of Agricultural Policies: Indonesia 2012

This happened following the occurrence of multiple national food scandals, which would underscore the inability of Indonesia's food policy to ensure adequate domestic food supply. When the *Beefgate* scandal took place, Luthfi Hasan Ishaaq, chairman of the Prosperous Justice Party (PKS), a powerful national political party heading Indonesia's agriculture ministry, resigned days later amidst a growing scandal of bribery, beef smuggling, sex, and money laundering. Details of the story continued to unfold during the course of the investigation by the national Corruption Eradication Commission (KPK), as the party chairman was accused of accepting bribes from one of the country's largest meat importing companies. Investigations would reveal this scandal, referred to as 'Beefgate', involved not just Luthfi, but other PKS party members, state lawmakers, and private corporate interests (Nazeer and Stewart, 2013). Though political scandals and corruption are not uncommon in Indonesia, this event involved the highest political levels of the country. Subsequent investigations turned up huge sums of cash, luxury vehicles, and houses that were given as bribe payments and grabbed the attention of press and scholars worldwide.

While the state has frequently targeted national food self-sufficiency as a policy objective throughout its post-colonial history, it has struggled with meeting or sustaining this goal. These food policies carried the stated goals of raising domestic food production and achieving food security for the country. Despite pressures from the Global North and major

Table 6.3

Agriculture, Trade, and Economic Nationalism in Indonesia in the Democratic Era (1998 - present)

Year	Event	Description
October 2012	National Food Law	Replaced the National Food Law of 1996. Established import rules and self-sufficiency targets via national production levels and domestic sourcing of key food staples by 2014.
December 2012	Pork Adulteration of Meatballs	Scandal involving the adulteration of beef meatballs with pork by some meatball processors.
January 2013	Beefgate	Scandal involving the arrest of the Minister of Agriculture and chair of a major national political party for accepting bribes from a major food import company to aid in the smuggling of huge amounts of beef into the country, bypassing national quotas on beef imports.
July 2013	Ramadan	Food prices spiked considerably as consumption peaked during month of Ramadan.
July-August 2013	Import Restrictions Relaxed	In response to food price spikes, government relaxed import restrictions on food and horticultural goods.
February 2014	National Trade Law	First national trade law ratified by Indonesia since its independence. Established trade regulations, ceding authority to to state and local governments to restrict imports and exports.

global food exporters, the country proceeded to implement the law and restrict food imports through a quota system and domestic production targets.

6.3 –STATE DEVELOPMENTALISM, 2014 TRADE LAW AND STRUCTURAL CHANGE

The measures noted above and in tables 6.1 and 6.3 suggest a reemergence of a greater state role in implementing policies to protect national political, economic and social interests. In addition, these point to efforts at addressing problems of poverty, hunger, and corruption necessary due to the fact that despite spending much of the past century integrating into the global economy, food scarcity problems in Indonesia have persisted. “The government has been given the right to intervene to protect its people,” stated the nation’s Deputy Trade Minister Bayu Krisnamurthi in early 2014, following the passage of the national trade law. Krisnamurthi unambiguously outlined the nation’s position, effectively serving notice to the world that Indonesia would not be solely adopting a free market approach to achieving national development objectives (Global Business Guide, 2014; Moestafa and Sumarwan, 2014). Instead, protectionist policies were being put in place by the state to counter and mitigate effects of market influences on its development.

Indonesia’s movement towards economic nationalism in agriculture and trade in the democratic era is outlined in table 6.3. Despite rolling back some of the import regulations – particularly easing of quotas in 2013— put in place with the 2012 national food law, state developmentalism was again evident in late 2013 and into 2014. In the case of the 2014 trade law, the goal was to curb the exports of raw materials and extractive natural resources leaving the country, and encouraging the domestic growth of refineries and manufacturing industries to produce value-added exports from raw materials. Indonesia historically has a strong emphasis in agricultural production and natural resource extraction.

As Indonesia has industrialized over the past several decades, manufacturing has come to occupy the largest sector in proportion to total GDP output. However, agriculture and natural resource sectors remain a significant share of overall GDP, at 27%, and agriculture remains the largest sector by employment with approximately 40% of the employed workforce engaged in agricultural-related activities –25% higher than the global average.

Figure 6.5
Employment in Agriculture (2010)

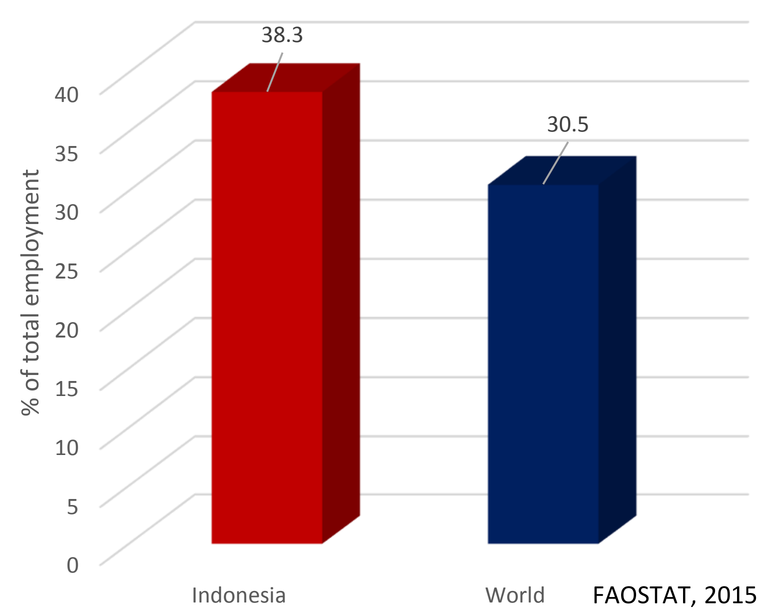
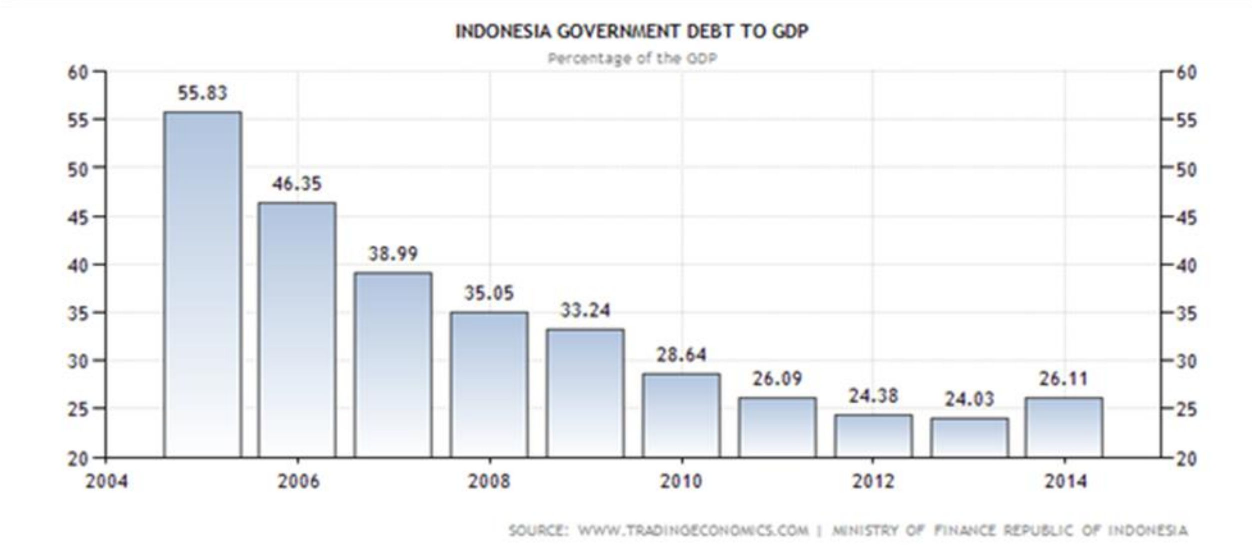


Figure 6.6

Indonesia's Annual GDP Growth in % change and current USD (1967-2012)

Despite the devastating effects of the Asian Financial Crisis, Indonesia is largely recovered and widely regarded as having sound financial management as it has made significant steps to recover from this crisis and rebuild its economic and financial positions. One indicator of this is how its debt-to-GDP ratio has dramatically improved since the early 2000s. In 2000, this was as high as 95% and in 2004 it improved to 55.8%. This ratio was as low as 24% in 2012, before slightly moving off of this trend in 2014.

Figure 6.7



As indicated in the current account (Appendix A), Indonesia is experiencing a widening gap in import/exports in recent years. The country has experienced sizable current account deficits over the past 3 years, with overall balance trending down since 2007-2008. While imports and exports have both increased steadily, imports have outpaced export growth, leading to declining surplus. Another significant trend is with oil trade in recent years –oil exports have experienced moderate fluctuations, while the country has nearly doubled its imports during the period, leading to a deficit. Historically, Indonesia has been a major exporter of many agricultural and natural resources, including oil and gas, to developed countries. This has helped the country often realize modest current account surpluses and has helped keep deficits low in other years. Though Indonesia is a member of OPEC and remains a major oil exporter, it is now a net oil importer, with fuel subsidies taking a significant part of the national budget and contributes to increasing national imports (Dartanto, 2012). Indonesia is steadily seeing an erosion of traditional trade surplus it has typically held due to its export-oriented agricultural production. This is a challenge it is needing to address, as this trend is likely to continue, as domestic demand outpaces local production, placing greater strain on trade balance (FAO, 2013).

Figure 6.8

Indonesia's current account deficit exceeds the capital and financial account surplus by $6.7 billion. This is accounted for in national reserves. Direct investment has seen significant changes in recent years. Net FDI has steadily risen while net portfolio investments has seen substantial growth since 2010 –nearly doubling. Current account surpluses experienced through much of the economy's recovery period since 2000 had deteriorated by 2012 and by 2013, the country was registering a substantial current account deficit. In fact, 2013 marked a record deficit. The country saw a tremendous growth in investment in 2014 which allowed it to compensate for its trade deficit and register an overall favorable balance.

Yet today, Indonesia has a large, growing population with a rising middle class. Population changes seem to be contributing to increased demands in imported goods and services –including agricultural and food products. With slowed growth of national exports and falling prices of some products in recent years, the national trade balance has worsened. This seems to pose problems for national policies in recent years that have focused on improving the level of national self-sufficiency in key commodities, as well as trade laws that have served to restrict exports of raw materials in favor of developing domestic manufacturing and processing sectors.

With an unfavorable trade balance and current account deficit, Indonesia has had to rely on increasing financial investment –particularly FDI and portfolio investments– in recent years. FDI generally moves in tandem with certain import categories, putting pressure on trade balance and the current account. One challenge with over-reliance on portfolio investments in particular is their liquidity, as an erosion of investor confidence could lead to investment withdrawal –this, in combination with the rapid inflation and currency crisis, contributed heavily to the collapse Indonesia experienced during the Asian Financial Crisis. Some of the decline in investment attractiveness may already be seen with investment declines since 2012. This suggests that Indonesia is more vulnerable to external exposures now than in 2011 and 2012, however, overall it is in a much better position to deal with these vulnerabilities and weather potential dangers than it was during the Asian Financial Crisis.

Domestic investment in these assets could alleviate some of this exposure. Overall, the country does seem to be continuing to move in the right direction, although the Balance of Payments does show areas where improvements are needed. As a new president of Indonesia was elected in the fall of 2014, it will be important to see what policies the administration will focus in the coming months.

6.4 –CHAPTER CONCLUSION

Conflicting neoliberal and state developmental pressures are being placed on the state to implement national development policies. Some of this stems from lobbying by key groups for laws advancing their interests. As the latter portion of the chapter details, pressures from the existing economic and financial structure, coupled with socioeconomic changes, also serve to influence the state to enact policies overriding market-oriented policy and protectionist policy alike at various times.

SAPs, alongside the growing call for open trade by the WTO, Global North states and regional trade partners within institutions such as ASEAN, have put neoliberal pressures on the state in foreign spheres. Internal producer groups and political interests who gain from patronage opportunities available via the vast bureaucratic system largely discourage attempts to move away from protectionist and regulatory policies. While implementation of economic nationalistic policy is more challenging given Indonesia's increasingly integrated role in the global food system, there are many groups who benefit from such policies –including politicians themselves, as protectionist policies are perceived favorable by much of the population.

CHAPTER 7:

FINDINGS AND CONCLUSION

7.1 – SUMMARY AND KEY FINDINGS

From the outset, this study makes clear the complexity and myriad challenges involved in crafting effective, well-balanced national food policy in a developing state operating within the global food system. Indonesia is facing a challenge of addressing chronic agricultural production shortfall while seeking to avert a path of complete vulnerability in an environment of food trade dependency. Upon analyzing the historical development of Indonesia's agricultural production and distribution through its major periods, this study reveals how the state has attempted to counterbalance neoliberal forces at work shaping past and present postcolonial political and economic structures. Indonesia has at times been a porous state, penetrated by actors –both external (e.g. state, global institutional and private forces), as well as internal (e.g. political elites, corporate interests)— often for political or economic gain. The state has often used political sovereignty and economic nationalism strategies to combat threats of state capture by outside interests.

A look into Indonesia's history finds state developmentalism repeatedly manifesting itself and playing a vital role in agricultural development and trade throughout its major periods –from the colonial era, into state formation and continuing through democratic consolidation in the twenty-first century. Public, private, state, and corporate actors in both international and domestic spheres have played important roles in the development of agricultural and trade structures over time.

International institutions such as the World Bank, IMF and WTO have been central to bringing Indonesia into the global food system, lowering barriers to trade and extending an export-oriented agricultural model. As noted earlier, studies have been critical of the World Bank's role in perpetuating poverty in the Global South and Indonesia, with its history of supporting capital-intensive industrialization and large-scale agriculture that has not necessarily proven favorable to poor and rural populations. The IMF played an increasingly larger role in Indonesia's agricultural and trade development in the latter half of the twentieth century. In the years leading up to the Asian Financial Crisis and as it began to manifest itself across the country, Indonesia was facing mounting foreign debt –much of this was in the form of loans from the IMF. The social, economic, and political consequences of SAPs on the country are significant, as the concessionary bailout from the IMF contributed to the noteworthy legacy of the Asian Financial Crisis. Indonesia was required to liberalize trade and slow public spending. The huge debt assumed by the nation resulted in a debt-to-GDP ratio of over 90%, with huge sums taken on over a series of years (*Appendix C)*, of which the country will be paying off for decades to come.

Multinational corporations have also played a key role most often opposing state efforts to implement economic nationalistic policy in both past and present periods. They have gained from Indonesia opening up borders to investment and lowering barriers to trade. Corporate interests have also helped bring Indonesia further into the global food system, as foreign private agricultural interests helped drive the Green Revolution's expansion into Southeast

Asia. During the mid-twentieth century, shifts took place with both international and intrastate relations with divisions of labor occurring within national economies, as industrial and agricultural divisions were internalized within domestic economic exchanges. This is evidenced in colonial-era slave-labor plantation systems, perpetuated in modern-day rural-urban relations. In the waning years of the twentieth century and into the twenty-first century, SMOs in Indonesia and the Global South sought to assert right to food and food sovereignty approaches and push for more democratic systems of food production, trade and consumption. In many cases this served to counter neoliberal influence, while in other cases these interest groups seek to preserve vested interests and gains from agricultural trade protections. Self-sufficiency objectives in Indonesia's national food policies have surfaced throughout its history as this brand of economic nationalism has continued into the democratic era.

In looking at the policies implemented during its fifteen years as a democratic state, Indonesia continues to wield economic nationalism in agriculture and trade policy-making. While these policies often carry the rhetoric of economic development and benefitting the poor, they are often a product of protectionist pressures and poorly targeted. The poorest see limited benefit from these protectionist policies, while the wealthier segments of the population benefit most. This may be at least in part due to opposing interests limiting the passage or implementation of these policies, passage of more pro-policies, or complementary measures that would realize greater impact, such as the development of transportation and energy infrastructure to provide a much-needed boost to the agricultural sector. Ultimately, effectiveness of Indonesia's state developmental approach is limited by poor implementation, improper targeting, opposing interests, as well as proponents of protectionist policies who seek to exploit such policies through state capture to promote private interests.

Renewed use of state developmentalism in agriculture and trade has occurred following the Asian Financial Crisis, an economic disaster many political leaders and portions of the national population attribute to neoliberal policies and programs. Neoliberal agricultural and trade policies in Indonesia are politically unpopular, with trade restrictions favored particularly by rich domestic farmers and absentee landlords –e.g. those with greater political capital (Ananta and Barichello, 2011). Those benefitting from lower domestic food prices (i.e. poor farmers) and more open trade of protected agricultural commodities, such as rice, are generally too weak politically and lack incentives to lobby for their interests.

However, as noted earlier, other Global North states in the West and in East Asia have successfully grown vital domestic sectors and experienced significant economic development with the aid of protectionist policies. Indonesia may be wise to consider pursuing elements of protection of certain sectors. Whether this is via trade regulation or other forms –such as social safety nets and infrastructural investments –could make a significant difference for those historically disproportionately impacted by negative effects of an errant national food policy. Some have suggested economic nationalism has become so embedded in national food policy, whether it would yield success or not, agricultural trade liberalization may very well be too politically costly to implement. Thus social protection schemes, such as cash transfers, could play an important role in ensuring food security for the poor in the face of food price shocks (Dodge and Gamessa, 2012).

During the 1960s and into the 1990s, gains in production via Green Revolution brought substantial yield increases in Global North countries, as well as Global South Latin American and Asian economies. This translated to a 30 percent increase in worldwide food availability (measured in per capita calorie supplies) via production. It also brought food availability in both developing and developed countries well above minimum thresholds, even as real food prices fell significantly (Ayres and McCalla. 1996). Since this time, the global food system has produced well-above the minimum food supply needed to nourish the global population. An abundance of food at cheaper prices, despite tremendous population growth over the latter half of the twentieth century, is a characteristic of the global food system –as is the co-occurrence of hunger and overproduction (Bittman, 2013; Holt Gimenez, 2012). This phenomena was experienced throughout Southeast Asia during the Asian Financial Crisis in 1997, the Global Food Crisis in 2006-2008, food price hikes in 2011, and annually in Indonesia during Ramadan.

7.2 – CHALLENGES AND PROSPECTS

For emerging Global South economies such as Indonesia, with growing middle class and affluent consumers who are increasingly showing a preference toward more Westernized and protein-rich diets, adjustments are having to be made to address changing preferences towards foods historically produced for mass consumption in other parts of the world (Bello and Baviera, 2010; Dethier and Effenberger, 2012). Such is the case with today's rising demand for beef and other high-protein and high-fat foods and the expansion of worldwide industrial agriculture as indigenous, self-sufficient diets are being replaced by diets dependent on imported agricultural products.

The 2012 National Food Law and 2014 National Trade Law indicate state efforts to address problems with its national food policy and overall economic structure. In recent years, indicators point to structural challenges facing Indonesia's economy and impeding long-term balanced growth. Additionally, there appears to be a slowing of the substantial growth experienced in the recovery era since 2000. The decline in exports and an upward trend in imports suggests the state's historical trade surplus is eroding, though the export-oriented agricultural structure of cash crop production may not have necessarily been affected. In order to avoid future inflationary crises, the state must consider ways to address rising inequality and ensure future food shocks do not result in mass hunger.

These outcomes are achievable and necessary. As noted earlier, Indonesia has begun to see a decline in exports. However, the growing population is demanding more goods and services produced overseas. These two factors have contributed to a declining balance of trade for two consecutive years. From 2012-2013, it posted record deficits in its current account. Given the country's huge current account deficit, however, it has had to rely on increasing financial investment flows. Highly liquid foreign investment that poured in during the 1980s began to exit the region with the Asian Financial crisis, exacerbating the crisis in Indonesia. The recent trade law suggests the country is making an effort to address trade balance weaknesses and limit raw materials from exiting via export while working on building more value-added goods to export in agricultural and manufacturing sectors.

While some of this may require more infrastructure investment, the challenge has been allocating the funding of these expenses, despite likely leading to larger financial gains and investment flows in the future. Infrastructure could benefit national food production and all aspects of socioeconomic life in Indonesia. Some of the greatest challenges to Indonesia's food security lie in the distributional challenges. Today in many parts of the country, it is faster, cheaper, more reliable, and more efficient to send/receive goods overseas than to ship across the country due to eroded transportation infrastructure.

The cutting of national oil subsidies to fund such projects has been discussed for quite some time now. However, this would require a commitment from the highest political office to eliminate subsidies largely benefitting middle- and upper class Indonesians. There are signs this possibility exists with the new administration, following the election of populist president, and political outsider, Joko Widodo in 2014.

However, other political economic challenges exist as well, such as corruption and graft. With tariff restrictions in place, a lack of adequate enforcement and an engrained patron-client system in the national bureaucracy has led graft and rent-seeking behavior at the highest levels –by national political elite— as well as at local, village levels. Increasing state transparency and enforcement mechanisms, particularly in its vast bureaucracy and reforming the party system – as various parties have access to leadership positions and the rent-seeking that comes from it— will help accomplish this.

7.3 – IMPLICATIONS

Most food consumed worldwide is produced locally, with global trade filling the gap. This is how food production has largely occurred for millennia. Yet, this structure is being remade in the global food system. How and where food is produced, distributed and consumed worldwide is changing. With the value of international food and agricultural trade flows growing by approximately 500 percent in the past 50 years, a tremendous increase in scale in the cross-border movement of food is taking place (FAO, 2013). Just as improved agricultural production have brought global food supplies to unprecedented levels, international food and agricultural trade is taking place today at greater levels than ever before. This is reflected in the case of Indonesia, as national consumption of protein-rich diets and foreign-produced foods are contributing to increased trade imbalance.

Postcolonial emerging economies like Indonesia are being confronted with choices on how to address challenges to the structures of their agricultural systems, economic sectors and society itself. Future research could explore how to answer these pressing dilemmas in light of the continued growth of global populations and the socioeconomic changes experienced in emerging economies. Indonesia is challenged to implement strong, effective domestic policies around agriculture and trade. Exploring how to balance competing neoliberal and protectionist interests while implementing effective national development policy would prove beneficial for Indonesia and other postcolonial emerging economies.

Finally, an additional theoretical implication presents itself. Indonesia is experiencing a reemergence of protectionism in its national development policy. This has come despite efforts over the past several decades to bring it further into the global food system and the overall global economy, which is largely guided by neoliberalism. The protectionist policies being used are an extension of developmental state capitalism and economic nationalism and are in conflict with neoliberal perspectives on trade and overall development. There is resistance to Indonesia's protectionist policies by neoliberal development institutions and Global North states that have sought to advance neoliberal development in the Global South. Challenges to Indonesia's policies by the U.S. and other developed states are being made to the WTO and in other spheres. The debate on the viability of protectionist strategies of development for emerging economies in an age of neoliberal globalization is one that remains undecided. Furthermore, as this case suggests, the ability of neoliberalism to override state efforts to protect vital economic sectors and assert autonomy over national development decisions is a question that has not yet been answered.

Appendix A: Indonesia's Balance of Payments

INDONESIA'S BALANCE OF PAYMENTS
SUMMARY
(Millions of USD)

February 2015

ITEMS	2010	2011	2012	2013*	2014				
	Total	Total	Total	Total	Q1*	Q2*	Q3*	Q4**	TOTAL
I. Current Account	**5,144**	**1,685**	**-24,418**	**-29,115**	**-4,149**	**-8,939**	**-6,963**	**-6,181**	**-26,233**
A. Goods [1)]	**31,003**	**33,825**	**8,680**	**5,833**	**3,350**	**-375**	**1,560**	**2,368**	**6,902**
- Exports	149,966	191,109	187,347	182,089	43,937	44,505	43,606	43,242	175,290
- Imports	-118,963	-157,284	-178,667	-176,256	-40,588	-44,880	-42,046	-40,874	-168,387
1. General Merchandise	**29,983**	**32,215**	**6,711**	**4,069**	**2,832**	**-703**	**1,192**	**2,072**	**5,393**
- Exports	148,866	189,432	185,337	180,294	43,414	44,171	43,232	42,941	173,757
- Imports	-118,884	-157,217	-178,626	-176,225	-40,581	-44,874	-42,039	-40,868	-168,363
a. Non-Oil and Gas	**26,750**	**32,865**	**11,950**	**13,777**	**5,581**	**2,475**	**4,326**	**4,852**	**17,233**
- Exports	120,208	151,366	149,766	146,706	35,822	36,657	35,970	36,557	145,005
- Imports	-93,458	-118,500	-137,816	-132,928	-30,241	-34,182	-31,644	-31,705	-127,771
b. Oil and Gas	**3,232**	**-650**	**-5,239**	**-9,709**	**-2,749**	**-3,178**	**-3,134**	**-2,779**	**-11,840**
- Exports	28,658	38,067	35,571	33,588	7,592	7,514	7,262	6,384	28,752
- Imports	-25,426	-38,717	-40,810	-43,297	-10,341	-10,693	-10,395	-9,163	-40,592
2. Other Goods	**1,020**	**1,610**	**1,969**	**1,765**	**518**	**328**	**368**	**295**	**1,509**
- Exports	1,099	1,676	2,009	1,795	524	333	374	302	1,533
- Imports	-79	-67	-41	-31	-6	-5	-6	-6	-24
B. Services	**-9,791**	**-9,803**	**-10,564**	**-12,072**	**-2,230**	**-2,920**	**-2,595**	**-2,788**	**-10,532**
- Exports	16,670	21,888	23,660	22,944	5,788	5,632	5,589	6,115	23,123
- Imports	-26,461	-31,691	-34,224	-35,016	-8,018	-8,552	-8,183	-8,902	-33,656
C. Primary Income	**-20,698**	**-26,547**	**-26,628**	**-27,055**	**-6,354**	**-7,178**	**-7,133**	**-7,157**	**-27,822**
- Receipts	1,934	2,581	2,650	2,602	391	681	634	411	2,117
- Payments	-22,632	-29,128	-29,277	-29,657	-6,745	-7,859	-7,767	-7,568	-29,939
D. Secondary Income	**4,630**	**4,211**	**4,094**	**4,178**	**1,085**	**1,534**	**1,204**	**1,396**	**5,220**
- Receipts	7,571	7,636	8,067	8,508	2,084	2,505	2,306	2,479	9,374
- Payments	-2,941	-3,425	-3,972	-4,330	-999	-970	-1,102	-1,082	-4,154
II. Capital Account	**50**	**33**	**51**	**45**	**1**	**7**	**3**	**15**	**27**
- Receipts	50	33	51	45	1	7	3	15	27
- Payments	0	0	0	0	0	0	0	0	0
III. Financial Account [2)]	**26,476**	**13,603**	**24,858**	**21,964**	**7,189**	**13,864**	**14,728**	**7,779**	**43,559**
- Assets	-7,294	-16,453	-17,971	-15,467	-6,245	-2,907	-3,917	1,031	-12,039
- Liabilities	33,770	30,057	42,829	37,431	13,434	16,771	18,645	6,748	55,598
1. Direct Investment	**11,106**	**11,528**	**13,716**	**12,295**	**3,288**	**3,459**	**5,945**	**2,574**	**15,266**
a. Assets	-4,186	-9,037	-7,485	-11,112	-2,883	-2,407	-2,226	-2,905	-10,421
b. Liabilities	15,292	20,565	21,201	23,407	6,171	5,866	8,171	5,478	25,686
2. Portfolio Investment	**13,202**	**3,806**	**9,206**	**10,875**	**8,703**	**8,046**	**7,441**	**1,611**	**25,802**
a. Assets	-2,511	-1,189	-5,467	-1,273	465	-991	1,299	1,635	2,409
b. Liabilities	15,713	4,996	14,673	12,148	8,238	9,038	6,142	-25	23,393
- Public Sector	13,526	827	9,251	10,257	5,917	2,891	5,298	1,274	15,380
- Private Sector	2,187	4,169	5,422	1,890	2,321	6,147	844	-1,298	8,013
3. Financial Derivatives	**-94**	**69**	**13**	**-334**	**-140**	**45**	**-57**	**-61**	**-213**
4. Other Investment	**2,262**	**-1,801**	**1,922**	**-871**	**-4,662**	**2,314**	**1,398**	**3,655**	**2,705**
a. Assets	-1,725	-6,754	-5,353	-3,427	-4,066	428	-2,870	2,323	-4,186
b. Liabilities	3,987	4,954	7,275	2,556	-596	1,887	4,268	1,332	6,891
- Public Sector	1,756	-2,258	2,453	-1,376	-1,534	-295	-613	-1,766	-4,209
- Private Sector	2,231	7,212	4,822	3,932	938	2,182	4,881	3,098	11,099
IV. Total (I + II + III)	**31,670**	**15,321**	**491**	**-7,105**	**3,040**	**4,932**	**7,768**	**1,613**	**17,353**
V. Net Error and Omissions	**-1,327**	**-3,465**	**-275**	**-220**	**-974**	**-636**	**-1,292**	**797**	**-2,105**
VI. Overall Balance (IV + V)	**30,343**	**11,857**	**215**	**-7,325**	**2,066**	**4,297**	**6,475**	**2,410**	**15,249**
VII. Reserves and Related Items [3)]	**-30,343**	**-11,857**	**-215**	**7,325**	**-2,066**	**-4,297**	**-6,475**	**-2,410**	**-15,249**
A. Reserve Asset Transactions	-30,343	-11,857	-215	7,325	-2,066	-4,297	-6,475	-2,410	-15,249
B. Credit and Loans with IMF	0	0	0	0	0	0	0	0	0
C. Exceptional Financing	0	0	0	0	0	0	0	0	0
Memorandum:									
- Reserve Assets Position	96,207	110,123	112,781	99,387	102,592	107,678	111,164	111,862	111,862
In Months of Imports & Official Debt Repayment	7.6	6.7	6.2	5.5	5.7	6.1	6.3	6.4	6.4
- Current Account (% GDP)	0.67	0.19	-2.65	-3.18	-1.97	-3.97	-2.99	-2.81	-2.95

Notes: source: http://www.bi.go.id/sdds/default.asp#FinancialSector

1) In terms of *free on board* (fob)

2) Excludes reserves and related items

3) Negative represents surplus and positive represents deficit

* Provisional figures

** Very provisional figures

Appendix B: Current Account Statement (goods)

INDONESIA'S BALANCE OF PAYMENTS
CURRENT ACCOUNT
GOODS
(Millions of USD)

February 2015

ITEMS	2010	2011					2012					2013*					2014				
	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1*	Q2*	Q3*	Q4**	TOTAL
Goods [1)]	**31,003**	**8,696**	**9,175**	**9,704**	**6,250**	**33,825**	**3,968**	**790**	**3,138**	**784**	**8,680**	**1,602**	**-556**	**85**	**4,703**	**5,833**	**3,350**	**-375**	**1,560**	**2,368**	**6,902**
- Exports	149,966	43,325	49,452	49,935	48,397	191,109	48,069	47,252	45,261	46,765	187,347	44,945	45,244	43,824	48,076	182,089	43,937	44,505	43,606	43,242	175,290
- Imports	-118,963	-34,629	-40,277	-40,231	-42,147	-157,284	-44,101	-46,463	-42,122	-45,981	-178,667	-43,343	-45,800	-43,739	-43,374	-176,256	-40,588	-44,880	-42,046	-40,874	-168,387
A. General merchandise	**29,983**	**8,469**	**8,703**	**9,384**	**5,660**	**32,215**	**3,474**	**357**	**2,453**	**427**	**6,711**	**1,250**	**-842**	**-491**	**4,153**	**4,069**	**2,832**	**-703**	**1,192**	**2,072**	**5,393**
1. Non-oil and gas	**26,750**	**8,103**	**10,102**	**8,975**	**5,685**	**32,865**	**4,358**	**1,513**	**3,231**	**2,848**	**11,950**	**4,105**	**1,262**	**2,135**	**6,276**	**13,777**	**5,581**	**2,475**	**4,326**	**4,852**	**17,233**
a. Exports	120,208	34,275	39,462	39,397	38,231	151,366	37,785	37,706	36,432	37,843	149,766	36,111	37,037	34,704	38,853	146,706	35,822	36,657	35,970	36,557	145,005
b. Imports	-93,458	-26,172	-29,361	-30,422	-32,545	-118,500	-33,427	-36,193	-33,201	-34,995	-137,816	-32,007	-35,776	-32,569	-32,577	-132,928	-30,241	-34,182	-31,644	-31,705	-127,771
2. Oil	**-8,653**	**-3,214**	**-5,751**	**-4,312**	**-4,249**	**-17,526**	**-5,278**	**-5,331**	**-4,222**	**-5,605**	**-20,436**	**-6,356**	**-5,102**	**-5,664**	**-5,361**	**-22,483**	**-6,056**	**-6,137**	**-6,037**	**-5,682**	**-23,914**
a. Exports	15,691	4,855	4,845	4,929	4,947	19,576	4,592	4,332	4,222	4,744	17,891	4,298	4,243	4,812	4,536	17,889	3,500	3,885	3,590	2,831	13,806
b. Imports	-24,344	-8,069	-10,596	-9,242	-9,196	-37,102	-9,870	-9,664	-8,444	-10,350	-38,327	-10,654	-9,345	-10,476	-9,897	-40,372	-9,556	-10,022	-9,627	-8,514	-37,719
3. Gas	**11,886**	**3,579**	**4,352**	**4,721**	**4,224**	**16,876**	**4,394**	**4,176**	**3,443**	**3,185**	**15,197**	**3,501**	**2,998**	**3,038**	**3,237**	**12,775**	**3,308**	**2,959**	**2,904**	**2,903**	**12,074**
a. Exports	12,968	3,954	4,658	5,278	4,601	18,491	5,189	4,772	3,909	3,810	17,680	4,175	3,670	3,725	4,129	15,700	4,092	3,629	3,672	3,553	14,946
b. Imports	-1,082	-375	-306	-557	-377	-1,615	-795	-597	-466	-625	-2,483	-674	-672	-688	-892	-2,925	-785	-670	-768	-649	-2,873
B. Other goods	**1,020**	**228**	**472**	**321**	**590**	**1,610**	**494**	**432**	**686**	**357**	**1,969**	**352**	**286**	**576**	**550**	**1,765**	**518**	**328**	**368**	**295**	**1,509**
o/w Nonmonetary gold	**1,020**	**228**	**472**	**321**	**590**	**1,610**	**494**	**432**	**686**	**357**	**1,969**	**352**	**286**	**576**	**550**	**1,765**	**518**	**328**	**368**	**295**	**1,509**
a. Exports	1,099	241	487	330	619	1,676	503	442	697	368	2,009	361	293	583	558	1,795	524	333	374	302	1,533
b. Imports	-79	-13	-15	-9	-29	-67	-9	-9	-11	-11	-41	-9	-7	-7	-8	-31	-6	-5	-6	-6	-24
Memorandum:																					
1. Nominal																					
a. Total exports (fob)	149,966	43,325	49,452	49,935	48,397	191,109	48,069	47,252	45,261	46,765	187,347	44,945	45,244	43,824	48,076	182,089	43,937	44,505	43,606	43,242	175,290
- Non-oil and gas	121,307	34,516	39,949	39,727	38,849	153,042	38,288	38,148	37,129	38,210	151,775	36,472	37,330	35,286	39,412	148,501	36,345	36,990	36,344	36,858	146,538
- Oil and gas	28,658	8,809	9,502	10,208	9,547	38,067	9,781	9,105	8,131	8,555	35,571	8,473	7,913	8,538	8,665	33,588	7,592	7,514	7,262	6,384	28,752
b. Total imports (fob)	-118,963	-34,629	-40,277	-40,231	-42,147	-157,284	-44,101	-46,463	-42,122	-45,981	-178,667	-43,343	-45,800	-43,739	-43,374	-176,256	-40,588	-44,880	-42,046	-40,874	-168,387
- Non-oil and gas	-93,537	-26,185	-29,376	-30,432	-32,574	-118,567	-33,436	-36,202	-33,212	-35,006	-137,857	-32,015	-35,783	-32,576	-32,585	-132,959	-30,247	-34,187	-31,650	-31,711	-127,795
- Oil and gas	-25,426	-8,444	-10,901	-9,799	-9,572	-38,717	-10,665	-10,260	-8,910	-10,975	-40,810	-11,328	-10,017	-11,164	-10,788	-43,297	-10,341	-10,693	-10,395	-9,163	-40,592
2. Growth (%, yoy)																					
a. Total exports (fob)		30.6	39.5	32.8	10.7	27.4	10.9	-4.4	-9.4	-3.4	-2.0	-6.5	-4.3	-3.2	2.8	-2.8	-2.2	-1.6	-0.5	-10.1	-3.7
- Non-oil and gas		29.8	41.1	29.6	8.7	26.2	10.9	-4.5	-6.5	-1.6	-0.8	-4.7	-2.1	-5.0	3.1	-2.2	-0.3	-0.9	3.0	-6.5	-1.3
- Oil and gas		33.9	33.0	46.9	19.6	32.8	11.0	-4.2	-20.3	-10.4	-6.6	-13.4	-13.1	5.0	1.3	-5.6	-10.4	-5.0	-14.9	-26.3	-14.4
b. Total imports (fob)		33.8	40.2	34.6	22.3	32.2	27.4	15.4	4.7	9.1	13.6	-1.7	-1.4	3.8	-5.7	-1.3	-6.4	-2.0	-3.9	-5.8	-4.5
- Non-oil and gas		28.1	30.3	27.2	22.4	26.8	27.7	23.2	9.1	7.5	16.3	-4.3	-1.2	-1.9	-6.9	-3.6	-5.5	-4.5	-2.8	-2.7	-3.9
- Oil and gas		55.4	76.4	64.4	21.9	52.3	26.3	-5.9	-9.1	14.7	5.4	6.2	-2.4	25.3	-1.7	6.1	-8.7	6.7	-6.9	-15.1	-6.2
3. Crude oil unit prices (USD/barrel)	77.7	102.3	114.9	111.1	108.6	109.2	120.0	110.5	106.1	106.1	110.7	109.2	97.8	104.4	104.4	104.0	105.9	106.1	98.9	72.3	95.8
4. Crude oil production (million barrels per day)	0.945	0.908	0.900	0.907	0.893	0.902	0.884	0.877	0.851	0.836	0.862	0.831	0.840	0.821	0.814	0.826	0.795	0.797	0.782	0.778	0.788

source: http://www.bi.go.id/sdds/default.asp#FinancialSector

Notes:

1) In terms of free on board (fob)

* Provisional figures

** Very provisional figures

Appendix C: Current Account Statement (services)

INDONESIA'S BALANCE OF PAYMENTS
CURRENT ACCOUNT
SERVICES
(Millions of USD)

February 2015

ITEMS	2010					2011					2012					2013*					2014				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1*	Q2*	Q3*	Q4**	TOTAL
Services	**-2,474**	**-2,183**	**-2,299**	**-2,835**	**-9,791**	**-1,278**	**-3,125**	**-2,588**	**-2,813**	**-9,803**	**-2,174**	**-2,814**	**-2,347**	**-3,230**	**-10,564**	**-2,633**	**-3,552**	**-2,781**	**-3,106**	**-12,072**	**-2,230**	**-2,920**	**-2,595**	**-2,788**	**-10,532**
- Exports	3,584	4,196	4,282	4,608	16,670	5,106	4,625	5,452	6,705	21,888	5,968	5,895	5,600	6,197	23,660	5,702	5,512	5,644	6,086	22,944	5,788	5,632	5,589	6,115	23,123
- Imports	-6,058	-6,379	-6,581	-7,442	-26,461	-6,384	-7,750	-8,039	-9,518	-31,691	-8,142	-8,709	-7,947	-9,427	-34,224	-8,335	-9,063	-8,425	-9,192	-35,016	-8,018	-8,552	-8,183	-8,902	-33,656
A. Manufacturing services	**-313**	**147**	**-80**	**29**	**-216**	**602**	**76**	**26**	**377**	**1,081**	**98**	**95**	**101**	**102**	**397**	**98**	**103**	**109**	**120**	**430**	**111**	**113**	**98**	**103**	**425**
- Exports	-313	147	-80	29	-216	602	76	26	377	1,081	98	95	101	102	397	98	103	109	120	430	111	113	98	103	425
- Imports	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Maintenance and repair services	**-30**	**-32**	**-46**	**-51**	**-159**	**-34**	**-28**	**-30**	**-31**	**-124**	**-256**	**-67**	**-50**	**-85**	**-458**	**-73**	**-63**	**-49**	**-63**	**-248**	**-75**	**-95**	**-119**	**-85**	**-374**
- Exports	10	22	14	19	65	11	9	25	28	73	28	37	24	25	114	29	41	37	20	127	23	23	30	25	100
- Imports	-40	-54	-60	-70	-224	-45	-37	-55	-59	-196	-284	-104	-74	-109	-572	-101	-104	-86	-83	-374	-98	-118	-149	-110	-474
C. Transport	**-1,219**	**-1,546**	**-1,616**	**-1,627**	**-6,007**	**-1,780**	**-2,414**	**-2,196**	**-2,303**	**-8,693**	**-2,019**	**-2,344**	**-2,052**	**-2,264**	**-8,679**	**-2,025**	**-2,383**	**-2,256**	**-2,264**	**-8,928**	**-2,033**	**-2,149**	**-2,047**	**-1,987**	**-8,215**
- Exports	566	664	685	751	2,665	728	743	918	1,068	3,456	939	923	900	1,060	3,822	925	848	847	991	3,611	862	944	917	1,055	3,778
- Imports	-1,785	-2,210	-2,300	-2,378	-8,673	-2,508	-3,157	-3,114	-3,371	-12,149	-2,958	-3,266	-2,952	-3,324	-12,501	-2,949	-3,231	-3,103	-3,256	-12,539	-2,895	-3,093	-2,964	-3,041	-11,993
a. Passenger	-288	-382	-388	-320	-1,377	-223	-381	-319	-434	-1,357	-130	-265	-298	-453	-1,145	-238	-365	-379	-441	-1,422	-251	-269	-331	-426	-1,277
- Exports	128	143	189	200	660	244	219	290	289	1,041	300	281	279	278	1,139	288	297	294	304	1,183	310	328	329	338	1,304
- Imports	-416	-525	-577	-519	-2,037	-467	-600	-609	-722	-2,398	-430	-546	-577	-731	-2,284	-526	-662	-673	-745	-2,605	-561	-596	-660	-764	-2,581
b. Freight	-985	-1,216	-1,291	-1,356	-4,847	-1,575	-2,063	-1,926	-1,890	-7,453	-1,881	-2,042	-1,755	-1,889	-7,566	-1,723	-1,946	-1,785	-1,864	-7,318	-1,650	-1,763	-1,658	-1,651	-6,722
- Exports	332	394	352	401	1,479	374	392	477	623	1,866	526	505	466	497	1,993	519	410	393	394	1,717	430	471	424	415	1,739
- Imports	-1,318	-1,610	-1,642	-1,756	-6,326	-1,949	-2,455	-2,403	-2,512	-9,320	-2,407	-2,547	-2,220	-2,386	-9,560	-2,242	-2,356	-2,178	-2,258	-9,034	-2,081	-2,234	-2,081	-2,065	-8,461
c. Other	54	52	63	49	217	18	30	49	21	117	-8	-37	1	78	33	-65	-72	-92	40	-189	-132	-117	-58	90	-217
- Exports	105	126	144	151	526	110	132	150	156	548	113	136	155	286	690	117	141	160	293	711	122	146	165	302	735
- Imports	-52	-75	-81	-102	-310	-92	-102	-101	-136	-432	-121	-174	-154	-208	-657	-182	-213	-252	-252	-899	-253	-263	-223	-212	-952
D. Travel	**351**	**61**	**283**	**-132**	**563**	**641**	**264**	**660**	**177**	**1,741**	**705**	**185**	**532**	**132**	**1,553**	**501**	**41**	**543**	**359**	**1,444**	**778**	**314**	**592**	**482**	**2,166**
- Exports	1,689	1,554	1,809	1,905	6,958	1,934	1,737	2,093	2,233	7,997	2,119	1,786	2,073	2,347	8,324	2,243	1,963	2,340	2,573	9,119	2,484	2,146	2,498	2,720	9,848
- Imports	-1,338	-1,493	-1,526	-2,037	-6,395	-1,293	-1,473	-1,433	-2,056	-6,255	-1,414	-1,601	-1,541	-2,215	-6,771	-1,742	-1,921	-1,797	-2,214	-7,675	-1,707	-1,832	-1,906	-2,237	-7,682
E. Construction	**-81**	**-7**	**6**	**9**	**-72**	**20**	**20**	**24**	**-11**	**54**	**-17**	**62**	**99**	**87**	**231**	**-4**	**8**	**44**	**-54**	**-5**	**-19**	**11**	**15**	**41**	**48**
- Exports	103	112	167	138	520	112	118	134	187	551	214	177	213	259	863	226	219	200	203	848	198	223	149	150	720
- Imports	-184	-119	-161	-128	-592	-92	-98	-110	-198	-497	-232	-115	-113	-172	-632	-230	-211	-156	-256	-853	-217	-212	-134	-108	-672
F. Insurance and pension services	**-331**	**-282**	**-253**	**-266**	**-1,131**	**-287**	**-307**	**-323**	**-349**	**-1,267**	**-266**	**-293**	**-254**	**-260**	**-1,072**	**-253**	**-267**	**-273**	**-237**	**-1,029**	**-226**	**-223**	**-247**	**-243**	**-939**
- Exports	2	4	5	12	22	2	4	5	12	23	2	4	5	13	24	2	4	5	13	25	2	4	5	14	26
- Imports	-333	-286	-257	-278	-1,153	-289	-311	-328	-362	-1,290	-268	-297	-259	-272	-1,096	-255	-271	-278	-250	-1,054	-228	-227	-253	-256	-964
G. Financial services	**-117**	**-55**	**-46**	**8**	**-209**	**-4**	**-204**	**-74**	**-22**	**-303**	**-93**	**-100**	**-65**	**-212**	**-469**	**-122**	**-123**	**-89**	**-120**	**-454**	**-64**	**-115**	**-110**	**-123**	**-412**
- Exports	63	93	72	160	388	114	107	108	122	451	55	55	52	63	225	57	54	69	74	254	60	54	44	67	226
- Imports	-179	-148	-117	-153	-597	-118	-311	-182	-144	-754	-148	-155	-117	-275	-695	-178	-178	-158	-194	-709	-125	-169	-154	-190	-638
H. Charges for the use of intellectual property	**-362**	**-330**	**-329**	**-535**	**-1,557**	**-346**	**-427**	**-517**	**-420**	**-1,709**	**-450**	**-434**	**-509**	**-349**	**-1,742**	**-354**	**-447**	**-483**	**-401**	**-1,684**	**-429**	**-589**	**-359**	**-425**	**-1,802**
- Exports	9	12	20	19	60	22	30	12	15	79	14	19	12	14	58	13	12	13	13	52	12	10	13	25	60
- Imports	-371	-342	-350	-554	-1,616	-368	-457	-528	-435	-1,788	-464	-452	-521	-363	-1,800	-367	-459	-496	-414	-1,736	-441	-599	-372	-450	-1,862
I. Telecommunications, computer, and information services	**-5**	**35**	**37**	**42**	**109**	**51**	**91**	**46**	**-51**	**137**	**-38**	**18**	**-39**	**-90**	**-149**	**-177**	**-166**	**-98**	**-66**	**-507**	**-70**	**-156**	**-84**	**-169**	**-479**
- Exports	270	315	328	326	1,240	308	457	441	451	1,658	343	412	282	257	1,294	245	257	281	258	1,041	265	265	333	277	1,140
- Imports	-275	-280	-291	-285	-1,131	-256	-367	-395	-502	-1,521	-381	-394	-321	-348	-1,443	-422	-423	-379	-324	-1,548	-335	-421	-417	-446	-1,619
J. Other business services	**-377**	**-210**	**-261**	**-298**	**-1,147**	**-166**	**-222**	**-180**	**-137**	**-704**	**137**	**32**	**-26**	**-253**	**-109**	**-244**	**-224**	**-227**	**-336**	**-1,031**	**-241**	**-52**	**-359**	**-350**	**-1,003**
- Exports	1,013	1,100	1,113	1,083	4,309	1,083	1,147	1,525	2,034	5,789	1,936	2,169	1,759	1,874	7,739	1,654	1,803	1,555	1,628	6,641	1,576	1,639	1,321	1,503	6,040
- Imports	-1,391	-1,310	-1,375	-1,381	-5,456	-1,249	-1,368	-1,704	-2,171	-6,493	-1,799	-2,137	-1,785	-2,127	-7,848	-1,898	-2,027	-1,783	-1,964	-7,672	-1,817	-1,691	-1,681	-1,853	-7,043
K. Personal, cultural, and recreational services	**-7**	**-5**	**-9**	**-8**	**-29**	**-8**	**-1**	**-15**	**-30**	**-54**	**-7**	**-14**	**-24**	**-26**	**-71**	**-25**	**-33**	**-12**	**-10**	**-80**	**-9**	**-26**	**-27**	**-33**	**-94**
- Exports	18	26	26	34	104	31	43	37	48	159	54	60	47	49	210	38	44	51	55	187	37	40	38	35	150
- Imports	-25	-31	-35	-42	-133	-38	-44	-53	-78	-212	-61	-74	-71	-75	-281	-63	-76	-63	-64	-267	-45	-66	-65	-67	-244
L. Government goods and services	**16**	**41**	**14**	**-6**	**65**	**32**	**27**	**-9**	**-12**	**38**	**32**	**45**	**-60**	**-13**	**5**	**43**	**3**	**9**	**-34**	**21**	**47**	**46**	**53**	**1**	**147**
- Exports	154	148	123	131	555	161	154	128	130	572	166	159	132	134	590	172	164	136	138	610	158	170	141	143	611
- Imports	-138	-107	-109	-137	-490	-129	-127	-137	-141	-535	-134	-114	-192	-146	-585	-129	-162	-127	-172	-590	-111	-124	-88	-142	-464
Memorandum:																									
Number of traveler (thousands of people)																									
- Inbound	1,642	1,800	1,833	1,842	7,118	1,755	1,903	2,033	2,052	7,743	1,924	1,988	2,032	2,164	8,107	2,038	2,152	2,271	2,401	8,861	2,237	2,340	2,403	2,508	9,488
- Outbound	1,413	1,573	1,669	1,799	6,454	1,544	1,733	1,766	1,929	6,971	1,689	1,883	1,976	2,088	7,636	2,024	2,115	2,107	2,007	8,253	1,982	2,017	2,128	2,116	8,242

source: http://www.bi.go.id/sdds/default.asp#FinancialSector

Notes:
* Provisional figures
** Very provisional figures

Appendix D: Current Account Statement (primary income)

INDONESIA'S BALANCE OF PAYMENTS
CURRENT ACCOUNT
PRIMARY INCOME
(Millions of USD)

February 2015

ITEMS	2010					2011					2012					2013*					2014				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1*	Q2*	Q3*	Q4**	TOTAL
Primary Income	**-4,013**	**-4,306**	**-5,529**	**-6,850**	**-20,698**	**-5,501**	**-6,736**	**-7,395**	**-6,915**	**-26,547**	**-6,016**	**-7,049**	**-6,917**	**-6,646**	**-26,628**	**-6,052**	**-7,020**	**-6,805**	**-7,177**	**-27,055**	**-6,354**	**-7,178**	**-7,133**	**-7,157**	**-27,822**
- Receipts	455	454	530	495	1,934	593	658	669	661	2,581	780	675	600	595	2,650	858	603	475	667	2,602	391	681	634	411	2,117
- Payments	-4,468	-4,761	-6,058	-7,345	-22,632	-6,094	-7,393	-8,065	-7,576	-29,128	-6,796	-7,725	-7,516	-7,241	-29,277	-6,910	-7,623	-7,280	-7,844	-29,657	-6,745	-7,859	-7,767	-7,568	-29,939
A. Compensation of employees	**-181**	**-188**	**-205**	**-208**	**-781**	**-201**	**-209**	**-230**	**-245**	**-884**	**-239**	**-246**	**-274**	**-278**	**-1,037**	**-269**	**-270**	**-297**	**-303**	**-1,139**	**-280**	**-285**	**-313**	**-322**	**-1,200**
- Receipts	45	51	42	43	181	47	53	44	44	188	48	55	45	45	194	50	57	45	47	200	52	59	47	48	206
- Payments	-226	-239	-248	-251	-962	-247	-262	-274	-289	-1,073	-287	-301	-319	-323	-1,231	-319	-327	-342	-350	-1,338	-332	-344	-360	-370	-1,406
B. Investment income	**-3,832**	**-4,119**	**-5,323**	**-6,642**	**-19,917**	**-5,300**	**-6,527**	**-7,165**	**-6,670**	**-25,663**	**-5,777**	**-6,803**	**-6,643**	**-6,368**	**-25,590**	**-5,783**	**-6,751**	**-6,508**	**-6,875**	**-25,916**	**-6,074**	**-6,893**	**-6,819**	**-6,835**	**-26,622**
- Receipts	410	403	487	452	1,753	546	604	625	617	2,393	732	620	554	550	2,456	808	546	429	620	2,403	339	622	587	363	1,911
- Payments	-4,242	-4,522	-5,811	-7,094	-21,670	-5,846	-7,131	-7,791	-7,288	-28,056	-6,509	-7,423	-7,197	-6,918	-28,046	-6,591	-7,297	-6,937	-7,494	-28,319	-6,414	-7,515	-7,406	-7,198	-28,533
a. Direct investment income	**-2,691**	**-2,415**	**-3,042**	**-4,558**	**-12,705**	**-3,848**	**-4,456**	**-4,670**	**-4,801**	**-17,776**	**-4,388**	**-4,614**	**-4,601**	**-4,309**	**-17,913**	**-4,048**	**-3,968**	**-4,439**	**-4,713**	**-17,169**	**-4,158**	**-4,268**	**-4,399**	**-4,327**	**-17,151**
1) Income on equity capital	-2,663	-2,372	-2,971	-4,455	-12,461	-3,820	-4,399	-4,631	-4,677	-17,526	-4,335	-4,543	-4,520	-4,180	-17,578	-3,987	-3,923	-4,265	-4,635	-16,811	-4,044	-4,160	-4,255	-4,098	-16,557
- Receipts	39	30	25	26	120	47	40	40	58	186	87	102	37	16	243	84	20	33	66	203	32	62	33	13	140
- Payments	-2,702	-2,402	-2,996	-4,481	-12,582	-3,867	-4,439	-4,671	-4,736	-17,712	-4,422	-4,645	-4,557	-4,197	-17,821	-4,071	-3,943	-4,298	-4,702	-17,014	-4,076	-4,222	-4,288	-4,111	-16,697
2) Income on debt (interest)	-28	-43	-70	-102	-243	-29	-58	-40	-123	-249	-53	-71	-81	-129	-335	-60	-45	-174	-78	-358	-114	-108	-144	-229	-594
- Receipts	2	9	3	6	19	2	4	4	4	14	5	1	1	4	10	2	12	8	1	23	4	3	20	22	50
- Payments	-29	-51	-73	-109	-262	-31	-62	-43	-127	-263	-58	-72	-82	-133	-345	-63	-57	-183	-79	-381	-118	-111	-164	-250	-643
b. Portfolio investment income	**-783**	**-984**	**-1,929**	**-1,209**	**-4,905**	**-1,152**	**-1,305**	**-2,223**	**-1,211**	**-5,892**	**-1,006**	**-1,444**	**-1,623**	**-1,295**	**-5,368**	**-1,214**	**-1,961**	**-1,678**	**-1,494**	**-6,348**	**-1,464**	**-2,046**	**-2,052**	**-1,722**	**-7,285**
1) Income on equity capital	-56	-504	-1,004	-668	-2,232	-178	-741	-1,104	-623	-2,646	-20	-874	-719	-392	-2,005	-87	-741	-652	-456	-1,936	-171	-1,004	-567	-659	-2,401
- Receipts	111	70	98	79	358	80	79	57	69	284	221	88	62	81	453	216	229	64	142	652	56	137	114	89	396
- Payments	-167	-574	-1,102	-747	-2,590	-258	-820	-1,161	-692	-2,931	-241	-962	-781	-474	-2,458	-303	-970	-716	-598	-2,588	-228	-1,141	-681	-748	-2,797
2) Income on debt (interest)	-727	-480	-925	-541	-2,673	-974	-564	-1,120	-588	-3,246	-986	-571	-904	-902	-3,363	-1,128	-1,220	-1,026	-1,038	-4,412	-1,293	-1,043	-1,486	-1,064	-4,884
- Receipts	203	236	302	261	1,002	317	370	382	309	1,378	308	303	330	271	1,212	294	126	192	231	844	124	157	241	87	608
- Payments	-930	-716	-1,227	-802	-3,675	-1,291	-934	-1,502	-897	-4,623	-1,294	-874	-1,234	-1,173	-4,575	-1,422	-1,347	-1,219	-1,269	-5,256	-1,416	-1,200	-1,726	-1,150	-5,493
c. Other investment income	**-359**	**-720**	**-353**	**-876**	**-2,307**	**-300**	**-765**	**-272**	**-659**	**-1,995**	**-383**	**-745**	**-418**	**-764**	**-2,310**	**-521**	**-821**	**-390**	**-667**	**-2,399**	**-452**	**-579**	**-368**	**-786**	**-2,186**
- Receipts	56	58	59	80	253	100	112	142	177	531	110	126	125	177	538	212	158	132	180	682	123	262	179	153	717
- Payments	-415	-779	-412	-956	-2,561	-400	-877	-414	-836	-2,526	-493	-870	-543	-941	-2,848	-732	-979	-522	-847	-3,081	-576	-841	-547	-939	-2,903

source: http://www.bi.go.id/sdds/default.asp#FinancialSector

Notes:
* Provisional figures
** Very provisional figures

Appendix E: Current Account Statement (secondary income)

INDONESIA'S BALANCE OF PAYMENTS
CURRENT ACCOUNT
SECONDARY INCOME
(Millions of USD)

February 2015

ITEMS	2010					2011					2012					2013*					2014				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1*	Q2*	Q3*	Q4**	TOTAL
Secondary Income	**1,080**	**1,098**	**1,151**	**1,301**	**4,630**	**1,029**	**960**	**1,045**	**1,176**	**4,211**	**1,030**	**924**	**860**	**1,280**	**4,094**	**1,076**	**1,003**	**862**	**1,238**	**4,178**	**1,085**	**1,534**	**1,204**	**1,396**	**5,220**
- Receipts	1,815	1,816	1,883	2,057	7,571	1,830	1,841	1,908	2,057	7,636	1,909	1,908	1,962	2,287	8,067	2,038	2,060	2,036	2,375	8,508	2,084	2,505	2,306	2,479	9,374
- Payments	-735	-718	-732	-756	-2,941	-800	-881	-863	-881	-3,425	-879	-984	-1,102	-1,007	-3,972	-962	-1,057	-1,174	-1,137	-4,330	-999	-970	-1,102	-1,082	-4,154
A. General government	**3**	**18**	**34**	**231**	**287**	**4**	**42**	**49**	**224**	**320**	**22**	**50**	**66**	**316**	**455**	**11**	**63**	**43**	**288**	**405**	**11**	**59**	**28**	**134**	**232**
- Receipts	3	18	34	231	287	6	44	51	227	329	22	50	66	316	455	11	64	43	290	408	11	65	29	134	239
- Payments	0	0	0	0	0	-2	-2	-2	-3	-9	0	0	0	0	0	0	-1	0	-2	-3	0	-6	-1	0	-7
B. Other sectors	**1,077**	**1,080**	**1,117**	**1,070**	**4,344**	**1,025**	**917**	**996**	**952**	**3,891**	**1,008**	**874**	**794**	**964**	**3,639**	**1,065**	**939**	**819**	**950**	**3,773**	**1,074**	**1,475**	**1,176**	**1,263**	**4,987**
1. Personal transfers	1,218	1,217	1,224	1,199	4,857	1,185	1,163	1,174	1,122	4,645	1,166	1,144	1,119	1,187	4,616	1,235	1,229	1,168	1,171	4,802	1,255	1,524	1,410	1,443	5,632
- Receipts	1,659	1,681	1,706	1,689	6,735	1,668	1,674	1,708	1,685	6,736	1,727	1,732	1,742	1,817	7,018	1,861	1,866	1,835	1,853	7,415	1,902	2,195	2,113	2,135	8,345
- Payments	-441	-463	-483	-491	-1,877	-483	-511	-534	-563	-2,091	-560	-589	-623	-630	-2,402	-626	-637	-668	-683	-2,613	-647	-671	-703	-692	-2,713
2. Other current transfers	-140	-137	-107	-129	-514	-160	-246	-178	-170	-754	-158	-270	-326	-223	-977	-170	-289	-349	-220	-1,028	-180	-49	-234	-181	-645
- Receipts	154	117	143	136	550	155	122	149	145	571	160	126	154	154	593	166	130	158	232	686	172	245	164	209	789
- Payments	-294	-254	-250	-265	-1,063	-315	-368	-327	-315	-1,325	-318	-396	-479	-377	-1,570	-336	-419	-507	-452	-1,714	-352	-294	-398	-390	-1,434
Memorandum:																									
- Number of Indonesian migrant worker/TKI (thousands of people)	4,379	4,358	4,332	4,201	4,201	4,180	4,122	4,122	4,088	4,088	4,071	4,042	4,029	4,022	4,022	4,018	4,006	4,007	4,016	4,016	3,987	3,971	3,968	3,944	3,944
- Number of foreign migrant worker/TKA (thousands of people)	47	49	50	51	51	51	54	56	60	60	60	62	65	67	67	66	67	69	69	69	69	71	74	77	77

source: http://www.bi.go.id/sdds/default.asp#FinancialSector

Notes:
* Provisional figures
** Very provisional figures

Appendix F: Financial Account Statement (direct investment)

INDONESIA'S BALANCE OF PAYMENTS
FINANCIAL ACCOUNT
DIRECT INVESTMENT
(Millions of USD)

February 2015

ITEMS	2010					2011					2012					2013*					2014				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1*	Q2*	Q3*	Q4**	TOTAL
Direct Investment	**2,556**	**2,368**	**1,764**	**4,419**	**11,106**	**3,782**	**2,507**	**2,119**	**3,120**	**11,528**	**1,550**	**3,653**	**4,452**	**4,061**	**13,716**	**3,261**	**3,323**	**5,453**	**258**	**12,295**	**3,288**	**3,459**	**5,945**	**2,574**	**15,266**
A. Assets	**-999**	**-1,059**	**-1,420**	**-708**	**-4,186**	**-2,345**	**-3,049**	**-1,813**	**-1,829**	**-9,037**	**-1,843**	**-1,106**	**-2,265**	**-2,271**	**-7,485**	**-2,028**	**-2,218**	**-1,780**	**-5,085**	**-11,112**	**-2,883**	**-2,407**	**-2,226**	**-2,905**	**-10,421**
1. Equity capital	-136	-200	-327	-357	-1,020	-1,612	-1,749	-951	-753	-5,064	-645	-1,562	-897	-1,273	-4,377	-1,943	-2,121	-1,796	-5,093	-10,953	-2,431	-2,242	-2,047	-2,878	-9,599
2. Debt instuments	-863	-859	-1,093	-351	-3,166	-734	-1,300	-862	-1,076	-3,972	-1,198	455	-1,367	-997	-3,107	-85	-97	16	8	-159	-452	-165	-179	-26	-822
B. Liabilities	**3,555**	**3,427**	**3,184**	**5,127**	**15,292**	**6,127**	**5,556**	**3,932**	**4,949**	**20,565**	**3,393**	**4,759**	**6,717**	**6,332**	**21,201**	**5,289**	**5,541**	**7,232**	**5,344**	**23,407**	**6,171**	**5,866**	**8,171**	**5,478**	**25,686**
1. Equity capital	2,515	2,670	2,782	4,480	12,447	4,800	4,799	3,202	3,476	16,278	3,435	4,465	5,266	5,449	18,615	4,198	5,269	5,183	5,374	20,023	4,936	4,869	6,434	5,270	21,509
2. Debt instuments	1,040	756	402	647	2,845	1,327	757	730	1,474	4,287	-42	294	1,451	883	2,586	1,091	273	2,050	-30	3,384	1,235	997	1,738	208	4,177
a. Inflow	3,911	3,777	4,535	4,202	16,424	12,620	13,220	12,991	14,847	53,677	14,403	14,312	14,395	17,760	60,871	14,736	15,592	17,237	18,225	65,790	18,646	19,965	19,477	19,719	77,807
b. Outflow	-2,871	-3,021	-4,132	-3,555	-13,579	-11,293	-12,463	-12,261	-13,373	-49,390	-14,445	-14,018	-12,944	-16,877	-58,284	-13,645	-15,319	-15,187	-18,255	-62,406	-17,411	-18,968	-17,739	-19,511	-73,630
Memorandum:																									
Direct investment based on directional principle	**2,556**	**2,368**	**1,764**	**4,419**	**11,106**	**3,782**	**2,507**	**2,119**	**3,120**	**11,528**	**1,550**	**3,653**	**4,452**	**4,061**	**13,716**	**3,261**	**3,323**	**5,453**	**258**	**12,295**	**3,288**	**3,459**	**5,945**	**2,574**	**15,266**
A. Direct investment abroad	**-427**	**-982**	**-1,191**	**-64**	**-2,664**	**-1,529**	**-2,526**	**-1,350**	**-2,307**	**-7,713**	**-2,932**	**452**	**-1,391**	**-1,551**	**-5,422**	**-578**	**-1,235**	**-476**	**-4,362**	**-6,652**	**-1,809**	**-1,469**	**-1,648**	**-2,084**	**-7,010**
1. Equity capital	-143	-207	-333	-358	-1,041	-982	-1,296	-451	-408	-3,137	-488	-504	-200	-424	-1,616	-860	-1,029	-761	-4,029	-6,679	-1,360	-1,259	-1,071	-1,654	-5,344
2. Debt instruments	-284	-775	-858	295	-1,623	-547	-1,230	-899	-1,899	-4,576	-2,444	956	-1,191	-1,127	-3,806	282	-206	285	-333	28	-448	-210	-578	-430	-1,667
B. Direct investment in Indonesia	**2,983**	**3,350**	**2,955**	**4,483**	**13,771**	**5,311**	**5,034**	**3,469**	**5,428**	**19,241**	**4,482**	**3,201**	**5,843**	**5,612**	**19,138**	**3,840**	**4,558**	**5,929**	**4,620**	**18,947**	**5,097**	**4,928**	**7,593**	**4,658**	**22,276**
1. Equity capital	2,522	2,677	2,788	4,481	12,468	4,171	4,347	2,702	3,131	14,350	3,278	3,408	4,568	4,600	15,853	3,116	4,177	4,148	4,309	15,750	3,866	3,885	5,457	4,046	17,254
2. Debt instruments	461	673	167	2	1,302	1,140	687	767	2,297	4,891	1,205	-207	1,274	1,013	3,285	724	382	1,781	311	3,197	1,231	1,043	2,136	612	5,022

source: http://www.bi.go.id/sdds/default.asp#FinancialSector

Notes:
* Provisional figures
** Very provisional figures

Appendix G: Financial Account Statement (portfolio investment)

INDONESIA'S BALANCE OF PAYMENTS
FINANCIAL ACCOUNT
PORTFOLIO INVESTMENT
(Millions of USD)

February 2015

ITEMS	2010					2011					2012					2013*					2014				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1*	Q2*	Q3*	Q4**	TOTAL
Portfolio Investment	**6,159**	**1,089**	**4,517**	**1,437**	**13,202**	**2,920**	**5,213**	**-4,571**	**245**	**3,806**	**2,628**	**3,873**	**2,516**	**190**	**9,206**	**3,820**	**3,793**	**1,514**	**1,747**	**10,875**	**8,703**	**8,046**	**7,441**	**1,611**	**25,802**
A. Assets	**-409**	**-152**	**-1,597**	**-353**	**-2,511**	**-829**	**-508**	**91**	**57**	**-1,189**	**-457**	**-185**	**31**	**-4,855**	**-5,467**	**-965**	**202**	**-670**	**160**	**-1,273**	**465**	**-991**	**1,299**	**1,635**	**2,409**
1. Public Sector	0	0	-1,477	-544	-2,021	-293	-34	337	209	218	-113	130	-128	-4,562	-4,674	-201	936	-223	336	848	1,398	-730	713	1,584	2,965
a. Equity capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b. Debt securities	0	0	-1,477	-544	-2,021	-293	-34	337	209	218	-113	130	-128	-4,562	-4,674	-201	936	-223	336	848	1,398	-730	713	1,584	2,965
2. Private Sector	-409	-152	-121	192	-490	-535	-474	-246	-152	-1,408	-344	-315	159	-293	-793	-764	-734	-447	-177	-2,121	-932	-261	586	51	-557
a. Equity capital	-63	-37	-17	21	-96	73	-245	-78	-62	-312	-88	-12	-26	-339	-465	-214	-349	-163	16	-710	-161	-276	-190	-304	-931
b. Debt securities	-346	-115	-104	171	-394	-608	-229	-168	-91	-1,096	-256	-303	185	46	-328	-550	-385	-283	-193	-1,411	-771	15	775	355	374
B. Liabilities	**6,569**	**1,241**	**6,114**	**1,789**	**15,713**	**3,749**	**5,721**	**-4,662**	**188**	**4,996**	**3,085**	**4,058**	**2,485**	**5,045**	**14,673**	**4,786**	**3,591**	**2,183**	**1,588**	**12,148**	**8,238**	**9,038**	**6,142**	**-25**	**23,393**
1. Public Sector	6,556	997	4,820	1,154	13,526	4,383	2,964	-4,270	-2,250	827	1,304	1,626	1,889	4,431	9,251	1,047	3,088	3,506	2,617	10,257	5,917	2,891	5,298	1,274	15,380
a. Equity capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
b. Debt securities	6,556	997	4,820	1,154	13,526	4,383	2,964	-4,270	-2,250	827	1,304	1,626	1,889	4,431	9,251	1,047	3,088	3,506	2,617	10,257	5,917	2,891	5,298	1,274	15,380
1) Central bank	2,049	-2,252	2,572	-1,089	1,281	2,577	-1,869	-2,412	-3,666	-5,371	-399	-341	143	-191	-789	-11	84	238	-5	305	229	716	-1,128	66	-117
2) Government	4,507	3,249	2,247	2,242	12,245	1,806	4,833	-1,858	1,416	6,197	1,704	1,967	1,746	4,622	10,040	1,058	3,004	3,269	2,622	9,952	5,688	2,174	6,427	1,208	15,497
a) Short term	201	592	473	20	1,286	133	108	-668	531	104	-159	-571	-28	133	-626	-189	-313	357	124	-21	351	76	-522	214	118
b) Long term	4,306	2,657	1,775	2,222	10,960	1,673	4,725	-1,190	885	6,093	1,863	2,539	1,775	4,489	10,665	1,246	3,317	2,911	2,498	9,972	5,337	2,099	6,949	994	15,378
2. Private Sector	13	244	1,295	636	2,187	-634	2,757	-391	2,438	4,169	1,781	2,432	596	614	5,422	3,739	503	-1,323	-1,029	1,890	2,321	6,147	844	-1,298	8,013
a. Equity capital	373	420	1,292	46	2,132	-802	805	-1,072	743	-326	1,089	-875	1,513	-30	1,698	1,936	-2,000	-812	-980	-1,856	1,623	1,704	395	-463	3,259
b. Debt securities	-360	-177	3	589	56	168	1,952	681	1,695	4,495	692	3,307	-918	644	3,725	1,803	2,503	-510	-49	3,746	698	4,443	448	-836	4,754
1) Short term	-144	-93	-20	277	19	222	298	369	355	1,244	149	109	-767	-288	-796	-838	-1,093	-593	-158	-2,684	864	1,095	115	-786	1,289
2) Long term	-216	-84	23	313	36	-55	1,654	312	1,340	3,251	543	3,197	-151	931	4,520	2,641	3,596	83	109	6,430	-166	3,348	333	-50	3,465
Memorandum:																									
Government's debt securities, liabilities	**4,507**	**3,249**	**2,247**	**2,242**	**12,245**	**1,806**	**4,833**	**-1,858**	**1,416**	**6,197**	**1,704**	**1,967**	**1,746**	**4,622**	**10,040**	**1,058**	**3,004**	**3,269**	**2,622**	**9,952**	**5,688**	**2,174**	**6,427**	**1,208**	**15,497**
1. Denominated in Rupiah	2,647	3,249	2,247	1,508	9,651	1,806	2,733	-1,858	536	3,217	216	-28	1,746	3,072	5,007	1,058	259	1,001	2,622	4,939	3,170	3,712	3,749	1,208	11,838
2. Denominated in foreign currency	1,860	0	0	734	2,594	0	2,100	0	880	2,980	1,488	1,995	0	1,550	5,033	0	2,745	2,268	0	5,013	2,519	-1,538	2,678	0	3,658

source: http://www.bi.go.id/sdds/default.asp#FinancialSector

Notes:
N/A : Not Applicable
* Provisional figures
** Very provisional figures

Appendix H: Financial Account Statement (portfolio investment)

INDONESIA'S BALANCE OF PAYMENTS
FINANCIAL ACCOUNT
PORTFOLIO INVESTMENT
(Millions of USD)

February 2015

ITEMS	2010					2011					2012				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Portfolio Investment	**6,159**	**1,089**	**4,517**	**1,437**	**13,202**	**2,920**	**5,213**	**-4,571**	**245**	**3,806**	**2,628**	**3,873**	**2,516**	**190**	**9,206**
A. Assets	**-409**	**-152**	**-1,597**	**-353**	**-2,511**	**-829**	**-508**	**91**	**57**	**-1,189**	**-457**	**-185**	**31**	**-4,855**	**-5,467**
1. Public Sector	0	0	-1,477	-544	-2,021	-293	-34	337	209	218	-113	130	-128	-4,562	-4,674
a. Equity capital	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b. Debt securities	0	0	-1,477	-544	-2,021	-293	-34	337	209	218	-113	130	-128	-4,562	-4,674
2. Private Sector	-409	-152	-121	192	-490	-535	-474	-246	-152	-1,408	-344	-315	159	-293	-793
a. Equity capital	-63	-37	-17	21	-96	73	-245	-78	-62	-312	-88	-12	-26	-339	-465
b. Debt securities	-346	-115	-104	171	-394	-608	-229	-168	-91	-1,096	-256	-303	185	46	-328
B. Liabilities	**6,569**	**1,241**	**6,114**	**1,789**	**15,713**	**3,749**	**5,721**	**-4,662**	**188**	**4,996**	**3,085**	**4,058**	**2,485**	**5,045**	**14,673**
1. Public Sector	6,556	997	4,820	1,154	13,526	4,383	2,964	-4,270	-2,250	827	1,304	1,626	1,889	4,431	9,251
a. Equity capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
b. Debt securities	6,556	997	4,820	1,154	13,526	4,383	2,964	-4,270	-2,250	827	1,304	1,626	1,889	4,431	9,251
1) Central bank	2,049	-2,252	2,572	-1,089	1,281	2,577	-1,869	-2,412	-3,666	-5,371	-399	-341	143	-191	-789
2) Government	4,507	3,249	2,247	2,242	12,245	1,806	4,833	-1,858	1,416	6,197	1,704	1,967	1,746	4,622	10,040
a) Short term	201	592	473	20	1,286	133	108	-668	531	104	-159	-571	-28	133	-626
b) Long term	4,306	2,657	1,775	2,222	10,960	1,673	4,725	-1,190	885	6,093	1,863	2,539	1,775	4,489	10,665
2. Private Sector	13	244	1,295	636	2,187	-634	2,757	-391	2,438	4,169	1,781	2,432	596	614	5,422
a. Equity capital	373	420	1,292	46	2,132	-802	805	-1,072	743	-326	1,089	-875	1,513	-30	1,698
b. Debt securities	-360	-177	3	589	56	168	1,952	681	1,695	4,495	692	3,307	-918	644	3,725
1) Short term	-144	-93	-20	277	19	222	298	369	355	1,244	149	109	-767	-288	-796
2) Long term	-216	-84	23	313	36	-55	1,654	312	1,340	3,251	543	3,197	-151	931	4,520
Memorandum:															
Government's debt securities, liabilities	**4,507**	**3,249**	**2,247**	**2,242**	**12,245**	**1,806**	**4,833**	**-1,858**	**1,416**	**6,197**	**1,704**	**1,967**	**1,746**	**4,622**	**10,040**
1. Denominated in Rupiah	2,647	3,249	2,247	1,508	9,651	1,806	2,733	-1,858	536	3,217	216	-28	1,746	3,072	5,007
2. Denominated in foreign currency	1,860	0	0	734	2,594	0	2,100	0	880	2,980	1,488	1,995	0	1,550	5,033

ITEMS	2013*					2014				
	Q1	Q2	Q3	Q4	Total	Q1*	Q2*	Q3*	Q4**	TOTAL
Portfolio Investment	**3,820**	**3,793**	**1,514**	**1,747**	**10,875**	**8,703**	**8,046**	**7,441**	**1,611**	**25,802**
A. Assets	**-965**	**202**	**-670**	**160**	**-1,273**	**465**	**-991**	**1,299**	**1,635**	**2,409**
1. Public Sector	-201	936	-223	336	848	1,398	-730	713	1,584	2,965
a. Equity capital	0	0	0	0	0	0	0	0	0	0
b. Debt securities	-201	936	-223	336	848	1,398	-730	713	1,584	2,965
2. Private Sector	-764	-734	-447	-177	-2,121	-932	-261	586	51	-557
a. Equity capital	-214	-349	-163	16	-710	-161	-276	-190	-304	-931
b. Debt securities	-550	-385	-283	-193	-1,411	-771	15	775	355	374
B. Liabilities	**4,786**	**3,591**	**2,183**	**1,588**	**12,148**	**8,238**	**9,038**	**6,142**	**-25**	**23,393**
1. Public Sector	1,047	3,088	3,506	2,617	10,257	5,917	2,891	5,298	1,274	15,380
a. Equity capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
b. Debt securities	1,047	3,088	3,506	2,617	10,257	5,917	2,891	5,298	1,274	15,380
1) Central bank	-11	84	238	-5	305	229	716	-1,128	66	-117
2) Government	1,058	3,004	3,269	2,622	9,952	5,688	2,174	6,427	1,208	15,497
a) Short term	-189	-313	357	124	-21	351	76	-522	214	118
b) Long term	1,246	3,317	2,911	2,498	9,972	5,337	2,099	6,949	994	15,378
2. Private Sector	3,739	503	-1,323	-1,029	1,890	2,321	6,147	844	-1,298	8,013
a. Equity capital	1,936	-2,000	-812	-980	-1,856	1,623	1,704	395	-463	3,259
b. Debt securities	1,803	2,503	-510	-49	3,746	698	4,443	448	-836	4,754
1) Short term	-838	-1,093	-593	-158	-2,684	864	1,095	115	-786	1,289
2) Long term	2,641	3,596	83	109	6,430	-166	3,348	333	-50	3,465
Memorandum:										
Government's debt securities, liabilities	**1,058**	**3,004**	**3,269**	**2,622**	**9,952**	**5,688**	**2,174**	**6,427**	**1,208**	**15,497**
1. Denominated in Rupiah	1,058	259	1,001	2,622	4,939	3,170	3,712	3,749	1,208	11,838
2. Denominated in foreign currency	0	2,745	2,268	0	5,013	2,519	-1,538	2,678	0	3,658

source: http://www.bi.go.id/sdds/default.asp#FinancialSector

Notes:
N/A : Not Applicable
* Provisional figures
** Very provisional figures

Appendix I: Bibliography

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