

Deciphering Developmentalism: A Legal-Economic Examination of Indonesia's Administration

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ABSTRACT

This paper analyzes the development of Indonesia's legal and economic frameworks from the Sukarno era through the presidency of Joko Widodo (Jokowi), with a focus on the intersection of legal reforms, investment policies, and developmentalism. Under President Sukarno, the legal framework reflected a nationalist approach that limited foreign investment, while the New Order era, although initially marked by economic growth, suffered from systemic corruption and inconsistent policy enforcement. The post-*Reformasi* era saw significant legal changes aimed at decentralization, but these efforts led to regulatory fragmentation and conflicting legal norms at the regional and central levels, undermining investment climate stability. Jokowi's administration has continued the developmentalist agenda, emphasizing deregulation and debureaucratization to improve the legal and regulatory environment for investment. However, despite these legal reforms, challenges persist, including overlapping regulations and inconsistent legal implementation. Furthermore, Jokowi's approach to developmentalism has raised concerns regarding the erosion of human rights protections and democratic principles, echoing historical patterns of legal and economic centralization. The paper concludes that, while legal reforms have made progress in facilitating investment, further harmonization and institutional

strengthening of the legal system are necessary to achieve sustainable economic development while safeguarding democratic governance and human rights in Indonesia.

Keywords: developmentalism; decentralization; deregulation; debureaucratization; historical legal approach

Introduction

This article, employing a historical legal approach, discusses the interplay between developmentalism, economic policies, and legal frameworks in shaping Indonesia's economic trajectory. The article illustrates the evolution of developmentalist ideas and their influence on Indonesian law, which is intricately linked to the socio-political and economic context from the New Order era (*Orde Baru*) to the period of *Reformasi*.

The interplay of the socio-political and economic context led to the sustained emergence of the concepts of deregulation and debureaucratization. Various dynamics within this context did not arise spontaneously but originated from a historical development in Indonesia's economy, particularly since the New Order era, where developmentalism was positioned as an economic strategy. Economic strategy, in this context, is understood as a chosen method or approach that takes into account both internal and external factors of the state to implement industrialization.

This article differs from previous studies that have discussed developmentalism in Indonesia. A review of previous research indicates a lack of discussion on developmentalism and law in Indonesia from a legal history perspective. Most of these studies also focus on developmentalism within specific periods only.

Some previous studies indicate a lack of analysis on law and developmentalism in Indonesia. Warburton's research specifically analyzes developmentalism during the administration of President Yudhoyono in relation to the mining sector (Warburton 2018). Warburton also analyzes the trend of developmentalism policies in the era of President Joko Widodo which prioritized infrastructure development (Warburton 2016). Gellert examines developmentalism in Indonesia within the context of neoliberal influence, state, and 'deep marketization' concerning resource extraction in Indonesia (Gellert 2019). Syukri specifically investigates new developmentalism in Indonesia by reviewing the implementation of

participatory village governance experiments in Indonesia (Syukri 2022). Sato uses a historical approach to examine the development of developmentalism in Indonesia over five decades from an ‘authoritarian developmental state’ to a ‘democratic developmental state’ (Sato 2019). However, these studies do not provide an explanation of the implications of these developments on the legal aspects in Indonesia.

Therefore, this article elucidates how developmentalism has evolved into an influential economic strategy, underpinning the processes of deregulation and debureaucratization. The article aims to demonstrate that the developmentalism, which gained prominence during the New Order era, has found a renewed path in the era of President Joko Widodo. This exposition will be presented chronologically, tracing the development of developmentalism from the New Order era to the strengthening of ideas related to deregulation and debureaucratization during President Joko Widodo’s tenure.

Developmentalism and Its Influence on Law

Developmentalism generally refers to principles that advocate for active state involvement in economic policies, particularly for industrial development. Therefore, developmentalism differs fundamentally from economic liberalism, which grants full primacy to the market, whereas developmentalism seeks a more balanced integration of the state and the market (Bresser-Pereira 2017). Developmentalism positions the state, as a sovereign institution, with the ability to coordinate the inevitable capitalist economic system in the course of modern economic development (Bresser-Pereira 2017). In this context, developmentalism emerges as a school of thought that emphasizes the role of the state in controlling capitalism. Unlike economic liberalism, which advocates for minimal state intervention, developmentalism implies the necessity of a strong and stable state, a legal framework coordinating the

economy with a balance between the state and the market, and a developed and competent bureaucracy to operationalize such laws.

Despite its essence in controlling capitalism, criticisms of developmentalism also emerge with arguments that refer to the environmental impacts of development activities. According to Dirlik, developmentalism will only strengthen the contradictions between development and environmental health, warranting widespread attention (Dirlik 2012). He argues that an increasing number of people engaging in productive and consumptive capitalist practices will lead to an acceleration of environmental degradation and a depletion of natural resources. This phenomenon, according to Song, is even more destructive in peripheral countries (Third World) attempting to expedite their industrial development (Song 2019).

Despite facing numerous criticisms, some figures also view developmentalism from a different perspective. Bresser-Pereira categorizes developmentalism into two types, namely Classical Developmentalism and New Developmentalism. Classical Developmentalism is a response to market failures in coordinating capitalism (Bresser-Pereira 2016). Classical Developmentalism defines industrialization as the primary means to achieve economic development, with foreign constraints seen as the main hindrance to industrialization. This perspective positions economic development as a structural change and calls for an active role of the state. In the political realm, Classical Developmentalism emphasizes a coalition that unites business industrialists, workers, and bureaucracy to build the nation and realize industrial and capitalist revolutions (Bresser-Pereira 2016).

The developmental practices in developing countries, particularly during the 1970s and 1980s, illustrate how the leaders of these nations interpreted Classical Developmentalism in the laws they enacted. The laws in these countries forged a unity among the business community, labor force, and bureaucracy for industrialization aimed at creating stability (particularly political) and social cohesion to prevent conflicts. Practices in South Korea,

Singapore, and Malaysia in the early stages of their development show that developmentalism became a chosen strategy by leaders and policymakers with a strong commitment to achieving rapid economic growth, allowing these nations to catch up with high-income countries (Takagi, Kanchoochat, and Sonobe 2019).

The evolution of economic paradigms took a distinct turn, especially after the 1970s, when neoliberal ideology gained prominence alongside the development of liberal economic policies and globalization. However, the failure of liberal economics in Latin America and the global economic crisis that originated in the United States in 2008 prompted some economic thinkers to advocate a reconsideration of the reconfigured concept of developmentalism, termed New Developmentalism (Agosin 2012). The concept of New Developmentalism stands in contrast to the earlier perspective of neoliberal economics, which sought to minimize the role of the state. Similar to Classical Developmentalism, New Developmentalism underscores the need for state intervention by interpreting economic development as a central element of progress or human development, encompassing improvements in security, individual freedoms, reduction of disparities, and environmental protection (Bresser-Pereira 2016). The role of the state extends beyond merely initiating economic activities; it also assumes the role of an “architect of markets”, actively organizing domestic political economy (Kutlay 2019). These advancements can only be achieved if the state, as a regulator, employs the law as an instrument to provide protection and promote the various aspects of human progress.

This article views New Developmentalism in Indonesia as a state intervention solely for economic growth but neglects human progress in various fields. In this regard, this article looks at the extent of state intervention to grow the economy by referring to the indicators put forward by Trubek, namely promoting direct foreign investment towards growth sectors and encouraging companies and industries towards competitiveness (Trubek 2008).

The next section will outline the history of development in Indonesia and show that Indonesian developmentalism in various presidential leaderships wants a strong and stable country. Later, this development will be narrowed down to the desire to create efficient legal instruments to coordinate the economy and improve the bureaucracy. In this regard, developmentalism then requires a new meaning for decentralization to strengthen the role of the central government in the context of stability, deregulation to produce an efficient legal system, and debureaucratization to produce a bureaucracy that provides faster services.

The issues of deregulation and debureaucratization are ultimately closely linked to the legal framework. This discussion relies on expert opinions regarding the influence of law on the economy. Trubek, for instance, emphasized the importance of law as a prerequisite for the functioning of an industrial economy (Trubek 1972). In this regard, the existence of a legal framework becomes crucial and will subsequently influence the impact of regulation. Lee provides the example of freedom of contract as a support for the economy. The state must regulate freedom of contract within a legal framework that ensures the rights and obligations of the parties involved (Lee 2017). Of course, the development of such a legal framework, as Kennedy pointed out, cannot be separated from the context of socio-political dynamics (Kennedy 2013).

This article also refers to the views of Trubek and Santos, stating that legal system reforms in the name of development are shaped by the intersection of economic theory, legal ideas, and institutional practices (Trubek and Santos 2006). These domains are closely interconnected, influencing and reshaping one another in complex ways through reciprocal interactions. Economics shapes government policies, and these policies, in turn, can influence economic theory. Similarly, reciprocal interactions occur among economics, institutions, and law.

On the other hand, an overly complex legal framework, with its supporting bureaucratic structures, can burden the economy. Deregulation and debureaucratization thus become relevant in correcting an excessively burdensome legal framework. Deregulation is related to the fact that developing countries need a more growing market because the state cannot replace the market as a driver of industry and growth. This includes encouraging market mechanisms through foreign investment which also plays a strategic role. With this perspective, deregulation can be seen as a way to open up the possibility for market mechanisms to work and increase foreign investment. However, the government still has room to intervene if needed (Zarsky 2011).

The need for debureaucratization refers to the developmentalist view that places an important role on the state in regulating the economy. Therefore, the bureaucracy must overcome the challenges of the neo-liberal agenda that wants to minimize the state based on the assumption of “government failure”. The failure of the government is related to the slow bureaucracy. Therefore, if it wants to make its intervention appreciated, the state must have a competent, efficient, and effective bureaucracy so that the existence of the bureaucracy remains relevant and the way is through debureaucratization (Khan 2011).

Indonesian Developmentalism in the Soekarno Era

When the Indonesian government took effective control over the former Dutch East Indies on December 27, 1949, following the official transfer of sovereignty from the Netherlands to Indonesia, the country faced significant challenges. The Japanese occupation and armed struggles against the Dutch had severely impoverished the Indonesian population. The government also dealt with armed rebellions in specific regions, including Aceh, West Java, South Sulawesi, and the Maluku Islands, which were eventually suppressed but at the cost of significant human and financial resources (Wie 2003).

President Soekarno, as the first president of Indonesia, led within the context of a strong nationalist discourse. The predominant economic concept during President Soekarno's era was developmental nationalism. Soekarno's version of developmental nationalism was heavily influenced by the need to balance competing political and ideological forces within the country. One of the primary ways President Soekarno sought to achieve this was by attempting to unite them in a collective project to pursue national modernity together (Barker 2008).

The government's economic priorities at that time were to improve the standard of living, establish a sound national economic foundation, increase production, and stimulate trade and industry. An urgent short-term economic issue was how to fund the rehabilitation of the country's infrastructure with limited government budget (Barker 2008). On the other hand, the government during President Soekarno's era was not conducive to foreign investment due to restrictions outlined in Law No. 78 of 1958 on Foreign Capital Investment. During President Soekarno's era, economic activities commonly undertaken by Indonesian citizens were closed to foreign investment.¹ The authority to determine these closed economic activities was vested in the Foreign Capital Investment Board, composed of several ministers and the Governor of Bank Indonesia, which resulted in legal uncertainty.² The Foreign Capital Investment Board also had the power to decide the transfer of foreign companies to national entrepreneurs after the foreign company had operated for 20 years or 30 years for large plantation companies.³

The Soekarno government also pursued a nationalist agenda by nationalizing Dutch-owned companies, which had the consequence of its inability to attract foreign investment (Thuy 2019). This nationalist agenda was marked by the enactment of Law No. 86 of 1958 on

¹ Article 4 Paragraph (1) Law No. 78 of 1958.

² Article 18 Paragraph (1) Law No. 78 of 1958.

³ Article 13 Law No. 78 of 1958.

the Nationalization of Dutch-Owned Companies. This law empowered the government to designate companies subject to nationalization and determine the compensation for such actions.⁴ Subsequently, this law was followed by the issuance of Government Regulations specifying the details of Dutch-owned companies that were subject to nationalization.

The unfavorable investment climate contributed to the worsening economic situation in Indonesia. This economic crisis was also influenced by political turmoil resulting from the competition among political groups at that time (Shalihin, Firdaus, and Ashadi 2020). In the midst of this political crisis, the political turmoil of 1965 emerged, triggered by the events of September 30, 1965. The dissolution of the Communist Party on March 12, 1966, was followed by the transfer of leadership from President Soekarno to President Soeharto. This succession marked the beginning of the New Order era and introduced economic policies that diverged from those of President Soekarno's era. The subsequent section will elaborate on the economic developments during the New Order era.

The Beginning of the New Order: Openness to Foreign Investment and Centralism

After the end of President Soekarno's era, the New Order took a different direction from the previous policies, which tended to be unfriendly to foreign investment. The New Order began its early governance by enacting Law No. 1 of 1967 on Foreign Capital Investment (Law No. 1 of 1967) to replace Law No. 78 of 1958. In contrast to Law No. 78 of 1958, which provided the government with flexible opportunities to determine sectors closed to foreign investment, Law No. 1 of 1967 offered more certainty for foreign investors by explicitly specifying which sectors were closed and prohibited for foreign capital. As a guarantee for foreign capital, Law

⁴ Article 1 and 2 Law No. 86 of 1958.

No. 1 of 1967 also explicitly regulated that the government would not conduct nationalization unless there were state interests regulated by law.⁵

A year later, the government enacted Law No. 6 of 1968 on Domestic Investment (Law No. 6 of 1968). If Law No. 1 of 1967 appeared to reverse the foreign investment policies of President Soekarno's era, Law No. 6 of 1968, on the contrary, indicated that foreign investments, in the long term, must transform into domestic capital. The operating period for foreign companies in trade was until December 31, 1977, in the industrial sector until December 31, 1997, and in other sectors, the government would determine a period ranging from 10 to 30 years. Upon the expiration of this period, foreign investments could be redirected to other sectors or form joint ventures with domestic companies.⁶ Although the substance of Law No. 6 of 1968 seems to support the advancement of domestic entrepreneurs, the regulation actually provided legal certainty for foreign capital and flexibility for them to shift to other business sectors.

The legal certainty demonstrated by the New Order resulted in a significant increase in foreign investments (in mining, oil and gas, and manufacturing) as well as domestic investments. There was a wave of Japanese investments in the manufacturing sector, particularly in the electronic and automotive segments (Verico and Pangestu 2021). This development triggered the *Malari* (Incident of January Fifteenth) in 1974, a riot that began with demonstrations rejecting Japanese capital and marked the first politically motivated riot in the New Order era (Lindblad 2005). Subsequently, the New Order government revealed the beginnings of its repressive nature by exercising strict control over politics, strengthening the bureaucracy and the military – ultimately giving rise to a bloated bureaucracy – and creating mechanisms for control and patronage under President Soeharto (Berger 1997). This marked the beginning of the characteristic of the New Order referred to by Feith as

⁵ Article 21 and 22 Law No. 1 of 1967.

⁶ Article 6 and 7 Law No. 6 of 1968.

“Repressive Developmentalism”, which would continue in the subsequent years through various human rights violations (Feith 1982).

Furthermore, the New Order then demonstrated the extensive influence of the government (bureaucrats) in the economy and the impact of the economic centralization model as a rejection of the concept of free trade. According to technocrats at that time, the acceleration of modernization in Indonesia could only occur if the government played a significant role in economic leadership, closely cooperating with technocrats and businesspeople (Mallarangeng 2005). This concept assumes that the government becomes the planner, regulator, and controller of capitalism. This thinking is based on the state corporatism model in the early New Order, which positioned the military, bureaucrats, and the *Golongan Karya* – with the President at its center – as the decision-makers, using a technocratic and bureaucratic approach (Milne 1983). To implement this model, laws needed to concentrate power in the central government.

Therefore, regional governments did not have extensive autonomy. In 1974, the government enacted Law No. 5 of 1974 on the Basic Principles of Regional Government (Law No. 5 of 1974), which seemingly provided regional autonomy but, in reality, the provisions within it offered limited autonomy for regions (Mahfud MD 2010). The law delegated the regulation of regional autonomy at the second level regions to Government Regulations (one level below the Law). However, these Government Regulations were only created 18 years later (Government Regulation No. 45 of 1992 on the Implementation of Regional Autonomy with a Focus on Regencies/Cities). Law No. 5 of 1974 itself did not clearly stipulate the matters that fell under the jurisdiction of the regencies/cities.

Law No. 5 of 1974 also introduced a centralized control system over regions through the authority of the Governor to annul regional regulations of regencies/cities and the

authority of the Minister of Home Affairs to annul regional regulations of provinces.⁷ According to Mahfud MD, this preventive supervisory function has a centralistic nature (Mahfud MD 2010). Therefore, if we refer to the substance of Law No. 5 of 1974, decentralization was not operational during the New Order, even though the term was mentioned in the law. The New Order utilized a model of power centralism and economic centralism to secure its development agendas, which were open to foreign investment but also strengthened the state with the significant roles of the military, bureaucracy, and *Golongan Karya*.

The Turning Point of New Order Centralism and Deregulation Efforts

Economic centralism appears to have reached a turning point in the 1980s. This was initiated by the collapse of oil and commodity prices in the early 1980s, which then threatened the income base of rent-seekers. Since the early 1980s, it became evident that world oil prices tended to decline, and a massive economic restructuring would be necessary to boost non-oil exports and address the high-cost economic issues actually caused by corruption.

This development prompted President Soeharto to seek advice from technocrats who were supportive of free trade. These economists suggested trade liberalization and deregulation to enable a more diverse, manufacturing-based economy. Since the second half of the 1980s, the concepts of “deregulation” and “de-bureaucratization” permeated all discussions about Indonesia’s economic future. The private sector began to be considered for a new role in development. Liberal technocrats from 1983 introduced deregulation measures designed to eliminate what was perceived as the causes of Indonesia’s high economic costs, enhance competitiveness, and stimulate the role of the private sector (Robison and Hadiz 1993).

⁷ Article 70 Law No. 5 of 1974.

The need to implement deregulation found its momentum when world oil prices began to rebound in 1982 (Arndt and Hill 1988). Moreover, there was a sharp decline in economic growth, from 7% in 1981 to just 2% in 1982 (Synder 1985). This condition compelled the government to boost non-oil exports and encourage investment, one avenue of which was through deregulation policies. Deregulation policies began in 1983 through the June 1983 Package, which eliminated credit ceilings and granted government banks the freedom to set loan interest rates (Nasution 1987).

After stimulating the financial sector to provide more credit, the government then began to streamline business permits. President Soeharto issued Presidential Instruction Number 5 of 1984 regarding Guidelines for Simplification and Control of Licensing in the Business Sector. Through this Presidential Instruction, President Soeharto ordered the simplification of permits by reducing the number of licensing requirements. The duration of the permits was extended to provide assurance for certainty and business continuity. The most crucial part was the instruction that the licensing procedures, evaluation of permit applications, and approval/rejection should be carried out with clear and simple procedures within a short period.⁸

After attempting to simplify industrial permits, the government continued its financial sector deregulation that had started with the June 1983 Package. The government issued the October 1988 Package, easing the establishment of private banks (Sutalaksana 1993). Deregulation persisted into the early 1990s through various policy packages, including the July 1992, June and October 1993, and June 1994 packages (Nurrahma 2013). However, these deregulation policies did not align with their intended outcomes in practice. According to Mallarangeng, entering the 1990s marked a decline in the influence of technocrats advocating for deregulation (Mallarangeng 2005). Technocratic recommendations were no

⁸ Article 1 Paragraph (2) Presidential Instruction No. 5 of 1984.

longer prioritized because President Soeharto himself, at that time, was not inclined to deregulate sectors that economically benefited the elite groups of that era. This was influenced by President Soeharto's tendency to secure his family's businesses and those exploited by officials around him.

This is evident in the freedom utilized to build conglomerates among officials and their children. Patron-client groups centered around President Soeharto and his cronies (Brown 2007). The economy at that time was dominated by conglomerate groups close to Soeharto or even Soeharto's own family, with a monopoly structure supported by political backing from politicians, bureaucrats, and the military (Robison and Rosser 1998). The military's involvement in the economy then focused on protecting concessions, licenses, or monopoly rights granted by the government to Soeharto's cronies, making the military appear as capitalist-bureaucrats selling services to private entrepreneurs (Ibrahim 2002).

After 1993, economic liberalization, in practice, did not unfold as anticipated. President Soeharto's family continued to monopolize imports of cars, toll roads, and several other businesses to complement their earlier monopolies in cloves and transportation (Cassing 2000). These various monopolies were possible because Indonesia lacked legal instruments regulating business competition. Law enforcement against corrupt practices was also weak. The government's efforts to industrialize by promoting large-scale high-tech investment projects proved unsuccessful. This failure was attributed to a bloated and incompetent bureaucracy incapable of managing these projects effectively (Park 2002).

History indicates that the fragile economic foundation of the New Order regime could not withstand the impact of the economic crisis in 1997-1998. The corrupt practices of Soeharto and his family exacerbated the economic situation. Technocracy-based suggestions for substantial economic reforms were not implemented as Soeharto opposed economic liberalization that could disrupt the patronage system surrounding him (Juwono 2018). The

worsening economic conditions in the first quarter of 1998 and the withdrawal of political support led President Soeharto to resign from his position on May 21, 1998. Ultimately, President Habibie, previously elected as Vice President in 1997, had to take over Soeharto's position amidst the chaotic economic conditions.

In the Habibie era, dozens of laws were enacted to organize Indonesia in terms of both economics and politics. One politically related law inherited from Habibie, closely related to the economy and investment in particular, is Law Number 22 of 1999 concerning Regional Governance (Law No. 22 of 1999), which grants extensive autonomy to regional governments at the district/city level.

Law No. 22 of 1999 then gave rise to criticism due to the overly broad authority granted to regencies/cities, which had the potential for the misuse of power for short-term political interests. Instead of providing a strong foundation for the economy at the regional level, the extensive autonomy was feared from the beginning to encourage the emergence of prestigious projects or "pork barrel" projects that are prone to corruption (Brodjonegoro and Asanuma 2000). Another impact is that decentralization policies create a strong temptation for local governments to increase their regional revenue through various forms of local taxes or levies. The decentralization model, which tends to make regency/city governments uncontrolled, has led to conflicts between the central and regional governments (Resosudarmo and Kuncoro 2006).

Various problems resulting from decentralization, such as fragmented corruption, the increasing number of local taxes or levies, and conflicts between government levels, have created serious uncertainty for business in Indonesia. In the end, decentralization with Law No. 22 of 1999 is feared to have failed to regain investor confidence (Resosudarmo and Kuncoro 2006). Later on, this decentralization practice will also be accused of being one of the obstacles to foreign investment in regions because regions formulate regional regulations

that create a cumbersome bureaucracy and the authority to issue environmental permits as hindrances to investment (Meliza and Simanjuntak 2018).

During President Habibie's administration, significant steps were taken, including the establishment of laws that laid the groundwork for combating corruption, such as Law Number 31 of 1999 on the Eradication of Corruption (Law No. 31 of 1999). This initiative was followed by the creation of various laws to provide legal certainty for the business world. Legal certainty was particularly established by formulating laws that clearly state the rights and obligations of all business entities or investors. This was necessary because most of the business laws during the New Order were colonial legacies that were no longer relevant (Rajenthiran 2002). Therefore, several fundamental laws for the economy were enacted, which had not been drafted during the 32 years of the New Order. Some of these laws include:

- a. Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition;
- b. Law Number 8 of 1999 concerning Consumer Protection;
- c. Law Number 18 of 1999 concerning Construction Services;
- d. Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution;
- e. Law Number 36 of 1999 concerning Telecommunications; and
- f. Law Number 42 of 1999 concerning Fiduciary Guarantees.

On one hand, the government is formulating the "rules of the game" for the economy, while on the other hand, the Habibie Administration remains cognizant of the importance of deregulation. Consequently, the Habibie era can be characterized as a transitional period facilitating the liberalization of Indonesia's economy. Throughout this transition, it was not an immediate success in eliminating economic impediments to attract investments. Even

though President Soeharto had stepped down, the entrenched forces from the past retained significant influence in Indonesian politics, thereby giving rise to political instability. This political instability, in turn, affected the investment climate and investor confidence (Crouch 2010).

Keywords such as deregulation emerged during this era in the context of abolishing various regulations previously established by the New Order to impede competition and provide advantages to its cronies. On the other hand, the Habibie administration also drafted various foundational laws for Indonesia's economy. This signifies that legal policies in the economic domain began to manifest during this period with the formulation of modern anti-monopoly laws, the establishment of the groundwork for decentralization, and public acknowledgment that corruption was a serious issue through the enactment of Law No. 31 of 1999 (Marks 2009). These policies paved the way for Indonesia's entry into an era of economic reform, subsequently continued by its successor, President Abdurrahman Wahid, chosen by the People's Consultative Assembly (MPR) from the results of the 1999 General Election.

As a president elected by the People's Consultative Assembly (MPR) through a democratic general election, President Abdurrahman Wahid theoretically possessed strong legitimacy to implement economic agendas. However, the economic improvement agenda during President Wahid's era seemed less prominent due to the prevalence of political instability, which consumed much time and attention. The changes in ministers that occurred throughout President Wahid's era did not generate significant overarching ideas forming the basis of his economic policy (Liddle 2001).

In his inaugural speech, President Wahid explicitly expressed his view that foreign investment was the key to economic recovery (Wagstaff and Pura 1999). Despite acknowledging that foreign investment was crucial to the economy, deregulation and

debureaucratization no longer emerged as significant issues in the administration. From the early months of his presidency, President Wahid's efforts to boost foreign investment seemed to be hindered by the instability created by political dynamics or controversial statements made by himself. Amid political instability, President Wahid attempted to lobby for the return of investments. However, his efforts were impeded by ongoing uncertainties regarding transparency, clean governance, the slow pace of reforms, and the persistent political instability (Dalrymple 2000).

On July 23, 2001, President Wahid was impeached from his position and was replaced by his vice president, Megawati Soekarnoputri. President Megawati's term indicated her orientation toward restoring macroeconomic stability, which had been disrupted by political instability (Hill and Shiraishi 2007). In addressing the instability affecting the economy, President Megawati had to reform the neglected bureaucracy due to the uncertainty surrounding the direction of reform and the decentralization that led to complications with the emergence of "local kings" in the regions.

At the beginning of her administration, President Megawati had emphasized the importance of a new Investment Law (Sulistiyowati n.d.). Consequently, the government during this era initiated the drafting of the Investment Law to replace the old law that had been in effect since 1967 (Amr n.d.). However, until the end of Megawati's presidency, the draft law had not been ratified by the DPR (People's Consultative Assembly).

The formation and preparation of this legislation were expected to restore investor confidence in Indonesia. However, the existence of legal products alone is insufficient; it must be supported by transparent and accountable governance practices. Therefore, observers believe that if the existing social and economic uncertainties persist for too long, foreign investors are likely to eventually distance themselves from Indonesia (Rajenthiran 2002).

Furthermore, the idea of decentralization implemented since 1999 with the hope of improving development at the regional level appears to have been hijacked by corrupt elements that were not swept away with the fall of Soeharto. Instead of being eradicated, these corrupt elements managed to rediscover themselves through the new democratic framework. Decentralization during 1999-2004 ultimately did not yield the technocratic governance that was idealized (V. R. Hadiz 2004). This subsequently impacted high-cost investments and the economy, as regional leaders tended to believe they had absolute authority in determining the fate of investors in their areas, burdening them with various taxes and levies (Quinn 2003). Therefore, in addition to creating laws in the economic sector, the Megawati administration also enacted new regional governance laws to replace Law No. 22 of 1999, namely Law Number 32 of 2004 concerning Regional Governance (Law No. 32 of 2004).

During the Megawati administration, the concept of simplifying legislation by “organizing” Regional Regulations that created legal uncertainty can be found in Law No. 32 of 2004. This law grants authority to the central government to annul regional regulations that contradict public interests and/or higher-level legislation. The President can annul Regional Regulations through Presidential Regulations, while regional governments can appeal to the Supreme Court to review such annulments. In the same year, Law Number 10 of 2004 concerning the Formation of Legislation (Law No. 10 of 2004) was also enacted. This was Indonesia’s first law regulating the sequence and nomenclature of legislation, aiming to bring order to the legislative framework.

A research report published in March 2005 subsequently revealed that overlapping legislation had become a problem hindering investment in 2004, towards the end of President Megawati’s administration, which then distorted business activities. These distortions were also reflected in the Doing Business data, a report released by the World Bank to assess

investment conduciveness in various countries. Based on the Doing Business data in 2005, investments in Indonesia required numerous permits over an extended period from various ministries/agencies and even local governments for establishing a company (Tselichtchev and Debroux 2009). This situation was further exacerbated by the practice of extortion within the bureaucracy and beyond (Research Team of KPPOD 2005).

According to Hadiz and Robison, the failures during this period were attributed to the interests of predatory political-business elites, nurtured under the New Order, successfully reorganizing and restructuring themselves (V. Hadiz and Robison 2005). The interests of these political-business predators were also increasingly accommodated at the regional level, particularly due to regional autonomy. They competed for power at the local political level as decentralization created new rent-seeking opportunities for local governments. This made achieving a clean government and enhancing investor confidence in clean governance challenging.

The Megawati administration demonstrated that the issue of investment conduciveness remained unresolved. Efforts to improve the legal regulatory system also began only in 2004. When President Susilo Bambang Yudhoyono took over leadership, many expected an improvement in the economic situation.

Upon winning the first direct presidential election in Indonesia in 2004, Susilo Bambang Yudhoyono was expected to build the most stable government in Indonesia since the fall of the Suharto regime. The policy targets of Yudhoyono's administration in 2004 were the eradication of corruption, restoration of public security, and stimulation of economic growth. Despite President Yudhoyono having the priority task of improving Indonesia's poor investment climate, his government did not achieve significant milestones in its first year. For example, the government made slow progress in reforming the legal system, which has a deep correlation with the investment climate (Hiratsuka 2006).

On February 27, 2006, President Yudhoyono issued Presidential Instruction Number 3 of 2006 on the Investment Climate Improvement Policy Package (Inpres No. 3 of 2006). This instruction was formulated as a policy regulation to direct programs and outcomes aimed at increasing investment. Some of the focuses outlined in this instruction include: expediting the approval of the new Investment Law, simplifying regulations, streamlining the company formation process, implementing a one-stop integrated service system for investment, and reviewing regional regulations that impede investment.

Presidential Instruction No. 3 of 2006 indicates that issues of deregulation and debureaucratization emerged during the first two years of President Yudhoyono's administration. However, these issues would later diminish and not be considered a matter to be seriously addressed by the government. The necessity to implement deregulation over the ten years of President Yudhoyono's administration decreased due to the government's inclination toward inward orientation (Kuncoro 2018).

As for decentralization, President Yudhoyono still considered regional autonomy as the best available option. In his speech in May 2006, the President expressed his belief that decentralization and regional autonomy could not be stopped (Tomsa 2015). However, the development of regional autonomy, especially after the implementation of direct local elections, turned out to be counterproductive for the local economy. This decentralization actually strengthened the rent-seeking practices by political dynasties at the local level (Agustino 2010).

The issue of infrastructure seemed to be a significant obstacle to investment during the Yudhoyono era (Mietzner 2012). One of the reasons for the limited infrastructure investment at that time was attributed to local governments creating a "forest of taxes, levies, and permits." Decentralization was considered to have further complicated the investment

permit process, exacerbated by poor coordination between ministries and the widespread corruption in both central and regional governments (Mietzner 2012).

When President Yudhoyono continued his second term in office, the issue of ease of doing business showed some progress. Several indicators experienced improvement. However, in general, the Doing Business 2010 report indicated that the ease of doing business in Indonesia still ranked 122nd out of 181 countries (The World Bank 2009).

In early 2011, the Yudhoyono administration also released a policy for the development planning of economic corridors called the Masterplan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) 2011-2025. President Yudhoyono launched this policy to boost economic growth. Infrastructure played a crucial role in this policy, aiming to enhance both domestic and foreign investments (Baiquni 2012). Subsequently, the government enacted Law Number 2 of 2012 on Land Procurement for Development for Public Interest to support the infrastructure development agenda.

The MP3EI policy actually signifies the strengthening role of the state in directing the economy through a development agenda crafted by the government. According to Sato, this marks the resurgence of developmentalism in a quasi-developmentalism format. The discourse on developmentalism had diminished in the early stages of the reform era (Sato 2017). This development is attributed to the roles played by businesspeople who also function as politicians, acting as a bridge between the business community and policymakers. Their roles have guided Indonesia back toward developmentalism within a different democratic climate compared to the New Order era (Sato 2017).

In its development, despite enacting several crucial investment-related policies, the second term of the Yudhoyono administration did not yield many breakthroughs for the anticipated increase in investment. President Yudhoyono, on various occasions, highlighted

the obstacles to increased investment that had yet to be overcome. Despite efforts to streamline business procedures, the inadequate infrastructure affected investor interest.

Towards the end of his leadership, the Yudhoyono administration enacted Law No. 23 of 2014 concerning Regional Government (Law No. 23 of 2014). This law seemed to mark a shift in the pendulum of decentralization, moving in the opposite direction compared to Law No. 22 of 1999 and Law No. 32 of 2004. This indicates that the extensive decentralization at the beginning of the reform era had been reevaluated, taking into account criticisms and disappointments. The broad decentralization granted at the start of the reform era appeared to experience dysfunction due to the lack of clarity in the national agenda (Lane 2014).

Towards the end of President Yudhoyono's leadership, the economy appeared more stable. However, the issue of ease of doing business was still unresolved in the second term of President Yudhoyono, as reflected in the ranking of 120 in the Doing Business 2014 report (World Bank 2013). This issue was later addressed in the subsequent leadership with the implementation of several economic policy packages.

Jokowi's Developmentalism

When assuming office in 2014, President Joko Widodo (popularly known as Presiden Jokowi) faced economic challenges that were not easy. Although Indonesia's economic growth during the second term of President Susilo Bambang Yudhoyono remained positive, there was a slowdown. In the early years of his second term, the Yudhoyono administration experienced a decline in growth from 6.22% in 2010 to 5.02% in 2014 (Badan Pusat Statistik 2015).

To address this situation, President Jokowi stimulated economic growth through domestic economic reforms focused on infrastructure development and improving the investment climate. Additionally, the President implemented unpopular policies aimed at

reducing the financial burden on the state, such as the removal of fuel subsidies. The elimination of these subsidies was expected to provide greater opportunities for the government to continue its infrastructure development agenda, which was a focal point of his program (Warburton 2016).

The development of infrastructure is closely tied to the planned program within the Masterplan for Acceleration and Expansion of Indonesian Economic Development (MP3EI) formulated during the Yudhoyono administration. However, President Jokowi signaled a more aggressive approach to infrastructure development as a consequence of removing fuel subsidies (Warburton 2016). Thus, President Jokowi essentially continued the spirit of developmentalism directed by the MP3EI. Although the Jokowi administration later departed from the MP3EI by introducing various Economic Policy Packages, the underlying framework remained the same, emphasizing the role of the state in guiding the economy.

In the midst of optimism towards the Jokowi administration, it turned out that Indonesia's economic growth in the first two quarters of 2015 was not significant. Therefore, the First Economic Policy Package was released on September 9, 2015, containing three policy measures. The first step was to boost the competitiveness of the national industry through deregulation, debureaucratization, and law enforcement, as well as business certainty. Deregulation involved rationalizing regulations by eliminating duplication/redundancy and synchronizing them. The focus of deregulation was on various ministerial regulations related to the economy that had been formulated by ministers based on their authority but had never gone through a synchronization process under one roof. Consequently, overlapping legislation occurred at the central level.⁹

On the other hand, the Jokowi administration also focused on debureaucratization, especially regarding investment permits. The debureaucratization agenda initially involved

⁹ Press Release from the Coordinating Ministry for Economic Affairs, 25 September 2015.

discourse on simplifying permits, delegating authority to the One-Stop Integrated Service, and providing services through electronic systems. Law enforcement agendas also included combating extortion and illegal levies and establishing channels for resolving legal and bureaucratic issues. In addition to boosting the competitiveness of the national industry, this policy package aimed to expedite national strategic projects and investments in the property sector.

The various agendas were initiated with the release of the first Economic Policy Package, followed by several other policy packages, totaling 16. Recognizing that excessive regulations posed a problem in the Indonesian business landscape, the government planned to produce 203 regulations to replace those deemed problematic (Aswicahyono and Christian 2017). Additionally, deregulation at the regional level was implemented in June 2016. With the authority granted by Law No. 23 of 2014, the Ministry of Home Affairs revoked 3143 regional regulations identified as hindering ease of doing business.

While President Jokowi has not explicitly mentioned decentralization as an issue, some of his statements suggest the need for a re-interpretation of decentralization for the ease of doing business. He emphasizes coordination and harmonization between the central and regional governments. Therefore, policies, especially those related to investment, should come from a single source (Stefanie n.d.). On other occasions, President Jokowi has expressed concerns about the influence of regional autonomy in slowing down decision-making, especially during the pandemic (Nugraheny n.d.).

President Jokowi continued the agenda of debureaucratization by issuing Government Regulation Number 24 of 2018 on Integrated Electronic Business Licensing Services. This regulation introduces a licensing platform that centralizes the technical issuance of business permits into a single working unit authorized to issue business permits on behalf of ministers, institution leaders, governors, or regents/mayors (Tanzil and Kandou 2019). Furthermore,

since 2019, President Jokowi has also proposed efforts to streamline bureaucracy by simplifying the civil servant echelon from four levels to two and adopting artificial intelligence to replace civil servant jobs wherever possible (Akhlas 2019).

During President Jokowi's administration, there was a significant increase in the number of regulations related to the simplification of licensing processes, facilitation of business operations, incentives for investors, infrastructure development, special economic zones, and other facilities aimed at boosting investment. Over the ten-year period, a total of 6 Laws, 89 Government Regulations, and 41 Presidential Regulations were enacted in relation to these matters. This number surpasses the volume of regulations issued in similar sectors during previous administrations (see Table 1). This demonstrates President Jokowi's efforts to promote economic growth through legal reforms, in line with the indicators proposed by Trubek, namely encouraging foreign direct investment into emerging sectors (Trubek 2008).

Table 1. Comparison of the Number of Laws and Regulations related to Developmentalism

Types of Laws and Regulations	Habibie, Wahid, and Megawati (1999-2004)	The Yudhoyono Era (2004-2014)	The Jokowi Era (2014-2024)
Laws (<i>Undang-Undang</i>)	2	7	6
Government regulations (<i>Peraturan Pemerintah</i>)	5	26	89
Presidential Regulations (<i>Peraturan Presiden</i>)	0	14	41

Efforts to implement debureaucratization have also occurred at the regional level, driven by policies initiated at the national level. From 2015 to 2024, there have been 120 Regional Regulations (*Peraturan Daerah*) at the provincial and district/city levels aimed at facilitating investment in their respective regions. This number is significantly higher compared to the 23 Regional Regulations enacted during the ten-year administration of President Yudhoyono. The impetus for creating these Regional Regulations originated from Government Regulation No. 45 of 2008 on investment facilitation in regions, which was introduced during President Yudhoyono's era. However, the number of Regional Regulations

addressing investment facilitation surged significantly during President Jokowi's administration. Additionally, provinces with Special Economic Zones have enacted Regional Regulations that provide facilities and ease of local tax and retribution obligations within these zones. This demonstrates that the push for debureaucratization intensified during President Jokowi's ten-year administration.

Various policies implemented by President Jokowi are considered as the implementation of the developmentalism. The Jokowi administration focuses on infrastructure, deregulation, and debureaucratization, with other issues placed under these three main goals. According to Warburton, this developmentalism style adopts aspects of developmentalism from the past. On the other hand, the Jokowi administration also maintains the trend of nationalistic economic policies that have been present since the post-Reformasi era (Warburton 2016). Referring to Warburton's analysis, when various developmentalism agendas are maintained alongside nationalistic economic agendas, it seems that developmentalism is primarily an economic strategy rather than an ideological choice.

In President Jokowi's developmentalism agenda, three economic planning areas stand out as reflections of a new development paradigm: industrial activism, expansion of state-owned enterprises (BUMN), and institutionalization of the welfare scheme implemented by the state. This developmentalism implies an ambition to rapidly elevate Indonesia to higher strata in the global economic rankings. Various policy packages implemented by President Jokowi have actually shown positive results (Warburton 2019).

An important part of President Joko Widodo's developmentalism era is the Job Creation Law or commonly called the Omnibus Law (2020). In his inauguration speech as president for the second term, President Joko Widodo conveyed the Omnibus Law as a design of law to simplify laws and regulations in Indonesia in supporting ease of doing business. The Omnibus Law with various clusters has an impact on 79 (seventy-nine)

previously existing laws. Most of the provisions affected in the 79 laws are business licensing provisions.

The government was very quick to draft the Omnibus Law which then gave rise to criticism from civil society due to the lack of public participation. Regarding deregulation and debureaucratization, the Omnibus Law is based on the argument that development needs to be carried out by resolving investment barriers, including: carrying out debureaucratization to eliminate the long bureaucratic chain, overlapping regulations, and the many laws and regulations that are not harmonious, especially in central and regional regulations. Therefore, deregulation is needed regarding: provisions regarding business licensing, investment requirements, employment, micro, small and medium enterprises, cooperatives, land acquisition, development of economic zones, implementation of government projects, as well as provisions regarding government administration and imposition of criminal sanctions regulated in various laws.

Debureaucratization through the Job Creation Law is also implemented by reorganizing the President's authority. The arrangement of the President's authority has an impact on the arrangement of technical provisions that are more focused on central-level regulations, especially Government Regulations or Presidential Regulations. The Omnibus Law aims to produce a single reference in the implementation of authority at the central to regional levels. Deregulation and debureaucratization with the centralization of regulation in the hands of the President show that the Joko Widodo government's view of the two concepts in the context of economic development is more directed towards centralization and not broad decentralization.

The Constitutional Court in 2021 annulled the Omnibus Law and ordered the government to repeat the process of forming the Omnibus Law within two years. The Constitutional Court stated that the Omnibus Law ignored public participation so that the

government must remake the law by giving the public ample opportunity for their opinions to be heard and considered.

However, at the end of 2022, the government ignored the order and instead re-created the Omnibus Law in the form of a Government Regulation in Lieu of Law (commonly called Perppu). A Perppu is a form of regulation that is equivalent to a Law (*Undang-Undang*) and can be ratified by the President without parliamentary discussion if there is a compelling emergency. Without any compelling emergency conditions, President Joko Widodo ratified the Perppu.

Despite having formal issues, the Omnibus Law has elaborated the concept of deregulation and debureaucratization as a basis for situational policies in order to increase economic growth. The government uses the Omnibus Law to deregulate and debureaucratize 11 topics/clusters which then have an impact on 79 existing laws. At a glance, this design can be a solution for deregulation and debureaucratization, especially by strengthening the role of the President or the central government.

The question is: does this developmentalism really have an impact on foreign investment and economic growth?

With various policy packages and the Omnibus Law, economic growth in the Joko Widodo era has never reached 6% (Syaharani n.d.). If we start from the enactment of the Omnibus Law, economic growth in 2022 will reach 5.3% and in 2023 it will actually fall to 5.05%. The situation is surprising because the realization of foreign investment in 2023 actually increased from 2022 (Badan Pusat Statistik n.d.).

Findings in the regions also show that debureaucratization did not occur as expected. The greater role of the central government in licensing actually hampers domestic investment. Approval is actually hampered when it reaches stages related to the central

government. In this case, debureaucratization in the Omnibus Law seems to be just a jargon (Mahmudan n.d.).

In addition, the practice of Jokowi's developmentalism is later perceived as overly emphasizing physical development and neglecting human rights issues. Several previous studies have indicated the lack of concern by the Jokowi administration regarding human rights issues. Minority religious and sexual groups in Indonesia continue to be subject to sporadic intimidation, hatred, and violence, even though radical groups have been suppressed by the government (Robet, Fitri, and Kabelen 2023). Additionally, the Electronic Information and Transactions Law (UU ITE), which restricts freedom of expression on the internet, is still in effect (Wieringa 2020). Two activists, Haris Azhar and Fatia Maulidiyanti, faced charges under the UU ITE, accused of tarnishing the reputation of Luhut Binsar Panjaitan, an influential minister in the cabinet (Mansur 2023). Although the court eventually acquitted both activists, the verdict is suspected of being influenced to safeguard the President's reputation ahead of the 2024 General Election, where the President's eldest son is a candidate for vice president.

In the midst of the development and neglect of human rights issues, this period is also marked by the emergence of illiberal democracy. The Jokowi administration reduced the number of opposition parties (only 2 out of 9 parliamentary parties) by forming a large coalition. Even the Chief of the Presidential Staff, Moeldoko, attempted to take over the leadership of one opposition party (the Democratic Party), although Moeldoko later lost in court. The weakness of opposition parties also undermines parliamentary control over government policies. Therefore, this period is characterized by the introduction of controversial laws proposed by the President. Two laws that have come under scrutiny are the revision of the Corruption Eradication Commission Law – which subsequently weakened

anti-corruption efforts – and the Omnibus Law aimed at boosting investment but neglecting public participation in the legislative process (Mujani and Liddle 2021).

The indications of declining democracy quality in Jokowi's developmentalism are also evident in the involvement of the military and intelligence in civilian life, not because he attempts repression like Soeharto, but because he sees it as an efficient and effective way to implement his policies. He also seeks to establish an elite family by facilitating opportunities for his own family members to enter politics (his eldest son and son-in-law becoming mayors), regardless of the impression of dynasty and nepotism it may create (Fealy 2020).

Not only minimizing the number of opposition, but the Jokowi administration also involves many businessmen in his cabinet. Wasisto shows that 34% of ministers in Jokowi's second-term government come from the ranks of political businessmen and non-political businessmen (Wasisto 2023). Some of them also play a significant role in realizing President Jokowi's developmentalism vision. This indicates how the era of Jokowi's developmentalism has united politicians and businessmen as a large coalition in order to stabilize political and economic conditions.

Indonesian Developmentalism: Decentralization, Deregulation and Debureaucratization

Indonesia's economic system since President Sukarno's era has consistently faced challenges in enhancing investment. Sukarno's developmental nationalism prioritized self-sufficiency and limited foreign investment, resulting in hyperinflation and political crisis. The New Order under President Suharto shifted to developmentalism, initially fueled by high oil prices, enabling rapid growth through centralized funding. However, this strategy faltered due to inconsistent industrialization, corruption, and nepotism. The 1980s oil price decline forced economic reforms, emphasizing deregulation for investment. Yet, implementation was

hindered by governance issues, leaving investment enhancement a persistent issue through successive administrations, including the reform era's developmental strategies.

One crucial aspect to note is that the deregulation policy emerged within the context of centralism and Repressive Developmentalism. Developmentalism became a concept inseparable from the neglect of regional autonomy and violations of human rights. This rendered developmentalism not seen as a strategy to compete with other countries, as observed in the practices of other rapidly developing Asian nations.

The early reform era was a transitional period aimed at improving the economic governance that was previously in disarray. The period from President Habibie to President Megawati witnessed various measures to organize decentralization, ensuring that power is no longer concentrated in the central government. Additionally, several laws were enacted to serve as the foundation for economic management.

During President Yudhoyono's era, particularly in his second term, there was a resurgence of the state's role in intervening in the economy through policy instruments that could guide development. The formulation of MP3EI was one indication of this, and the direction of infrastructure development within it was subsequently pursued aggressively by President Joko Widodo in his first term. Although MP3EI as a planning document was no longer referenced after 2014, the National Medium-Term Development Plan 2015-2019 continued the development agenda from MP3EI with some modifications (Salim and Dharma Negara 2018).

In addition to infrastructure development, the concepts of deregulation and debureaucratization were continually emphasized during the first period of President Joko Widodo's administration. The strengthening of deregulation and debureaucratization during his government indicated President Jokowi's strong commitment to avoiding the failures of these agendas in previous periods. The first year of Jokowi's administration initially showed

a tendency to support protectionist policies. However, the slowdown in economic growth in 2015 made him increasingly confident in the discourse of deregulation and debureaucratization (Bush 2016).

This development aligns with the historical pattern of policy-making in Indonesia, where rapid economic growth tends to result in inward-looking policies, while slowing economies prompt urgent liberal-oriented reforms (Bush 2016). We can observe this pattern in the 1980s when President Soeharto embraced economic liberalization due to the decline in oil prices. Conversely, President Yudhoyono did not take drastic steps towards economic liberalization when economic growth was robust due to the rise in commodity prices. Therefore, given the economic slowdown, President Jokowi's policies appear to be a natural course within the framework of this historical pattern.

Due to the repetitive pattern reminiscent of the New Order, the administration of President Jokowi can be labeled as the era of Jokowi's Developmentalism, with the ambition to boost investment and infrastructure through facilitating business, reinterpreting decentralization, and pursuing deregulation and debureaucratization. Despite resembling the New Order, this should be seen as a continuity of the development direction set in the MP3EI during President Yudhoyono's era. Therefore, President Yudhoyono's era, especially the second period, should be viewed as a transitional phase toward this Jokowi's Developmentalism.

The discourse on development in the first period of President Jokowi's administration has been materialized through deregulation at the Ministerial level and the annulment of problematic regional regulations. Additionally, there has been a debureaucratization effort through electronic licensing, reducing the administrative role of regional officials in the permit issuance process.

Table 2. Developmentalism in Indonesia since New Order

Periods	1967-1998 New Order Developmentalism	1999-2004 <i>Reformasi</i> 's Transition Period	2005-2014 Yudhoyono's Developmentalism Transition	2015 - 2024 Jokowi's Developmentalism
Characteristic	The government controls the economy, human rights are ignored, the economy is for cronies.	Establishment of various laws that form the basis for economic governance.	The government makes the direction of economic development, the elimination of obstacles to business.	The government focuses on developing infrastructure and improving the investment climate. Human rights are not a priority.
Influential Rationality	Centralization, deregulation and debureaucratization (since the mid-1980s)	Decentralization, deregulation, economic and political stability	Ease of doing business, criticism of decentralization, deregulation, debureaucratization	Ease of doing business, re-interpretation of decentralization, deregulation, debureaucratization

The developments in Table 2 reflect what Trubek and Santos describe regarding the interaction between economics and law (Trubek and Santos 2006). However, in this context, it is evident that economics exerts a significant influence on shaping the legal framework. To facilitate investment, the legal framework has been oriented toward improving the investment climate. On the other hand, human rights have not been considered a critical factor in investment and, as a result, have not been prioritized in legal policies during the 10 years of Jokowi's administration.

Table 2 also highlights the significant influence of the Ease of Doing Business (EoDB) ranking by the World Bank's Doing Business Project on Indonesia's investment policies, particularly since President Yudhoyono's era. While the EoDB criteria have driven legal reforms globally, they face criticism for oversimplifying contexts and applying universal assumptions to diverse situations (Davis 2010). Data irregularities in the 2018 and 2020 reports further questioned the ranking's credibility, prompting the World Bank to suspend the Doing Business report in September 2021 and conduct reviews of its methods

(World Bank 2021), underscoring ongoing challenges in using such metrics for policy reform.

In the end, policies aimed at increasing investment have narrowed down to various keywords that had previously emerged during the Yudhoyono's and Jokowi's developmentalism era. Several keywords that have resurfaced in the context of post-New Order developmentalism in Indonesia include:

a. Deregulation and debureaucratization

Deregulation in the post-New Order context differs from the meaning of deregulation implemented by the New Order through various policy packages in the 1980s. During the New Order, the government focused deregulation efforts primarily on the financial sector. The need for deregulation after the reform period underwent changes, as it was not only aimed at eliminating or simplifying legislation in a specific sector but also at addressing the overlapping of laws and regulations that arose from the multitude of regulations at the regional to central levels since the reform.

The overlapping of laws and regulations has driven the necessity for both deregulation and debureaucratization. The overlapping occurs due to numerous regional regulations conflicting with legislation at the central level or conflicts between legislation in ministries/agencies. Efforts to simplify laws and regulations through deregulation at the regional level were initiated in 2016. However, a Constitutional Court decision in 2017 became an impediment to the central government's intervention in evaluating regional regulations.

The need for deregulation is also related to the multitude of laws and regulations created by ministries/agencies, thereby becoming an issue of sectoralism in legislation. This issue arises from each ministry's authority to create its own regulations without a clear system of coordination and harmonization. Based on this

problem, the simplification of laws and regulations should not only involve eliminating or merging several laws and regulations but also entail organizing the legislative system.

b. Permit simplification

The discourse on permit facilitation cannot be separated from the concept of simplification, which serves as an antithesis to excessive sectoralism. Sectoralism results in convoluted permits, while various countries have streamlined the permitting process, leading to a shorter time required to start a business. However, Indonesia has not significantly accelerated the ease and speed of permitting compared to its neighboring countries. The swiftness and simplicity of permits are expected to stimulate investment at the micro, small, and medium business levels.

The Jokowi administration has attempted to simplify permits through online platforms. However, these technical efforts to streamline permits have not effectively reduced the number of required permits, as there are still numerous permit categories that investors must obtain before commencing business operations. These permit categories are dispersed across ministries and local governments, each with its own issuance timeframe.

c. Decentralization evaluation

The New Order implemented centralism through Law No. 5 of 1974, which later gave rise to its antithesis, Law No. 22 of 1999 and Law No. 32 of 2004. However, the implementation of this law was also unsatisfactory due to poor governance at the regional level.

The era of President Yudhoyono demonstrated that the use of power in the era of regional autonomy was perceived to hinder investment development. Decentralization, in its development in several regions, was not utilized to create more investment opportunities; instead, power was used to slow down licensing processes and open avenues for corrupt practices. This issue became more complex with the direct election of regional leaders, leading to the emergence of political dynasties in some regions that ultimately led to rent-seeking pursuits.

Law No. 23 of 2014 has shifted the pendulum towards the centralization of some authorities to the central government or provinces (by placing the Governor as a representative of the central government in the region). The concept of decentralization in the era of President Jokowi seems to be reinterpreted within the framework of supporting developmentalism agendas.

Although the three keywords indicate the continuity of rationality between Yudhoyono's and Jokowi's developmentalism, the characteristics of neglecting human rights and democracy in the Jokowi era are markers that demonstrate its unique era of developmentalism, termed as Jokowi's developmentalism. The practices of the Jokowi administration actually indicate a tendency to resemble Classical Developmentalism, which emphasizes a coalition of business industrialists, workers, and bureaucracy under the pretext of nation-building. This is evident in his efforts to minimize the number of opposition in parliament during his tenure and to include business actors in key positions in his cabinet.

Conclusion

Throughout Indonesia's history, the evolution of investment policies has been closely tied to the nation's legal framework. The Sukarno era prioritized developmental nationalism,

restricting foreign investment in favor of self-sufficiency. Under Suharto's New Order, laws aimed at facilitating industrialization and investment were undermined by corruption and weak enforcement. The *Reformasi* era introduced decentralization, but conflicting regional and national laws created legal fragmentation that hindered investment. Jokowi's administration has prioritized deregulation, debureaucratization, and the simplification of business permits to attract investment, though challenges such as overlapping regulations and sectoral conflicts persist.

Legal reforms, including digitized permits and the abolition of outdated regulations, have improved the investment climate, yet the regulatory environment remains complex and disjointed. Shifts in decentralization laws, from Law No. 22 of 1999 to Law No. 23 of 2014, have sought to balance regional autonomy with national development goals but have led to fragmented governance and opportunities for corruption. Finally, Jokowi's developmentalism highlights ongoing tensions between economic growth and human rights, as business-friendly legal reforms risk undermining democratic principles and protections for land, labor, and the environment. Comprehensive and coordinated legal reforms remain essential for sustainable development in Indonesia.

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