

EASTASIAFORUM

Economics, Politics and Public Policy in East Asia and the Pacific

Omnibus bill reveals Jokowi's bedfellows

28 October 2020

Authors: Arizka Warganegara, University of Lampung and Paul Waley, University of Leeds

The Indonesian parliament has passed a controversial new act known as the Omnibus Law, so named because it brings together a raft of different measures. The measures packaged into the Omnibus Law are designed to streamline regulation over the economy, set a structure in place for the construction of Indonesia's new capital city and reinstate a degree of centralisation for decision-making on environmental issues.



One of the most important and hotly contested of these measures is the Job Creation Law, which affects livelihood-related issues such as the minimum wage. Strong opposition to the legislative package has manifested itself in protest rallies across the country involving tens of thousands of people and a call for a national strike.

Passing the Omnibus Law is a political dream come true for President Joko 'Jokowi' Widodo. Jokowi has often spoken about his dissatisfaction with the country's 'red tape bureaucracy' and its impact on doing business in Indonesia. International organisations and domestic business lobbies regularly mention this as a barrier to economic growth.

Jokowi's administration claims the Job Creation Law will lead to higher levels of foreign direct investment (FDI) through less restrictive regulations, providing a significant boost for employment and the country's economy. Jokowi's position is strongly supported by major business groups — not least by leading entrepreneurs with close connections to his cabinet.

Opposition to the law is drawn from a wide range of social forces. Major labour unions argue that provisions in the law prioritise the interests of the corporate sector and will lead to greater job insecurity and lower pay in the workplace. The law, they maintain, is likely to lead to a deterioration in workers' rights and welfare.

Environmental groups have been among the Job Creation Law's strongest opponents. They claim the law will lead to government acquiescence in a renewed and intensified round of damage to the environment. A further element of dissent was introduced when the law was opposed by the Indonesian Ulema Council — Indonesia's top clerical body chaired by Jokowi's own vice president — and a number of Islamic groups started street protests.

The passage of the Omnibus Law throws up a number of central political issues, three of which we consider here.

First is what it says about the dynamic of Indonesian politics and in particular Jokowi's current position. The law was rushed through the People's Consultative Assembly (Indonesia's legislature) with what many civic groups claim was a lack of substantive public consultation.

In the wake of the 2019 presidential elections, Jokowi created a grand coalition of parties with only two parliamentary parties 'out of government'. Within parliament there is virtually no opposition to his administration. That appears to his critics to have made him beholden to business interests, especially those businesses owned by members of his own inner circle.

Jokowi seems to have equally distanced himself from informal political actors such as civic and religious leaders and non-ruling elites. The president is so comfortable in his parliamentary position that he appears to deem it unnecessary to deploy his own vice president to win support among Islamic groups. Still, there is no single

actor able to neutralise the interests of Indonesia's Islamic leaders today.

A second issue relates to the potential impact of the law on the economy and whether or not a loosening of regulations will indeed have any impact on inward investment. In this context, it is interesting to note that on 9 October 2020, only a few days after the passage of the Omnibus Law, the Coordinating Minister for Maritime and Investment Affairs, Luhut Pandjaitan, held a bilateral meeting with the Chinese Foreign Minister, Wang Yi.

Jokowi has given Luhut a mandate to coordinate Chinese investment in Indonesia. This suggests that one aim of the Omnibus Law is to encourage more Chinese investment. Might this signal a 'China turn' in Indonesia's economic policy?

Thirdly, the hasty enactment of the Omnibus Law has highlighted Jokowi's priorities at a time when the government has struggled unsuccessfully to stop the spread of the COVID-19 virus. Proponents of the law have argued that the new investment they expect to attract will help the economy recover from the damaging effect of the pandemic and create new employment opportunities.

But a widespread feeling exists that the Jokowi administration has left the people to suffer the pandemic while it concerns itself with new ways to advance the interests of those many national parliament members involved in business activities. It was the strength of this feeling that helped to bring out so many thousands of protesters to the streets of major Indonesian cities such as Medan, Bandung and Jakarta, despite the potential for further spreading the COVID-19 virus.

Amid all the current uncertainty, amplified many times over by COVID-19, the passage of the Omnibus Law seems likely to set the tone for Jokowi's second term in office, if only because of what it tells us about his relationship with other leading centres of national power.

Arizka Warganegara is a Lecturer in the Department of Government Studies at the University of Lampung, Sumatra.

Paul Waley is a Senior Research Fellow at the University of Leeds.