INDONESIA:

THE WORLD BANK'S FAILED EAST ASIAN MIRACLE

The Oakland Institute

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Introduction

Indonesia, host of the 2018 annual meetings of the World Bank and International Monetary Fund (IMF),[1] has for long been the "testing ground" for their development schemes and policy reforms.[2] This year, the two Bretton Woods institutions, responsible for widely criticized economic restructuring policies,[3] intend to showcase Indonesia as a successful example of their neoliberal reforms.[4]

The partnership between the World Bank and Indonesia has been strong for over five decades with unwavering support through political swings – from Suharto's dictatorship (1967-1998) to the democratic reform in 1998. Between 1969 and 2017, the Bank's commitments amounted to approximately US$58.7 billion.[5]

Yet, decades of the Bank's political intervention have turned Indonesian citizens and forests into casualties of the Bank's market-based, pro-private sector policy prescriptions.[6] The World Bank's agenda for the developing world, focused on sweeping liberalization of economies and foreign direct investment (FDI), has been pursued in Indonesia through various means. These include technical assistance, aid-conditionality, Structural Adjustment Programs (SAPs), advisory services, development policy loans, and more recently, the Bank's Doing Business Reports (DBR).[7]

The World Bank's latest *Doing Business 2018: Reforming to Create Jobs* report commends Indonesia as one of the world's top ten reformers, with 39 policy changes related to the indicators adopted by the DBR in 15 years of country rankings.[8] More than half of these reforms aimed at "improving the business climate" and attracting private investment, were implemented between 2015 and 2018, under the leadership of President Joko "Jokowi" Widodo. But despite the Bank's stated goal of ending poverty and boosting shared prosperity, its recommended reforms fulfill the interests of corporate investors at the expense of the majority of the population. Recent policy changes supported by the Bank include cuts in workers' social benefits such as health insurance, while offering tax reductions for private companies' capital gains and lowering costs for transferring property.[9]

In Indonesia, where development has been largely reliant on exploiting its natural wealth (timber, oil, minerals, fertile soils, etc.),[10] and where over 40 million indigenous people steward forested lands under customary tenure,[11] World Bank-recommended investment policy reforms have been particularly destructive. In the race to reform and attract investments, millions of hectares of customarily managed forests have been handed over to foreign private firms, positioning Indonesia as the third most targeted country in the world for transnational large-scale land deals.[12] Especially in the context of the global land grab,[13] Indonesia's ambition to climb the DBR rankings has had a severe toll on the people and the environment. Lax regulations for companies to develop large expanses of land have fueled social conflicts over natural resources[14] and widespread deforestation with the expansion of the oil palm, mining, and logging industries.[15] While corporations continue to clear forests to expand plantations and extractive activities, Indonesia's rising inequality and environmental destruction raises important questions about the true costs of the "development" model, relentlessly guided by the World Bank.

The rice harvester, Bali, Indonesia © Rodney Campbell, CC BY-NC-ND 2.0

Palm oil concession © H Dragon, CC BY 2.0

A Tainted History of Development with Decades of Foreign Intervention

The World Bank's supervision over Indonesia's development path began in 1967, when loans and technical assistance fueled Suharto's dictatorship. Following a staged military coup, the new regime received unwavering support from the World Bank – with over US$23.1 billion disbursed over thirty years of dictatorship.[16]

During Suharto's military rule, Bank-supported economic policy reforms, including liberalizing trade and foreign direct investment,[17] were accompanied by new regulations to exploit natural resources. The Forestry Law of 1967 asserted the central government's control over all forest areas, thereby legalizing Jakarta's exclusive right to exploit 143 million hectares of the country's lush forests – roughly three-quarters of the nation's total land area.[18] The Law on the Basic Provisions of Mining, also passed the same year, legitimized the state's control over all mineral resources and allowed foreign concessions.[19]

To the detriment of indigenous peoples and local communities, who relied on common forest resources for their livelihoods, a series of concessions ceded control of one of the world's three largest areas of tropical forest to private forestry conglomerates with close ties to the government.[20] During the 1970s, Indonesia became the world's largest exporter of tropical timber.[21] But both natural wealth and economic profits were plundered out of the country given multinational corporations heavily dominated the logging industry.[22]

This massive exploitation and commodification of natural resources took place in the name of "development," much in line with the Bank's vision: "rapid export growth by fostering a favorable environment through macroeconomic stability,"[23] regardless of the social and environmental costs involved. According to the Bank, Indonesia's gross domestic product (GDP) grew exponentially from US$7.5 billion in 1968 to US$242 billion in 1996.[24] In turn, the World Bank considered the pro-growth and "politically stable" environment of Indonesia as a bastion of its neoliberal policies, making it an "East Asian economic miracle."[25]

But the "miracle" failed to serve all Indonesians equally. Reportedly at least 500,000 Indonesians were killed during Suharto's anti-communist blood bath, while western countries not only remained silent but also financially supported the dictatorial regime through the international financial institutions.[26] One of the most scandalous projects made possible by the World Bank financing was the Transmigration Program. It consisted of the resettlement of millions of people from the populous "inner islands" of Java, Bali, and Madura to the so-called underutilized "outer islands," aimed at providing a workforce for plantations and mines and boosting economic development.[27] But the supposed economic benefits associated with this long-lasting project hid the painful reality of many indigenous groups – with their lands expropriated, they were forced to abandon their traditional resilient livelihood strategies, such as shifting cultivation.[28]

While Indonesia continued to pursue its growth agenda, the administrations that followed Suharto's regime adopted, with little variations, the same natural resource-intensive and pro-foreign investment economic development model.

A Textbook Example of World Bank-Guided Policy Reforms

The Southeast Asian nation was one of the many developing countries to embrace the Bank's detrimental SAPs in the 1990s. During the *Reformasi* (reform) period, which proceeded the end of the military rule and the devastating 1997 Asian economic crisis, the Indonesian government accepted IMF conditionality-attached loans aimed at making the country more attractive to foreign investors.

The 1997 Asian financial crash, a sequence of currency devaluations and banking crisis that swept across East Asian countries, including Indonesia, exposed the vulnerability of the economies praised by the World Bank for their fast growth.[29] But once again, the international financial institutions tried to heal the deep-seated economic problems with the same measures that created them in the first place – more economic deregulation reforms and further reliance on foreign private investors. According to the *Memorandum of Economic and Financial Policies* signed in 1998, in exchange for the IMF's financial support, Indonesia had to implement a strategy "for foreign trade and investment to be further liberalized, domestic activities to be further deregulated, and the privatization program accelerated."[30] This was yet another opportunity to expand the corporate grip over Indonesia's natural wealth. The agreement required the government to conduct a series of policy and regulatory reforms, including abolishing its ban on foreign investments in oil palm plantations,[31] liberalizing trade in the agriculture sector, reducing export taxes on timber and minerals, and accelerating the privatization of public enterprises.[32] Indonesia's policy reforms guaranteed another period of influx of foreign funds. After 1998, the World Bank's projects and technical assistance loans soared, reaching approximately US$4.5 billion by 2003.[33]

Indonesian President Joko Widodo meets President of the World Bank Jim Yong Kim. Source: Jim Yong Kim's Twitter account

Following a wave of global resistance against the international financial institutions and the growing criticism that neoliberal policies increased poverty, debt, and dependency on rich countries, nationwide protests against the World Bank's interference swept the country in 2003.[34] That same year, the Indonesian government declared it wanted to break free of the painful austerity measures and anti-poor commitments to the IMF.[35]

However, the Indonesian government and the international financial institutions failed to learn the lesson. Even with the end of the SAPs, the World Bank continued to play a significant role in boosting Indonesia's pro-business reforms to attract private investors. Between 2009 and 2017, the Bank committed over US$20.6 billion in loans and guarantees for Indonesia,[36] of which over 22 percent were loans aimed at enhancing the investment climate through policy and regulatory reforms such as reducing tax burdens, facilitating licensing procedures, land administration reforms, financing for commercial infrastructure projects, etc.[37]

Indonesia's efforts to make itself attractive to investors have been continuously lauded by the Bank, as reflected in its Doing Business rankings. Indonesia climbed 34 positions in the DBR in only two years – from 106 in 2016 to 72 in 2018.[38] As an intended consequence of its pro-business reforms, Indonesia has seen a sharp increase in foreign direct investments in recent years, from losing US$4.5 billion in 2000 to a net inflow of over US$22 billion in 2017.[39] But the slippery slope of business-friendly policy reforms guided by the World Bank is taking a radical and risky turn to reach President Widodo's ambitious index target of number 40,[40] as the removal of thousands of business regulations gets underway.[41]

Policy reforms guided by the World Bank gained further momentum with President Widodo's fetish for the Doing Business rankings. Since taking office in October 2014, he has launched 16 economic reform packages to expedite the process of doing business in various sectors. In addition, other reforms aimed at improving the business environment, including further liberalizing the FDI regime on logistics, tourism, and agriculture, have been implemented.[42] Focused on improving the "ease of doing business," especially for foreign investors and companies, the reform packages acclaimed by the DBR have removed investment regulations, eliminated licensing requirements to start a business, and eased land acquisition.[43] To implement the deregulation measures, President Widodo created a special Task Force at the Coordinating Ministry for Economic Affairs in 2016.[44]

Operating under the Bank's logic, which presumes that faster administrative processes and fewer regulations will improve the business environment, the current government announced the elimination of 3,000 regional regulations to fast-track licensing processes.[45]

As of 2018, the diverse archipelago, home to more than 300 ethnic groups, stands as the largest economy in Southeast Asia and the world's tenth largest economy in terms of purchasing power.[46] In the race to the bottom to deregulate and adopt the World Bank's policy prescriptions, Widodo's new reforms to increase trade and investment might continue economic growth. But as evident from the past decades, this comes at the expense of Indonesian workers, indigenous communities, and the environment.

Destructive Growth: Attracting Investors and Neglecting Indigenous' Land Rights

Throughout the five decades of partnership, Indonesia has been celebrated for following the Bank's policy recommendations to the letter.[47] The latest World Bank-Indonesia Country Partnership Framework – the main document outlining the Bank's policy guidance and development projects for 2016-2020 – reinstates the Bank's role in influencing Indonesia's economic policies. The framework focuses on "consistent public policy reforms to shore up Indonesia's economic fundamentals, helping create a more enabling environment for the private sector that is the main source of growth and creation of new jobs, and making growth sustainable and shared more widely."[48] While "sound macroeconomic policies" and increased private investments are claimed by the Bank to be behind Indonesia's GDP growth,[49] the assumption that private sector investments generate "sustainable" and "shared" prosperity misses some key realities.

Behind prosperous private investments are Indonesia's biodiverse rainforests, local communities whose livelihoods depend on them, and the environment.[50] Yet, the accelerated shift of culturally rich and food producing lands for corporate profit has led to the displacement of a massive number of smallholder farmers and indigenous peoples.[51] This has happened especially through concessions of customary lands – lands managed by indigenous people in accordance with their customary land law (*adat* law) – to corporations, as all lands have long been claimed by the Indonesian state under Constitutional law.[52]

A 2016 landmark study by the Indonesian Commission on Human Rights (Komnas HAM) brought to attention the systematic violation of indigenous communities (*Masyarakat Hukum Adat*) communal land rights. The report found that the absence of formal recognition by the state of indigenous communities and their customary lands remains one of the root causes of land disputes. In practice, as indigenous peoples' knowledge regarding the location of boundaries of their communal forests is based on oral tradition, which is not recognized by the government, the Indonesian state arbitrarily treats any "forest" as "state forest."[53] Another key issue identified was that "[Indonesia's] development policy promoting economic growth has given priority to granting exploitation permits to large-scale economic enterprises over indigenous territories, with the state apparatus and/or the security forces providing protection to the corporate interests."[54]

> *"[Indonesia's] development policy promoting economic growth has given priority to granting exploitation permits to large-scale economic enterprises over indigenous territories, with the state apparatus and/or the security forces providing protection to the corporate interests."*

Box 1: Deadly Battleground: Peoples' Resistance, Human Rights Abuses, and Murder by Corporate Violence

Every year, the Komnas HAM's Complaint and Investigation Department deals with at least 1,000 human rights violations attributed to corporate abuses.[55] Unsurprisingly, farmers' resistance and opposition to private plantations, mining companies, and developers has spread across Indonesia in recent years, as local and multinational companies are allowed to seize and deforest customary lands.[56]

Sadly, the people defending their land, forests, and rivers against destructive industries are too often met with extreme violence. Recent examples of land defenders murdered by companies' private security and state forces abound. In 2015, Indra Pelani, a 22-year-old environmental activist and farmer was severely beaten and murdered by private security forces working on behalf of a subsidiary of Asia Pulp and Paper (APP).[57] The same year, Jopi Peranginangin, a campaigner opposing the expansion of oil palm plantations was also murdered.[58] Again in 2015, Salim, a local farmer and antimining activist, was beaten to death three days after staging a rally to protest against sand-quarrying activities on Watu Pecak Beach.[59] In 2018, environmental activists and land defenders continue to be targeted and criminalized.[60]

Two of the four high school students shot dead as they danced in protest, December 2014. Source: Kingmi Church Papua/International Coalition for Papua (ICP)

Overlooking this complex and deeply problematic situation, the Indonesian government was rewarded in 2010 by the DBR for making registering property easier by introducing time limits for procedures at the land registry, and in 2018, for reducing the property transfer tax.[61] The revised regulations allow for revocation of land rights "in public interest" and enable businesses to acquire land on behalf of the authorities and be reimbursed later.[62] Moreover, a State Asset Management Agency (LMAN) was established to facilitate the financing of land acquisitions.[63] But in the context of competing claims for land rights and the lack of state recognition of customary land uses, there is a high risk of the DBR framework further undermining Indonesia's ability to maintain adequate social and environmental standards in land administration. By focusing on accelerating and reducing costs of procedures at the land registry, the DB-guided reforms ignore Indonesia's long-standing land tenure issues and ultimately serve corporate interests by fast-tracking land transferring process.

More than 600 land conflicts recorded in 2011 – with 22 deaths and hundreds of injuries – bear evidence to the issues involved in "streamlining" the regulatory environment for doing business and transferring land.[64] Especially in cases when the implementation of lengthy and sensitive processes are deemed necessary, such as social and environmental impact studies or Free Prior and Informed Consent (FPIC) of indigenous peoples, time limits hinder the land registry's capacity of verification before the development of large-scale projects on customary lands.

Another key process aimed at facilitating access to land for investments, but that can potentially hinder indigenous land rights, is the Bank-funded Program to Accelerate Indonesia's Agrarian Reform, approved in July 2018.[65] The Bank's project documents blame Indonesia's long history of seizure and exploitation of indigenous peoples' territories on "weak land governance and administration,"[66] obscuring the legacy of corporate interests over Indonesia's timber, soil, oil and gas, and consumer markets. Based on this partial assumption, it provides land use mapping and formal registration of land titles as the appropriate regulatory solution, ignoring the fact that simply offering land titles does not address the issue of land grabbing. On the contrary, the program risks providing a legal strategy out for large-scale land acquisitions.

The concrete consequences of the program are yet to unravel, but its first appraisal already predicts high social and environmental risks, including involuntary resettlements and the likelihood of mistakenly mapping areas with high conservation values (such as wetlands, mangroves, etc.).[67] Despite claiming to adopt participatory methods for mapping land rights, the issuance of formal individual titles to demarcated areas supported by the Bank is fundamentally at odds with indigenous peoples' communal approach to defining land rights (*adat* law).[68] This might be explained by the fact that *adat* law and land use relies on the ability of groups to share land for diverse and overlapping activities, such as foraging, fishing, farming, etc., which are incompatible with the Bank's focus on increasing private investments and economic growth.

Ignoring the stewardship of indigenous communities in ensuring conservation, biodiversity, and sustainable management of natural resources,[69] Indonesia's World Bank-acclaimed development path systematically undermines their land rights in favor of corporate interests.

Rainforest destruction for palm oil plantation in Indonesia-occupied Papua © Ulet Ifansasti / Greenpeace

Expanding Palm Oil Agribusiness and Fueling Corporate Abuse

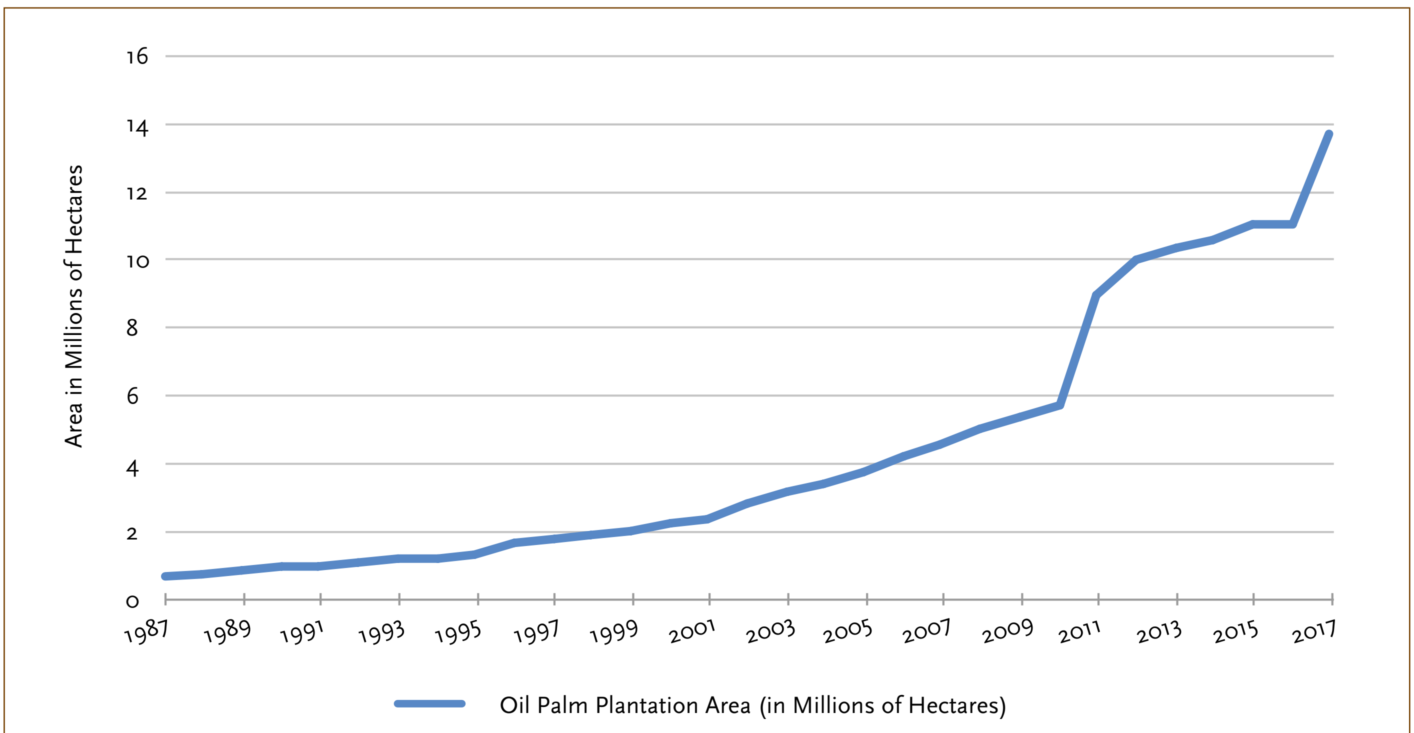
In the context of Indonesia's complex and diverse land tenure systems and long history of corruption, its efforts to foster the development of the palm oil industry, by giving away forested land and offering tax breaks to private investors, have failed to deliver the desired outcomes.[70] Instead, the expansion of large-scale oil palm plantations, especially by private enterprises, has driven deforestation, led to the loss of indigenous lands, and stoked conflict.[71]

The boom of the palm oil production in Indonesia – from 6.9 million tons in 2000 to 32 million tons in 2016[72] (see Figure 1) – can be attributed to policy reforms and the deregulation of foreign investment and trade.[73] The Bretton Woods institutions have played an important role in fueling the expansion of the palm oil agribusiness by investing all across the supply chain.[74] Over 50 percent of all World Bank commitments related to palm oil went towards financing a series of projects in Indonesia.[75] However, this has come at a very high cost for the people and the environment, with the destruction of natural habitats and conflicts with local communities, who are forced off their lands to make way for plantations.

A large part of Indonesia's economic growth has been credited to the "success" of its palm oil and palm oil-based biofuel exports.[76] But while high-income countries such as EU members have instituted policies to increase their use of biofuels, developing countries like Indonesia and Malaysia, who account for around 85 to 90 percent of global palm oil supply,[77] have paid the toll.[78]

Indonesia's tropical rainforest, surpassed in area only by that of Brazil and the Democratic Republic of Congo,[79] is home to between 10 and 15 percent of the world's known plants, mammals, and birds.[80] But a rise in FDI and an enhanced "business climate" has also meant that between 1995 and 2015 alone, an average of 117,000 hectares of forest – an area larger than Hong Kong – were cleared every year to make way for oil palm plantations.[81] According to data from Indonesia's Statistics Agency, the total area of oil palm plantations in Indonesia was around 14 million hectares in 2017[82] – an area larger than the size of Greece. And despite government pledges to halt new oil palm permits,[83] the plantation area is expected to continue increasing as the country plans to grow its production by 2020.[84]

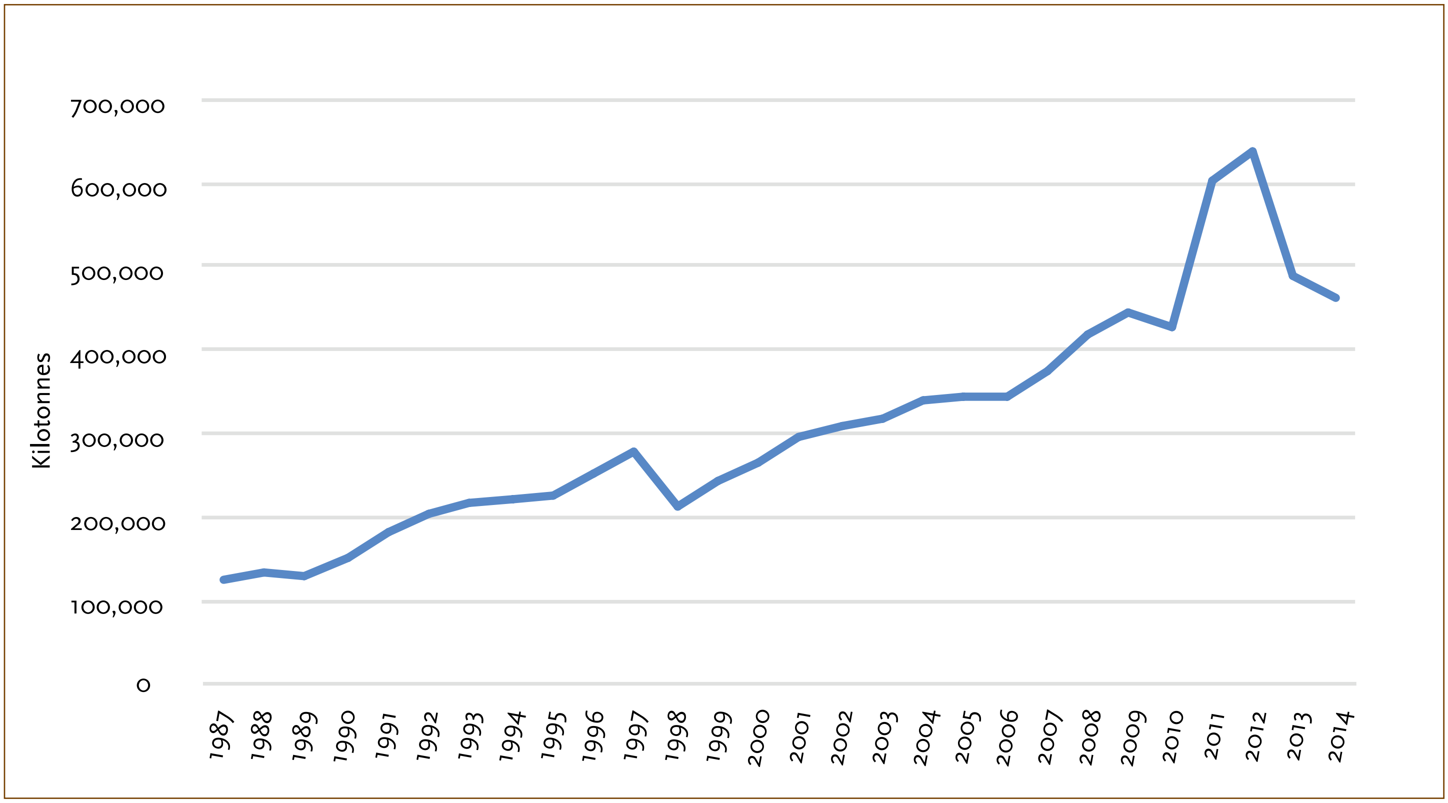
Figure 1: Expansion of Oil Palm Plantations in Indonesia 1987-2017 (million ha)



Source: FAOSTAT and BPS, Indonesia's Statistics Agency[85]

The expansion of oil palm plantations and the deforestation and peat degradation associated with it have turned Indonesia in one of the world's highest greenhouse gas (GHG) producers (see Figure 2).[86] Research shows that private oil palm plantation businesses are to blame for the bulk of environmental impacts in the country, with them being responsible for approximately 90 percent of Indonesia's total CO_2 emissions between 2000 and 2010, compared to ten percent of emissions by smallholder farmers.[87]

Figure 2: CO2 Emissions in Indonesia 1987-2017 (kt)



Source: Word Bank Data

As the world's leading palm oil producer and exporter, Indonesia depends on almost US$20 billion annual revenue from commodity exports.[88] In turn, private investments in oil palm plantations are presented by companies and government officials as a means to create employment and build roads, schools, and housing. But the expansion of large-scale plantations also threatens the survival of about 40-65 million people who directly depend on Indonesia's minor forest resources for their livelihoods.[89]

A number of studies and community complaints have documented the extent of the detrimental impacts of large-scale monoculture plantations on people and the environment in the country.[90] A recent in-depth study of plantations in West Kalimantan uncovered the everyday violence and devastation of the lives of smallholder farmers by the corporate oil palm estates.[91] The research revealed a predatory system of acquiring land for plantations, which limited people's access to natural resources and reduced workers' capacity to organize. It starts with bulldozing or sometimes setting fire to remove all tree cover to permanently transform the landscape into an open field – a blank slate ready for planting oil palm.[92] Then, strategies used by plantation operators include destroying small hamlets, rice fields, and grave sites, which fall within the boundaries of their concession, as well as hiring contract workers from other regions as they lack kin ties with the surrounding population.[93] In sum, industrial oil palm production entails halting people's capacity to provide for their own subsistence, using coercion, threats, and material

Box 2: The IFC's Bad Investments in Palm Oil

The IFC – the private sector arm of the World Bank Group – has extensively engaged in the palm oil sector, with investments in plantations (Indonesia, Thailand, Ghana, Nicaragua), palm oil refining (Indonesia and Ukraine), and palm oil trading (Indonesia and Singapore).[97] Since 2003, the Wilmar Group, one of the world's largest agribusiness conglomerates specializing in the production and trade of palm oil, has received financial support from the IFC for production in Indonesia with a US$33.3 million guarantee and US$17.5 million loan.

Between 2007 and 2011, complaints from communities in three different regions – West Kalimantan,[98] Sumatra,[99] and Jambi[100] – were filed with the IFC's Compliance Advisor Ombudsman (CAO), an independent recourse mechanism of the World Bank. All complaints against the Wilmar Group and its wholly owned subsidiaries (other palm oil plantations) raise similar concerns around environmental and social impacts faced by the local communities, including:

1. Land clearance without appropriate community approval or completion of Environmental Impact Analysis (EIA) processes;
2. Violation of national regulations and laws as well as the certification protocols of the Roundtable on Sustainable Palm Oil;
3. Inadequate compliance with IFC operating procedures and due diligence requirements; and,
4. Use of coercive measures by government forces and the company's staff to evict families and destroy dwellings on disputed land.[101]

These complaints led to two audits that found major non-compliance with IFC policy,[102] and subsequently with the World Bank Group framework for investing in palm oil.[103] Despite these revelations, in the 2016-2020 Country Partnership Framework with Indonesia, the Bank refers to the IFC's advisory services in palm oil business as a best practice, which should be continued. It also reaffirms the IFC's investments in leading forestry and palm oil plantation companies as its main private-sector strategy.[104] Meanwhile, a 2018 Greenpeace International investigation disclosed that Wilmar International is still linked to forest destruction for palm oil almost five years after making a commitment to end deforestation.[105]

World Bank Group will continue working with Indonesia to close its infrastructure financing gap of US$500 billion over the next five years. Source: World Bank Twitter account destruction to maintain control over livelihood resources (farmland, forests, living spaces, water sources, income opportunities).[94] Unsurprisingly, over 200 land conflicts directly related to the plantations were recorded in 2017 alone.[95]

Despite wide evidence debunking the belief that private investments in large-scale agribusiness lead to shared benefits for local communities, the World Bank has systematically supported this detrimental development model (see Box 2).[96]

Indonesian organizations have mobilized to denounce the longstanding human rights violations, land grabbing, and environmental destruction generated by the palm oil industry. In May 2018, over 230 groups, including indigenous peoples' organizations, farmer unions, farmers, laborers, human rights defenders, and environmental activists joined hands to urge the Indonesian government to take action and draw international attention to the devastating impacts of oil palm plantations.[106] They described this impact in an open letter to the president of Indonesia, the president of the EU Council, and leaders of the EU Member States: "We have [...] lost our village lands (because our management rights to the land have been occupied by oil palm plantations), our food sources, livelihood, sources of herbal medicine, rare vegetation and germ plasm, as well as our collective ways of life based on our local wisdom, and connections with our ancestral places integral to our identity and cultural heritage. [...] Our customary territories now suffer long term ecological disasters, such as droughts, forest fires, water pollution and the decline of fish stocks, loss of food security."[107] The groups further denounce increased land conflicts, harassment, criminalization, and denial of labor rights associated with the expansion of these plantations.[108]

These accounts of the everyday struggles of Indonesian communities stand in stark contrast to the positive veneer of "economic development" and "employment opportunity" used by the Bank to describe the plantation business.[109] A similar discourse is used by the Bank to portray the mining sector,[110] another major driver of deforestation and social and environmental damages in Indonesia.

"We have [...] lost our village lands (because our management rights to the land have been occupied by oil palm plantations), our food sources, livelihood, sources of herbal medicine, rare vegetation and germ plasm, as well as our collective ways of life based on our local wisdom, and connections with our ancestral places integral to our identity and cultural heritage."

Extractive Industries: Exploiting Natural Wealth and Hindering Food Security

The World Bank plays a key role in supporting mining activities in Indonesia, especially through the IFC and the Multilateral Investment Guarantee Agency (MIGA). According to the Bank, "the revenues from extractive industries can have an impact on reducing poverty and boosting shared prosperity, while respecting community needs and the environment."[111] In practice, while mining financially contributes to the economy in the short-term through fiscal revenue, it also results in irreversible impacts on livelihoods and the environment through deforestation, water pollution, and the displacement of local communities.

In the province of North Maluku, the PT Weda Bay Nickel project, guaranteed by MIGA,[112] covers a significant proportion of Halmahera island and around 21 percent of the company mining area stands within protected forest areas.[113] To make way for the mining project, the ethnic Sawai communities lost access to forest and agricultural land they have cultivated for generations, thereby losing their primary source of livelihood. The Indonesian National Human Rights Commission found that the affected communities did not give their free, prior, and informed consent before the company's activities began and that members of the paramilitary arm of the Indonesian police were involved in intimidating community members to sign agreements.[114]

In West Papua, a region occupied by Indonesia since the end of the Dutch colonial rule in 1963,[115] Indonesian security forces have secured corporate control over natural resources through widespread human rights abuses and environmental degradation. Since the Indonesian military seized control of the region, the West Papuan people have suffered violence, extrajudicial killings, torture, disappearance, arbitrary detention, rape, and other forms of serious mental and bodily harm.[116] The Indonesian government has systematically forced West Papuans off

Land clearing at PT Indo Sawit Kekal © David Gilbert, Rainforest Action Network, CC BY-NC 2.0

their land (including displacements resulting from the Transmigration scheme), exploited their resources, and undermined traditional subsistence practices. These actions have directly led to widespread disease, malnutrition, and death among the West Papuans.[117]

It is in West Papua that Suharto handed over an entire mountain – the world's largest deposit of gold and third largest of copper – to foreign investors.[118] The Grasberg mine is operated by PT Freeport Indonesia, a subsidiary of United States mining giant Freeport McMoRan Inc. Part of the initial wave of foreign investment that ensued after Indonesia liberalized its investment regulations in 1967, the Grasberg mine operations are located on indigenous peoples customary land. Specifically, the Amungme in the highlands and the Kamoro in the coastal lowlands are considered traditional landowners of the area, along with the Dani, Damal, Moni, Mee, and Nduga.[119]

The open pit mine became so large that it shifted the borders of the adjacent Lorenz National Park, an area listed by UNESCO in 1999 as a World Heritage site. Its pervasive social and environmental impacts are of high concern though hard to quantify due to the lack of independent monitoring. The mine discharges as much as 200,000 tons of waste every day into surrounding rivers, which have completely polluted the once fertile lands and clear waters all the way downstream to the coastal areas.[120] What once was a source of food security for the local population was turned into wasteland by mining.[121] Although riverine methods of waste disposal are banned in every developed country, Freeport and Rio Tinto – the two current majority stakeholders in the Grasberg mine operations – maintain that riverine tailings disposal is the best solution.[122]

Despite the resistance of the local communities against exploitative mining operations, which plan to continue at least until 2041, the World Bank remains one of its supporters. In 2006, the IFC acquired a five percent equity stake at another one of Rio Tinto's mining operations,[123] while the Bank commends Freeport for "sharing benefits" with local communities around the Grasberg mine through its established trust funds for community development.[124]

For an institution mandated to fight poverty, the World Bank's support for extractive industries raises serious concerns. Revenue from the mining industry has barely benefited the local population of the regions where mines have prospered. Instead, they drastically hinder communities' ability to provide for their own needs. This bleak situation risks further deterioration with continued deregulation to attract foreign investors by reforming policies according to the Bank's Doing Business indicators.

As the Bretton Woods institutions prepare to meet in Bali for the 2018 Annual Meetings, the Bank's strategy for Indonesia's economic growth continues to rely on foreign investments for the exploitation of the country's rich natural resources.[125] In 2018, a new World Bank project worth US$300 million was approved for the development of tourism "to improve the quality of, and access to, tourism-relevant basic infrastructure and services, strengthen local economy linkages to tourism, and attract private investment in selected tourism destinations in Indonesia."[126]

Deforestation in West Papua © EU FLEGT and REDD Facilities, CC BY-NC-SA 2.0

A New Frontier for Foreign Investments: Opening Up Lands for Infrastructure Development and Expansion of Tourism

Two central proposals from the World Bank in its current partnership framework with Indonesia consist of developing infrastructure and tapping "unrealized tourism potential."[127] Although moving away from the commodity export economy might sound like a good idea, relying on building new airports and expanding luxury tourism to "share prosperity" with local communities is likely to be yet another false promise. Guided by the World Bank, President Widodo's government is counting on handing out profitable mega-infrastructure projects to foreign private investors to accelerate Indonesia's economic growth.[128]

To improve its ranking in the Bank's DBR and reach the ambitious infrastructure targets, policy reforms undertaken by the government to attract new investors have been drastic. In 2017, Indonesia's central government promised to create regional task forces for enhancing the "ease of doing business." To streamline processes to start a business, the president threatened to punish regional administrations who failed to accelerate licensing procedures.[129] Other business-friendly reforms include a tax amnesty policy and reduced restrictions for foreign ownership in the new infrastructure projects – including the expansion of the national grid, 1,000 kilometers of new toll roads, 3,258 kilometers of new railways, 15 new airports, ten airport upgrades, and 24 new seaports.[130]

In line with this strategy, Indonesia's Investment Coordinating Board (BKPM) and Tourism Ministry earmarked paradise-like destinations on the coastline for new private investors.[131] The priority tourist locations were offered as highly lucrative and "easy" projects to be developed, with BKPM conducting a thorough clearance to ensure land acquisition, the permitting process, and local regulations are not obstacles for foreign investors.[132]

Meanwhile, mega-infrastructure projects for tourism development carried out by the government with support of the Bank[133] have already had problematic consequences. The Batang-Semarang highway construction project in Central Java led to land grabbing and the displacement of communities from the nine villages of Ngawensari, Galih, Sumbersari, Rejosar, Tunggulsari, Kertomulyo, Penjalin, Magelung and Nolokerto in April 2018.[134] A statement from La Via Campesina confirmed that the highway construction project – part of the ambitious infrastructure targets of President Widodo's government – has brought misery to hundreds of peasant families.[135]

The Bank's advice to roll out the red carpet for foreign investors in infrastructure and tourism sectors relies on further exploiting Indonesia's lush forests and beaches.[136] But the fanaticism of attracting investors for the new frontier of development overlooks the severe impacts on local people's livelihoods and the environment (see Box 3).[137]

Box 3: Resisting "Extractive" Tourism, The Case of Benoa Bay

For several decades, the World Bank has funded infrastructure development projects, which transformed Bali into Indonesia's main tourist destination.[138] Now, the host of the WB-IMF 2018 Annual Meetings is on the brink of releasing around 800 hectares for the creation of artificial islands on the waters of Benoa Bay, previously a conservation area.[139] Benoa Bay is one of the last remaining zones in Bali where traditional fishing methods are still practiced, but this sustainable livelihood strategy is now threatened by a luxury tourism compound.[140]

The project, with research and advice from the World Bank,[141] has investments promised by a large consortium led by a developer PT Tirta Wahana Bali International (TWBI). TWBI plans to build a US$3 billion luxury resort, including villas, apartments, hotels, a theme park, and even a Formula One racing circuit – all on land to be reclaimed to "revitalize" Benoa Bay.[142]

It comes as no surprise that the proposal has spurred one of the largest environmental movements in Indonesia's history – Bali Tolak Reklamasi (Bali Rejects Reclamation, known as ForBALI).[143]

Mass demonstrations have brought thousands of protesters from different parts of Bali since the reclamation project was made public. Their main concerns are that the project will flood and destroy more than 60 natural sites and 24 temples that are sacred to the island's predominantly Hindu population, as well as hinder the livelihoods of hundreds of fishermen who gather off shore during low tide to collect fish, shrimps, crabs, and seaweed.[144] Until the project is repealed, the movement has pledged to maintain its strong resistance to defend Bali's people and the environment from this absurd development plan.

Conclusion

The choice of Bali for the Annual Meetings affirms the World Bank's positive outlook towards Indonesia. But the Southeast Asian nation's development trajectory is a prime example of how the Bank's guidance on regulatory reforms generates disastrous consequences for local communities, peoples' livelihoods and food security, and the environment.

While the Bank tries to convince the world that Indonesia's economic model has led to miraculous growth and poverty reduction, the country faces tremendous social and environmental challenges amidst growing inequality.[145]

Oil palm plantations and mining continue to expand under large-scale concessions, worsening Indonesia's contribution to the global climate crisis and negatively impacting the livelihoods of millions of indigenous peoples and smallholder farmers.

With its push for endless growth and profit for the elites, Indonesia's race to reform according to the Bank's DBR smoothens the way for investors, while enabling further pillaging of the country's natural resources. Instead of investing in projects and guiding policies which contribute to its stated mission to "end poverty and promote share prosperity,"[146] the World Bank-supported reforms such as corporate income tax breaks, undermined labor standards, and faster land transferring processes, have led to the erosion of the rights of communities whose livelihoods rely on the lands and natural resources coveted by wealthy investors.

The World Bank's policy prescriptions and hollow development plans for Indonesia have made it a failed East Asian miracle. It is therefore past due time for people-centered – instead of corporate-centered – policies to guide Indonesia's development path.

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